

**REVIEW OF
REGIONAL ECONOMIC STRATEGY
FOR SOUTH EAST ENGLAND
2006 – 2016

CONSULTATION DOCUMENT**

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Chairman's Introduction

This consultation document marks a key stage in the revision of the Regional Economic Strategy for South East England. I have been excited by the consultation events with which SEEDA launched the review of the Regional Economic Strategy this summer. Three particular challenges have focused our work: global competitiveness; 'smart' growth to achieve prosperity through increased productivity and employability; and hard choices to deliver environmental sustainability – recognising that in the South East quality of life is a competitive advantage.

This consultation document draws together the key issues that have been identified and sets out our proposed response to the priorities and questions that we have addressed with partners across the region during the last few months. So I look forward to receiving the region's comments.

Our vision is that by 2016 ***the South East will be a world class region achieving sustainable prosperity.***

The extent of the challenge must not be underestimated. We are already in some respects a world class region. So it is too easy to believe that this simply means stability to continue as the engine of the UK economy. We need to be very clear - stability is not on offer. There is no comfort zone for the South East economy, no easy option allowing us to kick back and live off the fruits of our past successes. It is clear that the global economy is changing faster than ever, and successful businesses in the South East know that they must innovate and evolve continuously if they are to compete effectively and thrive. They – and we - cannot afford under-performance. Our prosperity requires increased international competitiveness built on the excellence of our research and skills base; the creativity and innovation of our businesses; and continuing increases in productivity.

Excellent performance against many of our targets in the 2002 RES demonstrates this success. Together with London and the East of England, the South East accounts for over 50% of the UK's R&D. We stand alongside the North West as the largest manufacturing region in the UK by value. We are substantial net contributors to the Exchequer every year. But the prosperity which results is not shared across all groups and areas. Too many people of working age, particularly in the east of the region, are not economically active, creating a dependency which will worsen as the population ages. Too many lack skills at all levels to provide the workforce businesses need locally, which increases inward commuting and pressure on housing. Polarisation is increasing as greater wealth generates a demand for more services, creating an 'hourglass' economy, dependent on lower paid, lower value jobs. These are not sustainable communities.

The less successful areas of the region today have no wish for handouts - they want to see their potential celebrated and supported as they develop new pathways to sustainable prosperity. As in the most prosperous areas, these pathways require investment in the infrastructure of successful economies: transport, housing, skills, the new connectivity of the knowledge age. The case for public investment will be made but we must also find new, more effective ways of funding and delivering infrastructure – matching the speed with which the emerging economies of China and India are creating new and exciting futures for their people.

Our task in the RES is to build a framework for future growth, recognising that one of the major reasons for success is the attractive environment of a region where one third of the land is protected for its natural beauty and value. This brings a skilled workforce to the region and attracts globally-mobile companies to invest in and enjoy its benefits. It is for this quality of life that we seek to prosper and not for growth itself. If we remember this it will guide our choices as we seek to support sustainable prosperity in this world class region.

I look forward to hearing your views, and draw your attention to the key consultation questions at the back of this document. What I particularly want to know is – what will **your** business or organisation do to contribute to this strategy being a success?

1. The Regional Economic Strategy – Why, What, How?

The purpose of the Regional Economic Strategy (RES) is to shape the future economic development of the South East. The role of SEEDA is to lead the development and overall implementation of the strategy on behalf of the region, but it is a strategy for all who have an interest in the future performance of the South East economy.

The RES is informed by the Integrated Regional Framework, which applies the principles of sustainable development and provides an overarching policy framework for the South East. The RES also sits alongside the South East Plan which is being developed as the region's spatial strategy.

The RES can only succeed if it is owned and supported by all who have a role to play in implementing the strategy. This Consultation Document therefore follows a series of 17 events conducted across the region during July to October 2005, which were attended by over 2,000 people. The proceedings of these events, together with the presentations and think-pieces used to inform their work, are available on SEEDA's website. They provide an important input to shaping the strategy. SEEDA has also shared the emerging messages from this process for the RES at a seminar with representatives of all Government Departments with an interest in the RES.

The RES must also be founded on a strong analysis of the issues facing the region's economy, and on a robust assessment of progress against previous strategies. Alongside this Consultation Document, SEEDA is also publishing:

- An independent Economic Impact Assessment of the RES 2002-2012, prepared by consultants KPMG
- An interim Evidence Base Document, prepared by SEEDA's Strategy Team in collaboration with consultants Deloitte

Both of these documents are available on SEEDA's website, and also on the website of SEE-IN, the Regional Observatory for the South East.

A combined Strategic Environmental Assessment and Sustainability Appraisal of the RES process is currently being conducted by consultants ERM, and will include an assessment of potential impacts of the policies proposed in this Consultation Document. The results will be published on SEEDA's website.

The formal consultation period runs from 16 November to 17 February. See Section 7 for details on how to respond. Following the end of the consultation period, a draft Regional Economic Strategy will be prepared for endorsement by key regional partners, and following ministerial endorsement the new RES will be launched during spring 2006.

2. Progress with the Current Regional Economic Strategy

The original RES, published in 1999, set out the case for the South East as a world class region. The first revision of the RES in 2002 described the role of the South East as the locomotive of the UK economy and focused on the need for 'smart growth', recognising the need for growth to be compatible with all aspects of sustainable development.

How has the South East Performed since 2002?

The Economic Impact Assessment of the Regional Economic Strategy¹ examines the impact of the 2002 RES in its 3 key roles of co-ordination, acting as a strategic catalyst and providing advocacy and innovation. It concludes that to date, the RES has been most successful in the following areas:

- Providing a shared vision for the region
- Aligning strategies
- Influencing external agencies
- Influencing funding and resource allocations within the region
- Providing a context and reference document for partners within the region
- Highlighting issues and geographical priorities for the region to address
- Developing specific successful projects

Alongside this, it concluded that the RES has had less of an impact to date in the following areas:

- Sharing best practice across the region
- Encouraging agencies to plan and deliver projects jointly
- Encouraging more effective partnership working by reviewing existing partnership arrangements and their role within the regional agenda.

However the ultimate test of the Regional Economic Strategy is the performance of the regional economy. Against the basket of 23 headline indicators identified to assess the progress of the Regional Economic Strategy 2002-2012, a mixed picture emerges².

- Among **economic** indicators, those in work have seen a steady increase in Gross Value Added (GVA) per head. However, labour productivity has slipped back against the performance of other leading global regions.
- Among indicators of **deprivation and inclusion**, the region has seen significant reductions in unemployment levels across its most deprived areas. However this has been offset by rising mortality rates, crime and homelessness. In addition, rapidly increasing house prices have pushed homes beyond the pockets of those on even above average salaries.
- Among **environmental sustainability** indicators, progress has been made through reductions in water consumption per head and in increasing energy production from renewable sources. However carbon dioxide emissions per head are increasing, reflecting a real increase in business and domestic road usage. Meanwhile, businesses are becoming concerned about the security of energy supply and rising oil prices.

So this review of the Regional Economic Strategy starts from a position of some significant successes, but with a number of challenges still to be met. The nature of these challenges becomes clearer by examining the substantial evidence base underpinning this work.

¹ SEEDA: Economic Impact of the RES, prepared by KPMG and published alongside this Consultation Document

² See Economic Impact Assessment of the RES for full details

3. The Evidence Base – Key Points³

By any conventional economic measures, the South East is one of the UK's most successful regions. Comparing economic performance over the period 1997 – 2003 against other UK regions, the South East achieved:

- The fastest growth in Gross Value Added (GVA) per head at 35.3%
- The second highest absolute level of GVA per head at £18,400
- The highest economic activity rate, averaging 82.9%
- The lowest unemployment rate, averaging 4.2%
- The second highest household income per head, at almost £14,300⁴.

Latest estimates are that in 2004-05 the South East made a net contribution (tax receipts minus Government expenditure) of £11 billion, one of only 3 UK regions (along with London and the East of England) to make a net contribution. The absolute level of contribution fluctuates through the economic cycle (for example it stood at £18 billion in 2002-03). However the South East now accounts for more than 50% of the total net contribution, with only London and the East of England also making net contributions.

The South East's strong performance in national terms puts it firmly among the most prosperous regions globally. But its performance is not outstanding against these comparators: it is nominally 31st out of 40 top performing regions (based on workplace data, which may understate the performance of the South East given the degree of outward commuting to London).

Strong headline economic growth masks substantial regional variations. GVA per head in the Thames Valley was 60% higher than the national average in 2002, while in the Isle of Wight it was 39% below the national average. Even though disparities in economic growth between South East County areas have narrowed slightly since 1999, they remain larger than disparities between the 9 English regions.

Productivity and labour market indicators follow broadly similar patterns. Between 1997 and 2003, the South East has seen a higher rate of growth in output per hour worked than any other UK region, and is second only to London in terms of absolute productivity levels. But internationally the region's performance is less impressive, ranking 34th out of 40 high performing global regions, and more than 50% below the best performing European regions. Performance is again mixed within the region, with Kent and East Sussex lagging behind the UK average in terms of both absolute levels and average annual growth rates. Across the region, current trends and projections point towards an increasingly polarised labour market in the South East, with a strong and growing proportion of both high-end and basic occupations alongside significant decline in intermediate occupations.

With high economic activity rates, high vacancy rates and low unemployment the South East has one of the tightest labour markets in the UK, and indeed is one of the highest performing regions globally in this regard. However, 900,000 residents of working age, representing almost 20% of the region's potential labour force, are economically inactive. Within this group, almost 250,000 people report themselves as wanting to work. As a group, the economically inactive tend to be concentrated in the Eastern part of the region, along the coast and in the region's largest urban areas. Ethnicity is also a factor: black residents are 1.5 times more likely to be economically inactive than white residents, and Asian residents almost twice as likely to be economically inactive.

Two consistent themes run through the evidence base. Firstly, the South East is a region that in terms of averages consistently outperforms the UK average on wide ranging measures of economic wellbeing. Secondly, it is clear that averages can be as misleading within regions as between them. The South East contains a number of underperforming areas, with substantial

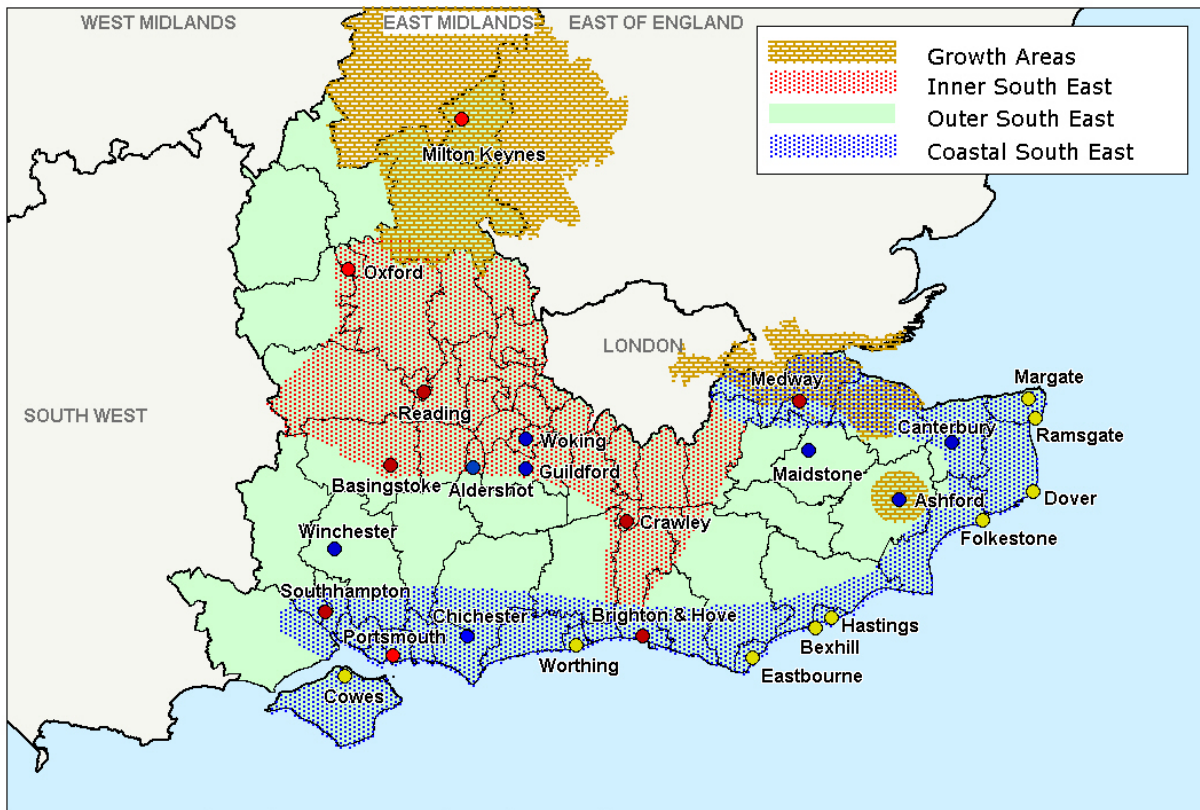
³ This section draws key conclusions from the Interim Evidence Base, published alongside this Consultation Document

⁴ NB before taking into account regional variations in costs of living

numbers of individuals and communities achieving below their potential - a potential that is lost to the South East and UK economy.

The available evidence points towards the existence of three broad economic areas that help understanding of the South East economy.

Economic Areas within the South East



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These economic areas can broadly be categorised as follows:

1. The Inner South East - a relatively wealthy core around London, where a strong relationship with a Global City sits alongside centres of economic vitality as strong as any in Europe, delivering much of the region's 'world class' performance and characterised by:
 - High productivity
 - High economic activity and near full employment
 - High concentration of world class companies, clusters and high-tech sectors
 - High skills profile of working age population
 - Low proportion of economically inactive population
 - High proportion of employment in knowledge-based sectors
 - Low dependency on public sector employment
 - Significant pockets of deprivation coexisting alongside general prosperity
 - Relatively young population and favourable demographics
 - Relatively good infrastructure and connectivity, but with substantial congestion on existing networks.

2. The Outer South East – a largely rural area with well-established market and county towns providing a focal point around which economic activity may cluster and spread, but with networks more effectively developed in the West than in the East, and characterised by:

- High overall economic activity and employment rates
 - Highly skilled commuter workforce (commuting both within and outside the region)
 - High business density and business start-up rates
 - Very few pockets of deprivation with regard to the overall index of multiple deprivation, but dispersed patterns of rural deprivation
 - High levels of deprivation with regard to the domains of housing and access to services
 - A younger population than the Coastal South East, but a population whose average age is increasing
 - Variable infrastructure quality, especially for non-radial movements.
3. The Coastal South East - a less prosperous periphery, with large urban areas offering strong economic potential alongside coastal towns that have had mixed success in reinventing themselves, and characterised by:
- Low productivity relative to the South East and, in some cases, the UK
 - Generally lower economic activity and employment rates
 - High concentrations of economic inactivity and higher 'structural' unemployment rates
 - Relatively low skilled profile of its workforce
 - Lower business density and business start-up rates
 - More traditional industrial activities, including lower value added manufacturing and tourism
 - High dependence on public sector employment
 - A low proportion of employment in knowledge based sectors, especially in the private sector
 - Less favourable demographics: a greater proportion of people already over retirement age and projections of further ageing
 - Relatively poor infrastructure and connectivity.

Overlaying these economic contours are the Growth Areas of the Thames Gateway, Ashford and Milton Keynes / Aylesbury Vale.

In each of the three economic areas, towns and cities can act as a catalyst to stimulate economic development within their boundaries and across a broader hinterland. These areas are major centres of economic activity, containing elements of excellence, potential and underperformance and with a significant impact on their surrounding areas. The Gatwick Diamond is one such example, and other diamonds exist in Urban South Hampshire (embracing Southampton and Portsmouth), Brighton & Hove, Medway, Milton Keynes, Oxford, Reading and Basingstoke.

Alongside these are a group of smaller towns and cities that also play an important role as economic centres for surrounding (often rural) areas. Examples include Winchester, Chichester, Aldershot, Guildford, Woking, Maidstone, Ashford and Canterbury.

There are also a series of coastal towns which are either transforming themselves or are in need of transformation to become a major regional asset. This 'string of pearls' includes Margate, Ramsgate, Dover, Folkestone, Hastings and Bexhill, Eastbourne, Worthing and Cowes.

During the consultation period, views will be sought on how urban areas can make a particular contribution to playing to the strengths and overcoming the weaknesses of the economic areas where they are located.

4. Key Challenges Facing the South East

It would be folly to assume that the South East's current position as a world class region is assured. The biggest challenge of all is to overcome complacency. Yet the South East has the potential to improve its economic prosperity through raising productivity and economic activity across the region, and through releasing the untapped economic potential of all parts of the region.

The Global Challenge

The next 10 years will be marked by a radical transformation of the global economy which is already taking place, and which creates specific opportunities and challenges for the South East. Nothing demonstrates this more clearly than the rise of China (whose manufactured exports are now 23 times their level in 1980) and India (whose service sector exports are now growing at 20% per annum). Looking ahead:

- By 2015 China is expected to account for 19% of global output, level with the USA and ahead of Europe;
- Together, the 4 emerging economies of China, India, Brazil and Russia are expected to increase their share of global output from 25% now to 32% in 2015. Over the same period the share accounted for by G7 nations is expected to decline from 43% to 36%;
- Brazil, currently ranked 15th in the world in terms of output, is expected to overtake the UK and Germany to attain 6th place within a generation

Currently, Asian markets account for only 11% of the exports of South East businesses. The sheer size and scale of growth in these consumer markets will present major trade and investment opportunities for the region's businesses. At the same time, the growing capacity of these economies will present huge challenges. From a combined 10% share of world manufacturing output in 1980, China and India are expected to account for more than 50% by 2020.

Although emerging countries are rightly perceived to threaten established businesses in low-value-added activities, it is a mistake to believe that the new economic powerhouses will rely on low unit-cost labour alone for growth. Already China and India produce a combined 4 million graduates annually, compared with the UK's 290,000. Within this total, China and India's combined annual output of computer science graduates outstrips the UK by a ratio of 25:1.

The South East can benefit from the entry of these new powerhouses into the global economy and secure a prosperous future. In 2004 South East businesses accounted for almost £30 billion of exported goods, higher than any other UK region. However, success is by no means assured, and will only be achieved by becoming more enterprising, innovative and skilled. This means:

- Exposing many more of the region's businesses to the global market through **interchanges of trade, investment, people and knowledge**;
- Building **trading links with emerging economic powerhouses** which are as strong as those the region's businesses already have with Europe and the USA, through the development of trade, investment and collaboration in education and innovation;
- **Collaborating to innovate** across regional, national and continental borders;
- **Raising skill levels** to match improvements elsewhere in the global economy;

- Creating an **entrepreneurial spirit** across all businesses in all sectors that seeks out new opportunities and new markets, rather than relying on existing products, processes and supply chains
- Building **collaboration with other EU regions** and overcoming potential or perceived barriers resulting from EU regulations.

The re-launched Lisbon Strategy provides a European context for rising to this challenge, with a central aim *'to deliver stronger, lasting growth and create more and better jobs in the context of sustainable development'*. It focuses on 3 strategic goals:

- Knowledge and innovation for growth
- Making Europe a more attractive place to invest and work
- Creating more and better jobs

The South East is at the forefront of practical work to deliver the Lisbon Strategy at regional, national and European levels: a test bed for responding to the global challenge.

Smart Growth

Prosperity flows from bringing more resources into use and from increasing productivity. In the South East, this translates into 6 drivers of prosperity:

- Employment
- Enterprise
- Innovation and creativity
- Skills
- Competition and business regulation
- Investment in infrastructure

The region faces specific challenges in relation to each of these drivers.

Employment rates are generally higher than other UK and European regions. However, economic activity rates for women of all ages, minority ethnic groups and people with disabilities all lag significantly. Economic activity rates are below the UK average in most of Kent and in most coastal districts. **Across the region, almost 250,000 inactive South East residents report themselves as wanting to work.** This increases the pressure on infrastructure and particularly the need for more housing, as labour shortages are resolved by drawing in workers from outside the region.

In **enterprise**, the Global Entrepreneurial Monitor shows that 7% of the South East's adult population were involved in entrepreneurial activity in 2004, second only to London among UK regions and well ahead of most European regions. However US adults are almost three times more likely to start a new business as those in the South East. In addition, if the South East had the same rate of women-owned businesses as in the US there would be an additional 50,000 businesses in the region (double the current number of women-owned businesses). **The challenge in less prosperous parts of the South East is to raise the level of start-up activity, while in the more prosperous areas survival rates should be higher.**

In **innovation and creativity**, the South East is second only to the East of England in the proportion of regional GDP accounted for by R&D expenditure, and in terms of patents per million inhabitants. It also has tremendous assets in a healthy and diverse range of creative industries. In the South East, creative businesses achieved double the national average growth between 1995 and 2000. However Government-funded R&D declined by an average of 12% annually during 1997 – 2002. Meanwhile business expenditure on R&D grew by less than 1% annually and was only marginally ahead of the UK average. **The South East lags significantly behind several of Europe's leading regions against all these measures,** and there are signs of lack of co-ordination between research centres (including Universities) and businesses.

Skill levels in the South East's workforce are relatively strong compared to most of the UK and Europe. The South East also has a higher concentration of knowledge intensive sectors than any other UK region apart from London. However, **employer skills surveys persistently report skills gaps in the workplace equal to UK averages**. There are also significant variations within the region, and parts of the Coastal South East are marked by much lower workforce skills than the regional, and in some cases national, averages.

Competition and business regulation is difficult to assess at regional level. In general, the UK remains characterised by relatively open markets. Roughly 85% of environmental legislation flows from the EU, and businesses across the region are affected by Health and Safety regulations, the Working Time Directive and Single Market regulations. The EU is currently reforming State Aid regulations reducing public aid for business, and the Assisted Areas map is being re-drawn. Both of these developments will reduce the level of EU support for businesses in the South East.

Investment in infrastructure is critical to supporting productivity growth, and here the message is mixed:

- In **transport**, road traffic in the South East increased by 20% between 1993 and 2002, while transport investment per capita is lower than in any other UK region and accounts for less than 1% of regional GVA. **Average travel to work times in the South East are among the longest in Europe**, and have remained broadly stable despite increases in public investment.
- **Housing** in the region is characterised by high demand and inelastic supply, with household growth in the South East exceeding house building rates by almost 70,000 homes in the decade to 2001. Average house prices in the region have risen by 70% since 1999 while average annual earnings have risen by 30%, and first time buyers accounted for just 18% of house purchases in 2003, compared with 48% in 1993. **With housing comes the need for physical infrastructure, and also the cultural and social infrastructure necessary for healthy and sustainable communities.**
- **Broadband** availability across the region is now virtually 100%, and take up for the region as a whole stands at 28%, and is above the UK average of 22% in every part of the region except the Isle of Wight. The challenge for the future is to **match the heavy investment in higher-speed internet in North America and parts of Asia and Europe, and drive take-up and usage up to levels matching those in other world class regions.**

Information and Communications Technology (ICT) is a key enabler of innovation and enterprise and therefore vital to employment in the South East. The last decade has already seen major changes arising from the adoption and applications of ICT, but the effects will be felt with even more force in the future in all parts of society; in business to drive innovation and productivity; in changing work patterns; in the provision of, and access to, public services; in learning; and in our leisure and entertainment. Specifically, ICT is a vital ingredient of:

- **Growth and Productivity** - 40% of EU productivity growth between 1995 and 2000 was due to IT alone. With ICT exploitation accounting for 60% of productivity growth in the USA, there is clearly scope for improvement in the UK.
- **Global Competitiveness** - broadband-enabled e-business provides the single most effective method for businesses of all sizes to enter new overseas markets and to provide quality services to customers abroad.
- **Entrepreneurship** - ICT enables many more individuals to take up self-employment, reducing the costs of start-up and market entry and creating a more level competitive playing field with larger firms.
- **Social Inclusion** - broadband benefits, allied to improved ICT skills, help the unemployed and the disabled into work. Up-to-date ICT skills will also be key for older workers, who will increasingly need to remain economically active for longer.

- **Sustainable Development** - broadband is key to more flexible and remote working, reducing the need for commuting, congestion and office space. Teleworking can also help to overcome localised labour shortages, a significant problem for many South East companies.
- **Rural Economies** - most of the recently-established County Broadband Partnerships focus on helping rural businesses exploit broadband. Additionally, a significant percentage of urban businesses indicate that they may consider operating from a rural location now that broadband is available.

Achieving smart growth is therefore critically dependent on making maximum use of developments in ICT.

Prosperity and Sustainability

Regional economic prosperity must be secured within the context of sustainable development principles. The Integrated Regional Framework provides a reference point for testing this, as does the UK Sustainable Development Strategy 'Securing the Future'. This sets out the guiding principles for sustainable development, and identifies 4 priorities for action:

- Sustainable consumption and production
- Climate change and energy
- Natural resource protection and environmental enhancement
- Sustainable communities

Sustainable consumption and production requires products and services to be delivered with lower environment impacts, while boosting competitiveness – in other words achieving more with less. The South East is well-placed to lead this new approach, with its strong research base and a good representation of businesses in both the product design and environmental technology sectors.

This more sustainable approach to consumption and production leads to a different view of 'waste'. Most of what is currently consigned as waste has significant resource value, which, coupled with resource reduction and resource efficiency measures, can be captured to benefit both economy and environment. Improving design, finding more productive uses for discarded material (and, therefore, more productive alternatives to landfill), including reuse, remanufacturing and recycling, and the development of associated markets; offer a significant economic development opportunity for the region.

The South East faces particular challenges in addressing climate change and energy issues. The region is expected to experience greater **climate change** impacts than any other UK region; warmer, wetter winters and hotter, drier summers, with measurable sea-level rises by 2050, accompanied by more common extreme weather events.

While striving to avoid future climate change through mitigation measures, we must recognize that some climate change is unavoidable and to plan for adaptation. Climate risks and costs need to be incorporated into business decision making and policy making. Whilst inevitably there are some uncertainties over the degree and pace of climate change, proper forward planning will generate cost savings, reduce exposure to risk and losses, enhance reputation, improve regulatory relationships and increase opportunities for market leadership.

Energy provides the critical underpinning to economic activity in the region. Energy supply has to be viewed in the context of the global need to address climate change; at the same time, there are also major concerns over continuing security of energy supplies in the face of a prospective 'energy gap' in the South East, following the phasing out of older nuclear and fossil-fuel power stations that provide the bulk of the region's electricity. No businesses in the world are better placed than those in the South East to create and market innovative solutions to the energy needs of the future. The Regional Economic Strategy must identify the framework of choices to encourage this to happen.

The **quality of the natural and built environment**, together with the region's outstanding cultural assets, is a major element in the quality of life in the South East. It is therefore a key source of competitive advantage and not a constraint on the development of the region's economy. It is a strong reason for businesses to locate here and is a major draw for their employees. Culture and the environment are also important drivers of the tourism industry. The erosion of the quality of life is a serious threat to the competitive offer of the South East. Indeed, a tipping point may be emerging with the problems of congestion, the high cost of living and skills shortages combining to offset the economic advantages of locating in the South East.

The environment is also an economic asset in its own right: in 2003, activities linked to the environment contributed almost 250,000 jobs and nearly £8 billion GVA to the regional economy. There is considerable scope to develop the environmental economy further and maximise its value to the region. Policies should seek to maintain and enhance the quality of the environment by supporting active yet sensitive management of the landscape and built environment, investment in cultural infrastructure and development of opportunities for sustainable tourism. The environment also has a role in leading and supporting regeneration in both urban and rural areas.

Water presents the South East with a number of challenges. The region is one of the driest and most densely populated parts of the country, with per capita rainfall lower than that in Oman, while domestic water consumption is 15 litres per head per day higher than in the UK average. Implementation of the European Union Water Framework Directive will impose higher standards of water quality on both surface and underground water bodies. At the same time, the region is affected by a range of flooding issues – tidal, rivers and groundwater. Over 200,000 existing houses and workplaces are in areas of high flood risk, yet many of the South East's internationally recognised wetlands depend on groundwater levels being maintained.

Sustainable development also encompasses the need for **sustainable communities**. Poverty and disadvantage exist in the South East alongside a strong economic performance. In order to be sustainable, prosperity and the quality of life which underpins it must be inclusive and give everyone the opportunity to share in its benefits. The South East faces considerable inequalities, and the quality of life and economic opportunities are poor for some. There are both disadvantaged geographical communities and disadvantaged groups; all need the opportunity to work, develop skills and engage in cultural life to release untapped potential and help to build cohesive, sustainable communities.

The region's **community and voluntary sector** is a key asset in ensuring that prosperity is inclusive. With up to 35,000 organisations employing over 300,000 (about 6% of the region's workforce) and with an additional 700,000 volunteers, the sector accounts for over 3% of the region's GDP. Even more significant is the sector's extraordinary diversity and reaches into almost every aspect of community life. The sector plays a key role in helping people move into employment and improve their skills, and is a vital element in building a sense of community.

Health is a key dimension of disadvantage. The region's most disadvantaged areas, where unemployment is highest, often feature higher than average ill health and mortality. Initiatives which target worklessness will also lead to higher standards of living and other factors which influence quality of life. As well as being a route out of poverty and benefit dependency, employment and training programmes can lead to a healthier lifestyle. There are business benefits in developing a healthy and skilled local workforce and a better workplace environment, reducing absence through illness and improving efficiency and productivity.

2012 offers huge opportunities for the region's economy. Around 4 billion spectators are expected, and the value of the 2000 Sydney Olympic and Paralympic Games the New South Wales economy has been estimated at £1.5 billion. However this is much more than an opportunity for business. We must ensure that facilities leave a positive legacy for the South East in terms of an enhanced tourism offer, improved sporting and cultural facilities, healthier population and stronger communities.

New ways of working offer potential solutions to some of these challenges. Already 11% of the region's workforce spends at least part of their week working from home or from a remote location. Does this offer a route to easing some of the region's congestion problems? Do new information and communications technologies offer a way of bringing new high value jobs to the parts of the region that need them most? Do we have the imagination and determination to make the most of these opportunities?

Rising to the Challenge

These three challenges – the challenge posed by changing global competitive forces, the challenge of attaining smart growth, and the challenge of achieving prosperity and sustainability – take the South East into new territory. As a globally high-performing region, the South East is confronting challenges that are yet to impact in many regions. It will therefore need to find ground-breaking solutions and new ways of working. This is the context for the next Regional Economic Strategy.

5. The Vision: Sustainable Prosperity

There is no room for complacency or under-performance. Maintaining and safeguarding the South East's existing position in as a world class region in such a challenging environment will be a major achievement, and success is by no means assured. The proposed vision for the Regional Economic Strategy 2006 – 2016 is therefore:

The South East will be a world class region achieving sustainable prosperity.

The characteristics of sustainable prosperity will be a region which:

- **Builds on excellence** and plays to its strengths;
- **Invests in potential** across the region and reduces under-performance; and
- **Safeguards quality of life** as a competitive advantage.

The strategy to achieve this vision is built on the 6 drivers of regional prosperity:

- **Employment**
- **Enterprise**
- **Innovation and creativity**
- **Skills**
- **Competition and business regulation**
- **Investment in infrastructure**

The strategy generates objectives and key tasks that address the issues identified earlier, and tests them to ensure the strategy delivers sustainable prosperity. The overall aim will be to maintain the long term trend of 3.2% annual growth in Gross Value Added per head, while seeking to stabilise and ultimately reverse the ecological footprint of the region. The key long term economic targets underpinning these aims will be:

- To achieve a 5% improvement in the South East's annual productivity growth rate by 2026
- To bring 250,000 additional South East residents of working age into employment by 2026

The strategy applies across the region, but its emphasis varies to address the particular circumstances of specific places in each of the region's economic areas:

- In the Inner South East, the emphasis will be on **investing in excellence** and on harnessing this dynamism to address the untapped potential of pockets of deprivation. New ways of working will be needed alongside appropriate, effective and timely investment in infrastructure, in order to ease the strains associated with economic success and to maintain the benefits of a high quality environment
- In the Outer South East, the emphasis will be on harnessing **quality of life as a source of competitive advantage**, using the potential of towns in rural areas as economic centres and extending access to services in order to overcome isolation and deprivation
- In the Coastal South East, the emphasis will be on **releasing untapped potential**, focusing particularly on the economic dynamism generated by the cities and urban areas, and developing new futures for coastal towns that exploit and enhance the advantages of their location.

6. The Strategy

Employment

Objective

By 2016, 85% of residents in the South east will be economically active.

Measure

- Labour Force Survey (82% in 2003)

Key Tasks

1. Lift barriers and increase incentives to work

Barriers include those affecting an individual's employability such as a lack of basic and generic skills, as well as financial factors such as benefits traps in relation to available jobs, where these offer low pay. There are currently over 70,000 people in the region claiming incapacity benefit, who will be affected by changes in national legislation. Affordable, accessible and quality childcare and family care is an issue, as is access to affordable housing (which can be an aspect of the benefits trap). These barriers and disincentives affect the low-paid employed, unemployed and economically inactive alike.

2. Identify and promote the benefits of a diverse workforce

Diversity means creating an environment where a range of skills, talents and perspectives are valued. The business case includes understanding different customer and user needs, such as those influenced by market segmentation among groups – the over 50s, people with disabilities, black and minority ethnic consumers and users. A diverse workforce can assist in understanding and meeting diverse needs, as well as being an equitable policy in its own right. Diversity can be a driver of success and there is a compelling business case for the region to make use of the talents of all potential employees. Female residents, ethnic minorities and residents with a disability are currently less likely to participate in the labour market.

3. Invest in appropriate childcare and family care provision

Although in the South East and East of England in 2005 the employment rate of women was the joint highest in the country, female participation rates lag behind those of men and the gap is widening. While some of this may be due to lifestyle choice, women remain the primary carers of children and family members and lack of affordable, accessible family care for dependents of all ages is a pressing issue. Businesses and public agencies together have a responsibility to address this barrier.

4. Promote flexible job design and work organisation

Promoting job design which allows women and men to better combine working commitments with family responsibilities makes economic and social sense, particularly in terms of increasing the potential supply of labour. Designing jobs to make the best use of skills and talents (to break the low skills equilibrium in which low demand fuels low supply) also contributes to maximising job take up and raising the quality of employment. Using

Information and Communications Technologies to facilitate new forms of working can offer cost savings, help reduce congestion (for example through home-working) and greater opportunities for labour market participation. This requires imaginative forms of work organisation to ensure that a dispersed workforce remains fully engaged with their employers.

5. Put high value jobs for local people at the heart of regenerating communities

There are links between wider economic activity and local community planning through Local Strategic Partnerships and Local Area Agreements. Local Area Agreements offer the chance to build on the achievements of Area Investment frameworks where these exist, and to target areas of need and opportunity where AIFs are not present.

6. Reduce polarisation and economic inactivity by raising the skills, quality and status of lower paid jobs

There is evidence of an emerging 'hour-glass economy' in which low skill, low wage activities exist to service higher-skilled, affluent, managerial and professional workers. Much can be done to engage bring people who are currently economically inactive into the labour market by promoting progression up the skills ladder; firms in lower skilled sectors should be encouraged to raise their standards and demand for skills. Access to affordable housing is important for workers in lower paid work; shared equity schemes and key worker initiatives should be made available beyond the public sector. The South East region as whole, but the coastal area in particular, has a tourism sector which could benefit from major efforts to raise the quality of product and services on offer.

ICT Enabler for Employment - Address Digital Exclusion

Currently around 40% of the region's population are not on-line from home and can therefore be considered to be "digitally excluded". Whilst some may have access via the workplace or through some form of communal facility, many are completely excluded from the growing digital world. This has many adverse consequences: for the individual, for business and for the public sector. The digitally excluded will be less able to cope in an increasingly digital workplace, will be unable to take advantage of e-government services (including e-health and care services) or to get best value for money from on-line sales or services. Service providers (public and private sector) will be unable to gain full benefit from their investments if a large part of the population does not or cannot use them.

Employment – the Sustainability Dividend

- Encourage and support employment opportunities associated with business growth and business development in response to the Sustainability Agenda, linking with training provision and skills development. To focus particularly on:
 - Jobs in sustainable construction, associated especially with planned developments in the Growth Areas
 - Installers for retrofit domestic energy efficiency and renewable energy equipment
 - Improvements to social and cultural infrastructure
 - Opportunities from new energy-related developments, such as offshore wind farms (construction, servicing and maintenance)

Employment - Geographic Implications

Inner South East	<ul style="list-style-type: none"> • Stimulate business-to-business links to facilitate local sourcing and supply chains • Identify future major employment opportunities (including Olympic facilities and major regeneration projects). Extend the approach taken at Bluewater shopping centre to train and place people in jobs in regeneration, construction, facilities management and the follow-on activities
Outer South East	<ul style="list-style-type: none"> • Support enterprise and economic activity (particularly women into enterprise) • Promoting provision of affordable workspace and reuse/refurbishment of redundant and unused buildings • Improve and promote business-to-business networking • Greater diversity of activities and services in County and Market Towns
Coastal South East	<ul style="list-style-type: none"> • Increase provision, access and participation in basic and key skills training for economically inactive residents • Increase the availability of employment opportunities through training for existing staff, enabling upward progression and creating vacancies lower down the skills ladder • Take advantage of cross-channel collaboration through the forthcoming Interreg 4 programme • Increase provision of quality, affordable childcare services • Enable local people to participate in economic activity through support for social and community enterprise programmes • Provide the information to enable large firms to source staff and supplies locally and make links with local schools and institutions • Invest in diversifying and improving the tourism and cultural offer to increase distinctiveness, reduce seasonality and create year round employment • Support for local recruitment practice through joining up regeneration and skills development programmes to meet the recruitment needs of local businesses

Employment - Rural Aspects

- Support rural communities to remain places where people both live and work, recognising the need to maintain services and include making use of opportunities for home or remote working
- Tackle economic disadvantage and exclusion
- Target new employment activities in concentrations of deprivation
- Recognise that more work needs to be done to support the large numbers of seasonal workers in the land-based sector and their accommodation.

Enterprise

Objective

By 2016 the South East will become one of the world's 15 most entrepreneurial regions.

Measure

- Global Entrepreneurship Monitor

Key Tasks

1. Invest to ensure higher business start-up and survival rates

There are pockets of entrepreneurial strength in some parts of the region and in some sectors. However, the region still has significant untapped potential for business start-ups in rural areas, in disadvantaged communities, in the coastal towns and amongst those demographic groups which are under-represented amongst business owners - including women, the disabled, younger people and ethnic minorities.

Realising the untapped potential of women's enterprise, in particular, could make a major contribution to improving the region's start-up rate. Women comprise 52% of the region's population and 46% of the region's economically active group, but only about 15% of all businesses are majority-owned by women and only about 27% of all self-employed people in the region are women. The UK has only about half the rate of female-owned enterprises compared to the US. The lower rate of female entrepreneurship in the UK accounts almost entirely for the total enterprise gap between the US and the UK. There is overwhelming evidence to show that many potential women entrepreneurs have distinct needs and face unique barriers which the current business support structure often fails to recognise. All publicly funded agencies must review their approach to supporting women and put in place measures to offer women-friendly support.

The RES needs to recognise and promote the importance of enterprise in disadvantaged areas and communities. This means ensuring that the potential of those areas and communities are tapped and that growth comes from enterprise that is embedded in its locality.

2. Invest in integrated, 'no wrong door' business support, including addressing access to finance.

Whilst there is a substantial amount of business support available in the region, businesses perceive that the offering is confused and fragmented. As a result the region's resources are not reaching enough businesses and not enough of its intensive support is being directed at the right businesses. SEEDA's new responsibility for Business Link in the region has provided the opportunity to develop an integrated, 'no wrong door' approach to business support which puts business needs at the heart of the way that business support is operated in the South East and simplifies the 'customer journey'. This process, which has already started through the Joining Forces initiative, reflects the region's response to the challenge to improve the effectiveness and coherence of business support in the South East.

Traditional patterns of business support have sometimes struggled to engage successfully with creative businesses. Since the creative industries are the fastest growing sector in the region, it is important that services are designed with their needs in mind and delivered in ways that reach them effectively.

The region's tourism industry faces particular opportunities, but also challenges, in the build-up to the 2012 Olympics. Tourism South East will work closely with business to deliver a step change in the performance of the industry and make the South East a 'must visit' region. This means ensuring tourism businesses are able to engage in eCommerce, and enabling the regional business support system and skills network to raise the product quality threshold.

The region has made good progress in improving access to finance thanks to programmes such as the South East Growth Fund, the Accelerator Fund, Research and Development grants and proof of concept funds. Finance South East, with key partners, will continue to address the weaknesses at key stages of growth— notably at the seed funding stage (£50,000 - £100,000) and the expansion stage (£500,000 - £2 million) and in some sectors, notably the creative industries, digital content and biotechnology. Business angels also present one of the biggest opportunities to address funding gaps for growth companies.

3. Provide support for Small and Medium Enterprises to compete globally

Globalisation undoubtedly presents many threats to the region's economy, but it also offers enormous opportunities for those regions able to recognise the changing character of international business activity and position themselves to exploit the growth in global trade.

Engaging in international business is no longer just about inward investment and exports. Nor is it just for larger, established firms: there are opportunities for businesses of all sizes and from all sectors including entrepreneurial businesses that are 'born global' - trading and collaborating internationally from their inception.

The South East has a good track record of openness to global markets: the region's inherent strengths continue to make it an attractive destination for foreign investors; it is the highest exporting region in the UK; and its research institutions have developed excellent international networks. However, there is no room for complacency. Only 3.2% of businesses in the South East companies are actively involved in overseas markets.

4. Invest in an entrepreneurial culture, with particular emphasis on the next generation

Underpinning of all this work must be a concerted effort to generate an entrepreneurial culture across the region - showing people of all ages and social backgrounds the power that enterprise has to change their lives as individuals and communities. The Enterprise Gateway Network plays a key part in this, bringing partners together in some of our most disadvantaged communities to stimulate interest in all forms of enterprise. These efforts must continue and expand into all the region's underperforming areas and communities.

Developing all our young people as enterprising individuals, and getting them excited about the possibilities of running their own business, is key to bringing about a step-change in entrepreneurship rates longer term. Schools in particular are a key resource in embedding an enterprise culture in the region. A number of partners lead the region's work in this area and their efforts need to be built on and expanded further. In particular, more needs to be done to engage successful entrepreneurs in sharing their experiences with young people and acting as role models for them; and in using the media to promote positive images of entrepreneurship. There is much to be learnt from the way that the United States promotes enterprise.

ICT Enabler for Enterprise - Improve business performance through ICT

Whilst the link between investment in ICT and productivity growth is well established, the UK nevertheless both invests less in ICT than the USA, and also gains less benefit for each pound invested. This is believed to be due to organisational and cultural attitudes within UK businesses and must be addressed by changing attitudes, increasing awareness and skills, quality ICT advice and availability of ICT professionals.

Enterprise – the Sustainability Dividend

- There will be opportunities to promote the enterprise agenda emerging from the need to address key global imperatives, especially:
 - Climate change
 - Need for secure and sustainable energy supplies
 - Living within environmental limits
- New business opportunities will derive from the need to find ways both of adapting to the legacy of unavoidable climate change and mitigating further global warming through technology and behavioural change
- Opportunities will arise from new ways of providing and supplying power and delivering heat directly (for example via combined heat and power)
- Opportunities for social enterprise initiatives will arise in materials re-use and recycling
- Other key areas of opportunity for new enterprises will include:
 - Renewable energy technology development, installation and maintenance;
 - Environmental technology;
 - Energy efficiency;
 - Waste reduction; waste processing and recycling;
 - Remanufacturing;
 - Water efficiency;
 - Climate change adaptation;
 - Sustainable construction;
 - Clean transport technology;
 - Industrial crops (including biomass and biofuel)

Enterprise - Geographic Focus

Most of the tasks supporting the enterprise objective have region-wide application. However, some will have a stronger focus in some areas than others, as reflected in the table below:

Inner South East	<ul style="list-style-type: none"> • Achieve a step change in the number of businesses engaging with the global economy • Enable more highly qualified women to consider enterprise as a route to balancing work and family • Exploit the potential of business angel networks to address gaps in the funding escalator
Outer South East	<ul style="list-style-type: none"> • Develop an enterprise culture, with a particular focus on supporting women in enterprise and on supporting new cultural and creative businesses
Coastal South East	<ul style="list-style-type: none"> • Develop an enterprise culture in disadvantaged communities • Support for local recruitment through connecting regeneration and skills programmes to meet the recruitment needs of local business

Enterprise - Rural Aspects

- Stimulate entrepreneurship and nurture existing and new businesses in rural areas
- Make use of potential of London and South East markets for local products
- Support businesses that that make use of the natural environment and heritage assets and that use environmental technologies
- Ensure businesses have access to a good advisory infrastructure that will maintain the breadth of and competitiveness of business activities in rural areas.

Innovation and Creativity

Objective

By 2016 the South East will be recognised as one of the world's 15 most innovative regions

Measures

- Increased R&D collaboration between businesses and the knowledge base (currently around £35 million annually)
- Increased rate of new products and services brought to market
- Emergence of key towns and cities as centres of creativity

Key Tasks

1. Catalyse collaboration to bring more innovation to market

Although many businesses know that collaboration is the way forward, it can be difficult for small and medium enterprises in particular to make the right connections. That is why catalysing collaboration could spark new ideas, spot opportunities and bring more innovation to market is an important component of the region's innovation strategy.

6 business-led, independent sector consortia provide the focus for this work:

- South East Media Network (digital content)
- Marine South East (marine technologies)
- South East Health Technologies Alliance (health technologies)
- Envirobusiness South East (environmental technologies and services)
- South East Centre for the Built Environment (built environment)
- Farnborough Aerospace Consortium (aerospace and defence).

The sector consortia model, which has been enthusiastically embraced by businesses, large and small, will be adopted for other sectors where there are major innovation opportunities for the South East. In addition, Tourism South East provides a focus for working with the region's hospitality and tourism industry. Promotion of knowledge sharing is also needed among businesses whose creativity is not based on technology, including design and creative businesses.

2. Invest in market gaps to stimulate knowledge transfer between businesses and the region's knowledge base, including leading edge high technology developments with commercial potential.

Intensive and sustained collaboration between the knowledge base and businesses capable of turning knowledge into commercially successful products and services is critical to improving innovation performance. New funds are available, and SEEDA has established the South East Science, Engineering and Technology Advisory Council (SESETAC) to use them effectively.

A new Knowledge Network programme for the region will facilitate greater dialogue between industry and the research base, identify specific programmes for collaborative R&D and raise funding for them from both public (e.g. The DTI's Technology Funds or the EU) and private sources.

The initial networks are:

- Micro and Nanotechnology
- Air Traffic Control
- Autonomous Systems
- Security

The next wave of Knowledge Networks is likely to cover Energy, Environment; and Healthcare Technologies.

3. Continue to attract and retain high value added inward investors

The South East continues to be successful in attracting significant inward investment from some of the world's most innovative companies who have identified the region as a prime location for European headquarters and R&D operations. These businesses not only create high value jobs and wealth, but are also vital contributors to a more innovative economy bringing with them new skills, new methods, new ideas, new products and services and a major contribution to the region's R&D expenditure. The Enterprise Hub Network will play an increasingly important part in helping to attract and support international start-up and early stage companies looking for a base from which to exploit European markets.

4. Promote innovation and creativity across all sectors, including public services and provide a demand-led Innovation Advisory Service for businesses

The region is currently dependent on a small number of businesses in a few sectors for its innovation performance. Maintaining long term global competitiveness means that all businesses, of all sizes and in all sectors need to raise their game. It is also necessary to harness creativity in its widest sense, in order to improve the performance of businesses that are not technology based.

An integrated approach is needed and all the existing business support organisations and networks need to be involved, particularly Business Link Operators, Enterprise Hubs, Sector Skills Councils, the Manufacturing Advisory Service and Sector Consortia, with each one developing a specific focus for their target markets. To supplement their efforts SEEDA is establishing a new Innovation Advisory Service and a high growth coaching programme to provide intensive support to those businesses with the greatest capacity for sustained innovation and with the potential to influence others through their supply chains.

5. Ensure the region's workforce has the vision, courage and confidence to innovate and be creative

A successful world class knowledge base needs world class entrepreneurs, leaders and managers in the private, public and voluntary sectors, as well as the technical skills needed to develop new products, processes and services. We need a flexible workforce which is able to develop and respond to the rapidly changing needs of a knowledge economy and highly developed schoolteachers in science, engineering and technology subjects, able to inspire future generations. The region also needs to develop creative professionals.

6. Stimulate international relationships strategic to the region for innovation and knowledge transfer, including through the development of the Greater South East as an International Science City-Region

The successful development and exploitation of new ideas is the cornerstone of economic growth and prosperity. To harness this potential, the Chancellor of the Exchequer has encouraged the development of a Science City in each UK region, to be innovation hubs and

drivers of regional growth. The Greater South East (London, the East of England and the South East) is developing a cross-regional initiative to maximise the innovation, growth and competitiveness potential of the Greater South East.

ICT Enabler for Innovation and Creativity – Improve Public Sector Delivery through ICT

Innovation in the public sector is just as important as that in the private sector and ICT is a key component. On-line delivery and other digitally enabled systems are central the delivery of new and innovative services, to improving the quality of existing services, and as a way of increasing efficiency.

Innovation and Creativity – the Sustainability Dividend

- To give particular support to research and innovation initiatives which address key global and regional imperatives (while contributing to decoupling economic growth from adverse environmental impacts) including:
 - reducing the levels of greenhouse gases;
 - improving water efficiency;
 - achieving secure energy supplies;
 - sustainable product design;
 - materials resource efficiency
- To promote the region’s strong research base in key fields of sustainable technology and its innovative capacity to deliver important advances which, in turn, will underpin new business opportunities
- To continue support for Knowledge Transfer Networks in Energy and Materials Resource Management (in development), which offer important support to the innovation process and the commercial deployment of new technology and processes.

Innovation and Creativity - Geographic Focus

Inner South East	<ul style="list-style-type: none"> • Enable successful global businesses and world class research institutions to provide leadership for local and regional collaboration • Work across regional boundaries to harness the internationally-significant cluster of research excellence in the Greater South East
Outer South East	<ul style="list-style-type: none"> • Develop innovation networks that reach businesses in rural areas and small towns
Coastal South East	<ul style="list-style-type: none"> • Harness the potential of coastal cities to become centres of creativity • Stimulate greater collaboration between research centres and businesses to overcome ‘islands of innovation’ • Support technology transfer through EU programmes, including Interreg 4 • Target cultural industries as drivers of creativity in coastal communities

Innovation and Creativity - Rural Aspects

- Build on existing and develop models of good practice and create new opportunities in the land-based sector for new products and processes resulting from changes in the CAP; new energy sources and through climate change
- Anticipate the possibilities and develop new models for collaboration of service delivery in rural communities

Skills

Objective

By 2016 the workforce in the South East will have the skills and flexibility to sustain a world class economy

Measures

- Rate of annual productivity growth
- Number of PhD students
- Participation rates in Higher Education
- Proportion of economically active adults qualified to NVQ Level 2 and Level 3
- Proportion of economically active adults with no basic skills deficiencies

Key Tasks

1. Ensure business can access the skills they need to raise productivity

In order to ensure that business have the skills they need to raise productivity in the region and address the underperformance in relation to other global regions, the region needs to:

- i. Ensure current and future regional skills provision and labour market services meet business requirements and stimulate the demand for higher level skills (the responsibility of the Regional Skills for Productivity Alliance)
- ii. Engage employers through Sector Skills Agreements in identifying skills priorities and in developing solutions
- iii. Clarify the skills offer to businesses across the region and clearly articulate the potential productivity gains associated with workforce development
- iv. Ensure that employers are advised on and referred to appropriate, demand-led training through the regional Skills Advice Service and Sector consortia
- v. Address skills deficits, particularly those at intermediate level, including ICT skills
- vi. Further encourage business representatives and the Sector Skills Councils to engage with the region's education and training providers to ensure qualifications and learning opportunities reflect current industry practice
- vii. Ensure education and training providers and awarding bodies respond to the findings of the Leitch Review, which examines the future skills needs of the UK economy and defines what skills profile the UK should aim to achieve by 2020 to support productivity, economic growth and social objectives over the longer term
- viii. Ensure that every young person in the region has access to vocational and work-based learning opportunities and effective Information, Advice and Guidance to help them make informed decisions on careers and future study
- ix. Increase the level and quality of engagement between Higher Education Institutions and businesses throughout the region

2. Ensure entrepreneurs can access the management and leadership skills they need to start and grow successful businesses

Management and leadership skills are essential to fostering innovation and making the best use of the skills and talents of the workforce. They also play a key role in determining a firm's competitive strategy and enhancing a firm's growth prospects. In particular, the region needs to:

- i. Increase overall demand for management and leadership skills development in the region

- ii. Focus on management skills for supervisory/ middle managers who are key to realizing the potential of their own staff
- iii. Improve access to management and leadership development opportunities for small and growing companies
- iv. Substantially improve enterprise skills in schools and colleges to better equip new workforce entrants with the skills and competences required by employers

With the guidance of SESTAC, there is a need to provide a strategic response to the 10 year framework for Science and Innovation to:

- i. Ensure the capture and use of emerging technologies based on advances in science and engineering with a focus on leading edge high technology developments with commercial potential
- ii. Provide a business demand led Innovation Advisory Service aimed at small and medium enterprises to facilitate their access to the skills and capabilities in the science, engineering and technology knowledge base
- iii. Work with partners to increase the supply of science, engineering and technology skilled researchers, advanced technicians, entrepreneurs and effective teachers

3. Ensure individuals can access the skills they need to enter and progress in the labour market

Skills have an important role to play in achieving key employment objectives. In order to address the target of reducing those who are currently economically inactive by 250,000 by 2016, from 900,000 currently, it is important they have the right skills to enter and then to progress within the labour market. Skills will also play a key role in helping to deliver the objective of 85% of working age residents in the South East being economically active by 2016. To achieve this, the region needs to:

- i. Create progression ladders that ensure that all adults can progress in the labour market through flexible training, continuous professional development and opportunities to re-skill and raise skills
- ii. Harness the value of cultural activities to develop skills and confidence among those who have been economically inactive for long periods
- iii. Improve access to learning for low-skilled, low-paid, low-status workers to enable labour market progression
- iv. Reduce economic inactivity among minority ethnic groups, single mothers and people with disabilities by removing barriers to work through skills development

ICT Enabler for Skills - Transform Learning through ICT

In its Digital Strategy the Government commits to actions to '*ensure that ICT is embedded in education to improve the quality of learning experience for all, re-engage those who have been disaffected and equip children with skills increasingly essential in the workplace*'. The South East, through the Regional Skills for Productivity Alliance, should support this objective at every opportunity.

Skills – the Sustainability Dividend

- In partnership with the Sector Skills Councils and other key organisations and agencies, address the need for new skills and skills development necessary to deliver the wealth-creating opportunities deriving from the sustainability agenda, focusing particularly on:
 - Sustainable Construction;
 - Energy Technology – development and installation
 - Energy efficiency
 - Waste/materials re-processing (including remanufacturing)

Skills - Geographic Focus

Many of the tasks supporting the skills objective have region-wide application. However, some will have a stronger focus in some areas than others, as shown below:

Inner South East	<ul style="list-style-type: none">• Skills support for knowledge intensive medium sized businesses with growth potential• Technical and managerial skills for high technology businesses
Outer South East	<ul style="list-style-type: none">• Skills support for land-based and rural businesses• Access to learning
Coastal South East	<ul style="list-style-type: none">• Raising workforce skills in businesses operating in areas of lower skills attainment• Targeted initiatives to remove persistent pockets of low skills attainment, linked to regeneration initiatives

Skills - Rural Aspects

- Ensure that the traditional skills which underpin the management of heritage assets and landscape are maintained and encourage the take up of existing opportunities
- Ensure that food and farming sectors develop skills to cope with new regulations and for the development of new products and processes
- Maintain the critical skills that are needed to provide services in rural communities

Competition and Business Regulation

Objective

By 2016 the South East will be recognised as an excellent region in which to start, build or invest in business.

Measure

- Global Regulation Index

Key Tasks

- Influence European and UK regulations to be fit for purpose and to be enforced fairly
- Remove the barriers faced by South east businesses in accessing public procurement markets
- Identify and promote the business benefits of environmental and social responsibility

Competition and Business Regulation – the Sustainability Dividend

- To continue to demonstrate the business advantages of mainstreaming sustainability, especially in terms of resource efficiency, reducing environmental impacts, social inclusion & community involvement, and ‘bottom-line’ benefits;
- To promote and assist the development and adoption of standards of business operation which deliver continual improvement in sustainability performance.
- To promote to business the competitive advantages of adopting standards of operational performance which anticipate fiscal and legislative requirements – in particular, ‘first-mover’ advantage and opportunities to develop new ‘niche’ markets. Key areas will include:
 - Resource efficiency
 - Emissions trading
 - Environmental technology - new products, processes and services

Competition and Business Regulation - Geographic Focus

Inner South East	<ul style="list-style-type: none"> • Ensure planning policies and processes provide for and release sufficient employment land to meet the needs of businesses
Outer South East	<ul style="list-style-type: none"> • Ensure planning policies and processes allow for re-use of redundant rural buildings, and promote home / office developments
Coastal South East	<ul style="list-style-type: none"> • Ensure employment land is not lost to residential uses where needed by businesses • Ensure sufficient waterfront sites retained for marine uses to support the further growth of marine industries

Competition and Business Regulation - Rural Aspects

- Understand, and seek to influence, the regulatory burden on rural based businesses
- Create opportunities for public procurement using local products

Investment in Infrastructure

Objective

By 2016 the infrastructure necessary to support sustainable prosperity in the South East will be substantially in place, and programmed.

Measures

- Mean travel to work time
- Dwellings completed
- Carbon Dioxide emissions per capita
- Water consumption per capita
- Energy produced from renewable sources

Key Tasks

1. **Secure investment in a sustainable transport network in order to improve connectivity, reflecting regional economic priorities**

An effective transport system is one of the fundamental requirements for the continuing competitiveness of the region. The role of the RES is to identify those transport actions of particular relevance to the region. Four issues are highlighted:

- Demand Management.** Controlling congestion through demand management is an integral part of the overall transport policy for the region, alongside the necessary investment in public transport and road schemes. In most of the region's larger urban areas, dealing with road traffic congestion is an essential element of urban renaissance, managing demand through congestion charging, and enabling continuing improvements to transport system to be funded from this direct source.
- National and International Transport Links.** The gateway role of the region and the links to European and global markets means supporting the regions airports and ports. Continued growth of Heathrow and Gatwick in line with the Future of Air Transport White Paper is fundamental to the economic success of the region. Surface access improvements are essential, such as Airtrack to serve Heathrow from the South West, and the most efficient use of the Brighton mainline services providing a dedicated rail service to Gatwick from London. Dover and Southampton as the regions major ports require continuing access improvements, for example completion of the A2 close to Dover, and the improvement of the Southampton to West Midlands rail route to enable full sized containers to be accommodated. The Channel Tunnel Rail Link from London to the Channel Tunnel is nearing completion, and maximising international traffic as well as domestic use is vital, given that CTRL has a range of regeneration and economic development advantages for Thames Gateway and East Kent.
- Cross Regional Transport.** The region is part of the Greater South East with the complexity of passenger freight movements around London as well as through it. This means that a number of locations in the region operate as major transport hubs, requiring continuing improvements to increase capacity. Reading Station is a principal example, together with the new stations at Ashford and Ebbsfleet as centres of development at the major growth areas. Securing the completion of Crossrail and Thameslink are fundamental to the transport integration of the South East region and its connections with London.

- iv. **Regeneration.** Major transport projects of regional significance for regeneration of the coastal South East include the comprehensive improvement of the A27, especially deliverable solutions for Worthing and Arundel, and removal of major bottlenecks on radial routes, particularly the A3 at Hindhead.

2. Ensure sufficient, and affordable, housing to meet the needs of the Region's labour force

Housing is an essential part of the infrastructure needed to support the region's economy as well as a critical component delivering the Government's Sustainable Communities agenda. In order to support an economic growth forecast of 2.99% GVA per annum and the labour supply requirements which result from that, as well as increasing the supply of more affordable housing, housing completions in the region would need to be at a rate of 48,000 per annum over the period 2006 - 2016. This strategy proposes reducing the need for more houses to some 35,000 per annum, by accelerating the rate of productivity growth and reducing economic inactivity. Given recent levels of housing completions, which rose to 31,900 in 2004-05, this would suggest a need for at least 32,000 dwellings per annum in the period to 2011, rising to 36,000 per annum thereafter to 2026. The Regional Housing Strategy establishes priorities for the region as:

- Build more affordable homes
- Bring decent housing in reach of people on lower incomes
- Improve the quality of new housing and of the existing stock

Whilst Government funding can contribute to the supply of affordable housing, the role of the private sector is increasingly significant in delivering affordable housing. Innovative approaches to housing delivery across all sectors are needed:

- i. **Sustainable Communities.** In addition to substantial new development in the major growth areas of Thames Gateway, Ashford and Milton Keynes/Aylesbury, all new housing development must be supported by adequate social, economic and environmental infrastructure. It should meet the highest standards of design and sustainability, including efficient use of energy and water, as well as technical infrastructure such as broadband.
- ii. **Housing Renewal.** New housing development accounts for only 1% of homes in the region, and therefore increasing investment in private sector housing renewal is crucial not only in its own terms, but as part of a catalyst for wider economic regeneration of town centres and creating better environments in which business can flourish.
- iii. **Efficient use of land.** The reuse of Brownfield sites in urban areas is now well established, and this must be maintained particularly in town centres and coastal regeneration areas. Land assembly initiatives both using surplus public land, and smaller sites in urban areas must continue to be progressed.

3. Secure an Urban Renaissance

The increasing emphasis on the role of towns and cities as catalysts for economic development means that continuing the urban renaissance – making towns and cities work – is a major challenge and opportunity for the region, characterised by a large number of small and medium sized urban areas. Some, such as Ashford, Milton Keynes and within Thames Gateway, are designated for major growth. But everywhere in the region, urban renaissance is about creating attractive, enjoyable and liveable places. Degraded, run down, unsafe and unhealthy environments present one of the major barriers to economic revival and success in the most disadvantaged areas of the region. Key aspects of achieving an urban renaissance are therefore:

- i. **High quality design** to ensure that, as urban densities rise, new development is not at the expense of quality built development and exciting local environments. Improving the skills of urban renaissance professionals is a major challenge, which South East Excellence is designed to help meet, along with those continuing initiatives such as the Regional Design Panel and Design Champions Club to put good design at the heart of successful sustainable communities.
- ii. **Previously used land.** Making the best use of previously used land is an obvious benefit to urban renaissance, as well as reducing the environmental footprint. Since the last RES, there has been an increase in the proportion on the development of previously used land to 70%, but the South East still contains 16% of all Brownfield land available in the UK as a whole. This therefore represents a major source of land supply for new development, recognising that land constraints, fragmented ownerships, dealing with dereliction are likely to become increasingly complex as the easier sites are developed first.
- iii. **Investment in cultural infrastructure.** Successful and sustainable communities cannot be achieved through investment in physical infrastructure alone. A strong cultural offer in a locality makes a key contribution to the quality of life, making it a desirable place to live, work, play, visit and do business. Community infrastructure must also be developed to ensure a high quality of life.

4. **Prioritise sustainable management of energy and water resources**

There are real opportunities to contribute to maintaining security of supply, to reduce levels of greenhouse gases and to identify and promote wealth-generating opportunities for the region's businesses (including new businesses and new jobs). We must take care not simply to equate the demand for energy with supplying electricity. A significant component of demand is for heat rather than electricity, and there are opportunities to meet this demand through for example, utilising 'waste' heat and the wider deployment of combined heat and power (CHP), including at the small-scale, domestic level. A focus on heat will also offer opportunities to address fuel poverty (which is mostly a need for affordable warmth). Transport fuel is also a major component of energy demand; developing indigenous alternatives to oil, under the imperative to reduce greenhouse gases from transport, will also reduce import dependency and improve security of supply.

In particular, the region will need to:

- i. Support national efforts to maintain security of energy supplies at regional level (by supporting the deployment of essential infrastructure and developing energy sector skills)
- ii. Help to ensure the long-term sustainability of energy supply by supporting energy R&D and innovation, the deployment of renewable energy and related infrastructure
- iii. Seek to maximise the business opportunities arising from energy policy, including cluster and supply chain support for renewable and other low carbon energy technologies; supporting energy management in business as part of a wider resource productivity agenda; and supporting conventional energy sector markets (oil, gas, coal, nuclear) through sector support organisations
- iv. Support skills development, particularly the technician skills required for installation and maintenance of new systems, and the specialist skills needed for decommissioning and running our nuclear power stations
- v. Promote innovation, energy efficiency and new business development in construction - in particular, for housing development.

The provision and timing of investment in water supply infrastructure such as reservoirs and sewage treatment works will be critical in achieving anticipated levels of growth. Alongside supply, the region must improve its water efficiency through demand management measures, more efficient building design and behaviour change.

5. Develop and use new mechanisms for infrastructure investment

The South East must ensure that it secures the funding necessary to provide infrastructure to support sustainable prosperity. However it is clear that during the life of this strategy, public funding alone will be insufficient to meet this need. While pressing the case for its full share of available public investment, the South East must therefore make its own solutions. Central to this will be prioritising and the leverage of available public investment, building on the early experience of Regional Funding Allocations and Local Area Agreements. New forms of public / private collaboration must also be found, using the flair and imagination of businesses and the potential for increase in future land values as resources to underpin and perpetuate the dynamism of the region.

ICT Enabler for Investment in Infrastructure - Next Generation Broadband

The South East is already provided with almost universal coverage of Broadband. However, this is only first generation Broadband and will not be sufficient to support new applications, which are already appearing, that require high bandwidth. If the region is not able to deploy next generation Super Broadband (20-100 Megabit per second and above) at least as quickly as its international competitors it is doomed to fall ever rapidly down the international league tables. Investment in the new fibre optic and wireless infrastructures which will deliver Super Broadband services is very costly and will be an issue primarily for the private sector. The region must however do everything to encourage the deployment of the new infrastructure and nowhere is this more important than in new build situations. The region must stimulate installation of fibre to the premises in all new developments at the earliest possible date.

Investment in Infrastructure – the Sustainability Dividend

- Investment in sustainable transport infrastructure will reduce the need to travel, improve choice and improve air quality
- Opportunities for investment in sustainable infrastructure will occur both with new development and the replacement of old or otherwise inadequate infrastructure; provision will need to reflect a commitment to sustainability principles;
- The Growth Areas represent a major opportunity to deliver the highest standards of sustainable construction – including a requirement for sustainable infrastructure, especially transport, water, waste and energy.
- The need to address climate change and to deliver secure energy supplies will require investment in the development of the region's energy infrastructure; key opportunities will derive from the need for low-carbon electricity generation technology, the need to re-vamp and replace the electricity transmission network, and the provision of heat (rather than electricity) from CHP/District Heating;
- The transformation from land filling waste to a materials resource management approach will offer major opportunities for investment in infrastructure – especially new handling and processing facilities – and market development for re-used products, remanufacturing and recycled materials;
- Reducing water consumption and improving water efficiency must be integral to any new developments, given existing water-related stresses in the region. This will open up a range of business opportunities in providing sustainable water supply and drainage infrastructure.

Investment in Infrastructure - Geographic Focus

Inner South East	<ul style="list-style-type: none"> • Support the Milton Keynes, Aylesbury and Thames Gateway Growth Areas through land assembly, direct development and transport projects • Urban renaissance programmes in towns such as Oxford, and promoting the transport hub of Reading • Use ICT to support continued economic growth and overcome environmental constraints • Develop remote working to ease congestion and reshape business space requirements
Outer South East	<ul style="list-style-type: none"> • Town centre development programmes as part of urban and rural renaissance • Support the Ashford Growth Area through land assembly, direct development and transport projects • Transport improvements such as Junction 10 on the M20 to support Ashford's growth programme • Use remote working to ease commuting pressures and improve productivity • Stimulate new forms of digital learning to help address pockets of rural deprivation
Coastal South East	<ul style="list-style-type: none"> • Support emerging growth areas such as Urban South Hampshire requiring infrastructure improvements, preparing for substantial levels of new development through reuse of previously developed land, and maximising the port functions of Southampton particularly • Transport and development projects to support coastal towns, such as Worthing, Eastbourne, Hastings, Folkestone, Dover and Thanet • Use ICT to stimulate increased enterprise and innovation • Use ICT to transform learning opportunities and increase productivity

Investment in Infrastructure - Rural Aspects

- Ensure an adequate supply of affordable houses to maintain vibrant rural communities that can maintain a working population, particularly young people and young families
- Invest in the development of supply chains to benefit the farming, fishing, food and forestry sectors

7. Responding to the Consultation Document

Comments on the Consultation Document and supporting documents can be submitted by email to res@seeda.co.uk or in writing, clearly marked 'RES comments', to:

Eileen Armstrong
Assistant Director, Strategy
South East England Development Agency
Cross Lanes
Guildford
Surrey
GU1 1YA

We welcome comments on any part of this document, but would particularly welcome responses to the following questions:

1. Which of these or other challenges do you believe are most important for the future of the South East economy?
2. Which are the key issues and opportunities for intervention, and who should intervene?
3. What future inspiration or vision do you have for the South East economy?
4. Which of these or other objectives, measures and key tasks would you prioritise?
5. What will your organisation contribute to the achievement of the objectives and key tasks?
6. How should SEEDA's own activities be concentrated in contributing to the objectives and key tasks?

An analysis and summary of consultation responses will be published at the conclusion of the consultation period.

All reasonable efforts have been made to ensure that the information included in this document is accurate at the time of publication.