



Refuelling the engine of the UK economy

The regional funding advice for South East England
27 February 2009



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SEEDA

Working for England's World Class Region

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DEVELOPMENT
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SOUTH EAST
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Regional Assembly



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Front cover: Tunnelling work on the A3 at Hindhead, Surrey - one of the region's transport priorities.

Executive Summary

- Continued investment in the South East is essential to the national economy; we contributed £17.7bn to Government in 2006/07 - 50% of total national UK net contribution **(PSA 6, 7)**
- Our economy's inherent strength means we will lead the UK economy out of recession **(PSA 1, 6, 7)**
- We are committed to delivering sustainable economic development that reduces our ecological footprint **(PSA 27, 28)**
- We are investing in creating places; using our spatial priorities to target investment **(PSA 5, 6, 7, 20)**
- We are investing in delivering more affordable homes; additional investment will address the 40% shortfall in need **(PSA 6, 20)**
- We are bringing transport schemes forward for delivery and want to transfer money to local authorities to speed up delivery **(PSA 5, 6)**
- We are investing in creating capacity and capability to realise the potential of global markets for environmental technologies **(PSA 1, 2, 6, 7)**
- Our gateway function means that Government investment in our transport network is critical to the whole of the UK **(PSA 5)**
- Our Regional Infrastructure Fund will provide public sector leadership in delivering infrastructure **(PSA 5 and 20)**.

South East England, the East of England and London together form the Greater South East - the London 'world city region'. Through the Inter Regional Forum we ensure alignment of strategies and investment priorities to the benefit of the whole UK economy.

The scale of growth planned in the region is substantial and we look to Government to support our ambition by committing additional investment to support its delivery. This advice has been produced in partnership by the region; we invite Government to join us for the benefit of the whole of the UK.

The current economic climate

South East England is the powerhouse of the UK economy and our performance is critical to the UK's success. In 2006/07 our residents made an estimated net contribution of £17.7bn to Government finances - 50% of the total national net contribution.

Our economy will be hit hard by the recession. Although highly productive compared with other UK regions, we were falling behind other global regions in terms of productivity even before the downturn.

In the short-term the recession means that it will be more challenging to deliver the scale of growth desired. With economic conditions in the region continuing to deteriorate, we are extremely unlikely to achieve our

target of an average annual rate of growth of 3% a year. The housing market slowdown may help affordability but at the cost of failing to deliver the new homes we need.

The potential solution

Our economy's inherent strength means that we have the potential to emerge out of the recession faster and stronger than any other UK region. However this cannot be taken for granted. It requires sustained investment by the public sector if it is to be realised.

Delivering sustainable economic growth is at the heart of our proposals. We have ambitious targets to stabilise and then reduce our ecological footprint. However this is only the first step on our way to becoming a 'one-planet' region by 2050.

We have used the agreed spatial priorities in the South East Plan and Regional Economic Strategy (RES) to target our investments to support our ambition. We are investing in infrastructure to support growth in our Growth Areas, Growth Points and our eight Diamonds for Investment and Growth.

The longer-term ambition set out in the Regional Economic Strategy and the South East Plan remains valid. Our focus is to drive Gross Value Added (GVA) growth through increasing productivity while reducing our environmental impact. In this way we will achieve international competitiveness as a leading global region.

Keeping the gateway open

Good connectivity with global markets through our international gateways – our ports and airports – is a major factor in improving the UK's economic performance. Eight of the 14 national strategic transport corridors pass through the region (PSA 5 and 6).

We need Government to invest in ensuring that these corridors provide the level of service expected by business and individuals alike, for the benefit of the UK as a whole.

Investment in new strategic transport connections must form part of this commitment. We need to begin planning for a Lower Thames crossing, not just for the success of the Thames Gateway but also in support of improved freight access. We need to use the debate on the potential for a second High Speed rail line as an opportunity explore how this will link into our international networks and transport hubs.

Improvements in surface access to Heathrow Airport are critical to its role as a global hub.

Delivering priorities

Efficient transport networks are critical to business success. We have delivered, or are in the course of delivering, 15 of the region's strategic transport priorities, including the £370m tunnelling work on the A3 at Hindhead (PSA 6 and 7).

We have invested heavily in working with scheme promoters to ensure the regional programme is robust, deliverable and affordable. The schemes in our programme to 2013/14 are at advanced stage in their development and we are therefore treating these as commitments; our focus is on delivering these to time and to budget (PSA 5).

We propose making a 'one-off' transfer of funds within the transport programme to local authorities to help them deliver some of our smaller schemes more quickly and more efficiently.

During the course of the next 18 months we will develop our advice for investment priorities in the longer-term as part of our response to 'Delivering a Sustainable Transport System'.

A place to live

The need for more housing remains undiminished. We are making progress with delivering the housing targets of the South East Plan, although even in the good times we managed to deliver only 60% of the additional affordable homes required. Investment in affordable housing is delivering the right size, type and tenure of homes in the right location. Improving the quality and standards of new homes is a key part of the route map to reducing our ecological footprint, as is retrofitting existing stock (PSA 5).

Our house building industry has witnessed a significant reduction in capacity in a very short time. Maintaining capacity within the industry is critical to ensuring that the up-turn in the housing market is not complicated by a lack of supply that creates its own pressure on house prices (PSA 2 and 20).

The extent to which the private sector is able to contribute towards delivering either infrastructure or affordable housing is much reduced in the short-term; as a result we believe the public sector must be prepared to take on greater risk. We believe that our Regional Infrastructure Fund is a critical new tool in our armoury. At the same time we are already working to develop new models of delivery and explore different ways of apportioning risk (PSA 5, 6, 7, 20).

Creating opportunities

SEEDA, working with local authorities, has a key role to play in creating new markets and opportunities for business. Its programmes and activities have been re-prioritised in order to focus on the twin themes of supporting businesses in the short-term and investing in strong growth for the longer-term.

Its 'core offer' (business support) has been strengthened and counter cyclical investment in physical regeneration projects support business critical infrastructure and address structural weaknesses in the economy (PSA 6).

SEEDA continues to work closely with the Learning and Skills Council, Jobcentre Plus and local government to ensure that the investment in skills is driven by business needs to improve our global competitiveness (PSA 1 and 2).

Our natural environment

Our quality of environment is a key part of the region's 'offer'. We continue to work with the Environment Agency and water industry partners to ensure that the investment to support growth is delivered (PSA 28).

A key part of the route map to meeting our targets on reducing our ecological footprint is improving the quality and standards of our homes (PSA 27)

Greater importance needs to be given to environmental infrastructure. We want to work with Government and establish a programme that will deliver investment in maintaining and improving our bio-diversity (PSA 28).

Targeted investment

For the **Inner South East** we are investing in supporting the strong economic and labour market structure, with high skills levels and strong business. We are investing in our Diamonds and need Government to provide additional funding to deliver the Growth Points.

For the **Coastal South East** the challenge is realising the economic potential of this part of the region; raising its economic performance to the UK average would generate an estimated additional £13bn in GVA. With Growth Points all along the coastal strip (from Southampton and Portsmouth in the west, through Shoreham and Brighton and on to Dover in the east), improved connectivity is critical to realising this potential and we remain committed to investing in infrastructure that improves both west-east and north-south connections.

Our **Growth Areas** bring their own set of unique challenges; we remain committed to Thames Gateway, the largest regeneration project in Europe, with the potential to increase GVA by £30bn across the Greater South East. We need Government's continued commitment to the project and in particular our cross boundary Economic Investment Plan. Our work through the Inter Regional Board for the Milton Keynes/South Midlands Growth Area is laying the foundation for realising its economic potential; we need Government's continued commitment to deliver this potential.

Platform for success

We have strong and effective partnerships at the regional level as evidenced by our previous work on the RFA. We will take forward the recommendations in this advice by building upon these firm foundations and look to Government to support us for the good of the whole of the UK.

1 South East Overview

1.1 The performance of the South East is critical to the UK. With an economy of £180bn GVA (more than 14% of the UK total) the region is the powerhouse of the UK economy. The UK's overall competitiveness is inextricably linked to the South East's continued success.

1.2 Whether measured per capita (where public spending is 15% less than the UK average) or in proportion to GDP, (where public expenditure is lower than any other region except London) the South East has always received less from the Exchequer than it has contributed to it. In 2006/07 our residents made an estimated net contribution of £17.7bn to Government finances; approximately 50% of the total net contribution.

1.3 The region is the gateway to the rest of the UK. Our transport infrastructure is of national and international importance. Heathrow and Gatwick Airports, together with the Channel Tunnel and the major South Coast Ports of Dover, Southampton and Portsmouth, mean the region is the country's natural access point to mainland Europe and the rest of the world.

1.4 In 2007 exports through the South East were valued at approximately £33.5bn; the highest of all UK regions, due in no small part to our role as the leading manufacturing region in the country. In the Thames Valley we have one of the country's leading centres of the knowledge economy, while Oxford is home to a world class university.

1.5 The Government has proposed a target of 33, 125 new homes every year for the South East; the largest target of any region. This brings enormous challenges in its own right and is in addition to meeting the needs arising from our existing homes (16% of the total homes in England).

1.6 Investment in our region provides immediate and visible returns.

1.7 The region has the highest economic activity and employment rate and the second lowest unemployment rate in England. Qualification levels in the region are above average. The region has a higher proportion of its resident population employed in high-skilled occupations than the country as a whole.

1.8 Business start-ups in the region are the second highest after London, while survival rates are higher than the UK average. New technologies are creating new markets, even more so during the recession, and our

region is well placed to exploit the potential of those markets.

1.9 Technological change is playing a major role in changing the way in which we do business, with significant beneficial impacts on health, productivity and the environment, particularly through the contribution of information and communications technology. Total R&D expenditure as a percentage of GVA is the second highest in the country.

1.10 The evidence base underpinning the Regional Economic Strategy (RES) and the South East Plan demonstrates that our economy faces particular challenges if it is to maintain its strength and maximise future performance. The South East has the potential to maintain its position as a world class region. However, prior to the recession, the trends were downwards not upwards.

1.11 Notwithstanding the inherent strengths of our economy we face a potential tipping point if a lack of investment in essential transport, homes, resources and skills precipitates withdrawal and relocation by key firms thereby weakening our competitive position.

1.12 At the same time, the significant pockets of under-performance in the region face a spiral of decline if they are unable to invest in innovation, skills, enterprise development and global connectivity, or in meeting the challenges posed by the need to invest in essential resources including energy, water and affordable homes.

1.13 Population projections show that the proportion of elderly people in the region will grow faster than England as a whole. If we are to achieve our ambitious targets for employment and economic growth it will be essential that we invest in equipping our middle-aged workforce to become an effective older-aged workforce.

1.14 Despite the concentration of high-valued jobs in the region, over two million people are employed in low quality jobs – the highest total of any UK region or country. Proportionately we have one of the lowest rates of worklessness, child poverty and benefit claims; however in absolute terms our totals exceed four other English regions.

1.15 Right now our priority is to help our businesses and our citizens ride out the worst of the recession. The region is being hit hard and we can expect the news to get worse in the short-term.



1.16 The deterioration in our economy in recent months is having an impact on our ability to meet the economic growth targets in the Regional Economic Strategy and the housing targets set out in the South East Plan. However the fundamental strengths of the South East economy are such that we have the potential to emerge from the recession faster and stronger than any other region in the UK.

1.17 Continued public sector investment in our infrastructure and services is critical to realising this potential. Difficult times require innovative solutions to meet the challenges we face. However there are also times when continuity and consistency are essential ingredients to rebuilding confidence.

1.18 The benefits to the region and the rest of the UK of investing in the South East are clear. In helping the region to survive the worst of the recession we are already sowing the seeds of future prosperity.

2 Regional policy

2.1 We have a vision for the South East:

‘A socially and economically strong, healthy and just South East that respects the limits of the global environment.’

2.2 The policies and proposals set out in the Regional Economic Strategy and the South East Plan provide us with the framework for delivering this vision. It is underpinned by the most comprehensive evidence base ever assembled at a regional level.

2.3 Our evidence base has been independently tested and has stood up to scrutiny. It provides us with a solid foundation for prioritising investment.

2.4 The regional policy framework shows that the strategic economic challenges facing the region are:

- **Improving Global Competitiveness** – we need to continue to invest in success in the face of intensifying international competition - relevant to Public Service Agreement (PSA) 1, 2, 6 and 7
- **Achieving Smart Growth** – we need to invest in measures that address underperformance so that we increase economic activity; increase the skills base and improve productivity (PSA 1, 2, 6 and 7)
- **Sustainable Prosperity** – we must use the need to reduce our ecological footprint as a catalyst for investment in new technologies that provide competitive advantage (PSA 6, 7, 27 and 28).

2.5 Our success brings with it a further set of challenges unique to the region, there is a need to:

- Provide an adequate supply of affordable housing in order to attract and maintain a viable workforce (PSA 20)
- Tackle congestion on transport infrastructure in order to improve productivity for businesses, improve the quality of life for our residents, and improve the quality of the wider environment against a backdrop of substantial pressure arising from increased housing (PSA 5)
- Provide the social, cultural and community infrastructure that is essential in order to deliver sustainable communities (PSA 6)
- Tackle the pressures on our water supply, our waste and wastewater facilities, and flood risk if we are to maintain environmental standards (PSA 28)
- Ensure that we have the right kind of skills available to tackle existing shortages, and to develop the new markets that will support the transition to a low-carbon economy in the future (PSA 2)
- Ensure that we safeguard/enhance the quality of the region’s natural assets (PSA 27 and 28).

2.6 Our regional policy demonstrates the dangers of failing to rise to the challenge of global competition. Although highly productive compared with other UK regions, we were failing to achieve the growth targets set out in the Regional Economic Performance PSA and falling behind other global regions in terms of productivity even before the recession.

2.7 Ensuring efficient access to our international gateways is critical to enabling other regions to realise their economic ambitions (PSA 5, 6 and 7). As the leading manufacturing region in the country improving productivity and skills levels are critical to our success and the success of the UK economy (PSA 1, 2, 6 and 7).

2.8 Our partners in the region continue to share the scale of ambition set out in the Regional Economic Strategy and the South East Plan. We remain committed to delivering sustainable economic growth. However, in the short-term the recession means that it will be more challenging to deliver the scale of growth identified.

The significance of the South East economy to the success of the UK must be reflected through Government’s investment decisions at a national level by making a higher percentage of the region’s GVA available for re-investment in the region.



3 Our spatial priorities

3.1 Our regional policy framework provides a clear, evidence based, spatially specific set of priorities (Map 1) that we use to target investment.

3.2 There are nine sub-regional areas identified in the South East Plan. Specific policies and proposals provide the focus for realising strong economic potential within the region and addressing particular regeneration needs. This supports economic competitiveness of the region (PSA 6) whilst spreading the benefits of prosperous areas more evenly round the region (PSA 7).

3.3 The RES builds on this spatial geography by identifying common economic linkages between the sub-regional areas that then defines the economic geography of the region:

- **Inner South East** – characterised by high productivity, high economic activity, high enterprise and high skills but with significant pockets of deprivation. Good level of infrastructure but under pressure from high levels of congestion. Closely linked to the London economy
- **Rural South East** – more than 80% of the region by area, with 25% of the population. Characterised by high economic activity, highly skilled commuter workforce, high business density and start-ups. Dispersed rural deprivation, an aging population and variable infrastructure
- **Coastal South East** – characterised by low productivity, low economic activity, high 'structural' unemployment, low skills, ageing population, poor infrastructure and productivity. Similar in size to the North East region but performing less well
- **Government Growth Areas** – cutting across the main economic contours, these have seen investment in infrastructure, skills, innovation, business support and environmental/cultural amenities.

3.4 The South East has a very 'polycentric' structure with a patchwork of inter-connected cities and towns distributed across the region. Transport and economic activity in the region remains dominated by London. However commuting patterns and business relationships in the region are complex with major settlements becoming more economically self contained but also more dependent on one another for labour and knowledge capital.

3.5 Our response to this challenge is to recognise that there is a network of cities and towns where most employment, leisure, retail and cultural activity in the

region will gravitate.

These 'regional hubs' (Map 1) are the logical locations where the

various components of growth need to be focused and co-ordinated in order to deliver sustainable economic growth. They are a focus for:

- Investment in multi-modal transport infrastructure both within and between hubs, supported by initiatives to re-balance travel patterns through behavioural change (PSA 5)
- Other new infrastructure, including health, education and social infrastructure and public services (PSA 6)
- New investment in economic activity and regeneration, including skills and training investment (PSA 2, 6 and 7)
- New market and affordable housing, to support the creation of higher density 'living centres' (PSA 20)
- A focus for new major retail and employment development (PSA 7).

3.6 Within the group of 'regional hubs' there are eight major concentrations of economic growth potential – or 'Diamonds for Investment and Growth' – which:

- Extend beyond the boundaries of an individual local authority
- Are centred on an urban core or comprise networks of urban areas
- Play a leading role in the economic vitality of their broader sub-regions.

3.7 The eight 'Diamonds' account for over 50% of the region's population and a similar proportion of our GVA. They are (in alphabetical order): Basingstoke; Brighton and Hove; Gatwick Diamond; Milton Keynes and Aylesbury Vale; Oxford/Central Oxfordshire; Reading; Thames Gateway (including Medway and Ebbsfleet); Urban South Hampshire (including Portsmouth and Southampton).

3.8 While the 'Diamonds' provide the focus for targeting future investment, priority is also given to continuing to support our on-going regeneration projects; Ashford; Bexhill/Hastings; Dover and Margate.

3.9 Greater priority for investment is being given to those 'Diamonds' where the delivery arrangements are more advanced, currently: Urban South Hampshire (supported by an agreed Multi Area Agreement); Thames Gateway Kent (where work is underway on an MAA); Milton Keynes and Aylesbury Vale and Gatwick Diamond.



3.10 While our spatial priorities provide a clear focus for targeting investment we are in a period of transition in which some of investment programmes contain schemes that are legacies from previous policy.

With Government's continued support we will maintain momentum with the delivery of existing public sector programmes to avoid adding to the hiatus in the construction industry arising from the recession.

We recommend that Government expand the scope of the Regional Funding Advice further through the inclusion of funding managed by the Learning and Skills Council and the Community Infrastructure Fund as part of the simplification of funding regimes. With this freedom we will be able to improve further their alignment of funding and spatial priorities.

4 The impact of the recession

4.1 While this submission sets out our advice on investment priorities for the longer-term, we cannot ignore the impact of the recession.

4.2 In the short-term economic conditions in the region continue to deteriorate; business confidence is poor (PSA 6); claimant count in the region, particularly amongst women, is increasing; skills capacity within key sectors is being lost (PSA 2). Although not an immediate problem, there is a concern that a prolonged recession will impact on future skills levels, in particular with regards to apprenticeships (PSA 2).

4.3 Given the expected sharp fall in GVA growth this year and a more prolonged recovery taking place after 2009, it is very unlikely that we will achieve our target of an average rate of growth of 3% per annum (PSA 7).

4.4 On the positive side, the weakness of the foreign exchange means that there is an increase in interest from inward investors. If we are to capitalise on this opportunity we must continue to invest in the access to international gateways – our airports and ports (PSA 5).

4.5 The impact of constrained credit conditions continues to impact on the broader economy, particularly in businesses' investment decisions. Since

this investment is a major driver of productivity, restoring liquidity within the economy is of critical importance (PSA 1).

We will support Government in its commitment to restore liquidity to the financial markets to help us deliver sustainable economic growth.

4.6 While the need for new housing remains undiminished, the slowdown in the housing market is an impediment to delivering the number of new homes required in the region (relevant to PSA 20). The inextricable link between these homes and the delivery of affordable housing means that without increased levels of grant and/or new models for delivery, we will not meet the need for additional affordable homes.

4.7 We are responding to these challenging circumstances by:

- Delivering our prioritised transport investments, in the process looking at opportunities to bring forward schemes (PSA 5 and 6)
- Prioritising delivery of new affordable housing to meet need and help retain capacity within the construction industry (PSA 20)
- Investing in physical regeneration schemes to act in a counter cyclical way and help retain capacity within the construction industry (PSA 6 and 7)
- Prioritising investment in education-led regeneration projects (PSA 1, 2 and 7)
- Using our Regional Recovery Plan – developed in partnership by SEEDA, Jobcentre Plus and the Learning and Skills Council – to support businesses and individuals directly affected by the recession (PSA 2 and 6).

4.8 The downturn in the construction sector is severely restricting the extent to which the private sector is able to contribute towards the provision of infrastructure. As a result the public sector will have to take on a greater risk in the short-term. This increases the importance of having our Regional Infrastructure Fund to act as a mechanism to forward fund infrastructure (PSA 5 and 6).

4.9 Our response to the impact of the recession reflects the importance of seeing the slow down in the construction sector as an opportunity to put in place the infrastructure and invest in the skills required to support sustainable economic development in the longer-term.





Budgetary Uncertainties: the need to review our Advice

4.10 Government's response to the recession, and in particular the downturn in house building, is welcome. However many of the initiatives have been secured by bringing forward funds previously identified for latter years. While the initiatives will help in the short-term we are concerned as to their implication for the future in the absence of additional funding being identified.

4.11 Uncertainties with the budgets set out in the RFA planning guidance mean that our approach for the period beyond the current spending review has been to relate planning assumptions to investment priorities.

In light of the uncertainties arising from the current economic conditions we will work with Government to keep this advice under review. We will use our governance arrangements at the regional level to monitor progress with delivery and to advise on the implications of changes in circumstances.

5 Leadership in tackling climate change

5.1 The South East has the highest ecological footprint of all UK regions, 16.7% above the UK average; if everyone in the world lived our lifestyle we would need three and half planets to support us. Delivering sustainable economic growth is therefore at the heart of the regional policy framework: economic security for the longer-term comes through ecological security.

5.2 Our regional policy framework, shaped by the Regional Sustainability Framework, sets ambitious targets to stabilise, and then reduce, our ecological footprint. However this is only the first step on our path towards becoming a 'one-planet' region by 2050.

5.3 The rate of increase in our ecological footprint is slowing (from 1.1% to 1.0% per annum) and is likely to slow further as a result of the recession. This may allow us to stabilise our ecological footprint by 2016. However, in the absence of co-ordinated investment and action, the recovery in the economy is likely to lead to a return to an upward trend (PSA 27 and 28).

5.4 Our route map for reducing the South East's ecological footprint emphasises the importance of public sector investment in helping us achieve our ambition.

5.5 We are responding to this challenge by ensuring that our:

- Prioritisation methodology for transport takes into account the implications of our investment choices on carbon emissions (PSA 5)

- Investment in new affordable homes continues to support higher standards of construction (PSA 20)
- Commitment through the RES to use our global leadership in environmental technologies as a driver for transformational action through market creation and market development, with a particular emphasis on retrofitting of energy efficiency and low/carbon technologies to existing homes and buildings (PSA 1, 2, 6 and 7)
- Investment supports the ambition of the eight 'Diamonds' to deliver a reduction in ecological footprint two years earlier than the rest of the region (PSA 27 and 28)
- Investment in learning and skills develops the provider infrastructure that supports individuals and employers (PSA 1, 2, 6 and 7).

5.6 We are using our commitment to move forward with the development of our first Regional Strategy (which will replace the South East Plan and Regional Economic Strategy) as the opportunity to accelerate our passage along the route map.

We invite Government to work with us and provide additional public sector investment in order to support the development of the market for environmental technologies in order to achieve the economies of scale that will reduce their unit cost.

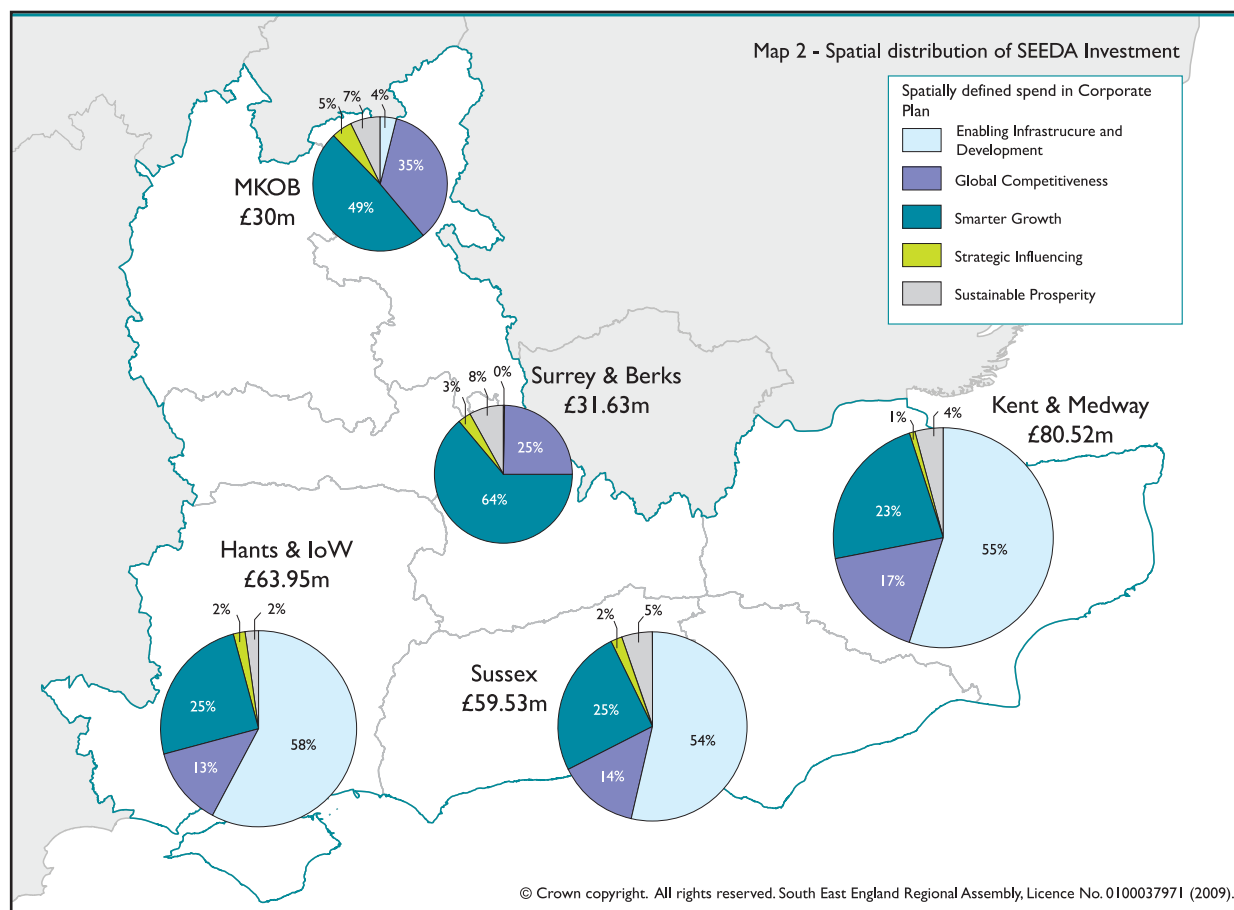
We will support Government in promoting changes in the regulatory and pricing framework that will encourage the widespread provision of next generation broadband technology as a means of supporting business development and reducing our ecological footprint.

6 Lessons from delivery

Economic Development and Skills

6.1 SEEDA's investment programme has been targeted towards meeting the three strategic economic challenges identified in the RES and contributing towards delivery of enabling infrastructure in the following ways:

- | | |
|---|-----|
| • Improving Global Competitiveness (PSA 1, 2, 6 and 7); | 25% |
| • Achieving Smart Growth (PSA 1, 2, 6 and 7); | 25% |
| • Investing in Sustainable Prosperity (PSA 6, 7, 27 and 28) | 11% |
| • Enabling Infrastructure (PSA 5, 6, 7, 20) | 32% |



6.2 Greater emphasis has been given to focusing investment in 'placed based' activities reflecting the region's spatial priorities (Map 2). Outside of those spatial priorities SEEDA's activity has been focused on delivering core programmes such as Business Link, Inward Investment, Innovation and Growth teams and the Manufacturing Advisory Service.

6.3 The critical importance of greater integration between economic development and skills is reflected in the South East Employment and Skills Accord. This provides a key mechanism through which SEEDA, Jobcentre Plus and the Learning and Skills Council are delivering their commitment to:

- Create multi-agency work teams that co-ordinate activity at the sub-regional level (with the initial focus on working with the Urban South Hampshire and Thames Gateway Kent 'Diamonds')
- Review policies and procedures across the three agencies as a means of addressing barriers to integrating services
- Develop an integrated employment and skills system.

6.4 The recession has led to a refocusing of resources in order to ensure that the maximum support possible is given to businesses and individuals in order to help them survive. SEEDA has therefore:

- Enhanced the Business Link offer to provide: free business health checks; access to finance advice; guidance on measures to reduce energy use; access to SEEDA's resource efficiency programme; access to the Train to Gain service; analysis of new business opportunities and markets
- Helped business access finance through various mechanisms, including: a new Regional Transition Fund; a new Commercialisation Fund; supported the Government's Equity Scheme and Small Business Guarantee Scheme; extended the Grant for Business Investment to the entire region
- Provided an enhance 'Passport to Export' package for R&D intensive businesses
- Committed to increase the funding available for the Manufacturing Advisory Service
- Established the Continuing Employment Support Service in partnership with Jobcentre Plus to provide support for workers affected by redundancy
- Continued to take forward our programme of physical regeneration projects.





Transport

6.5 The region has made considerable progress with delivery (PSA 5). Fifteen of the region's investment priorities have been, or are in the course of being, delivered (Map 3) including the improvement to the A3 at Hindhead.

6.6 However, the first three years of the programme have been affected by an increase in scheme costs and slippage in the delivery of projects, particularly those promoted by local transport authorities. We have also seen substantial increases in the cost estimates of schemes promoted by the Highways Agency following the outcome of the Nichols review.

6.7 Delays in delivery have been a particular concern given the implications this has for scheme costs. Delivering the regional programme to time is also seen as critical to contributing to providing the conditions for business success in the region (relevant to PSA 6 and 7).

6.8 We have therefore:

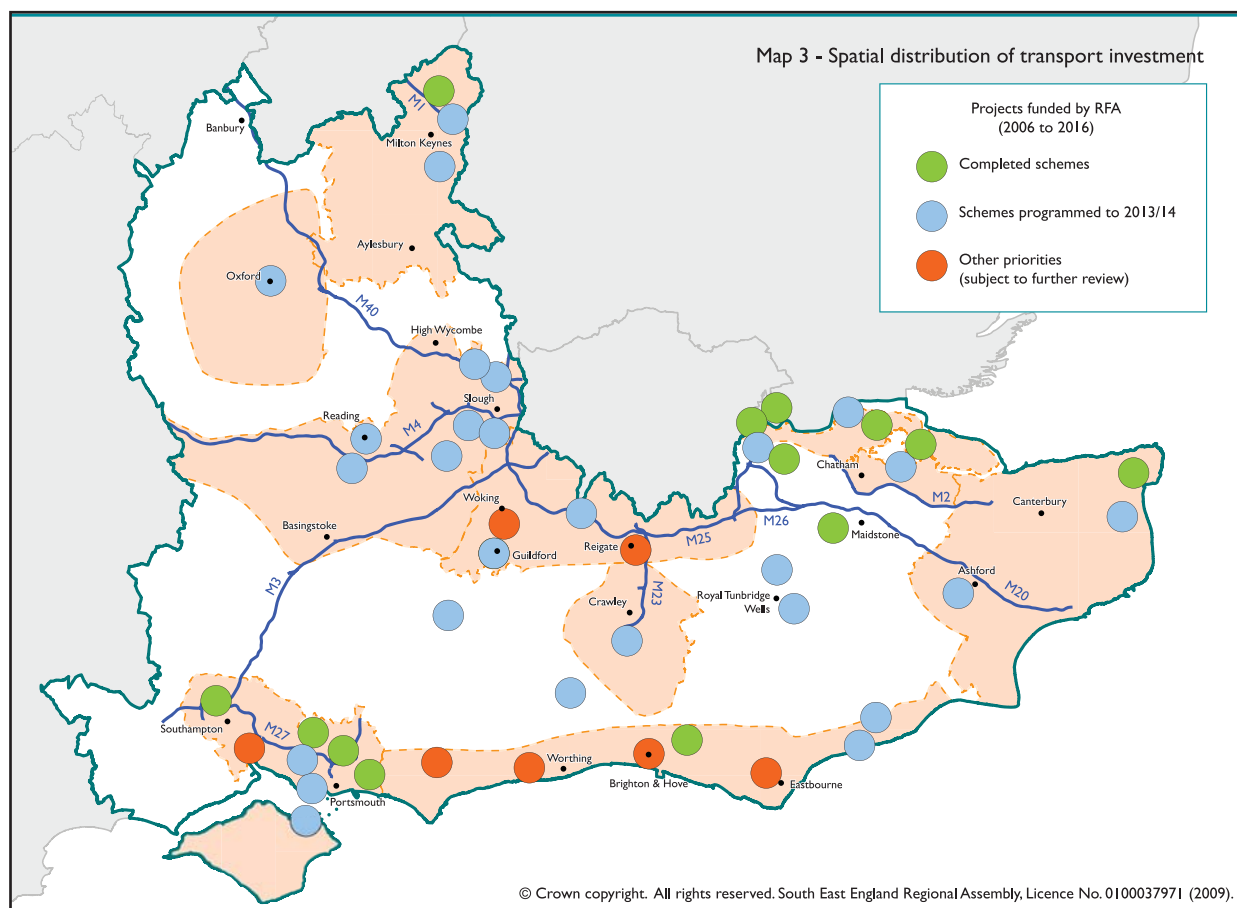
- Required local transport authorities to commit to making resources available to progress schemes to the timescale set out in the regional programme
- Tightened our programme management and monitoring approach to enable quarterly reporting on progress to the Regional Transport Board

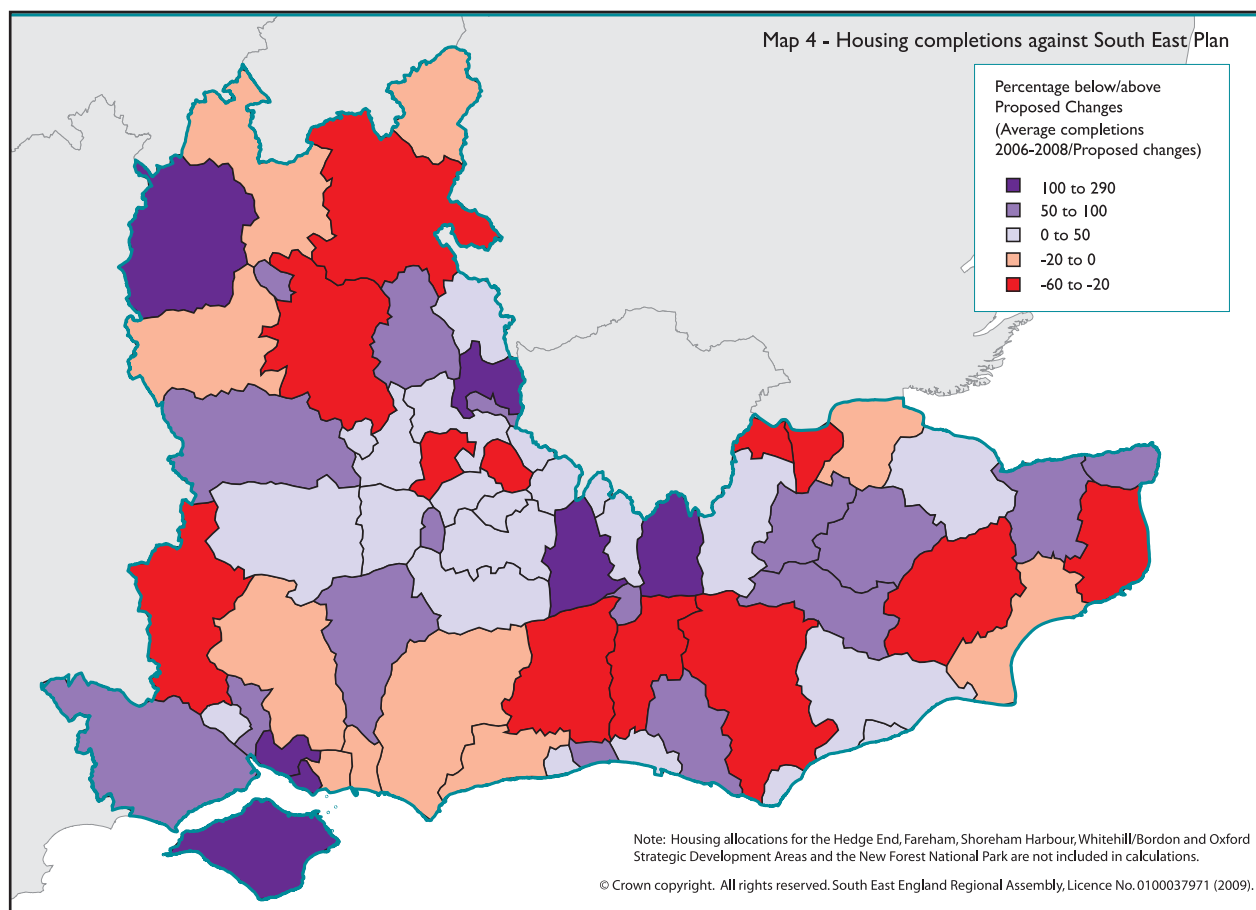
- Increased engagement with Network Rail and Highways Agency to ensure priorities are aligned across programmes and that public transport alternatives are developed if practical
- Championed, through the RTB, investment in smarter choice measures that help reduce the region's ecological footprint
- Encouraged Local Transport Authorities to promote packages of smaller scale measures as a means of addressing challenges.

Housing (including Affordable Housing)

6.9 Completions (market and affordable homes combined) in the region for the first two years of the period covered by the South East Plan have been broadly on target (PSA 6 and 20). However this hides a more complicated picture; one which shows significant shortfalls against the Plan, most notably in the Growth Areas (Map 4).

6.10 While the regional component of the National Affordable Housing Programme remains fully committed the funding available has only been sufficient to deliver 60% of the number of affordable homes required.





6.11 We have therefore:

- Reaffirmed our commitment to delivering an increase in the number of affordable homes as the region's key priority
- Committed to examining the variation in performance cross the region amongst local authorities in delivering affordable homes without the need for grant with a view to raising performance overall
- Committed to exploring the potential to increase the supply of affordable housing through mechanisms such as local housing companies
- Undertaken a series of workshops specifically targeted at the need to address barriers to delivering affordable housing
- Used our innovative Private Sector Renewal programme to build capacity within local authority partnerships to deliver measures that improve energy efficiency and the condition of homes.

6.12 We are concerned that the supply of affordable housing in the region has become overly focused on the S106 model. As a result, the impact of the severe downturn in the housing sector will be an impediment to delivering the number

of affordable homes required. SEEDA are working with public and private sector partners in the region to explore the potential for new models of delivery to address this issue.

We will work with Government and the Homes and Communities Agency to develop new models for delivery that can be applied in the region.

7 Developing our advice

7.1 We continue to be faced with the need to make difficult choices. However our governance arrangements and engagement with partners and stakeholders across the region give us the ability to make those choices in a robust and transparent way.

7.2 The preparation of this submission has been overseen by a high-level Regional Steering Group. The Steering Group comprised representatives from the Regional Assembly and SEEDA, supported by the Government Office. It also included representatives from key national and regional delivery agencies.

7.3 The initial meeting of the Group in November 2008 provided a strategic steer on the key issues that would shape its content, in particular emphasising that the agreed spatial priorities (Map 1) provides the basis for aligning investment priorities.





7.4 Our Regional Transport and Regional Housing Boards developed their input into the submission within those guidelines. Their input built upon experience in delivering the programmes that were agreed following our previous advice. Both Boards worked closely with local authorities and other key stakeholders across the region in the preparation of their advice.

7.5 Partners responsible for delivering elements of the RES monitor and review progress through a RES Steering Group. SEEDA used this group to help shape the economic development input into the submission.

7.6 A wider reference group drawn from stakeholders across the region provided further input into the preparation of the submission.

7.7 This submission was agreed by the Regional Steering Group on behalf of the region.

8 Key elements of our advice

Economic Development and Skills

8.1 One of the implications of recent Government initiatives has been to redirect funding from SEEDA's budget. This has reduced the budget for the remaining two years of the current spending review period by £27.4m (a 10% reduction).

8.2 While the fundamentals of the RES remain valid, SEEDA has reviewed its role and focus in response to the recession. Existing programmes and activities have been re-prioritised around the twin themes of:

- Helping business to survive the economic situation in the short-term
- Investing in developing the capacity and capability of the region to respond to the eventual upturn from a position of strength.

8.3 Developing these themes means that the focus for investment is on transformational programmes with broad reach.

Our advice on economic development for the period to 2010/11 is to:

- **Strengthen the 'core offer' by investing in services such as Business Link; Manufacturing Advisory Service; place-based Innovation and Growth Teams (PSA 1, 2, 6 and 7)**
- **Support the success of international traders, giving greater focus to our work with global investors in the region and looking to new sources of investment from global markets, including potentially sovereign wealth funds (PSA 6 and 7)**

- **Continue to support high growth companies to innovate and to commercialise science based R&D, including using public procurement and regulation to drive investment in new markets and growth sectors, with particular emphasis given to realising the potential of environmental technologies (PSA 1, 6, 7, 27 and 28)**
- **Continue investment in physical development working closely with the HCA (PSA 5, 6, 7 and 20)**
- **Continue to lead and drive mainstream investment in education-led regeneration projects alongside the Learning and Skills Council, and Higher Education Funding Council for England (PSA 1, 2, 6 and 7)**
- **Realise the opportunities to use capital investment in education and skills – eg the Building Schools for the Future – to align with employment programmes as a means of retaining capacity within the construction sector (PSA 2 and 6).**

8.4 These priorities are reflected in the updated SEEDA Corporate Plan for the remaining two years of the current spending review period. Investment will be targeted in our spatial priorities (Map 1).

8.5 Existing programmes that fall outside of these priorities will be reviewed and scaled back accordingly. As a consequence, a larger proportion of our economic development targets will, in future, be delivered by other regional partners.

8.6 The RES sets our framework for sustainable prosperity for the period to 2016. Our planning assumption is that investment priorities for economic development beyond the current spending review period will broadly reflect the priorities set out above.

8.7 However, the recession we are currently experiencing is of a scale the like of which has not been seen for a generation. As a consequence it is difficult to predict with any certainty its full effect on the region. We have therefore ensured that within our planning assumptions there is sufficient flexibility to enable SEEDA to respond quickly to changes in circumstances.

Transport

8.8 Our existing programme of investment priorities was developed using the output from our prioritisation methodology. This assesses the relative priority of proposed schemes in terms of their policy compatibility, value for money and deliverability. The policy compatibility is assessed against the spatial priorities in regional policy framework (Map 1).

8.9 We have invested heavily in working with scheme promoters to ensure the regional programme is robust, deliverable and affordable (Annex 2). We have over programmed by 20% to assist with programme management

With Government's support for our over investment programme we can bring forward infrastructure investment that will support sustainable economic development in a way that represents good value for money.

8.10 The majority of the schemes that currently sit within the regional programme for the period to 2013/14 are at an advanced stage in their development. Reviewing those schemes at this stage would introduce a hiatus in delivery that would be counter productive at this stage in the economic cycle. However where there is a substantial change in circumstances – for example a substantial increase in cost – the priority of the scheme will be reviewed.

Our advice on transport for the period to 2013/14 is that:

- **The schemes prioritised for delivery in the period to 2013/14 (Annex 2) are treated as commitments (PSA 5, 6 and 7)**
- **The funding for the following schemes is moved from the 'major schemes' block to the Integrated Transport Block in the form of a 'ring-fenced' grant:**
 - o Windsor Park and Ride (Royal Borough of Windsor and Maidenhead)
 - o Trafalgar Link Road (Portsmouth)
 - o Central Milton Keynes Public Transport Access Improvements (Milton Keynes).
- **The funding for the following maintenance schemes is moved from the 'major schemes' block to the Integrated Transport Block in the form of a 'ring-fenced' grant:**
 - o A4 Shepherds House East Railway Bridge (Wokingham)
 - o Medway Tunnel (Medway)
 - o A322 Windsor and Eton Relief Road (Royal Borough of Windsor and Maidenhead).

Our proposals to transfer funding to the Integrated Transport Block takes into account the ability of these schemes to be delivered early. We therefore urge an early response from the Department for Transport in respect of this aspect of our advice.

8.11 At this stage we do not make any recommendations in respect of the current arrangements for the Integrated Transport Block for local transport authorities. We will, however, revisit this as part of our on-going work associated with the region's input into the Department's work on 'Delivering a Sustainable Transport System.' This will also be the mechanism by which we develop our advice on investment priorities beyond 2013/14.

8.12 We will use the programme of investment priorities for the period beyond 2013/14 as a starting point for this work. However with personal transport accounting for a significant proportion of our ecological footprint (currently 18%) and with carbon budgets and targets likely to become more challenging over time, these need to be reviewed to take account of:

- The implications of our investment choices on carbon emissions through a refinement of our prioritisation methodology (PSA 5)
- The identification of additional Growth Points and Strategic Development Areas in the South East Plan, the investment requirements for which have not previously been identified (PSA 5, 6, 7 and 20)
- The flexibility to recommend transfers between funding programmes and the potential this creates to give greater encouragement to delivery of smarter choice measures (PSA 5, 27 and 28).

8.13 Our input will be informed by the outcome of the work to map in greater detail the 'challenges' for the transport system arising from the growth set out in the regional policy framework.

Housing (including Affordable Housing)

8.14 The extension of the RFA process to include the Homes and Communities Agency (HCA) budget is welcomed for the opportunities this will create to improve further the alignment of funding programmes.

8.15 This advice has been prepared at a time when the HCA is 'bedding-in'. Our planning assumption therefore is that the balance between the funding programmes now managed by the HCA will remain broadly the same for the remainder of the current spending review period. However we will look to the first HCA Corporate Plan as the opportunity to bring the various programmes together into a single investment programme.



Our investment advice on housing for the period to 2010/11 is that the:

- **Need to deliver additional affordable housing remains the over riding priority; investment should be targeted to deliver the right size, type and tenure of affordable housing according to the need identified in the South East Plan (PSA 6 and 20)**
- **Commitments to investment funds in local authority decent homes, private sector renewal and Gypsies and Travellers facilities grant should be honoured (PSA 20).**

8.16 Calls on the HCA to invest are likely to exceed the funds available for the remainder of the current spending review period. Commitments to invest in the delivery of affordable housing are shown in Map 5.

8.17 The reduction in activity within the house building sector has been significant; the implications of this for the HCA's investment programmes, in particular on the affordable housing programme, will need to be monitored.

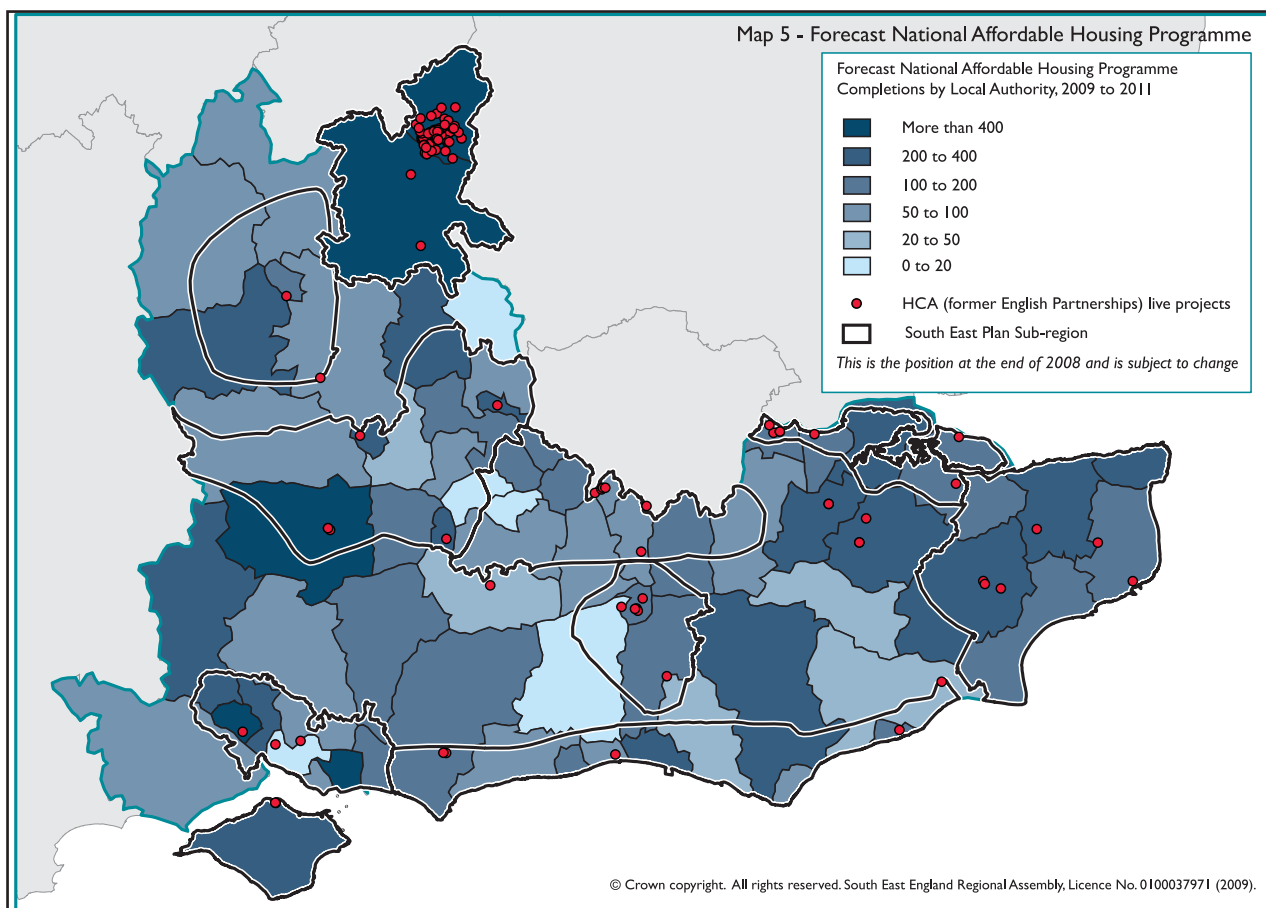
8.18 Were there to be, as a result of external factors, scope to review the balance of investment between

existing HCA managed programmes consideration should be given to the following opportunities:

- Investing in infrastructure that is directly linked to the delivery of affordable housing
- Supporting local authorities that are struggling to meet the target of achieving the Decent Homes standard by 2010
- Investing additional funds in Gypsies and Travellers facilities to help meet the identified need subject to proposals demonstrating value for money.

8.19 The spatial priorities (Map 1) will need to be reflected in the HCA Corporate Plan. As with the economic development strand of this advice it is difficult to predict with any certainty the full extent of the impact of the recession on the housing and regeneration sector in the region.

8.20 In addition, the implication of the various initiatives announced by Government on the funding available to invest remains unclear. Accordingly our planning assumptions for the period beyond the current spending review period may need to be reviewed in due course.



Based on the current situation our advice for the period beyond 2010/11 is that:

- **The need to deliver additional affordable housing will remain the over riding investment priority; investment should be targeted to deliver the right size, type and tenure of affordable housing according to the need identified in the South East Plan (PSA 6 and 20)**
- **Investment should be committed to develop the capacity (in terms of skills and supply chains) to achieve Code for Sustainable Homes Level 6 at the earliest opportunity (PSA 1, 2, 6, 7 and 27)**
- **Investment should be committed to develop the capacity (in terms of skills and supply chains) to enable the widespread application of energy efficiency and low carbon technologies to existing homes and buildings (PSA 1, 2, 6, 7 and 27)**
- **The level of funding committed to our Private Sector Renewal programme should be increased, with resources continuing to be targeted to help the most vulnerable and those on lowest incomes (PSA 27 and 28)**
- **The level of funding committed to Gypsies and Travellers facilities grant should be increased, reflecting the higher level of need identified through the partial review of the South East Plan (PSA 20)**
- **Investment to support housing for older people (reflecting the growing elderly population within the region) and other vulnerable groups should remain a priority (PSA 20).**

8.21 We have supported the Government's review of the Housing Revenue Account subsidy system. In its current form the region's tenants pay an additional £170m 'tax' per annum.

On the assumption that the outcome of the review of the Housing Revenue Account will result in local authorities with retained housing stock being adequately funded through the allowances for major repairs to their properties, we have assumed that there will not be a need to retain the Decent Homes programme in its current form beyond 2010/11.

the prosperity of the region. Ensuring an adequate supply of rural affordable housing is a critical component of the rural economy. However, the structure of the South East does not lend itself to a rural target for affordable housing that relates solely to the smallest settlements.

We recommend that the Government broadens its target for rural housing to include market towns of up to 10,000 inhabitants. We expect local authorities and parish councils to pro-actively support opportunities to provide affordable homes in their rural communities.

Environmental Infrastructure

8.23 The quality of our natural environment is a key part of the region's 'offer'; delivering sustainable economic development means that there is a need for substantial investment in our environmental infrastructure.

8.24 Work undertaken in partnership with the Environment Agency and the water industry has enabled us to identify the scale of investment required in water supply and waste water treatment facilities in order to support our ambitions for growth (PSA 6 and 7).

We recommend that Government ensures that the outcome of successive periodic reviews provides water supply and waste water treatment companies with the resources to make the investment required to support delivery in the regional policy framework.

8.25 In a similar vein our work with the Environment Agency has enabled us to identify the scale of the investment required to address flood risk and improve flood defences in order to support our growth plans. Failure to take these requirements into account in setting the budget for the Environment Agency will reduce on our ability to deliver sustainable economic development (PSA 6, 7 and 20).

8.26 Our work with the Environment Agency, and the South East England Biodiversity Forum, has identified that bio-diversity is the one strand of environmental infrastructure for which there is no clear mechanism of funding stream that will enable us to deliver the measures necessary to safeguard and enhance the region's assets (PSA 28).

We wish to work with Government to identify an adequately resourced funding programme that will deliver investment in bio-diversity.

8.22 Delivery of rural affordable housing is well below the regional target set by Government. Our rural economy makes a sizable contribution to



Regional Infrastructure Fund

8.27 Originally proposed as part of our previous advice, we have made progress with establishing our Regional Infrastructure Fund (RIF). The RIF provides a mechanism by which the public sector can forward-fund investment in enabling infrastructure; with that investment subsequently recovered at a later date through the planning system.

8.28 In the long-term scope remains for the development sector to make a significant contribution towards the cost of the infrastructure required to support growth. However in the short-term this scope is more limited. In this regard the importance of the RIF has been heightened; it is a key mechanism by which the public sector can invest in a counter cyclical manner.

8.29 We are establishing our RIF using funds identified from the economic development (£10m) and transport (£25m) elements of the RFA. Priority is being given to investing in infrastructure that helps deliver growth consistent with our spatial priorities (PSA 5, 6 and 20).

8.30 Governance and accountability arrangements for the RIF have been agreed in principle and we anticipate that the first investments will be announced in early spring 2009.

8.31 A candidate for early investment by the RIF is Ashford where £15m of investment in transport infrastructure will enable development to proceed that will deliver upwards of 2,000 new homes initially and a further 8,000 new homes in the medium-term. With 30% of the new homes required to be affordable, the initial investment through the RIF will make a significant contribution towards delivering the Growth Area.

8.32 Our work to develop the initial business plan has demonstrated that the demand for investment via the RIF is significantly in excess of the funds currently identified. With the development sector looking to defer contributions towards the provision of infrastructure we expect demand for the RIF to increase.

We welcome Government's continued support for the principle of a Regional Infrastructure Fund.

We will work with the HCA to identify monies from within the Housing and Regeneration funding stream that can be channelled through the Regional Infrastructure Fund to the benefit of delivering regional objectives.

9 Our gateway function

9.1 The South East region is the UK's main gateway to and from the rest of Europe and the world. Our infrastructure – both air and sea ports – bears substantial pressure as a result.

9.2 Good connectivity with global markets through our international gateways is a major contributory factor towards improving the economic performance of other English regions; eight out of the 14 national strategic transport corridors identified by the DfT pass through the region (PSA 5, 6 and 7).

9.3 Investment in the networks that support international/national movements must be additional to the investment necessary to meet our regional challenges.

We recommend that the national transport programme gives priority to the following proposals that have significance beyond the South East region:

- **Heathrow Airport**

There is an urgent need to:

- **Reduce the environmental impact of movements to/from the airport by increasing public transport capacity**
- **Improve business productivity by investing in making journey times to/from the airport more reliable.**

Our previous advice identified the need for improved rail access to Heathrow Airport – primarily through the delivery of Airtrack. We welcome BAA's initiative to progress the work required to secure the powers for Airtrack. However there is an urgent need for Government to commit to deliver this scheme as a national priority.

We welcome the initiative by Government to examine the potential for a new High Speed Line connecting the Greater South East with the Midlands; we wish to explore the opportunities that a 'transport hub' at Heathrow Airport as part of that route has to support delivery of the regional policy framework.



• Gatwick Airport

Proposals to remove the capacity bottleneck at the rail station should be delivered prior to the 2012 Olympic Games.

• Operation Stack

A long-term solution to managing the impact of disruption to cross-channel traffic on the rest of the transport network in Kent should be implemented at the earliest opportunity.

Strategic Transport Corridors

9.4 Of the eight strategic transport corridors identified by the DfT, three of these are identified in the regional policy framework as coming under increasing pressure as a consequence of growth (PSA 5, 6 and 7).

We recommend that the Department for Transport take forward the work required to develop a long-term strategy for the following strategic corridors in partnership with the region:

• London to Kent Ports

In addition to this corridor's role as a strategic link with cross-channel services, it must support delivery of the Thames Gateway and Ashford Growth Areas, along with the Dover and Maidstone Growth Points.

Any work commissioned on this corridor must examine the implications of the proposed Lower Thames Crossing (east of the current Dartford Crossing). This crossing would serve both strategic and regional/sub-regional purposes and would fundamentally alter the use of existing transport networks.

• London to South West/South Wales

In addition providing access to Heathrow Airport and catering for long-distance inter-regional movements, this corridor must support the continued growth of the sub-regional economy,

including the Reading Growth Point. Existing investment commitments are unlikely to address the challenges arising from these twin challenges.



• South Coast Ports to the Midlands

Continued growth in port related traffic passing through Southampton (and Portsmouth) will bring further pressure along this corridor. Pressure will also arise from the need to support delivery of the Growth Points in South Hampshire, at Didcot and Oxford.

9.5 Work, led by SEEDA, to increase the loading gauge on the rail corridor linking the South Coast ports with the Midlands and beyond will be completed by 2011. Work is now underway to remove the capacity bottleneck at Reading Station.

9.6 With the completion of this work the lack of capacity on the rail network through Oxford Station will become a strategic issue (PSA 5, 6 and 7). The need to develop a long-term solution to address this issue is all the more pressing as a result of:

- The proposed increase in services on the 'Cotswolds' line (or inter-regional significance)
- The proposal from Chiltern Railways as part of 'Evergreen 3' to introduce a new Oxford – London (Marylebone) service
- The proposal to restore rail services between Oxford and Milton Keynes/Bedford (in support of growth set out in the South East Plan).

We recommend that Government identify the need to develop a long-term solution to the capacity issue at Oxford Station as a national priority, with a commitment to implement a preferred solution at the start of the Control Period commencing in 2014/15.

9.7 Our previous advice identified the strategic significance of the Oxford - Cambridge Arc. This is a corridor of national significance linking two world-class Universities via Milton Keynes (destined to become the country's eighth largest city).

9.8 We are committed to delivering 100,000 additional homes and 100,000 additional jobs along the western part of this corridor. Restoration of rail services on the western section has been identified through the South East Plan as central to ensuring that this growth is consistent with our ambition to reduce our dependency on the private car (PSA 5 and 20).

9.9 Restoration of the rail link will also provide significant benefits in strategic terms, including reduced journey times between the South Coast and the Midlands; additional route capacity for deep-sea container traffic associated with the South Coast ports; network resilience by offering an alternative to the West Coast Main Line (PSA 1, 5, 6 and 7).



We recommend that the Government identifies the Oxford – Cambridge Arc as a national strategic transport corridor.

We recommend that the national transport programme gives priority to making a contribution towards the cost of restoring rail infrastructure along the western section of the corridor.

9.10 There are a number of more specific challenges for the strategic transport corridors in our region arising from the growth set out in regional policy framework, and for which there are national benefits.

We recommend that the Government identify the need to develop a long-term solution to the following issues, with a commitment to implement a preferred solution during the Control Period commencing in 2014/15.

- **London to Southampton**

The South West Main Line is of strategic importance to the Greater South East. It serves the Growth Points/Diamond in South Hampshire as well as the regional hubs of Guildford and Woking. After existing constraints at Waterloo and Clapham Junction have been addressed, the capacity of Woking Junction will become the key constraint for the corridor. Resolving this constraint would have the additional benefit of enabling the full potential of Airtrack south of Woking to be realised.

- **London Orbital**

The development of a public transport corridor for orbital movements to the south of London as an alternative to the M25 is a key component of the regional policy framework. The 'North Downs' line is of regional significance, linking the Reading Growth Point/Diamond with that at Redhill/Reigate via the regional hub at Guildford. Enhancement of the corridor to the east of Redhill offers the potential to establish a new public transport link between the Growth Areas in Kent.

10 Investment in our spatial priorities

10.1 Regional policy – the South East Plan and Regional Economic Strategy – sets out in greater detail the challenges and opportunities that exist within each of our spatial priorities. The following sections map out how the

preceding advice will be applied to the allocation of funds directed through the RFA.

11 The Inner South East

11.1 The strength of this part of the region is built on its excellent regional, national and international connectivity, strong economic and labour market structures, high skill levels and a strong business base (comprising large multinationals as well as high value added small and medium sized enterprises). The concentration of multinationals is especially strong around Heathrow.

11.2 It has a strong relationship with London and the area has traditionally been one of the fastest growing business locations in Europe. Maintaining that success in the longer-term requires an emphasis on productivity-led growth that draws on the knowledge sector businesses and research centres located within this part of the region (PSA 1, 2, 6 and 7).

11.3 Approximately 35% of the region's target for housing growth is identified within the Inner South East (PSA 20).

11.4 The transport infrastructure in this part of the region experiences severe pressure as a result of its success. Investment is required in order to address the high levels of congestion which have an adverse impact both on economic activity and the environment (PSA 5 and 27).

Spatial Priorities

11.5 For planning this part of the region is covered by four sub-regions: Central Oxfordshire; Western Corridor/Blackwater Valley; London Fringe and Gatwick.

11.6 Our spatial priorities identify the following locations as being of particular importance:

- **Oxford** Growth Point/Diamond/Regional Hub

Investment is committed through the RTB to deliver the Access to Oxford transport package.

The combination of development opportunities within the City and the need to address the capacity bottle neck on the rail network means that the identification of a long-term solution for the future shape of the rail station and its surrounding area is an immediate priority.

Didcot Growth Point/Diamond	Woking Regional Hub
Economic opportunities being promoted through Science Vale UK include: - Harwell Science and Innovation Campus - a 20-year joint venture that will result in the biggest science park in Europe through the development of 100,000 m² of laboratory, high-tech industrial and office accommodation - Milton Park - £70m expansion of the largest business park in the UK with a major focus on bio-services.	Improved access to/from London Heathrow Airport will be delivered through Airtrack. Capacity constraint at Woking Junction will need to be addressed in the medium-term as part of an overall strategy for the South West main line.
Proposals to develop a Learning Park – made up of private and public skills provision to meet increased demand from business expansion opportunities – are being taken forward. Investment proposals that will enable delivery of the Growth Point are being brought forward as part of the challenges mapping work led by the RTB.	Guildford Regional Hub Funding for a package of measures that encourage public transport use and reduce car traffic in the town centre is being supported by the RTB.
Reading Growth Point/Diamond/Regional Hub Removal of the capacity bottleneck at Reading Station is now underway following a commitment made by Government through the High Level Output Statement; the RTB is contributing towards the cost of associated works. The new station arrangement makes provision for Crossrail services (to/from London Paddington) and Airtrack (to/from Heathrow Airport).	Redhill/Reigate Growth Point/Regional Hub Funding for a package of measures that improve public transport use is being supported by the RTB. Removal of the capacity and operational bottleneck at Redhill Station is critical to realising the longer-term potential of the North Downs line and the line to Tonbridge as part of the proposal to develop a public transport focused alternative for London Orbital movements.
Work to improve Junction 11 on the M4 is being supported by the RTB. Future transport infrastructure requirements being developed as part of a package of measures promoted through a bid for funding to the Transport Innovation Fund.	Gatwick Diamond/Regional Hub Funding for remove the capacity bottleneck at the rail station has been secured; funding for the associated improvements to the passenger concourse has yet to be secured (required prior to the 2012 Olympic Games).
Basingstoke Growth Point/Diamond/Regional Hub Investment proposals that will enable delivery of the Growth Point are being brought forward as part of the challenges mapping work led by the RTB.	12 The Coastal South East 12.1 This area is characterised by large urban areas offering strong economic potential alongside coastal towns that have had mixed success in reinventing themselves. If we were able to realise the economic potential and opportunities along the coastal strip such that the economic performance was raised to the UK average, we would generate an additional £13bn GVA per annum (PSA 7).
Slough Regional Hub The pilot route for the Thames Valley Strategic Bus and Coach network will link Slough with High Wycombe; this is supported by the RTB.	12.2 To achieve this we are investing in growth: Skills-led – removing persistent pockets of low skills attainment, providing an ‘escalator of skills’ and increasing access to higher education, delivering employment ready skills for increased productivity and excellence for global competitiveness (PSA 1, 2 and 6)





- **Innovation and creativity-driven** – maximising the potential of existing creative and technology clusters and recognising the importance of high value manufacturing and knowledge-based supply chains (PSA 2, 6 and 7)
- **Culture and leisure-based** – harnessing the power of place and quality of life to stimulate wider economic transformation (PSA 28).

12.3 Approximately 30% of the region's target for housing growth is identified within the Coastal South East (relevant to PSA 20).

Improved Connectivity

12.4 Improved connectivity is critical to delivering sustainable economic growth within our spatial priorities and to ensuring that the benefits of that growth acts as a catalyst for unlocking the potential of the remainder of the coastal area (PSA 5, 6 and 7).

12.5 Our approach to improving connectivity is:

- **Brighton – Ashford**
The rail corridor is the primary focus for improving connectivity. Electrification of the rail corridor between Hastings and Ashford should be taken forward in order to enable faster journey times and improve operational flexibility.

The A27 Wilmington Improvement was originally prioritised on the basis of the need to address specific safety concerns in the local area. The HA has subsequently implemented minor improvements to the road network. We look to the Highways Agency to review the need for further improvement to the A27 in light of the level of growth proposed in the local area.

- **Brighton – Urban South Hampshire**
The scale of the challenge facing the transport system is more complicated. In addition to improving connectivity between Brighton and South Hampshire there is a need to support the wider regeneration of the coastal towns in West Sussex. The emergence of Shoreham as a Growth Point, with its target of 10,000 homes, brings added importance to investing in improved connectivity.

We have previously identified expenditure on the A27 at Chichester and in the development of the Sussex Coastal Expressway as regional priorities. In addition the rail corridor offers the potential to improve connectivity.

While the A27

Chichester Improvement was originally prioritised at an estimated cost of £137m, more recent estimates put the cost in excess of £200m. An increase of this magnitude means that there is a need to review whether it remains the most appropriate solution.

The need for investment to address the underlying challenges facing the A27 in and around Chichester remains, but there is a need to consider those requirements in the wider context of delivering sustainable economic development along the West Sussex coast.

We recommend that the allocations in the regional programme for investment in transport infrastructure along the West Sussex Coast should continue to be identified for that purpose.

We are undertaking a review of the challenges facing the transport networks along the West Sussex coast. The results will be used to identify an affordable programme of investment that improves connectivity and addresses more specific challenges arising from growth.

This work will be led by the regional partners working with the Highways Agency, Network Rail, West Sussex County Council and the local planning authorities. As part of this study we expect the Highways Agency to consider lower cost solutions to the challenges on the A27 at Chichester.

- **North – South connectivity**
The RTB is supporting investment in improved connectivity through delivery of the A23 Handcross to Warninglid improvement and improvements to the A24 between Ashington to Southwater to address an identified safety problem.

Spatial Priorities

12.6 For planning purposes this part of the region is covered by three sub-regions: South Hampshire; the Sussex Coast; and (part of) East Kent and Ashford.

12.7 Our spatial priorities identify the following locations as being of particular importance:

- **Urban South Hampshire** (Portsmouth and Southampton) Growth Point/Diamond/Regional Hub

Our ambition is to improve the economic performance of this part of the coastal area to at least match the regional average with a target of achieving an increase in GVA of 3.5% per annum by 2026.

This ambition requires significant growth, including the delivery of two Strategic Development Areas from 2016 onwards. An additional two million m2 will help support an additional 59,000 jobs; Eastleigh Riverside (previously known as the South Hampshire Strategic Employment Area) represents the single largest brown-field regeneration opportunity in the region.

Investment proposals that will enable delivery of these opportunities are being brought forward as part of the challenges mapping work led by the RTB.

In the meantime the support of the RTB to invest in the Trafalgar Link Road will support the construction of the new aircraft carriers for the Royal Navy. While its support for investment in the Tipner Interchange will help bring forward a major regeneration opportunity in Portsmouth.

Proposals to invest £20m in the provision of improved public transport are currently being considered as part of the Community Infrastructure Fund.

The new Solent Waterfront Strategy provides a clear agenda for the marine industries of the Solent. SEEDA's investment in the enabling infrastructure at Woolston is providing a platform for future employment and housing.

• **Shoreham** Growth Point

Investment proposals that will enable delivery of this Growth Point are being brought forward as part of the challenges mapping work led by the RTB.

• **Brighton and Hove** Growth Point/Diamond/Regional Hub

Our ambition is to use the success of Brighton and Hove to support regeneration opportunities at Shoreham and Newhaven. The RTB is committed to investing in a bus-based rapid transit system focused on Brighton and is working with the local authorities to identify how this might link with regeneration opportunities to the west and east of the city.

• **Hastings and Bexhill** Regeneration Priority

Considerable progress has been made with the regeneration of these seaside towns. At the heart of the Five Point Plan has been the realisation of the University

Centre in Hastings; a unique higher education centre combining the knowledge and expertise of a range of academic partners.

Improvements in transport infrastructure remain a key part of the Five Point Plan, not just in terms of unlocking new development opportunities but also in helping reduce the peripherality of the two towns.

Delivery of the Bexhill-Hastings Link Road is supported by the RTB, as are improvements to the A21 corridor, specifically: A21 Tonbridge to Pembury; A21 Kippings Cross to Lamberhurst and A21 Baldslow Junction.

• **Dover** Growth Point

Investment proposals that will enable delivery of this Growth Point are being brought forward as part of the challenges mapping work led by the RTB.

• **East Kent** Regeneration Priority

SEEDA investment is delivering the Canterbury Innovation Centre; a much needed high-tech incubation space and support for entrepreneurs. It is also helping to deliver the prestigious Turner Contemporary Gallery and regeneration of Margate town centre.

Delivery of the East Kent Access Road Phase 2 is supported by the RTB.

13 The Growth Areas

13.1 The Growth Areas were launched in the Sustainable Communities Plan 2003. The three Growth Areas in the region are different in their scale and vision. However they share the need to stimulate enhanced productivity and sustainable growth, secured through investment in infrastructure that unlocks their potential.

13.2 That means:

- Investment in transport, utilities and community infrastructure (PSA 5, 6 and 28)
- Investment in innovation, enterprise, knowledge transfer and business support (PSA 1, 6 and 7)
- Enhanced demand-led workforce skills and training provision (PSA 2, 6 and 7)
- Complementary neighbourhood renewal and economic inclusion programmes (PSA 6 and 28)
- Environmental and cultural improvements that promote quality of life and sustainability of environmental resources (PSA 27 and 28).

13.3 The Growth Areas collectively account for just over 20% of the region's target for housing growth (PSA 20).





13.4 Our inter-regional discussions have reinforced the need for sustained investment and funding packages to support delivery, the need to phase infrastructure investment with development and the need to strengthen economic development alongside housing provision.

Thames Gateway Growth Area/Diamond/Regional Hub

13.5 The largest regeneration project of its type in Europe, realising the potential of the Gateway will increase the prosperity of the Greater South East to the tune of an additional £30bn GVA (PSA 1 and 7).

13.6 The Thames Gateway Economic Development Investment Plan (EDIP) provides the mechanism for aligning investment across regional boundaries to deliver 'a knowledge-driven, well connected, globally competitive region, demonstrating how economic growth and environmental sustainability work together'. The EDIP is supported by £200m investment from RDAs and CLG.

13.7 The Universities at Medway is a pioneering element of a growth and regeneration project involving a combination of three Universities and Further Education providers. It has substantially increased the numbers of higher education students.

13.8 The Thames Gateway Institute for Sustainability (IfS), launched in November 2008, provides a unique centre of research excellence focused on creating practical, commercial innovations designed to measurably reduce the environmental impact of our built environment. With campuses at three centres within the Thames Gateway, the IfS is central to realising the commitment to make the Growth Area an eco-region.

13.9 The development of HSI (or Channel Tunnel Rail Link) and the opening of the international rail station (with domestic services starting in December 2009) are keys to the development of the new major office and business centre at Ebbsfleet (identified as a regional hub in its own right).

13.10 Substantial investment has already been made in transport infrastructure. Regional support has secured £30m of investment through the Community Infrastructure Fund (CIF), with proposals for a further £33.5m of investment under consideration. In addition SEEDA is delivering infrastructure in Queenborough and Rushenden that will open up new employment sites on the Isle of Sheppey, while the RTB is supporting delivery of the Sittingbourne Relief Road in support of regeneration and development opportunities.

Milton Keynes/Aylesbury
Growth Area/ Diamond/
Regional Hub

13.11 Work commissioned by the Inter Regional Board to develop an economic development strategy and transport strategy that covers the Milton Keynes South Midlands Growth Area has shaped this submission.

13.12 Milton Keynes is at the heart of the Oxford-Cambridge Arc. It has a modern growing economy and is developing a city-region role that extends beyond its boundary. The scale of growth will see the city become similar in size to Cardiff; realising this potential is therefore of significance not only to the region by the UK as a whole.

13.13 Investment proposals that will enable delivery of two Strategic Development Areas to the south of the city are being brought forward as part of the challenges mapping work led by the RTB.

13.14 Investment of £32.4m has been secured from the CIF to date, with proposals for a further £10.3m of investment under consideration. The Regional Transport Board is supporting delivery of improvements to the A421 corridor between Milton Keynes and M1 Junction 13 in partnership with East of England.

13.15 Improved connectivity with Milton Keynes will help strengthen the economic role of Aylesbury, although this needs to be balanced with the need to reduce the current level of out-commuting from the town. A total of £18.4m of CIF investment has been secured, with proposals for a further £8.75m of investment currently under consideration.

Ashford

Growth Area/Regeneration Priority/Regional Hub

13.16 Ashford as a gateway is a strategic location in which to promote sustainable economic development. Its role was strengthened with the opening of HSI and will be reinforced with the introduction of domestic rail services in December 2009.

13.17 Ashford's Future is the driving force for ensuring that the doubling in the size of the town is achieved in a sustainable manner. While it is important to make full use of the opportunities to consolidate the existing urban centre, the scale of growth proposed will also require greenfield development.

13.18 Investments to the physical infrastructure are critical; in particular increases in the capacity of the two junctions on the M20 that serve the town. The HCA is working with the Highways Agency to deliver improvements to Junction 10; improvements to Junction

9 are an early candidate for investment by the Regional Infrastructure Fund. The RTB is supporting delivery of Ashford Smartlink as a means of improving public transport connections between new areas of development and the town centre.

13.19 A total of £18.4 of CIF investment has been secured, with proposals for a further £8.75m of investment currently under consideration.

14 The Regional Strategy/Regional Delivery Plan

14.1 The preparation of the Regional Strategy, one that builds upon but goes beyond simply combining the South East Plan and Regional Economic Strategy, will be central to delivering sustainable economic growth. As a region we are committed to moving forward with our first Regional Strategy at the earliest opportunity.

14.2 We will ensure that the agencies directly involved in the delivery of the Regional Strategy are integral to its development.

14.3 Our experience in preparing both this submission and our previous advice has emphasised the critical importance of investment planning. We therefore see the preparation of our Regional Delivery Plan – the implementation plan for the Regional Strategy – as a key input into the preparation of the Regional Strategy.

14.4 The Regional Delivery Plan will build upon the advice set out in this submission and use the opportunities presented by the new regional governance arrangements to bring about even closer alignment of investment decisions at the regional level.

14.5 The increased emphasis on investment planning will require investment in the technical skills and capacity across the region. We must retain the core skills developed within the planning system and supplement those with investment in the skills required to co-ordinate and manage delivery across the full range of investment included within the Regional Strategy/Regional Delivery Plan.

We need Government to continue to invest in the capacity and capability of the public sector to enable plan making to be an effective and proactive process so that we can deliver our shared contribution for the region.



15 Partnerships for Delivery

15.1 We have strong and effective partnerships at the regional level as a result of our previous work on the RFA. We will take the recommendations set out in this advice forward by building upon these existing arrangements. We will use our experience in delivery to inform the development of the Regional Strategy.

Economic Development and Skills

15.2 Our ambition is to ensure that the skills and employability agenda are a key component of the Regional Strategy. We are also committed to ensuring closer alignment of investment priorities for economic development and learning and skills (PSA 2 and 6).

15.3 We propose to establish a new partnership board at the regional level to ensure effective co-ordination and alignment of investment decisions: the Regional Economic Development and Skills Board.

15.4 We will look build upon the existing work of both the Regional Skills and Productivity Alliance and the RES Steering Group in taking this proposal forward. We will look to the involvement of the sub-regional Employment and Skills Boards to ensure a strong linkage with our spatial priorities.

Transport

15.5 We are continuing to build upon and develop our working arrangements for the RTB; arrangements that have demonstrable credibility and support amongst the local transport authorities across the region.

15.6 In reviewing the Board's membership we will look to enhance its capacity to achieve stronger alignment with investment priorities within the rail industry. In addition the Board is updating its prioritisation methodology to ensure it takes into account the implications of its investment choices on carbon emissions (PSA 5 and 27).

Housing and Regeneration

15.7 Our new Regional Housing and Regeneration Board includes the Homes and Communities Agency; it will form the focus for our 'single conversation' at the regional level.

15.8 We are using the broader role of the new Board to provide leadership in:

- Developing new models of delivery, particularly for affordable housing, as part of which we are looking at the allocation of risk (PSA 20)

- The widespread application of environmental technologies and higher standards of design (PSA 1, 7 and 28).

Other Partnerships

15.9 Global Leadership in Environmental Technologies is a RES transformational action. We are using Envirobusiness – one of SEEDA's Sector Consortia – to help develop the market for these technologies (PSA 1 and 6). SEEDA is linking this work to skills development via the Institute for Sustainability, the Sustainable Construction Academy and engagement with Higher Education Institutions (PSA 2 and 6).

15.10 The need for a strategic approach to water efficiency has been identified as a clear gap and a regional partnership is being developed under the leadership of the Environment Agency (PSA 28).

15.11 Progress on meeting the region's waste targets is being encouraged through the development of our 'Pathway to Zero Waste' programme; to be launched on 3 March 2009. In addition the South East Waste and Materials Development Initiative – being taken forward through the Improvement and Efficiency South East – has identified gaps in our current response to the waste challenge that need to be addressed on a cross-boundary basis (PSA 6 and 28).

16 Funding Scenarios

16.1 We have considered the implications of two alternative funding scenarios on the advice set out in this submission:

- A high case of 10% more **funding** per annum and a low case of 10% less
- A case in which **costs** were to increase or decrease by a similar margin.

16.2 However these scenarios must be considered against a context in which the current levels of infrastructure funding are insufficient to support the growth set out in the regional policy framework. Work undertaken by the Regional Assembly has identified a shortfall of available or secure funding of approximately £750m per annum.

The main components of this being:

- Transport - £400m per annum
- Affordable Housing - £150m per annum
- Flood Risk Management - £160m per annum
- Bio-diversity – potentially £65m per annum.

16.3 Further work is necessary to identify costs and potential gaps in funding for providing other infrastructure, including local provision of schools, emergency services and community facilities.

A Reduction in Funding/Increase in Costs

16.4 One of the implications of recent Government initiatives in response to the recession has been to already reduce SEEDA's budget for the remaining two years of the current spending review by 10%.

16.5 Within that context, the impact of a budget cut is likely to be as follows:

- **Economic Development** – in the current circumstances investment in supporting businesses would continue to be a priority; as a consequence any further reduction in SEEDA's budget would result in either:
 - Delays to physical regeneration projects: our investment through this programme is targeted at addressing structural weaknesses in our economy so that we can improve our economic performance (PSA 1 and 7). Delaying this investment will mean that regional GVA will grow at a slower rate. This in turn will mean that our net contribution to the Exchequer will be reduced to the detriment of the UK economy
 - Reductions in the investment in sustainable prosperity: stabilising and reducing our ecological footprint is a regional priority (PSA 27 and 28). Our response to this challenge is to invest in our global leadership in environmental technologies (PSA 1, 2 6 and 7). A reduction in funding will have a 'double whammy': we will fail to meet our target for our ecological footprint and we will fail to develop a market for new technologies that is world leading.
- **Transport** – we would seek to protect the funding identified for investment in local transport measures, reflecting their significance in encouraging investment in smarter choice measures; as a consequence any reduction in the budget for transport would require a re-examination of the programme of major schemes. In order to contain the impact of the budget reduction on the overall programme, the likelihood is that this would require re-assessment of one major scheme (PSA 5).
- **Housing and Regeneration** – given that the affordable housing programme remains the single biggest element of the HCA's budget, any reduction in the budget would result in a reduction in the number of new affordable homes delivered. With



the current level of funding only providing 60% of the identified need, any reduction in funding would increase the shortfall in affordable housing (PSA 20).

16.6 The RFA Regional Steering Group agreed that our response to a cut in the regional budget would be to look across the funding streams with a view minimising its impact on our spatial priorities.

An Increase in Funds/Reduction in Costs

16.7 Evidence from consultants Experian suggests that our economy will be hit hard by the recession. However, the inherent strength of our economy – attributable to its industrial mix; the strength of the private sector economy; the high economic activity and employment rates; and the high rate of business start-up and survival – means that we have the potential to emerge out of the recession faster and stronger than any other UK region.

16.8 In that context an increase in investment by the public sector would deliver significant benefits to the UK economy faster than comparable investment in any other UK region (PSA 1, 6 and 7).

16.9 Our approach to allocating additional investment would be through a combination of:

- Increasing the investment in infrastructure supporting delivery of our spatial priorities, giving particular emphasis to bringing forward investment in support of the Growth Points
- Increasing the investment made to support environmental technologies, giving particular emphasis to supporting the ambition of our Diamonds for Investment and Growth to deliver a reduction in their ecological footprint two years earlier than the rest of the region
- Increasing the investment made in delivering new affordable housing, subject to progress being made in addressing the lack of liquidity in the financial sector enabling the property market to function.

Transfer of Funding

16.10 We support the inherent flexibility provided by the RFA process to recommend transfer of funds between policy areas. We have begun to exploit this potential with the creation of the Regional Infrastructure Fund.



16.11 The scope for transfer remains limited in the short-term due to a combination of commitments and uncertainty as to the impact of Government initiatives on the indicative budget planning figures set out in the RFA guidance.

16.12 The completion of our 'challenges' mapping work will help identify more clearly the infrastructure implications of delivering the growth set out in the regional policy framework. This will provide the basis for our Regional Delivery Plan, which will in turn provide a robust basis on which to recommend virement of funds.

17 Conclusions

17.1 The evidence base that underpins our regional policy framework – the Regional Economic Strategy and the South East Plan – demonstrates the extent of the challenges facing the region as we seek to deliver sustainable economic growth.

17.2 Real and significant improvements in many aspects of life and work in the region have been achieved. However the scale of the challenges facing the South East, many of which arise from our function as the gateway to the rest of the UK, means the need for substantial investment remains.

17.3 Investment in the region benefits the UK economy as a whole and makes a major contribution towards enabling Government achieve national policy objectives. If the South East is to retain its competitive edge we require investment in infrastructure and services that allows us to realise our full potential.

17.4 The recession brings with it new challenges in the short-term. The longer-term ambition set out in the Regional Economic Strategy and the South East Plan remains valid. Our focus is to drive GVA growth through increasing productivity while reducing our environmental impact. In this way we will achieve international competitiveness as a leading global region.

The scale of growth planned in the region is substantial and we look to Government to support our ambition by committing additional investment to support its delivery. This advice has been produced in partnership by the region; we invite Government to join us for the benefit of whole of the UK.

Annex 1 - Summary of Advice

Regional Policy

‘A socially and economically strong, healthy and just South East that respects the limits of the global environment.’

The significance of the South East economy to the success of the UK must be reflected through Government’s investment decisions at a national level by making a higher percentage of the region’s GVA available for re-investment in the region.

Our spatial priorities

With Government’s continued support we will maintain momentum with the delivery of existing public sector programmes to avoid adding to the hiatus in the construction industry arising from the recession.

We recommend that Government expand the scope of the Regional Funding Advice further through the inclusion of funding managed by the Learning and Skills Council and the Community Infrastructure Fund as part of the simplification of funding regimes. With this freedom we will be able to improve further the alignment of funding and spatial priorities.

The impact of the recession

We will support Government in its commitment to restore liquidity to the financial markets to help us deliver sustainable economic growth.

In light of the uncertainties arising from the current economic conditions we will work with Government to keep this advice under review. We will use our governance arrangements at the regional level to monitor progress with delivery and to advise on the implications of changes in circumstances.

Leadership in tackling climate change

We invite Government to work with us and provide additional public sector investment in order to support the development of the market for environmental technologies in order to achieve the economies of scale that will reduce their unit cost.

We will support Government in promoting changes in the regulatory and pricing framework that will encourage the widespread provision of next generation broadband technology as a means of supporting business development and reducing our ecological footprint.

Lessons from delivery to date

We will work with Government and the Homes and Communities Agency to develop new models for delivery that can be applied in the region.

Key elements of our advice

Our advice on economic development for the period to 2010/11 is to:

- Strengthen the ‘core offer’ by investing in services such as Business Link; Manufacturing Advisory Service; place-based Innovation and Growth Teams (PSA 1, 2, 6 and 7)
- Support the success of international traders, giving greater focus to our work with global investors in the region and looking to new sources of investment from global markets, including potentially sovereign wealth funds (PSA 6 and 7)
- Continue to support high growth companies to innovate and to commercialise science based R&D, including using public procurement and regulation to drive investment in new markets and growth sectors, with particular emphasis given to realising the potential of environmental technologies (PSA 1, 6, 7, 27 and 28)
- Continue investment in physical development working closely with the HCA (PSA 5, 6, 7 and 20)
- Continue to lead and drive mainstream investment in education-led regeneration projects alongside the Learning and Skills Council, and Higher Education Funding Council for England (PSA 1, 2, 6 and 7)
- Realise the opportunities to use capital investment in education and skills – eg the Building Schools for the Future – to align with employment programmes as a means of retaining capacity within the construction sector (PSA 2 and 6).

With Government’s support for our over investment programme we can bring forward infrastructure investment that will support sustainable economic development in a way that represents good value for money.

Our advice on transport for the period to 2013/14 is that:

- The schemes prioritised for delivery in the period to 2013/14 (Annex 2) are treated as commitments (PSA 5, 6 and 7)

- The funding for the following schemes is moved from the 'major schemes' block to the Integrated Transport Block in the form of a 'ring-fenced' grant:
 - o Windsor Park and Ride (Royal Borough of Windsor and Maidenhead)
 - o Trafalgar Link Road (Portsmouth)
 - o Central Milton Keynes Public Transport Access Improvements (Milton Keynes).
- The funding for the following maintenance schemes is moved from the 'major schemes' block to the Integrated Transport Block in the form of a 'ring-fenced' grant:
 - o A4 Shepherds House East Railway Bridge (Wokingham)
 - o Medway Tunnel (Medway)
 - o A322 Windsor and Eton Relief Road (Royal Borough of Windsor and Maidenhead).

Our proposals to transfer funding to the Integrated Transport Block takes into account the ability of these schemes to be delivered early. We therefore urge an early response from the Department for Transport in respect of this aspect of our advice.

Our advice on housing for the period to 2010/11 is that:

- The need to deliver additional affordable housing remains the over riding investment priority; investment should be targeted to deliver the right size, type and tenure of affordable housing according to the need identified in the South East Plan (PSA 6 and 20)
- Commitments to investment funds in local authority decent homes, private sector renewal and Gypsies and Travellers facilities grant should be honoured (PSA 20).

Based on the current situation our advice for the period beyond 2010/11 is that:

- The need to deliver additional affordable housing will remain the over riding investment priority; investment should be targeted to deliver the right size, type and tenure of affordable housing according to the need identified in the South East Plan (PSA 6 and 20)
- Investment should be committed to develop the capacity (in terms of skills and supply chains) to achieve Code for Sustainable Homes Level 6 at the earliest opportunity (PSA 1, 2, 6, 7 and 27)

- Investment should be committed to develop the capacity (in terms of skills and supply chains) to enable the widespread application of energy efficiency and low carbon technologies to existing homes and buildings (PSA 1, 2, 6, 7 and 27)
- The level of funding committed to our Private Sector Renewal programme should be increased, with resources continuing to be targeted to help the most vulnerable and those on lowest incomes (PSA 27 and 28)
- The level of funding committed to Gypsies and Travellers facilities grant should be increased, reflecting the higher level of need identified through the partial review of the South East Plan (PSA 20)
- Investment to support housing for older people (reflecting the growing elderly population within the region) and other vulnerable groups should remain a priority (PSA 20).

On the assumption that the outcome of the review of the Housing Revenue Account will result in local authorities with retained housing stock being adequately funded through the allowances for major repairs to their properties, we have assumed that there will not be a need to retain the Decent Homes programme in its current form beyond 2010/11.

We recommend that the Government broadens its target for rural housing to include market towns of up to 10,000 inhabitants. We expect local authorities and parish councils to pro-actively support opportunities to provide affordable homes in their rural communities.

We recommend that Government ensures that the outcome of successive periodic reviews provides water supply and waste water treatment companies with the resources to make the investment required to support delivery in the regional policy framework.

We wish to work with Government to identify an adequately resourced funding programme that will deliver investment in bio-diversity.
Regional Infrastructure Fund

We welcome Government's continued support for the principle of a Regional Infrastructure Fund.

We will work with the HCA to identify monies from within the Housing and Regeneration funding stream that can be channelled through the Regional Infrastructure Fund to the benefit of delivering regional objectives.

Our gateway function

We recommend that the national transport programme gives priority to the following proposals that have significance beyond the South East region:

- Heathrow Airport

There is an urgent need to:

- Reduce the environmental impact of movements to/from the airport by increasing public transport capacity
- Improve business productivity by investing in making journey times to/from the airport more reliable.

Our previous advice identified the need for improved rail access to Heathrow Airport – primarily through the delivery of Airtrack. We welcome BAA's initiative to progress the work required to secure the powers for Airtrack. However there is an urgent need for Government to commit to deliver this scheme as a national priority.

We welcome the initiative by Government to examine the potential for a new High Speed Line connecting the Greater South East with the Midlands: we wish to explore the opportunities that a 'transport hub' at Heathrow Airport as part of that route has to support delivery of the regional policy framework.

- Gatwick Airport

Proposals to remove the capacity bottleneck at the rail station should be delivered prior to the 2012 Olympic Games.

- Operation Stack

A long-term solution to managing the impact of disruption to cross-channel traffic on the rest of the transport network in Kent should be implemented at the earliest opportunity.

Strategic Transport Corridors

We recommend that the Department for Transport take forward the work required to develop a long-term strategy for the following strategic corridors in partnership with the region:

- London to Kent Ports

In addition to this corridor's role as a strategic link with cross-channel services, it must support delivery of the Thames Gateway and Ashford Growth Areas, along with the Dover and Maidstone Growth Points.

Any work commissioned on this corridor must examine the implications of the proposed Lower Thames Crossing (east of the current Dartford Crossing). This crossing would serve both strategic and regional/sub-regional purposes and would fundamentally alter the use of existing transport networks.

- London to South West/South Wales

In addition providing access to Heathrow Airport and catering for long-distance inter-regional movements, this corridor must support the continued growth of the sub-regional economy, including the Reading Growth Point. Existing investment commitments are unlikely to address the challenges arising from these twin challenges.

- South Coast Ports to the Midlands

Continued growth in port related traffic passing through Southampton (and Portsmouth) will bring further pressure along this corridor. Pressure will also arise from the need to support delivery of the Growth Points in South Hampshire, at Didcot and Oxford.

We recommend that Government identify the need to develop a long-term solution to the capacity issue at Oxford Station as a national priority, with a commitment to implement a preferred solution at the start of the Control Period commencing in 2014/15.

We recommend that the Government identify the Oxford – Cambridge Arc as a national strategic transport corridor.

We recommend that the national transport programme gives priority to making a contribution towards the cost of restoring rail infrastructure along the western section of the corridor.

We recommend that the Government identify the need to develop a long-term solution to the following issues, with a commitment to implement a preferred solution during the Control Period commencing in 2014/15.

- London to Southampton

The South West Main Line is of strategic importance to the Greater South East. It serves the Growth Points/Diamond in South Hampshire as well as the regional hubs of Guildford and Woking. After existing constraints at Waterloo and Clapham Junction have been addressed, the capacity of Woking Junction will become the key constraint for the corridor. Resolving

this constraint has would have the additional benefit of enabling the full potential of Airtrack south of Woking to be realised.

- London Orbital

The development of a public transport corridor for orbital movements to the south of London as an alternative to the M25 is a key component of the regional policy framework. The 'North Downs' line is of regional significance, linking the Reading Growth Point/Diamond with that at Redhill/Reigate via the regional hub at Guildford. Enhancement of the corridor to the east of Redhill offers the potential to establish a new public transport link between the Growth Areas in Kent.

The Regional Strategy/Regional Delivery Plan

We need Government to continue to invest in the capacity and capability of the public sector to enable plan making to be an effective and pro-active process so that we can deliver our shared contribution for the region.

Conclusion

The scale of growth planned in the region is substantial and we look to Government to support our ambition by committing additional investment to support its delivery. This advice has been produced in partnership by the region; we invite Government to join us for the benefit of whole of the UK.

	Intervention	Scheme cost	Current RFA Programme (2006-16) Cost (£M)	Comprehensive Spending Review Period												Total Cost to RFA
				2005-2008 (2005-06 Pre-RFA)			2008 - 2011			2011-2014			2014-2017			
				2006 /07	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	Post 2016		
Regional Funding Allocation Programme																
SCHEMES COMPLETED																
	A228 Main Road to Ropers Lane	19	0	<1												0
	A249 Iwade to Queenborough	81	0													0
	Fastrack Phase 1	15	0													0
	Copnor Bridge Replacement	9	0													0
	A228 Leybourne to West Malling Corridor Improvement	29	0													0
	A4146 Stoke Hammond and Linslade Western Bypass	60	34	23	12											34
	East Kent Access Phase 1	23	11	10	1											11
	A3 Integrated Bus Priority Corridor	34	9	6	2	<1										9
	A2/A282 Dartford Improvement	110	107	47	60	<1										107
SCHEMES UNDERWAY																
	M27 J11 to J12 Climbing Lanes	27	19	0	6	13										19
	M27 J3 to J4 Widening	52	33	0	5	28										33
	A27 Southerham-Beddingham Improvement	32	31	10	16	5										31
	A2 Bean-Cobham Widening - Phase 2	102	99	17	52	30										99
	M4 Junction 11 and Mere oak	65	62			34	25	3	<1	<1	<1	<1				62
	A3 Hindhead Improvement	371	339	21	51	89	99	65	15							339
	Ryde Public Transport Interchange	8	6		<1	<1	1	5								7
SCHEMES DUE TO START 2009/10																
	Reading Station Incremental Capacity Upgrade	536	15				15									15
	East Kent Access - Phase 2	71	64			<1	21	28	15							64
	Sittingbourne Northern Relief Road	43	29				6	15	6							29
	A244 Walton Bridge	36	26				3	17	5							26
	Bexhill Hastings Link Road	96	84				12	12	32	28						84
SCHEMES PROGRAMMED FOR DELIVERY																
	A21 Baldslow Junction Improvements	40	40							20	20					40
	A24 Ashington to Southwater	35	30							5	10	15				30
	Access to strategic development in Portsmouth and S.E Hampshire: Tipner Interchange	30	25					10	15							25
	Ashford Smartlink Bus Rapid Transit	32	27						10	17						27
	A23 Handcross to Warminglid Widening	96	89	2	3	1	0	11	35	35						89
	A21 Tonbridge Bypass to Pembury Dualling	129	112	2	2	1	1	6	29	42	29					113
	A21 Kippings Cross to Lamberhurst Bypass	135	110	1	2	1	2	2	4	37	41	18				111
	Guildford Hub Transport Improvement Scheme	33	29								10	10	9			29
Central Oxfordshire	A34 / Access to Oxford Package	88	62					6								6
	Oxford Station Improvements															
	Remaining elements										20	20	16			56
	A2 Beao Junction	50	46	<10,80							1	4	17	21		46
	Redhill Hub Transport Improvement Scheme	31	20									10	10			20
	A3 (A247-A31) Junction Improvements	40	10										10	10	30	40

Intervention		Comprehensive Spending Review Period													Total Cost to RFA		
		Current RFA Programme Cost (£M)	Scheme cost	2008 - 2011						2011-2014				2014-2017			
				2005-2008 (2005-06 Pre-			2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16		Post 2016	
Regional Funding Allocation Programme																	
SCHEMES PROGRAMMED FOR DELIVERY																	
Western Corridor & Blackwater Valley	T.V Strategic Coach & Bus Network work	65	28						10								36
	High Wycombe Coachway													8	8		
	Remaining elements																
	A3024 HOV Lane												1	7			
South Hampshire	Access to strategic development in Southampton and South Hampshire	53	23														41
	Northern Bridge													7			
	Remaining elements														4	18	
	Northern Bridge (maintenance)	20	18							18							18
	A40 Abbey Way	3	2						2								2
	A421 Milton Keynes to M1	32	16									10	6				16
REGIONAL PRIORITIES (Subject to review)																	
	Issue to be addressed																
	Existing Scheme - subject to review																
Sussex Coast	Improved safety at Wilmington	15	10												10	5	15
Sussex Coast	Improved accessibility to Chichester	137	60												30	30	76
Sussex Coast	A27 Chichester Bypass																136
	A27 Wilmington Improvements																10
	Coastal Expressway	20	10												5	5	
	Improved Access Along the Sussex Coast	12	11							6	5						11
REGIONAL PRIORITIES (Delivered through Local Transport Plan)																	
	A4 Shepherds House	2	2						2								2
	Medway Tunnel	7	5							5							5
	A332 Winsor and Eton Relief Road	5	4								4						4
	Windsor Parking Strategy Project	8	7						7								7
	Central M1K Public Transport Access Improvements	9	7						7								7
	Access to strategic development in Portsmouth and S.E Hampshire: Trafalgar Link	5	5														5
OTHER																	
Regional Infrastructure Fund		25	25						25								
	Total Expenditure	2676	1806	139	212	206	214	217	207	192	145	136	139	137			25
	Regional Funding Allocations (Net)			138	141	144	147	150	154	157	160	164	167	171			1944
	Underspend / Overspend (Net)			-1	-71	-62	-67	-679	-53	-35	15	28	28				
	Under programming / Over programming (Net)			-1.03%	-50.23%	-42.84%	-45.84%	-44.36%	-34.18%	-22.21%	9.21%	17.21%	16.83%				
	Level of Programming for CSR / Programme Total																

Produced in February 2009 on behalf of South
East England by the South East England
Regional Assembly

South East England Regional Assembly
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