

SEEDA Annual Public Open Meeting  
Thursday 30 October 2008, Southampton

## **Review of 2007/08 and future plans**

**PAM ALEXANDER**, Chief Executive  
South East England Development Agency

[slide 1] My job today is to offer you a brief review of some of the highlights of the year that we are reporting on – April 2007 to March 2008. It seems rather far away as we discuss the very immediate issues of credit freeze, commodity price inflation and recession. There is no such thing as “business as usual” now and I am reviewing with colleagues and partners all our programmes to make sure that we are fully focused on offering support in the present difficulties; identifying the likely impacts and the consequences and working proactively to mitigate them; and investing in the future strength and infrastructure of the South East economy.

It is no coincidence that many of our greatest successes with partners last year have set foundations which will enable strong, forward looking companies to emerge healthy; provide people with the skills to adapt to new opportunities; and create the infrastructure to enable communities to benefit from the upturn – which will come.

### **Regional Economic Strategy (RES) 2006-2016**

[slide 2] For SEEDA it was a year when the Implementation Plan for the RES was a focus of much of our work with partners, leading and contributing to their action plans, ensuring that our own corporate plan was a part of them and developing the baselines against which we will measure success over 10 years to 2016. It isn't a short term, but a long term plan.

- The RES Steering Group was established in May 2008.
- Our first Partners Conference held in July 2008.
- Our second Annual Monitoring Report is published today and,

- The next Partners' Conference in January 2009 will address its findings and the infrastructure needs of the South East in the context of the current economic climate but looking to the long term.

The world has changed since the RES was published in 2006 and some targets will be very much harder to achieve. But the direction of travel is still sound. We believe this is not the time to debate the long term strategy and policy frameworks provided by the RES and the South East Plan but to use them to inform the needs of the economy today. 'Slowdown, not dumbdown' is what we want – we must not lose sight of the importance of long term quality and sustainability to future economic growth as we tackle the crises and structural shifts the downturn will bring. This region wants to go on being the locomotive of the UK economy. That means keeping ourselves focused on what we mean by success.

### **Progress in Partnership**

[slide 3] So, first I must report on our results last year; then address the new challenges; and finally set out how some of the new ways in which SEEDA works in partnership will help us to be more effective together.

### **Core Achievements for 2007-8**

- 2007-8 was the last year of our 2005-8 Corporate Plan
- This slide [slide 4] shows our achievements for 2007-8 against the Government's Tasking Framework. I think it shows very strong performance. These results significantly exceed all Government targets but one and contribute to some key RES targets – attracting foreign investors and growing our own companies; bringing people back into the workforce; raising skills levels in key industries; supporting new businesses; and creating major new collaborations between businesses and our university and private sector research base.
- We were under our target for this year to leverage other people's money because of delays in key regeneration projects we were hoping to take forward and in setting up Special Purpose Vehicles to draw private investment into regeneration schemes, which have proved very difficult to deliver. So I am very pleased to report the recent signing with partners of the joint venture for Ashford's Future.

And the completion this week of phase 1 of the new Business District in Priory Quarter, Hastings, which has created sufficient confidence in one of the most deprived towns in the South East to attract investment from Allied Irish Bank - £12.5m already invested in phase 2 which is coming out of the ground and very near to being completed in the spring .And a potential further investment of up to £120m, even in these tough times.

### **Corporate Plan 2005-08**

[slide 5] Looking across the three-year Corporate Plan period, we have very substantially over-achieved on 9 out of 10 Core Output Targets and delivered the Strategic Added Value planned across all 24 programmes. Again, the single disappointment was slower delivery of some major regeneration programmes, and we are working very closely with English Partnership to identify key regional schemes currently halted and any action we can take to get them moving.

It is particularly important for the South East economy that we delivered on:

- Business Creation (43% over target) with 10,000 new businesses;
- Nearly 4,000 new Knowledge Base Collaborations (69% over target);
- Nearly 150,000 people helped to achieve new skills, from basic employability through intermediate and technical skills, which are so short in many of our industries in the South East, to the higher level skills businesses need in the SE; and
- Our public and private sector leverage – nearly £640m additional funds brought in through our projects, against a target of £580m.

### **Impact Evaluation**

[slide 6] This year we are involved with Government and PriceWaterhouseCoopers (PWC) in a major, comprehensive evaluation of all our programmes. So far we have evaluated some 80% of SEEDA spend since 2002 and I am very grateful to partners who have been involved in commenting to PWC on our effectiveness. The final Impact Evaluation report on all 9 RDAs will be published later this year by Government and I look forward to reporting on our successes and lessons learnt.

I'd like to give you a few examples of our achievements last year to illustrate the three RES themes.

First, **Global Competitiveness**. The current economic crisis has emphasised how important it is for our companies to continue to develop competitive edge in global markets.

**Innovation Enhanced:** We ramped up spending on Innovation significantly through the last three years and maintained the higher level in the new Corporate Plan. With the South East Science, Engineering and Technology Advisory Council (SESETAC)'s advice on priorities we are well placed to lever more money for technological innovation into the region through collaborative R+D and through Innovation Platforms. These enable our businesses and universities to develop new approaches to cross-cutting issues such as developing intelligent transport systems and using ICT to transform approaches to assisted living.

We are the largest manufacturing region by value due to our highly advanced companies and we want to stay that way. To take just one sector, last year we contributed to some excellent results in the space and aerospace industries:

- As Jim said, we invested £12m, alongside the same from LDA and EEDA, into the very successful **AlphaSat** bid to build the world's most advanced civilian satellite. This will generate revenue flows into the region of £250m per annum. The project will bring significant economic and social benefits to the UK, including creating and retaining over 500 high technology jobs in Portsmouth and Stevenage, where EADS (European Aeronautic Defence & Space Company) Astrium will develop and build the satellite. This was the first joint investment by the three RDAs of the Greater South East.
- We also invested £2m alongside other RDAs in the £35m globally significant **ASTRAEA** partnership to develop unmanned aircraft.

## Productivity Spread

[slide 7] Turning to the second RES theme, **Smart Growth**, it will be vital during the downturn not to abandon those parts of the economy that were already under-performing if all communities are to be well-placed for the upturn. Support for all businesses must be tailored to their specific needs, and an area of particular success last year was in encouraging new women-led businesses in a sector where we under perform compared, for example, to the USA.

- With a RES target of 10,000 new women-led businesses by 2016 we were surprised and pleased by the **13,000 women newly in self employment** last year in the South East. This was a better start than we could possibly have imagined. Now our job is to ensure that those businesses survive, prosper and grow and we have set up the networks of support to do just that.
- In January 2007, the **Women's Enterprise Task Force**, which I co-Chair, was set up to support more and more successful, women entrepreneurs across the UK.
- And to provide role models and mentors for business women we have established a network of over **1200 Women Ambassadors, more than 100** of which are in the South East.
- We have encouraged more and more women to take up **professional advice from Business Link** – nearly a third of their clients last year in the South East compared with just 22% of clients the year before. And we know this will work for them because in general the evidence shows that women like taking advice! The new free health checks announced last week will be valuable medicine for all SME businesses through the current difficulties – above all helping to diagnose threats to cash flow; to aid cost control, including advice on energy efficiency to reduce fuel bills permanently; or to identify training support, new markets and the innovative opportunities that will leave businesses stronger not weaker. Our Business Links are ready with this offer to all small businesses today.

## Pathway To A Zero Waste Region

[slide 8] In the last year we have worked with partners to put real meat into the **SUSTAINABLE PROSPERITY** objectives in the RES. Our region's long term prosperity

depends on sustainable solutions to reinforce our quality of life. And these can lead the world in new markets: sectors of growth in the gloom.

### **Zero Waste Region**

The SEEDA-led Zero Waste Programme aims to reduce the amount of the region's waste going to landfill by 90% by 2020. It is a strategic partnership with WRAP (Waste & Resources Action Programme) and the Environment Agency and a number of delivery partners; concentrating first with businesses involved in the major waste streams of construction, food and waste wood.

For example we will together reduce waste from the construction sector – the largest contributor – by 50% by 2011, one year ahead of the Government's Sustainable Construction Strategy target. We will do this by tackling waste at source, stimulating demand for sustainable and recycled products through public procurement, promoting sustainable innovation and design – meaning that we have the entire lifecycle of a product in mind when developing it – and ensuring the reprocessing infrastructure is there. There is good business in this business as the 750 members of Envirobusiness – our Sector Consortium – know.

### **Making the Most of London 2012**

[slide 9] Finally, we made major progress last year on several of the Transformational Actions in the RES. To take just one: I chair the South East Partnership to make the most of London 2012 for the South East. Our 6 Working Groups have all made progress and we are now, after the Beijing Olympics, firmly in the run up to the London Games.

#### So what has been achieved so far?

- Over 100 companies from the South East have won contracts – including for the roof of the main stadium
- The South East is far ahead of other regions outside London with 7000 South East companies ready to tender by 2011 and published on CompeteFor – the matchmaking service funded by RDAs to enable SMEs to access Olympic contracts.

- Nearly £1.5 million GVA was added to local economies in 2008 by three major new sports events secured for Reading, Brighton and Milton Keynes [ : Corus Elite Triathlon (Reading – 18 May 2008), FIVB U 21's World Beach Volleyball Championships (Brighton – 3-7 Sept 08), Tour of Britain 2008 (Milton Keynes – 8 Sept 08).]
- Team GB has selected Aldershot as the venue for its Pre Games Training Camp. SEEDA helped to secure the deal, which may bring as much as £1 million into the local economy in the run up to 2012.
- The South East's Cultural Olympiad launched very successfully in the region. 74 "Open Up" Events took place over the last weekend in September with two leading events at Windsor and Dover.

The real mark of success for 2012 will be the legacy achieved for business success, new skills and opportunities in the leisure and volunteering sectors, regional infrastructure and the health and activity of young and old across the region. We have a lot of work to do and a clear framework to build on our strengths, create and showcase our world class offer and achieve that lasting legacy. And the demands of 2012 on an overstretched construction industry can now be seen as a great boost in uncertain times.

[slide 10] Last year we also delivered our new Corporate Plan covering the period from 2008 to 2011:

### **SEEDA Corporate Plan 2008-11**

In our new Corporate Plan we directed all our resources at the three RES goals. This meant investment in Sustainable Prosperity to create new programmes to transform our ecological impact and reduce economic and social polarisation. We are partnering with others to deliver large-scale, mass-market approaches to energy and water efficiency, renewables and waste, such as the Pathway to Zero Waste Programme I have mentioned.

Government and our regional partners are clear that our focus now is on helping businesses to respond to the current economic problems and identifying where we can

invest in a counter-cyclical way to create the infrastructure that will help development to go forward as soon as economic conditions allow. This means looking across all our programmes to ensure we really are focused on meeting these priority needs and opportunities.

We have committed £10m to lead a new Regional Infrastructure Fund to forward fund crucial infrastructure schemes. This has already levered an additional £25m from the Department for Transport's programme.

The second round of Regional Funding Advice (RFA) next January offers a big opportunity to direct this, look more long term, align our priorities and demonstrate that investment in the South East brings dividends which are more than ever important at this time of economic challenge to the whole of the UK – and keeps jobs and skills alive whilst investing in the upturn. We strongly support the need for increased and targeted infrastructure as the basis for successful growth is jobs and home.

[slide 11] If we can overcome the current challenges, long term prospects for the RES objectives remain good:

- The South East remains the UK's largest manufacturing region by value of output;
- South East businesses export more than businesses in any other region;
- South East businesses lead the way in opening up new and still expanding markets such as renewable energy.

But right now our priority now must be to help businesses ride out the storm and prepare for the upturn.

That's why we launched a £10 million package of support for businesses in August, along with a report which focused Treasury and the Business Department on the particular needs of businesses in the South East, and we are updating that input daily if necessary. This includes:

- Meeting the increased demands for the MA's

- New funding to help more firms develop new markets for export;
- Making the Selective Finance for Investment scheme available to all eligible small and medium sized firms across the region;
- A new £3 million commercialisation fund to help businesses taking good ideas to market, available through our subsidiary Finance South East;
- More support for inward investors currently being piloted by Business Link Kent.

The health checks through Business Link were introduced only last week for all small and medium sized companies and £350m of Train to Gain funds focused on these companies too, and focused on the small bite size chunks of training which we know businesses want rather than long term courses. Some of those may be for example invested in the immediate business skills which so many companies now feel they need.

### **Forward Look**

[slide 12] There has been much discussion over the last year around the structures of regional planning, in the context of what is known as the Sub-National Review, or SNR.

For those lucky enough not to know what it is, the SNR talked about bringing together the RES and the Regional Spatial Strategy – the South East Plan – into one Integrated Strategy in future; to give stronger economic development roles to local authorities; and to delegate activities to the most local level appropriate to achieve success. All of these are welcome. The question is how to do it.

As Jonathan Shaw said, Government is still discussing whether and how to take this forward. But we are keen right now to find new ways of working with partners that make the most of all our expertise and resources. We have been working on three different approaches:

1. **Regional Programmes** which we run across the South East and in some cases contract to delivery agents, such as Business Link, Finance SE and Tourism SE.
2. **Purpose-led vehicles** into which we delegate specific resources to achieve particular outcomes. Examples include the seven Sector Consortia, Employment

and Skills Boards, and the vehicle we will create for the Regional Infrastructure Fund

3. **Place-led partnerships** for 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; work in the 8 Diamonds, including the Employment and Skills Partnership to support the MAA here in Urban South Hampshire; as well as older SPVs such as HBRL and Chatham Maritime.

[slide 13] I'll discuss each of these approaches in detail.

### **1. Regional Delivery: Business Link**

The National **Business Link** Service is an example of a regional programme contracted out by SEEDA.

With £24 million p.a. to reach 135,000 of the South East's businesses last year BL accounts for 20% of SEEDA's annual revenue budget and is the primary access channel for any business to access all publicly funded business support. We set clear targets and monitor performance regularly.

### **Local Delivery in Action – PUSH**

Increasingly BL services are being targeted at Sub regional priorities. One of the eight outcomes agreed in the South Hampshire MAA is 'increased effectiveness of business support' which aims to increase GVA and productivity by supporting growth, productivity and retention in established businesses. To support this outcome BL in this area will be focused on intensively assisting existing businesses to deliver an additional £19m GVA and an improvement of nearly 5% in the productivity of businesses supported in each year of the pilot.

This is a great example of how local priorities can now influence the targeting and delivery of a national programme delivered at regional level. We are now consulting on how best to improve the service from April 2010, when new contracts will be issued. We

have had some excellent responses to our stakeholder events. Businesses want a consistent, regional service, but one which has a local face, knowledge and feel and – particularly now – one which is agile and responsive to business needs without unnecessary bureaucracy. We will be publishing the feedback after consultation ends, in December.

## **2. Purpose-led partnerships: Innovation & Growth Teams**

[slide 14] We are very keen to develop purpose-led partnerships, like the business-led sector consortia, to whom we can delegate many of our most successful and tested initiatives, making them locally responsive as well as regionally coherent. Our new regional network of eight Innovation and Growth teams is a great example. Following consultation it will be based around centres of innovation, crossing local authority boundaries to bridge functional economic areas.

Building on SEEDA services that have already proven successful - the Enterprise Hubs, Innovation Advisory Service and High Growth Coaching programme - the new teams will be focused on the Diamonds for Investment and Growth such as Urban South Hampshire, and strong hubs of innovation activity such as the University of Surrey. They will be managed by local partnerships involving the sub-regional economic partnerships, the world class knowledge base of our universities and Research Centres, the local Business Link, Local Authorities and business representatives. They will be business led with an independent Business Chair and Champion who has high credibility in the business community. The partners with whom we contract will have £9-10m pa to invest, at a local level, in highly credible experts with the business knowledge and contacts to coach, mentor and connect the 2000 high growth businesses across the South East which have the greatest potential to the support they need to innovate and grow.

Strong partnerships have bid for the contracts; business cases are in preparation and the first four teams will come on stream in April 2009, including the team for Urban South Hampshire, with the second four following in October 2009. These teams will be a great resource to help high growth businesses innovate and expand, tackling the challenges of world recession aggressively.

### 3. Partnership in Place

[slide 15] The third approach to delegation is to lead economic development locally and relate it to Local or Multi Area Agreements, whilst taking advantage of the breadth and depth of SEEDA's ability to join up policies and places nationally, regionally and locally.

We have put a lot of work with partners into identifying ways we might work together in **place** through new **partnerships**. We have agreed strategies for the Coastal and Rural contours, developed comprehensive new approaches to economic development in the 8 Diamonds and the 3 Growth Areas; worked with local authorities and partners, such as Business Link and the Learning and Skills Council, to align the RES objectives and targets with the new Local Area Agreements; developed new sub-regional partnership arrangements; and reviewed the role and structure of our own Area Teams to strengthen them and provide the capacity to focus on their partnership building role. There are now five, rather than four, Area Teams as shown on the map here [slide 15].

We are also aware that whilst our three policy Directorates – Global Competitiveness, Smart Growth and Sustainable Prosperity – have successfully embedded the three RES themes in all that we do, they are in danger of creating new 'silos' around these themes. So from next month all the teams working across these three areas will come together in just two policy directorates with Jeff Alexander leading Competitiveness and Growth and Oona Muirhead leading Skills and Sustainable Prosperity. John Parsonage has led skills work at all levels across SEEDA for many years with passion and inspiration and has created pilots of innovative working which have been taken up as national examples and rolled out – CC4G (Computer Clubs for Girls), University Centres, RSPs (Regional Skills Partnerships) and now the IFS (International Institute for Sustainability) at Dartford. This is not goodbye – we will continue to benefit from his expertise – but he is moving into a new phase of working. I thank him most warmly, on behalf of partners as well as SEEDA for all he has done – and will do! We reflected just last week at the Assembly's Scrutiny on labour force and employment how strongly all the elements need to work together to create a coherent framework and action plan for success.

I'd like to finish with just a couple of cross-SEEDA examples of working with partners locally and nationally, which demonstrate how these three new areas can benefit local priorities.

### **Greatest potential for sustainable economic and community growth:**

[slide 16] The 8 Diamonds for Investment and Growth account for over half of the region's population and some 56% of its GVA

The Diamonds have joined together to identify their unique strengths, their common economic drivers and the challenges they face and to set priorities for joint ventures. They all share the challenges posed by the demands of sustainable economic and community growth – affordable housing, supporting infrastructure, adequate skills and reducing carbon emissions.

We are working with them in three policy groups to address

- Skills & Social Justice
- The Knowledge Economy; and their
- Ecological Footprints

An early example of their leadership is a commitment to stabilise the ecological footprint of the Diamonds by 2014; two years earlier than the RES target. This is a hugely positive development showing the determination of the region's key areas of growth to ensure that economic development addresses both energy efficiency and clean energy.

### **MAA – PUSH: A strong base for the future**

[slide 17] Here, in one of the eight Diamonds, the Partnership for Urban South Hampshire (PUSH) signed one of only seven Multi Area Agreements (MAA) in July. This has won the 11 local authorities national attention and will support them to achieve resources and flexibilities as well as results. SEEDA has been working in partnership with PUSH to achieve their goals for several years. Led by the Area Team, we are now drawing together expertise from across SEEDA to address their priorities in the South Hampshire Task Group. To take a few of the results last year:

### Building blocks of the future:

First, **Portsmouth Naval Base**: the economic evidence and analysis that we input to the strong partnership response to the enormous threat of losing the naval base had a double result last July. Not only is the naval base retained but it will be involved in building and being the base for the 2 new super aircraft carriers. This will save over 50,000 jobs and gain a share of 10,000 new jobs which will be created nationwide.

The new **Solent Waterfront Strategy** developed a clear agenda for the marine industries of the Solent. In response to a call from industry leaders and Hampshire Economic Partnership, concerned about the shortage of coastal waterfront land available for businesses in the Solent to grow and thrive, SEEDA with Marine South East and PUSH commissioned the Solent Waterfront Strategy; a comprehensive economic and spatial study of the marine sector in the Solent sub-region. This is the first ever in-depth research into the Solent marine sector revealing the £5.5 billion this industry brings to the local area, with 25,000 direct jobs, over a quarter of the Solent economy.

Finally in April 2008 we were delighted to beat off fierce international competition to secure 800 new jobs through the location of the US super yacht company Palmer Johnson in the Solent. This was the result of effective working with external partners, and joining up our Inward Investment, Property and Area Teams. This 'Team SEEDA' approach will be an increasingly important and visible way of working – a 'hit squad' to bring together all our expertise.

### **Review of 2007/08 and Forward Look**

[slide 18] Finally, since this is Jim's last Open meeting I must thank him personally for the enormous support he has given me and say how much I have enjoyed working with him as chair and what great leadership he has given, particularly to SEEDA's relationships with individual businesses here and around the globe. He listens, inputs and makes sure their concerns are at the heart of all that we do to support the success of one of the greatest economies in the world. Thank you Jim.

So there is much to celebrate in our £180bn economy here in the SE. I want to say that identifying the supports of business needs and ensuring that they can meet the challenges ahead, and investing in the strengths so that when the upturn comes we can take advantage of it, is now at the heart of everything that SEEDA does.

Thank you.