

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY  
EXECUTIVE COMMITTEE**

Date: 20 January 2006

Subject: **Assembly Response to the Regional Economic Strategy  
Consultation Document**

Report of: Head of Policy

**Recommendation:**

That the Committee agrees the response to the Regional Economic Strategy (RES) Consultation Document.

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**1. Purpose of the Report**

- 1.1 To provide the Committee with an opportunity to consider the Consultation Document for the review of the RES for South East England 2006-2016 and agree the response to be submitted to SEEDA by 17 February 2006.

**2. Introduction**

- 2.1 The Assembly welcomes the consultation draft of the RES for the South East. This response draws on comments made by the Assembly's Economic Advisory Group. It comments on a wide range of issues in the consultation document but places a particular emphasis on its alignment with the South East Plan, broader infrastructure issues (including housing and transport), and the need for the RES to provide greater recognition of the key relationship between the two strategies.

- 2.2 The key points raised in the response include:

**The Strategy's Overall Focus**

- Need to identify clear priorities particularly on infrastructure requirements to support a competitive economic environment.
- Need for greater recognition of the region's inter-relationship with the economy of London.

**Relationship with the South East Plan**

- Need for more acknowledgement of, and consistency with, the South East Plan, particularly in the infrastructure chapter.

- Concern over the inclusion of housing figures in the RES and particular concern over the inclusion of figures that are different to those agreed by the Regional Assembly for inclusion in the South East Plan.
- Need for acknowledgement that the relationship between housing supply, population growth, labour supply, productivity and GVA are complex.

### **Economic Areas within the South East**

- The spatial emphasis proposed for the new RES is welcome and broadly consistent with the sub-regional spatial emphasis in the South East Plan.
- Need for an explanation of how the spatial categorisation was developed and how much the approach will be used to prioritise investment as well as ideally cross-reference to the South East Plan sub-regions.
- The tables setting out the geographical implications are helpful in principle but too simplistic in their current form.
- Need for a contextual section on rural issues.
- Need to identify social, cultural and health dimensions and cross-reference to section D9 of the South East Plan.

### **The Global Challenge**

- Agreement that the RES provides an opportunity for SEEDA to signal a new approach of the importance of co-operation with new Asian and developing markets.

### **Overall Aim of the RES**

- Need for inclusion of a broader indicator of 'well-being' as an overall objective.
- Need for fuller explanation of the ability to achieve the ambitious targets relating to reducing economic inactivity and increasing productivity, implications of achieving these targets and their relationship to the overall economic growth rate.

### **The Strategy**

- Employment - Need for employment land requirements to be included in one single location and cross-reference to be made to South East Plan policy RE3 on employment and land provision.
- Innovation and Creativity - Need for reference to the spatial interventions required to allow sectors and clusters to develop and cross-reference to be made to South East Plan policy RE2 on supporting regionally important sectors and clusters.
- Skills - Need for clarity of roles and responsibilities of partner organisations in the planning and delivery of learning and skills.
- Competition and Business Regulation - Disappointment over the lack of emphasis on competition and business regulation and need for reference to more innovative approaches to procurement.
- Housing - Need for reference to the need to provide the right type and mix of housing and consideration of what possibilities exist to make

additional land available for affordable housing and bring empty homes back into use.

- Transport - Need to ensure that the transport proposals mentioned in the final RES are aligned with the South East Plan and that there is clear differentiation between the role of the RES and the work of the Regional Transport Board. Concern over support for the Aviation White Paper and for the continued growth of Heathrow and Gatwick.
- Monitoring and Evaluation - Need for improvement in the monitoring and evaluation framework for the revised RES.

2.3 The Assembly is keen to work closely with SEEDA to develop thinking on the issues raised in this response to ensure a close and clear relationship between the South East Plan and the RES.

### **3. The Strategy's Overall Focus**

3.1 The Assembly welcomes the overall focus of the consultation document and supports the RES in continuing its role in directing strategic investment in the development of the South East's economy.

3.2 One of the most frequent issues raised through the Assembly's scrutiny programme is the need to identify clear priorities. The RES is a vital mechanism for supporting the case for investment in the future economic prosperity of the region and for mobilising and directing the resources of other organisations. The RES should include key messages on priorities that are accessible to the organisations that are able to contribute to the delivery of the strategy.

3.3 The strains produced by a competitive economic environment - both now and in the future - must be confronted in the RES. Poor infrastructure and housing demand have increased upward pressure on what is already a high cost environment. Past failures to invest sufficiently in infrastructure have led to environmental pressures in the region, while lack of investment in skills and the facilities to allow people to work have contributed to economic disparities within the region.

3.4 There needs to be greater recognition in the RES of the region's crucial inter-relationships with the economy of London. The Assembly has recently completed research into these relationships which showed that the most important factor is the size of London's population and workforce growth. If London fails to deliver its forecast growth it would depend more on the South East's workforce. The impact of London's growth will be more significant in the east of the region due to dependency in terms of commuting and trade than in the areas to the west of London which are growing more independently of London.

### **4. Relationship with the South East Plan**

4.1 There is a need for more acknowledgment of the South East Plan in the RES, certainly compared to the single mention of the Plan in the consultation

document. This is especially important in the infrastructure chapter where the Plan is a key delivery mechanism for the key tasks set out.

- 4.2 The core regional policies of the South East Plan have now been submitted to Government. This includes the vision and core strategy, which sets out the scale of development in the region up to 2026 and includes the regional policy framework. Work is ongoing on Part 2 of the South East Plan - the Sub-Regional Detail. That will be finalised and submitted to Government in March 2006. It is important that SEEDA base their review in the context of the Stage 1 submission, and take account of ongoing work on the Stage 2 submission.
- 4.3 There should be, wherever possible, consistency with the South East Plan. This means the RES should embrace the established regional and sub-regional spatial planning strategy and the key spatial principles for sustainable development, including:
  - An urban emphasis for development;
  - Appropriate levels of rural development;
  - Addressing intra-regional economic and social disparities;
  - Supporting continued economic growth in ways that minimise pressures on land and labour resources; and
  - Protection of key environmental, cultural and historic assets.
- 4.4 SEEDA should review the format and content of the RES in the light of this increasingly well-established regional framework, but if SEEDA believe a different approach is required, they should be more open about the fact that it is challenging the policy emphasis and assumptions in the Plan.
- 4.5 Whilst there is a great deal of complementarity between the ambitions of both documents, we have concerns over the inclusion of housing figures in the consultation document and particular concerns over the inclusion of figures that are different to those agreed by the Regional Assembly for inclusion in the South East Plan. The Assembly agreed that there should be an average of 28,900 dwellings per year over the Plan period, front-loaded to the first ten years in order to address the housing backlog. The South East Plan is the key statutory strategy responsible for setting housing targets for the region.
- 4.6 On the levels of economic growth provided for in the South East Plan, the relationships between housing supply, population growth, labour supply, productivity and GVA are more complex and by no means as linear as the consultation document implies, and it would be helpful if this could be acknowledged.

## **5. Economic Areas within the South East**

- 5.1 The spatial emphasis proposed for the new RES is welcome and appropriate for targeting interventions to parts of the region that have distinct characteristics. The current spatial categorisation of 'economic areas' is recognised by Assembly members as being broadly consistent with the South

East Plan's sub-regional spatial emphasis. In respect of this it would be helpful if cross-reference could be made to the South East Plan sub-regions. It is recognised that the categorisation has to be fairly simplistic, however it is not clear how they were arrived at, or how much this approach will be used to prioritise investment/funds. More detailed comments are:

- The 'Outer South East' as defined is very difficult to characterise - towns such as Winchester and Maidstone have very different economic characteristics (and therefore needs) than other rural areas.
- It is unclear why the M23 corridor is included as 'Inner South East' but other similar corridors, such as the M3 or M2, are not.
- It is also unclear from the map of economic areas in the South East whether the Milton Keynes Growth Area falls within the definition of 'Inner' or 'Outer' South East.
- The map is currently showing the existing situation in terms of the economic characteristics of areas based on evidence and the future situation in terms of interventions that will have an impact (i.e. the Growth Areas). Clarity is required over which situation is being shown on the map.
- While there is significant overlap, the coloured dots on the map and the settlements identified in the text on page 10 of the consultation document are not currently consistent with the hubs identified in the South East Plan. The hubs are a focus for regionally or sub-regionally significant economic activity and a priority for investment in transport infrastructure.
- The text on page 10 includes 'examples' of the three different classifications of settlements. This is confusing and a definitive list needs to be provided (consistent with the South East Plan) and reflected on the map.

- 5.2 For each driver of regional prosperity, a table is provided setting out different policy approaches for each of the three geographic areas. This targeted approach is helpful in principle, but is too simplistic in its current form, with the interventions identified for one 'economic area' often equally applicable region-wide (albeit sometimes to different degrees). In addition the rural sections appear very much as an 'add-on', and we would suggest that they should be addressed through inclusion in the main geographic areas (indeed a great deal of the area defined as the 'outer South East' is in fact rural).
- 5.3 It would be helpful to add a contextual section on rural issues. This should make reference to the South East Rural Delivery Framework that the South East Rural Partnership is developing which will help drive forward rural delivery on a range of issues.
- 5.4 The new RES will need to emphasise a dual strategy for the region, enabling growth in areas of opportunity (across the three spatial areas identified) whilst intervening in areas of disadvantage (in primarily the coastal South East and pockets of deprivation in the inner South East), and the tactics required to link the two. In this respect, it needs to retain an explicit commitment to social inclusion - although this may be focused more clearly on economic exclusion and its costs to the overall regional economy. It is vital that the

RES adequately addresses multiple deprivation and any approaches are flexible in addressing complex, multiple types of deprivation. The RES needs to identify social, cultural and health dimensions and not simply concentrate on, for example, the effects of low employment rates. Cross-reference should also be made to section D9 of the South East Plan and particularly policy s1 on social inclusion.

## **6. The Global Challenge**

- 6.1 A striking element of the RES consultation events was the agreement reached on the challenge facing the region from globalisation and the rapidly rising economies of China and the Far East. The Assembly agrees that the global challenge must be recognised as an opportunity not a threat.
- 6.2 There is an opportunity for SEEDA to signal a new approach through the RES, expressing the importance of co-operation with new Asian and developing markets to help business in the region move into untapped markets and attract inward investment. SEEDA should create a bridge between business in the South East and these dynamic markets, helping to translate and interpret ways of doing business for firms and represent regional interests where it matters on the ground.

## **7. Overall Aim of the RES**

- 7.1 The RES aims to show outcomes that represent progress towards sustainable economic performance and a positive impact on the region's overall performance as measured by its Gross Value Added (GVA). However, having a quantitative economic objective (3.2% GVA per head) seems somewhat at odds with the more holistic approach set out in the introduction to the consultation document, which identifies issues of quality of life, social inclusion and the quality of the natural and built environment as being equally important. A broader indicator of 'well-being' would therefore be more appropriate.
- 7.2 Clarification is needed around the evidence base for the aim of 'maintaining the long-term trend of 3.2% annual growth in GVA per head' - which we also note is a different measure to the economic growth rate that the draft South East Plan in planning for over the period 2006-2016 (3.0% total GVA pa). In support of the overall aim there is a need to explain how the long-term economic target of achieving a 5% improvement in the South East's annual productivity growth rate will be achieved.
- 7.3 Whilst the Assembly supports the proposal to increase economic activity rates, the target of bringing 250,000 additional residents into employment appears very ambitious. For example, the South East Plan was based on a forecast implying that an additional 50,000 people will join the labour market and comments that it is unlikely that significant additional numbers will be reached, even with focussed efforts. Clarification is needed on the groups to be targeted through an increase in participation in the labour market and how the focus on increasing participation is to be achieved. Specifically, there

is a need to understand the broad geographic location of these groups and the relationship between this potential additional supply of labour and demand for it.

- 7.4 Failure to accelerate the rate of productivity growth and reduce economic activity could result in a need for more than 35,000 dwellings per annum (as stated on page 32 of the consultation document) which is already higher than the level agreed by the Assembly (see para. 4.5 of this report). This gap in housing numbers will result in difficulties in achieving the overall aim of the RES of 3.2% annual growth in GVA per head.

## **8. Employment**

- 8.1 Childcare remains an obstacle to increasing the participation rate of women and we welcome the commitment of the consultation document to investment in appropriate childcare provision. Further work on intervention mechanisms is required into two groups for whom the participation rates are still too low - older workers and ethnic minorities.
- 8.2 In the section on Geographical Implications some reference is made to employment land requirements but this is not consistent or comprehensive. Employment land requirements are also addressed in the Competition and Business Regulation chapter. For clarity employment land requirements should be included in one single location and cross-reference should be made to South East Plan policy RE3 on employment and land provision.

## **9. Enterprise**

- 9.1 There are two specific points where we felt greater clarification is required. Firstly, what are the opportunities for social enterprise initiatives referred to under the section on the sustainability dividend? Secondly, under the section on geographical focus clarity is required over what the interventions are which have region-wide application.

## **10. Innovation and Creativity**

- 10.1 Under the first task reference should be made to the spatial interventions required to allow sectors and clusters to develop in appropriate locations to allow them to continue to be innovative. Reference should be made to policy RE2 in the South East Plan on supporting regionally important sectors and clusters and the need for local authorities to safeguard land in appropriate locations to meet the requirements of growing sectors. Under the section on geographic focus reference should be made to the work undertaken by Atkins for the Assembly identifying sub-regional sector priorities.

## **11. Skills**

- 11.1 SEEDA should continue to take a strategic role in relation to workforce skills, rather than deliver projects directly. This requires SEEDA to work in partnership with others to address the skills needs of the region. This should lend SEEDA a stronger voice when lobbying Government for changes in national legislation and investment.
- 11.2 The Regional Skills for Productivity Alliance remains the most appropriate body to identify regional needs and integrate activity on skills, training, business support and marketing activity. It must continue to work closely with the local skills partnerships, the local Learning and Skills Councils as well as higher and further education institutes to lift barriers and increase incentives. Clarity of roles and responsibilities of partner organisations in the planning and delivery of learning and skills in the region remains critical. The current lack of alignment between key strategies is leading to some confusion amongst local and sub-regional stakeholders. Without clearer articulation of the priorities within the strategy and delivery plans of key stakeholders it will be difficult to determine the extent to which the policy is being translated into the development and delivery of learning and skills in the South East.

## **12. Competition and Business Regulation**

- 12.1 In general, the UK remains characterised by relatively open markets. Maintaining this position is critically important to retaining globally mobile businesses, and the region cannot afford to be complacent. While competition and business regulation is difficult to assess at regional level, the lack of emphasis in the consultation document is disappointing.
- 12.2 Government already manages a number of initiatives to open up public sector markets to competition and encourage private sector organisations to work better with the public sector. Achieving greater involvement of small and medium-sized enterprises in the Government market place would bring wider benefits to the economy through the promotion of competition and innovation in procurement. SEEDA, working closely with the Office for Government Commerce and through its broader approach to business support, could encourage small and medium sized companies to work more closely with the public sector through supply chain development work.
- 12.3 More innovative approaches to procurement, which promote economic and social objectives, could be achieved through the RES by:
- SEEDA acting as a broker, encouraging on-going dialogue between SMEs (and increasingly the voluntary sector) and the public sector in the region.
  - Business Links, and other business support organisations, assisting SMEs to put in place the skills and resources they need to become successful suppliers.
  - Support for the public sector to identify the opportunities to achieve broader economic and social objectives through procurement and increase client side capacity (i.e. through early supplier consultation, supplier input in developing policy outcomes/outputs, better procurement

strategies, better tender documents, feedback, review and continuous improvement etc).

## 13. Investment in Infrastructure

### Housing

- 13.1 We have commented on the inclusion of housing numbers in para. 4.5 and restrict our comments here to specific points in this section on investment in infrastructure. The consultation document rightly places an emphasis on private sector housing renewal - an area that is receiving increased investment via the Regional Housing Board (RHB). This section would benefit from reference to the research being carried out by SEEDA for the RHB and the detailed work on how to achieve greater impact.
- 13.2 While sustainable communities do require housing with sustainable infrastructure investment, their needs go beyond housing numbers and affordable housing provision. It is important to secure the correct provision of the type, size and tenure of housing to create mixed communities that can adapt to changing circumstances and needs. The consultation document makes no reference to the need to provide the right type and mix of housing to meet the need now and in the future.
- 13.3 A reduction in homelessness can only be brought about by increased provision of new affordable housing (beyond that achievable with current levels of funding) - which necessitates an adequate land supply, control over affordability, and some shifts in tenure (e.g. homeless households being enabled to secure a tenancy in the private sector). SEEDA could consider what possibilities exist at regional level to assist public sector landowners, including MoD land, to make additional land available for affordable housing (linked to the Brownfield Land Assembly Trust) and what support can be given to local initiatives to bring empty homes back into use, thereby creating a more sustainable market for local services, facilities and amenities.
- 13.4 More detailed comments on housing include:
- The consultation document makes reference to the reuse of brownfield sites within urban areas, particularly in town centres and coastal regeneration areas. Reference should be made to the South East Plan target of 60% of housing to be derived from previously developed land.
  - Reference is made to land assembly and the use of surplus public land. Further emphasis could be placed on the conversion of existing buildings as an important source of housing.
  - While the consultation document makes extensive reference to affordable housing, greater emphasis is needed on the type of affordable housing required (i.e. the South East Plan seeks 25% social rented and 10% from other forms of affordable housing).

## Transport

- 13.5 The consultation document mentions a number of transport proposals of particular significance to the region. The final RES will need to ensure that schemes are aligned with the South East Plan, including the Regional Transport Plan, and should not prejudge ongoing investigations. The Regional Transport Strategy, published by the Secretary of State in July 2004, is now a statutory document but is not mentioned in the consultation document.
- 13.6 The Assembly would welcome a stronger emphasis on a modal switch in favour of public transport, including innovative proposals to encourage the private sector to implement travel plans that introduce improved bus and train services to local towns and places of work.
- 13.7 A clear differentiation is needed between the role of the RES and the work of the Regional Transport Board. It is not the role of the RES to identify those transport actions of particular relevance to the region. This work is better undertaken by the Regional Transport Board, which SEEDA is actively involved in. The RES does, of course, have a role in identifying what it considers to be the most relevant transport schemes in terms of the economic needs of the region.
- 13.8 The Regional Assembly has serious concerns about the implications of the Aviation White Paper for the region and hence does not support 'continued growth of Heathrow and Gatwick in line with the White Paper'. The very high levels of aviation traffic growth forecast in the White Paper would require levels of development and surface movement which will be very difficult to accommodate. The Assembly does not consider that at the present time it would be appropriate to include proposals for further expansion at either Heathrow or Gatwick beyond those already provided for under planning agreements.
- 13.9 More detailed comments on transport include:
- The strong support for congestion charging made in the consultation document is not aligned with the mobility management approach outlined in the RTS and does not fully consider the role played by other types of demand management interventions.
  - The East West rail proposal should be included, in light of its potential role in promoting economic development along the Oxford to Cambridge arc.
  - The statement in support of a dedicated service connecting London to Gatwick airport should be revisited. This proposal is not aligned with the Assembly's position and is not evidence based. Any statement of support for this scheme pre-empts the decision on the Brighton Main Line (BML) Route Utilisation Strategy (RUS), which is still awaiting a Ministerial decision.
  - The key tasks should include identifying broad locations within the region for up to three inter-modal interchange facilities and cross-reference should be made to South East Plan policy T14 on inter-modal interchanges.

## **14. Monitoring and Evaluation**

- 14.1 It is widely acknowledged that performance measurement for RDAs is complex. However there is significant scope for improvement in the monitoring and evaluation framework for the revised RES. The RES must be clear about arrangements for monitoring and evaluation, including defining outcome measures wherever possible.

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