

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

Date: 16 June 2006

Subject: **Assembly Response to the Draft Regional Economic Strategy**

Report of: Head of Policy

Recommendation:

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

Purpose of the Report:

To provide the Committee with an opportunity to debate the draft Regional Economic Strategy (RES) and agree the Assembly response.

Key Issues:

Key points raised in this response include:

Overview

- Support for the considerable progress which has been made since the consultation document.

The Relationship with the South East Plan and other Strategic Matters

- Support for the deletion of the housing figure from the main text in the draft RES.
- Concern over support for the Aviation White Paper and for the continued growth of Heathrow and Gatwick.
- Support for the identification of the diamonds for growth but need for alignment of the other major urban areas/pearls with the hubs in the draft South East Plan.
- Note that the target rate of economic growth is not consistent with that being planned for in the South East.
- The need to more fully address issues and opportunities arising from the inter-dependence with London and other adjoining regions.

Objective 2: Smart Growth

- Social inclusion - Need for a more active and targeted set of interventions to ensure deprived communities benefit from the knowledge economy.
- Social inclusion - Need for an overarching target or indicator to address inequalities in the region
- Productivity – Need for an action on the economic benefits of investing in workforce health.
- Innovation - Need for reference to the spatial interventions required to allow sectors and clusters to develop.
- Skills – Need for reference to the land and property implications of meeting skills needs.
- Infrastructure – the alignment of the housing related objectives with the Regional Housing Strategy and the Regional Housing board work programme is welcomed.
- Infrastructure – need for increased emphasis on public transport.
- Employment – Support for the target of 85% economic activity but need for further work to identify the groups and areas to be targeted.
- Employment – Need for greater emphasis on lower and medium skilled workers to ensure they can access good quality jobs

Objective 3: Environmental Sustainability

- Need to promote behavioural changes amongst individuals and businesses including encouraging businesses to think about a company's obligations beyond keeping shareholders satisfied.

Sustainability Appraisal

- The emphasis on working in partnership is supported but there is a need to consider if the SA/SEA meets the requirements of the UK's Government guidance on Sustainability Appraisal.

1. Introduction

- 1.1 SEEDA launched the draft RES at the Assembly's Executive Committee on 7 April. It follows a series of events between July and October 2005 and a consultation document issued in November 2005. Over 320 written responses were submitted to SEEDA, including an Assembly response which drew attention to the importance of alignment between the South East Plan and the RES.
- 1.2 The consultation on the draft RES will conclude on 30 June 2006 and proposed changes will be considered by the plenary on 12 July 2006. The final version will be presented to the SEEDA Board on 20 July 2006 and SEEDA hope to publish the final RES in September or October.
- 1.3 In line with the Assembly's previous response, this report draws on comments made by the Assembly's Economic Advisory Group, commenting on broader issues of economic development and regeneration but placing 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. Following some initial points on the overall strategy and the relationship with the South East Plan we provide specific comments on the second and third objectives of the strategy, Smart Growth and Sustainable Prosperity respectively, and then comment on the sustainability appraisal.
- 1.4 In addition, in April 2006 SEEDA published an interim South Coast Strategy. The introduction to the document sets out why a Coastal Strategy is needed stating that the new RES "has identified the South East coast as a treasure chest of economic potential. If we could lift the performance of the South East coastal economy to the UK average we would deliver huge gains for UK plc." Further work is required to finalise the draft framework. For information, our initial officer comments are provided in the attached annex I.

2. An Overview of the Strategy

- 2.1 The RES seeks to improve economic performance and enhance the region's competitiveness, addressing market failures that prevent sustainable economic development, regeneration and business growth in the region. This includes building capacity in the region to improve performance on the drivers of productivity innovation and knowledge transfer, skills, enterprise, investment and competition. The draft RES recognises that the requirement to transform business performance and the delivery of infrastructure must be met to ensure the South East Region performs as a world class region.
- 2.2 The revised draft strategy is a more detailed document including more robust objectives and targets. The vision remains unchanged from the November 2005 consultation draft:

"By 2016 the South East will be a world class region achieving sustainable prosperity" (page 29)

- 2.3 Three values run through the strategy - building on excellence for global competitiveness, investing in potential to increase performance and safeguarding quality of life as a competitive advantage. In addition three headline targets are included, which will provide evidence of overall progress against the vision:
- Achieve an average annual increase in GVA per capita of at least 3%;
 - Increase productivity per worker by 30%, from £39,000 in 2005 to at least £50,000 by 2016 (in constant prices);
 - Reduce the rate of increase in the region's ecological footprint (from 6.3 global hectares per capita in 2003, currently increasing at 1.7% per capita per annum), stabilise it and seek to reduce it by 2016.
- 2.4 The revised document identifies a total of 83 actions, 28 of which it is proposed that SEEDA directly leads on, and sets out the key roles for a range of partners. A Strategic Environmental Assessment and Sustainability Appraisal is also published alongside the draft strategy and forms parts of the consultation process.

3. Suggested Assembly Response

- 3.1 The Assembly welcomes the publication of the draft RES and the considerable progress made since the consultation document. The draft is now a more detailed document, including a more robust set of objectives and targets. The strategy builds a convincing case for change, based on the challenges and opportunities of global competition, smart growth and sustainable prosperity.
- 3.2 We welcome the direct link made between the new headline targets and the challenges identified. The objectives and targets are now more focussed and measurable. We see the inclusion of the 83 actions, with the rationale and lead partner, as a big step forward in sharpening up the strategy and moving towards its implementation.

4. The Relationship with the South East Plan and other Strategic Matters

- 4.1 SEEDA and the Regional Assembly have worked closely together to develop a strong evidence base of social, economic and environmental conditions and change in the South East region and therefore the draft RES arrives at similar conclusions to the draft South East Plan in terms of the key challenges facing the region. Economic growth and development remains a necessary condition for prosperity and social and environmental action across the region. However, we need to take a longer view of the development needs of the region and ensure that the high quality of life we enjoy is not damaged by resource consumption and other impacts.
- 4.2 There should be, wherever possible, consistency between the RES and the South East Plan. Two specific issues were raised in our first submission. First, it

is the specific role of the Assembly to advise Government on housing numbers within the South East Plan. It is, therefore, a welcome development that a specific housing figure is not included in the draft RES.

- 4.3 Second, the Assembly has undertaken a vigorous debate about aviation policy. The Assembly does not support the general recommendations of the Aviation White Paper on levels of growth, or the recommendations in relation to the individual airports such as Heathrow and Gatwick. This 'predict and provide' approach contrasts strongly with wider transport policy, which is based around monitoring and managing issues, and would do nothing to mitigate aviation's impact on climate change and wider sustainability.
- 4.4 The spatial emphasis proposed in the draft RES is broadly consistent with the sub-regional spatial emphasis outlined in the draft South East Plan. The economic map¹ of the region has changed considerably and we welcome the inclusion of the draft South East Plan sub-regions. We support the identification of the diamonds for growth which were also identified in the Regional Funding Allocation paper as areas which currently are underperforming and/or play an important role as economic centres. However, we have concern about the definition of the other major urban areas/string of pearls of coastal towns. It is difficult to identify how the urban areas/pearls relate to the hubs outlined in the draft South East Plan and while this may appear an academic debate, concerns remain that a lack of clarity in definitions at the regional level will have implications for identifying priorities for investment. We hope that we can continue to align our definitions of areas/places to ensure coordinated and consistent action.
- 4.5 We are concerned about the lack of alignment between the levels of growth being planned for in the RES and South East Plan. The RES target average annual increase in GVA per capita appears to us to be more ambitious than the level of economic growth we are planning for in the South East Plan².
- 4.6 We also feel that the references to the influence and impact of adjoining regions, particularly London and Europe, are still rather limited, and that greater attention should be given in the RES to actions that address issues and opportunities that arise from the interrelationship between the South East and other areas.

¹ A number of more detailed comments on the map include:

- Remove the spokes – one of the primary purposes of the spokes is to improve access to the regional hubs and, with the hubs not shown, the inclusion of spokes will cause confusion;
- Reference should be made in the text that the map is based on the key diagram in the South East Plan.

² The RES target is for an annual average increase in GVA per capita of at least 3% which is more ambitious than the rate of growth being planned for in the south East Plan of 3% per annum total GVA growth.

5. Objective 2: Smart Growth

Social Inclusion

- 5.1 The emphasis placed in the draft RES on the knowledge economy is welcome. However, there is a danger that the needs of those experiencing multiple deprivation receive insufficient attention, leading to continuing exclusion of communities. The evidence base supporting the draft RES highlights that even in the South East, a knowledge intensive and economically successful region, polarisation and the exclusion of certain communities is a real problem. Deprived communities will require a more active and targeted set of interventions than those outlined in the draft RES if they are to benefit from the knowledge economy.
- 5.2 Although the draft RES recognises inequalities in the region, there is no overarching target or indicator for inequalities able to catalyse action. It is, therefore, unclear how the draft RES might ensure opportunities are shared more widely, how the trends polarising the labour market might be ameliorated or what interventions are needed to avoid polarised communities. For example, disabled people looking for work face a range of barriers – including discrimination, physical and environmental barriers. There is a need for the RES to change the current culture and raise the expectations of employers, health professionals and disabled people themselves that these barriers can be overcome.

Productivity

- 5.3 Whilst the RES recognises the business benefits of a healthy workforce, this is not translated into actions, and there are obvious economic benefits of investing in workforce health, which SEEDA should demonstrate to the region's businesses. A healthy workforce is more productive and efficient, while worker absenteeism cost the UK economy £13 billion in 2005. This is of particular importance in the South East; absenteeism rates in the region are amongst the highest in the UK. Businesses should be encouraged to accept some responsibility for workforce health by promoting healthy work practices and developing healthier environments.

Innovation

- 5.4 As in our comments on the previous consultation, the text and/or actions should refer 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.

Skills

- 5.5 An additional action is required on the land and property implications of meeting skills needs. This should include reference to the need to plan for an increase in demand for places on courses, for continuous development in the workforce and particularly to expand provision in the Growth Areas. The action should be lead by the Regional Skills for Productivity Alliance and Local Authorities.

Infrastructure

- 5.6 We note that the housing related objectives are generally appropriate and reasonably well aligned with the Regional Housing Strategy and the Regional Housing Board work programme. For example, the encouragement for local authorities to collaborate on housing market assessments fits well with the Regional Housing Strategy.
- 5.7 The RES has identified the most relevant transport schemes to support the economic needs of the region and this work will be useful in contributing to the work of the Regional Transport Board in identifying the transport schemes for priority investment in the region. In our previous submission the Assembly advocated 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. The draft RES does place an increased emphasis on public transport and refers to innovative proposals. However, there remains a relative lack of public transport emphasis and this is still a concern.

Employment

- 5.8 In our previous submission, the Assembly supported the proposal to increase economic activity rates while seeking clarification on the groups to be targeted and the broad geographic location of these groups. We support the RES target of 85% economic activity, with a longer term aspiration by 2026, but restate the need for further work to identify the groups and areas to be targeted and means by which to achieve it. We would be keen to work with SEEDA and other partners in exploring and addressing this.
- 5.9 The trend for a polarising labour market in the past two decades is leading to a growing number of higher and lower level jobs, with far fewer jobs in the middle. Whilst the highly skilled may have a better quality of life because of the good quality jobs available, greater emphasis could be placed in the draft RES on the lower and even medium skilled who will increasingly struggle to find good quality jobs that are fulfilling and offer opportunities for development. This was an issue raised in the events of July to October 2005, but remains largely absent in the draft action plans.

Detailed points

5.10 A number of more detailed points include:

- The reference on page 10, third paragraph to 'places including Thames Gateway (Kent), Kent Thameside, Medway and Swale'. Thames Gateway Kent is Kent Thameside, Medway and Swale.
- The actions on pages 44 and 45 need to be expressed as actions rather than objectives. There is a need for the actions to be made more specific and integrated into the implementation plan for the South East Plan.
- It is unclear how the fifth target on page 43, relating to infrastructure, will be measured.
- While action 52 focuses on retaining employment land where there is a good prospect of use, the limited emphasis on the Growth Areas should be widened to the rest of the region.
- Action 58 (Creating cities and towns where people choose to live) should involve Town Centre Management Partnerships as a lead.
- Action 62 (Coverage and access to ICT) should include SEEDA and local authorities in the lead, as explained in the text on page 70.
- Action 63 (Influencing regional planning policy) should be widened to influence over local and regional planning policy.

6. Objective 3: Environmental Sustainability

- 6.1 The success of the strategy will, in part, be judged by the extent to which the economy in the South East makes the most efficient possible use of the resources available to it, whether people, land and premises, energy or raw materials. This remains a challenging agenda, highlighted by KPMG's evaluation of the existing RES, which will be catalysed by the target to reduce the rate of increase in the region's ecological footprint, stabilise it and seek to start reducing it by 2016.
- 6.2 However, the actions outlined in the draft RES tend to focus more on the planning dimension rather than the business or economic dimension. It also ignores the need to promote significant behavioural change, not just amongst individuals but more importantly amongst businesses. For example, the draft RES identifies the need to increase the contribution of renewable energy, but limits specific actions to assisting national aims to improve the security of supply and promoting renewable energy. There is no consideration given as to how the region might encourage or facilitate businesses to reduce their energy consumption through efficiency savings or new processes.
- 6.3 This agenda has implications beyond the environment. Too often, corporate responsibility has existed at the level of rhetoric; while employers have struggled to spell out how it will change the way business is done. The aim should be to develop new corporate sustainability initiatives among organisations by encouraging other businesses to think in practical terms about a company's obligations beyond keeping shareholders satisfied.

7. The Sustainability Appraisal

- 7.1 The draft RES is accompanied by a Strategic Environmental Assessment (SEA) and Sustainability Appraisal (SA) conducted by ERM Consultants. This document is integral to the draft RES consultation process, so we appreciate the invitation to join the steering group. The Assembly supports the emphasis through the SA/SEA report given to working in partnership with regional partners and national Government on issues as behavioural change, implementation and monitoring.
- 7.2 Detailed comments on the sustainability appraisal are provided in the attached annex 2. The comments are based on a review of the SA/SEA of the draft RES against the requirements of the UK's Government guidance on Sustainability Appraisals. A similar exercise was carried during the preparation of the SA Report of the draft South East Plan by the Assembly SA Sounding Board, which proved to be very useful in the SA Report.

8. Conclusion

- 8.1 The Assembly supports the key roles identified for the Assembly and look forward to working with SEEDA to ensure the region rises to the challenges outlined in both the draft South East Plan and the draft RES. Both the Assembly and SEEDA fully seized the new Regional Funding Allocations as an opportunity to join local and regional priorities to national funding allocations and identify new opportunities for leverage. The Regional Funding Allocation document explains how potential changes to the planning system and the proposed Planning Gain Supplement offer a potential new tool to provide essential infrastructure. However, developer contributions remain finite and the challenge of providing timely and appropriate infrastructure daunting.
- 8.2 The aim, well outlined in debates on the draft RES, is to think imaginatively about ways to harness public funding to lever in private investment, new borrowing powers for public bodies to help bring forward infrastructure and others ways to ensure the planning system responds efficiently in dealing with major infrastructure proposals, while recognising local aspirations and concerns.

Philip Craig
Head of Policy
30 May 2006

Contact: Nikki Nicholson, Regional Planner
T: 01483 555200
E: nikkinicholson@southeast-ra.gov.uk