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South East Regional Committee

South East England Development Agency and the Regional Economic Strategy

First Report of Session 2008–09

Report, together with formal minutes

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The South East Regional Committee

The South East Committee is appointed by the House of Commons to examine regional strategies and the work of regional bodies.

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Powers

The committee is one of the Regional Committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/se.cfm.

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Summary

Parliament has established Regional Select Committees to provide accountability for those regional bodies that make decisions affecting millions of people throughout England. The South East Regional Committee want to make sure that these bodies in the South East are accountable to Parliament, and we feel this would be improved by elected representatives in the region putting aside any political disagreements regarding the establishment of Regional Committees and joining us in this important work.

The Committee felt it was important, in the current economic climate, that the first inquiry of the Committee should be into the role of SEEDA and the Regional Economic Strategy. This is not only because the region is feeling the effects of the current downturn, but also because the structures of regional government are undergoing change.

We support the Regional Economic Strategy emphasis on global competitiveness, smart growth and sustainable prosperity, and its role as a single framework setting a long term vision for the region. The Regional Economic Strategy has developed with an emphasis on sub-regions and places with broadly similar potential—the hubs and diamonds for growth areas. We welcome this and the working relationships that have been built up between SEEDA, local authorities and other partners in the diamonds for growth areas.

SEEDA was originally established to provide strategic economic leadership but it has had to accept new responsibilities since it was formed. It is important that SEEDA does not allow its new responsibilities to distract it from its core focus on the regional economy. We urge SEEDA not only to focus on the disparities within the South East but to support economic growth within the region, particularly during the current economic downturn.

The Regional Assembly was dissolved in March 2009. There is still a role for local authorities in regional government through the South East England Leaders' Board. The Leaders' Board will join with SEEDA to form the South East Partnership Board, and together they will develop the Single Regional Strategy. We welcome the establishment of the Partnership Board and the joint working between local authorities and SEEDA. We welcome the move to a combined Single Regional Strategy, support efforts by all parties to ensure a smooth transition from two regional strategies to one, and recommend that SEEDA provide us with a quarterly update on the progress of this work.

We note the creation of the virtual team combining some staff from the former Regional Assembly to provide expertise in areas previously not the domain of SEEDA and will monitor how this will work in practice.

For the Regional Economic Strategy to be effective it needs to have the support of the many partner organisations involved in delivering the objectives. The loss of the Regional Assembly meant the loss of the Social, Environmental and Economic Partners body that comprised the unions, business and third sector organisations. These organisations no longer have a clear mechanism to contribute their views. It is very important that there remains a formal mechanism for such organisations to contribute and we recommend that the virtual team working on the Single Regional Strategy includes people working on

behalf of trades unions, business and the third sector to facilitate engagement with the Partnership Board. We want the Government to report back to the Committee what similar stakeholder engagement mechanisms have been put in place in other regions as a result of the abolition of the Regional Assemblies.

Drawing up the Regional Economic Strategy required consultation with a wide variety of organisations. We heard concerns that the consultation process used to draw up the Regional Economic Strategy could be improved upon when it comes to drawing up the forthcoming Single Regional Strategy. We recommend that SEEDA and the Leaders' Board provide us with further information as to how they will ensure broad engagement when drawing up the Single Regional Strategy.

SEEDA has set itself ambitious targets. However, we are concerned that some of the 'world class' regions that were chosen for comparison are not realistic and ask that SEEDA make clear how they chose the regions they compare themselves to, and on what criteria they measure their performance against them.

As the role and responsibilities of SEEDA change, so the way in which their performance is measured might need to change. Any decision to review targets must be done with the full engagement of partner organisations.

We note SEEDA's quick response to support business during the economic downturn. We hope that SEEDA will continue to talk directly with businesses to ensure the schemes and help available is both what they need and widely communicated. It is important that SEEDA finds the right balance in deploying its resources between long term and short term support to withstand the downturn, and we welcome SEEDA's efforts in prioritising and focusing resource where it can add most value.

There is a perception in some parts of the region that SEEDA always allocates funds to another part of the region. SEEDA needs to review how it communicates its priorities within the region, in particular with regard to regeneration projects. The business community, in particular small businesses, needs to be kept involved. SEEDA should develop a business model to deliver the priorities of the South East and working with the business community ensure infrastructure projects go where there is a demonstrable need.

The future economy of the region will be based on sustainable development. SEEDA should continue to work with the relevant bodies and ensure the region retains the right skills for a future low carbon economy.

We note that SEEDA has the least funding in comparison to other RDAs. There is a strong argument that investment in the South East will achieve greater return on investment than investment in other areas of the UK and we would like the RDA funding formula to be revisited and some evaluative work undertaken to determine how RDA budgets might be best used to optimise value for money.

1 Scrutiny in the South East

Abolition of the Regional Assemblies

1. The South East England Regional Assembly (SEERA) was created in 1999, following the Regional Development Agencies Act 1998, as a partnership of the region's councils and communities to represent the interests of South East England. The 111 Assembly members, including 77 councillors plus representatives from South East England's business and voluntary sectors, were tasked to bring councils and communities together to make decisions on the South East region's priorities for planning, transport and housing, prepare the Regional Spatial Strategy and scrutinise the Regional Development Agency (RDA). In July 2007, the Treasury's Sub-National Review (SNR) of Economic Development and Regeneration announced the abolition of the existing regional assemblies. The South East England Regional Assembly was dissolved on 31 March 2009.

Why have regional select committees?

2. The Government proposed the establishment of Regional Committees in its Green Paper, *The Governance of Britain*, in July 2007.¹ The Green Paper announced that the Government's regional policy should be subject to formal and consistent parliamentary scrutiny and, in common with the Communities and Local Government Select Committee, the Government believed that this scrutiny could be achieved through the establishment of nine regional select committees. Such committees could provide an effective examination of the work of regional bodies and would be well placed to call Ministers to account.²

3. Following publication of the Green Paper, the House of Commons Modernisation Committee conducted an inquiry into Regional Accountability, which concluded that there was "clear evidence of an accountability gap at regional level", and that although RDAs and other bodies were accountable to Ministers, "many of their activities in the region are not subject to regular, robust scrutiny".³ It therefore concluded that the "most effective way" to strengthen regional accountability to Parliament was to establish a system of Regional Grand and Select Committees, recommending that there should be one Grand and one Select Committee for each of the administrative regions in England.⁴ Each Regional Committee was given the remit to "examine regional strategies and the work of regional bodies" in their region.⁵

1 *The Governance of Britain*, Ministry of Justice, CM 7170

2 Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Committee, Fourth Report of Session 2006-07, *Is there a future for Regional Government?* HC 352-I

3 Select Committee on Modernisation of the House of Commons, Third Report of Session 2007-08, *Regional Accountability*, HC 282

4 Select Committee on Modernisation of the House of Commons, Third Report of Session 2007-08, *Regional Accountability*, HC 282

5 Standing Order 152F

Membership of the Committees

4. The eight Regional Committees were established by the House of Commons on 12 November 2008.⁶ Only Labour members were appointed to the Committee, as other political parties declined to take up their places. The Committee has attempted to follow the practice of other select committees, and to carry out its work as impartially as possible.

5. We were disappointed that some Councils refused to engage with the Committee for party political purposes or because of their opposition to regional organisations. Regional Government has been established by Parliament and Regional Committees have likewise been established by Parliament to oversee those arrangements and it is in the interests of our communities that whilst such arrangements are in place we put our differences aside and collaborate on making these arrangements work as effectively as possible. We recommend, therefore, that these Councils review their position and engage openly and fully with future enquiries.

6. We want to ensure that there is clear parliamentary accountability for the South East Region. We hope that the political disagreements regarding the establishment of Regional Committees will be resolved shortly and look forward to welcoming opposition Members joining us in this important work.

Role and responsibility of our Committee

7. The current boundaries for the South East region were formalised in 1998.⁷ The region encompasses 19 county and unitary authorities and 55 districts, covering Berkshire, Buckinghamshire, East Sussex, Hampshire, Isle of Wight, Kent, Oxfordshire, Surrey and West Sussex. The South East is home to over eight million people in some three million households.

8. During our first inquiry, we were eager to ensure that the Committee was representative of the region as a whole and held meetings in the region in Aylesham, Kent and Brighton ensuring both rural and urban locations were used.

Selecting our first inquiry

9. During a time described by the Chancellor of the Exchequer, the Rt. Hon. Alistair Darling MP, as “the most serious global economic turmoil for over 60 years”,⁸ we believed it was important to explore how regional government was assisting the South East during the economic downturn by examining the role, responsibilities and accountability of the South East England Development Agency and the effectiveness of its South East Regional Economic Strategy. Our terms of references questioned the effect of the financial and economic situation on businesses in the region and the support the region was receiving from regional government.⁹

6 The establishment of a ninth Regional Committee for London, was agreed by the House of 25 June 2009.

7 National Statistics, *Beginners guide to UK geography*, www.statistics.gov.uk/geography/gor.asp

8 HC Deb (2008-09), 22 April 2009 col 237

9 Full terms of reference for the inquiry can be found at: www.parliament.uk/parliamentary_committees/se/secpn01.cfm

10. We announced our inquiry on 25 March 2009. Between 11 May and 6 July we held three evidence sessions. We took evidence from the South East Regional Development Agency, Government Office for the South East, representatives from local business and local Councils, and Jonathan Shaw MP, Regional Minister for the South East. We are grateful to those submitting oral and written evidence.

2 Purpose and role of SEEDA

The need for a Regional Development Agency

11. The South East Development Agency (SEEDA) was created in April 1999, along with other Regional Development Agencies (RDAs), to “drive and co-ordinate regional economic development and regeneration and to improve their [regions’] relative competitiveness and reduce imbalances within and between regions.”¹⁰ It has five statutory purposes:

- to further economic development and regeneration;
- to promote business efficiency, investment and competitiveness;
- to promote employment;
- to enhance the development and application of skills relevant to employment; and
- to contribute to sustainable development.

12. SEEDA’s Corporate Plan 2008-2011 identified three key challenges, namely: achieving and maintaining global competitiveness; raising productivity and increasing employment opportunities for “smart growth that will spread the benefits of competitiveness”; and investing in sustainable prosperity “for quality of life, a key source of the South East’s competitive advantage”.¹¹

13. In oral evidence to the Committee, Jim Brathwaite, Chairman, SEEDA, explained that SEEDA worked with business organisations to “improve their performance”, with central government to “let them know what the south-east needs”, and with local councils to “deliver on the economy”.¹²

14. Mr Brathwaite pointed out that the South East had 74 different councils: district councils, unitary councils and county councils. It was the largest region and “the leading economy in the UK, the real locomotive”. He told us that SEEDA had tried to “be a bridge between our councils and central Government” in terms of the growth of the economy. SEEDA had spent a long time working with “hostile councils who did not want anything to do with regional architecture”.¹³

15. Pam Alexander, Chief Executive, SEEDA, told us SEEDA was an organisation driven by funding from Government in order to achieve two Government objectives: “to increase the growth of every region and to reduce the disparities in growth between the regions”. She explained that the South East, as the fastest-growing region, focused more on increasing growth in the region. There were also “substantial disparities” within the South

10 *The Governance of Britain*, Ministry of Justice, CM 7170, para 115

11 South East England Development Agency, *Corporate Plan 2008-11*, p 4

12 Q 3

13 Qq 2-3

East, which SEEDA was engaged in looking at to “help those parts of the South-East that are not growing as fast as others”.¹⁴

16. Ross McNally, Chief Executive of South East Chamber of Commerce, was one of several witnesses who argued that more money should be allocated to the South East region because the impact “through compound growth” would provide a better return on Government investment that would benefit the overall economy with greater funding for “more intervention programmes in other regions”.¹⁵ In addition, he told us that while there was general support for the concept of a regional development agency, however there had been discussion about how it performed and what its key responsibilities were.¹⁶

17. The Engineering Employers Federation (EEF) told us in written evidence that, while many people viewed the RDAs as “unaccountable quangos”, EEF argued that RDAs were “better able to address what are often region-wide economic issues than central government” who were too distant, or local authorities who were perceived as too fragmented, they noted critics proposed abolishing RDAs had yet to come up with a credible alternative.¹⁷

18. We asked the Regional Minister his view as to what a Regional Development Agency adds and the justification for it being at a regional level. He said that the RDA was able to bring other organisations together to coordinate work and leverage in funding. He also said there were advantages in decision making and to enable liaison with other organisations at a scale below national but above local, whichever is appropriate for the issue being addressed; many government bodies had regional offices so it was convenient for them to operate at the same level, there was now more cross-border working beyond district and county boundaries, and there was a broader understanding that economies of scale may occur at different levels. He said this change had come about because of the regional development agencies and other local government reforms.¹⁸

19. We concur with the view that Regional Development Agencies are often better able to address region wide economic issues than either central government or local authorities. The failure of some Councils to engage fully with the Agency is, therefore, likely to be hampering economic development and we call on such Councils to reconsider their position in the wider public interest.

14 Q 142

15 Q 73

16 Q 65

17 Ev 110

18 Qq 145-146

3 Regional Economic Strategy

Purpose of the Regional Economic Strategy

20. The Regional Development Act 1998 required each RDA to formulate and keep under review a Regional Economic Strategy (RES) to provide a shared vision for the development of the region's economy, to improve economic performance and enhance the region's competitiveness. Since its inception SEEDA has produced three Regional Economic Strategies. Pam Alexander, SEEDA Chief Executive, told us that SEEDA had evolved from the English Partnerships which had a legacy of regeneration, and that the first RES had therefore focussed on regeneration projects. The second RES became more focused on lifting up areas of lower productivity and investing in areas of high performance and growth. The third, and current, RES emphasizes innovation, science and technology, quality of life and producing sustainable economic development.¹⁹ It was published in July 2006 and covers the years 2006-2016.

21. The vision for the current RES is that the South East would be a world class region achieving sustainable prosperity, and contained three headline indicators to measure progress against the 'vision'. These are:

- achieving an average annual increase in Gross Value Added (GVA) per capita of at least 3%;
- increasing productivity per worker by an average 2.4% annually, from £39,000 in 2005 to at least £50,000 by 2016 (in constant prices), and
- reducing the rate of increase in the region's ecological footprint (from 6.3 global hectares per capita in 2003 and currently increasing at 1.1% per annum), stabilising the footprint and, ultimately, seeking to reduce it overall by 2016.

22. The RES has three interlinked objectives: global competitiveness, smart growth, and sustainable prosperity, and has fourteen targets to measure progress on these objectives.

RES objectives and targets	
Objective	Target
Global competitiveness	Global Businesses and Foreign Direct Investment
	Knowledge Transfer and Business Expenditure on Research and Development
	Innovation and Creativity
	Infrastructure
Smart growth	Enterprise
	Skills

	Competition and business regulation
	Transport
	Physical development
	Employment
Sustainable prosperity	Climate change and energy
	Sustainable Consumption and Production
	Natural Resources and the Environment
	Sustainable communities

Source: RES, *The Vision, Values, Targets and Actions Framework of the Regional Economic Strategy 2006–2016*, p 46

23. The actions to achieve the objectives are listed in the RES Implementation Plan, along with the organisation with responsibility for each action. These organisations are grouped into four categories: Central/Local Government, Business, Social & Cultural, and Environmental. There are also eight transformational actions that are intended to have relevance across the whole strategy.²⁰

24. The RES Steering Group, made up of several of these partner organisations, monitors and supports the delivery of RES targets among the relevant organisation.²¹ Progress towards the objectives and targets are assessed annually and published by SEEDA in Monitoring Reports.²² The last Monitoring Report is from October 2007.²³

25. The RES was drawn up by SEEDA but was amendable by SEERA. The process enabled the endorsement of those partners represented through SEERA. SEEDA told us that this helped ensure that each of the actions set out in the RES was owned by those best placed to deliver them.²⁴

26. An example from the Environment Agency submission explains this clearly. The Agency is involved, as a partner, in projects involving resource management, green infrastructure, low carbon business development and climate change aimed at meeting RES targets. For example, the programme SE Green Infrastructure Framework and Building for Nature Partnership involves SEEDA, the Environment Agency, Natural England and GOSE working on a series of projects that promote the use of green infrastructure and sustainable construction techniques within new developments. This

20 These are: 1) 100% Next Generation Broadband Coverage, 2) Science and Innovation Campuses, 3) Skills Escalator, 4) Regional Infrastructure Fund, 5) Raising Economic Activity Rates, 6) Global Leadership in Environmental Technologies, 7) Education-Led Regeneration and 8) Masking the Most of the 2012 Olympic and Paralympic Games

21 RES Steering Group membership includes representatives from SEEDA, local authorities, GOSE, Environment Agency, Natural England, Regional Skills & Productivity Alliance, business groups, third sector, trades unions, Sustainable Futures Group, Forum for Sustainability and the Regional Housing and Transport Boards.

22 Ev 80

23 www.seeda.co.uk/RES_for_the_South_East_2006-2016/Annual_Monitoring_Report/

24 Ev 80

contributes to the natural resources and the environment target which is part of the sustainable prosperity objective.²⁵ The Agency also sit on the RES Steering Group.

27. The Agency Regional Director, Harvey Bradshaw, told us they believed the current RES recognises sustainability and acknowledges the principle that a good environment supports a prosperous economy, that there is a shared understanding that environmental protection, environmental infrastructure, quality of life, and adapting to climate change sit hand in hand with economic regeneration.²⁶ He did say that the pace of delivery on some targets could be faster, and that the emphasis was on large scale projects.²⁷

28. We support the broad emphasis of the Regional Economic Strategy on global competitiveness, smart growth and sustainable prosperity; and we recommend that the RES should remain as the single framework setting a long term vision for the region.

29. The arrangements that allowed unions, representatives of employers and third sector organisations to contribute to policy discussions and which existed prior to the abolition of the Regional Assembly were widely appreciated by those involved and greatly assisted engagement with key stakeholders. We recommend that following the SNR similar arrangements are put in place, including arrangements to provide these organisations with the support needed to engage fully with future consultations, so that their views and expertise are not lost either to the Agency or the Leaders Board.

Sub-regions, hubs and diamonds

30. The RES divided the region into three broad areas that share similar economic characteristics: the inner crescent around London, the coast, and the rural area. It also identified three growth areas (Thames Gateway, Ashford, and the Milton Keynes/South Midlands area) and, in line with the draft South East Plan, 21 regional hubs as urban centres of economic activity and transport services that can accept further growth. Of the 21 hubs, eight are also called “diamonds for growth”, having been identified as potential economic catalysts for the whole region. The plans for each of the hubs and diamonds are coordinated with the RES and the frameworks and strategies for the Inner, Rural and Coastal South East.²⁸ Pam Alexander said the implementation plan was being focused on the city-based diamonds because regional policy focussed on eight places that had real identity in their own terms.²⁹

31. We received a submission from the South East Diamonds for Investment and Growth Partnership (SEdfIG), representing the local authorities that cover the eight diamonds.³⁰ They pointed out that the region did not have a single centre but rather several places all with significant growth potential, and as such they felt it appropriate to develop a sub-regional focus that reflected this. Consequently, the diamond areas had benefited from

25 Ev 50

26 Q 132

27 Ev 50

28 SEEDA, *RES 2006-2016, Mapping the South East Economy*, p 43

29 Q 160

30 Basingstoke & Deane BC, Brighton & Hove CC, Crawley BC, Medway Council, Milton Keynes Council, Oxford CC, Reading BC, Portsmouth CC & Southampton CC.

SEEDA acting strategically to build sub-regional partnerships to address local needs, relating to both deprivation and opportunities.³¹ We did receive a submission from the South East regional TUC that expressed reservations about the sub-regional agenda because they were concerned some stakeholders might be pushed to the sidelines and that “powers devolved to a sub-regional or sub-sub-regional level could be abused for party political purposes”.³²

32. We recognise that the South East region is not an easily identifiable region like some other English regions. As such the Regional Economic Strategy has developed with an emphasis on places with broadly similar attributes and potential. We support the partnership working that has evolved between SEEDA, local authorities and other partners in the diamond for growth areas.

The South East as a world class region

33. SEEDA told us that the vision in the RES was to make the South East “a world class region achieving sustainable prosperity”.³³ Most regional development agencies compare their targets against the UK average but as the richest region in the UK, the South East compares itself with other leading world regions. Jim Brathwaite told us that they have a programme where they look at other regions around the world considered to be equivalent to the South East; the examples he used were Kanagawa in Japan³⁴, greater Washington in the US, and Shanghai in China.³⁵ Pam Alexander told us the regions they chose also included Silicon valley in California and the “heartlands of Europe”. She told us that the South East was slipping down the international league table because there were extremely fast rates of growth in some emerging economies, and the emerging economies of Europe have themselves been offering more challenge than in the past. She said SEEDA needed to be sure that the actions they took kept would keep the South East “at the forefront of global economies”.³⁶

34. We welcome the ambition of SEEDA for the South East to compete as a region to the highest standards. However, we are not convinced that the regions named by SEEDA are realistic regions to draw comparisons with. We would like to see the evidence base used to justify the comparative regions, and on what criteria SEEDAs performance is measured against them.

31 Ev 115

32 Ev 103

33 SEEDA, *RES 2006-2016, Summary*, p 3

34 Kanagawa is the region to the south west of Tokyo

35 Q 23

36 Q 158

Consultation or engagement and the RES

35. We heard a variety of views as to the level of involvement from stakeholders in the process for drawing up the RES. The EEF told us that the RES was broadly fit for purpose at the time but the process for drawing it up was over consultative and took too long to be agreed resulting in an outdated strategy.³⁷ The CPRE said they felt the consultation process could have been clearer and more democratic.³⁸ In comparison, the Homes and Communities Agency said they did feel engaged in the RES and, in terms of priority areas and places, there was a shared understanding of where the focus should be.³⁹ Natural England said the consultation had been extensive and substantial.⁴⁰

36. Harvey Bradshaw, Regional Director at the Environment Agency, said he thought they had been “fully and appropriately engaged”. However, he drew comparisons with the way in which the South East plan (the Regional Spatial Strategy) was drawn up which he felt had more of a mechanism to change the dynamic from one of consultation “this is what we think; what do you think about it?” to one of involvement and engagement. He used the example of water efficiency standards that he said would have benefited from relevant organisations being engaged earlier.⁴¹

37. Ross McNally from the South East Chambers of Commerce said:

There was consultation, but not engagement, and that is a matter of how I define the difference between the two. Consultation is when people say, ‘This is what we’re likely to do,’ and then you can throw darts at it or not. Engagement is when people say, ‘What do you need? What would you do in your circumstances?’ Then you find that there is a pattern of similarity in certain other sub-regions and you bring things together to maximise the effect.⁴²

38. Pam Alexander was surprised at the comments of Ross McNally about a lack of engagement. She described the process of drawing up the RES :

We started the 2006 RES process, back in July 2005, with some extremely open debates. More than 2,000 people were involved across the 15 months that it took to create the RES, which of course is substantially less than it takes to create a regional spatial strategy. Those were very open debates. [...] Peter Hall came to talk about the development of cities and the impact that they might have. Sustainability was discussed very openly. We had workshops and working discussions, at which there was no SEEDA prospectus at all. We were simply having very open debates. Then as we went forward with the steering group—that was one of the reasons for creating the group in the first place—some key players in the region took those debates and shaped them into some propositions that we could then consult upon. In my view, we went from very broad engagement to, of course, consultation on some

37 Ev 110

38 Ev 46

39 Q 126

40 Ev 76

41 Q 126

42 Q 75

propositions that then became a framework that I think was both clear and targeted, which is what we were aiming to do. Given that we needed to do all that in not much more than a year, I think it was a sensible process.⁴³

39. She did say that the integrated Single Regional Strategy will have the same statutory function as the regional spatial strategy so it will require a different process, and that would take longer and be much more formalised. Her concern was to find some mix of the two approaches as repeating the time it took to produce the South East plan would reduce the effectiveness for any sort of dynamic process of engagement.⁴⁴

40. We recognise that there is a balance to be struck between encompassing the views of other organisations and producing a strategy that is timely. However, there are concerns in the region that the consultation process could be improved and that organisations should be able to feed into the strategy at the earliest opportunity. The Single Regional Strategy will have a status that requires a certain level of public involvement. We recommend that SEEDA and the Leaders' Board publish their intended consultation plan as soon as they have decided upon it. We recommend that SEEDA and the Leaders Board provide us with further information as to how they will ensure broad engagement when drawing up the Single Regional Strategy. We further recommend the Government provide a comparison as to the consultation process used in drawing up the South East plan and the Regional Economic Strategy.

Measuring the performance of SEEDA

41. In December 2007, PricewaterhouseCoopers LLP (PwC) was appointed by BERR and the Regional Development Agencies to:

- provide an independent assessment of the impact of the spending by each of the nine RDAs and the RDA network as a whole, and
- assess RDA's achievements against objectives of both their regional economic Strategies and their Corporate Plans, and each specific programme and project.

The study focused on the impact of the £580 million spent by SEEDA between 2002–03 and 2006–07⁴⁵ and reviewed 25 evaluations covering spend of nearly £470 million by SEEDA in the relevant period.

42. The report stated that SEEDA has generated significant outputs such as creating or safeguarding over 39,000 jobs, assisting 33,000 businesses, the creation of more than 2,500 businesses, making fit 216 hectares of brownfield land for development, assisting 6,500 people into employment, helping 66,000 people develop new skills and building 191,000 square metres of commercial floorspace. It concluded overall that there was credible evidence that all the regional development agencies had generated regional economic

43 Q 161

44 Q 161

45 This includes expenditure on the Single Regeneration Budget (SRB) of £129m but excludes National programmes which account for an additional £203m. The SRB was a government regeneration fund started in 1994. It was managed through partnerships who won funding through competitive bidding rounds. The last year of bidding was 2001/02.

benefits which exceed their costs, and that for every £1 of RDA spend added £4.50 to regional GVA. SEEDA compares favourably with the RDA national average with every £1 spent by SEEDA during 2002-07 generated on average £5.60 in GVA for the region.⁴⁶

43. SEEDA welcomed the review and quoted the findings to us:

The impact evaluation framework [...] gave us some quite detailed evidence on the impact of our different interventions. [...] we're going to be focusing on those which have had the greatest return. Overall SEEDA was seen to have produced a return of well over £5 for every £1 we've invested, with a substantial range, up to over £11. That was in the business-focused interventions.⁴⁷

44. Pam Alexander said that all of SEEDA's work documented in the report translated into about £2.6 billion to the region's economy. However she added, "I think that that sum is quite remote from individual people. It is actually the story in terms of new businesses, new jobs and new skills that is really relevant to individuals in the south-east".⁴⁸

45. In 2006 the National Audit Office conducted an Independent Performance Assessment (IPA) at the request of the then Department for Trade and Industry. Overall SEEDA was seen as "performing strongly", particularly in the areas of ambition and achievement. Against the category of achievement it reported that SEEDA had delivered regeneration initiatives across the region as well as a systematic approach to business support and that these had been delivered "through effective partnership working, rural delivery programmes and significant leverage of investment into the region".⁴⁹

46. We are reassured by the conclusions of the National Audit Office and PricewaterhouseCoopers reports, both of which provide a positive endorsement of SEEDA's work and its benefits to the regional economy. We support SEEDA using the reports to inform its prioritisation and restructuring.

47. As described above, the RES has a set of measurable targets and the actions to achieve its objectives. Paul Lovejoy, Executive Director of Strategy and Communications at SEEDA, said that the current economic context differed from when the strategy was drawn up, and the challenge remained to be competitive in a global context. Pam Alexander stressed the importance of maintaining the targets that drove the economy in a particular direction, i.e. global competitiveness, productively growth and quality of life in terms of community and environmental outcomes. Some witnesses were more critical. When asked how effective he thought SEEDA was Ross McNally gave it a five out of ten.⁵⁰ Harvey Bradshaw from the Environment Agency made the point that the RES spanned a ten year

46 PwC, March 2009, *Department of Business, Enterprise and Regulatory Reform, Impact of RDA Spending*, Vol 2, p 235

47 Q 165

48 Q 12

49 www.nao.org.uk/publications/0607/south_east_england_development.aspx

50 Q 72

period and as such it was beneficial that decisions to deal with the economic downturn were being made with a longer-term strategic mindset.⁵¹

48. One of the RES's main objectives is to achieve an average annual increase in Gross Value Added (GVA) per capita. Pam Alexander admitted to us that "it is pretty unlikely that we will meet the targets for GVA per capita growth, even on the most optimistic forecasts for the next few years" but that they had discussed the situation with their partners and there had been agreement reviewing targets would not be a productive use of time.⁵² She continued:

we are very clear that the RES sets us all in the right direction. It has been very important to us that the RES targets are owned not just by SEEDA, but by all the partners who will bring their mainstream activities to making it work.⁵³

Reviewing targets

49. There was support for reviewing the targets. David Edwards, from the HCA, thought it would do no harm to review the RES as the economic environment has changed since it was drawn up, "to make sure that we have the indicators and measurements absolutely correct".⁵⁴ When asked about whether we needed to change the way we measure SEEDA's performance, Harvey Bradshaw from the Environment Agency agreed that the "degree to which SEEDA will be impeded by the economic situation is an issue" but he thought the RES had an effective routine for monitoring performance of the economic strategy built in and that would pick up non-delivery of some actions.⁵⁵

50. We asked the Minister if he thought the way that SEEDA's performance was measured needed to be changed to reflect wider social and environmental responsibilities as a result of the SNR and he agreed. He said that if the RDA was changing then it would be important to measure what value it added and that the RDA should be "outcome focussed" and have "a good rapport with stakeholders". Performance should also be based on the RDAs reputation and that "stems from its ability to be able to use its resource and expertise to drive forward on the priorities and help different areas to come together, to realise their ambitions".⁵⁶

51. He said that if SEEDA's performance indicators were to be re-evaluated then it should be formed through an inclusive debate with local and national politicians, the business community and other interested parties in the region. Pam Alexander said it was crucial that the Single Regional Strategy is an effective plan that was owned by the region.⁵⁷

51 Q 125

52 Q 23

53 Q 23

54 Q 138

55 Q 137

56 Q 173

57 Q 173

52. We agree that the Regional Economic Strategy should be concerned with setting a vision for the long term and as such it should drive direction rather than be reactive. We welcome the move to a combined Single Regional Strategy.

53. We welcome the role of partners in defining targets and note that any decision to review targets must be done with full engagement with partner organisations.

4 Impact of Sub National Review

Enhanced role and wider responsibilities

54. SEEDA has a key role in driving and co-ordinating regional economic development. Since their creation in 1999, RDAs' responsibilities have increased, taking on the administration of regional development grants (April 2002), research and development grants (April 2005), Business Link (April 2005), the economic and social funding elements of the Rural Development Programme (April 2006), European Regional Development Funds (2007) and the Manufacturing Advisory Service (MAS).

55. In July 2007, the Government published its proposals to reform economic development and regeneration policy at sub-national level, in the Review of sub-national economic development and regeneration (SNR).⁵⁸ After consultation, and the publication of revised proposals in November 2008, the Government published its proposals in the Local Democracy, Economic Development and Construction Bill.⁵⁹ The proposals included:

- refining plans for producing the regional strategy so that each RDA and the board of local authority leaders in the region will have joint responsibility for the regional strategy, including its drafting, implementation planning, sign-off and monitoring;
- creating a duty on county councils and unitary authorities across England to carry out an economic assessment of their area, and
- creating statutory sub-regional authorities for economic development—economic prosperity boards—that will be voluntary in nature, and to legislate for the option of a similar underpinning of duties on partner agencies in MAAs as in LAAs.⁶⁰

56. As discussed previously, the SNR proposed abolishing the Regional Assemblies, who previously scrutinised the RDAs and produced the regional spatial plan.

57. Ross McNally told us that there was “no doubt that the RDA sets about engaging the business voice and the business community in all that it does”, but following the development of “new structures under the Sub-National Review”, there was a need to address the business community afresh and to “start to build, at local, sub-regional and regional level, improved ways in which business is engaged by the RDA” in order that it could be “truly business-led”.⁶¹

58. SEEDA was originally established to provide strategic economic leadership in the region. Since its establishment it has taken on a large number of additional responsibilities and developed its original role to include responsibility for the delivery of a number of grants and European Regional Development Funds. We note the

58 HM Treasury, *Review of sub-national economic development and regeneration*, July 2007

59 The Bill was introduced in the House of Lords on 4 December 2008 and is currently awaiting third reading in the House of Commons scheduled for 13 October 2009.

60 Such MAAs would provide for local authorities and partners to be placed under a duty both to co-operate in developing the MAA and also to have regard to the targets within the MAA that relate to their functions.

concerns raised by witnesses that this may cause SEEDA to lose its business focus and urge it to ensure that these new responsibilities do not detract from its core focus on the regional economy. We also urge SEEDA to not only focus on the disparities within the South East but to actively support economic growth within the region, particularly during the current economic climate.

Single Regional Strategy

59. The Single Regional Strategy will combine elements of the Regional Economic Strategy and the Regional Spatial Strategy. In its evidence to the Committee, SEEDA said that the possible effect of the SNR on their work would include the need to ensure continued business engagement with a strategy-making process that is longer, more complex and legalistic than the previous RES regime: a shift from sole responsibility for the RES to shared responsibility for the single strategy and an increasing workload on board members requiring new skills.⁶² It should also make SEEDA a more strategic body, less involved in delivery. Several organisations submitted written evidence that welcomed the combination of the RES and the RSS into a Single Regional Strategy. The Campaign to Protect Rural England pointed out that the RES had not always been consistent with the South East plan and the single strategy was well placed to remove this confusion.⁶³ This is important when trying to create sustainable development as pressures for economic development may conflict with other priorities such as transport infrastructure.

60. Colin Byrne, GOSE Regional Director, said drafts of the strategy would be examined in public by planning inspectors and they would be able to form a judgment if the balance on sustainable development was correct and if the engagement processes that had gone on were right.⁶⁴

61. We welcome the early action to create the Regional Partnership Board and establish joint working with the local authority Leaders Board, and we support efforts by all parties to ensure a cohesive transition from two regional strategies to one.

New role and responsibilities

62. Submissions to the Committee welcomed aspects of the SNR, for example, the Chambers of Commerce said they welcomed the Sub-National Review, and EEF welcomed the proposals for the Single Regional Strategy.⁶⁵ However, EEF said that the joint responsibility between SEEDA and the Leaders' Board for agreeing the Single Strategy could create delays, and while they noted that the Bill gave the Secretary of State authority to expedite the process, it remained to be seen how effective this would be.⁶⁶

63. The SNR will give SEEDA a more strategic and less of a delivery role. The Campaign for the Protection of Rural England said SEEDA "should essentially drive the strategy,

62 Ev 80

63 Ev 46

64 Q 173

65 Q 80

66 Ev 80

monitor performance and help others, including key partners, to deliver”.⁶⁷ Ross McNally thought that SEEDA carried out its strategic role best when carrying out regeneration work because it required partnership engagement with the local authority and the local community.⁶⁸ However, Simon Hubbard from Hastings Council, was fearful that SEEDA’s broader role may become too unfocused, and the ongoing repercussions of the recession meant attention will be on those parts of the region that can provide growth—and therefore not so much on towns like Hastings.⁶⁹ The Federation of Small Businesses was concerned that SEEDA should be a business led organisation, and accepting wider responsibilities would dilute that.⁷⁰ Conversely, the Environment Agency raised concerns that SEEDA might be pressured into not giving adequate weight to environmental and social concerns, as it did for economic.⁷¹

New skills

64. David Edwards from the Homes and Communities Agency commented that SEEDA was an organisation in transition due to restructuring, and needed “some more players on the pitch [...] in terms of the environmental agenda”.⁷²

65. The Regional Director for the Environment Agency told us there was a need for more people with environmental skills, but recognised there was a commitment in SEEDA to try to “pull in those skills and use them in the best possible way”.⁷³ However, the Agency was clear that the expertise should not just be “bolt on” but rather embedded in the organisation and its business plan.⁷⁴ Natural England commented that they thought that the sustainability agenda was not always understood within some of SEEDA’s strategic teams nor at operational level.⁷⁵

66. When we asked SEEDA about their changing role, and whether this meant they would have to have a shift in their staff to encompass new skills, Pam Alexander said she was not going to do that but rather she was:

trying to shift the balance of the staff towards economic development and business needs, but that is because we are able to work with others to achieve what is needed on the regional strategy. [...]We are not going to try to duplicate or in any way double up; we’re going to create a virtual team that is able to do both.⁷⁶

She saw the role of SEEDA to build capacity and make the partnerships work, rather than trying to become the experts in everything:

67 Ev 46

68 Q 88

69 Q 118

70 Ev 106

71 Ev 50

72 Q 134

73 Q 136

74 Ev 50

75 Ev 69

76 Q 169

We will very much be working as a virtual unit with the staff who have been involved in the past with the regional assembly in creating the spatial strategy, so we'll be putting together our experts in economic development with their experts in spatial planning.⁷⁷

67. When pressed as to who would be employing the spatial planning and other staff in the virtual team, Colin Byrne from GOSE told us:

Technically, they are employed by SEERA Ltd, which was a stand-alone body which provided that service to the regional assembly, which will now be providing that service to the partnership board—the joint local authority SEEDA board that oversees this production of the strategy. The plan is that SEEDA and the local authorities will recruit a director of this new virtual unit, who will be responsible to a small executive board on which Pam will sit, along with Chris Williams, the chief executive of the Buckinghamshire authority, for the local authorities. They will report into the strategy board and the partnership board of the new arrangements for producing the strategy. Ultimately, it's for the partnership board to take the strategic decisions that will influence the direction that the strategy will go in, and the members of the team will follow those strategic decisions.⁷⁸

68. Pam Alexander confirmed this was already happening, with the executive steering group having met and the regional partnership due to meet in July. The teams from within SEEDA with SEERA Ltd have been brought together and were “reporting in a sense to the South-East England councils, but definitely working together with my staff to create the joint effort [...] This is coming together, and that cohesion is already evident”.⁷⁹

69. There appear to be conflicting views as to whether SEEDA needs to change the skill sets of its staff or how it works with the staff of other organisations as part of the change in its role and responsibilities. The creation of the virtual team, including the retention of some staff from the Assembly, is an innovative method of keeping the necessary skills and experience within the region but it is too soon to know how well these mechanisms will work in practice. We recommend that SEEDA provide us with a quarterly update as to progress on work to develop the Single Regional Strategy.

Stakeholder engagement

70. We received several submissions pointing out that stakeholders had previously had representation at the Regional Assembly through a body called the Social, Environmental and Economic Partners.⁸⁰ This group had lobbied for engagement in the post SNR structures but had succeeded in securing two places and only with observer status.⁸¹ The

77 Q 169

78 Q 172

79 Q 171

80 For example: Ev 46, Ev 106

81 Ev 110

FSB said that the business community might feel disenfranchised from this lack of input into the decision making process and walk away.⁸²

71. Ross McNally thought that the new SNR structures would provide an opportunity to examine how SEEDA engages with the business community, and how it might build, at local, sub-regional and regional level, new ways in which business is engaged by the RDA so that it is truly business-led.⁸³ Simon Hubbard from Hastings Council said he agreed with many of the comments of Mr McNally on the wider issues of consultation and engagement, but noted that they had good experience of SEEDA's willingness to engage as part of the ongoing work of the Hastings taskforce.⁸⁴

72. Business representatives were eager that their views were being heard within the new post SNR systems. Graham Marley, of 1066 Enterprise, told us, "I do not think that the business community feels it has a voice within SEEDA to say, 'This is what we need'.⁸⁵" Ross McNally from the Chamber of Commerce said he felt the problem was that the structures for enabling input were "organs of their own design", so would not naturally provide a route for an alternative voice to be heard.⁸⁶ It was suggested to him that prior to the Sub-National Review, the chamber of commerce, the trades unions and the third sector had a mechanism to engage with SEEDA, and this had subsequently been lost. Mr McNally agreed that he thought some sort of mechanism was supposed to have been replicated and he thought the RDA and Leaders' Board might have worked harder to retain it.⁸⁷ He did not know of any plan to recreate a formal mechanism for consulting business.⁸⁸

73. SEEDA told us they had made it clear they wanted more stakeholder engagement in the regional partnership board, and following discussions with the South East councils, there are two stakeholder representatives on the strategy board. They also engaged with stakeholders via a number of committees and the South East Economic Delivery Council. Pam Alexander said SEEDA wanted:

to make sure that business's voice is heard loud and clear. We see our own board members as representing that voice on the partnership board, the strategy group and the delivery boards, but we very much want to make sure that it is kept to the forefront, and we will find ways of doing that.⁸⁹

74. The Minister told us that the process of devolution let local authorities and local business instead of Whitehall decide how to engage with the RDA. However, he said there was a statutory duty to engage with the business community about developments.⁹⁰

82 Ev 106

83 Q 65

84 Q 106

85 Q 104

86 Q 69

87 Q 85

88 Q 83

89 Q 162

90 Q 162

75. We were told that in other regions the local authorities had started to create bodies that were genuinely engaging the business opinion, and that funding was in place to allow the business voice to inform decision making.⁹¹ The Government said that an offer had been made from SEEDA and local authority leaders to give stakeholders some support to help them making an input into the process, and that the stakeholders were considering how they could make best use of that resource.⁹²

76. We are concerned about the gap in stakeholder engagement because of the loss of the Social, Environmental and Economic Partners body. We recommend that the virtual team working on the Single Regional Strategy includes people working on behalf of trades unions, business and the third sector to facilitate engagement with the Partnership Board.

77. We further recommend that the Government research and reports back to the Committee what mechanisms have been put in place in other regions to help maintain engagement with business and other stakeholders as a result of the abolition of the Regional Assemblies.

91 Q 86

92 Q172

5 Effect of the current economic situation

Regional economic situation

78. The Regional Minister described the South East as “a locomotive of the national economy”.⁹³ The South East economy contributed just over 15% of total UK Gross Value Added (GVA) in 2007,⁹⁴ the second highest after London. The Government acknowledges the importance of the South East region to the economic performance of the UK, however the region is not uniformly robust and high performing economically. SEEDA describes it thus:

We are a microcosm of the whole of the UK in that there is as much diversity between the richest and most deprived parts of the South East as there is between the greater South East and the north of the country.⁹⁵

79. SEEDA told us that it has not seen a disproportionately great impact on the South East compared to other regions. While acknowledging that economic conditions have turned very markedly for the worse in the past six to nine months, very large parts of the South East are continuing to perform strongly. SEEDA thought that the resilience of the South East as a whole was explained “partly in the degree to which businesses in the South East have been competing effectively in international markets and partly in the degree to which they tend to be in the higher value and more resilient end of the value chain”.⁹⁶

80. However, there is evidence that the economic downturn has affected particular sectors and sub regional areas more seriously.⁹⁷ SEEDA’s Research & Economics Unit reported in its Economic Review for June that the economic downturn has had a greater impact on production and construction related activities, that a majority of manufacturing firms reported a drop in both volume of output and new orders in the last quarter of 2008, while financial and business services performed better than expected.⁹⁸

81. EEF reported difficult trading conditions for large parts of manufacturing in the South East. A survey of its members showed that manufacturing output in the South East continued to decline in the first quarter of 2009 with companies expecting further contraction in output and orders. EEF also monitored calls to its helpdesk and noticed increasing requests for assistance in making redundancies or changing employee working hours.⁹⁹ The South East Chambers of Commerce also supported this view, as fellow members of the South East Business Forum.¹⁰⁰

93 Q 140

94 Office of National Statistics, Provisional 2007 GVA regional figures. The Office of National Statistics uses GVA to measure the contribution to the economy of each individual producer, industry or sector in the UK.

95 Q 3

96 Q 20

97 Q 20

98 SEEDA Monthly Economic Update, June 2009

99 Ev 110

100 Ev 112

82. In its evidence, the Federation of Small Businesses (FSB) gave details of the three main problems faced by its 36,000 members in the South East: decreased trade, difficulty in accessing bank finance and late payment by large companies. The FSB also highlighted disparities within the region as, while the majority of its members are struggling in the recession, during the last quarter of 2008, 10 per cent of small businesses had seen their trade increase and in April 2009, 21 per cent of business owners saw an increase in trade over the previous 2 months.

83. The downturn in the economy and its effect on businesses in the region has significant implications for SEEDA. The FSB stated that “since its creation in 2000 the RDA has benefited from the strong continued growth in the South East economy. Clearly SEEDA never envisaged having to deal with a sustained period of economic decline.” SEEDA itself concedes that “there is no doubt that we have seen the most serious reversal in economic conditions in the 10 year history of the organisation”.¹⁰¹ This presents new challenges for the organisation with the need to reprioritise and refocus its activities and having to do so with a decreasing budget.

Prioritisation

84. In March, all the regional development agencies were asked by the (then) Secretary of State for Business, Enterprise and Regulatory Reform to reprioritise and to focus on measures to help their regions through the downturn and prepare for the upturn.¹⁰² SEEDA had to manage the twin challenges of losing £52 million from the corporate plan budget, having to respond to the changing economic conditions in the South East and the transition into a more strategic role for RDAs proposed by the SNR. This required SEEDA to refocus its priorities: “Our core purposes are very clear at the moment: helping business to survive the recession and developing the capacity to make the most of the upturn.”¹⁰³

Support for businesses

85. SEEDA emphasised its consultation with businesses in helping form that prioritisation and “in listening to what businesses said was needed, we have refocused our resources accordingly.”¹⁰⁴ In its written evidence SEEDA highlighted a range of measures it had introduced, along with partners, to help businesses. It has seen relatively good take up of these schemes. Examples include:

- £24 million invested through Business Link
- Free Business Link Health Check for businesses
- £10 million Rapid Rescue Response package

101 Q 20

102 HL Deb, 31 March 2009, WS 81

103 Q 150

104 Q 164

- £3 million Commercialisation Fund through Finance South East – aims to catalyse funding into businesses bringing innovative new products and services to the market.
- £3 million South East Transition Loan Fund – short term bridging mezzanine debt fund directed at viable businesses facing difficulties obtaining credit.
- The Government’s Enterprise Finance Guarantee Scheme – managed through high street banks.

86. Jonathan Shaw, the Regional Minister, talked about the success of the Enterprise Finance Guarantee Scheme, under which in the region of £50 million has been loaned to businesses. He also referred to the ‘time to pay’ scheme which allows businesses to delay their tax payments to the Government; “To take our region, 24,550 businesses have had a delay on their tax returns, and that’s kept £432 million in the South East economy.”¹⁰⁵

87. Several witnesses commented favourably on SEEDA’s focus on helping businesses to survive the recession. The Federation of Small Businesses praised SEEDA’s positive attitude to supporting businesses through the crisis, particularly welcoming the refocus of its business support services on business survival, and in particular, the launch of the Free Business Health Check service which has been accessed by over 8,500 businesses.¹⁰⁶ 1066 Enterprises said Business Link was effective at providing business with information and advice.¹⁰⁷

88. The FSB went on to emphasise that this is where SEEDA’s focus should be: “We believe that the Government is putting too much pressure on SEEDA to demonstrate the ‘green’ shoots of recovery within the South East economy”. They said businesses needed SEEDA to remain focused on giving support to survive the downturn, and while preparing for recovery is crucial in the long term the overriding priority needed to be business survival.¹⁰⁸

89. Although business representative organisations were generally positive, they also highlighted some difficulties with accessing the help available. The FSB quoted its own report detailing business owners’ experiences of trying to access the Enterprise Finance Guarantee Scheme saying that the majority of business owners came back with negative experiences when approaching banks to access EFG funds and the amount of personal guarantees that the banks were asking for.”¹⁰⁹

90. 1066 Enterprises said there was seen a gap in provision of finance of up to £50,000 where “the banks are unable or unwilling to lend” and that, “SEEDA has largely ignored the sub £50,000 debt sector”. They wanted SEEDA to look towards other funding mechanisms, such as community development finance initiatives, to ensure that the money

105 Q 166

106 Ev 106

107 Ev 112

108 Ev 106

109 Ev 106

reaches businesses in need as he says, “the funding is not making its way out through the banks at the present time.”¹¹⁰

91. SEEDA acknowledged that there was some confusion early in the roll-out of the national finance measures in terms of eligibility criteria and inconsistency across the banks. To address this SEEDA has established a Financial Services Forum to bring together regional representatives of the banks and other major financial services providers to review and discuss the support provided for businesses in the region.¹¹¹

92. SEEDA has responded quickly and positively to the current economic situation and has prioritised support to businesses in the region. We support SEEDA in this important work and urge them to continue to provide this support and to ensure that partners, such as banks, are assisting companies as much as possible. We would also encourage SEEDA to explore the use of other mechanisms which would enable businesses, particularly SMEs, to gain access to finance.

93. SEEDA’s efforts in helping businesses through the recession have been generally well received by representative business organisations. We would encourage SEEDA to continue direct engagement with businesses and to ensure that the variety of schemes and help available is effectively communicated to business across the region.

Other priorities

94. SEEDA has started by reviewing the projects that it had a legal commitment to, as these constituted a substantial proportion of the overall budget. It has tried to identify other possible funding sources but is clear that “we are having to face serious disappointment in some projects and programmes.”¹¹² David Edwards of the Homes and Communities Agency gave an example of agencies working together in the current squeeze on funding: “Some of the areas we are working on with SEEDA at the moment are its historic regeneration projects. [...] we are working alongside SEEDA to see how we can restructure and refinance some of those schemes which have stalled in the present environment.”¹¹³

95. After SEEDA’s main priority of supporting businesses through the recession, its next focus is on the high-growth businesses that it can support and the regeneration activities:

We have given some very clear guidance already that the eight diamonds for investment and growth and the four existing priority regeneration areas, which we have set out, will be taking precedence. So there is both functional and spatial priority within all of that, and we have been working very closely with partners to try and make sure that wherever possible, we manage an exit from those things we can’t take forward ourselves.¹¹⁴

110 Q 114

111 Ev 80

112 Q 17

113 Q 125

114 Q 150

96. In its written evidence, South East Diamonds for Investment and Growth (SEdfIG) told us that while the downturn had meant business closures, redundancies and wider challenges across the diamond areas, this had necessitated intensive work by local authorities, SEEDA and other agencies to try and mitigate the effects of the recession. However, they said it should not distract from the long term challenges facing the region. SEdfIG said that meeting the long term challenges are what will enable the South East to grow and enhance its status as a world class region.¹¹⁵

97. Prioritisation of activities and clarity of SEEDA’s role in enabling rather than directly delivering those activities is important in the current environment. SEEDA’s chairman reiterated that, “We must focus very much on major strategic input, where we can have the biggest bang for our buck.”¹¹⁶ Pam Alexander elaborated further on how this would be achieved and told us that, “in relation to many of the very important elements of the RES, our job has been to get other agencies working to achieve them. I see that as something that was always about not intervening ourselves but making sure that we built the capacity in other organisations and agencies, and the focus, direction and commitment, to make sure that they delivered on those agendas.”¹¹⁷

98. SEEDA is applying criteria to enable them to prioritise and focus resource where it will add most value and achieve “transformational impact”.¹¹⁸ Ross McNally proposed that SEEDA reinvent its business model for the new economic conditions, stating that, “if your role is economic development and you have less money, the best thing to do is to utilise that money to leverage all the other activities”, characterising it as “more of a wholesale model rather than a direct retail model.”¹¹⁹ He was in agreement with SEEDA’s renewed focus on utilising others to achieve economic development objectives.

99. Ross McNally was also very clear on SEEDA having a tight focus and told us, “I think an RDA with a small budget should be all about economic growth. It should be about trade”. He recognised that there are other issues of sustainability and social need but felt that the RDA could be responsive to real economic development opportunities and also encompass those issues. Mr McNally gave the example of the South East Chambers working with schools, universities and colleges in enterprise education, “because we know that creates the next generation of enterprising people. There is a social aspect there, but it is a very sensible, businesslike and commercial response”.¹²⁰

100. Graham Marley from 1066 Enterprises said, “My concern is that through the RES there seems to be too much focus on high-growth technology-driven businesses. I’m not saying that that’s a bad thing, because obviously it’s high value added generally speaking, but from the perspective of the types of business that we have in Hastings—very small businesses—what impact has SEEDA had at that level? I guess it’s a question of funding at

115 Ev 115

116 Q 17

117 Q 164

118 Q 18

119 Q 93

120 Q 77

the end of the day. Where do you want to put your limited resources? I think my preference would be to see wider use of the funding to more general benefit”.¹²¹

101. SEEDA is an organisation in transition and its Chief Executive told us of a fundamental change in approach: “I am about to launch a very major restructuring of the agency, which will not be about trimming bits off everything. It will be about refocusing very clearly on those things that will enable us to have the economic research and analysis to underpin where we make our own interventions and also to contribute to the spatial and economic planning that will underpin the work of the regional partnership board”.¹²²

102. We welcome SEEDA’s efforts in prioritising and focusing resource where it can add most value. We would encourage the restructuring of the Agency to reflect the change in emphasis in SEEDA’s role and to be used as an opportunity to refocus priorities and develop the appropriate business model to best deliver those priorities for the South East region.

103. We support SEEDA’s work to find a balance between long term direction of Regional Economic Strategy and short term support to withstand the downturn. We urge SEEDA to continue to work with its partners to address the fundamental issues affecting the region to achieve its ambition of sustainable economic development.

Regeneration

104. The inaugural Committee meeting was held in Aylesham Community Project, in Aylesham, Kent. This hall itself is a symbol of regeneration activity in the area as some years ago it was a burnt out shell and typical of the deprivation after the closure of the coalfields in villages in east Kent.

105. The East Kent Coalfield Regeneration Programme involved the reclamation of land on four former colliery sites – Betteshanger, Chislet, Snowdown and Tilmanstone. The aim was to regenerate the sites in order to improve the economic prospects of the area and bring lasting benefits to the wider economy, improving the physical environment and infrastructure, bringing new businesses and jobs into east Kent and assisting local business expansion. SEEDA’s interventions across the coalfields generated more than £265m GVA for the region equating to a return on investment of over 400 per cent.

106. SEEDA’s Corporate Plan contains a commitment to “a significant continued investment in regeneration projects in Kent and Medway, Sussex and Hampshire and the Isle of Wight where there is a clear market failure and an opportunity to drive economic renewal. Investment outside of these areas is focused on ensuring the global competitiveness of businesses in each of the sub-regions.”¹²³

107. The latest (2007) Indices of Multiple Deprivation state that the number of South East residents living in deprived areas is now 490,000, up from 400,000 in 2004. Almost half of the most deprived areas identified in 2007 can be found in just five coastal local authority

121 Q 114

122 Q 164

123 South East England Development Agency, *Corporate Plan 2008-2011*

areas – Hastings, Thanet, Southampton, Portsmouth and Brighton & Hove. SEEDA and partners have developed a Framework for Action for the Coastal South East’ which identifies four main reasons for the deprivation:

- Low rates of economic activity, employment and business start-ups
- A weak skills base
- An industrial structure biased towards low value activities
- A relatively small business stock

Hastings

108. Hastings and Bexhill has been identified as one of the region’s hubs and is a distinct economic area within East Sussex. SEEDA points to Hastings and Bexhill as a case study example of bringing together local partners to achieve change. The Hastings and Bexhill Task Force was formed in 2002 and developed a Five Point Plan for regenerating the area through specific outcomes for urban renaissance, business support, educational and skills development, broadband and transport. 1066 Enterprise told us that SEEDA has been a facilitator of change and “has had a demonstrable impact on the fabric of the town” but also had concerns about whether this would lead to a longer term change as Hastings was “still very much a work in progress”. It has also expressed concerns about the connection between the regeneration activity and the most deprived areas of the community, “where we still have generational unemployment and very poor educational attainment.”¹²⁴

109. Simon Hubbard, Corporate Director Regeneration & Planning at Hastings Borough Council, told us that while he agreed that identifying the hubs for growth within the regions was helpful, the recession was likely to force SEEDA into some difficult decisions. His concern was that the regeneration side might suffer compared to the development work in the growth areas listed in the RES—around Milton Keynes, Thames Gateway and Ashford. He also said that he thought this was a view shared in other coastal areas.¹²⁵

110. He raised the problem of judging value for money when investing in regeneration projects as they are a longer term undertaking. Councillor Peter Pragnell from Hastings Borough Council agreed and said that in the case of Hastings, it has taken many years to decline. He noted that “we are only six or seven years into the regeneration programme and it will take a while before we can tell what its long term impact will be”.¹²⁶ Both Councillor Pragnell and Simon Hubbard spoke of the relationship with SEEDA as being positive.¹²⁷

111. Ross McNally, Chief Executive of the South East Chamber of Commerce, was of the view that SEEDA’s strategic role worked best where regeneration takes place: “There are examples where regeneration areas naturally look for a strategic direction from the RDA, a

124 Ev 112

125 Q 110

126 Q 99

127 Q 100

partnership engagement with the local authority, and an engagement with the local community because there is a recognised need. So you would see a bit of best practice around the regeneration areas”.¹²⁸

112. Graham Marley from 1066 Enterprises in Hastings raised the issue of perception of disparity of investment within the region: “There is a feeling within East Sussex that Hastings gets all the money and no one else gets a look in.” He attributes this to SEEDA’s failure to communicate to other parts of East Sussex, “both to describe the difficulties Hastings has, and to get over the message of what it has been doing positively in those areas - such as rural development programmes and so on. The communication leaves a little bit to be desired outside of Hastings, where generally it is positive”.¹²⁹

113. There are many examples of successful regeneration programmes in the South East and SEEDA has been instrumental in drawing partners together to achieve this. We welcome SEEDA’s continued commitment to regeneration in areas such as Hastings & Bexhill. SEEDA should endeavour to communicate its priorities in the region, the balance between regeneration and development and the overall impact of its reprioritisation exercise.

114. We would urge SEEDA to address the perception that some areas get all the money and that others are disadvantaged. It should review its communications and ensure that the voice of the business community across the region, particularly SMEs, is heard.

Infrastructure

115. Physical regeneration and development of infrastructure is an important part of SEEDA’s plans for regeneration of the areas in the South East. The RES (2002-2012) set out the rationale for regeneration through physical infrastructure and identified key areas for intervention: Thames Gateway Kent, Kent Coastal and South Hampshire and the Isle of Wight. The RES (2006-2016) reinforced spatial priorities and identified the need for various physical infrastructure interventions with a goal of “new development supported by adequate and timely provision of infrastructure that meets the highest standards of design and sustainability”.¹³⁰

116. In its written evidence Hastings Borough Council told us that “SEEDA’s leadership in driving the implementation of the Five Point Plan has had an important catalytic effect in securing other significant investment in the future.”¹³¹ In its written evidence SEEDA outlined some early achievements in infrastructure projects in Hastings:

- Creative Media Centre – 14,450 sq ft of business space for local start ups.
- Innovation centre – 25,250 sq ft of work space for developing and expanding businesses.

128 Q 88

129 Qq 100-103

130 SEEDA, *Regional Economic Strategy, 2006-2016*

131 Ev 59

- Priory Quarter – development of a new business and education district.
- Marina Pavilion – A year round seafront venue in St Leonards.
- Hastings Millennium Community – 610 Eco homes and other community facilities.
- Enviro21 Innovation Parks – a series of sustainable business parks.¹³²

117. SEEDA acknowledged that investment in infrastructure may take time to show returns: “One of the things that I think we’d want to take very carefully into account is that [the PwC impact evaluation framework] was very much focused on creation of jobs, and there is other work we do which may take longer: for example, investment in skills may need to be a longer term investment. Certainly investment in physical regeneration [...] is a long term business. We mustn’t be discouraged by the fact that results are not instant.”¹³³

118. The RES identified some actions necessary to achieve its physical development targets, including ensuring that physical development supports sustainable prosperity by investing in success and releasing untapped potential. The rationale behind this is that accessible and well located sites for employment and mixed uses should be retained and developed where there is a good prospect of use.

119. In response to concern that South East business parks such as Betteshanger and EuroKent were not fully utilised, the Chief Executive of SEEDA said that “I do not want there to be any places where we have built something that will not be filled, but I want us to recognise that regeneration is often a long term business. Unless you take the first few steps, you will never create the tipping point that will bring those businesses [...] to the places that currently do not have as much thriving business as we would like for the future”.¹³⁴

120. In his oral evidence, Ross McNally of the South East Chamber of Commerce quoted an email received from Peter Hobbs, the Chief Executive of the Channel Chamber of Commerce. Peter Hobbs had commented on the two business parks, saying that, “they look great but there are no businesses in them” and concluded that it was a waste of money as “SEEDA had not sought support from the chamber or any other support organisations to resolve these problems”.¹³⁵

121. Incubator Units are proving to be popular and are well utilised even while associated business parks are vacant. Therefore the issue is how to grow businesses as well as being able to pull in investment from overseas to fill business parks. SEEDA said, “looking to the future we will be looking to invest in business-critical infrastructure – those elements that really would be needed by business today. Hopefully we can grow and find spaces for small endogenous businesses so that they can move on. That critical move on stage is vital. We

132 Ev 80

133 Q 165

134 Q 168

135 Q 90

also need to have the sort of world class business space that we can attract businesses to from around the world”.¹³⁶

122. Ross McNally concluded that, “SEEDA’s strategic position would be to create a world class SME community for a world class region. Inward investment wants to come in to a community that has fantastic supply chains – the skills are all in the area, rather than just being brought in by the inward investment itself – so how we engage businesses is vital. We need to engage them to make them more enterprising and more willing to reinvent themselves at different stages of their life cycle”.¹³⁷

123. In its written evidence SEDFIG told us that, “we feel that areas of deprivation are also areas of immense opportunity, with large resources of currently untapped potential. A place-based focus upon these areas is required, with appropriate policy interventions needed to deliver social and physical regeneration and, with it, economic prosperity.”¹³⁸

124. David Edwards acknowledged that the Homes and Communities Agency had a large part to play in delivering physical regeneration and told us that, “inevitably, with regard to funding, because their receipts have been reduced and the Government’s priorities about allocating money have taken the RDAs towards looking much more at economic development, people will look to us [...] to step up and see where we can help. That is what we have been doing. We have sat down with SEEDA on all its projects and landholdings to discuss what we are doing, where it is working and how, together, we can try to move forward”.¹³⁹

125. We welcome SEEDA’s focus on sustainable development and place based investments in infrastructure. SEEDA should recognise that a critical mass of innovation and skills are needed to create “diamonds”. Business parks should be developed in consultation with the local business community and located in areas where they are likely to be used. SEEDA should continue working closely with other agencies and draw upon their expertise and funding to deliver these priorities.

RDA Budgets

126. The Regional Development Agencies are financed through a ‘single pot’ which pools money from all the contributing government departments. Each RDA’s budget allocation varies and is determined by a funding formula which takes into account various factors based on need and opportunity. SEEDA has the second lowest budget overall of the English RDAs and the lowest budget per head of the population.

127. The 2007 Comprehensive Spending Review (CSR) determined the resources available to RDAs for 2008-11 and announced a 5% per annum real reduction in RDA funding. The RDA budgets were further cut when £300 million was diverted from the Department for Communities and Local Government’s funding stream to the single pot to establish HomeBuy Direct in September 2008, the Winter Supplementary Estimate 2008–09 made

136 Q 168

137 Q 92

138 Ev 115

139 Q 128

further reductions, and DEFRA's contribution to the single pot was reduced by £17.088 due to DEFRA's need to set a balanced budget for 2008–09.¹⁴⁰

128. Jonathan Shaw, the Regional Minister, told us of recent tensions between the RDA budgets and national priorities:

The money has been reprioritised in light of the circumstances that we face in the recession. If you look at past recessions, there is ample evidence to demonstrate that with active intervention, you can make a recession shorter and shallower. Just to look at the RDA budget in isolation is wrong. You have to look at how it interfaces with the resources we have available for all priorities across Government.

He continued,

Those are decisions that the Government has taken for the greater good, as it were, so that we can grow our way out of the recession as quickly as possible [...] Those are difficult decisions, but the right ones in terms of the broad economic policy for the country.¹⁴¹

There has been extra resource for Jobcentre plus, more housing and more accessible training, the benefits of which are also felt in the South East region.

129. Ross McNally, Chief Executive of the South East Chamber of Commerce, told us that SEEDA is very cost effective compared to other RDAs and proposed a compound growth argument for more funding for the South East: “There should be an argument to put more money into the South East region because the whole impact through compound growth for better returns on investment will provide the overall economy with more funding for more intervention programmes in other regions. While we are taking a lot of the tax take from the South East and giving very small amounts to the RDA and other bodies, we are disadvantaging ourselves in terms of return on investment. A business person would ask where the best compound growth is because ultimately the margins made on that compound growth could be reinvested in other areas that might have social need but could create better enterprise opportunity”.¹⁴²

130. We raised the issue of SEEDA having one of the smallest budgets with the Regional Minister who commented that, “some of the work that the RDA does that isn't always easy to quantify and to measure is the work that it does under the radar. One of the examples from the economic council has been to bring the banks together”.¹⁴³

131. SEEDA sees the small budget as further impetus to get other organisations working together effectively to deliver, “at £20 per head for the region that is the engine of the UK economy, I think we could be investing a lot more. Having said that, because we don't have

140 Business and Enterprise Committee, Fourth Report of Session 2008-09, *Regional development agencies and the Local Democracy, Economic Development and Construction Bill* (HC 89-I)

141 Q 151

142 Q 73

143 Q 166

large budgets, we have to invest the skills and time of our people, because that's how we create capacity elsewhere".¹⁴⁴

132. We note that SEEDA has the least funding in comparison to other RDAs. There is a strong argument that investment in the South East will achieve greater return on investment than investment in other areas of the UK. Greater investment might boost productivity in the South East and, if so, generate more tax revenue which could be reinvested elsewhere. We accept that less prosperous regions will always, rightly, aspire to levels of investment to allow them to build economic activity in their own communities to those enjoyed in the South East and Government will always have difficult decisions to make in balancing these demands, however, it is arguable that investment in the South East can more quickly generate revenue for the public purse than investment elsewhere. We recommend that the RDA funding formula is revisited and some evaluative work undertaken to determine the best way of dispersing RDA budgets to optimise value for money.

6 Preparing for the upturn

Priorities that can add value

133. As the South East emerges from the economic downturn, it is important that resources are focused on those priorities that will really add value in the region. SEEDA recognised that preparing for the upturn was important and told us that it saw its role as, “ensuring that we focus constantly on the importance of the South East to the upturn. If we do not grow the South East economy at the head of the upturn, we will not grow the UK economy either. We need the investment that will enable this to happen”.¹⁴⁵

134. Ross McNally of the South East Chambers of Commerce, told us that he would like SEEDA to be focusing on business priorities in the region, to be totally business-led and responding to business need. He also urged RDAs to be innovative and to create real enterprise in new areas, seeing the role of the RDA as “agenda sharing and leveraging activities on a local basis – so that the total is greater than the sum of its parts”.¹⁴⁶

135. In their evidence to us, the Regional Minister and SEEDA pointed to the Hindhead Tunnel as an example of leveraging investment in the South East and enabling local authorities to work together for the benefit of the region.¹⁴⁷

136. SEEDA told us that, “because we have such high economic activity rates in the South East, we are not looking to create jobs, we are looking to create high value jobs and to increase skills, particularly in those parts of the region that are underperforming in comparison with the average”.¹⁴⁸ SEEDA wants to focus on sectors such as low-carbon, information and communications technology, creative and digital industries. It said, “We believe that the focus on key sectors is very important. In reshaping SEEDA and its budgets, we are looking at how we identify not the winners but how we enable the potential winners of the future to have the infrastructure that will enable them to grow, expand and innovate”.¹⁴⁹

Hi tech traditions

137. In its written evidence SEDFIG told us that the South East needed to build upon its knowledge economy strengths and develop the potential of its world class industries: “a range of leading ICT, bioscience, engineering and medicine/pharmaceuticals industries exist within the South East. Looking forward, regional policy should seek to sustain and expand these industries, exploiting opportunities for future growth and development”.¹⁵⁰

145 Q 152

146 Q 67

147 Q 147

148 Q 3

149 Q 26

150 Ev 115

138. The current RES focus what it means to be a world class region places a strong emphasis on innovation drivers and investment in science and technology.¹⁵¹ To this end SEEDA is reviewing the sectors in the South East that “will really drive the growth and ensure that we are leading world class development, whether it is in environmental technologies, aerospace or the creative industries, to see what our businesses need to support them in those markets.”¹⁵²

Innovation and a low carbon future

139. Pam Alexander, Chief Executive of SEEDA, realises that SEEDA does not have all the skills required as “our job is to build the capacity and make the partnerships work by bringing people together to lead on those areas, rather than trying to become expert in everything ourselves”. She went on to emphasise future priorities for SEEDA and said that, “We believe in our RES very clearly that sustainability is an opportunity for jobs, exports and innovation. That is at the heart of where we now believe is the way out of this recession. The low carbon strategy is something that we were putting in the RES three years ago. We believe it is absolutely right to keep it central to what we are trying to do.”¹⁵³

140. Harvey Bradshaw of the Environment Agency said that the key challenge facing SEEDA was that “in the pursuit of growth and regeneration, the environment will be seen as a cost rather than an opportunity. However he emphasised the Environment agency’s close relationship with SEEDA, describing SEEDA as a “valuable partner”, and related discussions where all had agreed that the environment needed to go hand in hand with economic and social regeneration. He also told us that moving towards a low carbon economy was a huge opportunity and that there was already a tide of commitment to that thinking. He said he would be delighted to work with SEEDA on progressing this area and that, “SEEDA runs projects – a pathway to zero waste, and a low carbon for home project – that we are pleased to collaborate with. It has recently invited us on to the environmental technology steering group, which it chairs, whose function is to see how to attract high value added jobs based around the low carbon industry into the South East, and to become competitive in the global market for that field.”¹⁵⁴

141. Harvey Bradshaw agreed that SEEDA should use its position to draw in skills from elsewhere and bring together partnerships: “There is a relatively small number of people out there who can help us to deliver the sort of innovation that we need. These people are by no means common, and I think that there is a commitment in SEEDA to try to pull in those skills and use them in the best possible way.”¹⁵⁵

142. Harvey Bradshaw also stated that this was an opportunity to think in a different way and said that, “Many people believe this is an opportunity to shift the economic cycle fundamentally, rather than going back to what we have done in the past.”¹⁵⁶ In its written

151 Q 157

152 Q 158

153 Q 25

154 Q 130

155 Q 136

156 Q 130

evidence the Environment Agency gave further confirmation of sustainability moving up the agenda and stated that, “while credit from more traditional means has been squeezed, more loans have become available for ‘green businesses’ or businesses that wish to upgrade their equipment to save energy and save money.” Overall the Environment Agency’s position aligned with SEEDA’s focus on key sectors, and they told us that, “we feel the time is right to take practical action to help the region emerge from the economic downturn with a low carbon economy that is both more environmentally sensitive and more competitive”.¹⁵⁷

143. We have heard evidence that SEEDA works well with the Environment Agency and the Homes and Communities Agency in the region. We welcome this close working and believe that the identification of the right skills and mechanisms to bring together thinking on economic development, regeneration, sustainability, environmental infrastructure and a low carbon economy will be vital in the years ahead.

Conclusions and recommendations

Membership of the Committees

1. We were disappointed that some Councils refused to engage with the Committee for party political purposes or because of their opposition to regional organisations. Regional Government has been established by Parliament and Regional Committees have likewise been established by Parliament to oversee those arrangements and it is in the interests of our communities that whilst such arrangements are in place we put our differences aside and collaborate on making these arrangements work as effectively as possible. We recommend, therefore, that these Councils review their position and engage openly and fully with future enquiries. (Paragraph 5)
2. We want to ensure that there is clear parliamentary accountability for the South East Region. We hope that the political disagreements regarding the establishment of Regional Committees will be resolved shortly and look forward to welcoming opposition Members joining us in this important work. (Paragraph 6)

The need for a Regional Development Agency

3. We concur with the view that Regional Development Agencies are often better able to address region wide economic issues than either central government or local authorities. The failure of some Councils to engage fully with the Agency is, therefore, likely to be hampering economic development and we call on such Councils to reconsider their position in the wider public interest. (Paragraph 19)

Purpose of the Regional Economic Strategy

4. We support the broad emphasis of the Regional Economic Strategy on global competitiveness, smart growth and sustainable prosperity; and we recommend that the RES should remain as the single framework setting a long term vision for the region. (Paragraph 28)
5. The arrangements that allowed unions, representatives of employers and third sector organisations to contribute to policy discussions and which existed prior to the abolition of the Regional Assembly were widely appreciated by those involved and greatly assisted engagement with key stakeholders. We recommend that following the SNR similar arrangements are put in place, including arrangements to provide these organisations with the support needed to engage fully with future consultations, so that their views and expertise are not lost either to the Agency or the Leaders Board. (Paragraph 29)

Sub-regions, hubs and diamonds

6. We recognise that the South East region is not an easily identifiable region like some other English regions. As such the Regional Economic Strategy has developed with an emphasis on places with broadly similar attributes and potential. We support the

partnership working that has evolved between SEEDA, local authorities and other partners in the diamond for growth areas. (Paragraph 32)

The South East as a world class region

7. We welcome the ambition of SEEDA for the South East to compete as a region to the highest standards. However, we are not convinced that the regions named by SEEDA are realistic regions to draw comparisons with. We would like to see the evidence base used to justify the comparative regions, and on what criteria SEEDAs performance is measured against them. (Paragraph 34)

Consultation or engagement and the RES

8. We recognise that there is a balance to be struck between encompassing the views of other organisations and producing a strategy that is timely. However, there are concerns in the region that the consultation process could be improved and that organisations should be able to feed into the strategy at the earliest opportunity. The Single Regional Strategy will have a status that requires a certain level of public involvement. We recommend that SEEDA and the Leaders' Board publish their intended consultation plan as soon as they have decided upon it. We recommend that SEEDA and the Leaders Board provide us with further information as to how they will ensure broad engagement when drawing up the Single Regional Strategy. We further recommend the Government provide a comparison as to the consultation process used in drawing up the South East plan and the Regional Economic Strategy. (Paragraph 40)

Measuring the performance of SEEDA

9. We are reassured by the conclusions of the National Audit Office and PricewaterhouseCoopers reports, both of which provide a positive endorsement of SEEDA's work and its benefits to the regional economy. We support SEEDA using the reports to inform its prioritisation and restructuring. (Paragraph 46)

Reviewing targets

10. We agree that the Regional Economic Strategy should be concerned with setting a vision for the long term and as such it should drive direction rather than be reactive. We welcome the move to a combined Single Regional Strategy. (Paragraph 52)
11. We welcome the role of partners in defining targets and note that any decision to review targets must be done with full engagement with partner organisations (Paragraph 53)

Enhanced role and wider responsibilities

12. SEEDA was originally established to provide strategic economic leadership in the region. Since its establishment it has taken on a large number of additional responsibilities and developed its original role to include responsibility for the delivery of a number of grants and European Regional Development Funds. We note

the concerns raised by witnesses that this may cause SEEDA to lose its business focus and urge it to ensure that these new responsibilities do not detract from its core focus on the regional economy. We also urge SEEDA to not only focus on the disparities within the South East but to actively support economic growth within the region, particularly during the current economic climate. (Paragraph 58)

Single regional strategy

13. We welcome the early action to create the Regional Partnership Board and establish joint working with the local authority Leaders Board, and we support efforts by all parties to ensure a cohesive transition from two regional strategies to one. (Paragraph 61)

New skills

14. There appear to be conflicting views as to whether SEEDA needs to change the skill sets of its staff or how it works with the staff of other organisations as part of the change in its role and responsibilities. The creation of the virtual team, including the retention of some staff from the Assembly, is an innovative method of keeping the necessary skills and experience within the region but it is too soon to know how well these mechanisms will work in practice. We recommend that SEEDA provide us with a quarterly update as to progress on work to develop the Single Regional Strategy. (Paragraph 69)

Stakeholder engagement

15. We are concerned about the gap in stakeholder engagement because of the loss of the Social, Environmental and Economic Partners body. We recommend that the virtual team working on the Single Regional Strategy includes people working on behalf of trades unions, business and the third sector to facilitate engagement with the Partnership Board. (Paragraph 76)
16. We further recommend that the Government research and reports back to the Committee what mechanisms have been put in place in other regions to help maintain engagement with business and other stakeholders as a result of the abolition of the Regional Assemblies. (Paragraph 77)

Support for businesses

17. SEEDA has responded quickly and positively to the current economic situation and has prioritised support to businesses in the region. We support SEEDA in this important work and urge them to continue to provide this support and to ensure that partners, such as banks, are assisting companies as much as possible. We would also encourage SEEDA to explore the use of other mechanisms which would enable businesses, particularly SMEs, to gain access to finance. (Paragraph 92)
18. SEEDA's efforts in helping businesses through the recession have been generally well received by representative business organisations. We would encourage SEEDA to continue direct engagement with businesses and to ensure that the variety of

schemes and help available is effectively communicated to business across the region. (Paragraph 93)

Other priorities

19. We welcome SEEDA's efforts in prioritising and focusing resource where it can add most value. We would encourage the restructuring of the Agency to reflect the change in emphasis in SEEDA's role and to be used as an opportunity to refocus priorities and develop the appropriate business model to best deliver those priorities for the South East region. (Paragraph 102)
20. We support SEEDA's work to find a balance between long term direction of Regional Economic Strategy and short term support to withstand the downturn. We urge SEEDA to continue to work with its partners to address the fundamental issues affecting the region to achieve its ambition of sustainable economic development. (Paragraph 103)

Regeneration

21. There are many examples of successful regeneration programmes in the South East and SEEDA has been instrumental in drawing partners together to achieve this. We welcome SEEDA's continued commitment to regeneration in areas such as Hastings & Bexhill. SEEDA should endeavour to communicate its priorities in the region, the balance between regeneration and development and the overall impact of its reprioritisation exercise. (Paragraph 113)
22. We would urge SEEDA to address the perception that some areas get all the money and that others are disadvantaged. It should review its communications and ensure that the voice of the business community across the region, particularly SMEs, is heard. (Paragraph 114)

Infrastructure

23. We welcome SEEDA's focus on sustainable development and place based investments in infrastructure. SEEDA should recognise that a critical mass of innovation and skills are needed to create "diamonds". Business parks should be developed in consultation with the local business community and located in areas where they are likely to be used. SEEDA should continue working closely with other agencies and draw upon their expertise and funding to deliver these priorities. (Paragraph 125)

Regional Development Agencies' budgets

24. We note that SEEDA has the least funding in comparison to other RDAs. There is a strong argument that investment in the South East will achieve greater return on investment than investment in other areas of the UK. Greater investment might boost productivity in the South East and, if so, generate more tax revenue which could be reinvested elsewhere. We accept that less prosperous regions will always, rightly, aspire to levels of investment to allow them to build economic activity in

their own communities to those enjoyed in the South East and Government will always have difficult decisions to make in balancing these demands, however, it is arguable that investment in the South East can more quickly generate revenue for the public purse than investment elsewhere. We recommend that the RDA funding formula is revisited and some evaluative work undertaken to determine the best way of dispersing RDA budgets to optimise value for money. (Paragraph 132)

Innovation and a low carbon future

25. We have heard evidence that SEEDA works well with the Environment Agency and the Homes and Communities Agency in the region. We welcome this close working and believe that the identification of the right skills and mechanisms to bring together thinking on economic development, regeneration, sustainability, environmental infrastructure and a low carbon economy will be vital in the years ahead. (Paragraph 143)

Formal Minutes

Monday 14 September 2009

Members present:

Dr Stephen Ladyman, in the Chair

Ms Celia Barlow
Mr Andrew Smith

Draft Report (*South East England Development Agency and the Regional Economic Strategy*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 143 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Report be printed, in accordance with the provisions of Standing Order No.137 (Select committee (adjournment of the House)).

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned to a date and time to be fixed by the Chairman.]

Witnesses

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Monday 11 May 2009	
Pam Alexander, Jim Brathwaite and Paul Lovejoy , South East England Development Agency	Ev 1
Colin Byrne, Sheila Carroll and Jane Vaughan , Government Office for the South East	Ev 12
Monday 29 June 2009	
Ross McNally , South East Chamber of Commerce	Ev 18
Simon Hubbard and Councillor Peter Pragnell , Hastings Borough Council and Graham Marley , Ten Sixty Six Enterprise	Ev 23
Harvey Bradshaw , Environment Agency and David Edwards , Homes and Community Agency	Ev 28
Monday 6 July 2009	
Jonathan Shaw MP, Regional Minister for the South East, Pam Alexander , South East England Development Agency and Colin Byrne , Government Office for the South East	Ev 33

List of written evidence

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2	Council for the Protection of Rural England	Ev 46
3	Environment Agency	Ev 50
4	HM Government	Ev 52
5	Hastings Borough Council	Ev 59
6	Homes and Communities Agency	Ev 63
7	Kent Police	Ev 65
8	Learning and Skills Council (South East)	Ev 67
9	Natural England	Ev 69
10	Oxford City Council	Ev 71
11	Regional Action and Involvement South East	Ev 72
12	Royal Institution of Chartered Surveyors (South)	Ev 76
13	South East England Development Agency	Ev 80
14	Southern & Eastern Regional Trades Union Congress	Ev 103
15	Councillor Alec Samuels	Ev 105
16	Federation of Small Businesses (South East)	Ev 106
17	EEF	Ev 110

18	South East Chambers of Commerce	Ev 112
19	Ten Sixty Six Enterprise	Ev 112
20	South East Diamonds for Investment & Growth Partnership	Ev 115