

The Regional Funding Advice Investing for the Future

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OVERVIEW

The Regional Funding Advice (RFA) provides the region with the opportunity to identify annual investment priorities for approximately £1.2bn of public sector funding in 2010/11 increasing to £1.5bn in 2018/19. It encourages us to develop and deliver a regionally agreed, coherent investment programme which aligns aspects of spatial planning, economic development, housing and transport.

The RFA provides a 10-year planning framework. The challenge for this RFA submission is that we must consider how best to deliver longer-term regional objectives whilst understanding and responding to the current economic conditions.

Fundamental changes to the business models – in construction and financial services - are still hard to call new futures.

But we don't start with a blank sheet of paper. The region's 2006 advice has profoundly influenced the work of the Regional Housing Board and Regional Transport Board and our own work in delivering the RES. We will hear from Elizabeth and Nick about the RHB's and RTB's contribution to this, second round, of Regional Funding Advice.

Although skills funding is not included in the RFA funding envelope we are invited to comment on our priorities for the LSC's mainstream programmes of the LSC and its successors and this will inform activities of the Regional Skills for Productivity Alliance. Marinos will say more about this.

THE OVERARCHING APPROACH

Fundamentals of the regional policy framework remain valid – both the South East Plan and Regional Economic Strategy have long-term clear vision built on widespread consultations, about this region, its opportunities and its investment needs.

Key drivers for the regional policy framework come from the Regional Sustainability Framework. Timescales may now change but not fundamental goals. Some may require more focus and others less; slowdown not dumbdown; changes in consumption not unsustainable dieting.

Public sector needs to provide leadership in delivery; use the opportunity to promote change

There are four elements to the RFA:

- economic development is represented only by the RDA's budget already under our control; but recently depleted by £27m, so the baseline for the future will be closer to £125m than to £140m;
- Housing and in future regeneration spend encompasses the whole budget of the new HCA;
- Transport spend funded by the DfT's Highways Agency now also includes flexibility to relate to the local Transport Authorities' aims; already captured £25m into RIF – radical last time.
- skills spend focuses on the LSC's budgets for workforce skills.

CURRENT PLANNING ASSUMPTIONS

I am to say a word about the ECONOMIC DEVELOPMENT element

The starting point for the economic development dimension of the RFA is SEEDA's current Corporate Plan, reduced by £27m already to contribute to the rescue packages for housing and businesses.

The pie-chart shows the percentage split for investment across the 3 RES themes of GC, SG and SP under our current Corporate Plan:

Global Competitiveness	25%
Smart Growth	25%
Sustainable Prosperity	11%

And then specifically on physical regeneration and
Enabling Infrastructure 32% although hard hit by our capital cuts

Strategic Influencing and developing SEEDA 6%

The diagram on the right hand side shows the creation year-by-year of a significant spend on Sustainable Prosperity.

The global recession and its impact on the South East economy requires us to review and re-plan SEEDA's role and focus. At the RES Steering Group we concluded that RES and so our existing Corporate Plan continues to set appropriate direction for the long term. But we need to re-prioritise programmes and activities, responding to a changing policy climate and the changing needs of businesses, people and communities. We aim to come out of the downturn stronger, not weaker, in our businesses' ability to increase and share prosperity through growth in productivity and in global competitiveness. Investing in the growth sectors increasingly plays to the aims of the RES to do so whilst reducing our environmental footprint.

SOUTH EAST OUTLOOK FOR 2009 AND BEYOND

So what might the future look like? What needs to change?

ECONOMIC DEVELOPMENT INPUT INTO RFA

Building upon the policy framework set out in the RES and taking into account the economic circumstances we believe that the focus for our business plan, and hence the input into the RFA, should be focused around twin themes:

Today we are redirecting our uncommitted programmes towards

- a) helping business to **survive the economic situation in the short term**; with streamlined, accessible, effective interventions to strengthen competitiveness, from healthchecks to reducing costs; business planning to finance; skills support to strong encouragement for new export products and markets and for inward investors

But even as we do so, we are prioritising ways of

- b) investing in developing the capacity and capability of the region to **respond to the eventual upturn from a position of strength**.

How as well as what – driving new sectors with new market behaviours – so we can be the region that says yes.

ECONOMIC INVESTMENT PRIORITIES

Developing these themes suggests that the focus for our investment to 2019 should be on transformational programmes with broad reach:

- continuing to deliver our **support for businesses**; to drive productivity increases and strengthen competitiveness;
- Supporting the success of international traders, giving greater focus to our work with global investors in the south east, and looking to new sources of funds such as the sovereign wealth funds and international pension funds;
- continuing to support high growth companies to **innovate and to commercialise science based Research and Development**, including using public procurement and regulation to drive investment in new markets and growth sectors as diverse as environmental and clean energy technologies, assisted living and digital security;
- Identifying the strategic infrastructure of global competitiveness across the region with continuing **direct investment in physical development**, supported by new relationships with the HCA and use of new mechanisms such as the RIF;
- continuing to lead and drive mainstream investment in **education led regeneration projects** alongside the LSC and HEFCE.

The current economic imperatives offer an effective filter for prioritising investment in the fundamentals of future shared prosperity. We currently have 700 plus projects underway. That is not the focus we need. Through

discussion with partners we should invest in the transformational activities that cannot be achieved by local or single agency working alone.

SPATIAL SPEND – SUMMARY

This slide shows only a part of our Corporate Plan spend over 3 years – some £266m planned to go into geographically specific programmes. It has changed quite a lot already but it demonstrates how diverse the needs and priorities are across the sub-regions and how important it is if we are to meet these priorities that we have flexibility within a diverse range of programmes.

Physical schemes in light blue dominate the Growth Areas and priority coastal regeneration areas of Kent, Sussex and Hampshire. Business and innovation support are much more the focus in the west of the region.

DELIVERY – DELEGATION

It is increasingly evident that in future we will need to look to a larger proportion of RES targets being delivered by partner organisations. This means that we must have greater clarity as to the core 'SEEDA offer'. We must also have greater clarity on where there is a need to target additional support, over and above the core offer.

Setting out our approach to delegation of powers and funding we categorise our investment in 3 groupings:

1. **Programmes that operate at the regional level** and which are managed by the Agency e.g. inward investment, I>, – these programmes run across the South East.
2. **Purpose-led vehicles and delegations** that provide services on a contractual basis into which we delegate specific resources to achieve particular outcomes. – e.g. Business Link, MAS, sector consortia, Finance SE and Tourism SE.
3. **Place-led partnerships** established to lead on delivery of sustainable economic development focused in particular on the Growth Areas, and into which we may devolve funds to achieve specified objectives such as the new SPV for Ashford, Chatham Maritime and the Hastings and Bexhill Task Force/Seaspace.

PLACE – SPATIAL PRIORITIES

The RES gives a clear focus to our investment in 'place based' activities: the **8 Diamonds for Investment and Growth**, the scale of outcomes will reach out into their hinterlands, together with the **4 Growth or regeneration programmes** in Ashford, Hastings and Bexhill, Dover and Margate.

So whilst SEEDA's core programmes such as Business Link; Manufacturing Advisory Service; inward investment; and innovation and growth teams are available across the region; Greater priority for new funding should be given to those Diamonds where delivery arrangements are most advanced: currently Urban South Hampshire;

Thames Gateway Kent; Milton Keynes and Aylesbury Vale; and the Gatwick Diamond. The Diamonds are for example already committed to meeting the environmental targets to constrain their footprints 2 years ahead of the RES target. With increasingly limited budgets our ability to leverage mainstream and special programmes into the South East is key – from the RIF to the EU; from the TSB to the LSC.

These principles will inform the economic development input into the RFA. I believe that by focusing on agreed priorities this region will make a strong case for investment in infrastructure for the future whilst also managing the here and now; helping our businesses and people to come through the recession and be ready for the eventual upturn from a position of strength – **maintaining global competitiveness, ensuring smart growth and achieving sustainable prosperity.**

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