

Review of 2006/07 and future plans

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My task today is to report on SEEDA's work over the last 18 months and I shall focus:

1. Firstly, on the new Regional Economic Strategy for the South East which was a major focus of our work with stakeholders across the region in 2006/07;
2. Secondly, draw out just a few examples of our achievements in delivering the second year of our 2005-08 Corporate Plan;
3. And finally, mention briefly how we are gearing up at SEEDA to deliver our part in the new RES – today's launch of the RES Implementation Plan is a milestone not just for SEEDA but for our partners across the region.

SOUTH EAST REGIONAL ECONOMIC STRATEGY

Much of our work last year was about finalising the new RES published in October 2006 – and we couldn't have done that without you! We received and analysed over 200 responses to the consultation draft which were crucial to reshaping the new Regional Economic Strategy to link directly to the themes of the consultation discussions involving 2,000 people.

There are three clear themes to the new RES: Global Competitiveness, Smart Growth and Sustainable Prosperity, setting a challenging agenda for the region.

1. SE needs to 'go global' in a big way – international activity is not a 'nice to have' it is an absolute essential and SEEDA is really placed well to have a big impact on this. **Global Competitiveness** is key to all we do to maintain our place in world league tables. SE is the top exporting region in the UK by value. But still a way to go and the Implementation Plan sets out some principles to focus our efforts:
 - Exporting companies are the most productive companies. In the first year of exporting, the productivity of companies jumps by a staggering 34%
 - Yet only 20,000 of SE's 350,000 businesses export – less than 6%. So 1 of the 4 RES targets in this theme is to increase that number by 50% so that 10,000 more businesses start exporting by 2016, to make real inroads on our GVA targets.

- A big step forward last year was the merger of the UKTI's South East Trade Team and the SEEDA Inward Investment Team; so we can attract businesses to our region, look after them once they are here; and help our indigenous and FDI businesses to export – a single contact point and virtuous cycle to ensure success for the South East and the UK.

Here in MK we know that great success in one part of an economy can and does sit alongside deprivation, skills gaps and lack of aspiration in other parts of the same community.

1. We must achieve success through **Smart Growth**, investing to raise under-performance, so that prosperity is shared by all across MKSM & across the South East.
 - We need to bring 100,000 people into the labour force with solid basic skills; and to train our existing workforce to contribute at all levels – technical & managerial as well as professional to the high-end productivity needed. Otherwise more and more jobs will be filled by others coming in, meaning more commuters or more seeking homes.
2. And thirdly we must achieve **Sustainable Prosperity**. This is about new technologies but it is also about behaviour. During last year the UK caught up with the SE RES. The debate is over on whether climate change needs addressing; the Stern Review underlined the business value in addressing it. We are all here agreed that we must invest in the quality of life that is a key source of the South East's competitive advantage. We cannot go on consuming as if there were 3 planets or more to supply our needs.

Paul will say much more about the 'how'; the objectives are clear and widely shared.

CORPORATE PLAN 2005-08

As for SEEDA, we are now in the third year of our 3 year Corporate Plan for 2005-8, which bridges the 2002 RES into the 2006 RES, with a clear focus on:

Sustainable Economic Growth and Sustainable Communities

First, to create high quality jobs and support world class innovation through new products and processes; and through effective business support and business-driven skills provision to support competitive enterprise across the South East.

And, secondly, to support Sustainable Communities: to build social, economic and environmental sustainability into all our communities through quality, participation and delivery of quality places and through SEEDA's own area-based regeneration.

Underpinning all our work is a commitment to Strategic Influencing, working with national, regional and local partners to create comprehensive strategic frameworks and policies to support the RES. And we are reshaping SEEDA to ensure that we have the right People & Processes to deliver against our

changing objectives, including new ways of leveraging resources from public and private sector alike.

SEEDA continued to achieve well against both our output targets and our Strategic Added Value programmes in 2006/7 – the second year of the plan. And these Corporate Plan headings proved robust to the challenges of planning how to deliver a new RES to take us forward to 2016.

HEADLINE OUTPUTS 2006/07

Against our Performance Targets for 2006/7 we have delivered particularly well across the South East in our support for employment, business support and skills. Here our performance with partners has been so good that we reached our 3 years' targets after only two years of the Corporate Plan period.

These are the numbers – what do they mean for our partners?

- Our work on Inward Investment in the first year of our joint SEEDA and UKTI team attracted over 1500 new or safeguarded jobs through new foreign direct investment. One terrific success is Boeing who have established an exciting state-of-the-art technology centre for collaboration and experimentation in Farnborough, which alone will lead to 300 high-quality, hi-tech new jobs.
- Our Re-employment Unit has broadened the marketing of its services and increased the number of brokers with the result that over 7,500 people across the SE were assisted to get a job, double our target. The Re-employment unit is playing a vital role in reskilling those facing structural changes while they are still in jobs, such as the workers in Pfizer's manufacturing plant in Sandwich, East Kent, due to lose over 400 jobs by 2009.
- Our restructured Business Link Network helped almost 24,000 businesses last year, providing intensive assistance to 1,785 companies. Across the region six Business Link Providers have been contracted within a regional framework for flexible delivery of services at the local level. A new Regional Consortium and the establishment of a central marketing function will help further to strengthen and sustain the good performance of BLs in aligning the needs of businesses and signposting them to the support they need and SEEDA leads for the RDAs in developing the Business Support Simplification Programme (BSSP) to create a clear national framework for locally flexible products.
- Nearly 3,000 of the new businesses created or attracted to the region through SEEDA funded projects and programmes are still growing 12 months on.
- Last year we developed a new focus on collaborations between businesses and the knowledge base: In its first full year of operation, our new Innovation Advisory Service is proving to be very much in demand by high value, high growth companies. It has had great results in increasing the amount of collaboration between business and the knowledge base and between businesses themselves, with nearly 600

organisations helped and £16.3 million investment for R&D already secured.

- Skills are key to maintain the competitive edge of the South East economy and the Regional Skills for Productivity Alliance was successful in winning £16m in delegated funds from the Learning and Skills Council for the Train to Gain programme through our Business Link consortium. 24 colleges are now accredited under the Action for Business Colleges programme, which is improving the way colleges work for employers, creating higher levels of employer engagement.

The single core target which we did not achieve was remediation of brownfield land because of delays on two particularly large and difficult schemes. At Snowdown Colliery English Heritage successfully applied for some of the old coalfield buildings to be listed and this, as well as negotiations with the landowners, has delayed the scheme which has been developed in close consultation with local people. And in the Thames Gateway negotiations with the Highways Agency over road capacity have delayed our schemes at Northfleet as well as the major investment in Ebbsfleet. Despite these setbacks we are confident that the target of remediating more than 200 ha over the 3 year Corporate Plan will be delivered by March next year.

MAIN PROGRAMMES: SINGLE POT BUDGET

This slide shows our forecast of spending against our 3 Corporate Plan programmes from the Single Pot: a total of £444m over 3 years, split pretty equally between Sustainable Communities on the left and Sustainable Economic Growth on the right. In addition we planned to lever in substantial project-based funding from government, notably in the Growth Areas, and from the European Union.

SINGLE POT EXPENDITURE 2005/06 & 2006/07

Last year in Reading I showed the pie-chart on the left and explained that over the 3 years period the budget would shift towards investing in success through Sustainable Economic Growth to achieve the equal split across the 3 years. On the right we see this has happened in the second year of the Plan. In 2006/07 our expenditure on world class innovation and competitive enterprise increased from £66m to £76m, strongly led by our Science and Innovation Council, SESETAC under the Chairmanship of Dr Annette Doherty, head of Pfizer's global research.

As well as delivering to its own core Performance Targets, SEEDA works to a programme for delivering Strategic Added Value by catalysing new initiatives and partnerships. We have performed well against the 2006-7 milestones, too achieving the vast majority. Milestones across 24 areas of work comprise a great variety of programmes. To give just a few examples:

- A leadership programme for innovation included a MAD Ideas Competition to encourage universities to present original ideas for products and services;

- The PoCKet (Proof of Concept of Knowledge Transfer) fund addresses the funding gap for SMEs at proof of concept stage – with 35 loans approved already to South East SMEs;
- The conclusion and evaluation of the first three Broadband Partnership programmes – including one here in MK;
- Work with Culture South East, our Cultural Consortium, to produce a model of business support for cultural industries;
- And the creation of the South East Ethnic Minority Business forum (SEMEDA);
- 3 devolved Area Programmes in Oxfordshire, MK and the Thames Valley which invested over £2.5m in 2006/07 in community learning and skills programmes tackling unemployment and low skills on deprived estates. Last year almost 2,000 people were assisted in their skills development;
- A demonstration biomass plant is being designed for the Queenborough & Rushenden development in the TG; and
- The Regional Design Panel met its target to review at least 70 significant regeneration schemes across the SE and has been recognised by CABE as a model for panels recently established in other regions.

2007/08 FORECAST

The forecast of our Single Pot expenditure for 2007/08 shows that we are increasing our spend on Innovation & Enterprise as planned to achieve the almost even split between Sustainable Communities and Sustainable Economic Growth over the 3 years of the Corporate Plan.

2007/08, the last year of the current Corporate Plan period takes us into the new RES and CSR 07. Over the next few months we will develop and consult on a new Corporate Plan which sets out SEEDA's role in delivering the new RES. And the CSR brings a new Tasking Framework for RDAs focused on fewer, clearer targets linking directly to our RES targets and GVA growth per head.

WORLD CLASS INNOVATION SPEND PROFILE

This slide further shows how we have shifted our funds into investing in success through science and innovation over the three years of this Corporate Plan, trebling our spending, from £10m in 2004/05 to £20m in 2005/6 and to £30m by 2007/08.

SUSTAINABLE ECONOMIC GROWTH – WORLD CLASS INNOVATION

An independent review of our activities has shown the impact that the new action plan guided by our business-led Science and Industry Council (SESETAC) has had on business collaborations with the knowledge base. Over 250 new collaborations have been established and £22m of additional R&D funding has been levered into the region as a result. Our own R&D grants are strongly focused on emerging technologies where the South East has a clear potential to lead: healthcare; sustainable technologies; intelligent

transport systems; and nano-technology. This strong focus enables us to align national technology funds with regional strengths, particularly drawing in funds from the national Technology Strategy Board.

The emerging nano-cluster we are funding based around Oxford University and the Diamond Synchrotron: the Harwell Innovation Cluster, is linked to the Quadrant Group, chaired by our Board Member Poul Christensen to develop a focus for growth and a world class innovation offer. With its four corners in Didcot, Grove, Harwell and Milton Park, it is also linked to the O2C arc which of course has its centre in MK. Our aim is that the Diamond Light Source, a global high powered X-ray resource, is accessible to all our SE businesses, whether they are blue chip companies or SMEs, to create the world class innovations of the future.

The O2C Arc offers critical mass to these growth points and seems likely to be a global science hot spot, already linked in an International Innovation Alliance with world class research and science parks in California and Scandinavia.

But world class competitiveness is not just about scientific research.

SEEDA has also been working closely with the Design Council to develop the Designing Demand programme aimed at involving 400 companies and designers in exploring the importance of design and its link to business growth and profitability. This was launched in October 2006 at the Thames Valley Enterprise Innovation conference to over 200 businesses.

The Enterprise Hubs network, targeting knowledge-based, high growth young businesses, has developed a very strong national and international network. It has been recognised by the main international business incubation associations as the largest of its kind in the world and it includes Enterprise Hubs in MK, Buckinghamshire and Oxfordshire. In February 2007 our Enterprise Hubs held a showcase event attracting 72 investors to the QEII Conference Centre to offer our top Hub companies access to development finance and some important deals were signed!

SUSTAINABLE ECONOMIC GROWTH – COMPETITIVE ENTERPRISE

To support our enterprises to be competitive we have developed a key partnership between Business Links, UKTI, SEEDA, GOSE and LSC, Joining Forces. A regional marketing campaign to reach more businesses through a common, consistent message and a region-wide investment-readiness service were developed last year by Business Link and Finance South East. Our goal is to develop a 'no wrong door' service with a clear offer to businesses large and small using Business Link as the prime route for drawing down services such as the Innovation Advisory Service, the Manufacturing Advisory Service, Finance South East, the business led sector consortia and Designing Demand. Businesses tell us they want to be able to go to just one place to be able to access this wide variety of support. And this will extend to Social Enterprises too, with a new regional Community Development Consortium to deliver financial access to social enterprise across the region.

As a result of Government's focus on the productivity gap which results from our relatively lower level of women-run businesses compared with the USA, a Women's Enterprise Taskforce, which I co-Chair, was set up in January 2007 to support more and more successful women entrepreneurs. In the South East we have established a network of 100 Women Ambassadors providing role models for aspiring business women and 8 of them, plus many more small businesses met Stephen Timms, the Minister of State for Competitiveness, yesterday in Slough to tell him what business wants from government in their new Enterprise Strategy, to be published early next year.

We should not forget that the South East is the UK's top manufacturing region: increasingly high value products. The Assembly's scrutiny in 2005 valued and successfully sought the expansion of our Manufacturing Advisory Service: 3300 companies were assisted in 2006/07 achieving as a result productivity improvements worth £42m; our new Manufacturing Insights programme was launched involving companies hosting visits by other companies; and the SE Manufacturing Forum was formed to provide business-led direction to the National Skills Academy for Manufacturing programme.

SUSTAINABLE COMMUNITIES – QUALITY PLACES

So our work to support Sustainable Economic Growth has led us into new collaborative and support programmes as well as building on existing strengths. The second theme of the Corporate Plan is Sustainable Communities. Our role is about facilitating solutions to local regeneration needs and working with local partners to promote the development of quality places across the South East.

Our work in remediating long neglected derelict land, like that of English Partnerships, aims to lift underperforming areas by providing the physical infrastructure for new opportunities. But it is about so much more than that because we are able to address the broader aspects of economic success – education, jobs, community infrastructure and the green environment too.

SEEDA seeks to add value by bringing this broader perspective to creating quality places. Whether in the Thames Gateway, Hastings and Bexhill, the Isle of Wight, Ashford or Margate, where we work in broadly based partnerships, or in smaller, project – led developments from Oxford's Castle and West End to Folkestone, our aim is to support local authorities in joining up all the elements of sustainable communities.

Our emphasis on sustainability of design and environmental impact is increasing, under the aegis of South East Excellence and with a network of Design Champions and Architecture Centres across the South East. An extended Sustainability Checklist was launched in January 2007; and a virtual network has been developed for property and construction professionals to share best practice. Examples of exemplary projects piloting new standards include the green roof and sustainable drainage system at Rolls Royce's

Goodwood plant; and the development of a bio-kit with Berkeley Homes to encourage wildlife in new housing developments.

The new RES and our own new Corporate Plan will move far beyond these individual projects to create a coherent approach to sustainability and reducing our ecological footprint as Paul will explain.

SUSTAINABLE COMMUNITIES – AREA-BASED REGENERATION

Our regeneration teams work across areas as diverse as the Growth Areas, the coastal towns of Margate, Hastings, Folkstone and Dover and the 6 other Diamonds for Investment and Growth, from Oxford to Reading, Basingstoke, Urban South Hampshire, Brighton & Hove and the Gatwick Diamond. They focus on areas where market failure has produced blight, often for decades.

All 4 of our Area Teams are working to create an increasingly strong link into Local Area Agreements.

Significant progress in area-based regeneration in 2006/07 included the completion of the Thames Gateway Economic Strategy, now being developed into specific plans and targets for investment in the agreed strategic sites, including Ebbsfleet, and thematic priorities such as a Greater South East technology road mapping to establish science and technology priorities for the next 10-20 years.

Meanwhile we have seen real progress on the ground. At Rochester Riverside most of the new river wall is completed, along with land raising work and – most dramatically – the decontamination of the former gasworks included removal from the skyline of the gas holders themselves. The short-listing of potential development partners is now well under way with exciting names not previously seen working in the South East, let alone the Thames Gateway.

In Margate Kent CC have just launched the inspiring new plans from Stirling Prize winner David Chipperfield Architects for Turner Contemporary Art Gallery which will be an exciting scheme to revitalise this coastal gem and consolidate the creative industries already populating the historic core.

In Hastings the Innovation Centre opened in July 2006 with 71 spaces for innovative minds/businesses. A major investment was secured on the Station Plaza site for the construction of a new £80m college funded by the Learning and Skills Council with support from SEEDA; and Highways Agency funding has been committed to the important Hastings to Bexhill Link Road.

Here in Milton Keynes one of the most important developments – the tariff – has brought a new certainty to funding infrastructure alongside new homes to create effective growth. This is seen as such a success that the government has recently announced its intention to replicate it across England and we are working with the Regional Assembly on the implications for our planned Regional Infrastructure Fund.

STRATEGIC INFLUENCING

Our budget is the smallest of the RDAs at around £165m – not much more than £2m per local authority or £20 per person across the SE. So the value we add is as much to do with the experience we have in working closely with and leveraging funds from mainstream partners – higher and further education, English Partnerships, the Housing Corporation, the Highways Agency, Government departments and Job Centre Plus. And creating the frameworks in which they will invest.

So Strategic Influencing has been a major area of work during the year.

We have confidence that the new RES has buy-in from across the region and this gives us a very strong foundation for the hard work we need to do jointly with our partners across the region to deliver the vision.

The RES we published last October includes an immensely challenging objective for Sustainable Prosperity. Following the Stern Review, we have experienced an enormous shift in central government and business thinking, such that what was a cutting-edge RES when we launched it has needed some rapid development to take account of this new context. We have worked with partners to include this new thinking in the RES Implementation Plan and it is exciting to know that we now have the flow of energy and opinion behind us, for above all the success of these targets will need behavioural change.

We continue our work with the Regional Assembly to develop a Joint Delivery Framework which joins together the ambitions of the RES and the RSS – the South East Plan. I very much look forward to our being able to take that work forward in the constructive and inclusive way that has characterised our work together over the last year. The Regional Infrastructure Fund is one strong example of this joint working. Greater ability to attract investment in the infrastructure needed to support economic growth, from the private as well as the public sector, would be an enormous win for the South East. It seems likely that the Regional Funding Allocations will be expanded next year to include direct expenditure of national agencies on skills and regeneration, as well as housing and transport, to the priorities agreed in the South East rather than in Whitehall.

I must also mention the launch of the South East offer for 2012: Compete, Create, Collaborate in May this year, the culmination of two years' work to create a new partnership across all agencies and tiers to deliver a robust offer by which the South East can both contribute to and benefit from the 2012 Games. I believe we have a really clear and compelling vision and offer for the South East which will deliver a legacy beyond 2012.

And the work we are doing with LAs on LAAs, alongside our review of Sub-regional Partnerships will help the South East in developing a very strong voice for economic sub-regions, responding to the recommendations in the Sub-National Economic Development and Regeneration Review (SNR) which will bring together economic, spatial and sustainability strategies and align national, regional and local objectives from 2010. We are ahead in our work

with the Regional Assembly on a Joint Delivery Framework and Regional Infrastructure Fund.

SCRUTINIES 2005-08

During the Corporate Plan period the Regional Assembly has conducted six select committee scrutinies of our work with three more this year. These three will be particularly helpful in relating directly to the RES Implementation Plan, clarifying SEEDA's role in delivering it, and in shaping SEEDA's new Corporate Plan for 2008-11. The first one on Global Challenge has already met and we look forward to its report following the discussions in September.

SEEDA RESPONSES 2006/07

The Assembly's 3 reports in 2006/07 were on Business Support & Business Link; Social Enterprise; and Sustainable Use of Natural Resources.

On Business Support and Business Link we very much valued the Committee's appreciation of our role in taking risks to respond to market failure and the success of those services SEEDA has developed for South East business. SEEDA has been leading the national RDA network in terms of its response to the Business Support Simplification Programme. This will address the concerns the Select Committee had about consistent branding for business support products.

On Social Enterprise clear targets are essential for future progress. We are embedding a rigorous approach to the work through the two posts we fund to support the Social Enterprise Enabling Framework. We now measure the number of Social Enterprises being supported through Business Link and we were the first RDA to pilot the Social Enterprise Partnership's social audit tool at regional level. We have also funded a two-year 'cultural change' programme to ensure that Business Link works more closely with specialist social enterprise support organisations in the region.

Finally, the scrutiny on Sustainable Use of natural resources looked beyond SEEDA to the challenge for the region. We have been working hard with partners across the region on the targets set out in the RES. Oona Muirhead leads a new Directorate to focus on Sustainable Prosperity. We have given priority to work on sustainable land management and encouraging diversification and innovation through new products and processes using plants, through the SE Rural Partnership and our horticultural sector consortium. We are developing new models of support for rural based businesses through Business Link. But this is just the very beginning of resourcing SEEDA to make a substantial impact on this agenda and embedding it across all our work.

SEEDA itself is on track to achieve ISO 14001 accreditation by the end of this year in order to exemplify the standards we are working with other organisations to reach. We have established an Environmental Management System for our own organisation which will lead to obtaining ISO14001 certification for our office-based activities at Guildford and Chatham by December 2007. SEEDA's leadership role in the region for sustainable

economic wellbeing means it is critical we should be an exemplar in the way that we work. Becoming a 'green' organisation is something for all of us – for us collectively, and for us individually.

We have already taken a number of measures at SEEDA to reduce our energy and water use, and minimise our waste. For example: a lighting control system to save up to 15% of our energy; a push on recycling; new stationary contracts; and a 60% reduction in water use. We also undertook a 'new ways of working' pilot which showed a positive environmental impact; based on the findings of the survey an average of 400 kg of carbon emissions per employee could be saved over a year and we intend to roll this out across the organisation.

FORWARD LOOK: GEARING UP TO DELIVER THE RES

The RES 2006-2016 set challenging objectives and targets for the region. Specific actions to deliver these objectives and targets have been worked up with partners across the region and are outlined in the RES Implementation Plan which Paul will introduce.

I would like to say just a few more words about the work we have been doing to shape SEEDA and our own activities towards its delivery over the last 18 months.

DEVELOPING SEEDA TO MEET NEW CHALLENGES

We have been looking at the ways we need to develop as an organisation in order both to deliver the RES effectively and to deliver the Improvement Plan agreed as part of our Independent Performance Assessment. We have been strongly influenced by comments made by our partners about how we would work better for them. The most visible outcome of this process is that we have re-organised our structure to reflect the new RES objectives.

So I now have a senior team working with me organised into directorates accountable for progress on the three objectives of Global Competitiveness, Smart Growth and Sustainable Prosperity.

Our aim is to develop a strong focus on delivery of the new RES whilst increasing our ability to join up as an organisation:

- to create cross-cutting teams;
- to develop much more open and transparent priorities and better coordinated Stakeholder and Partner relationships;
- and to move from direct delivery of many projects and activities to fewer, focused programmes of work, adding value to that of our partners and more strongly linked to place.

This work is now even more important given the emphasis of the Government's Sub National Review on aligning regional and local priorities in a single integrated regional strategy covering planning, housing and transport as well as economic development. Local government is considering how best to play its new roles including in relation to the new Integrated Regional

Strategy. SEEDA is determined to shape these proposals to be appropriate to the structures in the SE and to allow for the sort of fully inclusive approach with all partners we created for the RES.

Along with the Regional Spatial Strategy, the RES sits within an over-arching Regional Sustainability Framework which links directly with the principles and priorities of the national Strategy for Sustainable Development. As a result of the Government's Sub-National Review this link will be strengthened over the next few years, as the RDAs take over responsibility for spatial planning and lead on the production of Integrated Regional Strategies.

Along with devolution from national government through new broader Regional Funding Allocations and closer integration at the regional level, the emphasis will be very much on delivery at local level. We work with local government both directly, through area-based initiatives, and through sub-regional and local Economic Partnerships. Local Area Agreements and Multi Area Agreements have been given greater prominence in the Sub-National Review and they will play a key role in achieving more local delivery, within a regional framework of sustainable outcomes.

In short, the agenda is complex and challenging: we have a real chance for aligning all of our efforts, for none of us can do it alone. We must collaborate in order to compete effectively – and I look forward to developing ever stronger collaborations as we go forward together into the new Corporate Plan to deliver our RES.

THANK YOU.