

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

Date: 16 June 2006

Subject: **Chief Executive's Report**

Recommendation:

1. That the South East regional council of the Royal Institute of Chartered Surveyors is invited to nominate a representative as an Economic Partner on the Assembly with effect from the annual meeting in July 2006.
2. The Committee is otherwise invited to discuss and note the report.

Purpose of the Report:

This report updates the Committee on the following issues:

- The Comprehensive Spending Review 2007 (CSR07)
- The agenda for the Assembly/SEEDA board level liaison meeting on 7 June
- The results of the biannual perceptions survey commissioned from MORI
- Filling the final Economic Partner vacancy on the Assembly
- The year end financial report for the Assembly
- The political template following the May 2006 local elections

Key Issues:

CSR07

Two key pieces of preparatory concern the Assembly's remit. The first is the review of sub-national arrangements for improving regional and local economic performance; the second is the cross-cutting review of infrastructure for growth.

MORI

- The Assembly is the most widely recognised of the regional bodies. Awareness has grown to 37% - from 24% in 2002 and 29% in 2004.
- More than 9 out of 10 stakeholder and member respondents think that the Assembly has improved (42%) or maintained (50%) its performance over the past two years.

2005/06 Financial Outturn

- Income for the year totals £4,113k, which is £96.3k higher than budget.
- Expenditure for the year totals £4,027k, which is £10.4k above budget.
- Reserves at 31 March 2006 are £896.6k, compared to £810.6k at the start of the financial year.

Political Template

As a result of the May 2006 local elections the Conservatives will have an additional seat on the Executive Committee, and the Liberal Democrats one less.

I. **CSR07**

I.1 Members will be aware of Treasury plans to undertake a comprehensive review of public expenditure for July 2007. It will cover departmental allocations for 2008-09, 2009-10 and 2010-11, with allocations for 2007-08 held to the agreed figures already announced at the 2004 Spending Review. The context is one of intense pressure on public finances, leading to a focus on making better use of resources and reducing expenditure outside the priority areas of health and education.

I.2 To lay the groundwork for the CSR, the Government is taking forward a programme of work involving an examination of the key long-term trends and challenges that will shape the next decade. The Treasury had identified these as:

- A rapid increase in the old age dependency ratio as the 'baby boom' generation reaches retirement age;
- The intensification of cross-border economic competition as the balance of international economic activity shifts toward rapidly growing emerging markets such as China and India;
- An acceleration in the pace of innovation and technological diffusion and a continued increase in the knowledge-intensity of goods and services;
- Continued global uncertainty with ongoing threats of international terrorism and global conflict; and
- Increasing pressures on our natural resources and global climate from rapid economic and population growth in the developing world and sustained demand for fossil fuels in advanced economies.

I.3 Through the CSR the Government hopes to stimulate a national debate to build a shared understanding of how the UK and public services need to respond to these challenges. To inform that debate, about which details are promised over the next few months, the following work programme has been initiated:

- Detailed studies of key areas where cross-cutting, innovative policy responses are required to meet these long-term challenges;
- A far-reaching value for money programme to release the resources needed to address the challenges, involving both further development of the efficiency areas developed in the Gershon review, and a set of zero-based reviews of departments' baseline expenditure; and
- A more strategic approach to asset management and investment decisions, ensuring the UK is equipped with the infrastructure needed to support both public service delivery and the productivity and flexibility of the wider economy.

- 1.4 Two key pieces of preparatory work concern the Assembly's remit. The first is the review of sub-national arrangements for improving regional and local economic performance; the second is the cross-cutting review of infrastructure for growth. Both studies have implications for the Assembly - the first for our role as regional planning body and the second for our planning agenda, as set out in the draft South East Plan. The Assembly Chairman and I are both therefore keen to maintain close dialogue with Government Ministers and civil servants on the review. We are contributing research ourselves, including the substantial data we have acquired on infrastructure needs in the region and the feasibility studies we have commissioned on Planning Gain Supplement. We are also working with other English assemblies through the English Regions Network to influence the review. We expect to see conclusions from this preparatory work towards the end of 2006.

2. Assembly/SEEDA Board Level Liaison, 7 June 2006

- 2.1 By the time of the Committee meeting the Assembly's Leadership Group will have held one of their periodic liaison meetings with SEEDA board members. The Chairman will be able to report verbally on the business conducted. The proposed agenda covers CSR2007, our messages to new Ministers, the proposed Regional Infrastructure Fund, the draft Regional Economic Strategy and the South East Plan. The three regional chief executives - Assembly, SEEDA and GOSE - will also be involved in the meeting.

3. MORI Perceptions Survey

- 3.1 Every two years we commission the opinion research company MORI to undertake an independent survey of perceptions of the South East and the Assembly. The research includes a statistically representative sample survey of residents, undertaken face-to-face, a self-completion web-based questionnaire for stakeholders, and a number of in-depth interviews with individuals involved in the Assembly's work, either as members or partners. With surveys carried out in 2002 and 2004, the research provides a valuable data series that enables us to track attitudes and impact over time.
- 3.2 The 2006 survey was carried out between January and March. The Executive Summary is appended to this report; the full report will be available on the Assembly website. The findings are on the whole encouraging, confirming residents' satisfaction with their quality of life and increased awareness both of the region and of the Assembly. However in-depth knowledge of the Assembly's role amongst the public at large remains poor. Member and stakeholder opinion of the Assembly is good.

3.3 Key findings are as follows:

- Nearly 9 out of 10 residents are satisfied with their area as a place to live.
- High house prices remain a cause for concern, but less so than in previous years.
- 84% of people recognise their region and 7 out of 10 are proud to live here. Far fewer than in previous years think that Essex or London are part of the South East.
- The Assembly is the most widely recognised of the regional bodies. Awareness has grown to 37% - from 24% in 2002 and 29% in 2004.
- More than 9 out of 10 stakeholder and member respondents think that the Assembly has improved (42%) or maintained (50%) its performance over the past two years.

4. Economic Partner Vacancy

4.1 The Committee's recent review of stakeholder representation concluded with one outstanding issue to be resolved, namely the final economic partner vacancy. A number of potential member organisations representing economic interests in the region have been explored in consultation with the Leadership Group. A key criterion has been that the nominating body should have a regional structure that provides a proper accountability arrangement for any representative.

4.2 The Leadership Group agreed at its meeting in April that an approach be made to the Royal Institute of Chartered Surveyors, which is of course a renowned professional body with a strong business sector dimension covering many different aspects of the development and land management agenda. In recognition of the wide areas of common interest, the response on behalf of the RICS South East Regional Council to the possibility of representation has been very positive. I am therefore recommending that the South East Regional Council of the RICS be invited to nominate to the vacant economic partners place on the Assembly with effect from the forthcoming annual meeting.

5. Year End Financial Report

5.1 This final section of the report updates the Committee on the Assembly's financial status as at 31 March 2006. The statutory accounts for 2005-06 are currently being finalised and audited and will be presented to the Executive Committee at the AGM of SEERA Ltd in September. A summary spreadsheet is attached.

5.2 Key points to note are:

- Income for the year totals £4,113k, which is £96.3k higher than budget.
- Expenditure for the year totals £4,027k, which is £10.4k above budget.
- Reserves at 31 March 2006 are £896.6k, compared to £810.6k at the start of

the financial year.

A detailed commentary from the Director of Finance and Administration follows:

Income

- 5.3 Income for the year totals £4,113k, which is £96.3k higher than budget. Income from bank interest, INTERREG projects and contributions to regional intelligence projects is above budget, subscription income slightly below.

Expenditure

- 5.4 Payroll: The payroll budget included £110k for the Regional Housing Board. Due to the delay in the transfer of the RHB, this has not been fully spent in the 2005/06 financial year. However, within the payroll spend is approximately £67k for statutory planning consultation work carried out by consultants since August 2005. This expenditure was not included in the original budget. Overall the payroll spend is £65.5k below budget at the year end.
- 5.5 Pension fund: In June 2005 the board of SEERA Ltd approved a one-off capital payment of £112k to clear the pension fund deficit. This payment was funded from the VAT windfall which the Assembly received in the 2004/05 financial year.
- 5.6 Recruitment: Costs are £54.6k higher than budget owing to the need to replace staff as a result of resignation, retirement and reorganisation.
- 5.7 Regional Intelligence: The spend on regional intelligence is £149.3k higher than budget due to a number of projects being undertaken in the final quarter of the financial year in preparation for the Examination in Public. The additional spend is offset by income of £51.6k received as third party contributions to research projects (£41.6k higher than budget) and underspends on the communications and publications budgets.
- 5.8 Regional Housing Board: Due to the delay in the transfer of the RHB, the spend is £71.2k less than budget.
- 5.9 Communications and Publications: The underspend on communications and publications - £92.8k and £41.4k respectively - is due to certain activities being delayed because of the revised timetable for final submission of the South East Plan. The underspends have been used to fund additional Regional Intelligence projects in preparation for the EiP.
- 5.10 Furniture and Equipment under £1,000: The board of SEERA Ltd agreed to change the limit for capitalising fixed assets from £500 to £1,000 from 2005/06. New computer equipment (such as PCs and laptops) has therefore been charged to this account resulting in an overspend of £32.6k.

- 5.11 Loss on disposal of assets: Certain items of computer equipment which had not been fully written off have been replaced, hence a 'loss' of £2k.
- 5.12 Travel: Staff travel costs are lower than expected, with an underspend of £8.9k.
- 5.13 Postage: The underspend of £22k is as a result of costs not being as high as anticipated owing to changed South East Plan timings.
- 5.14 Meetings: The allowance made in the budget for additional plenary meetings this year was not required, resulting in an underspend of £14.5k.

Reserves

- 5.15 Reserves at 31 March 2006 are £896.6k, compared to £810.6k at the start of the financial year. No further VAT adjustments have been necessary this year.

6. Political Template

- 6.1 The Assembly's constitution provides for the distribution of local government seats on the Executive and Regional Planning Committees to be determined by the share of council seats in the region held by each political party following the local elections each May.
- 6.2 The table attached (Annex 3) shows the number and proportion of seats held by party, and the resulting distribution as applied to the two committees. The figures for last year are included for comparison. The net result is an additional Conservative seat on the Executive, and one less Liberal Democrat seat.

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