

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

MINUTES OF THE MEETING ON 12 SEPTEMBER 2008

Present: Paul Carter (Chairman)
Mary Ballin
Louise Bloom
Elizabeth Cartwright
Michael Chater
Ian Chisnall
Chris Corrigan
Myles Cullen
Peter Dean
Ian Fowler
Maira Gibson
Lynn Hack
Roger House
Helen Jackson
Gordon Keymer, CBE
Louis MacDonald
Keith Mann
Keith Mitchell, CBE
Jerry Patterson
Tony Reid
Nick Rose
Nick Skellett, CBE
Karen Stalbow
Cec Tallack
Paul Watkins

In Attendance: Paul Bevan, Chief Executive
Diana Pogson, Finance and Administration Director
Catriona Riddell, Director of Planning
Nick Woolfenden, Head of Policy
Louise Wilby, Committee Administrator
Alistair Moses, PR Executive
Ameeta Rowland, Policy Adviser
Jo Shockley, Assembly Partner Support Manager
Pam Alexander, SEEDA
Paul Lovejoy, SEEDA
Colin Byrne, GOSE
Sheila Carroll, GOSE

I. Apologies for Absence, Substitutions and Declarations of Interest

- I.1 Apologies were received from Alison Cook, Keith Gill, Patricia Harris, Douglas Horner, Roy Illott, Tony Page and David Shakespeare, OBE.

1.2 The following substitutions were declared: Louis Macdonald for Douglas Horner and Paul Watkins for David Shakespeare, OBE.

1.3 There were no declarations of interest.

2. Minutes of the Meeting Held on 13 June 2008

2.1 The minutes **were agreed and signed** as a true record of the meeting.

3. Matters Arising

3.1 The Chairman requested an update on the commissioned work "What Price Growth? Infrastructure Needs for the South East." He asked what was being done to consider the macro-needs of the region in relation to the South East Plan and the growth agenda. He emphasised the need to identify the difference between the region's expected allocation and the amount of funding required to ensure that quality of life was undiminished.

3.2 The Chief Executive explained that the work would form part and parcel of the Regional Funding Advice process and the Regional Delivery Plan. He confirmed that a report will be brought to the Committee concerning the Regional Funding Advice in January 2009.

3.3 Page 3, para 4.6

The Chief Executive reported that Jonathan Shaw had indicated his keenness to meet with the Committee and will attend the next meeting on 17 October 2008. This shortened meeting will be restricted to reports from GOSE and SEEDA and dialogue with Jonathan Shaw to enable a meeting of the Assembly Plenary in the afternoon to consider the proposed changes to the Draft South East Plan.

3a. Memorandum: SEERA Ltd

3a.1 The Chairman referred to his Memorandum, dated 8 September 2008, which had been circulated to the Committee. He reported that he had met with a group of stakeholders on 5 September 2008.

3a.2 Ian Chisnall thanked the Chairman for the document and whilst acknowledging stakeholders' difficulties with the events of 16 July emphasised the importance of moving forward.

3a.3 The Chairman expressed his thanks and invited the Committee to simply 'note' rather than 'note and accept' the changes to SEERA Ltd's articles. **This was agreed.**

4. GOSE Report

a) Housing Market

4.1 Colin Byrne recognised the considerable concern about the state of the housing market. The purpose of the Government's recently announced measures was to help people currently experiencing difficulties with mortgage payments through the Mortgage Rescue Scheme and the change to the

benefits system allowing payments after 13 rather than 29 weeks. Changes in the Stamp Duty regime and the extension of the shared ownership package to provide 30% equity free loans will assist first time buyers. He reported that these targeted measures will not address investment market problems and that further measures will be announced at the end of the month.

b) Local Area Agreements

- 4.2 Colin Byrne reported that following the joint success in negotiating three year Local Area Agreements (LAAs) preparations were underway to refresh targets for indicators not previously negotiated due to the unavailability of baseline data and perception surveys. The final submission will be in mid February 2009 with sign off anticipated in mid March 2009.

c) Housing and Communities Agency

- 4.3 Colin Byrne confirmed that the newly formed Homes and Communities Agency will start business in December 2008. Eamonn Boylan, currently Deputy Chief Executive of Manchester City Council, had been appointed Deputy Chief Executive, and David Edwards, currently Regional Director of English Partnerships, appointed as South East Regional Director. A stakeholder event, in early October, will be addressed by David Edwards and Sir Bob Kerslake.

d) Sub-National Review

- 4.4 Colin Byrne reported that the Department for Business, Enterprise & Regulatory Reform (BERR) Select Committee was currently considering Regional Development Agencies (RDAs) in the context of the Sub-National Review (SNR). He noted that the Government was providing evidence for this select committee. The Government's announcement on SNR was likely in the coming weeks. He reported that the Regional Minister's current programme of visits was available on GOSE's website.
- 4.5 Ian Chisnall asked about progress with LAA targets. Colin Byrne reported that Government work on indicators was underway including consultations to set baseline indicators to facilitate target setting. He advised that the Public Perception Indicator Survey was proving to be the most challenging. Indicators were likely to be published at the beginning of 2009 leaving little time to negotiate targets.
- 4.6 The Chairman suggested that it would be helpful evaluate what had worked well in the first round of LAAs and consider the effectiveness of the Performance Reward Grant as an incentive. Colin Byrne advised that two regional evaluation events were planned for 1 and 7 October 2008 and national evaluation was planned. The conclusions will be reported to the Committee.
- 4.7 Responding to a question about whether Eco-Towns had been included in figures in the South East Plan, Colin Byrne explained that only the proposed Eco-Town at Whitehill and Bordon had been included.

The Chairman thanked Colin Byrne for his report.

5. SEEDA Report

- 5.1 Following a brief discussion it was agreed that a more concise agency report will be presented to future meetings. It was noted that full SEEDA Board papers were available on SEEDA's website.
- a) Economy
- 5.2 Pam Alexander acknowledged that the economic downturn caused great concern. SEEDA had commenced monthly reports, led by Paul Lovejoy, on the region's economy to the Treasury and BERR. Jonathan Shaw attended the first monthly meeting at the beginning of August. Experience of economic downturn was slower in the South East, although no less crucial for certain businesses. She noted the recent receivership of the travel company Excel and advised that SEEDA, the Learning and Skills Council (LSC) and Jobcentre Plus had offered assistance.
- 5.3 Pam Alexander advised that house prices in Ashford continued to rise, funding for the developers, Stanhope, was secure and the new retail centre was doing well. However, the economic picture was mixed across sectors in the region. Manufacturing and exports had held up well but that there had been a downturn in export orders; SEEDA had provided an additional £1m in support. There had also been a substantial increase in advice to manufacturing business.
- b) Housing Market
- 5.4 Paul Lovejoy advised that SEEDA's first two monthly surveys, of the largest developers, had noted a very substantial decrease in purchaser interest and a distinct rise in the withdrawal of potential purchasers. The biggest issues suppressing demand were the restricted lending policies of mortgage lenders and sudden changes, at short notice, to lending criteria. Part exchange schemes and shared equity products were seen as the most effective incentivising tools.
- 5.5 There was concern that recovery of the housing market will be hampered by stock shortages, inflation of property prices, a reduction in the construction industry's labour force and major developers withdrawing from the region.
- c) Other business areas
- 5.6 Paul Lovejoy reported the manufacturing sector had performed better than more traditionally product based regions. The South East had more export businesses than other regions and those well placed to compete overseas had performed relatively well.
- 5.7 He noted a very mixed, fast changing picture with the Thames Valley, on average, performing relatively well and reasonably well insulated against difficulties evidenced in other regions. However, exposure to financial services, particularly in Sussex, showed a mixed picture with some significant downsizes and one with notable increased activity.

- 5.8 Pam Alexander emphasised the importance of the prompt payment of invoices. She also referred to work by RDAs and English Partnerships to consider possible solutions to regeneration schemes made non-viable through the loss of cross subsidies. She emphasised the importance of being prepared for the market upturn which will come to the South East before other regions.
- 5.9 She reported that SEEDA will lose £23m from its budget to pay for the housing market package. SEEDA had made its views known to Ministers and was working with partners to consider how to mitigate the consequences. In particular it sought John Hutton's recognition of SEEDA's long-term commitment to deliver the Regional Economic Strategy (RES).
- d) Board Appointments
- 5.10 Pam Alexander confirmed that Jim Braithewaite will conclude his term of office in December 2008. The announcement about SEEDA's new Chairman is expected shortly.
- 5.11 Interviews were currently taking place for four new Board appointments. Dr Robert Crawford, Chief Executive of Scottish Enterprise, had been appointed as the new Chief Operating Officer. John Parsonage, Director of Regional Learning and Skills, will be stepping down from some of his responsibilities. He will continue to lead on sustainability, innovation, LSC and Hastings and Bexhill. Oona Muirhead will assume responsibility for skills and employment, Geoff Alexander for business and enterprise and Paul Lovejoy as Executive Director with area responsibility for Sussex.
- 5.12 The Chairman suggested an early discussion of the housing market, construction industry and housing market data covered in Agenda Item 10.
- e) The Construction Industry
- 5.13 The Chairman believed that SEEDA had presented an over optimistic picture and questioned the source of the evidence. He referred to problems in the banking sector related to the withdrawal of yearly loan packages and inappropriate extension of credit.
- 5.14 Pam Alexander acknowledged the difficulty of delivering a balanced picture which offered possible ways forward. She explained that SEEDA was working with its sub-regional partners and Business Link.
- 5.15 Paul Lovejoy outlined SEEDA's sources of information including direct access to regional retail and investment banking managers. The CBI, the Institute of Directors, the Federation of Small Businesses, the South East Chamber of Commerce and other sources contributed to the monthly report.
- 5.16 Nick Skellett, CBE asked whether direct representation was being made to the Governor of the Bank England. In particular he asked where the region needed to improve and urged SEEDA to publicise potential solutions.
- 5.17 Pam Alexander advised that monthly meetings of Chairs with Treasury Ministers enabled consideration of a multiplicity of actions needed to identify

possible solutions. She emphasised the importance of the public sector dealing well with contractors. She cited the problems of developers demolishing empty properties to avoid paying empty property rates in the non-residential sector.

- 5.18 The Chairman suggested that economic partnerships, represented on the Committee, conduct a joint survey of the region's businesses to determine the economic position and invited SEEDA to lead this piece of work.
- 5.19 Pam Alexander agreed to make this information available to partners including the monthly survey of house builders and developers.
- 5.20 Paul Watkins suggested that businesses receiving rate relief would provide a useful index. He reported that 1,016 of 15,000 small businesses, in Dover had received business relief amounting to 40% of the three bands up to 15,000.
- 5.21 The increase in repossessions, late payments of VAT, PAYE, Business Rates, Corporation and Council Tax were suggested as useful indices of the economic downturn.
- 5.22 Roger House offered the services of the Federation of Small Businesses in developing a set of questions to measure available evidence.

The Chairman thanked Pam Alexander for her report.

6. House of Commons Modernisation Committee Report on Regional Accountability

- 6.1 Nick Woolfenden, Head of Policy, introduced the report and circulated a copy of Keith Mitchell's letter to Harriet Harman, QC MP.
- 6.2 He advised that it was likely that the Regional Parliamentary select committees will be established. He emphasised the importance of ensuring the new arrangements added value and avoided duplication of existing accountability and scrutiny arrangements. It was vital that SEEDA's deliverability should not be compromised by additional scrutiny by Government.
- 6.3 Louise Bloom suggested a further letter be sent to the Minister emphasising concern about the proposals affecting the House of Commons. In particular she queried how the select committee will work in practice. She was concerned that local authorities will not be involved in the new arrangements.
- 6.4 It was noted that the Assembly will bring a paper to the next Executive Committee suggesting how it can constructively engage with the select committee.
- 6.5 Keith Mitchell, CBE emphasised the importance of briefing MPs to consider how well central government policy supported the region.

- 6.6 Ian Chisnall noted that England already had devolved government and queried the need to change the political make up of Parliament.
- 6.7 The Chairman expressed concern about the under funding of the region.
- 6.8 Michael Chater voiced profound concern about the Government stating its intention to empower local communities and the reality of a top down approach which ignored these principles.
- 6.9 Colin Byrne advised the Committee that the proposal originated from Parliament rather than from Government. He urged Members to make their views known to MPs.

The Committee **noted** the report, and **agreed** that;

The Assembly Chairman write to the Regional Minister to seek engagement with the Parliamentary select committee for the South East if/when established.

7. Business and Enterprise Select Committee Inquiry into the Role of Regional Development Agencies

- 7.1 The Chief Executive advised the Committee that the report provided the opportunity for the Regional Assembly to reiterate its concerns expressed in the response to the 'Prosperous Places' consultation. A memorandum outlining the Government's response to the Sub-National Review (SNR) was anticipated on 26 September 2008. He indicated that the Assembly's response will be included in that of the English Regions Network.
- 7.2 The Chairman believed that the select committee should have asked whether sufficient funding had been allocated to the RDA, to impact on sustainable regeneration. He voiced concern about inadequate funding for infrastructure through the Regional Transport Board.
- 7.3 Nick Skellett, CBE noted the potential for confusion in the first sentence on page 3, para 1.1 ii "We are concerned by the SNR's overriding emphasis on economic targets for regional strategies."
- 7.4 The Chief Executive explained that this referred to regional strategies. He advised that the Assembly's concern was that the Integrated Regional Strategy may be largely economically driven and, therefore, fail to take account of the important sustainability dimension of the South East Plan. He suggested removing contextual references to the response to SNR for clarity.
- 7.5 Ian Chisnall asked for the following amendments to be made to the Assembly's written evidence to the inquiry: (New wording in bold text)
- 7.6 Page 3, para ii. Sustainable development:
In the first sentence the words regional strategies to be replaced with **the new integrated strategy** so that it reads, "We are concerned by the SNR's overriding emphasis on economic targets for **the new integrated strategy**." This was **agreed**.

- 7.7 Page 3, para i. Democratic accountability:
He requested changes to reflect representation of the whole Assembly, including councillors and stakeholders.
- 7.8 He asked for a change to the wording of the second sentence, “We press instead for local authorities collectively to be given responsibility for preparing the single regional strategy” so that it reads, “We press instead for **principal** authorities collectively to be given **primary** responsibility for preparing the **integrated regional** strategy”.
- 7.9 He also requested that the wording of the third sentence to be amended from, “Failing that, the South East’s new Regional Development Agency (RDA) board should comprise nominees from local government alongside central Government appointees, in a ‘shared agency.’” - to - “This responsibility should be carried out in a manner that fully utilises the skills and experiences of other stakeholders such as those currently involved in the Assembly.”
- 7.10 The Chairman responded that the elected politicians and stakeholders held different views on this issue which were not reflected in the proposed amendment. He believed that this tension should be reflected in the response.
- 7.11 Ian Chisnall requested that an explanation be included that the section on democratic accountability did not have the full support of all the current members of the Assembly. He referred to the Chairman’s assurance of “business as usual” that indicated that elected politicians and stakeholders continue to work in partnership. He suggested that the Chief Executive and Head of Policy suggest suitable wording outside the meeting. This was **agreed**.
- 7.12 Page 4, para 3.2
The words “and internal” to be added to the second sentence so that it reads, “We consistently find concerns about the quality of SEEDA’s external **and internal** communication, a perceived lack of transparency in decision-making and concern that SEEDA’s cross-department working needs to be improved, with an oft-cited concern that area and functional teams operate in silos.” This was **agreed**.
- 7.13 Page 8, para 7.5
Ian Chisnall requested that the last sentence be shortened from, “Much further down the scale were civil servants working for a Government appointed regional organisation (9% support), voluntary/ community sector representatives (5% support) and – in last place – regional business representatives with just 2% support.” – to - “Much further down the scale were civil servants working for a Government appointed regional organisation (9% support).” This was **agreed**.
- 7.14 Page 8, para 7.6
Ian Chisnall asked that the last two sentences be amended from, “Residents also showed a willingness for the wider community to be involved in, at least, setting priorities. We would therefore like to see SEEDA create formal mechanisms that enable regular stakeholder input into their work, which will

also strengthen their accountability to the region.” – to - “Residents also showed a **clear** willingness for the wider community to be involved in setting priorities. We would therefore like to see SEEDA create formal mechanisms that **ensures** regular stakeholder input into their work **at all levels**, which will also strengthen their accountability to the region.”

7.15 This reference was **agreed** in the context of stakeholder’s views being taken account through representation on RDAs’ boards.

7.16 Elizabeth Cartwright noted that the South East, as the biggest region, only had one MP on the select committee.

The Committee **agreed** the proposed input to the Business and Enterprise Parliamentary Select Committee’s inquiry into the role of RDAs subject to the agreed amendments.

8a. Report of the Select Committee on SEEDA’s Strategy and Activity in the Coastal South East

8a.1 Cec Tallack introduced the report and reflected on significant variations in the Coastal South East.

8a.2 The Chairman asked for the importance of road and rail access as the significant drivers for delivering economic prosperity in Kent, to be reflected in the recommendations.

8a.3 The Head of Policy reported that their importance had been discussed and that they that they would included more clearly.

8a.4 Michael Chater advised that the issues of congestion and infrastructure were of particular concern. He advised that Recommendation 2 was closely linked with the housing monitoring data and that the issue of social inclusion was critical.

The Committee:

1. **Received** the report of the select committee on SEEDA’s Strategy and Activity in the Coastal South East.
2. **Agreed** its recommendations as summarised.

8b. SEEDA Six Month Update on Global Challenge Select Committee Recommendations

8b.1 Paul Lovejoy reported the loss of a key member of staff had, in part, resulted in not as much progress being made as anticipated. He advised that Martin Tugwell had confirmed the evidence base was sufficient to make the required progress.

The Committee **noted** the content of the report.

9. Regional Funding Advice: Guidance on Preparing Advice

- 9.1 The Chairman introduced the report by expressing concern that regional funding would be taken out of the region.
- 9.2 The Chief Executive drew attention to the reissuing of the original report due to an incorrect figure in para 3.1. He confirmed that the funding streams included in the RFA amount to £1,134m in the current year (2008-09).
- 9.3 He explained that the purpose of the Regional Funding Advice (RFA) is to enable the region to suggest to Government how regional funding should be spent. The alignment of expenditure between transport, the economy and housing was essential to ensure effective spending. He advised that the fund had been expanded to include local transport block funding. The money enabled local authorities to fund road maintenance and other schemes. The RTB, which had close involvement from all cabinet members of the nineteen local transport authorities, will lead the consideration on whether this money should be taken into account regionally or left with transport authorities.
- 9.4 Nick Skellett, CBE welcomed the Chief Executive's comments and emphasised that the overall allocation was insufficient.
- 9.5 Responding to a question about PSAs, the Chief Executive confirmed all PSA targets referred to in the report are considered relevant but he emphasised that Ministers' priority is to support economic growth.
- 9.6 Colin Byrne advised that the region's case will be strengthened by making explicit links with PSAs to support national priorities. He suggested that there was an early opportunity to influence the steering and working groups and suggested that David Edwards be invited to contribute to discussions.
- 9.7 Michael Chater asked for an update on independent research, commissioned by West Sussex, on regional funding.
- 9.8 The Chairman reported that he believed that the Barnett Formula should be reviewed and emphasised the importance of appropriate investment to maintain sustainable growth.
- 9.9 Pam Alexander indicated that more national funding was available and stressed the need for national programmes to be shaped by regional priorities. She suggested that it would be most helpful to invite David Edwards to contribute to the officers' working group.
- 9.10 Karen Stalbow asked whether targets for affordable housing for 2008-11 would be taken into account. Colin Byrne advised that the Government was committed to meeting the targets and advised the Assembly and SEEDA to report their concerns about overall levels of funding to Government.
- 9.11 Elizabeth Cartwright shared concerns about inadequate funding and noted Government's concern to maintain movement in the market to enable housing associations to continue building in the market downturn. She advised that additional regional funding was essential to deliver the required number of affordable houses.

- 9.12 Pam Alexander advised the inclusion of long-term analysis of housing market needs in the analysis of infrastructure needs. She highlighted that £23m had been taken from SEEDA's budget for economic development in order to support shared ownership, and that the RFA provided the opportunity to review this. The effective use of public funding was essential to bring forward sites to meet long-term housing needs.

The Committee **noted** the content of the report.

10. Housing Monitoring Data

This report was discussed after Agenda Item 5.

- 10.1 The Chairman noted that due to monthly fluctuations the data in the report was likely to be out of date and suggested the usefulness of comparing new housing starts.
- 10.2 Elizabeth Cartwright advised that the trailed announcements about Stamp Duty had caused a detrimental impact on completions.
- 10.3 Affordable housing had been affected by lowered confidence and lack of available sites. She advised that the HC was more optimistic than expected, reporting that starts on site were similar to those for 2006-07. However, she anticipated that overall completions would be lower.
- 10.4 The Chairman believed that projections should be obtained to compare the number of houses being built against the targets in the South East Plan. He believed that the region had delivered more housing than had been suggested and that current housing starts indicated a pessimistic picture for aspiring homeowners.
- 10.5 The Director of Planning emphasised the need to consider the long-term impact. She reported that peaks and troughs characterised the housing industry, which had most recently experienced a peak. She believed that future house building needed to take account of total housing delivered during a peak. She reported that the industry had lost most of its planning staff; however, the public sector had absorbed the planning positions. She believed the key issue would be the length of time for the industry to recover capacity.
- 10.6 The Chairman expressed concern about the number of flats being built and evidence that major house builders were not building houses. He believed that this would result in a significant over supply of labour and subsequent redundancies.
- 10.7 Karen Stalbow believed that peaks in the market, the failure to build sufficient affordable housing, the credit crunch and 110% mortgages had made housing inaccessible. She emphasised the importance of preventing the recurrence of boom and bust conditions in the future.

- 10.8 Concern was expressed about inflation and the difficulties for the industry if it was unable to recover quickly enough to prevent a shortage of houses which would increase prices too rapidly.
- 10.9 The Chairman asked Colin Byrne to convey the severity of the problem to Government. He supported the SEEDA led survey of business and requested that information and subsequent outcomes be shared with the Committee.
- 10.10 Pam Alexander expressed concern about the creation of ghettos of affordable housing and emphasised the need for mixed tenure sites. She also voiced concern about the problems arising from encouraging those on the margins, of being able to afford housing, to enter the market during a downturn.
- 10.11 She highlighted opportunities resulting from recent changes to legislation governing the building of extensions. She believed it was important to consider the barriers to mixed schemes. She reported that all regions had built too many flats and that the buy to let market will change significantly with new models becoming available. She noted that in addition to the credit crunch commodity prices will continue to increase.

The Committee **noted** the most recent data on housing starts, completions and repossessions.

11. Chief Executive's Report

The Committee **noted** the content of the report.

12. Reports of Committees and Boards

a) Regional Transport Board, 16 May 2008

12a.1 Nick Skellett, CBE urged portfolio holders in the highways authorities to attend to the RTB's refresh of schemes up to 2011. He advised that planning delays could change current programming and those making representations might gain advantage.

12a.2 It was agreed that the Chairman would discuss, with Nick Skellett, how communication with district authorities might be improved to ensure that they are aware of the RTB's work.

The Committee **noted** the content of the report.

b) Regional Planning Committee, 23 July 2008

12b.1 Moira Gibson referred to page 3, para 3.4 and reported that she had received a reply to her letter to Caroline Flint, which had not clarified the concerns raised.

The Committee **noted** the content of the report.

c) Regional Housing Board, 3 September 2008

- 12c.1 Elizabeth Cartwright advised that she had been re-elected as Chairman for the third year at the Board's meeting on 3 September 2008.
- 12c.2 She reported that the Board had received a report on Gypsies and Travellers Site Provision. She acknowledged that whilst it was not the Board's role to advise on value for money some bids were very expensive. She believed that it was unlikely that the Board would be able to fund bids at the same level in future.
- 12c.3 Elizabeth Cartwright reported that a director of the Building Research Establishment had given a presentation, at the morning workshop, on the difficulty of retrofitting existing stock. With respect to new build it was noted that achieving Levels 5 and 6 will prove challenging.
- 12c.4 She noted the recent Government initiative to provide 30% equity free loans to homebuyers.

The Committee **noted** the content of the report.

- 13.1 There being no further business the meeting closed at 12.35.
- 13.2 The date of the next meeting is Friday, 17 October 2008 at 10.30 at the Church House, Westminster.