

**SOUTH EAST ENGLAND COUNCILS
EXECUTIVE MEETING**



Date: 16 June 2010

Subject: **Future Arrangements for Economic
Development in the South East**

Report of: Chris M Williams, Chairman of Local Authority Chief
Executives (LACE)

Recommendations:

SEEC is recommended to:

- 1) Reach a decision on SEEC's advice to Government about the future of an RDA in the South East.
- 2) Work with key business leaders to make its views known to the new coalition Government about the need to continue to 'invest in success' by supporting businesses in the South East and by providing the necessary infrastructure.
- 3) Press for a devolution of economic development functions down to local authorities and local enterprise partnerships together with adequate central Government funding.
- 4) Consider what minimalistic, strategic oversight functions are best handled at a region wide level under the auspices of SEEC, determine the appropriate capabilities and make a case for Government to fund the relatively small cost of these.
- 5) Press to be consulted on the future options for the Government Office of the South East (GOSE).

1. Introduction

- 1.1 In 2008, South East residents contributed £195 billion to the UK economy or 15.5% of the total Gross Value Added (GVA). Their net contribution to the Exchequer (tax contributions minus Government expenditure) was £18 billion - more than the combined total for London and the East of England (the only two other parts of the UK to make a net contribution).
- 1.2 The South East is the UK's leading gateway to the rest of the world. Exports through the South East were valued at approximately £40,049 billion worth of goods for the year to March 2009 - the highest of all UK

regions. The South East is also the UK's second highest exporter of services, after London.

- 1.3 The World Knowledge Competitiveness index 2008 ranks South East England 74th against 145 leading global regions. Across the UK, only the East of England ranked higher (54th), however against its international comparator regions the South East slipped 10 places during 2005-08. Consequently the Government cannot be complacent that the contribution of the South East to national economic recovery can be assured without continued and significant support.
- 1.4 The South East Regional Development Agency (SEEDA) was established in 1999 and is responsible for economic and social development in the South East. Its activities have helped create new businesses, create and safeguard a significant number of jobs and invested over £500million in urban regeneration projects. Its total programme budget for 2010/11 is £107 million and its running costs are approximately £20million. The new coalition Government has recently announced reductions of over 20% across all RDA's outside London. It is estimated that this will result in a reduction of £24 million from SEEDA's programme budget and a further 10% from administrative savings.
- 1.5 There is speculation that SEEDA will be abolished by March 2012 or possibly even sooner. It is therefore appropriate for SEEC to consider the future arrangements for economic development in the South East. Members will be aware of the dangers of the South East losing out to other, better organised areas, if the local authorities (and businesses) do not speak with one voice. It has been confirmed that the new Secretary for State for Business Innovation and Skills considers that the South East (along with the East of England, the East Midlands and the South West) is sufficiently affluent and economically buoyant that it no longer requires Government support or investment and that resources should be redirected elsewhere.

2. Functions

- 2.1 At present there is considerable uncertainty about what functions central Government would retain and whether or not there would be any functions/funding deployed in the South East at either a local level (local authority or Local Enterprise Partnership) or at a sub-national level.
- 2.2 At present much of the operational delivery of economic development functions is carried out by local authorities or through economic partnerships. However, there are a number of functions which are best carried out at a region wide (or sub-regional) level. These include:
 - Lobbying central Government (and the European Union) for adequate resources for business support and infrastructure investment on the South East.

- A capability to be able to identify and interpret economic issues and trends and translate these into practical policies.
- An understanding of global best practice in economic development, actively seeking out solutions and lessons of relevance.
- High impact investments to support fast growing businesses, focussed on a small set of sectors and improving the performance of businesses which deliver most jobs and highest growth.
- Actions to stimulate innovation by connecting potential investors and existing business with relevant university based expertise and sourcing the financial resources, including EU programmes.
- Financing and management of business critical infrastructure such as science and technology parks and broadband.
- Promoting inward investment in the South East.

3. A Way Forward

- 3.1 If would appear that SEEDA in its current form is to be abolished and not replaced by a stand alone body operating at a region-wide level. Consequently SEEC needs to consider how any critical remaining functions can be discharged in line with the Government's drive for greater 'localism'.
- 3.2 The new coalition "Programme for Government" document supports the Creation of Local Enterprise Partnerships which 'reflect natural economic areas' to replace RDAs. These LEPs could be LAA area based (giving around 20 partnerships) or a lower number through some cross boundary working - e.g. the Berkshire Unitaries, PUSH or MKSM for example. The final arrangements should be **locally decided** based on specific local needs. The critical question will be how much central funding might be available to fund LEPs/local government arrangements?
- 3.3 SEEC was created to provide a democratic voice for the South East. SEEC operates on a 'light touch basis' and activities are fully subscription funded by local councils across the South East. With its **democratic status**, SEEC has the future potential to expand to better serve the Councils and communities that it represents. SEEC should press for some or all of the functions currently carried out by SEEDA to be devolved down to Local Authorities or Local Enterprise Partnerships. There is, however, an expectation that many current SEEDA functions will be 'centralised' therefore it will be important for SEEC to consider (and argue for) which of the RDA responsibilities, powers, resources and expertise should be retained in the region rather than disappearing back to the centre.

- 3.4 Recognising that some functions are best handled at a region-wide level, such as inward investment, strategic interventions and sectoral support, local authorities could delegate these functions to SEEC. It would enable a region-wide LEP to be established to bring together local authority leaders and key business representatives as part of the SEEC governance machinery. This would ensure that SEEC was able to benefit from the views of the business community at the highest level (as well as business involvement at a local level through LEPs). A minimalist approach would be taken to both the functions and staff required at the regional level. This would also provide a mechanism for the delivery of some functions retained by central Government to be handled at a sub-national level and would complement the drive towards 'localism' by providing a bridge between 'bottom up' economic development from LEPs/local authorities and 'top down' central direction.
- 3.5 SEEC, as the democratically elected body representing the South East, should be working with key business leaders to make its views known to the new coalition Government about:
- The need to continue to 'invest in success' by supporting businesses and by providing infrastructure in the South East.
 - Pressing for a devolution of economic development functions down to local authorities and local enterprise partnerships together with adequate funding.
 - Consider whether some of these functions are best handled at a region-wide level under the auspices of SEEC and determine the appropriate capabilities which would be needed. (Appropriate technical expertise to support these functions could be additional to the technical staff required to support the wider SEEC role outlined in another paper on today's agenda).
- 3.6 The new coalition Government has also signalled its intention to review the future need for, and role of, the Government Offices and it is understood that the Government Office for the South East is considering a range of future options. SEEC should press to be consulted on whether or not the Government Office is needed, and what functions it should focus upon. Government Offices provide a conduit for the views of the region to be presented to Government departments (and vice versa) and careful thought would need to be given as to how local authorities could exercise these functions in their absence.

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