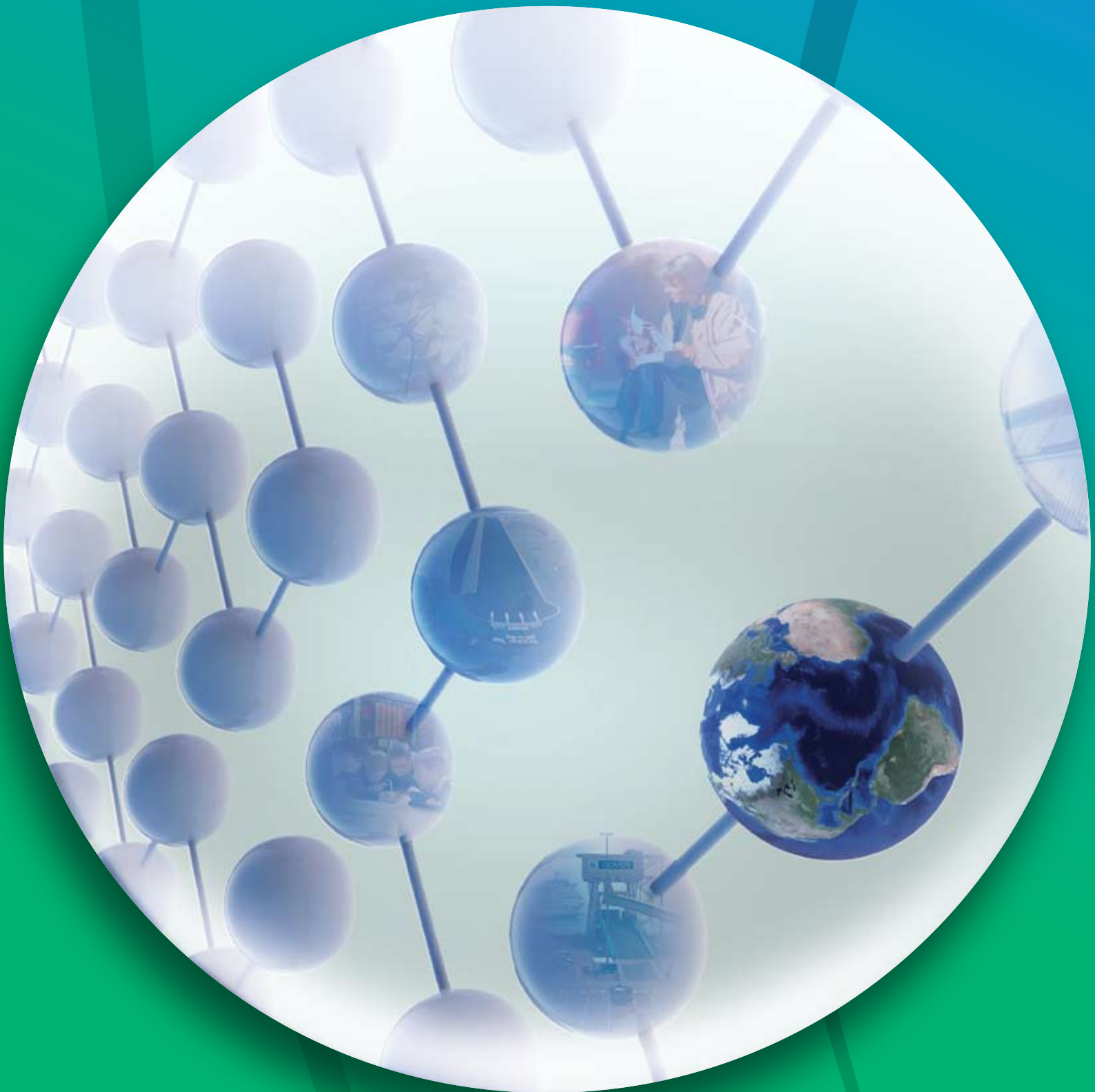




**The Regional Economic
Strategy 2006-2016
Annual Monitoring Report**

Issue 2 October 2008

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Foreword

The second *RES 2006-2016 Annual Monitoring Report* makes challenging reading.

The Regional Economic Strategy (RES) 2006-2016 set out an ambitious strategic framework – for the South East to achieve sustainable prosperity for all, by 2016. The first Annual Monitoring Report, published in October 2006, defined the baselines against which progress towards delivering the RES will be measured. Since then we have seen major changes in the economy, which are still being understood: the credit crunch, rising commodity prices, a sharp increase in inflation and a slowdown in output growth have already led to a decline in business and consumer confidence. Clearly, this will have implications for achieving the RES targets. Gross Domestic Product (GDP) growth is well below trend in 2008 and the future economic climate is less favourable than the past. Equally, the Monitoring Report shows that some of the trends were negative, even before these economic shocks.

This second Monitoring Report is published at a critical time, enabling partners across the region to take stock and to review and evaluate the need for change in delivery mechanisms and priorities. The dynamic tracking of progress and flexibility to respond to change, embraced in the 'Living RES' concept, is more important than ever. SEEDA is committed to work with partners who are joint stakeholders in the strategy to address the challenges faced by the South East, UK and global economies.

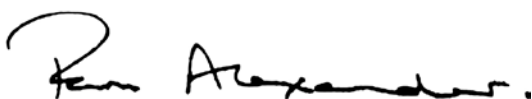
As this report demonstrates, we have seen measurable progress against a number of RES targets over the past year. The number of businesses in the region increased by a net 6,000 between 2006 and 2007, raising the business density to 37 businesses per 1,000 residents. There has been a marked increase in the number of women-owned businesses, with 13,000 more women in self-employment in 2007 compared with 2006. Both economic activity and employment in the region have increased since the beginning of 2007, despite the economic downturn. The employment rate peaked at almost 80% in July 2008, while the economic activity rate, at 83%, is by far the highest in the country. However, growth in GVA per head in both 2006 and 2007 has been below the RES target rate of 3% per year and is forecast to remain so in 2008 and 2009. Growth in labour productivity is also expected to have slowed in 2007. There has been relatively limited progress in improving the qualification levels of the region's population in the past year.

Informed by this report, each of the 14 RES Action Plans will be updated by their sponsors to ensure that resources are focused where they are most needed. The RES Target Sponsors will work with partners to maintain an overview of progress against their RES Target and coordinate regional activities in pursuit of it.

A RES Steering Group was established in May 2008 to measure and review the strategic direction of travel as well as to assess whether the identified actions are still the most relevant to achieve the overarching vision of delivering sustainable prosperity for the region. We expect that these unforeseen and still changing circumstances will require new ideas and initiatives. An integral part of the Living RES cycle is the annual Partners' Conference, which provides a forum for debate involving a wide range of stakeholders. The first RES Partners' Conference in July 2008 considered the impact of the economic climate on achievability of RES targets and the second conference on 29 January 2009 will focus on the need to respond to economic change in more detail and to prioritise actions.

The RES objectives and targets were already very challenging; the slowdown in economic performance puts in doubt whether they will still be achievable by 2016. The RES Steering Group concluded that the targets should not be revised, even where they are now most unlikely to be met. Instead, we committed to giving the public sector leadership necessary to achieve close alignment of partners' business plans to the RES objectives for maximum impact.

The forthcoming second round of Regional Funding Advice and the Comprehensive Spending Review 2009 provide opportunities to put forward a well-prioritised case for investment in the South East and to ensure that the public funds available across a range of spending are focused on the priorities identified by regional partners to deliver both the RES and the Regional Spatial Strategy – the South East Plan. The Regional Assembly and SEEDA are working in partnership to develop a Regional Delivery Plan, bringing together the implementation plans for the South East Plan and the RES to achieve even greater alignment and traction of the strategic policy framework in the South East.



Chief Executive, SEEDA

Further information and acknowledgements

If you have any queries regarding this report or its contents, please contact SEEDA's Central Research and Economics Team or email us at research@seeda.co.uk.

SEEDA's Research and Economics Team are grateful to the Office for National Statistics' Regional Statisticians in the South East and staff at the South East England Intelligence Network for their support with data collection for this report.

Executive Summary

In order to assess progress against the vision and objectives set out in the Regional Economic Strategy for 2006-2016, SEEDA has agreed to produce a Monitoring Report each year during the life of the current Regional Economic Strategy. This is the second such report. While the first Annual Monitoring Report focused on setting baselines against which to measure future performance, this second report assesses the performance of the region, focusing mainly on the period to the end of 2007.

An introductory chapter outlines recent trends and prospects for the South East economy, in the context of economic changes in the UK, European and global economies. This is followed by a detailed analysis of the South East's performance against each of the three headline targets and 14 outcome-based targets used in the RES, drawing on the latest official data. Where possible, the situation in the South East is compared to the national average, and changes since the beginning of the century are outlined.

For most targets, scenarios are presented, comparing trend-based projections with projections that incorporate the impact of public policy. These 'policy on' scenarios represent SEEDA's estimate of how much progress the region needs to make in order to achieve the RES targets by 2016. The report also includes qualitative examples of activity by SEEDA and its partners in support of key RES objectives.

The South East economy

With the second largest regional economy in the country, second highest GVA per head and the best performing labour market in the country, the South East is one of the most successful regional economies in the UK and Europe. However, it is also an open economy, which implies that it is exposed not just to developments within the UK, but also to developments within the global economy.

Between 1997 and 2003, inflation adjusted GVA per head in the South East increased by around 3.5% per annum, significantly above the national average and above any other UK region. Over the same period the region increased its share of the Organisation for Economic Cooperation and Development (OECD) output by 4.4% – a rate of increase greater than any other UK region. Strong expansion was driven by a strong growth in productivity and increase in economic activity and employment. The South East and other regional economies benefited from the most favourable UK and global macroeconomic environment for the past 50 years. This was a period of low inflation, relaxed monetary and fiscal policy, and a significant increase in global trade.

The current global economic environment is markedly different from the one seen in the past. Over the past year several developments within the global economy have had a significant impact on the rate of growth and growth outlook in the South East and UK. The quadrupling of oil prices and a significant increase in global food prices have helped to 'import' higher inflation into the UK. The Consumer Price Inflation (CPI) rose to 4.7% in August 2008, or more than twice the Bank of England target.

The US sub-prime mortgage crisis has led to a lack of confidence among banks and financial institutions, resulting in tighter credit conditions in the UK. Banks have reduced lending to other banks, consumers and businesses. The tight credit conditions and a squeeze on disposable incomes resulting from high and rising energy and food prices have had a significant impact on consumer spending and have helped to unsettle the housing market. House prices fell by 6.4% in the South East in the three months to June 2008 – faster than the UK average of 4.7%. The latest survey evidence shows that business and consumer confidence are at their lowest level for over a decade.

Thus the economy is being significantly affected by the twin pressures of the credit crunch, which is restricting the supply of finance, and a squeeze on disposable incomes, resulting from high and growing energy and food prices. The UK rate of growth in the three months to June 2008 was already flat and the latest survey evidence shows that the economy could contract in the coming months. The summer of 2008 has witnessed a sharp slowdown in business activity in the South East, with firms reporting falls in new orders for four consecutive months up to August 2008. Unemployment in the South East is rising, with 28,000 more unemployed people in the region in the second quarter of 2008 compared to the first quarter. Increasingly, the evidence shows that the downturn affecting the UK and the South East economies could be more pronounced and longer lasting than anticipated.

Since it is quite possible that the current slowdown could last beyond 2009, it might take longer for the economy to return to its trend rate of growth. Furthermore, it is becoming possible that the achievement of a number of RES targets could prove challenging. The economic downturn will have a profound impact on rates of Gross Value Added (GVA) growth, productivity, economic activity and employment, business formation rates, and spending on

research and development (R&D). Since the RES targets were developed during a benign economic environment, and given the unprecedented challenges facing the global and UK economies it may become necessary to review the RES targets to reflect the changing economic conditions and to adequately direct resources to where they are most needed. SEEDA and its partners will continue to monitor developments in the South East, UK and global economies with the aim of assessing the impact on the deliverability of the targets, and if deemed necessary, to review some targets.

Headline targets

GVA per head growth – Achieve an average annual increase in GVA per capita of at least 3%

The latest independent estimates show growth in GVA per head of 2.8% in 2006 and just 1.9% in 2007. SEEDA's estimates of GVA growth taking account of the effect of inflation show a rate of growth in 2006 of just 1.9%. The latest independent forecasts for GVA per head growth in 2008 point to a rate of growth of just 1.2%, which is well below the RES target rate of at least 3% growth per year. After 2009 the South East economy is forecast to expand at a much faster rate than over the past two years. However, on past experience there is little basis for expecting growth rates in the next few years to be sufficient to achieve a 10-year average of 3% or more.

Productivity – Increase productivity per worker by an average 2.4% annually, from £39,000 in 2005 to at least £50,000 by 2016 (constant prices)

The latest independent estimates show that labour productivity (output per employee) in the South East increased from £39,500 in 2005 to £40,800 in 2006 – a growth rate above the RES target. However, the latest independent forecasts for 2007 and 2008 show the rate of growth in labour productivity slowing to around 2.25% in 2007 (the baseline rate of growth) and just 1.2% in 2008. This casts some doubt on the achievement of the RES target by 2016.

Ecological footprint – Reduce the rate of increase in the region's ecological footprint

The ecological footprint can be described as the land area required to provide continuously all the natural resources and services for the consumption of a given population, wherever that land might be. The latest estimates show that between 2001 and 2003 the ecological footprint in the region increased by around 1% (just below the trend rate of growth of 1.1%), from 6.07 global hectares per capita to 6.13 global hectares per capita.

Objective 1: Global Competitiveness

Global business and foreign direct investment (FDI) – Increase the percentage of businesses located in the South East operating internationally from an estimated 8% in 2003 to 12% by 2016, maximising the South East's share of global FDI

While the total number of exporting companies in the South East increased between 2005 and 2006, the *proportion* of companies that exports has remained broadly stable, at around 8%. The number of foreign direct investments into the South East has risen sharply in recent years (a 58% rise between 2003 and 2007), although there has been a slight decline in the South East's share of total UK FDI, which stood at 16% in 2006/07. Nevertheless, the South East is the second best performing UK region, with its share of UK FDI being greater than its share of total output.

Knowledge transfer and R&D – Increase expenditure on R&D in the South East from 3.2% of GVA in 2003 to 4% by 2016, and increase the proportion of businesses in the South East reporting R&D links with universities, from 11% in 2005 to 15% by 2016

Total R&D expenditure as a proportion of regional GVA declined in the South East between 2004 and 2005, from 2.9% to 2.7%, although the contribution of R&D spending to GVA in the South East remains the second highest of any UK region. The fall in the contribution of R&D expenditure to regional GVA is mainly attributable to the decline in R&D spending by the business sector.

The latest data shows a significant increase in the proportion of South East businesses reporting links with universities between 2007 and 2008, to almost 12%. However, this increase is probably due to recent changes in the methodology used to collect the data rather than a marked increase in the number of business links with universities. Between 2004 and 2006 the proportion of businesses reporting cooperation agreements on innovation in the South East was slightly higher than the national average, but has fallen since 2002-2004.

Innovation and creativity – Increase the percentage of total South East business turnover attributable to new products (new to market) from 12% in 2004 to 20% by 2016, and the percentage attributable to significantly improved products from 18% in 2004 to 25% by 2016

The percentage of business turnover in the South East attributable to new products remains above the UK average, at 10% in 2006 (second only to London). However, the proportion has declined from 12% in 2004. The South East has the highest proportion of business turnover attributable to significantly improved products of any region, at 19% in 2006, up from 18% in 2004.

Infrastructure – Secure investment in infrastructure priorities to maintain international competitiveness

As the main UK gateway to Europe and the global economy, the South East's transport infrastructure requires significant investment, in order to maintain the competitiveness of both the regional and national economies. SEEDA has contributed to a range of new infrastructure projects aimed at increasing the capacity and quality of transport links in the South East, such as the AirTrack rail service from Heathrow's Terminal 5, and the Brighton Main Line capacity enhancement. Expenditure on transport in the South East has increased significantly in recent years, but remained stable between 2006/07 and 2007/08. Total expenditure on transport *per head* in the region remains significantly below the UK average and less than half that of London.

Objective 2: Smart Growth

Enterprise – Increase the business stock by 35% from 35 businesses per 1,000 inhabitants in 2005 to 44 businesses per 1,000 inhabitants by 2016, including 10,000 new businesses run by women by 2010

Enterprise is one of the key drivers of productivity and prosperity, and the South East tends to perform well on this measure. In absolute terms, the South East has the largest business stock and business density in the UK, after London. Between 2006 and 2007 the number of businesses in the region increased by 6,000, with business density increasing from 36.7 to 37.2 businesses per 1,000 inhabitants. This is well above the national average of 32 businesses per 1,000 inhabitants.

The South East and UK economies lag significantly behind other advanced economies on female business ownership. Defining female-owned businesses is difficult, and as yet there are no official sources to measure this. The female self-employment rate is used as a robust but imperfect proxy for female business ownership in this report. The number and percentage of self-employed women have fluctuated in recent years, but saw a substantial increase between 2006 and 2007. There were 13,000 more women in self-employment in 2007 compared to 2006, while the female self-employment rate increased from 8.7% to 9.3%. Although the region has already exceeded the RES target of an additional 10,000 new women-owned businesses by 2010, it is important to remember that the majority of this increase is due to growth in *part-time* self-employment, and the new businesses must be sustained.

Skills – Maximise the number of people ready for employment at all skill levels, and ensure they are continually equipped to progress in the labour market

Although the South East has a relatively highly skilled population, in the past year there appears to have been relatively limited progress in improving the qualification levels of the region's population. The proportions of the working age population qualified to NVQ 2 or above and NVQ 4 or above increased by just 0.2 and 0.3 percentage points, respectively, between 2006 and 2007. There was no change either in the proportion of people whose highest qualification is an NVQ 3 or the proportion that have no qualifications. More positively, there was a significant fall in the proportion of South East employers reporting skills gaps between 2005 and 2007, reaching a figure below the national average. The proportion of the working age population receiving recent job-related training has declined significantly since 2005, in common with other regions.

Transport – Reduce road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts

High population density in the South East places pressure on the region's transport infrastructure. A greater proportion of people travel to work by car in the South East than in England as a whole, but the percentage dropped by two percentage points between 2005 and 2006 (from 75% to 73%). Average daily motor vehicle flows in the South East are also among the highest of any region, and increased by 1,600 vehicles per day between 2005 and 2006.

Given the region's heavy traffic flows, it is not surprising that per capita CO₂ emissions attributable to road transport were the third highest of any region in 2005 (the latest year for which data are available) – accounting for one-third of total emissions in the South East. This reflects the region's position as the gateway to Europe, accommodating a large amount of transit traffic.

Physical development – Ensure sufficient and affordable housing and employment space of the right quality, type and size to meet the needs of the region and support its competitiveness, and create the climate for long-term investment through the efficient use of land resources, including mixed-use development

High demand for housing in the South East means that affordability is a significant concern. The ratio of average house price to average income more than doubled between 1997 and 2007, making it the largest ratio of any English region. It is encouraging that both the number and proportion of new dwellings completed on previously developed land have increased significantly since 1999, with an increase from 79% to 82% between 2005/06 and 2006/07.

In 2007, mixed-use land formed the largest share of previously developed land with planning allocations or permissions in the South East, followed by employment land and housing land. In total, the area of previously developed land with planning allocations or permissions fell by 1,000 hectares between 2006 and 2007.

Employment – Improve the productivity of the workforce and increase economic activity from 82% to 85% by bringing 110,000 net additional South East residents of working age into the labour market by 2016 (as a step towards bringing up to 250,000 residents into the labour market by 2026).

The South East has the highest economic activity rate of any region, which has remained at around 82% since 2003, with a slight fall from 82.1% to 82% between 2006 and 2007. However, the latest data shows an increase in both the number and percentage of economically active people in the three months to July 2008.

While economic inactivity rates are low, there has been an increase in the *number* of economically inactive people in the South East in recent years, with the number rising by 11,300 between 2006 and 2007. Measuring the flow of economically inactive people into activity is difficult and at this stage it is unclear what the driving force behind the increase is. Benefits claimants can be used as a proxy for economic inactivity, but not all inactive people claim benefits. Moreover, with the introduction of Employment Support Allowance in October 2008, more benefits' claimants will be classed as economically active.

Following a decline in the employment rate since 2000, the rate has recently started to increase, rising by 0.1 percentage point between 2006 and 2007, to 78.4%, and peaking at 79.7% in July 2008, while all other regions saw a decline in employment in the second quarter of 2008. The employment rate remains significantly above the national average in the South East. On measures of job quality the region also performs well. The proportion of residents employed in the top three Standard Occupational Classifications is the second highest of any region (behind London) and increased by 0.7 percentage points between 2006 and 2007.

Objective 3: Sustainable Prosperity

Climate change and energy – Reduce CO₂ emissions attributable to the South East by 20% from the 2003 baseline by 2016 as a step towards the national target of achieving a 60% reduction on 1990 levels by 2050, and increase the contribution of renewable energy to at least 10% of energy supply in the South East by 2010 as a step towards achieving 20% by 2020

The latest available data (for 2006) shows that the South East has the highest CO₂ emissions of any region, in absolute terms – reflecting its large population, the presence of major airports and a transport network that acts as the gateway to Europe. However, per capita emissions are well below the national average in the South East, at 8.02 tonnes compared to 8.8 tonnes for the UK in 2006. Per capita emissions from road transport in the South East are among the highest in the UK, while emissions from the commercial and industrial sector are well below the national average.

The amount of electricity generated from renewable sources in the South East increased strongly between 2004 and 2006, while the *proportion* of electricity generated from renewables increased by 2 percentage points over the same period, from 2.9% to 4.9%. The largest growth was in wind and wave generated power.

Sustainable consumption and production – Reduce per capita water consumption in the South East by 20% from 169 litres per day in 2003/04 to 135 litres by 2016, and achieve a 30% increase over the 2003 baseline in GVA generated per tonne of materials entering the waste stream by 2016

The South East has the highest daily per capita water consumption of any UK region, which has remained unchanged at 161 litres per day in 2005/06 and 2006/07.

In terms of GVA generated per tonne of materials entering the waste stream, the South East is the second most efficient region, behind London. In 2004/05 the South East generated 5,713 units of GVA per tonne of waste, which represents an increase of 735 units since 2003. The total amount of household waste generated in the South East

increased by 1% between 2005/06 and 2006/07, and remains higher than the national average. Encouragingly, the percentage of household waste that is recycled in the South East has consistently been among the highest of any region, and grew by 4 percentage points between 2005/06 and 2006/07, reaching 33.1%.

Natural resources and environment – Achieve measurable improvements in the quality, biodiversity and accessibility of green and open space

There is evidence of improvement in local environmental quality in recent years. Between 2005/06 and 2006/07 there was an increase in the proportion of South East residents viewing their environmental surroundings as ‘good’ or ‘satisfactory’ and a decline in the proportion rating their environment as ‘unsatisfactory’ or ‘poor’.

Since 2003 there has been a strong increase in the proportion of river length classified as of good chemical quality, while biological quality improved from 2000, although it has declined slightly since 2004. Green space accounts for 85% of the total land area in the South East. Although this is slightly lower than the national average, the high population density of the South East means that this figure represents a good achievement.

Sustainable communities – Enable more people to benefit from sustainable prosperity across the region and reduce polarisation between communities

The evidence reveals a mixed picture of performance against this target. On the positive side, the proportion of South East residents who are satisfied with the characteristics of the area in which they live is slightly higher than the English average, and has increased over the past year to 88.3% in 2006/07. More than half of the South East population (52%) engaged in volunteering at least once in 2007 – an increase of 1 percentage point from 2005.

The evidence suggests that there is still some way to go to make significant improvements in the life chances of some excluded groups in the South East. For example, the percentage of children living in poverty in the region, while significantly lower than in England as a whole, has changed little in recent years. However, the percentage of young people in the South East not in education or training fell between 2007 and 2008, and is the second lowest of any English region, at 5.6% in 2008. Meanwhile, there has been a slight improvement in the incidence of pensioner poverty in the South East between 2001 and 2006 (the latest data available).

1. The South East economy: recent trends and prospects

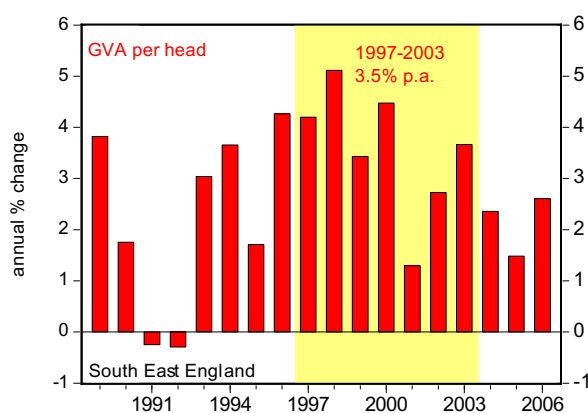
This chapter looks at the recent performance of the South East economy within both UK and global contexts, and the prospects for the South East economy over the short to medium term. In addition to a number of interventions within the region and the UK aimed at sustaining the rate of economic growth, there are exogenous factors linked to the UK and global economies that have an impact on the rates of growth in the South East. The South East and other regional economies in the UK have benefited from the most favourable national and global macroeconomic environment for the past 50 years and this period has come to an end. The twin impacts of tighter credit conditions and increases in global commodity prices, and subsequently UK inflation, imply that we can expect some difficult times ahead. All of these factors will have a profound impact on the South East economy and on the likelihood of the region achieving its targets as specified in the Regional Economic Strategy 2006-2016.¹

1.1 Recent economic trends in the South East

The period between the second half of the 1990s and the beginning of 2008 was characterised by an exceptionally favourable macroeconomic environment, nationally and globally. This period witnessed a much greater integration of world economies than ever before. The rapid rise of developing countries (in particular China and India) has led to a sharp increase in world trade; global inflation has seen a sharp decline and relaxed monetary policies in a number of countries have helped to boost global growth.

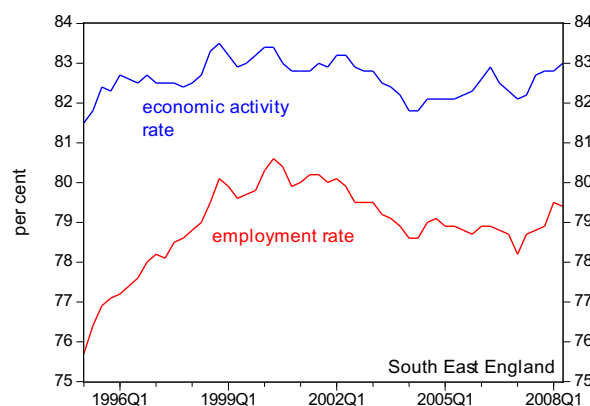
During the same period the UK economy experienced a sharp decline in inflation and in unemployment, while the number of people in employment reached record levels. By the end of the first quarter of 2008 the UK economy had recorded 63 consecutive quarters of growth – the longest period of uninterrupted growth in living memory.

Figure 1-1.1: Strong Growth in GVA per head ...



Source: Experian 2008

Figure 1-1.2: ... Economic activity and employment have increased



Source: National Statistics 2008

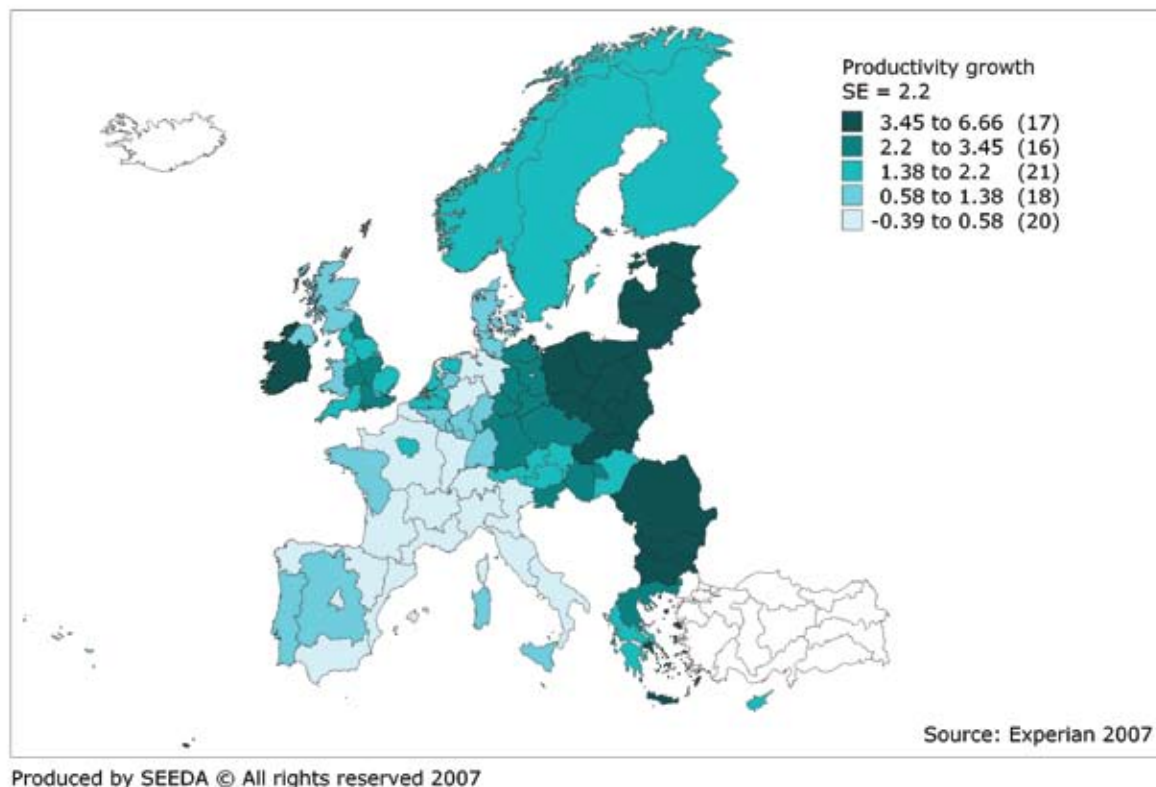
During the last economic cycle (1990-2002) rates of growth in Gross Value Added (GVA) per head in the South East were the highest in the country. Between 1997 and 2003, inflation-adjusted GVA per head in the South East increased by around 3.5% per annum, significantly above the national average and above any other UK region or country (Figure 1-1.1).

By the middle of 2008 there were 4.24 million people in employment in the South East – the highest number on record. Since 1993 the total number of people in employment in the region has increased by 646,000. Over the period 1993-2008 the employment rate in the region increased from 75% to 79.4% – the highest in the country (Figure 1-1.2). The total number of unemployed people in the region decreased by 144,000, with the unemployment rate declining from 8.1% in 1993 to 4.1% earlier in 2008. With the highest economic activity and employment rates and the second lowest unemployment rate in the country, the South East is the best performing UK region.

¹ For further information on the more recent performance of the South East Economy and the South East and government response see: HM Treasury, BERR and SEEDA (2008) *South East Economy: A joint response to changing economic circumstances*, August 2008. SEEDA (2008) *South East Economy Review – May 2008* and SEEDA (2008) *South East Economy Review – September 2008*. Ipsos MORI (2008) *Regional Report for the South East England Region: The RDA National Business Survey*, August 2008.

Employment and productivity are the two drivers of regional prosperity and competitiveness. In addition to strong growth in employment, GVA growth in the South East was driven by a strong growth in productivity. Between 1998 and 2003 the South East was one of the best performing developed regional economies in Europe (Figure 1-1.3).

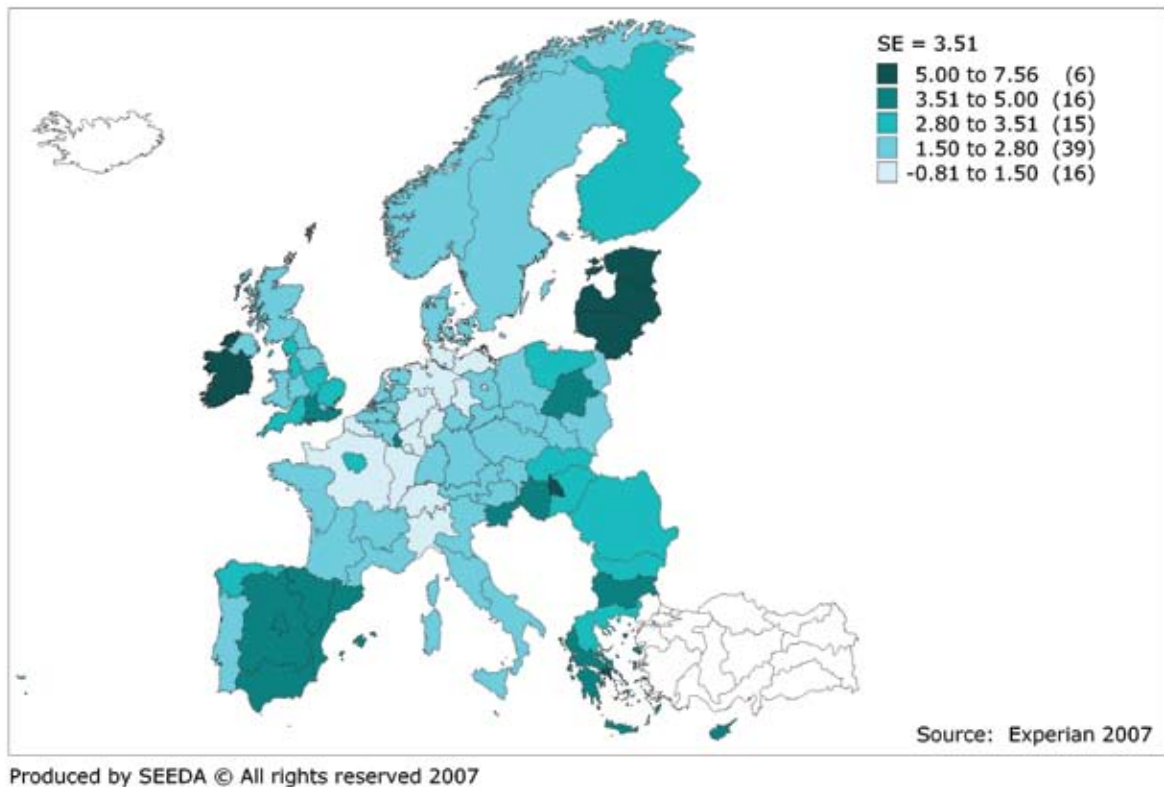
Figure 1-1.3: Strong growth in productivity ...
(Productivity growth across Europe 1998-2003)



The South East and London are the only UK regions with labour productivity above the national average. Although the productivity performance of the South East has improved, it is still well below that of London.

When compared to other regions across Europe, in terms of Gross Domestic Product (GDP) per head the South East was one of the best performing European regions. Between the late 1990s and the early years of this century the average annual growth rate in inflation adjusted GDP per head in the region was 3.5% per annum, well above most of the other Western European regions. As indicated in Figure 1-1.4, the rate of growth in the region also exceeded the rates of growth across much of Central and Eastern Europe.

Figure 1-1.4: South East one of the best performing developed regions within Europe
(GDP per head growth across Europe, 1998-2003)



With total workplace based output (GVA) of around £167 billion in 2006, the South East is the second largest regional economy within the UK (Figure 1-1.5).² Strong growth in employment and productivity have resulted in the South East economy expanding in size by around 53% over the decade to 2006.

GVA per head is the most widely used measure of regional economic performance in the UK, and the latest official estimates for 2006 show that with GVA per head of over £20,000, the South East was the second best performing region in the UK (after London). Workplace-based GVA per head increased from below the UK average in 1989 to around 7% above the national average in 2006 (Figure 1-1.6). Residence-based GVA per head shows a similar pattern, being 9% above the average in 1989 and 15% above average in 2006.

Figure 1-1.5: GVA has increased by more than a half since 1996 ...

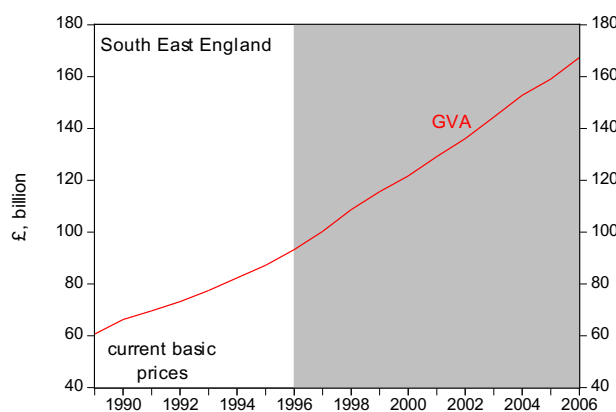
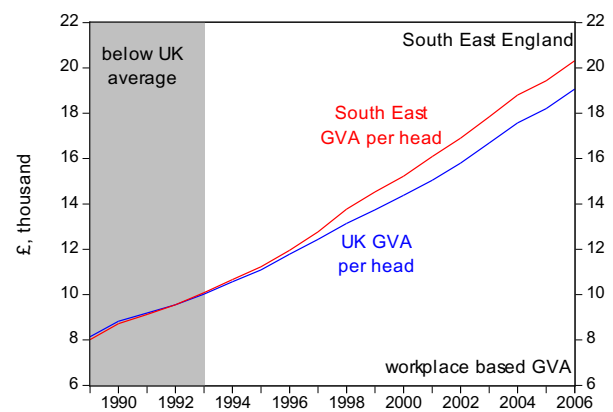
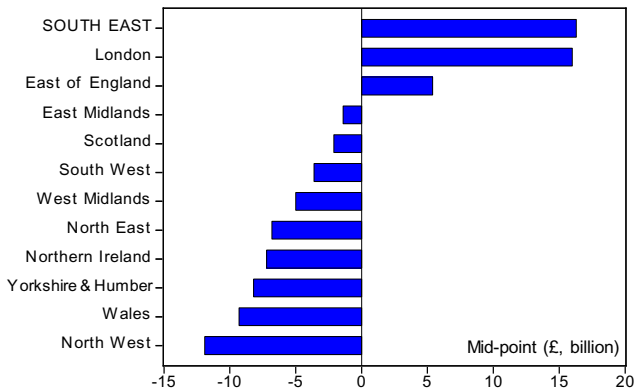


Figure 1-1.6: ... GVA per head has increased from below the UK average to above the UK average

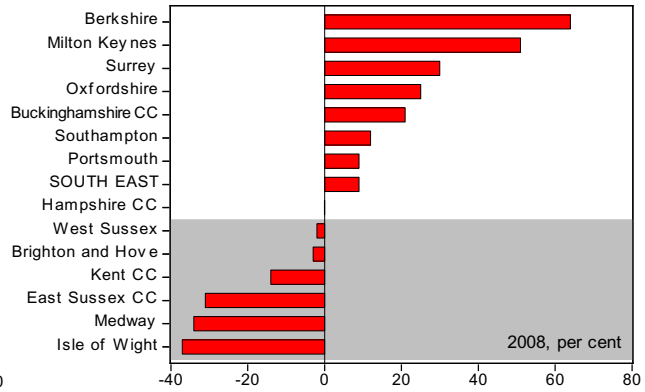


Given the relative strength of the South East economy, it is perhaps not surprising that the South East, alongside London, is the largest net contributor to the Exchequer. In 2006/07, South East residents contributed some £17.5 billion to the Exchequer – the greatest contribution in the country. The Oxford Economics mid-point estimate (the average of the workplace-based and residence-based estimates) shows the South East contributing some £16.6 billion, again the greatest contribution of all the UK regions and countries (Figure 1-1.7).

² Residence-based GVA in the South East in 2006 was around £173 billion.

Figure 1-1.7: Regional contributions to UK public finances
2006-07 ...

Source: Oxford Economics 2008

Figure 1-1.8: ... Large sub-regional disparities
in GVA per head (relative to UK average)

Source: National Statistics 2008

Although successful by any conventional measure of economic performance, the South East is also a region with significant intra-regional disparities in economic performance. If we exclude Inner London – West, the disparities in GVA per head within the South East are the greatest in the country. In 2005, GVA per head within the South East ranged from some 37% below the national average in the Isle of Wight to some 64% above the national average in Berkshire (Figure 1-1.8).

The same is true for employment and economic activity rates. In 2006, the economic activity rate in West Berkshire was 86.3% compared to just 76.1% in Southampton. At local authority district level, Surrey Heath had an activity rate of 93.7% and Oxford 73.4%.

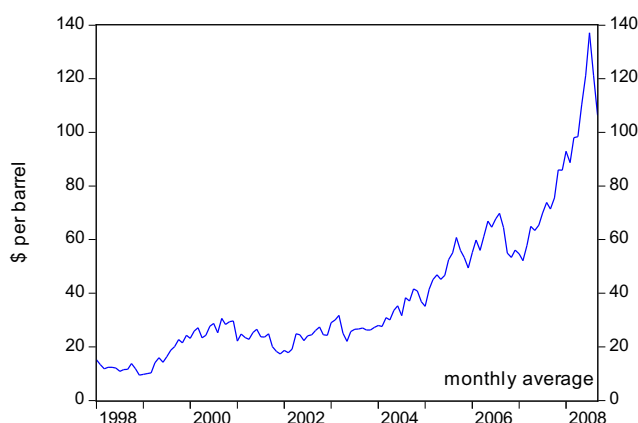
At 83.1%, West Berkshire had the highest employment rate within the South East – well above the regional average – and Southampton the lowest (70.5%), below the national average. At local authority district level 89.3% of all residents in West Oxfordshire were in employment and just 68.7% in Thanet (well below the national average).

1.2 Uncertainties in the short to medium term in the global, national and regional economies

The past year has been characterised by a significant increase in global inflation. Global food prices rose by around 60% in sterling terms in the year to July. By July 2008, sterling oil prices had more than tripled since early 2003, with real prices higher than at any time since the 1970s (Figure 1-2.1). Over the past two years there has been a significant rise in other global commodity prices.

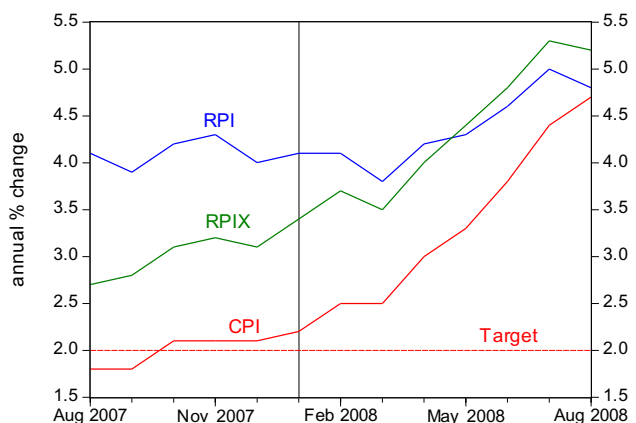
As a result of the high oil and commodity prices, UK manufacturing input and output prices have risen sharply over the past 12 months. In addition to a significant increase in manufacturing output prices, by August 2008 a sharp rise in food, energy and transport costs helped to push UK inflation to 4.7%, more than twice the Bank of England inflation target (Figure 1-2.2).

Figure 1-2.1: A sharp increase in world oil price ...



Source: IEA 2008

Figure 1-2.2: ... and UK inflation

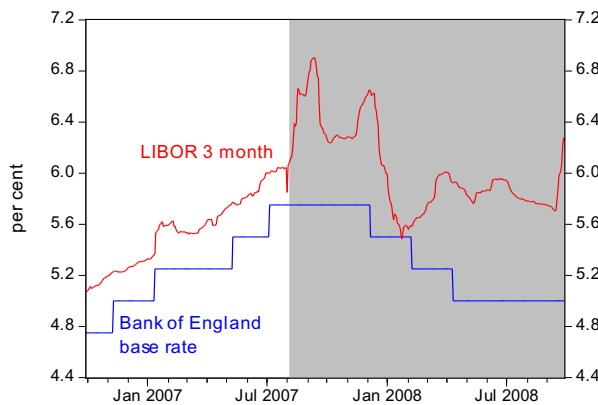


Source: National Statistics 2008

Higher inflation has led to a squeeze on disposable incomes within the UK and the South East and contributed to a reduction in consumption, which will impact on rates of GVA growth. High inflation has also prevented the Bank of England reducing the base rate, which is needed to boost domestic demand.

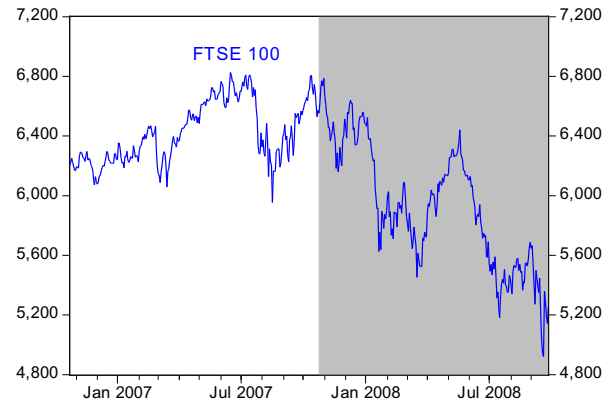
In late summer 2007, the US sub-prime mortgage crisis spilled over into the UK, leading to a lack of confidence among banks and financial institutions, resulting in tighter credit conditions in the UK. Banks have reduced their lending to other banks (in the interbank market), which has led to a liquidity squeeze, pushing the interbank loan interest rates well above the base rate (Figure 1-2.3). Central banks have responded by injecting large volumes of cash into the financial markets to try to get the system moving again, which has done little to relieve the strain within the financial sector. In mid-September the credit crunch worsened, leading to some unprecedented developments within the global financial markets and a significant decline in equity prices (Figure 1-2.4).

Figure 1-2.3: Credit crisis unfolds ...



Source: Bank of England 2008

Figure 1-2.4: ... Stock markets fall



Source: Bank of England 2008

In order to revive the US housing market the US Treasury has effectively nationalised two of the largest mortgage lenders in the country, which between them have several trillion dollars in assets. The move did little to bring back badly needed liquidity in the US financial system. Moreover, Merrill Lynch, a large US investment bank, was bailed out by Bank of America, and Lehman Brothers, previously the fourth largest investment bank in the world, became the largest bankruptcy in US history. The fall of Lehman Brothers led to a further deterioration of confidence within the global financial system, resulting in large falls in equity prices across the globe. The instability quickly spread across the financial system, with AIG (until recently the largest insurer in the world) being effectively nationalised by the US Treasury.

Within the UK, Northern Rock was nationalised in 2007, Halifax Bank of Scotland (HBOS) was taken over by Lloyds TSB recently, creating the largest banking group in the country, and Bradford & Bingley has been nationalised, with some of its assets sold to a large Spanish group. Within Europe several large banks have been rescued or nationalised by coordinated action on the part of several governments. In the UK, a coordinated response by the Treasury, the Bank of England and the Financial Services Authority has led to some £500 billion being made available to banks to bolster their balance sheets. The UK Government has also bought shares in a number of large financial institutions in order to bring confidence back into the market.

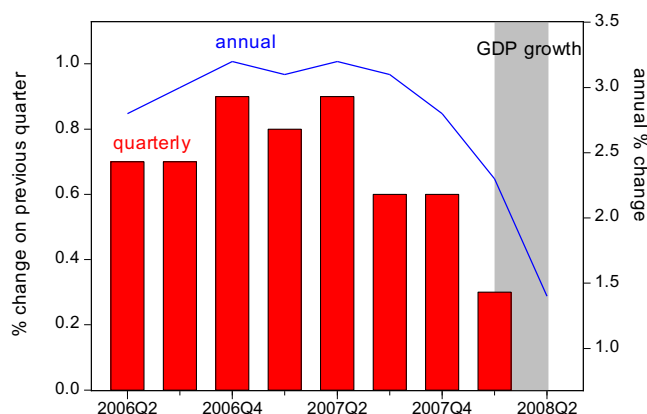
Over a period of several weeks hundreds of billions of US dollars were pumped into the global financial markets by the Treasury, Bank of England, the European Central Bank and Bank of Japan, to restore badly needed liquidity. The coordinated action did little to improve confidence within the global financial markets, which has led the US Treasury to propose the creation of a \$700 billion fund to buy 'bad debts' and revive the financial markets.

The credit crunch has led to unprecedented developments within the global financial markets, last seen in the late 1920s and early 1930s – developments that threaten the stability of the global economy.

In the second quarter of 2008, UK output remained unchanged on the first quarter of the year (Figure 1-2.6). This marks the end of over a decade of growth in the UK and is the weakest output data since 1992. The rate of growth was 1.4% on the same quarter a year ago, well below the 2.3% growth seen in the first quarter.³ The UK economy is not alone in the current downturn. Output in the Eurozone and Japan also contracted in quarter 2 of 2008 (Figure 1-2.7).

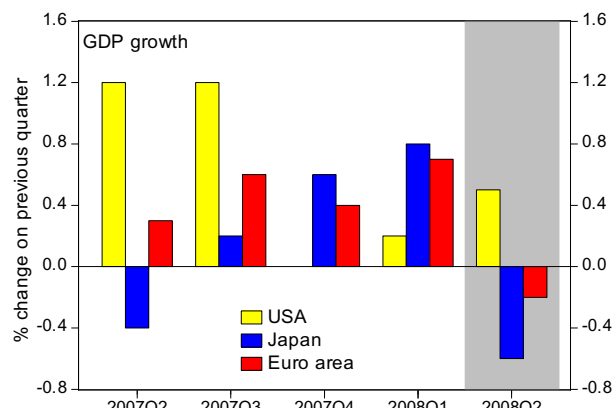
3 For a detailed analysis of the current economic situation at global, national and regional level, please refer to the South East Economic Review – September 2008, published by the Research & Economics team at SEEDA.

Figure 1-2.6: UK economic growth comes to a halt in second quarter, ...



Source: National Statistics 2008

Figure 1-2.7: ... UK is not alone ... recession looming in Europe and Japan ... US growth uncertain?



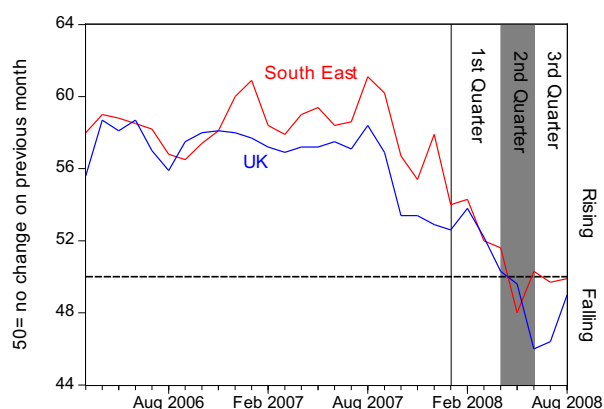
Source: National Statistics 2008

The global and national economic trends outlined above will have an impact on the South East economy. In particular, the South East is particularly vulnerable to any effects of the credit crunch because of its heavy exposure to both the financial and business sectors and any slowdown in consumer demand. Moreover, the South East is closely tied into the global economy, which means that financial crises elsewhere in the world inevitably have some impact on the region.

Recent survey data points to a sharp slowdown in business activity in the region. The latest data from the Royal Bank of Scotland (RBS) PMI Survey shows that although there was a marginal recovery in business activity in August 2008 (Figure 1-2.8), the proportion of firms reporting contraction in business activity (output) at their units was slightly higher than the proportion of firms signalling expansion. Although the difference was marginal, August marked the fourth consecutive month in which the balance was in negative territory. However, the level of business activity in the South East was above the UK average and the second highest in the country after the North West.

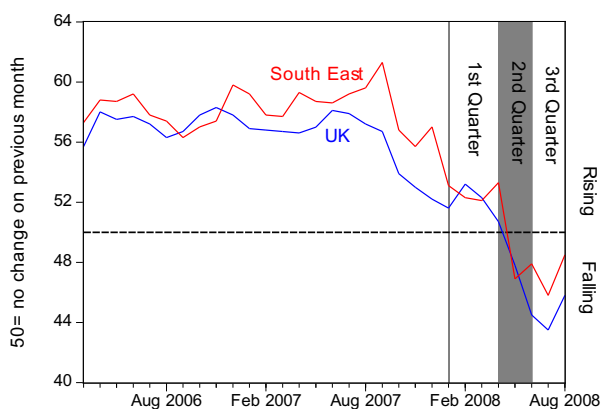
In August 2008, for the fourth consecutive month, the proportion of firms reporting contraction in new orders (incoming new businesses) at their units was higher than the proportion of firms signalling expansion. This is likely to have an impact on future output, which could fall over the next few months.

Figure 1-2.8: Falling level of output (business activity) ...



Source: RBS 2008

... and new orders (incoming new business)



Source: RBS 2008

Unemployment in the South East is on the increase. In the three months to July there were some 196,000 unemployed people in the region, or 28,000 more than in the previous quarter. The number of unemployed people in the UK increased by 81,000 over the same period (Figure 1-2.9). Hence the South East alone accounted for over one-third of the increase in UK unemployment. The unemployment rate increased by 0.6% to 4.4% – higher than in the South West, Scotland and Northern Ireland. There were 77,000 people in the South East claiming Job Seekers' Allowance (JSA) in August 2008 – some 4,200 more than in July (Figure 1-2.10).

Figure 1-2.9 A sharp rise in unemployment...

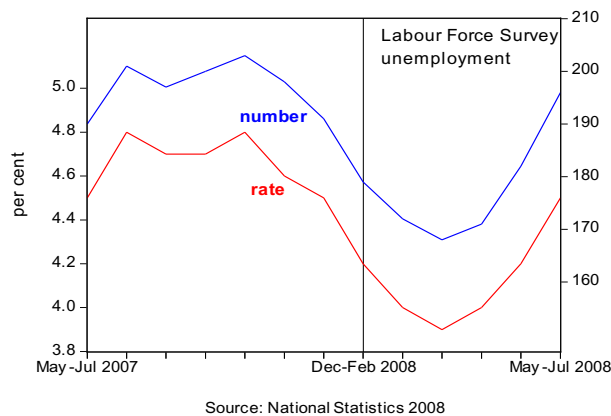
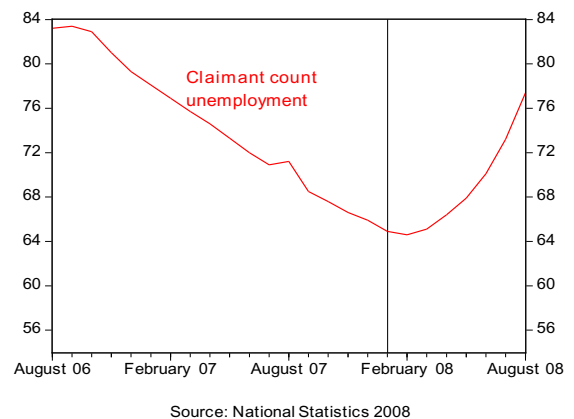


Figure 1-2.10 ...and in people claiming Job Seekers' Allowance (JSA)



According to the RDA National Business Survey, business confidence in the South East is at very low levels due to the current economic downturn. Only around one in nine businesses in the region believe that the climate in which they operate will improve in the next 12 months (Figure 1-2.11). Although over four in ten South East England businesses say that the climate will remain stable, the most popular view is that this will deteriorate. This rises to over half of businesses in the hotels and catering, distribution and primary/manufacturing sectors.

Figure 1-2.11: ... Business confidence is low

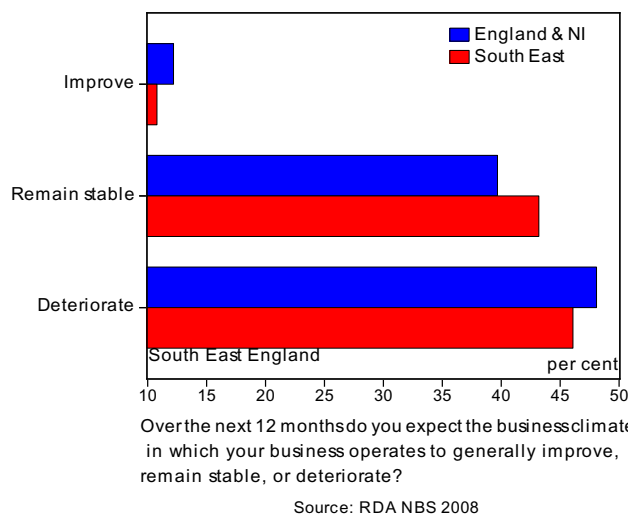
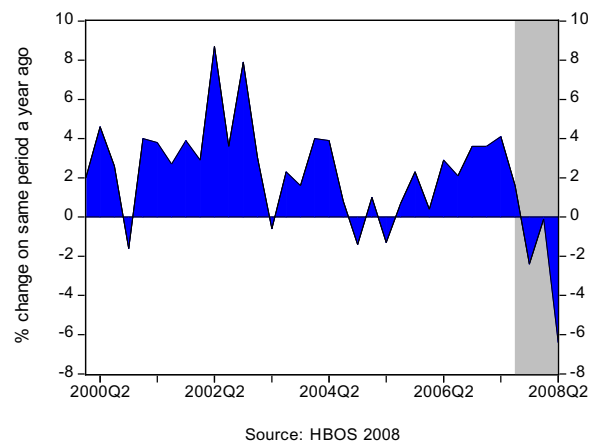


Figure 1-2.12: Housing market correction further undermines consumer confidence ...



Consumer confidence in the South East has deteriorated sharply. House prices in the South East have declined faster than the national average and this, together with the negative trends in unemployment outlined above, serves to further undermine consumer confidence and consumer spending. The latest data from Halifax⁴ for the three months to June show that in the South East house prices fell by 6.4%, faster than the UK average of 4.7% (Figure 1-2.12). Annually, house prices in the region fell by 7.2%, above the UK average decrease of 6.1%. The average house price in the South East is still some 30% above the national average, however.

Since it is quite possible that the current slowdown could last beyond 2009, it might take longer for the economy to return to its trend rate of growth. Furthermore, it is becoming possible that the achievement of a number of RES targets could prove increasingly difficult. The main economy headline target (real GVA per head growth rate) is a prime example. Should the economy remain subdued until after 2009, then to achieve the RES target the region would need to achieve an average rate of growth after 2010 of above the rate of growth seen between 1998 and 2003. Since it is highly unlikely that the global economic environment will be as favourable after 2010 as it was in the late 1990s, such an outcome seems unlikely. The economic downturn will have a profound impact on rates of GVA growth, productivity, economic activity and employment, business formation rates, and spending on R&D. Since the RES targets were developed during a benign economic environment, and given the unprecedented challenges facing the global and UK economies, it may become necessary to review the RES targets to reflect the changing economic conditions and to adequately direct resources to where they are most needed.

4 Halifax data is based on the 'Standard Statistical Region' geography and not on the more commonly used 'Government Office Region' (GOR) geography and as such includes parts of the East of England in the 'South East'.

SEEDA and its partners will continue to monitor developments in the South East, UK and global economies with the aim of assessing the impact on the deliverability of the targets, and if deemed necessary, to review some targets.

2. Regional Economic Strategy 2006-2016: objectives and targets

2.1 Headline targets

Headline Target 1	GVA per head growth	Achieve an average annual increase in GVA per capita of at least 3%.
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Indicator(s): HT1-1: Average annual growth rate in GVA per head.

Box HT1: Key messages

- **The latest independent estimates show a GVA per head growth rate of around 2.8% in 2006 and just 1.9% in 2007.**
- **SEEDA's inflation adjusted estimates of GVA per head growth show a rate of growth in 2006 of just 1.9%. Nevertheless, growth rates may be revised upwards once the ONS preliminary GVA estimates for 2007 are released later in 2008.**
- **The latest independent forecasts for GVA per head growth in 2008 point to a rate of growth of just 1.2% – well below the RES target.**
- **The latest survey evidence shows that the credit crunch, high inflation and the slowdown affecting much of the developed world are having a greater impact on UK and South East businesses and consumers than originally anticipated.**
- **Even the latest independent estimates of growth could prove to be ambitious.**
- **It is important to remember that the RES headline GVA per head target refers to the average annual rate over a 10-year period.**

Gross Value Added (GVA) per head is the most commonly used indicator of economic prosperity at regional level and it is the overarching economic target in the new RES.

The Government's commitment to the regional dimension of its economic policy is set out in a Public Service Agreement (PSA) target to '*make sustainable improvements in the economic performance of all English regions by 2008, and over the long-term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.*'⁵ The REP PSA target will have been met successfully if for every region the annual average rate of growth in GVA per head over the period 2003-2008 is higher than the baseline.

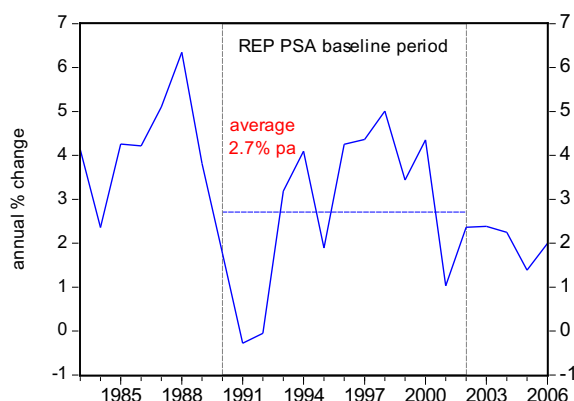
HT1-1: Average annual growth rate in GVA per head

Over the REP PSA baseline period (1990-2002), average annual growth in real GVA per head in the South East was around 2.7% (Figure HT1-1).⁶ The latest independent estimates from Experian show an average annual growth rate in GVA per head of around 3.5% between 1997 and 2003.

⁵ HMT, DTI, Communities and Local Government (2006) *Regional Economic Performance: Progress to Date*, December 2006.

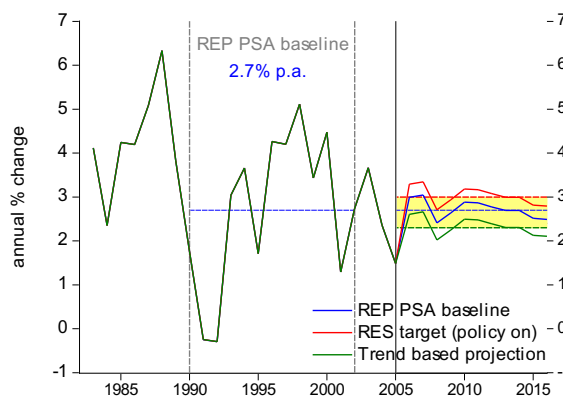
⁶ SEEDA estimates based on Experian data.

Figure HT1-1: GVA per capita growth over REP PSA baseline period, South East England



Source: Experian, RPS Autumn 2005

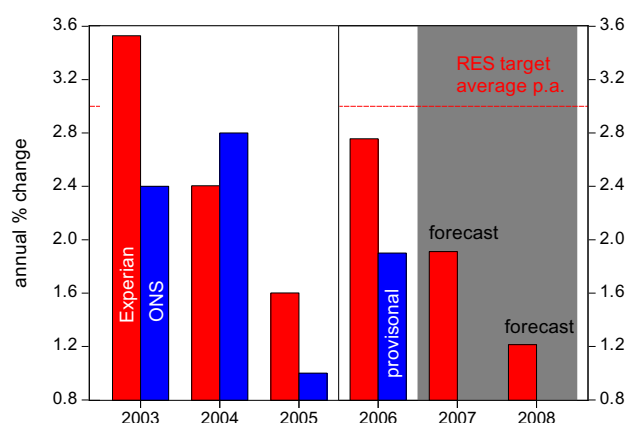
Figure HT1-2: GVA per capita growth rate
Trend based projection and policy on scenario



Source: Experian 2007 and SEEDA 2006

Figure HT1-2 shows the baseline scenario (largely policy neutral trend-based projection) and the RES target (policy on scenario). The RES headline growth target refers to an average annual growth rate of at least 3% over the 2006-2016 period (Figure HT1-2). While the RES target rate is higher (0.3 points) than the REP PSA baseline rate of growth, it is lower than the rate experienced between 1997 and 2003. The period between 1997 and 2003 was a period of exceptional growth in both productivity and employment, driven by a stable macroeconomic environment, microeconomic reforms and global growth. Given the recent tightening of monetary policy, slower growth in public spending, and the expected slower growth in UK and global demand, aiming for similar growth rates would be overly ambitious. Thus, the current RES aims for a rate of growth above the latest independent forecasts (largely policy neutral forecasts) and the REP PSA baseline, but below the rate of growth experienced between 1997 and 2003.

Figure HT1-3: GVA per head growth 2003-2008
South East England



Source: Experian 2008 estimate and SEEDA 2008 (national GVA deflator used to calculate inflation adjusted GVA series)

The latest independent estimates from Experian show that in 2005, GVA per head in the region expanded by around 1.5% on the previous year, followed by a rate of growth of around 2.8% in 2006 (Figure HT1-3). The latest estimate for 2007 shows a growth rate of just 1.9%. The estimate for 2007 has to be taken with a degree of caution, since the South East economy rarely expands at a rate below the national average.

The National Statistics estimates of real (inflation-adjusted) GVA growth at regional level are not available. However, it is possible to use the national GVA deflator to adjust the regional GVA estimates for the impact of inflation. Our estimates of inflation-adjusted GVA growth show GVA per head expanding by just 1% and 1.9% in 2005 and 2006, respectively.⁷

The current slowdown affecting the UK economy and much of the developed world will have an impact on growth rates in the South East. The latest independent estimates put the growth rate in the South East at just 1.2% this year.⁸ However, given that the latest survey evidence points to a further slowdown in UK and regional growth, even this estimate could prove to be ambitious. After 2009, the South East economy is projected to expand at a much higher rate than has been observed over the past two years.

⁷ The UK Office for National Statistics (ONS) will for the first time publish estimates of 'real' growth in GVA per head for the English regions in 2009. The new estimates will remove some variance and uncertainty between the current series and the independent estimates.

⁸ Experian estimate, Regional Planning Service, April 2008.

**Headline
Target 2****Productivity**

Increase productivity per worker by an average 2.4% annually from £39,000 in 2005 to at least £50,000 by 2016 (constant prices).

Indicator(s): HT2-1: Productivity growth; absolute increase in productivity in constant prices.

Box HT2: Key messages

- **Productivity alongside employment is a driver of economic growth and prosperity.**
- **Output per hour worked in the South East increased strongly between 2005 and 2006 – from 6.7% above the national average in 2005 to 8.3% above the national average in 2006.**
- **The latest independent estimates for 2006 show growth in labour productivity above the RES target.**
- **The latest independent forecasts for 2007 and 2008 show the rate of labour productivity growth slowing to around 2.25% (the baseline rate of growth) in 2007 and just 1.2% in 2008.**
- **However, it is important to remember that the RES target refers to the average annual rate over a 10-year period.**

The South East GVA depends on how many people are in employment and how productive they are. Productivity is a driver of regional and national competitiveness and alongside employment it is a driver of regional prosperity. Given the limited scope for a significant increase in employment rates in the region (the employment rate in the South East is among the highest in the world), an increase in living standards in the South East will increasingly depend on productivity growth.

Although there are several measures of productivity, labour productivity is the most widely used measure in the UK. Labour productivity is simply a ratio of output to labour input and the most commonly used measure of labour productivity in the UK is output per hour worked.

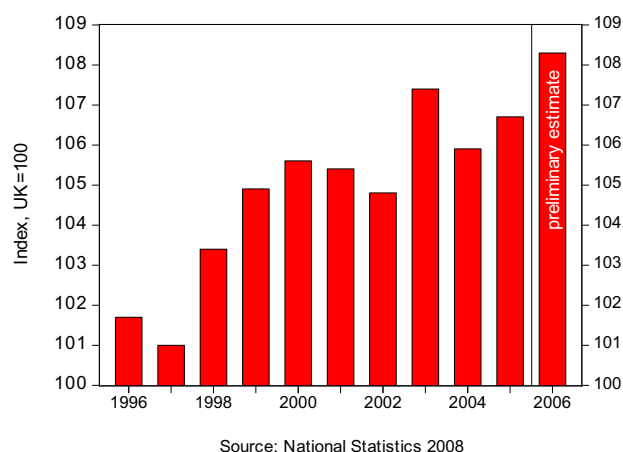
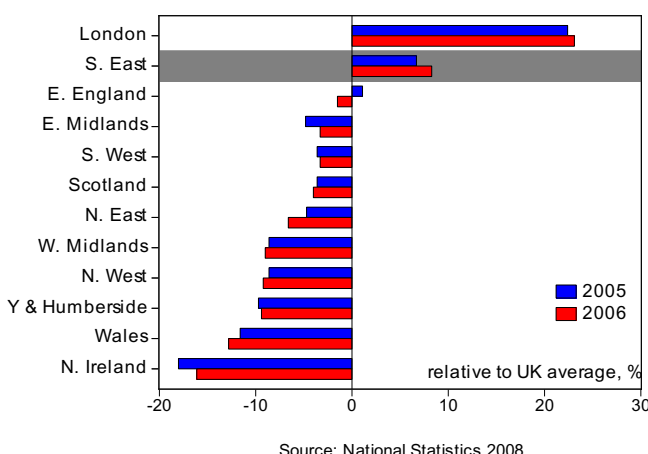
Since 1995, the UK has narrowed its productivity gap with major European economies (France and Germany) and marginally narrowed the gap with the United States. However, the size of the gap with the US (27 points) highlights the productivity challenge for the UK economy and the South East economy.⁹

Output per hour worked in the South East increased from 6.7% above the national average in 2005 to 8.3% above the average in 2006 (Figure HT2-1.1).¹⁰

With productivity per hour worked in 2006 of around 8.3% above the UK average, the South East is the second best performing region in the country (Figure HT2-1.2). However, while the South East has better labour market outcomes (employment rate and economic activity) than London, it also has a significant productivity gap with London. In 2006, London's productivity was some 23% above the national average (Figure HT2-1.2).

9 HMT/DTI (2006) *Productivity in the UK 6: Progress and new evidence*, London, HM Treasury and Department of Trade and Industry.

10 The 2005 data is based on preliminary estimates of South East GVA.

Figure HT2-1.1: Output per hour worked 1996-2006
South East EnglandFigure HT2-1.2: Output per hour worked
UK regions/countries 2005 and 2006

Output per employee is an alternative measure of productivity, often used at regional and sub-regional level. Since the data sets, namely output and employment, are readily available, it has the advantage of being easy to calculate. Another advantage of using this measure over the output per hour worked at regional level is that it allows us to use the latest independent forecasts/projections of regional output and employment to estimate productivity per employee over the medium to longer term. Its main disadvantage is that it is influenced by the number of hours worked. The Regional Economic Strategy (RES) 2006-2016 uses a measure of labour productivity based on output per employee, but adjusted for the number of hours worked.

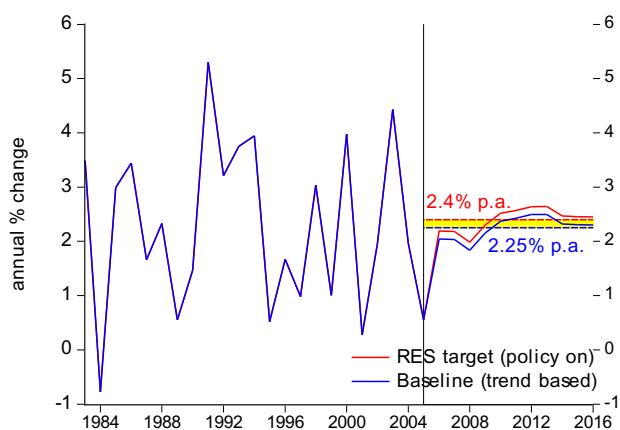
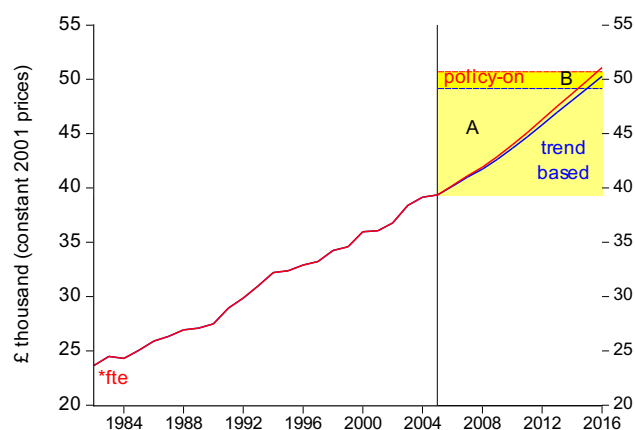
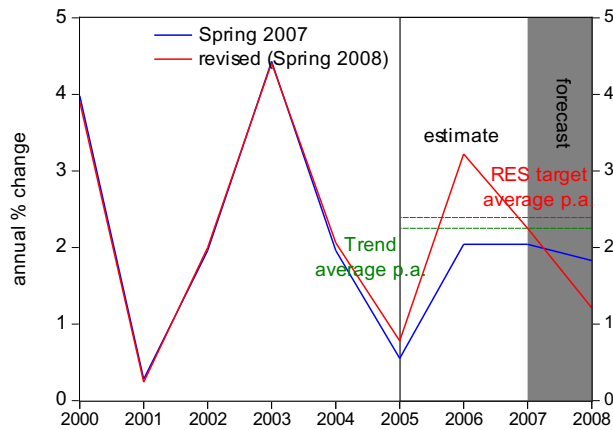
Figure HT2-1.3: Productivity growth rate
Trend-based projection and policy on scenarioFigure HT2-1.4: Productivity per employee*
Trend-based projection and policy on scenario

Figure HT2-1.3 shows the RES baseline productivity growth (largely policy neutral trend-based estimate) and the RES target (policy on scenario). The rate of productivity growth in the baseline (2.25%) is slightly lower than the recent trend rate of growth, and reflects a continued restructuring in the region's economy, away from manufacturing to services. The target rate of growth of 2.4% (based on a scenario simulation by Deloitte) is the upper limit of what could conceivably be achieved with significant investment, concerted action by all relevant partners and major innovations in public policy (Figure HT2-1.3).¹¹

11 Deloitte (2005) *Sustaining success in a prosperous region: Economic implications of the South East Plan*, Guildford, Deloitte for SEEDA.

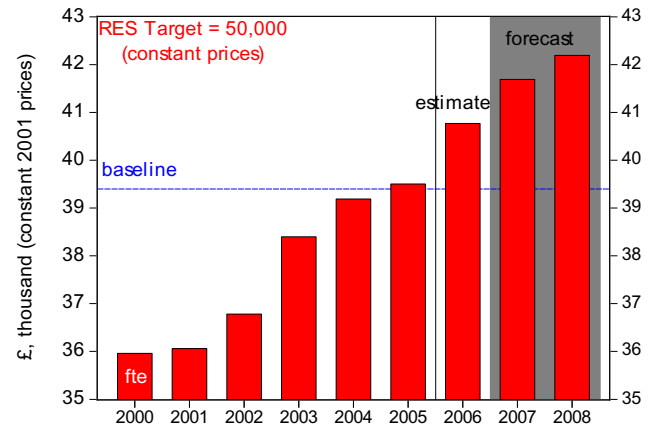
Figure HT2-1.4 shows the impact of both the baseline and the policy-on scenario on productivity per employee (shaded area A shows the impact of the trend-based growth and area B shows the impact of the policy on scenario – higher growth in productivity from the RES). The impact of higher productivity growth on top of the baseline leads to an increase in output per employee of around £800 in 2016 (constant 2001 prices). The impact of public policy might look insignificant (shaded area B), but we have to remember that it will apply to a workforce (workplace-based) of over 4 million by 2016. The total impact on the South East economy in 2016 is likely to be in excess of £3.5 billion (constant 2001 prices).

Figure HT2-1.5: Productivity growth in the South East
2000 - 2008



Source: Experian 2008

Figure HT2-1.6: Productivity per employee
South East England, 2000 - 2008



Source: Experian 2008

After an exceptionally strong performance between 1997 and 2003, a slowdown in output growth led to a slowdown in productivity growth in the South East in 2004 and 2005 (the latest year for which the preliminary estimates based on official data are available), Figure HT2-1.5. The latest independent estimates show that labour productivity in the South East increased from a revised estimate of £39,500 in 2005 to around £40,800 in 2006 – a growth rate above the RES target (Figure HT2-1.6). The latest independent estimates for 2007 show labour productivity expanding around the baseline rate of growth (2.25%). The latest forecast for 2007 points to a rate of productivity growth of around 1.2% – well below the baseline.

**Headline
Target 3****Ecological footprint****Reduce the rate of increase in the region's ecological footprint**

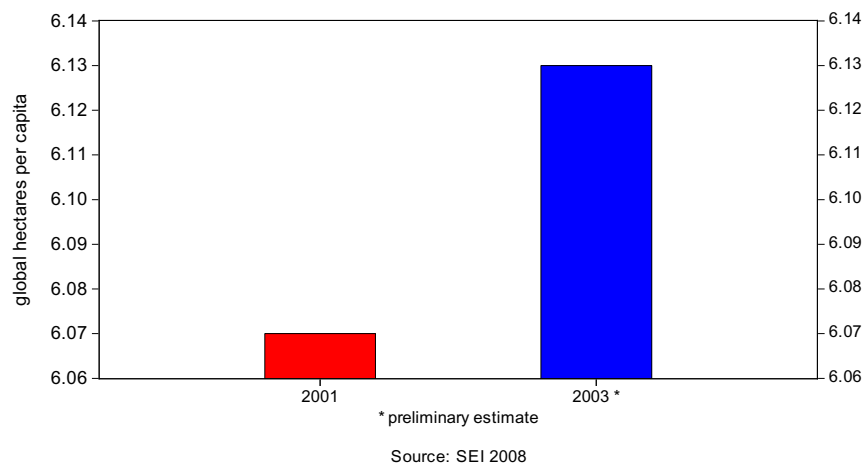
Indicator(s): HT3-1: The rate of increase in the ecological footprint.

Box HT3: Key messages

- **South East England has the largest ecological footprint of all UK regions, and research suggests that the ecological footprint in the region is increasing at a rate of 1.1% per annum.**
- **Between 2001 and 2003 the South East ecological footprint increased by 1%, from 6.07 global hectares per capita in 2001 to 6.13 global hectares per capita in 2003.**
- **Since the ecological footprint is correlated with consumption, the current downturn in economic activity is likely to have a positive impact on the footprint.**
- **This positive impact is likely to be short-lived. Greater investment and behavioural change are needed to stabilise and reduce the rate of growth in the ecological footprint in the South East.**

The ecological footprint can be described as the land area required to provide continuously all the natural resources and services for the consumption of a given population, wherever that land might be.¹² At 6.07 global hectares per resident, in 2001 South East England had the largest ecological footprint of all UK regions – 11.38% above the UK average.¹³ Previous research suggests that the ecological footprint in the region is currently increasing at a rate of 1.1% per annum (the midpoint average of baseline trends).¹⁴

Figure HT3-1.1: Ecological Footprint
South East England



The latest estimates show that between 2001 and 2003 the ecological footprint in the region increased by around 1% (below the trend rate of growth), from 6.07 global hectares per capita to 6.13 global hectares per capita (Figure HT3-1.1).

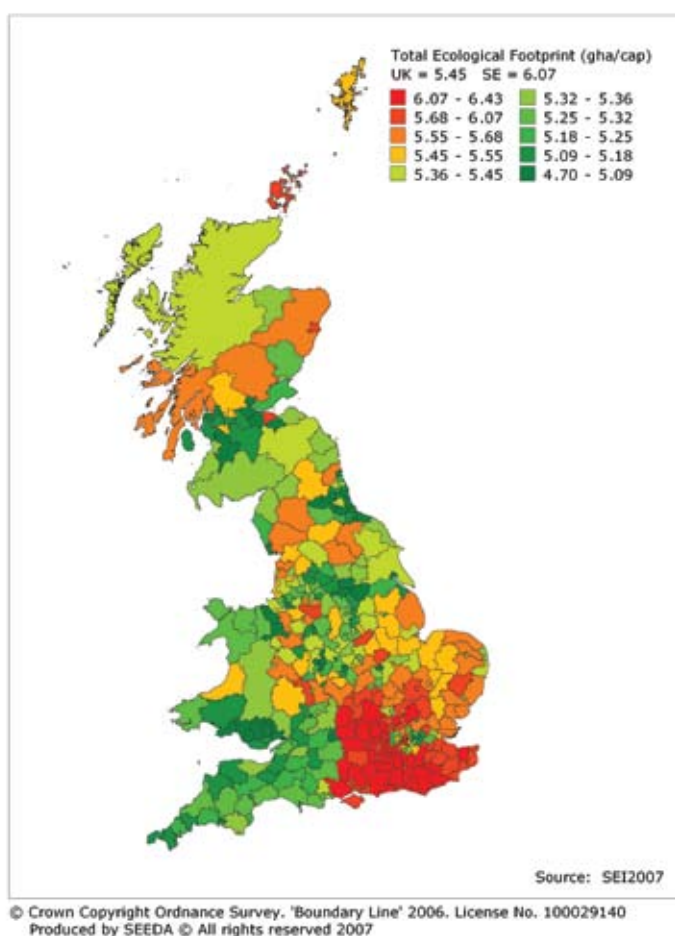
¹² The Stockholm Environment Institute.

¹³ NOTE: The figures presented here do differ slightly from the results published in the RES Evidence Base. This is due to methodological improvements (Stockholm Environment Institute has developed a better tool for calculating the footprints). Taking into account this change, the actual gap between the South East and the UK average has declined from the previous 16.7% to 11.38%.

¹⁴ CURE and SEI (2005) *Stabilising the ecological footprint in the South East Plan: A report to SEERA*. Centre for Urban & Regional Ecology and Stockholm Environment Institute, University of York.

The connection between greater consumption and the ecological footprint seems to be obvious, with high ecological footprints in the wealthier London Boroughs, the South East and areas to the east of London (Figure HT3-1.2).¹⁵

Figure HT3-1.2: UK Ecological Footprint



Since the ecological footprint is correlated with consumption, the current slowdown in the economy is likely to lead to a net positive impact on the rate of growth of the ecological footprint. However, any 'improvement' is likely to be short-lived. Once there is an upturn in economic activity and consumption, it is likely that the rate of growth will start to increase again. In future years, greater investment and behavioural change will be needed to stabilise and reduce the rate of growth in the South East's ecological footprint.

¹⁵ Sub-regional estimates of the ecological footprint have to be interpreted with care since a number of data sets have been modelled (instead of being based on official data).

2.2 Global Competitiveness

Target 1

Global business and foreign direct investment

Increase the percentage of businesses located in the South East operating internationally from an estimated 8% in 2003 to 12% by 2016, maximising the South East's share of global FDI.

Indicator(s): T1-1: Percentage of exporting companies.
T1-2: South East share of global FDI .

Box T1: Key messages

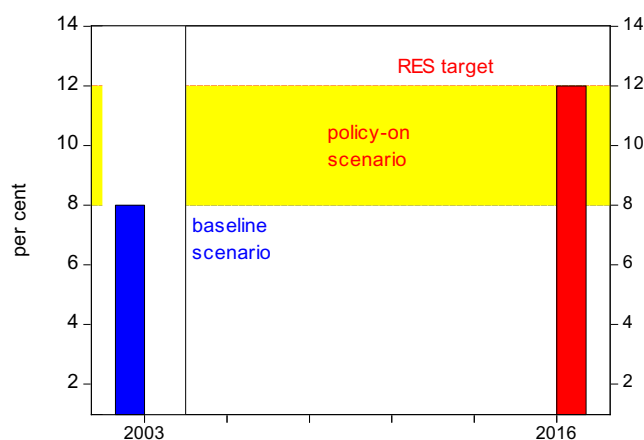
- The latest available data on the number of exporting companies are related to 2006, which means it is not possible to provide an update on this target.
- The total number of exporting companies in the South East increased between 2003 and 2006, although the *proportion* of companies that exports remained broadly stable, at around 8%.
- The number of foreign direct investments into the South East has risen sharply in recent years, although there has been a slight decline in the South East's share of total UK FDI, which stands at 14% for 2007/08.
- Nevertheless, the South East is the second best performing UK region in terms of total number of FDIs recorded in 2007/08.

Exposure to major international markets strengthens competition and innovation, provides access to new ideas and technologies and in turn stimulates higher productivity and business growth.

T1-1: Percentage of exporting companies

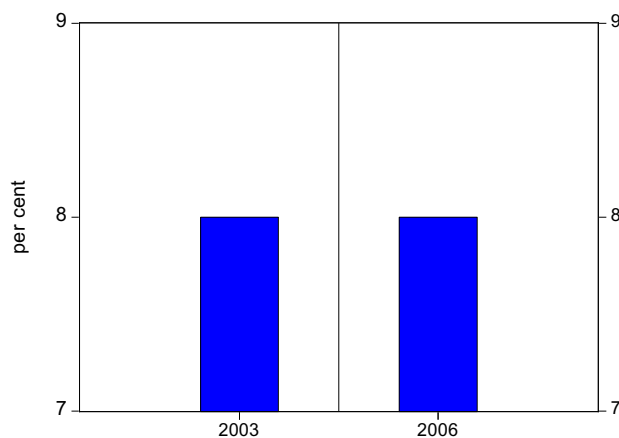
Figure T1-1.1 shows the baseline and policy-on scenarios for the percentage of businesses operating internationally. The baseline figure is based on estimates of the total number of exporting companies in the region by DTZ Pieda Consulting on behalf of Trade Partners UK (now UKTI), and the target represents the upper limit of what can reasonably be achieved by 2016.¹⁶ As similar analysis has not been produced for the past year, it is not possible to provide an update on this target. Moreover, while data on the number of companies exporting goods is available, it is necessary to estimate the number of companies exporting services.¹⁷ A complete update will be provided as soon as a new estimate on the number of exporting companies is produced.

Figure T1-1.1: Percentage of exporting companies
Trend based projection and policy-on scenario



Source: DTZ Pieda Consulting 2005 and SEEDA 2006

Figure T1-1.2: Percentage of exporting companies
South East, 2003-2006



Source: SEEDA Global Competitiveness Directorate estimate, 2007

¹⁶ DTZ Pieda Consulting (2005) *South East International Trade Strategy*, DTZ for Trade Partners UK.

¹⁷ Data on regional exports of services are available from BERR, but only for the period 2001-2006.

The total number of exporting companies (excluding services) in the region increased from 13,383 in 2003 to 14,077 in 2006, and reached 12,403 for the first three-quarters of 2007 (data for the last quarter of 2007 are not available yet).

As mentioned earlier, the above data significantly underestimate the total number of exporting companies as they are based on exports of goods only, while the service sector accounts for over 75% of the economy. The estimates produced by SEEDA (based on the DTZ approach) show that the total number of exporting companies has increased from 20,700 in 2003 to around 23,000 in 2006. Between 2003 and 2006 the proportion of exporting companies has broadly remained stable, at around 8% (Figure T1-1.2).

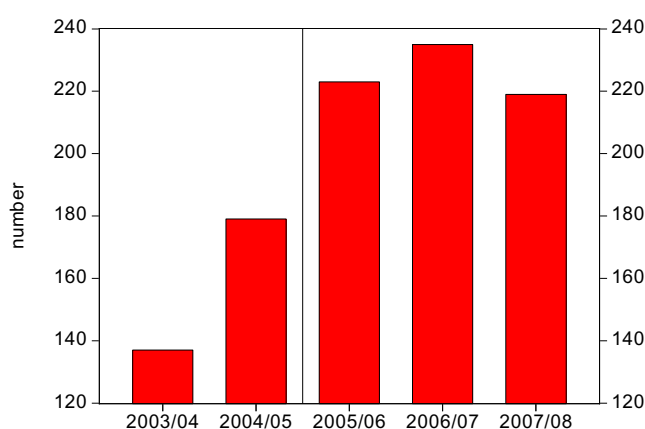
The current slowdown in demand from advanced economies is likely to have a negative impact on the number of exporting companies and the volume of exports in the South East and the UK.

T1-2: South East share of global FDI

Within the UK, inward investment plays an important role, as foreign-owned enterprises generate £45.5 billion in regional GVA, which is approximately 27% of the regional total.¹⁸

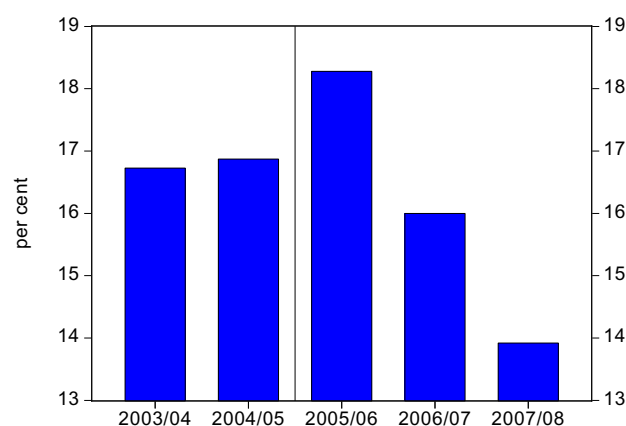
The number of foreign direct investments into the South East has risen sharply over the last few years, from 137 in 2003/04 to 235 in 2006/07, or by 58% (Figure T1-2.1). However, in 2007/08 the number of new FDIs in the South East has decreased slightly to 219. In 2003/04 and 2005/06 the South East accounted for 17% and 18%, respectively, of total UK FDI. The most recent figures for 2007/08 show a decline, with the South East's share falling to 14% of the total FDI (Figure T1-2.2).¹⁹

Figure T1-2.1: Number of FDIs recorded in the South East
2003/04-2007/08



Source: UKTI 2008

Figure T1-2.2: South East's share of UK total FDIs
2003/04-2007/08



Source: UKTI 2008

The competition from developed economies as well as developing economies implies that attracting new business is becoming an increasingly challenging task. Despite the decline in the overall share in 2007/08, the South East is the second best performing UK region in terms of total number of FDIs recorded in 2007/08. Attracting new business depends on a number of regional factors such as location (proximity to major markets), infrastructure and skills, as well as a variety of external factors. Since US firms account for the lion's share of the South East's FDI (42%), the FDI inflow over the past 12 months and the future inflow of FDI into the region heavily depends on developments within the US economy.²⁰

18 UKTI 'Trade and Investment Annual Report 2007-2008 – South East'.

19 A lack of comparable robust data prevents us from reporting the South East share of global FDI.

20 Measuring FDI at regional level is extremely difficult. Traditionally, at regional level, UKTI has used the number of investments and number of jobs created. When using the number of investment figures a degree of care is needed since all investments are treated equally, regardless of their size.

Target 2: **Knowledge transfer and research and development (R&D)** **Increase expenditure on research & development (R&D) in the South East from 3.2% of Gross Value Added in 2003 to 4% by 2016, and increase the proportion of businesses in the South East reporting R&D links with universities from 11% in 2005 to 15% by 2016.**

Indicator(s): T2-1: R&D expenditure as a proportion of GVA.
T2-2: Proportion of businesses in the South East reporting links with universities.
T2-3: Proportion of businesses reporting cooperation agreements on innovation.

Box T2: Key messages

- **Similar to the trend across the UK, total R&D expenditure as a proportion of regional GVA has been declining in the South East since 2000.**
- **However, R&D spending as a proportion of GVA in the South East is the second highest of any UK region.**
- **The majority of R&D expenditure is accounted for by business R&D.**
- **The South East accounts for around one-quarter of total R&D spend in the UK. Therefore, the region's performance will have a significant impact on the Government's ability to achieve its target of increasing R&D spend as a proportion of GVA.**
- **The latest data shows a significant increase in the proportion of South East businesses reporting links with universities between 2007 and 2008. However, the significant increase occurring in the past year is probably due to a change in the survey methodology rather than an actual increase in the number of businesses with links to universities.**
- **Between 2004 and 2006 the proportion of businesses reporting cooperation agreements on innovation in the South East was slightly higher than the national average. However, from 2002-2004 to 2004-2006 the proportion of businesses reporting cooperation agreements on innovation in the region has dropped from 14% to 11%.**

Innovation and knowledge transfer are crucial if regions are to compete in the global economy. There are, however, market failures that hamper investment in R&D and knowledge transfer activities. For example, firms may tend to under-invest in R&D because of high initial costs or a lack of relevant skills and uncertainty about future returns. Evidence shows that there is a lack of coordination in collaborative research between firms and universities who could share the costs and internationalise the benefits of R&D.

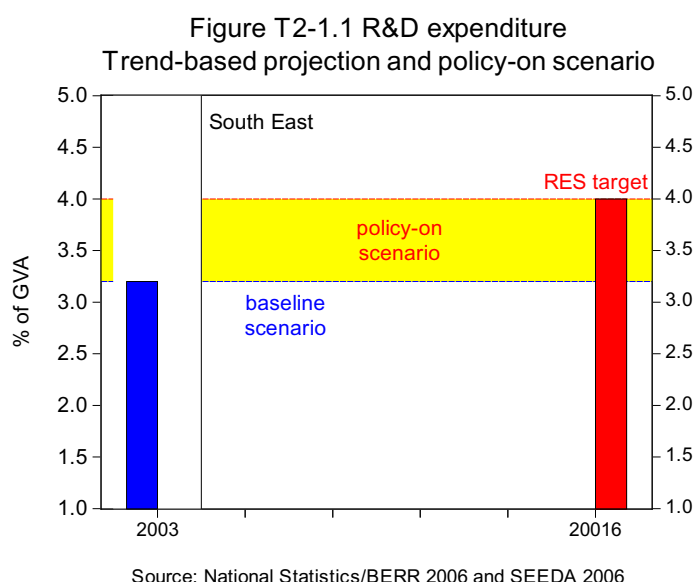
As it is increasingly recognised that knowledge is the major source of competitiveness, a failure to intervene in this area could damage the long-term competitiveness and growth prospects of South East businesses through foregone economic benefits such as higher productivity, moving up the value chain or other competitive advantages.²¹

T2-1: Expenditure on R&D as a proportion of GVA

Expenditure on R&D is a measure of R&D input and one of the most widely used proxy indicators for innovation. Innovation is one of the most important drivers of productivity and competitiveness. However, we have to be aware of the fact that R&D expenditure is a measure of innovation input and not innovation output.

Figure T2-1.1 shows the baseline and policy-on scenarios. The baseline assumes the 2005 rate of R&D expenditure and the policy-on scenario assumes R&D expenditure as a proportion of regional GVA above the best performing UK region (in 2003). This is one of the most challenging targets in the current RES, since historically, growth in R&D has been relatively slow and since the target indicator also depends on the growth in total output (GVA).

21 For additional information on knowledge transfer and R&D see SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*, section 5.3 and SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.



Between 2004 and 2005, total R&D expenditure as a proportion of regional GVA in the South East declined from 2.9% to 2.7% (BERR, 2008). However, the proportion remained the second highest among UK regions, after the East of England, and is significantly higher than the UK average of 1.8% (Figure T2-1.3).

The UK trend of total R&D expenditure as a percentage of GVA between 1998 and 2005 appears stable, but is actually the result of very different trends among individual regions. In fact, some regions such as the North East and North West reported increasing trends, especially in the last few years, whereas some other regions (South West, London, Yorkshire & the Humber) reported stable figures and others (West Midlands and the South East) experienced decreasing trends.

Figure T2-1.2: Total R&D expenditure
South East England and UK

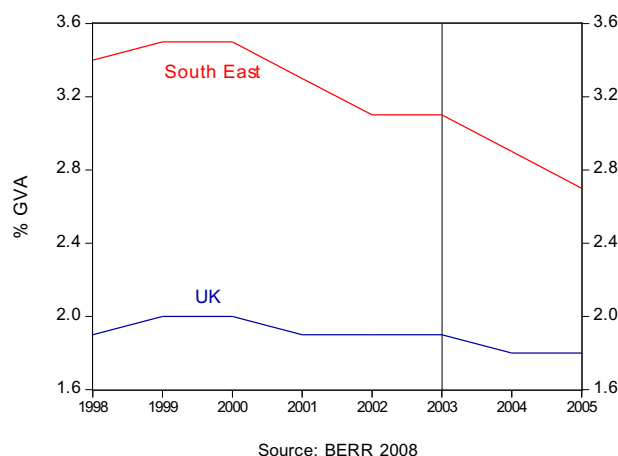
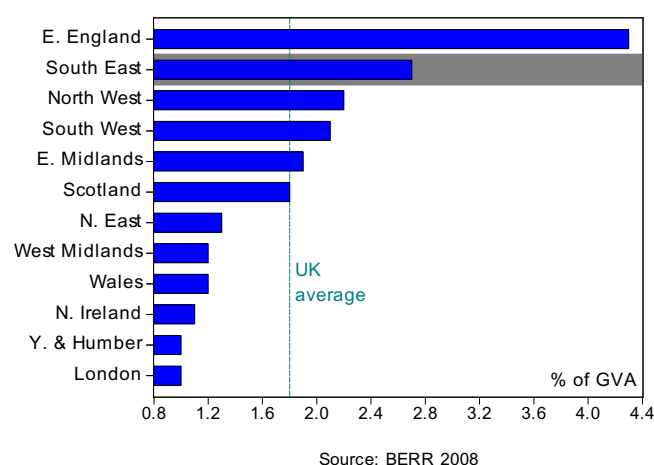
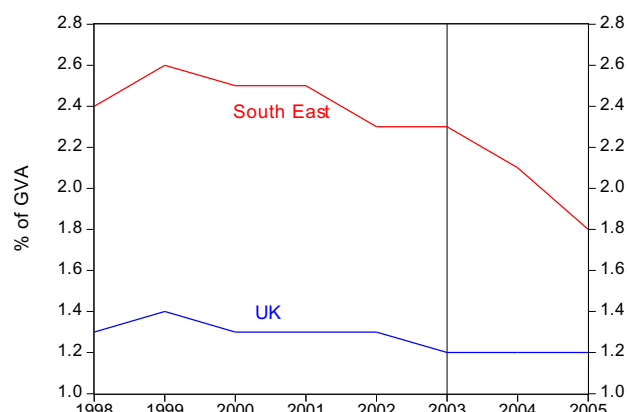


Figure T2-1.3: Total R&D expenditure
by UK region/country, 2005



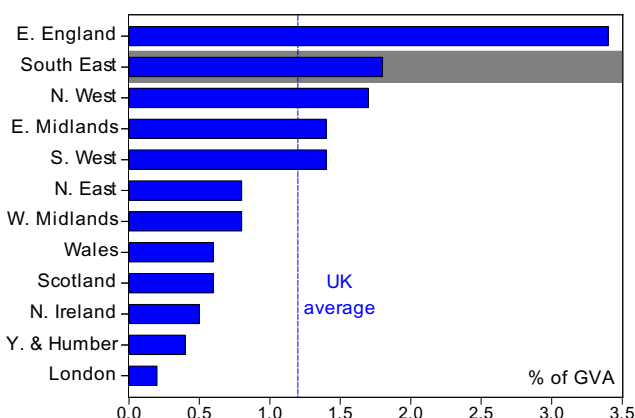
Looking at the components of R&D expenditure, we notice that the decrease in total R&D expenditure as a percentage of regional GVA in the South East is mainly attributable to the decline in expenditure in R&D made by the business sector (Figure T2-1.4), which fell from 2.1% of GVA in 2004 to 1.8% in 2005 and has been decreasing fairly steadily since 1999. However, business expenditure on R&D as a percentage of regional GVA is the second highest in the UK after the East of England and, in absolute terms, the South East has the highest business expenditure on R&D nationally, accounting for some £3,300 million in 2004, representing about a quarter of total UK business expenditure on R&D.

Figure T2-1.4: Business R&D expenditure
South East England and UK



Source: BERR 2008

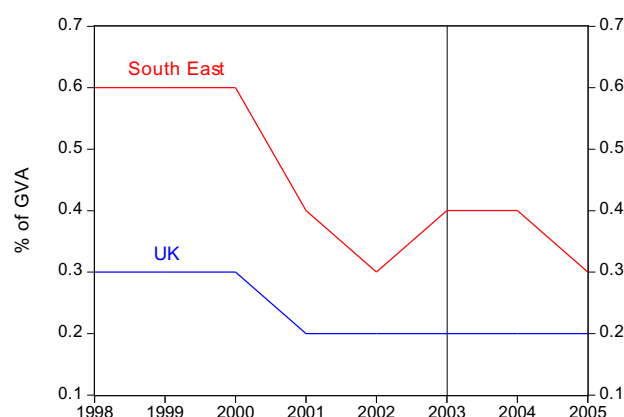
Figure T2-1.5: Business R&D expenditure
by UK region/country, 2005



Source: BERR 2008

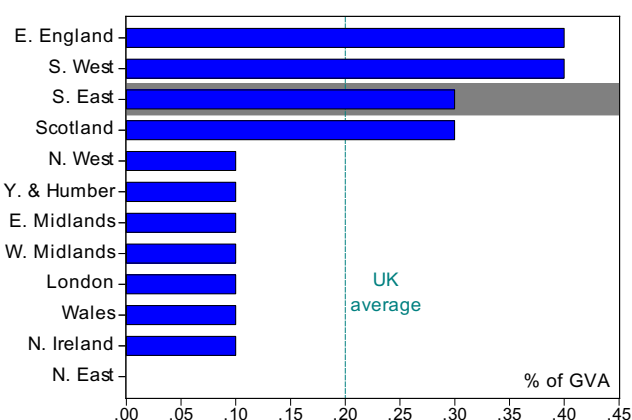
Government expenditure is one of the smaller components of total R&D expenditure in the region, and has declined quite significantly in the South East since 2000, when it accounted for 0.6% of regional GVA. Between 2004 and 2005, the proportion fell from 0.4% to 0.3%, which is just 0.1 percentage point higher than the UK average (Figure T2-1.6). Thus, over the period from 2000 to 2006, government expenditure on R&D in the region has halved, from 0.6% to 0.3%. Across the UK, government expenditure on R&D as a proportion of regional GVA is highest in the East of England and South West, but the South East, along with Scotland, still has a higher percentage figure than the UK average (Figure T2-1.7).

Figure T2-1.6: Government R&D expenditure
South East England and UK



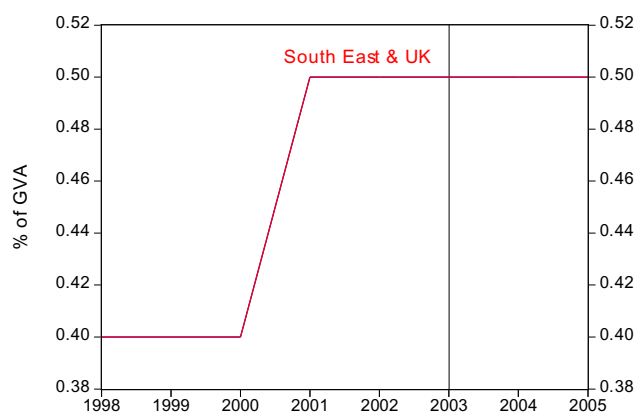
Source: BERR 2008

Figure T2-1.7: Government R&D expenditure
by UK region/country, 2005

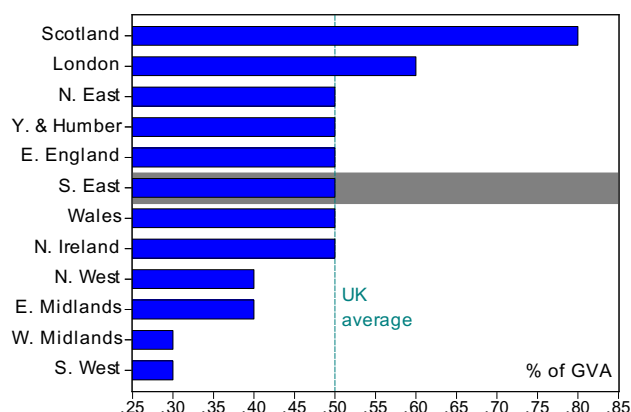


Source: BERR 2008

Expenditure on R&D by higher education is the third component of total R&D spending in the UK. The proportion of regional GVA accounted for by higher education R&D expenditure has remained fairly static, at 0.5% in both the South East and the UK in 2004 and 2005 (Figure T2-1.8). Scotland is the best performer nationally, with higher education expenditure on R&D as a proportion of regional GVA of over 0.8% (Figure T2-1.9).

Figure T2-1.8: Higher education R&D expenditure
South East England and UK

Source: BERR 2008

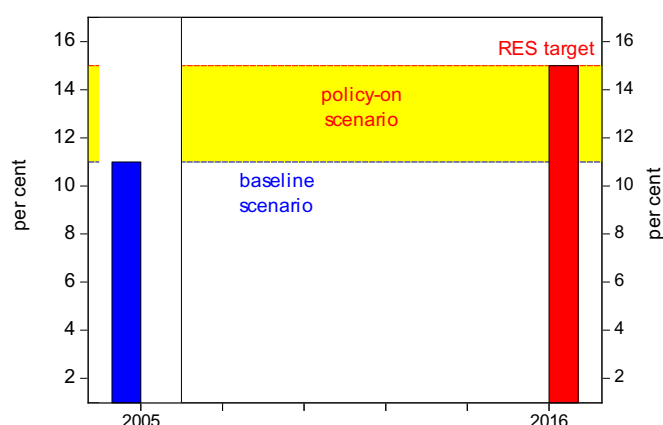
Figure T2-1.9: Higher education R&D expenditure
by UK region/country, 2005

Source: BERR 2008

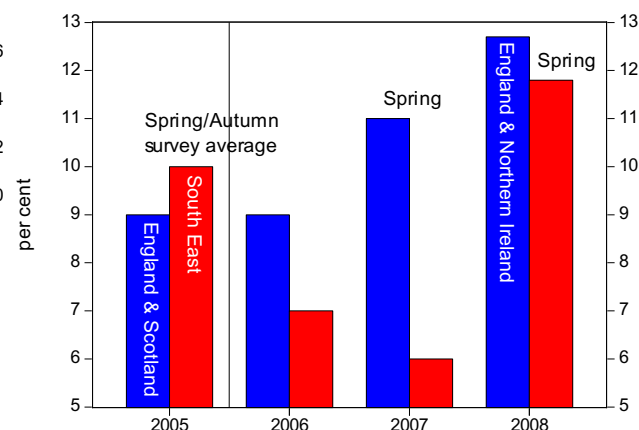
T2-2: Proportion of businesses in the South East reporting links with universities

Within the UK, a lack of coordination in collaborative research between firms and universities who could share the costs and internationalise the benefits of R&D has traditionally hampered innovation. Quantitative intelligence on business R&D links with universities is still patchy as it comes from a number of irregular surveys. The RDA survey of UK regional economic trends is one of the sources of regular data on businesses' links with universities.

Figure T2-2.1 shows the baseline and the policy on scenario. The baseline scenario is based on the 2005 rates, while the policy on scenario and the RES target assume a four-point growth over the period. In 2006, 7% of businesses in the South East reported links with universities, below the national average of 9%. In 2007 (Spring), this proportion had fallen to 6% compared to 11% nationally (Figure T2-2.2). However, data related to 2008 (Spring) shows that, despite being below the national average, the proportion of businesses reporting links with universities significantly increased over the past year, reaching almost 12%. The latest survey data also reveals that the South East region reports the second lowest percentage of companies establishing links with universities, after the East of England.

Figure T2-2.1 Businesses reporting R&D links with
universities: Trend-based and policy-on scenario

Source: CBI/RDA NBS 2006 and SEEDA 2006

Figure T2-2.2: Business reporting links with
universities, South East England

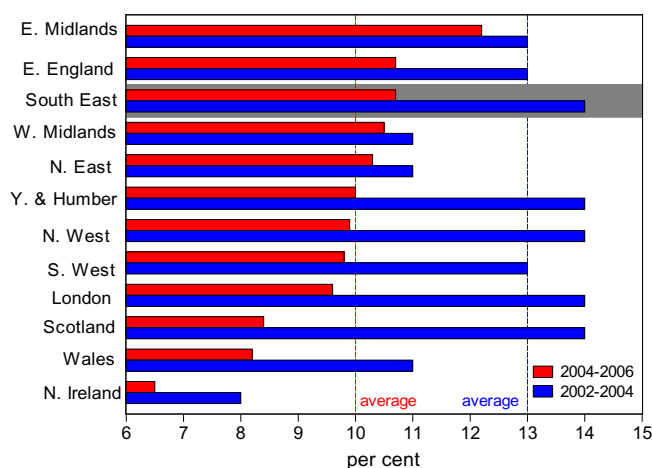
Source: CBI/RDA NBS 2007 and IPSOS/MORI, RDA NBS 2008

It should be noted that the significant variation over the analysed period could be due to the different sample sizes applied over time. The data from the latest wave of the RDA Business Survey (undertaken in May and June 2008) are more robust than previous years', as they are based on a new methodology involving a larger sample. Therefore, the significant variation occurring between 2008 and previous years is likely to be mainly due to the change in methodology rather than an actual increase in the number of businesses with links to universities.

T2-3: Business cooperation agreements on innovation

The links between business and universities are important factors in the innovation process; equally important are business cooperation agreements on innovation. The Community Innovation Survey²² (CIS05) puts the region in a better position than described above, showing more South East enterprises with cooperation agreements on innovation than the national average.

Figure T2-3.1: Enterprises with co-operation agreements on innovation, by region, 2002-2004 and 2004-2006



Source: CIS4 & CIS5, DIUS 2008

In 2004-2006, the South East had a slightly higher proportion of businesses reporting cooperation agreements on innovation compared to the national average (11% compared to 10% nationally). However, the proportion of enterprises with cooperation agreements on innovation in the South East dropped by 3 percentage points from 2002-2004 to 2004-2006. A significant decrease took place in almost all UK regions and countries, with falls of up to five percentage points.

This decline could be due to the decreasing trends in business R&D and in novel product innovation (realisation of new-to-the-market products, see following section). In fact, some studies²³ based on CIS data have shown that cooperative agreements on innovation activities are positively correlated to the amount of R&D undertaken at business level and to the amount of novel product innovation. As we have seen earlier, business R&D has been consistently falling in recent years and at the same time, as we illustrate in the section below, the proportion of business turnover attributable to new products in the South East has dropped significantly between 2004 and 2006. Both these factors could have had a considerable negative impact on the number of cooperation agreements on innovation.

²² The Community Innovation Survey (CIS) monitors Europe's progress in the area of innovation and creativity. The latest available data refers to the period between 2004 and 2006 (CIS5), while the previous survey (CIS4) refers to 2002-2004. In the past, the CIS has been conducted every four years; at the moment the survey is conducted every two years, with the next survey results to be published in 2010.

²³ Tether, B.S. (2002), 'Who co-operates on innovation, and why. An empirical analysis', *Research Policy*, 31, pp. 947-967.
Fritsch, M. and Lukas, R. (2001), 'Who cooperates on R&D?', *Research Policy*, 30, pp. 297-312.

Target 3: Innovation and Creativity

Increase the percentage of total South East business turnover attributable to new products (new to market) from 12% in 2004 to 20% by 2016, and the percentage attributable to significantly improved products from 18% in 2004 to 25% by 2016.

Indicator(s): T3-1: The percentage of total South East business turnover attributable to new products (new to market).
T3-2: The percentage of total South East business turnover attributable to significantly improved products.

Box T3: Key messages

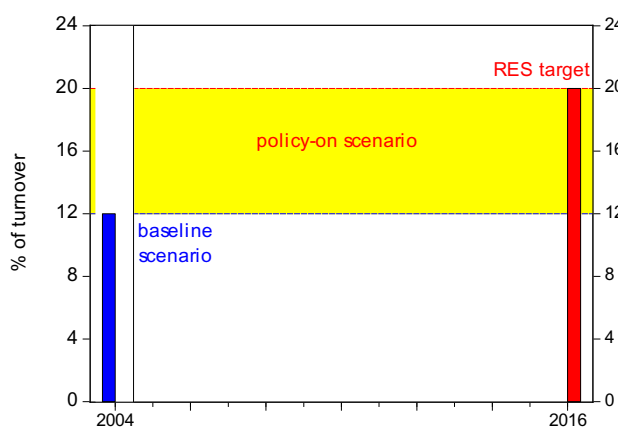
- **The percentage of business turnover in the South East attributable to new products is above the UK average, at 10% in 2006. The South East ranks second behind London.**
- **The South East has the highest proportion of business turnover attributable to significantly improved products of any region, at 19% in 2006.**
- **New data to measure change over time for this target will not be available until the publication of the sixth Community Innovation Survey in 2010.**

There are very few sources of data on innovation output, such as business turnover attributable to new products. The Community Innovation Survey (CIS) is the most widely used survey in the European Union and in the UK.

T3-1: Percentage of business turnover attributable to new products (new to the market)

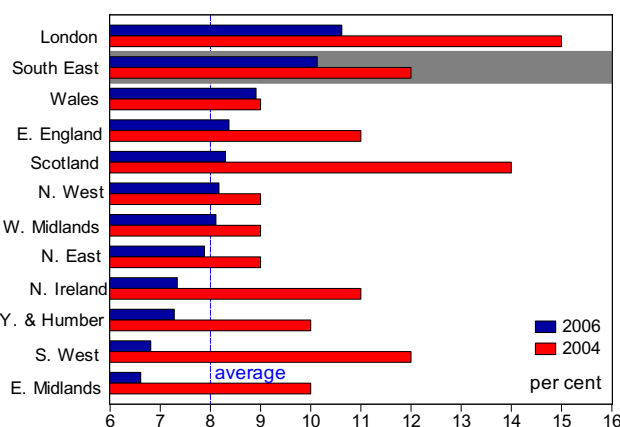
Figure T3-1.1 shows the baseline and policy-on scenarios for turnover attributable to new products (new to the market). The baseline scenario is based on the assumption that the proportion of business turnover attributable to new products remains broadly constant at 12% over the RES time horizon. The policy-on scenario assumes growth in the percentage of business turnover attributable to new products to 20% by 2016.

Figure T3-1.1: Turnover attributable to new products
Baseline and policy-on scenario



Source: BERR 2006 and SEEDA 2006

Figure T3-1.2: Business turnover from new products
(new to the market), by region, 2004 and 2006



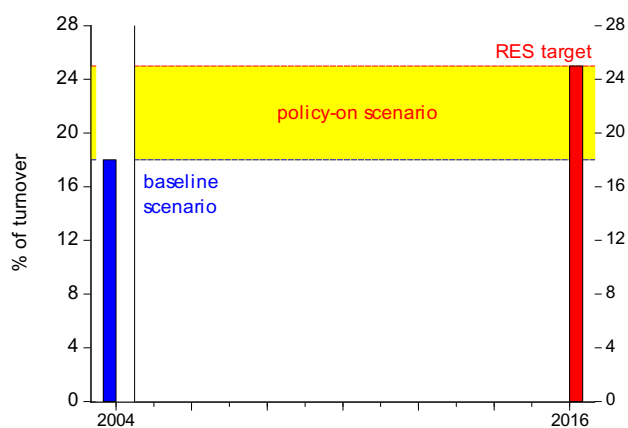
Source: CIS4 & CIS5, DIUS 2008

The average proportion of business turnover attributable to new products in the South East is one of the highest in the UK. At 10% the South East ranks second after London, compared to a UK average of 8% (Figure T3-1.2). However, the proportion of business turnover attributable to new products in the South East dropped from 12% in 2004 to 10% in 2006. All UK regions and countries have experienced a fall in the average turnover attributable to new products between the last two Community Innovation Surveys, apart from Wales which experienced no change. The largest fall took place in Scotland (6 percentage points' decrease in the average turnover attributable to new products) between 2004 and 2006.

T3-2: Percentage of business turnover attributable to significantly improved products

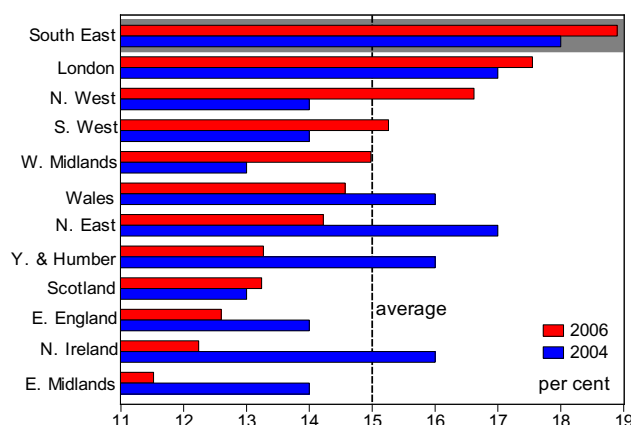
Figure T3-2.1 shows the baseline and policy-on scenarios for turnover attributable to significantly improved products. The baseline scenario is based on the assumption that the proportion of business turnover attributable to significantly improved products remains broadly constant at 18% over the RES time horizon. The policy-on scenario assumes a growth in the percentage of business turnover attributable to significantly improved products to 25% by 2016.

Figure T3-2.1: Turnover attributable to significantly improved products: Baseline and policy-on scenario



Source: BERR 2006 and SEEDA 2006

Figure T3-2.2: Business turnover from significantly improved products, by region, 2004 and 2006



Source: CIS4 & CIS5, DIUS 2008

The proportion of turnover attributable to significantly improved products is higher for businesses located in the South East than in any other region: 19% of the total turnover of South East businesses is derived from significantly improved products, compared to 15% nationally (Figure T3-2.2). The CIS6 due in 2010 will allow us to report progress for Target 3, with future updates available every two years.²⁴ In contrast to the trends related to the proportion of business turnover attributable to new products, the South East has experienced an increase in the average proportion of turnover attributable to significantly improved products, from 18% in 2004 to 19% in 2006.

²⁴ Data lags are common at regional level, even for some of the most widely used data sets. For example, the latest official provisional estimate of regional GVA data from ONS is available for 2006, with the final 2006 and provisional estimated 2007 data due in December 2008. Furthermore, data sets are often subject to frequent revision that can have a significant impact on the previous estimates.

Target 4: Infrastructure Secure investment in infrastructure priorities to maintain international competitiveness

Indicator(s): A number of major infrastructure projects identified in the new strategy.
T4-1: Total identifiable expenditure on transport, per head.

Box T4: Key messages

- **As the main UK gateway to Europe and the global economy, the South East's transport network requires significant investment, in order to maintain the competitiveness of both the regional and national economies.**
- **SEEDA has contributed to a range of new infrastructure projects aimed at increasing the capacity and quality of transport links in the South East.**
- **There was significant growth in expenditure on transport in the South East between 2001 and 2004, and again between 2005 and 2006, while over the past year expenditure has remained stable.**
- **However, total expenditure on transport per head in the region is significantly below the UK average and less than half that of London.**

The South East is home to several major motorways (M3, M4, M25), key strategic seaports (Dover and Southampton), airports (Gatwick and Heathrow on its border) and strategic rail links (Channel Tunnel Rail Link). Thus, the transport network in the region is the main UK gateway to mainland Europe and the global economy.

As well as providing linkages to sub-regional, national and international markets, the transport network acts as a major driver of economic growth through influencing other aspects of the economy (such as investment). Thus, successfully competing in the global economy implies upgrading and improving the South East (and UK) access points, hence enabling our major transport hubs to modernise in a sustainable way in order to enable efficient movements of goods and labour to Europe and the rest of the world. Furthermore, to be integrated in a global economy, it is not only necessary to have good and sustainable transport links to global hubs, but also to have good connections within the region.²⁵ SEEDA has contributed to a range of new infrastructure projects aimed at increasing the capacity and quality of transport links in the South East, some of which are outlined below.

AirTrack

AirTrack is a new rail service linking Heathrow's Terminal 5 with London (Waterloo Station), with the Thames Valley (Reading) and Surrey (Guildford). SEEDA is part of the AirTrack Forum, which comprises a cross section of local authorities, businesses and community organisations from Surrey, Berkshire and London.

Funding has been granted by BAA Ltd for the promotion of a Transport and Works Act (TWA), which incorporates powers for necessary land and planning consents and includes work on engineering studies, environmental impacts, operational issues and economic benefits to the wider community. The target is to operate services by 2013/14 with a possible two-year delay due to Olympic and Paralympic priorities.

During 2007, the AirTrack Forum commissioned SDG Consultants to undertake a detailed study into the Wider Economic Benefits (WEB) of the AirTrack proposal. The objective was to assess benefits that may not have been captured by previous studies, in line with the latest guidance from the Department for Transport. This work was made possible by financial contributions from SEERA on behalf of the South East Regional Transport Board and from SEEDA.

The initial WEB study results, announced at the Forum's Annual Meeting in November 2007, indicate that the Benefit-Cost Ratio for the project would improve by around 30% if the additional benefits assessed by earlier studies were included. It also found the potential for further additional contribution arising from improved access to Heathrow; a potential for additional employment generation in the immediate local area to the proposed new station in Staines and increased productivity throughout the AirTrack corridor.

²⁵ For additional information (the evidence base) on transport and infrastructure see:
SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*.
SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

AirTrack fulfils a number of key objectives for transport in the South East, which were raised in the RES as well as in the recently published Eddington report: it improves access to the key international gateway at Heathrow, helps to relieve congestion in the Thames Valley area and secures surface access to Heathrow in a sustainable way.

SEEDA has a role in developing a funding package, similar to TIF-P (Transport Innovation Fund – Productivity Strand), before construction commences. SEEDA has also negotiated with a European Regional Development Fund (ERDF) project – the publication of an extended version of the *Terra Nova* magazine with a major focus on SEEDA-led ERDF projects, but also on AirTrack.

Brighton Main Line

The Brighton Main Line capacity enhancement has been delivered in part, with SEEDA having successfully influenced the Brighton Main Line Route Utilisation Strategy (RUS) through negotiation with the Department for Transport (DfT) and Network Rail.

SEEDA's strong representations were influential in securing the decision to continue the non-stop service to and from Gatwick Airport as well as to increase Brighton's mainline services. Working with its partners, West Sussex and Surrey Economic Partnerships and BAA, SEEDA argued that the non-stop service was vital to the economy of the region and was central to the infrastructure of a growing, dynamic part of the South East. The rail enhancement is essential to the increasing volume of travellers at Gatwick Airport and to business growth within the Gatwick Diamond.

The service will also be especially important for the thousands of visitors expected for the 2012 Olympics and Paralympics. Lobbying underlined the importance of the proposed investment in the development and refurbishment of Gatwick Station to enhance its capacity. The extra services to Brighton and the South East coast will play a part in the regeneration of the coastal economy (a key part of SEEDA's RES) as well as guarantee a higher patronage of the express service.

SMART – Solent-Midlands Advancement of Rail Transport

SMART is a project to upgrade the rail gauge between the Port of Southampton and the West Midlands, to enable 9' 6" (high cube) containers to be carried on standard container wagons. This will enable the freight operating companies (FOCs) to carry the increasing proportion of high cube containers without having to make additional investments, and hence simplify their operations at terminals and increase the load volume per train. SMART would also reduce the amount of road freight on the congested M27 and A34.

The scheme has an estimated cost of approximately £54 million, with construction expected to commence in 2008.

SEEDA successfully attracted ERDF match funding (IMPACTE project) for the business case and now acts as the catalyst to unlock Government funding through the TIF-P strand process and provides leadership in developing and managing a 'Regional Project Fund'.

Partnership funding package negotiation was successfully finalised between SEEDA, ABP Southampton, Southampton Container Ltd and Network Rail in the summer of 2007. This is a huge achievement in leverage for the region and enabled Network Rail to resubmit the business case in expectation of receiving complementing Government TIF-P funding (£43m TIF-P funding from the DfT as announced end of October 2007).

In March 2008, SEEDA successfully concluded negotiations with Network Rail for the Southampton Tunnel Grant Agreement. This will allow funding for necessary studies towards the implementation of the SMART scheme. This Agreement forms precedence in terms of contracting with Network Rail and should allow speedy progress to subsequent agreements with the UK's rail delivery agency.

M4 capacity enhancement

SEEDA has successfully completed a scoping report into the M4 capacity enhancement, commissioned from Deloitte Touche Tohmatsu at the beginning of September, which received full support from the business sector in the Thames Valley. The study included a careful consultation of strategic stakeholders such as GOSE, the Highways Agency, the South East England Regional Assembly, the Thames Valley Economic Partnership, the Confederation of British Industry, Reading Borough Council and the Berkshire Strategic Transport Forum, all of whom commented encouragingly and constructively. The progress on the work undertaken was also tabled at a House of Commons lunch reception in January 2008 and the strategic priorities received an enthusiastic endorsement by the Transport Minister and most local MPs.

SEEDA also engaged with the sub-regional economic partnership to devise the terms of reference for the second stage of the study – the development of the draft business case. The business case will look at the technical feasibility of capacity enhancement along the M4 corridor, the public transport service options and the funding mechanisms with a special focus on a later TIF-P submission if this program still exists. The works on this second study commenced in August 2008.

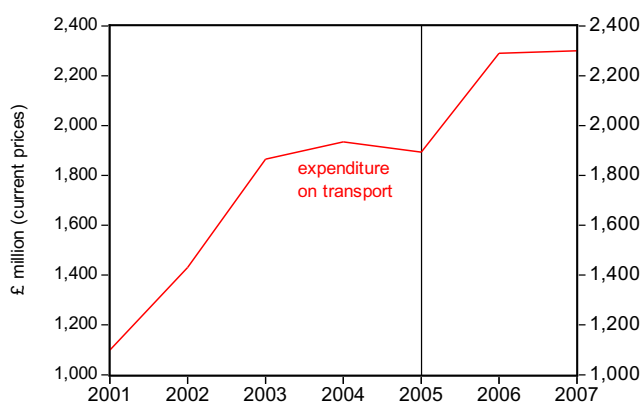
T4-1: Total identifiable expenditure on transport

Total identifiable expenditure on transport in the South East has grown more slowly than in other regions. However, following the Government's commitment to a significant increase in public expenditure in several key areas of public policy, between 2001 and 2004 there was a significant growth in expenditure on transport in the region (Figure T4-1.1). Between 2004/05 and 2005/06 there was a small decrease in public spending (-2.2%), which was followed by strong growth between 2005/06 and 2006/07.

During the most recent period for which data is available – from 2006/07 to 2007/08 – expenditure on transport in the South East remained stable, both in terms of absolute values as well as per capita. By contrast, at UK level total expenditure on transport per head increased in the past year. As a consequence, not only has the South East value remained below the national value, but also the gap between the national and regional levels has slightly widened (Figure T4-1.3).

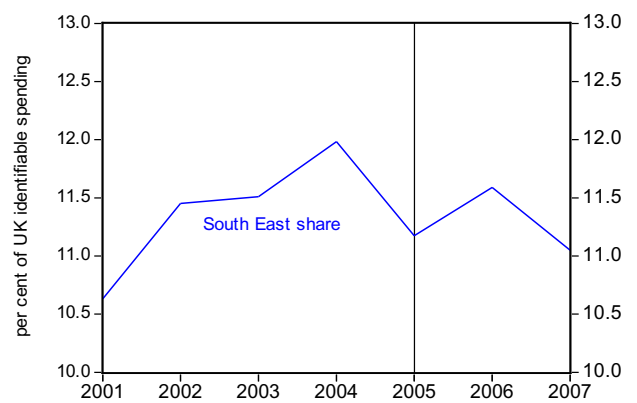
Over the period 2001-2006, there was an increase in the South East share of total identifiable spending on transport in the UK. However, between 2004/05 and 2005/06 there was a decline in the region's share to 11.2%, which was followed by an increase to 11.6% in 2006/07 and a decrease to 11.1% in 2007/2008 (Figure T4-1.2). The current share of total spending in the region is still well below the South East's share of the UK population or the national output. The total expenditure on transport per head of population in the South East is below the national average and less than half the expenditure in London (Figure T4-1.3). Despite this, the South East is the second most productive UK region, with levels of labour productivity and GVA per capita above the UK average.

Figure T4-1.1: Total identifiable expenditure on transport
South East England



Source: HMT 2008

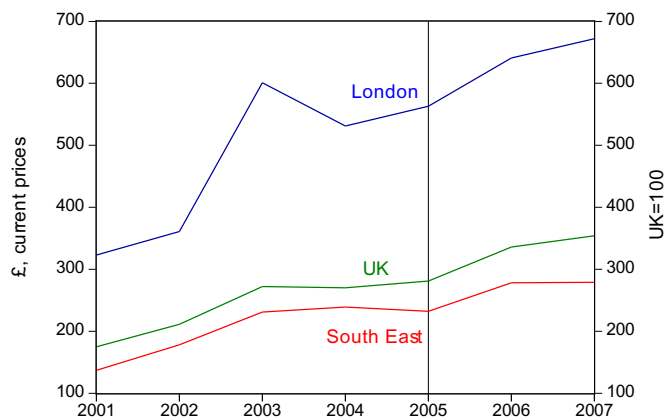
Figure T4-1.2: Share of total identifiable expenditure
on transport, South East England



Source: HMT 2008

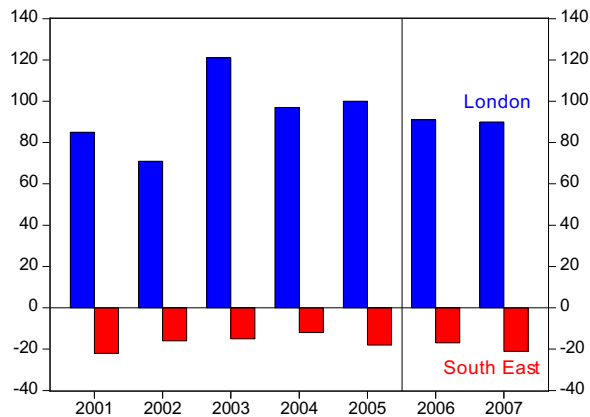
In 2005/06, per head expenditure on transport in the South East fell to some 18% below the national average, before increasing to -12% below the average in 2006/07 (or to its 2004/05 level). However, in 2007/08, per head expenditure on transport in the South East fell again to some 21% below the national average (Figure T4-1.4).

Figure T4-1.3: Per head identifiable expenditure on transport, selected regions, 2001-2007



Source: HMT 2008

Figure T4-1.4: Per head identifiable expenditure on transport relative to UK average, selected regions



Source: HMT 2008

Box O-1: Qualitative examples

Inward investment

The South East has attracted 219 Foreign Direct Investments (FDIs) in the past year. SEEDA has successfully supported 77 of these investments, which are forecast to generate over 2,489 jobs and further, will retain 1,587 jobs over the next three years. SEEDA played an active role in assisting 77 of these investments – these are forecast to generate over 2,489 jobs and retain 1,587 jobs over the next three years. UK Trade and Investment (UKTI) and SEEDA worked together to attract 57 of the 77 investments.

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies. The company has set up their European Technology centre in Camberley, Surrey. SEEDA gave advice about the local planning process to the management team at Merrill Lynch. They subsequently received swift approval to rebuild the offices. Existing employees and job functions moved from London and Ireland into the new building at the Camberley site. SEEDA also helped Merrill Lynch to recruit staff locally by supplying information and introducing them to other local employers to share best-practice and ideas. Merrill Lynch has developed an excellent relationship with their local council and are active members of the local business association. Merrill Lynch continues to work with SEEDA and has also introduced an extensive local travel plan that fits in with local area schemes.

Stephen Love, Head of Regional Development and Corporate Services, said: 'Camberley is an ideal location for Merrill Lynch's new technology centre. It is well situated for worldwide commerce with London and its international airports, Heathrow and Gatwick, only an hour away by car or train and major towns and cities in the South within easy reach.'

SEEDA has developed its international presence this year. To deliver value for money, SEEDA has combined resources with the South West Regional Development Agency (SWRDA) in India and the London Development Agency (LDA) in Korea. The Farnborough Aerospace Consortium (FAC) has also been assisted to launch a 'Composites Bureau', which aims to enable SMEs working in this field in France, Germany and the South East to access supply chain opportunities with tier-1 companies such as Boeing and Airbus. The Sector Consortia in the region have also received funding from SEEDA to open an office in Dubai, which will give companies in the South East trade opportunities in this important gulf region. Already, the office, in one year, has generated \$20 million in new sales, with more in the pipeline, and has signed up 25 companies from sectors as diverse as health technologies and aerospace.

UKTI Team South East has advised over 3,500 companies during 2007-2008. Over 900 companies received intensive support to improve their competitiveness through international trade.

Innovation Advisory Service (IAS)

SEEDA created and funded the Innovation Advisory Service (IAS) in December 2005 to help businesses kick-start the innovation process and accelerate their competitiveness; encouraging all sizes of companies to embrace new technologies, cement stronger links and engage more closely with the concept of Open Innovation along with universities and research institutes.

The IAS, run by Oxford Innovation, along with its partners the National Physical Laboratory and CLIK (the technology transfer arm of the Rutherford Appleton Laboratory), aims to give businesses access to a team of highly competent advisors who have worked at director level in the private sector and have specific technology experience. They offer advice tailored to a business's specific need and often go on to help commercialise new products. Advisors are able to visit businesses for anything from two hours to ten days. It's all free of charge.

The majority of companies helped by the programme have been established for some time. Typical companies use technology as a major part of their commercial activities and have more than 30 employees, although the service supports all ambitious technology-intensive companies. The service champions greater knowledge exchange among businesses and between business and public sector research establishments through Open Innovation.

In the first 18 months of operation, the IAS directly increased innovation expenditure by £28 million; a further £20-£30 million is expected from ongoing projects.

Enterprise Hub Network

Enterprise Hubs harness the drive and ambition of local partners and business people – in short, they are entrepreneurial in helping entrepreneurs. The strategy behind the Enterprise Hub concept is to use SEEDA funding in an entrepreneurial way to leverage additional funds and support in kind from local partners and stakeholders – in support of early stage high-growth potential business ideas. Any person in the region with a good enough idea and most of the qualities needed to bring it to market should be within easy reach of the support available from an Enterprise Hub team, which is drawing on local expertise as well as using some centrally sourced commercialisation services. The Enterprise Hubs are owned by local stakeholders while operating as a regionally recognised business support network.

The Enterprise Hub Network held a Showcase event in February 2007 at the QEII Conference Centre, Westminster. The purpose was to raise the profile of the Hub Network and their clients – to encourage more intermediaries to introduce businesses that meet the profile to the support available and to attract investors to the opportunities in the region.

The Enterprise Hub Network has assisted over 4,000 businesses in the past 5 years. Hub client companies have raised in excess of £35 million in investment in the past three years. Hub clients are contributing over £46 million GVA to the South East economy – and this figure will increase beyond the time they are supported by the Enterprise Hubs as they mature into sustainable businesses.

2.3 Smart Growth

Target 5	Enterprise	Increase the business stock by 35% from 35 businesses per 1,000 inhabitants in 2005 to 44 businesses per 1,000 inhabitants by 2016, including 10,000 new businesses run by women by 2010.
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Indicator(s): T5-1: Business stock per 1,000 inhabitants.
T5-2: Change in the number of businesses run by women (proxy – change in self-employment for females).

Box T5: Key messages

- **In absolute terms, the South East has the largest business stock of any UK region, after London. Between 2006 and 2007 business stock in the region increased further by 6,000 new businesses.**
- **In terms of business density, the South East has seen a significant increase between 2006 and 2007, but continues to lag behind London on this measure.**
- **Within the South East, business density tends to be higher in western and central parts of the region and lower in eastern and coastal areas.**
- **The female self-employment rate is used as a robust but imperfect proxy for female business ownership. Defining women-owned businesses is difficult, and as yet there are no official sources to measure this.**
- **The number and percentage of self-employed women has fluctuated in recent years, with a significant increase over the last year. In 2007 there were 13,000 more self-employed women in the South East than in 2006.**
- **With a female self-employment rate of 9.3% in 2007, the South East ranks third amongst the UK regions.**

Enterprise is identified as one of the key drivers of productivity and prosperity. Research has shown that new firms entering the market account for a significant component of productivity growth. It is also a key element of competitiveness, since new businesses often come up with new, innovative ideas and can, as a result, increase the region's ability to introduce new products or organisational forms as well as reacting to economic changes. Enterprise is a concept that is difficult to define and measure. However, in its broadest sense it refers to all entrepreneurial activity and can therefore refer to business start-ups or anyone embarking on a new venture for personal gain.²⁶

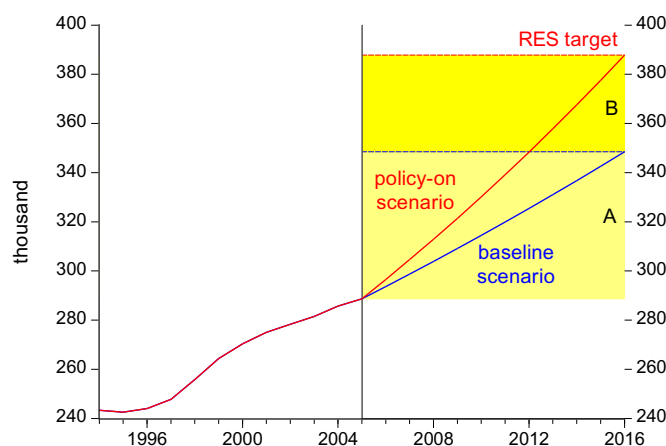
T5-1: Business stock per 1,000 inhabitants (VAT businesses)

Figure T5-1.1 shows the baseline and policy-on scenarios used in the development of the 2016 target for the total number of VAT registered businesses in the South East.²⁷ The baseline scenario is based on the past average annual growth rate in the total business stock in the South East, while the RES target (policy-on scenario) is marginally higher than the past growth rates of the best performing English region (London). The impact of the higher growth scenario in 2016 is shown in Figure T5-1.1 (shaded area B).

26 For additional information (the evidence base) on enterprise, see SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*, section 5.2 and SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

27 Following the change in Structural Business Statistics Regulation by Eurostat, all Member States are required to produce statistics on business births, deaths and survival rates using definitions and methodology determined by Eurostat. The new statistics will include businesses registering for PAYE and not just VAT and so will provide better estimates of new business registrations. We will switch to the new measure as soon as the new statistics become available.

Figure T5-1.1 VAT registered businesses
South East England, 1994-2016

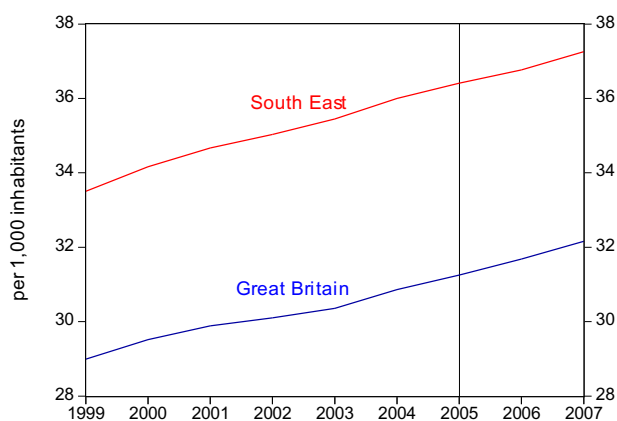


Source: SBS 2006 and SEEDA 2006

The South East economy is of similar size to London's economy, and based on a number of economic indicators the South East economy outperforms London. However, business stock is one of the indicators where the South East performance lags behind London, and it is natural for an economy of a similar size to London's to aim for a similar business density. Faster growth in business stock is also needed if the region is to achieve its employment and GVA targets. Furthermore, a target that aims at increasing business density could have a positive impact on a number of environmental indicators, as it could contribute to reduced commuting flows within and outside the region.

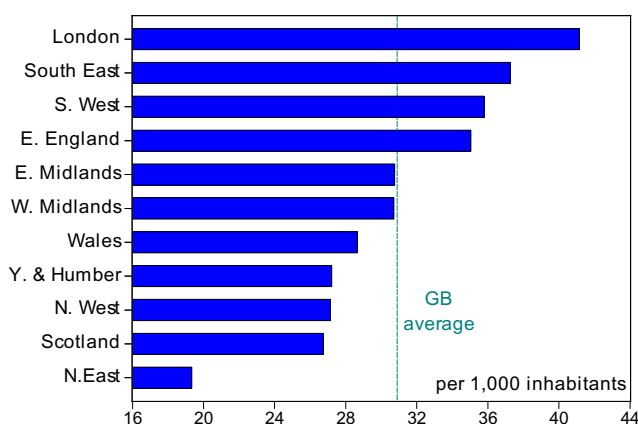
The South East has the largest business stock and business density in the country, after London, and over the last decade has seen a continual growth in business stock. Between the start of 2006 and the beginning of 2007 a further 6,000 new businesses were added to the region's stock. The number of businesses per 1,000 inhabitants increased from 36.7 to 37.2 businesses per 1,000 inhabitants: this figure is well above the national average of 32 businesses per 1,000 inhabitants (Figures T5-1.2 and T5-1.3).

Figure T5-1.2: VAT registered businesses
South East England and Great Britain



Source: ONS 2008

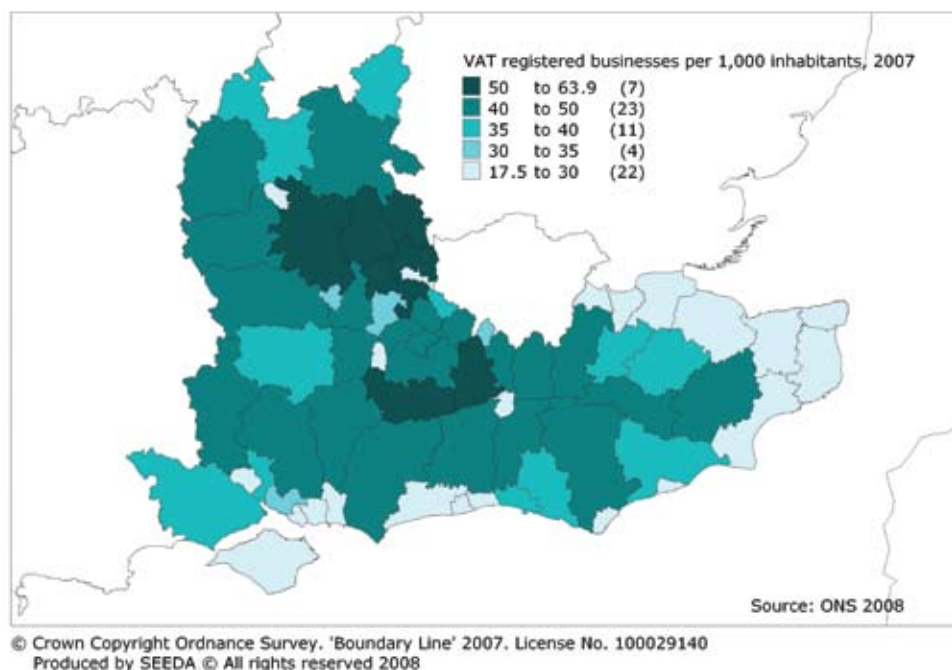
Figure T5-1.3: VAT registered businesses
by region, 2007



Source: ONS 2007

There is significant variation in business stock across the South East (Figure T5-1.4). Business density tends to be higher (between 40 and 64 businesses per 1,000 inhabitants) in the areas close to London, and the western part of the region, and lower (less than 30 per 1,000 inhabitants) in eastern and coastal areas. This pattern has remained broadly constant over the last few years. A number of factors such as location (proximity to major markets), infrastructure and skills are behind the disparities in business density within the region.

Figure T5-1.4: VAT businesses per 1,000 inhabitants by Local Authority District, 2007



T5-2: Change in the number of businesses run by women (proxy – change in self-employment for females)

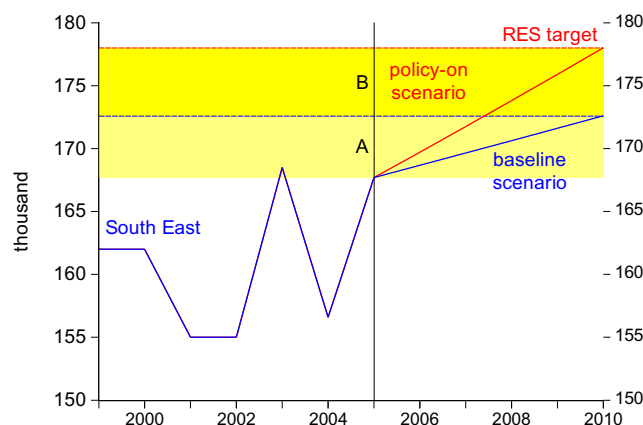
Looking at the proportion of female-owned businesses, the UK economy lags significantly behind some other advanced economies such as the United States, where around half of all businesses are female-owned.²⁸ The gender gap in entrepreneurship impacts on the labour market outcomes for females and on the overall productivity and prosperity of the region. Thus, an increase in female entrepreneurship will have an impact on both the labour market outcome for females and the wider UK and South East economies.

A major limitation in our ability to understand female entrepreneurship in the region is the lack of robust data sets. While in practice several different data sets (based on different definitions) are often used as a proxy, due to a lack of robust data sets we use female self-employment data from the ONS as a proxy indicator for female business ownership.

Figure T5-2.1 shows the baseline and policy-on scenarios used in the development of the 2010 target for the total number of businesses run by women. The baseline (trend-based) scenario is based on the past growth in female self-employment and the RES target (policy-on scenario) is based on an average annual growth rate of 1.2% per annum. The total cumulative impact of the baseline (shaded area A) and the policy-on (shaded area B) is around 10,300 more females in self-employment (a proxy for female businesses) in 2010 than in 2005 (Figure T5-2.1).

²⁸ However, this comparison should be made with caution as the US statistics count businesses with 50% female ownership as a female majority, whereas in the UK the threshold is 51%.

Figure T5-2.1: Female self-employment*
Trend based projection and policy-on scenario

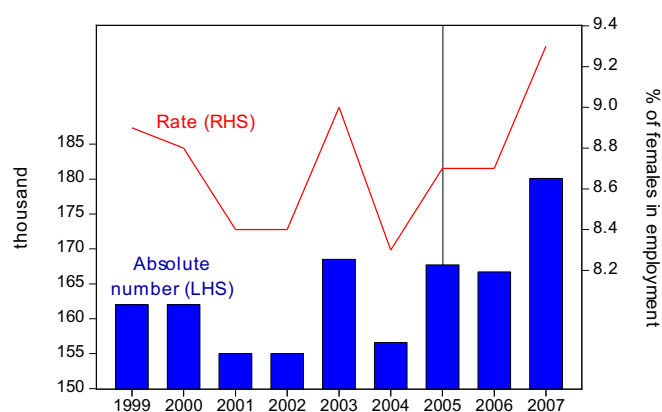


* Females in employment who are self-employed

Source: National Statistics 2007 and SEEDA 2007

Over the past few years there have been some fluctuations in female self-employment, with both the rate and the number of female self-employed falling after 2000 but increasing strongly in 2003, before falling in 2004 and rising again in 2005 (Figure T5-2.2). Between 2006 and 2007 the number of female self-employed has shown a remarkable increase. In 2007 in the South East there were 13,000 more self-employed women than in 2006. The self-employment rate (as a percentage of all females in employment) also increased significantly, from 8.7% to 9.3%. Thanks to this significant increase, female self-employment reached its highest level in 2007 in the South East. However, it should be noted that while the growth in female self-employment is encouraging, the nature of the increase is less so, being mainly the result of part-time working. The number of female full-time self-employed has remained relatively stable in recent times.

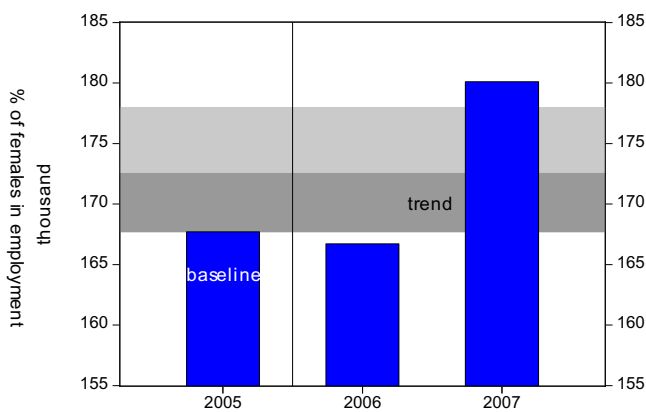
Figure T5-2.2: Female self-employment
South East England, 1999-2007*



* Females in employment who are self-employed

Source: ONS 2008

Figure T5-2.3: Female self-employment
South East England, 2005-2007*



* Females in employment who are self-employed

Source: ONS 2008

The Annual Population Survey estimate of female self-employment in the South East increased by 15,000 between 2005 and 2007 – more than is required by the RES target of 10,000 additional females in self-employment by 2010. This indicates that SEEDA has reached its target of 10,000 more women in business well ahead of the 2010 target date set in the South East Women's Enterprise strategy. However, the sampling error around the estimates may mean that the real increase is less or more than this. Moreover, we should note that the current economic slowdown and the credit crisis are likely to have an impact on this target over the next year and therefore the level of self-employment could fall in the future.²⁹

29 In July 2008, the ONS regional team in the South East published a report on 'Female owned businesses in the South East'. It provides very detailed analyses on the trends in the number and rate of self-employed females and on the main characteristics of female self-employed jobs. The report is available on the SEE-IN website: www.see-in.co.uk/downloads/ONS%20Documents/FIB%20final%20July08.pdf.

Target 6**Skills**

Maximise the number of people ready for employment at all skill levels, and ensure they are continually equipped to progress in the labour market.

Indicator(s):	T6-1: Proportion of working age population with NVQ 2+. T6-2: Proportion of working age population with NVQ 3. T6-3: Proportion of working age population with NVQ 4+. T6-4: Proportion of working age population with no qualifications. T6-5: Proportion of employers reporting skills gaps. T6-6: Proportion of the labour force receiving training in the last 13 weeks.
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Box T6: Key messages

- **The proportion of the South East working age population qualified to NVQ 2 or above grew by just 0.2 percentage points between 2006 and 2007, but remains the second highest in the UK, behind Scotland.**
- **Between 2006 and 2007 there was no change in the proportion of people whose highest qualification is an NVQ 3, although the South East remains the second best performing region on this measure, behind the South West.**
- **The proportion of working age people qualified to degree level and above (NVQ 4+) is also above the national average in the South East, and increased by 0.3 percentage points between 2006 and 2007.**
- **There has been no change in the proportion of people in the South East with no qualifications since 2006. The South East is the only region that has shown no improvement in this measure in the past year.**
- **There has been a significant fall in the proportion of South East employers reporting skills gaps between 2005 and 2007, reaching a figure below the national average.**
- **The proportion of the working age population receiving job-related training in the South East is in line with the national average, but has declined significantly since 2005.**

Improving skills and human capital is an important factor in promoting competitiveness and growth, both as an input to productivity and by contributing to technological progress and innovation. A more skilled workforce is likely to be more productive, which in turn leads to higher growth.³⁰ In line with the aspiration set out in the Leitch Review of Skills,³¹ that the UK should aim for a world-class skills base by 2020, the South East has a directional target to maximise the number of people who have the skills that will enable them both to enter employment and to progress in the labour market.

In order to measure the region's progress against this target, it is necessary to select some quantitative indicators, which are discussed in turn, below. The first four indicators relate to the qualifications of the working age population in the South East. It is acknowledged that qualifications are an imperfect proxy for skills, as they measure the outcome of an educational or training process designed to develop skill, rather than the skill itself. In addition, they do not measure 'tacit' skills gained through experience, or more general skills such as communication or customer service. However, qualification levels are a recognised measure of workforce skill, used routinely by Government. Moreover, data on qualifications is available in a consistent format, year on year, enabling progress to be measured.

30 For additional information on skills see SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*, section 5.4 and SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

31 HM Treasury, *Prosperity for all in the global economy – world class skills* (December 2006).

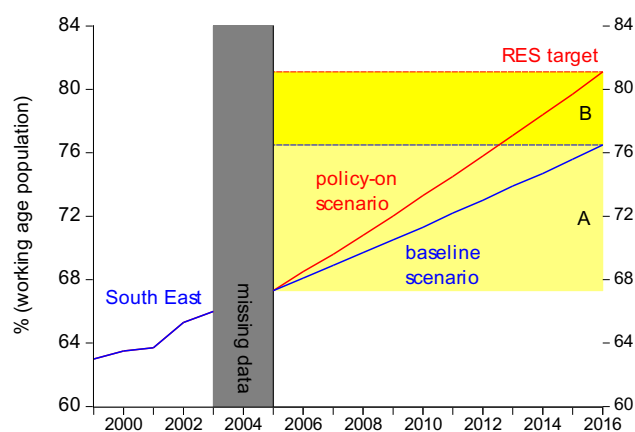
While the qualifications of the workforce relate to the supply side of the labour market, it is important to consider the demand side too. This is addressed in the final two indicators discussed in this section. The proportion of employers reporting skills gaps (deficiencies in their current workforce) gives a good indication of employer demand for skills. Finally, in order to assess the degree to which employers are equipping their workforce with the skills to progress in the labour market, we consider the percentage of the labour force receiving training.

T6-1: Proportion of working age population with NVQ 2+

An NVQ 2 (equivalent to 5 GCSEs or one A Level) is essentially an entry-level requirement for access to the labour market. Without this level of qualification, the range of employment opportunities open to an individual, and the earnings potential they can enjoy, are more limited.

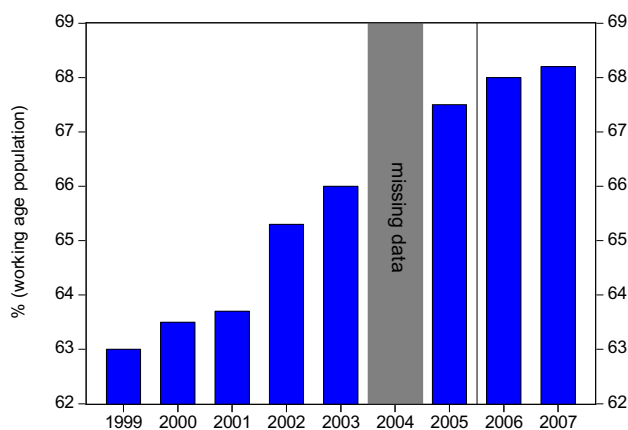
Figure T6-1.1 shows the baseline and policy-on scenarios used in the development of the 2016 directional target for the proportion of the working age population with NVQ 2+ in the South East. The baseline scenario is based on the past average annual growth rate in the proportion of the working age population with NVQ 2+ (one of the slowest growth rates nationally between 1999 and 2003). The RES target (policy-on scenario) is based on a growth rate some 15% above the past national average annual growth rate.

Figure T6-1.1 Working age population with NVQ2+
Trend based projection and policy-on scenario



Source: National Statistics 2006 and SEEDA 2006

Figure T6-1.2: Working age population with NVQ2+
South East England, 1999-2007



Source: National Statistics 2007

The total cumulative impact of the trend baseline (shaded area A) and the policy-on scenario (shaded area B) is shown in Figure T6-1.1. It shows an increase in the proportion of the working age population with NVQ 2+ from 67.3% to 81% by 2016.

The South East has the second highest percentage of the working age population with an NVQ 2 or above (behind Scotland) – significantly higher than the national average of 64.5%. However, the proportion of the working age population with an NVQ 2 or higher grew by just 0.2 percentage points between 2006 and 2007, from 68.0% to 68.2% (Figure T6-1.2). Looking at the longer term trend, since 1999 the proportion has grown by an encouraging 5.2 percentage points in the South East, although the gap between the region and the UK has been narrowing during this period.³² In 1999, the proportion of working age people in the South East with an NVQ 2 or above was 5.1 percentage points higher than the UK average. By 2007 the South East figure was just 3.7 percentage points above the UK average.

There is significant sub-regional variation in the percentage of people qualified to at least NVQ 2. The highest proportions (more than 75%) are found in western parts of the region, while the lowest proportions (less than 65%) are seen in north Kent, Hastings, Portsmouth and Milton Keynes (Figure T6-1.3).

³² Due to problems with the collection of qualifications data from the Annual Population Survey for 2004, all the charts relating to qualifications exclude data for that year.

Looking at how the proportion of people with NVQ 2 or above has changed between 2005 and 2007, there have been significant increases in Dover (13.3 percentage points), Gosport (11.4 percentage points) and Canterbury (11.2 points). Some local authorities, by contrast, have seen significant declines in the proportion of people with at least NVQ 2 since 2005. In Spelthorne, the figure dropped by 14.2 percentage points, while in Wycombe the fall was -9.7 percentage points. In general the decline has been greatest in areas bordering London and the East of England (Buckinghamshire, parts of Surrey and west Kent). (Figure T6-1.4).

Figure T6-1.3: Working age population with NVQ 2+, by District, 2007

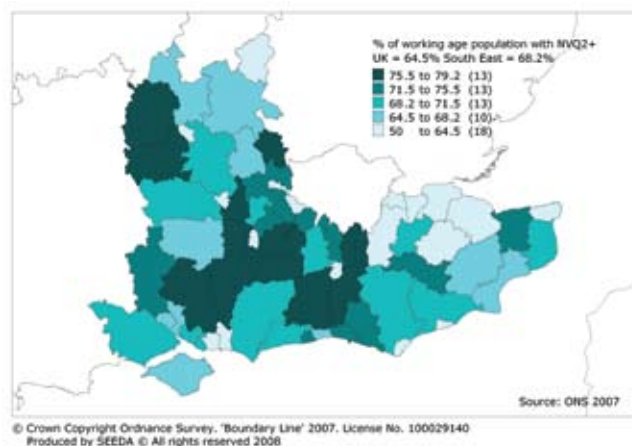
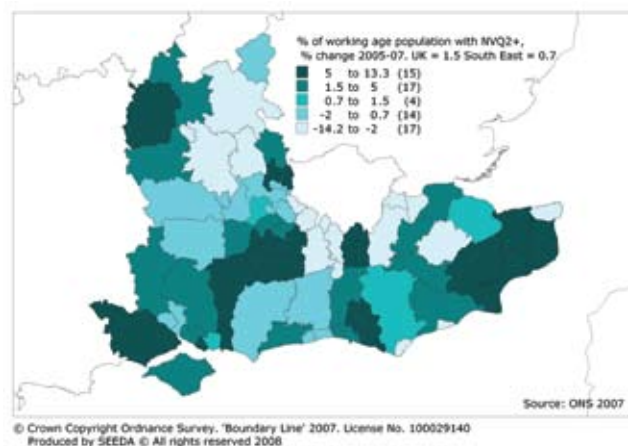


Figure T6-1.4: Working age population with NVQ 2+, percentage change, 2005-2007



T6-2: Proportion of working age population with NVQ 3

An NVQ 3 represents an intermediate qualification level (equivalent to two or more A Levels). Again, the South East performs better than the UK on the proportion of working age people whose highest qualification is an NVQ 3.³³ In 2007, 16.6% of the working age population in the South East held an NVQ 3 as their highest qualification, 1 percentage point higher than the UK figure of 15.6%, and 1.2 points behind the leading region on this measure – the South West.

Figure T6-2.1: Working age population with NVQ3 South East England, 1999-2007

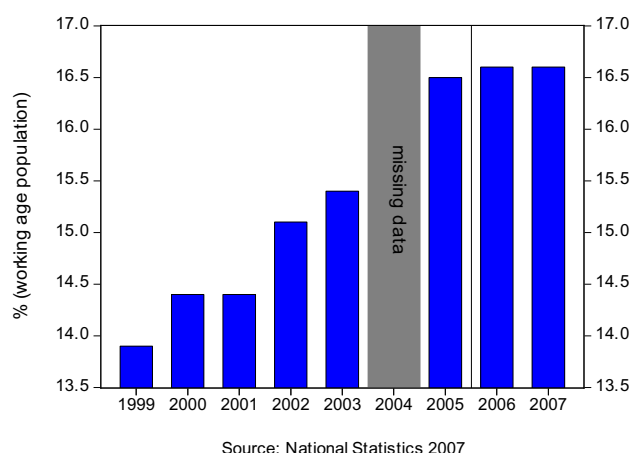
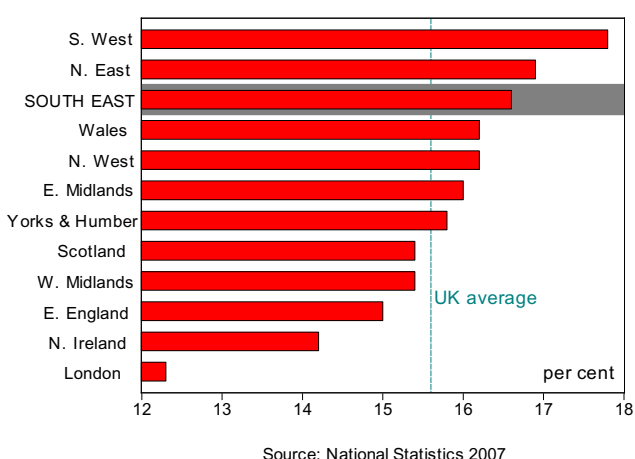


Figure T6-2.2: Working age population with NVQ3 by UK region/country



However, between 2006 and 2007 there was no change in the proportion of people in the South East whose highest qualification is an NVQ 3. Nevertheless, in terms of absolute numbers there was an increase in the number of people attaining NVQ 3, from 829,000 in 2006 to 835,900 in 2007. Since 1999, there has been a steady increase in the proportion of people with an NVQ 3 (overall a 2.7 percentage point rise).

³³ For this indicator NVQ 3 only rather than NVQ 3+ is used. The reason for this is that in order to measure the extent to which the workforce possesses intermediate skills, we need to look at the proportion of people whose *highest* qualification is an NVQ 3, rather than the proportion of people who have attained *at least* an NVQ 3. This latter measure would also capture people who are qualified to degree level, and thus it would be more difficult to specify the size of the population who have intermediate level skills only.

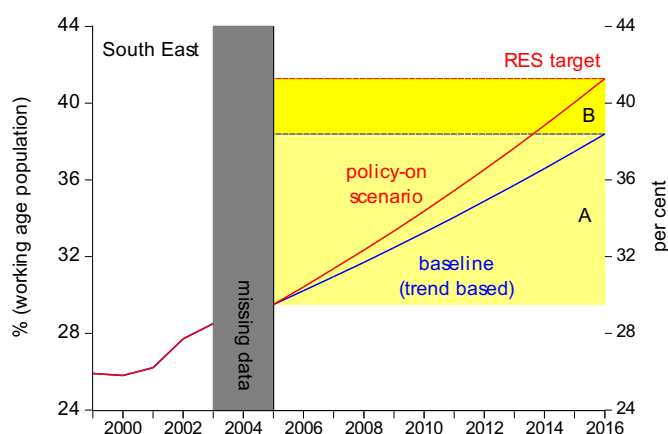
T6-3: Proportion of working age population with NVQ 4+

In considering the qualifications profile of the population, the measure of NVQ 4 and above is very important since it assesses higher level skills, which are becoming increasingly valuable with the growth of the knowledge economy. An NVQ 4+ is equivalent to a first degree or higher qualification.

Figure T6-3.1 shows the baseline and policy-on scenarios used in the development of the 2016 directional target for the proportion of the working age population with NVQ 4+ in the South East.

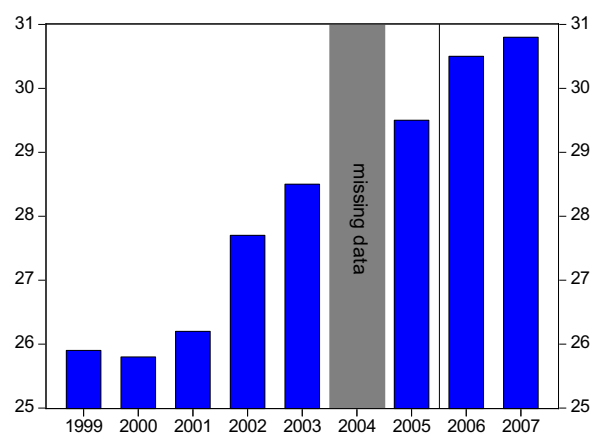
The baseline scenario is based on the past average annual growth rate in the proportion of the working age population with NVQ 4+ (one of the slowest growth rates nationally between 1999 and 2003). The RES target (policy-on scenario) is based on a growth rate some 10% above the past national average annual growth rate. The total cumulative impact of the trend baseline (shaded area A) and the policy-on scenario (shaded area B) is shown in Figure T6-3.1. It shows an increase in the proportion of the working age population with NVQ 4+, from 29.5% in 2005 to 41% by 2016.

Figure T6-3.1 Working age population with NVQ4+
Trend based projection and policy on scenario



Source: National Statistics 2006 and SEEDA 2006

Figure T6-3.2 Working age population with NVQ4+
South East England, 1999-2007



Source: National Statistics 2007

In the South East the proportion of the working age population gaining a degree or higher qualification grew more slowly between 2006 and 2007 compared to previous years. The figure increased by just 0.3 percentage points, from 30.5% in 2006 to 30.8% in 2007 (Figure T6-3.2). This represents an increase of 27,600 people in absolute terms. The proportion of working age people with an NVQ 4 or above remains higher than the national average of 28.5% and is the third highest after London and Scotland. Looking over the longer term, the proportion of the working age population qualified to at least NVQ 4 has improved significantly in the South East, increasing by 4.9 percentage points between 1999 and 2007 (from 25.9% to 30.8%), Figure T6-3.2.

Across the South East there are significant differences in the proportion of the working age population qualified to at least degree level. The proportion tends to be lowest (below 24%) in the coastal areas of north and east Kent, Southampton and Portsmouth, and highest (above 36%) in Surrey, much of the Thames Valley and parts of Hampshire and Sussex – notably in Brighton and Hove, Winchester, Chichester and Test Valley (Figure T6-3.3).

Figure T6-3.3: Working age population with NVQ 4+, by District, 2007

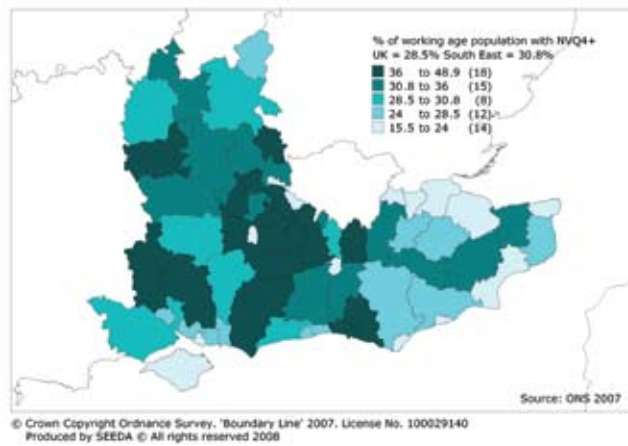
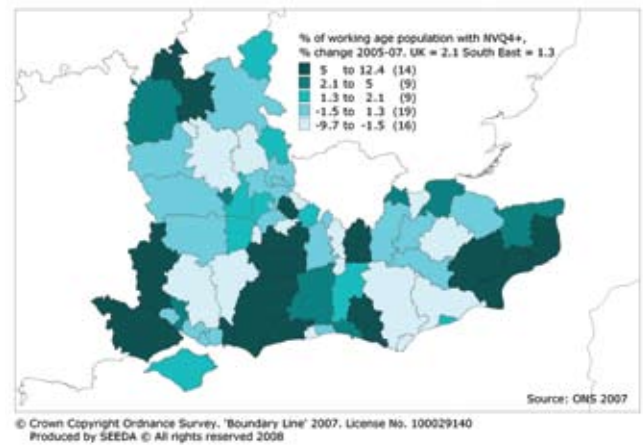


Figure T6-3.4: Working age population with NVQ 4+, percentage change, 2005-2007



There have also been marked variations in the rate of change in the proportion of people qualified to NVQ Level 4 and above (Figure T6-3.4). The most significant increases between 2005 and 2007 took place in southern parts of the region – notably in Test Valley (12.4 percentage point increase), Chichester (10.2 point increase), Arun and Runnymede (both 8.9 percentage point increases). Large parts of the Rural South East saw declines in the proportion of people qualified to degree level between 2005 and 2007 – particularly Buckinghamshire, Berkshire and parts of Oxfordshire, and large parts of west Kent, East Sussex and Hampshire. In Rushmoor, for example, there was a drop of 9.6 percentage points between 2005 and 2007, while Eastbourne saw a decline of 7.1 percentage points.

T6-4: Proportion of working age population with no qualifications

To complete the skills profile of the region's population, it is important to consider the proportion of working age people who have no qualifications and therefore are more likely to be excluded from the labour market.

There has been no change in the proportion of the working age population without qualifications since 2006. The figure remained at 9.6% in 2007 (the latest data available). The South East is the only region which has not seen an improvement in the proportion of people with no qualifications since 2006. Moreover, in absolute terms the number of working age people in the South East with no qualifications has increased, from 480,700 in 2006 to 484,800 in 2007. Nevertheless, the proportion of working age people with no qualifications in the region remains significantly lower than the UK average of 13.4%, and second lowest after the South West (Figure T6-4.2).

Figure T6-4.1: Working age population with no qualification
South East England, 1999-2007

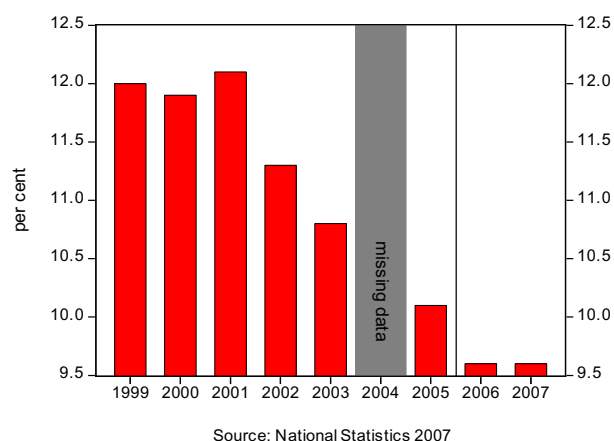
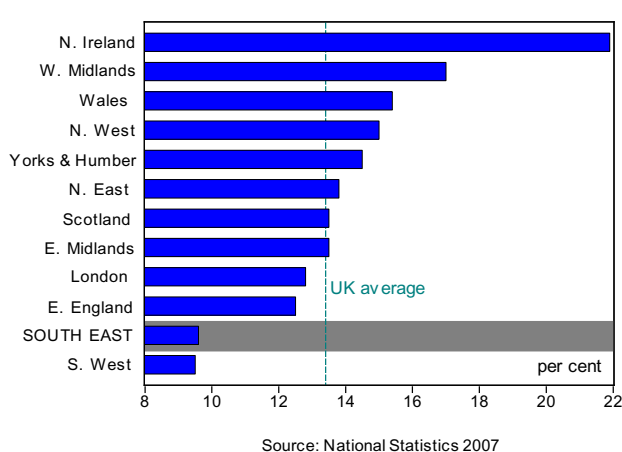


Figure T6-4.2: Working age population with no qualification
by UK region/country



Between 1999 and 2007 the proportion of the working age population without qualifications declined steadily, from 12.0% in 1999 to 9.6% in 2007 (a fall of 2.4 percentage points) (see Figure T6-4.1). Over the same period the total number of people of working age with no qualifications fell by 15,300 (from 500,100 to 484,800).

Figure T6-4.3 highlights the significant sub-regional differences in the proportion of people of working age with no qualifications. Higher percentages of people (at least 9%) lack qualifications in the 'periphery' of the region: in coastal areas of Kent and Sussex, to the east of London, in Portsmouth and in Buckinghamshire. In western and central parts of the region, smaller proportions (less than 8.5%) of the working age population have no qualifications. The proportion of people with no qualifications has increased slightly in parts of Buckinghamshire and Sussex compared to 2006.

Figure T6-4.3: Working age population with
no qualifications, by District, 2007

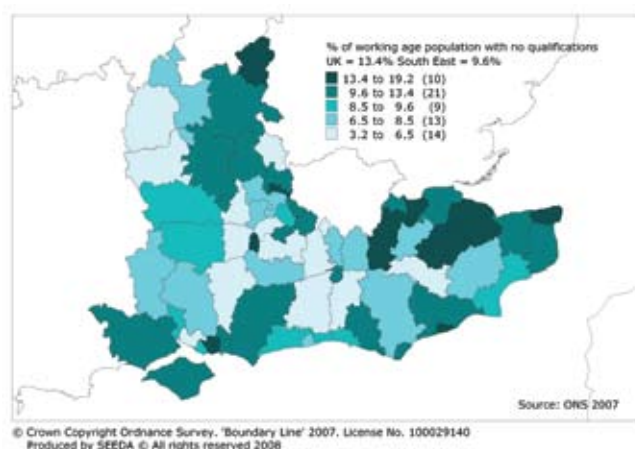
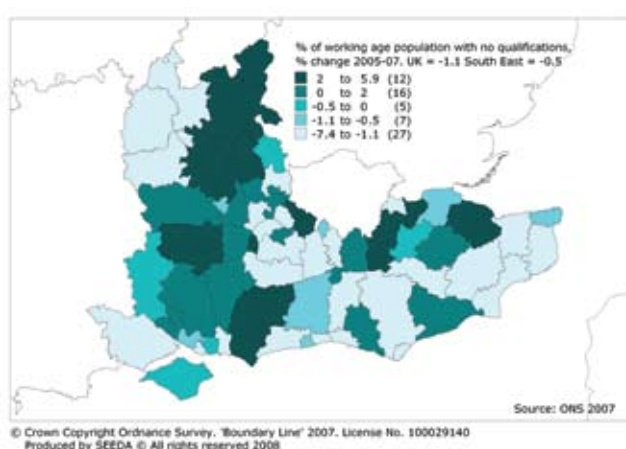


Figure T6-4.4: Working age population with no
qualifications, percentage change, 2005-2007



Looking in more detail at how the proportion of people with no qualifications has changed at local authority level since 2005, we see significant growth in Buckinghamshire, Chichester and Sevenoaks, and perhaps of more concern, in parts of the Thames Gateway (Swale and Gravesham). However, the majority of districts have seen a fall in the proportion of people with no qualifications – notably so in Oxfordshire, Surrey, East Sussex and eastern Kent.

T6-5: Proportion of employers reporting skills gaps

Skills shortages and gaps are an issue in the South East, partly as a reflection of the relatively high skill requirements of employers in the region. Skills shortages relate to a lack of suitably qualified applicants for particular jobs, while skills gaps refer to staff in the *existing* workforce who are not fully proficient in their current jobs. Thus this latter indicator measures the extent to which the skills supply in the current workforce meets employers' needs.

In the South East, 14.7% of employers reported skills gaps in 2007, which represents a significant improvement on 2005 (the last year for which data is available) when 18.4% of employers had skills gaps. Indeed, the South East has seen the greatest improvement of any region on this measure between 2005 and 2007. The South East figure is lower than the national average of 15.3% and only slightly higher than the North West and West Midlands (14.1% and 14.4% respectively). The best performing region on this measure is Yorkshire and Humber, where just 13.5% of employers reported skills gaps in 2007.

Figure T6-5.1: Proportion of employers reporting skills gaps, 2003-2007

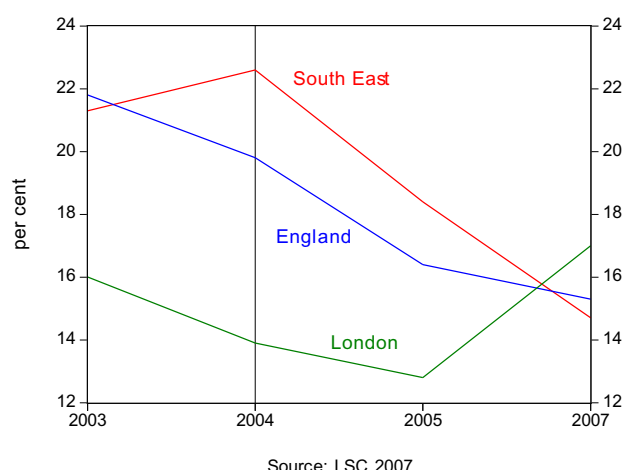
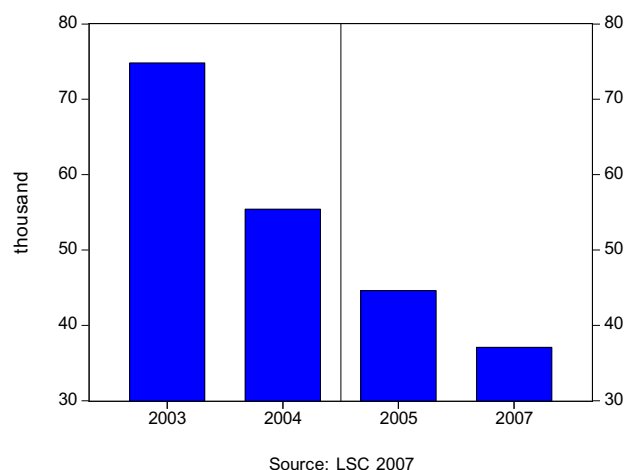


Figure T6-5.2: Number of employers reporting skills gaps, South East England 2003-2007



There has been a steady decline in the total number of employers reporting skills gaps in recent years. According to the National Employer Skills Survey, in 2003 74,800 employers in the South East reported skills gaps among their workforce, while in 2007 the figure had fallen to 37,100 employers (Figure T6-5.2).

T6-6: Proportion of the labour force receiving training in last 13 weeks

The proportion of the working age population receiving job-related training in the previous 13 weeks (prior to the survey from which this data is derived) is a commonly used, though imperfect, measure of training provision. Because of the relatively short time period concerned (just 13 weeks) a large amount of training activity is likely to be missed, and induction training tends to be picked up most commonly. This does not really give us an indication of the extent of training in specific, 'transferable' skills. Nevertheless, this indicator is one of the few training-related measures which is collected regularly, consistently, and covers a large sample of the population; so it is the most appropriate for monitoring regional performance year on year.

The proportion of the working age population in the South East receiving recent job-related training is in line with the national average, at 21.5% in 2007. However, since 2005 there has been a significant decline in the proportion of the labour force receiving training, in both the South East and the UK. Between 2006 and 2007 the proportion fell by 1.6 percentage points in the South East, from 23.1% to 21.5% (Figure T6-6.1).

While in 2005, the proportion of the working age population receiving job-related training in the South East was the highest of any region, by 2007 the region had slipped to fourth place. In 2007, 71,700 fewer employees in the region had received training in the previous 13 weeks than in 2006 (Figure T6-6.2).

Figure T6-6.1: Labour force receiving training
South East England and Great Britain, 2001-2007

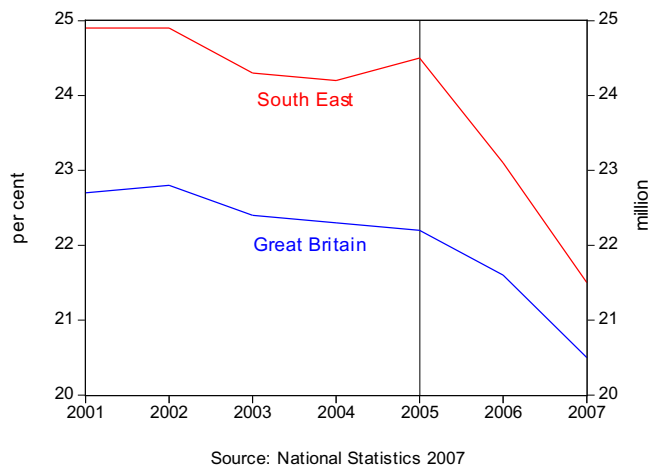
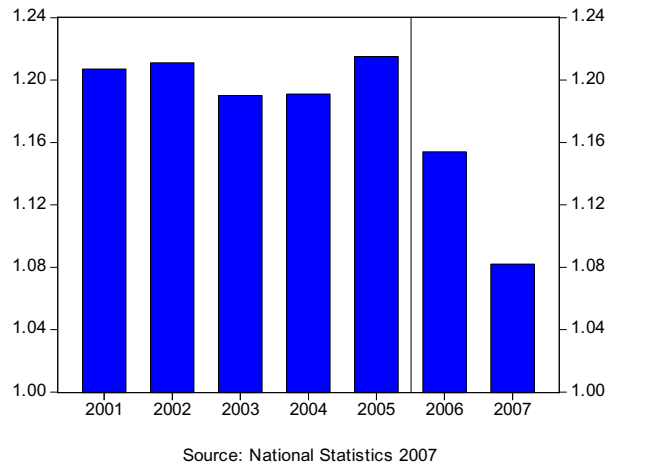


Figure T6-6.2: Labour force receiving training
South East England, 2001-2007



Target 7**Competition and
Business Regulation****Increase the level of participation of South East
businesses (especially small businesses and social
enterprises) in tendering for public sector contracts**

Indicator(s): Work in progress.

Export of goods and services is often used as an indicator of competition at national and regional level. However, the data currently available at regional level, which is based on export of goods only, is not appropriate since it significantly underestimates the total value of exports from the region.³⁴

The new target refers to the level of participation of South East businesses (especially SMEs and social enterprises) in tendering for public sector contracts. This is a fast moving policy area (highlighted by Lord Sainsbury and the Glover Review) in the UK, and is an area where measurement and data collection has lagged behind policy developments. While in the future it will be relatively straightforward for a single organisation (such as SEEDA) to collect the data and report on progress, a challenging task is to coordinate the data collection activities of other public sector bodies (especially large organisations such as the NHS).

Thus, current data availability prevents us from reporting progress for the region in this area. Further research is needed in order to obtain robust indicators that can be used to effectively monitor progress. A joint working group has been established between SEEDA, the NHS Collaborative Procurement Hubs and Improvement and Efficiency South East – this group is looking at measuring impact and benchmarking around procurement initiatives. There are also plans to establish a South East Public Sector Procurement Forum, which will also address some of the challenges around impact measures and data collection.

³⁴ The number of exporting businesses in the region is one of the indicators used under Target 1.

Target 8**Transport**

Reduce road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts.

Indicator(s): T8-1: Usual method of travel to work.
T8-2: Average daily motor vehicle flows (vehicles per day) by road class.
T8-3: Carbon dioxide emissions from road transport.

Box T8: Key messages

- **A greater proportion of people travel to work by car in the South East than in England as a whole, although the percentage dropped slightly between 2005 and 2006.**
- **Average daily motor vehicle flows in the South East are among the highest of any region. Overall traffic levels have remained broadly static for several years.**
- **Per capita CO₂ emissions attributable to road transport are the third highest of any region – accounting for one-third of total emissions in the South East. This reflects the region's position as the gateway to Europe, accommodating a large amount of transit traffic.**

Transport infrastructure is an important component of regional and national competitiveness and prosperity. Investment in transport infrastructure leads to positive externalities as it enables better access to markets for firms and employment opportunities for individuals. Under-investment has a negative impact on businesses, individuals and society. Transport infrastructure affects business investment, labour movement and, ultimately, the productivity and competitiveness of the region.

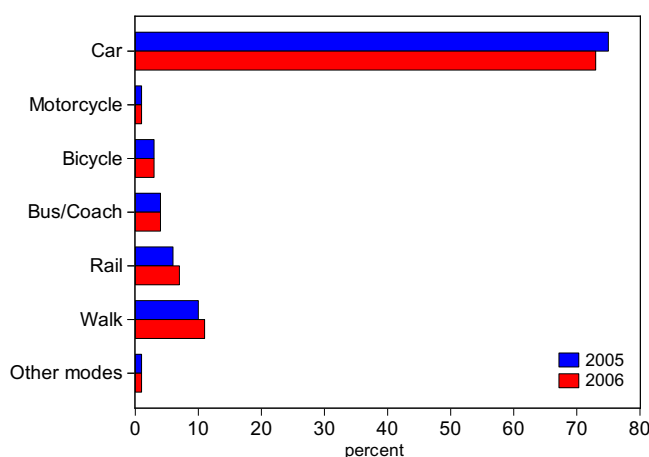
The South East has one of the highest population densities nationally. With this, the risk of congestion and transport pollution increases, given the general rise in car ownership and population. This means that it is all the more important to promote modal shift and encourage more people to use public transport facilities.³⁵

T8-1: Usual method of travel to work

The percentage of people who travel to work by car (as driver or passenger) is higher in the South East than the national average, standing at 73% compared to 70% nationally in 2006. Between 2005 and 2006, this proportion decreased by 2 percentage points, from 75% to 73%. There was no change in the proportion of people using other modes of transport to travel to work between 2005 and 2006, except for rail and walking, both of which increased by 1 percentage point.

In 2006, walking was still the second most popular mode of transport to work (11%), followed by rail (7%), bus and coach (4%) and bicycle (3%), Figure T8-1.1.

Figure T8-1.1: Usual methods of travel to work
South East England, 2005-2006



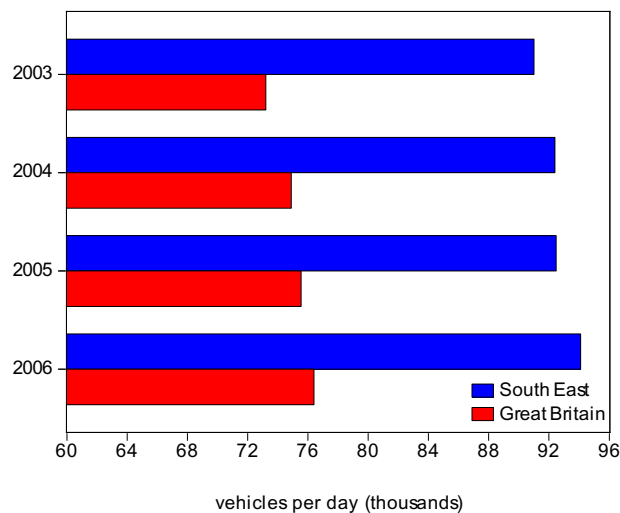
Source: DfT 2007

³⁵ For additional information (the evidence base) on transport see SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*, section 5.5 and SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

T8-2: Average daily motor vehicle flows

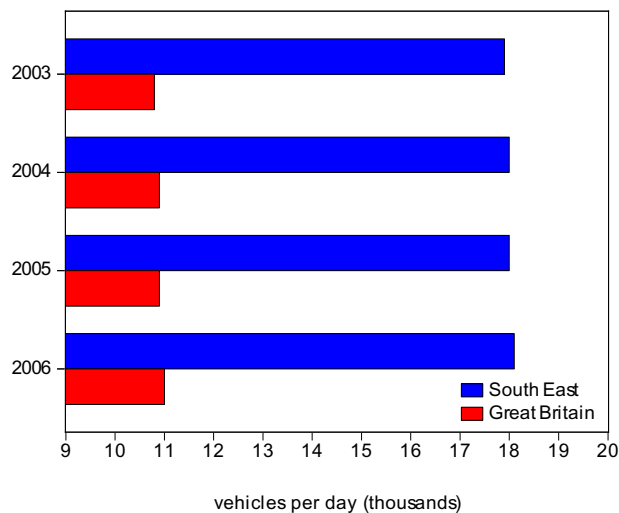
Overall traffic levels on the South East's road network (including minor roads) have remained broadly static since 2003 at an average of 5,000 vehicles on all roads. Reflecting the indicator above, the average daily motor vehicle flows in the South East are among the highest of any region: 94,100 vehicles per day travel on motorways in the South East, compared to the national average of 76,400 in 2006. This is only topped by the East Midlands region (95,600) and London (100,200) and there was an increase of 1,600 vehicles per day from 2005 (Figure T8-2.1). Daily traffic on major rural roads has only increased by 100 vehicles between 2005 and 2006 (Figure T8-2.2), while traffic on major urban roads in the South East has decreased slightly from 19,400 per day on average in 2005 to 19,300 in 2006 (Figure T8-2.3).

Figure T8-2.1: Average daily motor vehicle flows on motorways, 2003-2006



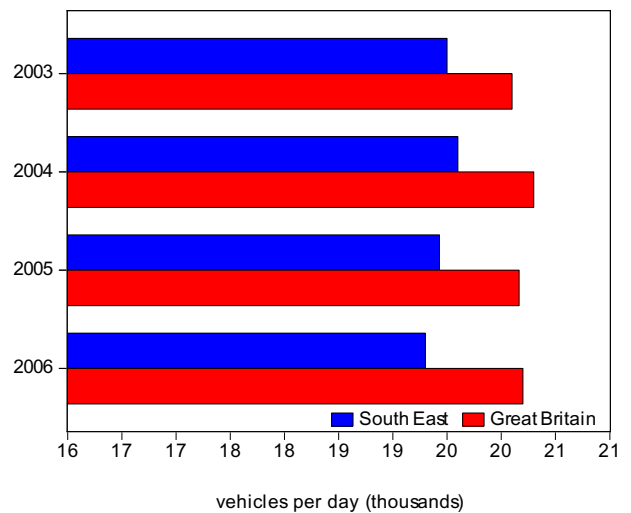
Source: DfT 2007

Figure T8-2.2: Average daily motor vehicle flows on major rural roads, 2003-2006



Source: DfT 2007

Figure T8-2.3: Average daily motor vehicle flows on major urban roads, 2003-2006



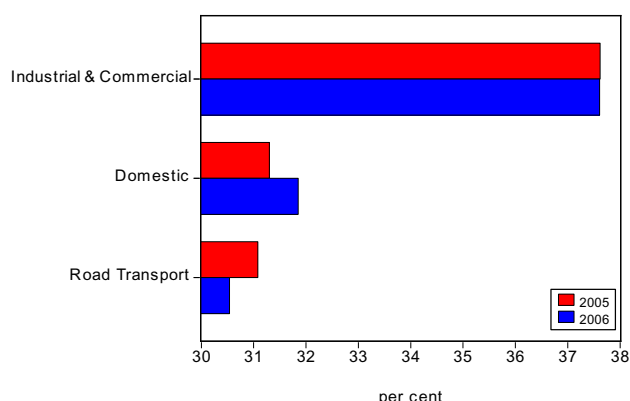
Source: DfT 2007

T8-3: Carbon dioxide emissions from road transport

In 2006³⁶, the South East emitted 20,173 kilotonnes of CO₂. This represents a slight decrease since 2005 (20,544 kilotonnes in 2005). The South East had the third highest per capita emissions caused by road transport of any region (after East Midlands and East of England), accounting for 2.45 kilotonnes per head compared to an English average of 2.22 kilotonnes. This represents a 2.5% decrease since 2005, when the figure was 2.51 kilotonnes.

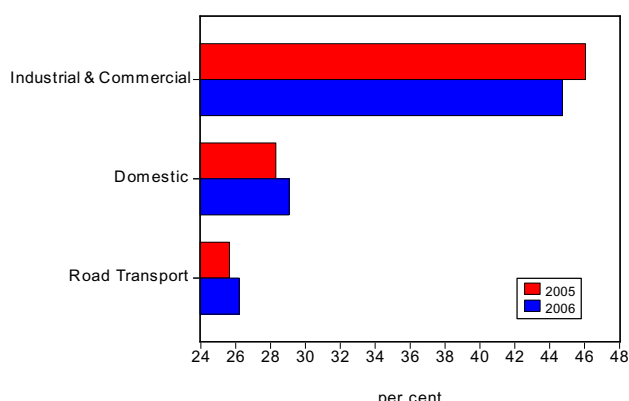
Looking at the share of emissions from different sources in the South East in 2006, 31% are attributable to road transport – higher than the national average of 26.2%. Emissions from domestic end-users were also higher than the national average, at 31.8% compared to 29%. However, emissions attributable to commercial and industrial end-users were significantly lower than the national average at 37.6% (44.8% nationally), Figure T8-3.1 and Figure T8-3.2. The service-sector oriented industrial structure in the South East is a factor behind the region's lower emissions from industry and commerce.

Figure T8-3.1 Share of CO₂ emissions by end user
South East England, 2005 and 2006



Source: Defra 2008

Figure T8-3.2 Share of CO₂ emissions by end user
UK, 2005 and 2006



Source: Defra 2008

³⁶ These estimates are now classified as full National Statistics having now met more rigorous data quality requirements since the previous version of the 2005 estimates was published as Experimental National Statistics in November 2007.

Target 9 Physical Development Ensure sufficient and affordable housing and employment space of the right quality, type and size to meet the needs of the region and support its competitiveness, and create the climate for long-term investment through the efficient use of land resources, including mixed-use development.

Indicator(s): T9-1: Ratio of median house price to median income.
 T9-2: New dwellings built or converted on previously developed land.
 T9-3: Previously developed land by planned use (for employment land, includes employment, mixed use, retail).

Box T9: Key messages

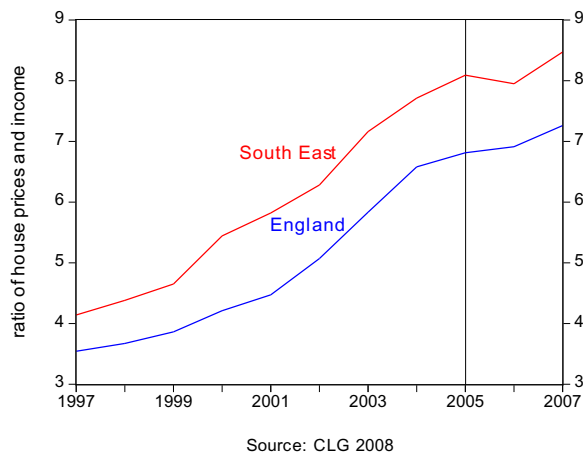
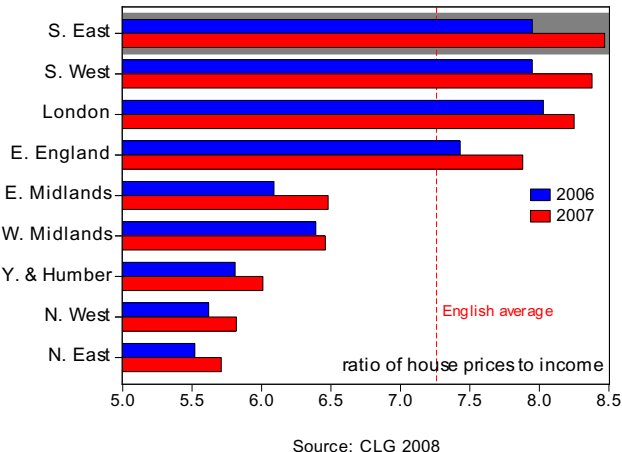
- **Housing affordability is a significant concern in the South East. The ratio of average house price to average income has more than doubled between 1997 and 2007.**
- **Both the number and proportion of new dwellings completed on previously developed land have increased significantly since 1999, with an increase from 79% to 81% between 2006 and 2007.**
- **Mixed-use land forms the largest share of previously developed land with planning allocation or permission in the South East. The area of land available for mixed-use development increased slightly between 2005 and 2006, as did the land available for housing.**

Appropriateness of housing and land use are vital components of regional competitiveness and growth, and play an important part in equality considerations and delivering social exclusion. Unsustainably high house prices can have a fundamental negative impact on individuals (through affordability and mobility problems), businesses (through recruitment and retention difficulties) or society (through, for example, a lack of foreign investment and equity).³⁷

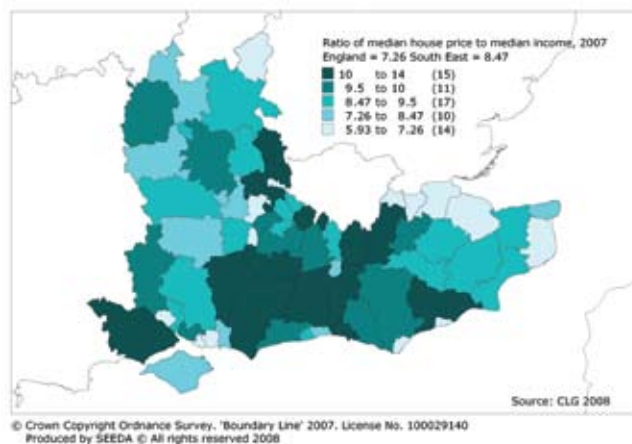
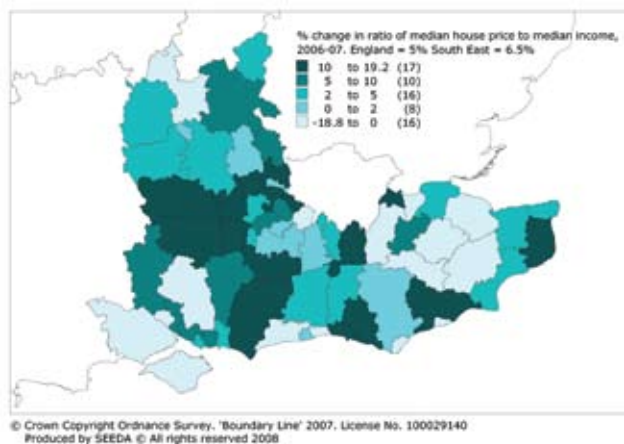
T9-1: Ratio of median house price to median income

Housing affordability remains one of the main issues for the South East's population. Between 1997 and 2007, the ratio of median house price to median income in the South East steadily increased, more than doubling in 10 years (from 4.14 in 1997 to 8.47 in 2007). The South East ratio is also the highest of any of the English regions in 2007.

³⁷ For additional information (the evidence base) see:
 SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*.
 SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

Figure T9-1.1: Ratio of median house price to median income
South East England and England, 1997-2007Figure T9-1.2: Ratio of median house price to median income
by English region, 2006-2007

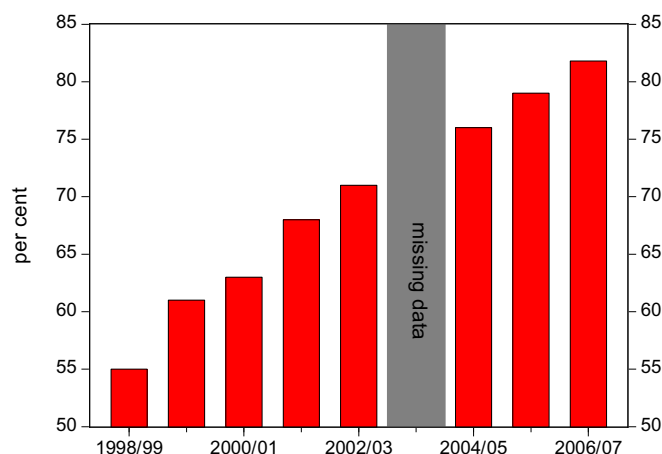
At sub-regional level, the highest house prices tend to be found in the 'core' of the region immediately surrounding London, and in many local authorities in Surrey, West Sussex, East Sussex, Hampshire and Buckinghamshire. Prices tend to be lower in peripheral locations such as the East, North and West of the region (Figure T9-1.3). Between 2006 and 2007, the house price to income ratio fell in several districts within Kent and in parts of Hampshire, but increased markedly in large parts of Berkshire.

Figure T9-1.3: Ratio of median house price to median income
by Local Authority District, 2007Figure T9-1.4: Percentage change 2006-2007 – Median price to
median income by Local Authority District

T9-2: Proportion of new or converted dwellings completed on previously developed land

Between 2005/06 and 2006/07, the proportion of new or converted dwellings completed on previously developed land (PDL) in the South East increased from 79% to 81.8%. Since 2001, the proportion has risen by some 14 percentage points, from 68% in 2001/02 to the aforementioned 81.8% in 2006/07 (Figure T9-2.1). The number of homes completed on PDL also increased significantly, from 16,945 in 2001/02 to 28,309 in 2006/07.³⁸

Figure T9-2.1: Housing completions on previously developed land, South East England 1999-2007

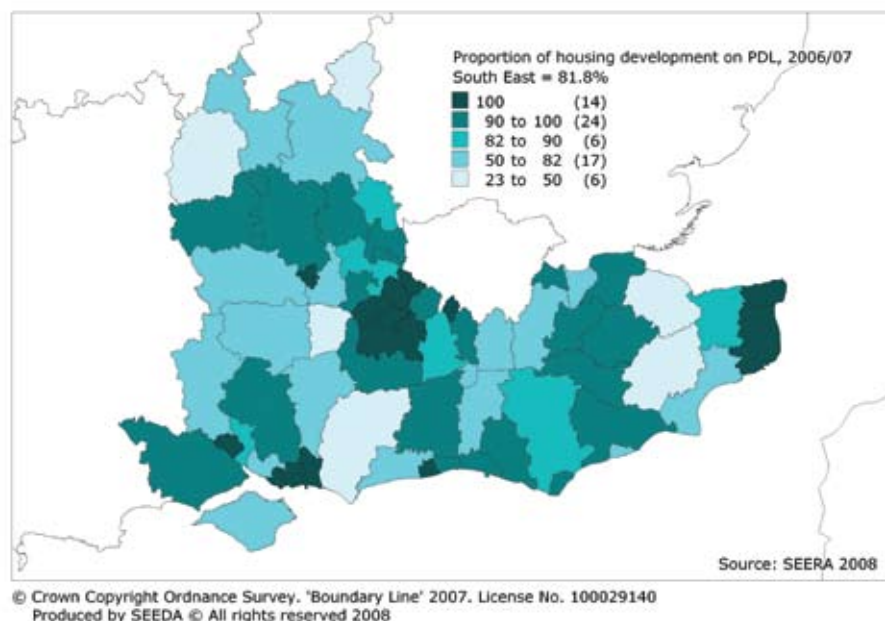


Source: South East Regional Assembly 2008

There are wide intra-regional variations in the proportion of dwellings completed on previously developed land, from 56% in Buckinghamshire (including Milton Keynes) to 96% in Surrey. Fifteen districts and unitaries provided 100% of their additional homes on PDL in 2006-07: Brighton and Hove, Dover, Epsom and Ewell, Gosport, Guildford, Havant, Portsmouth, Reading, Runnymede, Southampton, Spelthorne, Surrey Heath, Thanet, Woking and Worthing. Only seven districts and unitaries provided less than 60% of their additional homes on PDL in 2006-07: Ashford, Basingstoke and Deane, Chichester, Hart, Milton Keynes, Swale, and West Oxfordshire (Figure T9-2.2).

38 South East Regional Assembly (2007) *Regional Monitoring Report 2007*.

Figure T9-2.2: Proportion of new housing development completed on previously developed land by Local Authority District, 2006/07

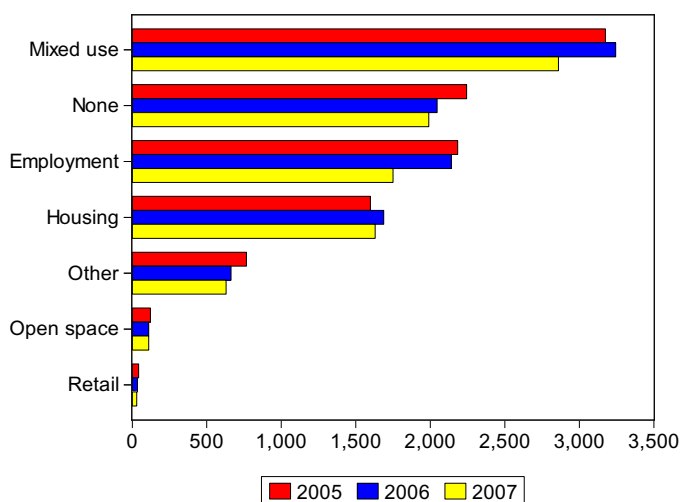


T9-3: Previously developed land with planning allocation or permission

In 2007, mixed-use land formed the largest share of PDL with planning allocation or permission in the South East, accounting for nearly 32% of the total (33% in 2006). Employment land formed the second largest share, accounting for 19.5% of the total (22% in 2006) followed by housing land, representing 18% of the total (16% in 2006).

In total, the amount of land with planning allocation or permission fell by nearly 1,000 hectares between 2006 and 2007. All types of land use saw a decrease between 2006 and 2007. Employment land decreased by nearly 400 hectares, mixed use land by 390 hectares, while housing decreased by nearly 60 hectares (Figure T9-3.1).

Figure T9-3.1: PDL with planning allocation/permission by type, South East England, 2005-2007



Target 10 Employment

Improve the productivity of the workforce and increase economic activity from 82% to 85% by bringing 110,000 net additional South East residents of working age into the labour market by 2016 (as a step towards bringing up to 250,000 residents into the labour market by 2026).

Indicator(s): T10-1: Change in the economic activity rate.
 T10-2: Change in the number of economically inactive people in the region.
 T10-3: Employment rate.
 T10-4: Proportion of working age population in Top 3 SOC (Standard Occupational Classification) categories: managers/senior officials, professionals and associate professionals.

Box T10: Key messages

- **The South East has the highest economic activity rate of any region, which has remained at around 82% since 2003, with a slight fall between 2006 and 2007. However, the latest data shows an increase in economic activity in the three months to July 2008.**
- **While economic inactivity rates are low, there has been an increase in the *number* of economically inactive people in the South East in recent years, to a greater degree than in most other regions. Between 2006 and 2007, the number of inactive people in the region increased by 11,300.**
- **Benefits claimants can be used as a proxy for economic inactivity, but not all inactive people claim benefits. There has been a fall in the number of working age people claiming one or more benefit in the South East since 2006, and with the introduction of Employment Support Allowance in October 2008, more claimants will be classified as economically active.**
- **Following a decline in the employment rate since 2000, the rate has recently started to increase, rising by 0.1 percentage point between 2006 and 2007, to 78.4% and peaking at 79.7% in July 2008. The employment rate remains significantly above the national average in the South East.**
- **On measures of job quality the South East performs well. The proportion of residents employed in the top three Standard Occupational Classifications is the second highest of any region (behind London) and increased by 0.7 percentage points between 2006 and 2007.**

Although the South East has one of the best performing labour markets of any region, with high economic activity and employment rates, certain groups within the population face barriers to labour market participation. There are approximately 900,000 economically inactive people in the region, of whom 250,000 would like to work if a job were available for them. Bringing more of these people back into the labour market and employment will help to raise prosperity in the region. Given the already tight labour market conditions in many parts of the South East, coupled with strong forecast employment growth, there will be a need for a greater supply of labour in the future. One way to increase labour supply is to make greater use of untapped potential within the indigenous working age population of the South East.³⁹

³⁹ For additional information (the evidence base) see SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*, section 5.1 and SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

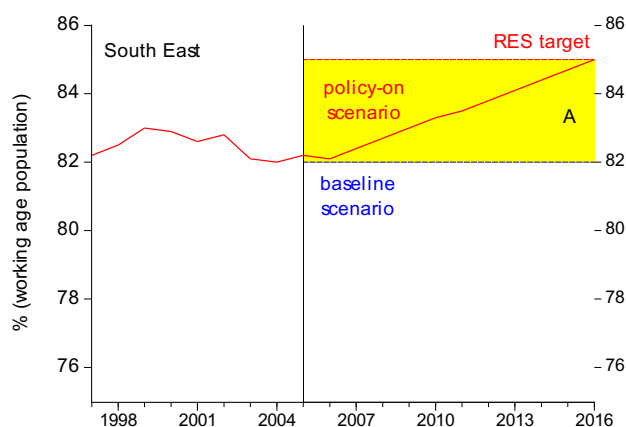
T10-1: Change in the economic activity rate

The economic activity rate describes the proportion of the working age population who are in employment or unemployed and actively seeking work. Figure T10-1.1 shows the baseline and policy-on scenarios used in the development of the 2016 target for the economic activity rate in the South East.

Since the South East already has high economic activity rates, the baseline scenario assumes a broadly constant economic activity rate at around 82%. The RES target (policy-on scenario) incorporates bringing 110,000 currently economically inactive people back into the labour market (holding all other factors constant). Thus the impact of public policy is to increase the economic activity rate from 82% to 85% by 2016. Although economic activity is not a direct driver of prosperity, it is closely related to employment (alongside productivity it is a driver of regional prosperity). The aim of regional policy is to bring additional people back into the labour market and employment and thus increase the employment rate.⁴⁰

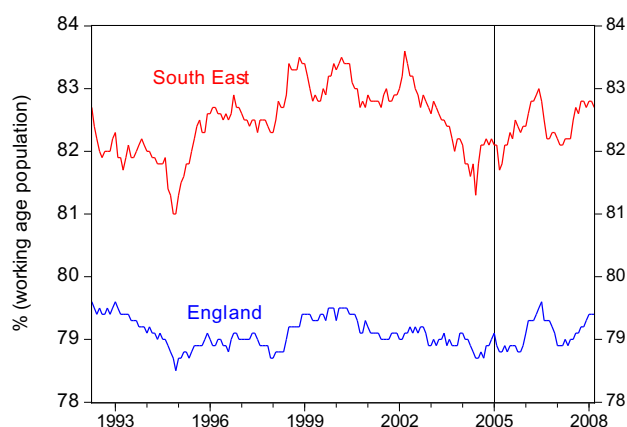
The South East has the highest economic activity rate of any region, at 82% in 2007 – significantly above the national average of 78.4% (Figure T10-1.2). The rate has fluctuated between 82 and 83% since 1997, and has remained at around 82% since 2003. Between 2006 and 2007 there was a slight cyclical fall of 0.1 percentage points, from 82.1% to 82% (Figure T10-1.2).

Figure T10-1.1 Economic activity rate
Trend based projection and policy-on scenario



Source: National Statistics 2006 and SEEDA 2006

Figure T10-1.2: Economic activity rate
South East England and England

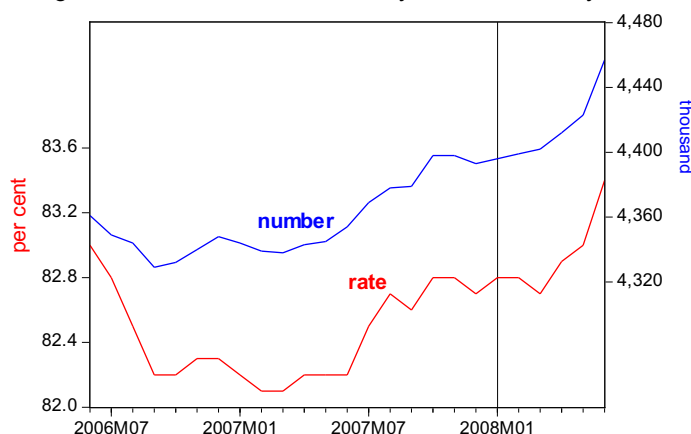


Source: National Statistics 2008

The most recent data shows that there was an increase in economic activity in the South East in the three months to July 2008, despite the economic downturn. There were 4.46 million economically active people in the region in that quarter – an increase of 55,000 compared to the previous quarter. The economic activity rate, at 83.4%, was by far the highest in the country and 0.7% higher than in the previous quarter (Figure T10-1.3).

⁴⁰ The unemployment rate in the region in 2016 is assumed constant at the 2003 rate.

Figure T10-1.3: Economic activity, June 2006-July 2008



Source: National Statistics 2008

T10-2: Change in the number of economically inactive people in the region

Reflecting the trend described above, the economic inactivity rate in the South East increased by 0.1 percentage points between 2006 and 2007, from 17.9% to 18%. This is a significantly lower rate than any other region, and well below the rate for the UK (21.4% in 2007).

During the same period, the *number* of economically inactive people rose by 11,300 from 895,700 in 2006 to 907,000 in 2007 (an increase of 1.3%). In most other regions, there was also an increase in the number of economically inactive people. The only exception was the South West region where the number of economically inactive people fell by 1,600.

Looking over the long-term, there has been a steady rise in the number of economically inactive people in the South East, from 818,000 in 1999 to 907,000 in 2007 – a rise of 10.9% (compared to a 9.4% increase in the UK over the same period). Migration from other parts of the country (and in particular, London) and early retirement are probably the major factors behind the increase in economic inactivity. In 2004 and 2005, a downturn in both employment and output in the region probably also played some part in the small increase in economic inactivity.

While information on the number of economically inactive people in the region is readily available, measuring the flow from economic inactivity to activity is far more challenging since it includes those people who are inactive and do not claim any benefits as well as people claiming benefits. A comparison over time is often difficult since frequent changes in regulation could have a significant impact on the number of people claiming benefits and ultimately on the inactivity rate.

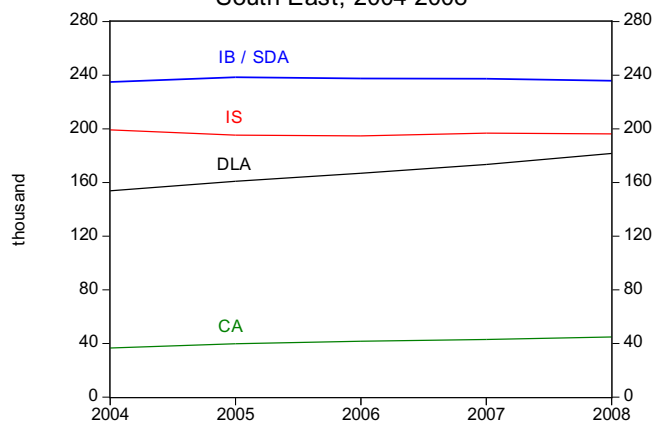
Figure T10-2.1 shows the number of working age people claiming different benefits.⁴¹ Since 2004, the number of people claiming Incapacity Benefit or Severe Disablement Allowance (IB or SDA) and the number claiming Income Support (IS) have remained very steady. The number of Disability Living Allowance (DLA) claimants has increased by 27,900, while the number claiming Carers' Allowance (CA) has increased only very slightly, from 36,500 in 2004 to 44,800 in 2008.

Figure T10-2.2 shows that the total number of working age people in the region claiming one or more benefits has fallen since 2006 (from 503,900 to 490,100 in 2008), suggesting that there has been some movement from inactivity to activity among these groups of South East residents. The situation is likely to improve still further from October 2008, with the introduction of Employment Support Allowance (ESA), which will replace Incapacity Benefit and Income Support. ESA will be classified as an *active* benefit, whereas people claiming Incapacity Benefit are classed as inactive.⁴² Once people make the transition from IB to ESA, the number of economically inactive people in the South East should fall significantly. However, it cannot simply be said that the region is therefore well on the way to achieving the RES target on economic activity, since what is important is that people make the transition from inactivity to sustained employment.

⁴¹ Note that the data relates to the month of February each year.

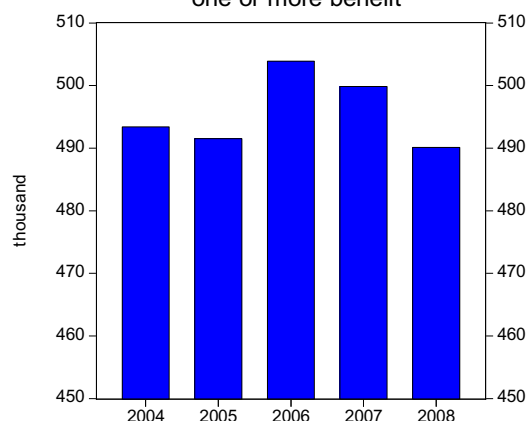
⁴² Employment Support Allowance represents a significant culture change in the welfare system. The focus will be on what an individual is capable of doing, not what they cannot do. People who are currently on Incapacity Benefit, unless severely disabled, will be given tailored support to help them find work of some kind.

Figure T10-2.1 Working age claimants by type of benefit, South East, 2004-2008



Source: DWP 2008

Figure T10-2.2: Number of working age people claiming one or more benefit



Source: DWP 2008

The economic inactivity rate varies significantly across the region, as Figure T10-2.3 shows. Inactivity rates are higher in Kent, Hampshire, Buckinghamshire, the Isle of Wight and Oxford. Rates are particularly low in the far west of the region, parts of Surrey, West Sussex and Ashford and Sevenoaks in Kent.

Figure T10-2.3: Economic inactivity rate, 2007

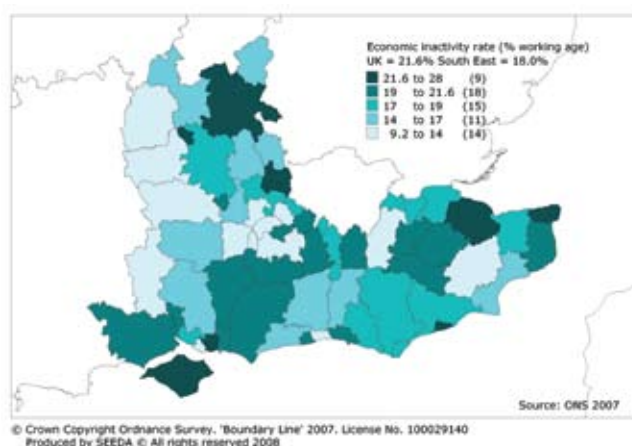
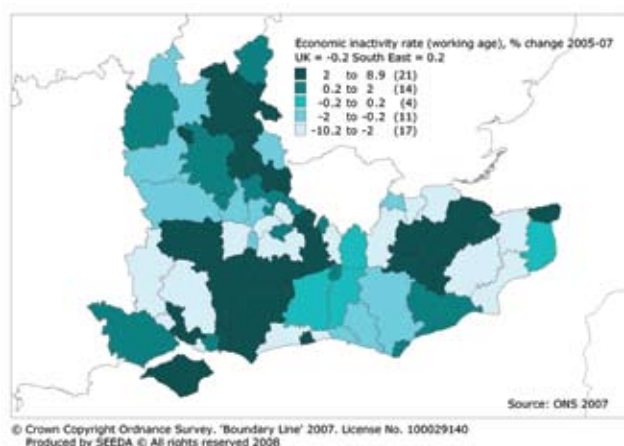


Figure T10-2.4: Economic inactivity rate, by District, percentage change 2005-2007



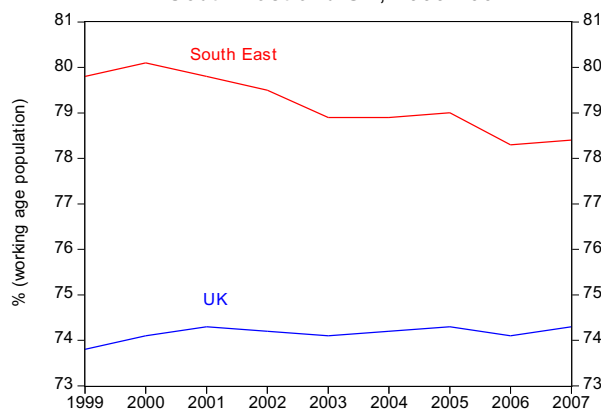
Source: ONS Annual Population Survey, January – December 2007

Economic inactivity rates have changed quite significantly in some local authorities since 2005 (Figure T10-2.4). The largest increases in inactivity occurred in Thanet (an increase of 8.9 percentage points), Aylesbury Vale (7.1 percentage points), Worthing (6 points) and East Hampshire (5.9 points). Several local authorities saw significant falls in economic inactivity rates between 2005 and 2007, however. These included Sevenoaks (a fall of 10.2 percentage points), Test Valley (a 6.2 percentage point fall), Canterbury (-5.9 points) and Hart (-5 points).

T10-3: Employment rate

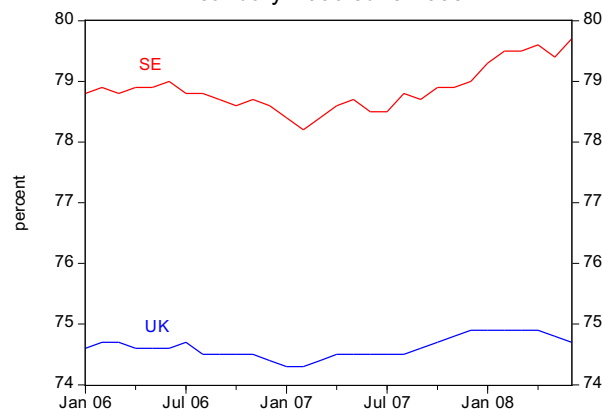
The employment rate in the South East has been consistently above the national average in recent years, though there has been a decline since 2000, when the regional employment rate peaked at 80.1% (Figure T10-3.1). Between 2006 and 2007, the employment rate increased by 0.1 percentage point, from 78.3% to 78.4%, and remained significantly above the national average of 74.3%.⁴³ In most regions the employment rate also increased slightly between 2006 and 2007, by less than one percentage point.

Figure T10-3.1: Annual employment rate South East and UK, 1999-2007



Source: ONS Annual Population Survey, 1999-2007

Figure T10-3.2: Monthly employment rate, South East and UK January 2006-June 2008



Source: National Statistics 2008

Looking at the past two and a half years, the employment rate in the South East remained very steady until the summer of 2006, at around 79%. However, following this there was a fall in the employment rate of 0.7 percentage points between the third quarter of 2006 and the first quarter of 2007, when the employment rate reached a low of 78.3%. Since the spring of 2007, there has been a recovery in the employment rate, reaching a peak of 79.6% in April 2008 – the highest employment rate since mid-2002. Following a small fall in the employment rate from April 2008, the latest data (for the three months to July) shows that the employment rate has risen by 0.1% since the previous quarter, to 79.7% (Figure T10-3.2). By contrast, the employment rate in the UK fell by 0.2 percentage points, to 74.7% between the first and second quarter of 2008.

Employment rates vary quite significantly across the South East, as Figure T10-3.3 shows. There is a clear west to east gradation, with employment rates being highest – above 82% – in the far west of the region (in western parts of Oxfordshire, Berkshire and Surrey), slightly lower in the central part of the region (generally between 74% and 82%), and lowest in the east of the region – in Kent, as well as in parts of Surrey and Hampshire and the Isle of Wight.

Figure T10-3.3: Employment rate by District, 2007

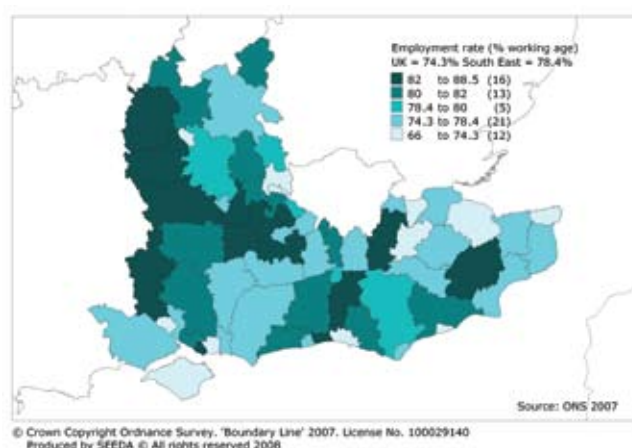
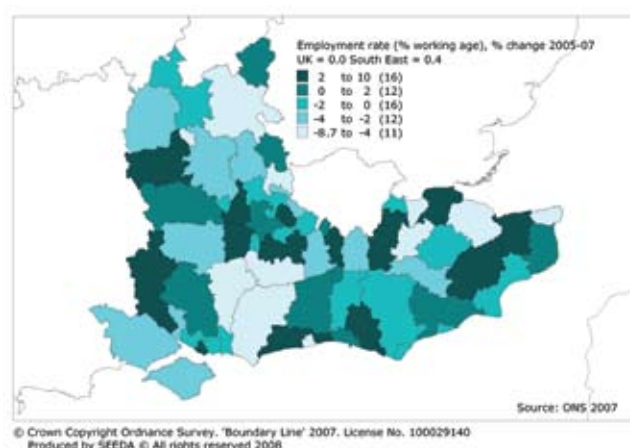


Figure T10-3.4: Employment rate, percentage change 2005-2007



Source: ONS Annual Population Survey, January-December 2007

The employment rate has changed significantly in some local authorities since 2005, as Figure T10-3.4 shows. The most significant increases were seen in Sevenoaks (a 10 percentage point rise), Test Valley (a 5.6 percentage point increase) and Hart (up by 5 percentage points). Meanwhile, the most significant falls in the employment rate between 2005 and 2007 occurred in South Buckinghamshire (a fall of 8.6 percentage points), Thanet (-8.5 percentage points) and Tonbridge and Malling (-7.4 percentage points).

⁴³ The employment rate in the region is also affected by the strength of the neighbouring labour markets and in particular London.

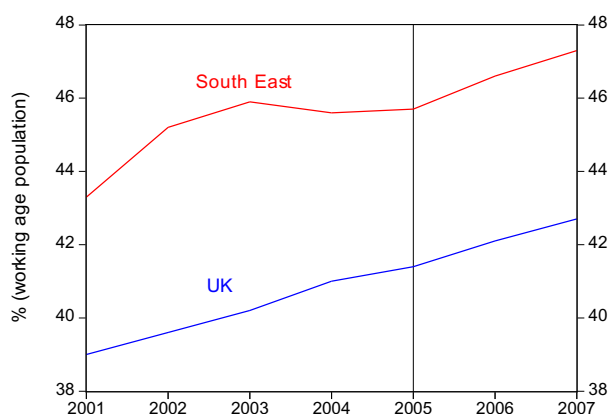
T10-4: Proportion of working age population in Top 3 SOC (Standard Occupational Classification) categories: managers/senior officials, professionals and associate professionals

The quality of jobs created is an important factor contributing to sustainable economic development and to improvements in the productivity of the workforce. Therefore, as well as raising economic activity (and employment) rates it is important to consider the nature of the jobs in which people are employed. Since the South East has a relatively highly skilled workforce, it would be expected that it would also have larger proportions of people employed in occupations that require high levels of skill. Indeed, the region has one of the highest proportions of employees in medium and high technology manufacturing and hi-tech knowledge intensive sectors of any region. The South East also has the highest earnings in the UK outside London. Earnings can be used as one indicator of the quality of employment.⁴⁴

Looking at the top three standard occupational classifications (which tend to require high levels of skill)⁴⁵ the South East performs well compared to other regions: 47.3% of South East residents in employment were engaged as managers/senior managers, professionals or associate professionals in 2007. Unsurprisingly the South East was only outperformed by London on this measure (53.1%). The figure for the UK as a whole was 42.7% (Figure T10-4.1).

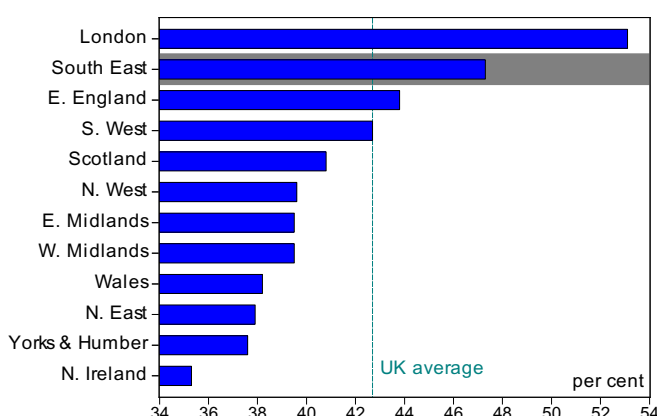
Between 2004 and 2007 the total number of residents in the South East employed in the top three Standard Occupational Classifications rose by 114,000 – an increase of 6.2%, which was one of the smallest increases of any region. The largest percentage increase (14.1%) was seen in the North East. The proportion of working residents in the South East employed in the top three occupational categories increased by 0.7 percentage points between 2006 and 2007, which is in line with the national average.

Figure T10-4.1: Top 3 SOC employment
South East England and UK, 2001-2007



Source: National Statistics 2008

Figure T10-4.2: Top 3 SOC employment
by UK region/country



Source: National Statistics 2008

Within the South East there are significant sub-regional differences in the proportion of people employed in the top three Standard Occupational Classifications (Figure T10-4.3). There is a broad west–east split in the region, with the proportions being higher than the regional average in large parts of Oxfordshire, Berkshire, Buckinghamshire, Surrey and West Sussex, and below the regional average in Kent and East Sussex (as well as Southampton and the Isle of Wight). The districts with the largest proportion of residents employed in high-level occupations (more than 60%) include Mole Valley, Surrey Heath, Chiltern, Elmbridge and Windsor & Maidenhead. The lowest proportions (less than 35%) are in Gravesham, Crawley, Dover, Hastings, Eastbourne and Slough.

44 SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*.

45 These occupations include managers and senior officials, professional occupations and associate professional & technical occupations. Overall there are nine occupational categories.

Figure T10-4.3: Working age population employed in Top 3 SOC, by District, 2007

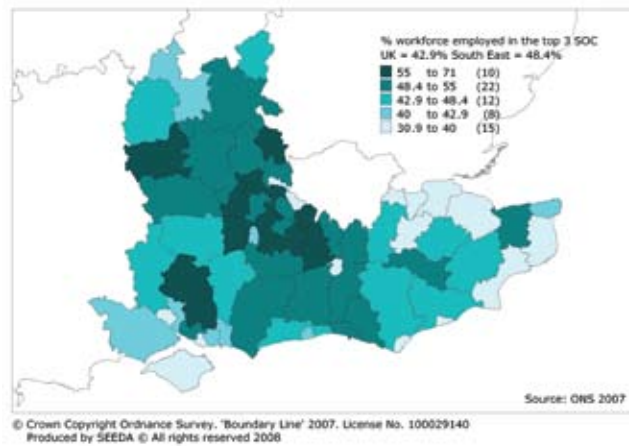
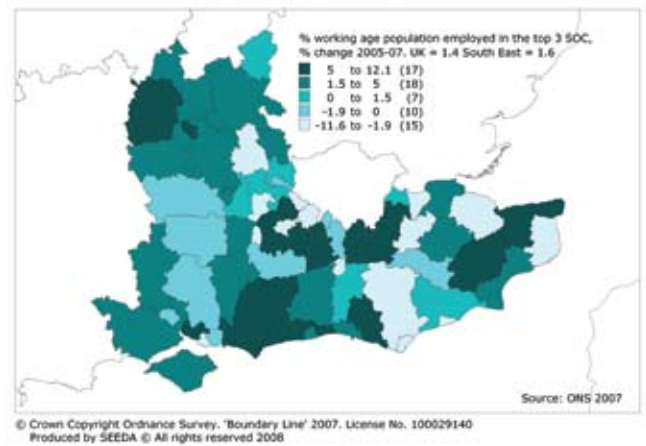


Figure T10-4.4: Working age population employed in Top 3 SOC, percentage change, 2005-2007



Source: ONS Annual Population Survey, January–December 2007

Most local authorities experienced an increase in the proportion of working age residents employed in the top three Standard Occupational Classifications between 2005 and 2007 (Figure T10-4.4). The most significant increases occurred mostly in Surrey and Sussex, where the percentage of people working in higher skilled occupations is already significant. Since 2005, Mole Valley has seen a 12 percentage point rise, Ashford a 10.3 point increase, Chichester a 10.2 point rise and Lewes an increase of 9.7 points. The most significant falls in the percentage of people employed in the top three occupational categories were seen in Eastbourne (a fall of 11.5 percentage points), Hastings (-10.1 points) and Spelthorne (-9.9 points).

Box O-1: Qualitative examples

South East regional Business Support Strategy

SEEDA committed, in the Regional Economic Strategy, to implement an integrated approach to business support. SEEDA issued, on 2 October 2008, a consultation draft South East Business Support Strategy. The purpose is to provide a framework for implementation of the Business Support Simplification in the region, clearly articulate the role of Business Link and provide a framework for publicly funded business support providers. The draft Strategy is driven by the RES and reflects the national strategies that have been launched this year, i.e. the 'Enterprise: Unlocking the UK's Talent' and 'Innovation Nation' (both published in March 2008). The Strategy proposes two key objectives around increasing business formation and survival, and targeting high-intensity business support, through the Innovation and Growth teams, on those businesses and sectors with the greatest potential for growth, innovation and internationalisation.

Grow Our Own

This project, led by Bracknell Forest Borough Council, is linked to the £750 million redevelopment of Bracknell town centre, which will completely change the centre, making it 'fit for the 21st Century'. This is linked to major expected growth in the retail, hotel and tourism sectors across the two unitary authorities (UAs) of Bracknell Forest and Windsor & Maidenhead. Some 5,000 jobs are anticipated to be created in these sectors in the next 5–7 years. Other sectors are also expected to experience growth, including construction, education and health and business services.

SEEDA funding is helping to upskill local residents to be able to access these new job opportunities, with special emphasis upon those who are currently under/inactive. This covers a broad range of people and a wide spectrum of issues, ranging from teenage parents, black and minority ethnic groups, carers, those with learning difficulties and those with mental health problems.

The project has so far reported that it has assisted 89 people in their skills development as well as a further 328 who have been assisted in gaining employment. The project helps to address RES targets through ensuring that people at all skills levels are continually equipped to progress in the labour market.

Training Pools

These were established to address a series of skills shortages and gaps at intermediate level (professional, technical and craft) currently prevalent across a range of sectors. The programme was established in the summer of 2006 with a focus on inviting consortia of employers, training providers and other stakeholders to design, develop and promote solutions to address sector-specific skills needs, not currently funded by other public sources.

Route Into Radio

This project within the Training Pools programme runs from September 2007 to September 2009. The key strength of the project is that it focuses on providing sector skills education and training for people to enable them to get a 'Route Into Radio'. In doing so, the training is linked to the City & Guilds *Media Techniques Diploma*, units 311 and 307.

There are three phases of the Route Into Radio project. Currently, Phase 2 is being rolled out across Kent. Phase 1 was previously rolled out in Surrey and Sussex and the third phase will be in Hampshire and the Isle of Wight. There will be 12 interns on each phase, giving 36 in total. There has been strong demand to become one of the 12 interns allowed for each of the phases, with an initial 24 interns applying for the Surrey and Sussex phase. All 12 interns from Surrey and Sussex have been allocated placements in the South East and are being supported by mentors.

The project focuses on practical aspects of training, including a six-module course for each intern which, crucially, gives real job experience. The 12 interns that were selected for Phase 2 of the project in Kent have progressed well and are improving their skills development. Twenty-four interns have so far been assisted in developing their skills as a result of this initiative.

Employ Kent Thameside

This is a local employment initiative that supports local residents to secure quality jobs arising from the redevelopment of the area. SEEDA, Urban Thames Gateway Kent, Kent Thameside Economic Board and Job Centre Plus have provided funding. The initiative has already secured additional private sector support from Pro Logis, Land Securities, McAlpine and Start Dartford. This is a long-term project that will support local employment, promote improvements in skills training and ensure that existing and new companies moving to the area are able to access a suitably trained and qualified workforce. This will be achieved by enabling the existing population to take up opportunities that will arise as a result of the ongoing regeneration and also by building the capacity of existing micro-, small- and medium-sized enterprises, by providing tailored business development courses and linking them with the recruitment services offered by Employ Kent Thameside. Over the next 3 years it is anticipated that work will be found for over 1,000 local people and around 800 people will receive some form of skills training.

This initiative contributes to RES Target 10 on a number of fronts. First, it helps to remove barriers to work by creating local jobs for local people, and secondly it re-engages with the most excluded individuals in the Kent Thameside area to help reduce pressure on the local labour market.

Accessible planning qualifications

Even before the successful Olympic Bid, the South East region was experiencing a chronic shortage of planners. Research indicated that shortages would be reduced if there were an accessible framework of accredited work-based qualifications and training programmes covering first entry through to postgraduate study specifically for planners. Therefore, a partnership between the University of Brighton, SEEDA, the Department for Communities & Local Government, Improvement & Development Agency and SE Employers was formed to develop a new range of programmes in planning, which started in September 2008. This is the first truly employer-led planning qualification of its kind in the South East.

The University of Brighton will be offering students the opportunity to follow alternative routes leading to a Certificate, Diploma and MSc in Town Planning. The programmes will draw on the University's cutting edge expertise and wide academic experience in environmental sustainability, to develop the students' research and analytical capabilities. Over the coming year, it is anticipated that around 20 employees from various private and public sector planning organisations will begin the new programme.

This project contributes to SEEDA's RES Target 6 by increasing skills levels at NVQ 2 and above.

2.4 Sustainable Prosperity

Target 11	Climate change and energy	Reduce CO₂ emissions attributable to the South East by 20% from the 2003 baseline by 2016 as a step towards the national target of achieving a 60% reduction on 1990 levels by 2050, and increase the contribution of renewable energy to at least 10% of energy supply in the South East by 2010 as a step towards achieving 20% by 2020.
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Indicator(s): T11-1: CO₂ emissions attributable to the South East.
T11-2: Generation of electricity from renewable resources.

Box T11: Key messages

- **The latest available data (for 2006) shows that the South East is the region with the highest emissions of CO₂ in absolute terms, because of its large population, the presence of major airports and a transport network that acts as the gateway to Europe.**
- **However, per capita emissions are well below the national average in the South East.**
- **The proportion of electricity generated from renewable sources in the South East is relatively high compared to other regions and increased from 2.9% in 2005 to 4.9% in 2006.**
- **Looking at the actual amount of electricity generated from renewables, there has been strong growth in wind and wave generated power and other biofuels since 2005.**

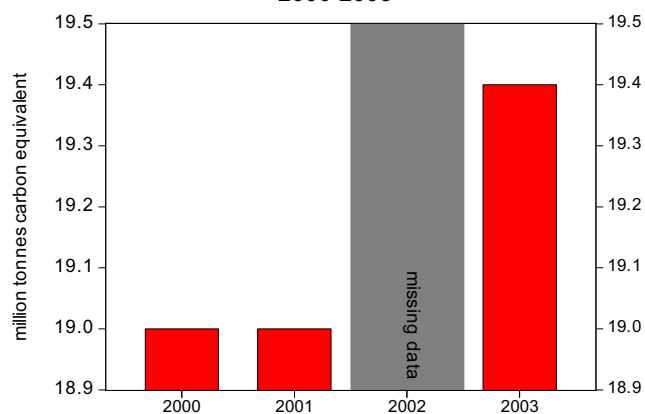
Climate change is a serious global threat to the environment, economy, and society – with potentially very significant impacts on growth and development. Our actions now and over the coming decades could create risks of major disruption to economic and social activity. The *Stern review on the economics of climate change*, published in 2006, concludes that the investment that takes place in the next 10-20 years will have a profound effect on the climate in the second half of this century and in the next.

T11-1: CO₂ emissions attributable to the South East

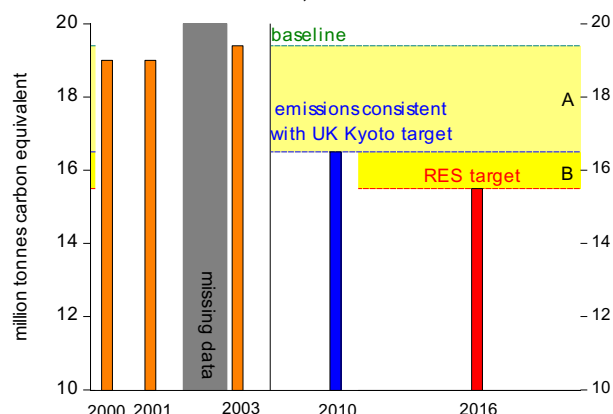
The UK Kyoto target aims to reduce total UK emissions of greenhouse gases by 12.5% from the base year by 2008-2012. The UK Kyoto target for 2010 is 129.2 million tonnes of carbon equivalent, which represents a 20% reduction since 1990 or 14.9% on 2003. The 12.5% reduction refers to a basket of greenhouse gases and not just CO₂. On the other hand, the UK CO₂ domestic target is 80% of 1990 CO₂ emissions by 2010 (Kyoto 2008-2012 target for CO₂).

In 2000 and 2001 the South East emitted approximately 19 million tonnes of carbon equivalent. By 2003, total emissions increased to 19.4 million tonnes (Figure T11-1.1).

The baseline and policy-on scenarios are shown in Figure T11-1.2. The baseline scenario is based on the 2003 South East emissions (it assumes 2003 emissions in 2016). The policy-on scenario has been derived by first apportioning the UK Kyoto target to the South East (based on the baseline data) – shaded area A in Figure T11-1.2 – and applying an additional 6% decline in total emissions by 2016 (shaded area B in Figure T11-1.2). Thus, the total reduction in South East CO₂ emissions is 20% between 2003 and 2016 (shaded areas A and B in Figure T11-1.2) under the policy-on scenario.

Figure T11-1.1: CO₂ emissions attributable to South East 2000-2003

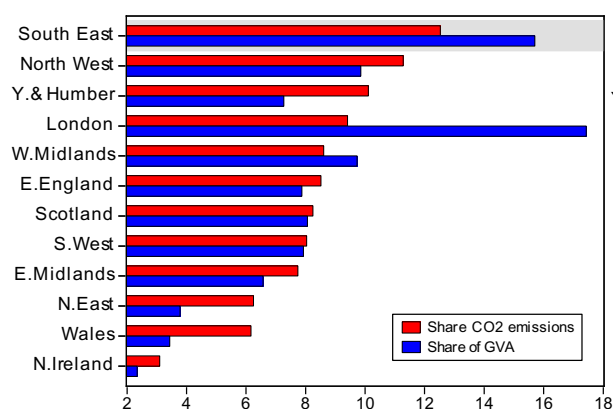
Source: Defra 2006

Figure T11-1.2: CO₂ emissions attributable to South East 2000-2003, 2010 and 2016

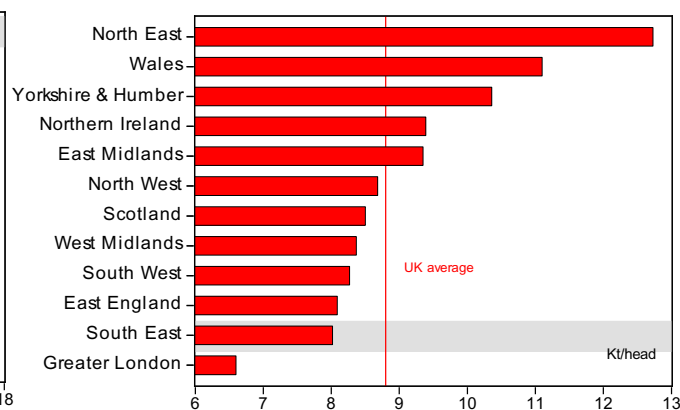
Source: Defra 2006 and SEEDA 2006

The RES 2006-2016 Evidence Base, which underpinned the analysis on carbon dioxide emissions, used the data sets from Figure T11-1.1. In the meantime, Defra has published updated data for 2004, 2005 and now 2006. However, due to methodological improvements on the 2003 and 2004 data, it is not possible to directly compare 2004 with 2005 data, which makes it difficult to monitor any change towards this target. Nonetheless, it is worth looking at the 2006 experimental data on CO₂ emissions, which is also available for other English regions and at local authority level.

In 2006, the South East was the region with the highest CO₂ emissions nationally, emitting more than 66,033 kilotonnes (compared to 65,926 kilotonnes in 2005) and accounting for 12.6% of total UK emissions. A high share is not surprising, given that the South East is the region with the highest population density, home or close to major airports and ports, and also serves as the main gateway to European and global markets. Looking at the source of emissions, emissions from road transport and domestic users are above the national average while emissions from commercial and industry users are below. With its share of total output greater than its share of carbon emissions, the South East economy appears to be more carbon efficient than most other regions (Figure T11-1.3).

Figure T11-1.3: Share of national CO₂ emissions and GVA by UK region/country, 2006

Source: Defra 2008 and National Statistics 2008

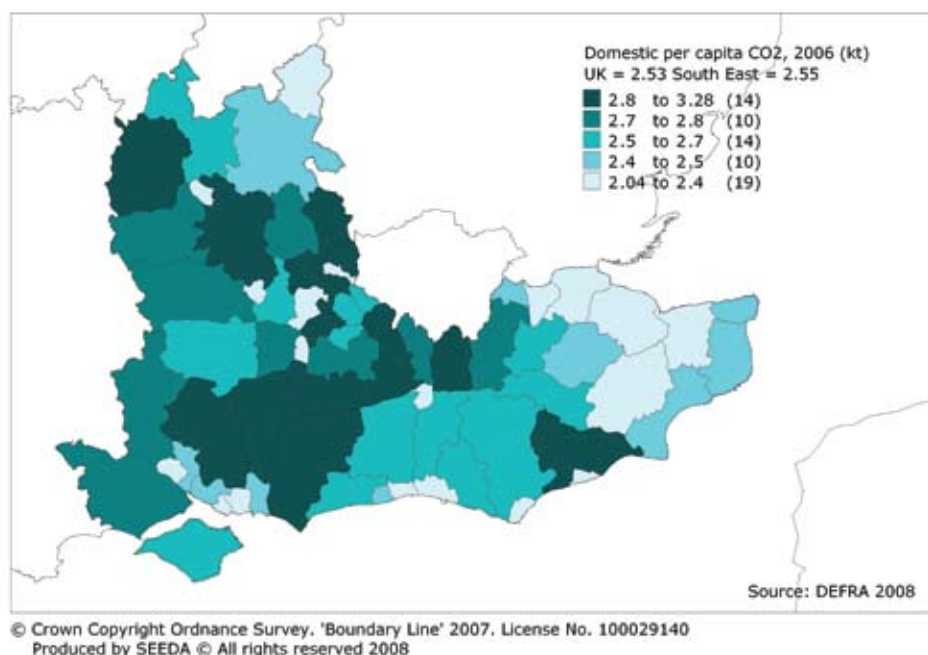
Figure T11-1.4: Total CO₂ emissions per capita by UK region/country, 2006

Source: Defra 2008

In 2006, total per capita emissions in the South East were 8.02 kilotonnes, below the UK average of 8.8 kilotonnes (Figure T11-1.4). Between 2005 and 2006, CO₂ emissions per capita decreased slightly (8.06 kilotonnes in 2005).

There are some variations at sub-regional level: domestic per capita carbon dioxide emissions are mostly above the regional average in western parts of the region, while in most of the eastern and northern areas (Milton Keynes, Aylesbury Vale, Medway, parts of Kent), emissions are lower than the national and regional averages (Figure T11-1.5). In some respects, this pattern reflects the generation of local GVA and economic activity.

Figure T11-1.5: Domestic per capita CO₂ emissions by Local Authority District, 2006



T11-2: Generation of electricity from renewable resources

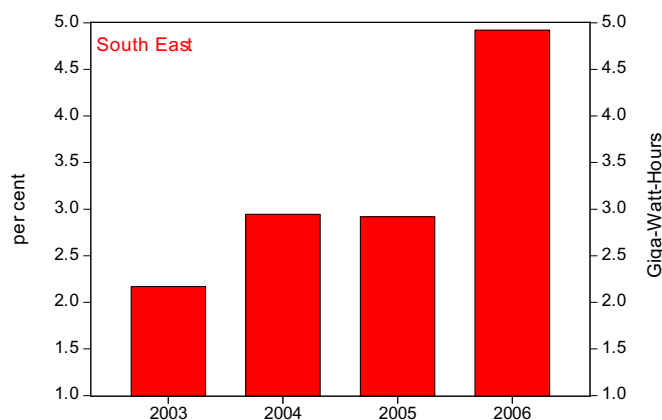
The South East has the third highest household electricity consumption nationally. In 2006, domestic consumption in the region stood at 5.06 Gigawatt hours (GWh) of electricity per thousand households. This compares to the English average of 4.75 GWh.⁴⁶

The generation of electricity from renewable resources in the South East increased strongly over the last two years from 1,209.5 GWh in 2004 to 2,050.4 GWh in 2006. At 68%, the rate of growth was particularly high between 2004 and 2005.

The actual share of electricity generated from renewables grew by 2 percentage points between 2005 and 2006, from 2.9% to 4.9% (Figure T11-2.1). The national figure also increased, from 5.3% to 5.7%. However, it should be noted that in those regions that generate a large amount of electricity from renewable sources but only have a small consumer base, this percentage can be very large (and thus raises the national average too).

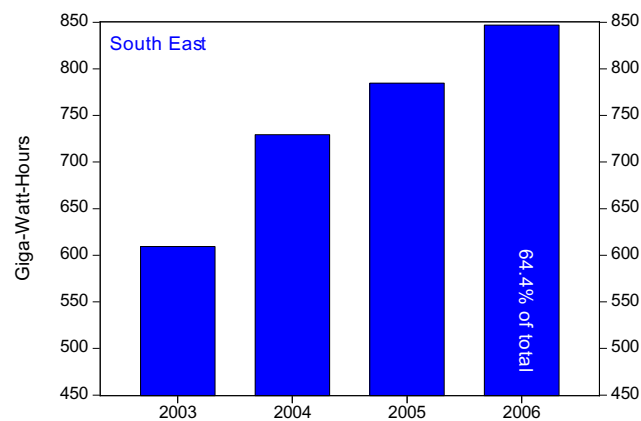
⁴⁶ 2006 sales, domestic consumers (BERR, energy trends) as a ratio of 2004 revised CLG household estimates.

Figure T11-2.1: Share of total electricity generated from renewables



Source: BERR 2008

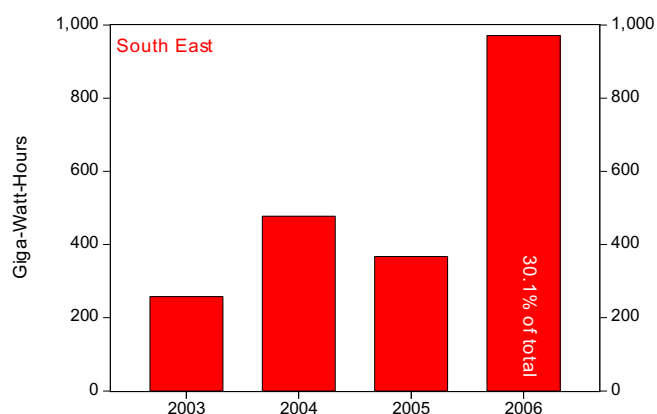
Figure T11-2.2: Electricity from renewable resources - Landfill gas



Source: BERR 2008

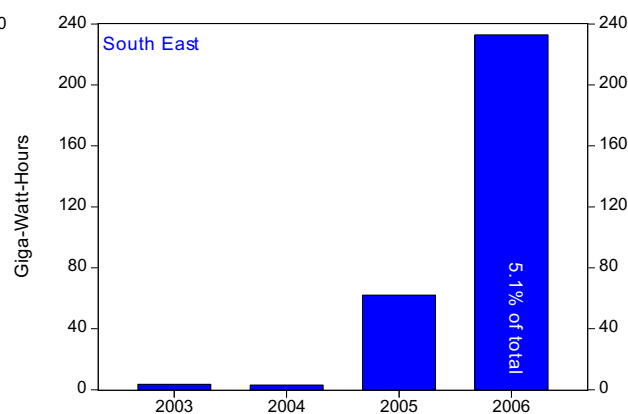
There were variations in the rate of growth in electricity generated by different types of renewables. The largest growth was in wind and wave power, where the amount of electricity generated increased from 62.1 GWh in 2005 to 232.8 GWh in 2006. Electricity generated from biofuels and derived from landfill gas, respectively, increased by 603.8 GWh and 62.3 GWh (Figures T11-2.2 to T11-2.4). Looking at the share of electricity generated from renewables, landfill gas accounted for 41.3% (compared to 64.4% in 2005), other biofuels⁴⁷ for 47.3% (30.1% in 2005) and wind and wave for 11.4% (5.1% in 2005).

Figure T11-2.3: Electricity from renewable resources - Other biofuels



Source: BERR 2008

Figure T11-2.4: Electricity from renewable resources - Wind & Wave



Source: BERR 2008

47 Other biofuels include those co-fired with fossil fuels.

Target 12	Sustainable consumption and production	Reduce per capita water consumption in the South East by 20% from 169 litres per day in 2003/04 to 135 litres by 2016, and achieve a 30% increase over the 2003 baseline in GVA generated per tonne of materials entering the waste stream by 2016.
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Indicator(s): T12-1: Per capita water consumption.
T12-2: GVA generated per tonne of materials entering the waste stream.
T12-3: Total household waste (kilo/person/year).
T12-4: Percentage of household waste recycled or composted (kilo/person/year).

Box T12: Key messages

- **The South East has the highest daily per capita water consumption of any UK region, but since 2002 there has been a decline in water consumption, averaging 161 litres per head per day in 2006/07.**
- **In terms of GVA generated per tonne of materials entering the waste stream, the South East is the second most efficient region, behind London. The total amount of household waste generated in the South East is higher than the national average and has shown a small increase since 2006.**
- **The proportion of household waste that is recycled in the South East has consistently been among the highest of any region, and has almost doubled since 2000/01.**

Increasing prosperity allows many people to enjoy the benefits of goods and services that were once available to just a few. However, the environmental impacts of our consumption and production patterns are severe. Environmental externalities such as carbon dioxide emissions (see Target 11), depletion of natural resources, excessive water consumption or waste generation are having a significant negative impact on the sustainability of the region.

Sustainable consumption and production (SCP) is about achieving economic growth while respecting environmental limits, finding ways to minimise damage to the natural world and making use of the earth's resources in a sustainable way. SCP is one of the four priority areas for UK action set out in the Sustainable Development Strategy 'Securing the Future'.⁴⁸

T12-1: Per capita water consumption

Daily per capita consumption (PCC) is the amount of water used by each individual at home. The PCC data relies on estimates of other water balance components, such as estimated leakage rates and the occupancy rates for properties. The actual amount of water used also reflects the local weather conditions, with water use increasing during hot and dry weather. There is considerable scope to reduce PCC through the implementation of water efficiency initiatives; metered (measured) households, for example, use significantly less water than unmetered (unmeasured) ones.⁴⁹

Between 1992/93 and 2006/07, PCC in unmetered households in the South East rose by around 11%, from 150 to 167 litres per day. Metered households used far less water than unmetered households – 148 litres per day in 2005/06, falling to 145 litres per day in 2006/07 (Figure T12-1.2).

⁴⁸ Defra (2005) *Securing the Future – UK Government sustainable development strategy*.

⁴⁹ Environment Agency (2006) *State of the Environment 2006 in South East England*.

Figure T12-1.1: Daily per capita water consumption
Trend based projection and policy-on scenario

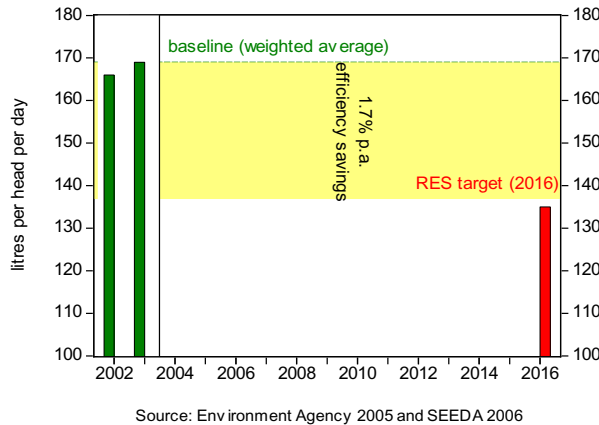


Figure T12-1.2: Daily per capita water consumption
South East England, 1994/95-2006/07

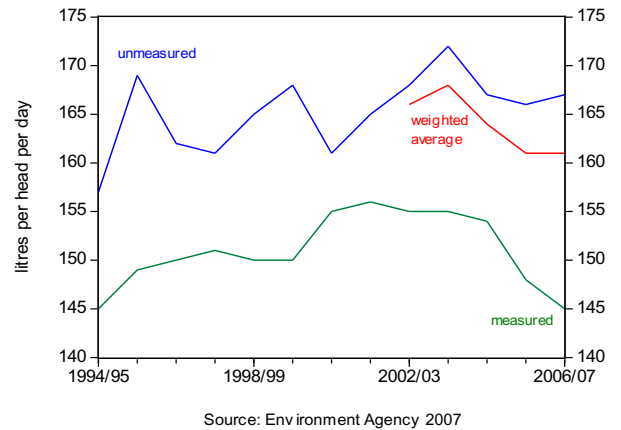


Figure T12-1.1 shows the baseline and policy-on scenarios. The baseline scenario is based on the 2003 weighted average daily per capita water consumption. The policy-on scenario assumes average annual efficiency savings of 1.7%. The cumulative impact of the annual efficiency savings by 2016 is a 20% reduction in water consumption over the baseline (shaded area in Figure T12-1.1).

Influenced by the rising number of metered households, the weighted average (unmetered and metered households) water consumption in the South East has actually decreased since 2002/03, from 166 to 161 litres per person per day in 2006/07. This figure is unchanged from 2005/06 (Figure T12-1.3).

Figure T12-1.3: Daily per capita water consumption
South East England, 2002/03-2006/07

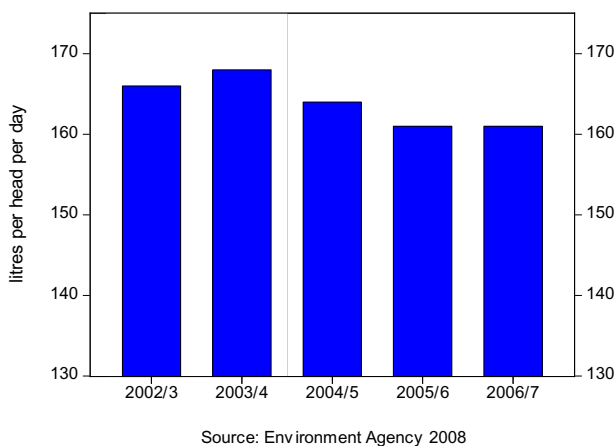
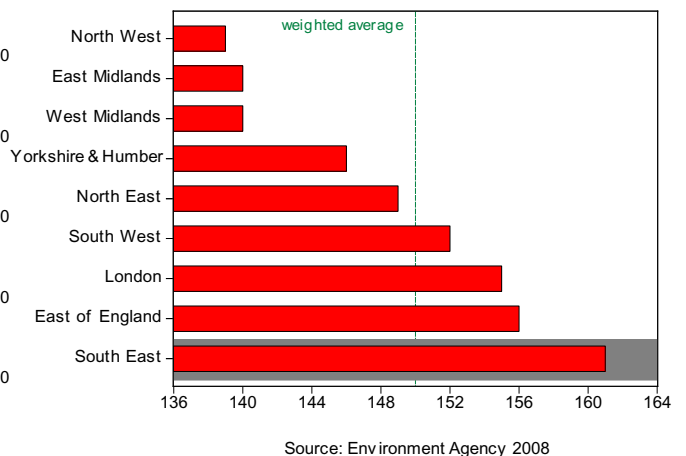


Figure T12-1.4: Daily per capita water consumption
(weighted average) English regions, 2006/7



However, the South East has the highest average water consumption for both metered and unmetered households nationally – the national weighted average reaching 150 litres per day in 2007 (Figure T12-1.4).

T12-2: GVA generated per tonne of materials entering the waste stream

The South East generates more waste than any other English region and the number of units of GVA per tonne of waste in the South East is the second highest in the country (Figure T12-2.1).

Figure T12-2.1: Total waste and units of GVA by English region, 2003/04

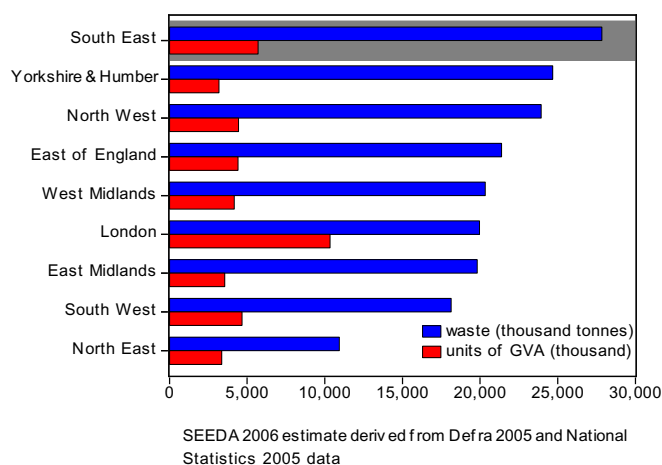


Figure T12-2.2: Units of GVA per tonne of waste
Trend-based projection and policy-on scenario

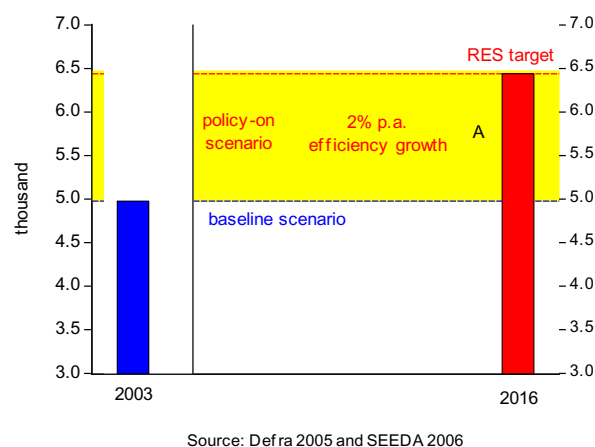


Figure T12-2.2 shows the baseline and policy-on scenarios. The baseline scenario is based on the 2003 data and the policy-on scenario assumes an average annual efficiency growth of around 2%. The cumulative growth on the baseline by 2016 is 30% (shaded area A in figure T12-2.2).

During 2004/05, the South East generated 27.8 million⁵⁰ tonnes of waste – greater than in any other UK region. This represents a decrease of 780,000 tonnes of waste on the 2002/03 figure. At the same time, the South East had the second highest workplace based GVA in the country in 2005.

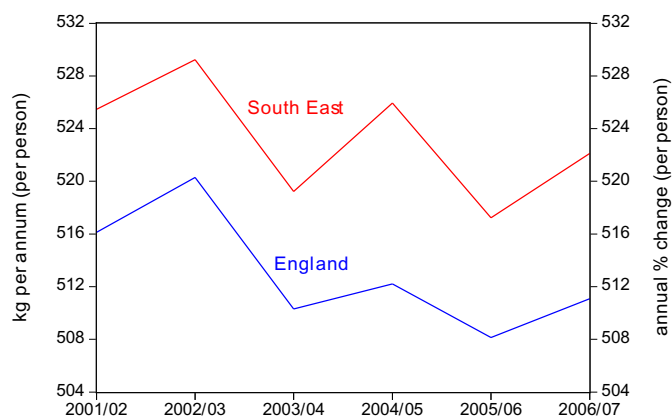
In 2004/05, the South East generated 5,713 units of GVA per tonne of waste and this represents an increase of 735 units since 2003/04. The South East is still the second most efficient region in the UK, after London, which is almost twice as efficient as the South East (Figure T12-2.1).

50 This figure includes industrial and commercial, municipal and construction and demolition waste.

T12-3: Total household waste

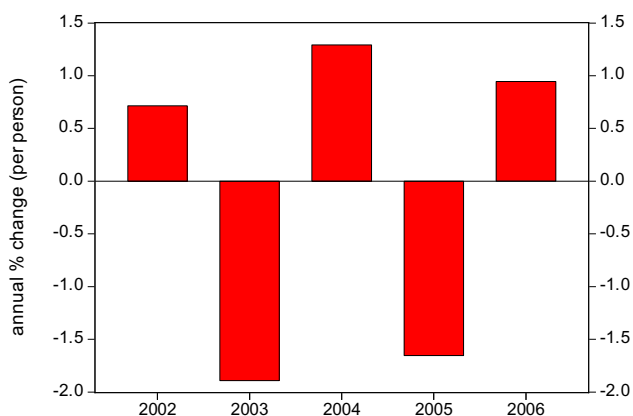
Total household waste in the South East rose over the past decade, from 490 kilos per person per year in 1998/99 to 522 kilos in 2006/07 (Figure T12-3.1). Looking at the more recent figures, the amount of household waste arising in the South East increased by 1%, from 517 kilos per person per year in 2005/06 to 522 in 2006/07 (Figure T12-3.2).

Figure T12-3.1 Household waste
South East England and England



Source: Defra 2007

Figure T12-3.2: Household waste growth
South East England



Source: Defra 2007

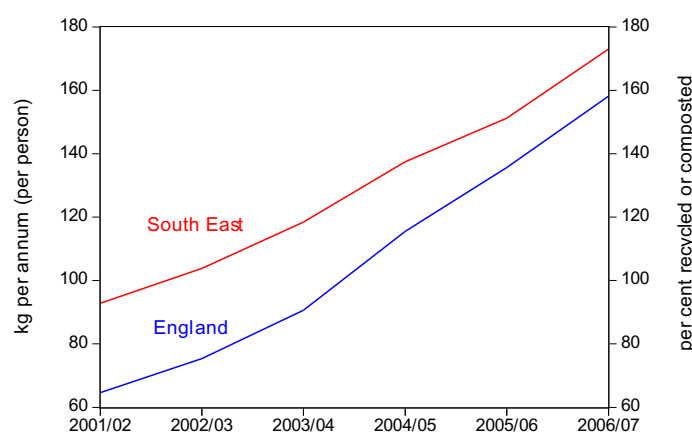
Total household waste in the South East is higher than the national average (522 kilos per person compared to 511 kilos) – the fourth highest after the North West, the South West and East of England.

T12-4: Percentage of household waste recycled or composted

The recycling rate for household waste in the South East is one of the highest nationally. Between 2005/06 and 2006/07, the recycling rate grew by 4 percentage points from 29.2% to 33.1% (Figure T12-4.2). This last figure compares to a figure of 30.9% for England. Since 1998/9 the South East's recycling rate has more than doubled, growing from 13.3% to 29%.

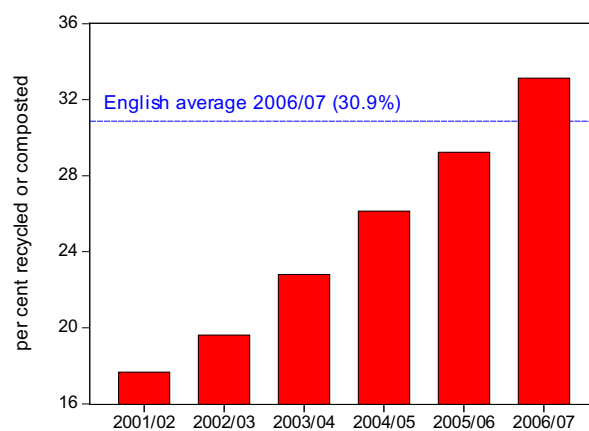
At the beginning of the century most other regions started from a much lower base than the South East, with the South East's recycling rate being almost 50% higher than the national average. However, this gap has started to close as the other regions are catching up. Most recently, the gap between England and the South East had narrowed to 2.2 percentage points in 2006/07, (Figure T12-4.1)

Figure T12-4.1 Household waste recycled
South East England and England



Source: Defra 2007

Figure T12-4.2: Household waste recycling rate
South East England



Source: Defra 2007

Target 13 **Natural resources and environment** **Achieve measurable improvements in the quality, biodiversity and accessibility of green and open space.**

Indicator(s): T13-1: Assessment of local environmental quality.
 T13-2: Biological and chemical river quality.
 T13-3: Greenspace availability.

Any assessment of the prospects for economic growth in the South East is not complete without considering

Box T13: Key messages

- **Between 2005/06 and 2006/07, there was an increase in the proportion of South East residents viewing their environmental surroundings as ‘good’ or ‘satisfactory’ and a decline in the proportion rating their environment as ‘unsatisfactory’ or ‘poor’.**
- **Since 2003 there has been a strong increase in the proportion of river length classified as of good chemical quality, while biological quality improved from 2000, but has declined slightly since 2004.**
- **Greenspace accounts for 85% of the total land area in the South East. Although this is slightly lower than the national average, the high population density of the South East means that this figure represents a good achievement.**

the scarcity of natural resources and the effects of economic activity on the environment. The quality of the environment can no longer be taken for granted as a result of growing development needs, climate change, scarce energy resources (see Target 11) and limited waste disposal (see Target 12).⁵¹

T13-1: Assessment of local environmental quality

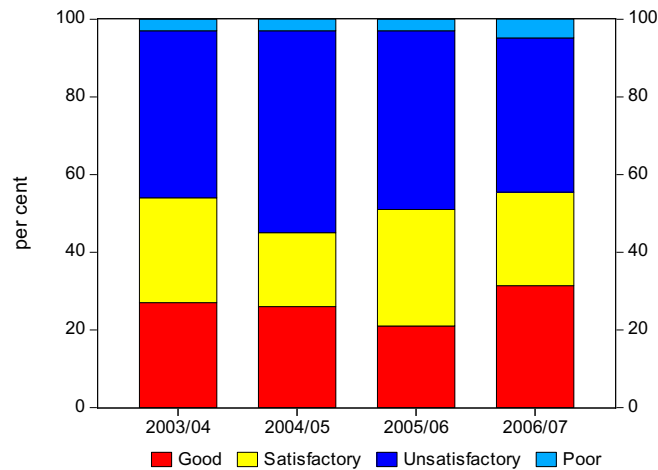
The percentage of South East residents who view their environmental surroundings as ‘good’ or ‘satisfactory’ increased recently by 4 percentage points, from 51% in 2005/06 to 55% in 2006/07, while the proportion of those viewing their local environment as ‘unsatisfactory or poor’ decreased from 49% to 45%.

Breaking down the components, the proportion of residents who viewed their environment as ‘good’ increased from 21% to 31%, while the proportion of residents viewing it as ‘satisfactory’ decreased from 30% to 24%. The percentage of residents who assessed the quality of their local environment as ‘unsatisfactory’ also decreased from 49% to 45%, while the proportion describing their environment as ‘poor’ increased from 3% to 5% (Figure T13-1.1).

Overall, South East residents assess their local environment as of slightly better quality compared to residents of the UK as a whole.

51 For additional information (the evidence base) on natural resources and the environment see:
 SEEDA (2006) *Regional Economic Strategy 2006-2016: Evidence Base*.
 SEEDA (2006) *Regional Economic Strategy 2006-2016: Technical Paper 1 – Intervention Framework*.

Figure T13-1.1 Assessment of local environmental quality
South East England



Source: Defra 2007

T13-2: Chemical and biological river quality

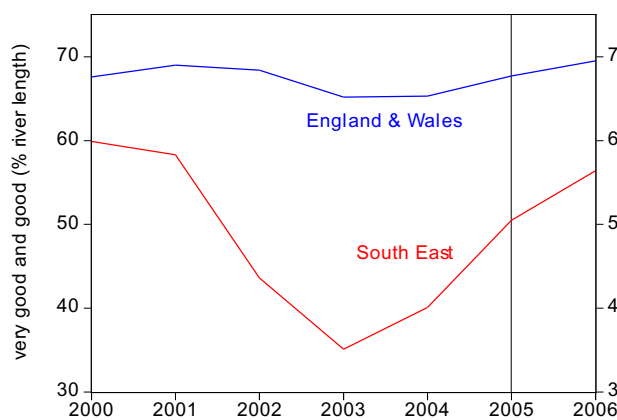
Between 2000 and 2003 the chemical quality of river water dropped significantly, from 60% of river length being classified as 'good or very good quality' to 35%. However, after 2003, chemical quality recovered again, with 56% of river length classed as 'good or very good quality' in 2006, (though still lower than at the beginning of the century). The national average has remained more stable: in 2006, 70% of river length was assessed as 'good or very good' quality in England and Wales – significantly higher than in the South East (Figure T13-2.1).

NOTE: Unusual or extreme weather conditions, such as those experienced in the autumn 2003 drought, can affect river quality and it is therefore important to look at the long-term trend too. Since 1998/99 chemical river quality in the South East has improved by almost 17 percentage points.

The biological quality of river water in the South East decreased slightly in recent years, by 1.2 percentage points, from 80% of river length classed as 'very good' or 'good' quality in 2005 to 78.8% in 2006. This figure is higher than in most other regions, and 6.5 percentage points above the national average (Figure T13-2.2).

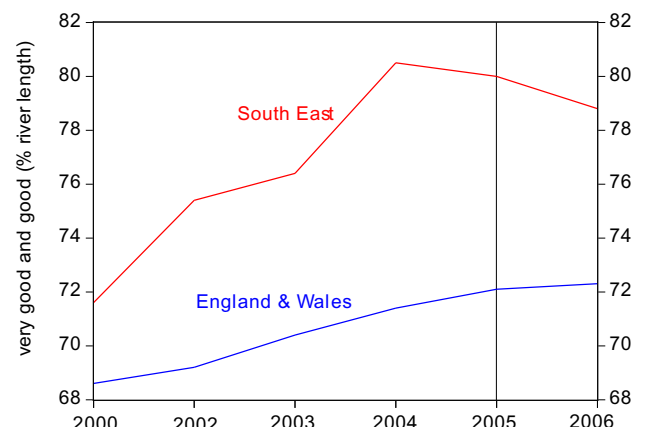
Since the beginning of the century the biological quality of river water has improved strongly, by 7.2 percentage points, from 71.6% of river length classified as 'very good' or 'good' in 2000.

Figure T13-2.1: Chemical river quality
South East England and England & Wales, 2000-06



Source: Defra 2006

Figure T13-2.2: Biological river quality
South East England and England & Wales, 2000-06



2001 data missing
Source: Defra 2006

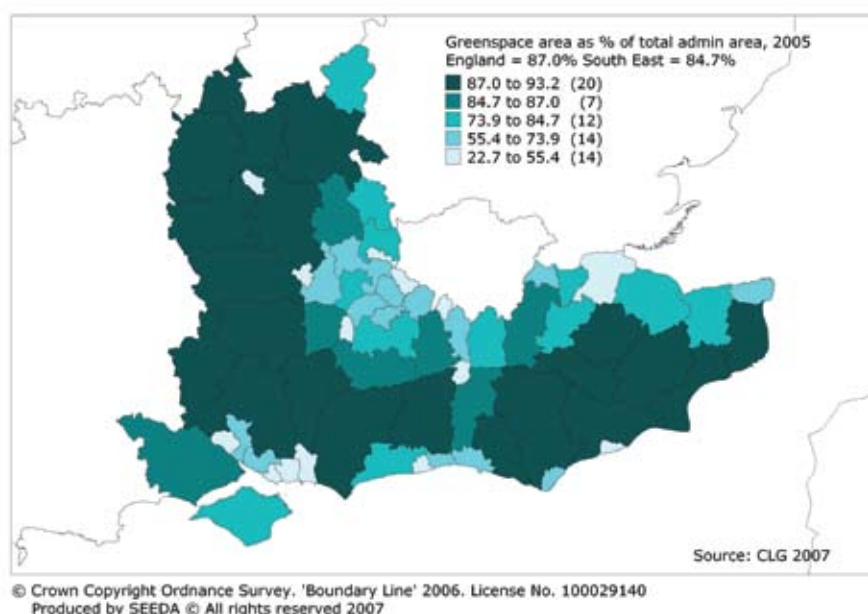
T13-3: Greenspace availability⁵²

The Department for Communities and Local Government has published improved experimental statistics on land type based on 2005 data. As these are not comparable to previous publications, data cannot therefore be used for monitoring purposes at present. However, the data does provide a good picture of the availability of greenspace and is most likely to allow monitoring in future years.

The area of greenspace in the South East accounts for 84.7% of the total land area. Together with the North West this is the smallest percentage of greenspace of any region (apart from London), but only slightly below the English average of 87.0%. However, as the South East has a higher population density than any other region (apart from London), the proportion of greenspace in the region represents a relatively high percentage of available land.

At sub-regional level, greenspace availability is well above the national average in some local authorities (mainly in the west). The lowest values can be found in the areas around London, in some northeastern authorities and also some coastal areas (Figure T13-3.1).

Figure T13-3.1: Greenspace availability by Local Authority District, 2005



⁵² Statistics are experimental and will not be updated for this year's Annual Monitoring Report.

Target 14**Sustainable communities**

Enable more people to benefit from sustainable prosperity across the region and reduce polarisation between communities.

Indicator(s): T14-1: Residents' overall satisfaction with the characteristics of the area in which they live.
 T14-2: Active community participation: Informal and formal volunteering at least once a month in the last 12 months.
 T14-3: Childhood and pensioner poverty.
 T14-4: Young people not in education or training.

Box T14: Key messages

- The proportion of South East residents who are satisfied with the characteristics of the area in which they live is slightly higher than the English average, and has remained almost the same since 2000.
- The proportion of the South East population engaging in volunteering at least once in the previous 12 months increased between 2005 and 2007, remaining just above the English average.
- The percentage of children living in poverty in the South East is significantly lower than in England as a whole, but there has been little change in this indicator in recent years.
- There has been a slight improvement in the incidence of pensioner poverty since 2001.
- The percentage of young people in the South East not in education or training decreased between 2007 and 2008, and is the lowest of any English region.

T14-1: Residents' satisfaction with the characteristics of their area

In 2005/06, 87.7% of South East residents were satisfied overall with the characteristics of the area in which they lived and the region was ranked fifth among nine English regions. In 2006/07 the proportion of South East residents who are satisfied, overall, with the characteristics of the area in which they live, increased to 88.3% and the region moved up one place in the rankings (Figure T14-1.2). This proportion is slightly higher than the English average of 87.0% which has remained the same since the 2007 Monitoring Report was published.

There was very little change over a longer period too, with overall satisfaction standing at 87.9% in 2000 (Figure T14-1.1).

Figure T14-1.1: Residents' overall satisfaction with their area
South East England and England

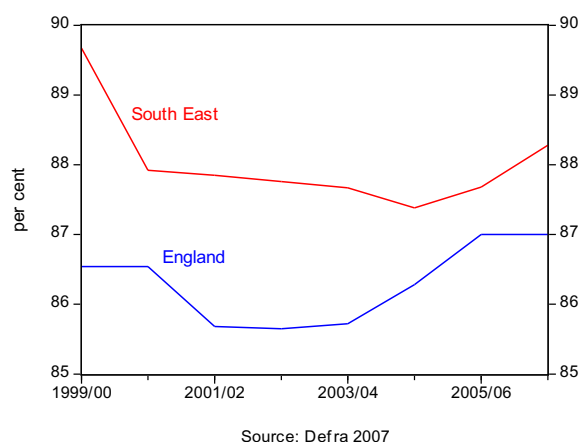
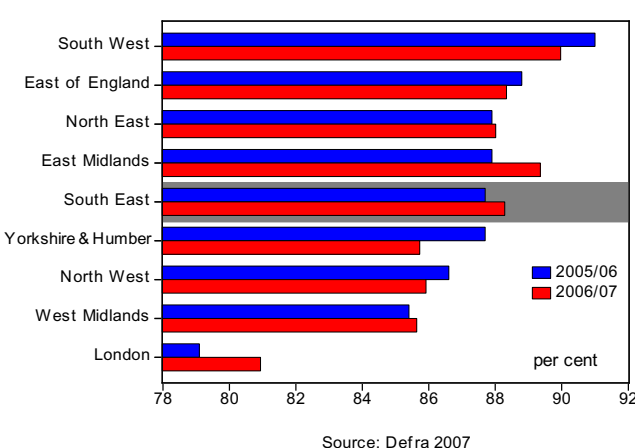


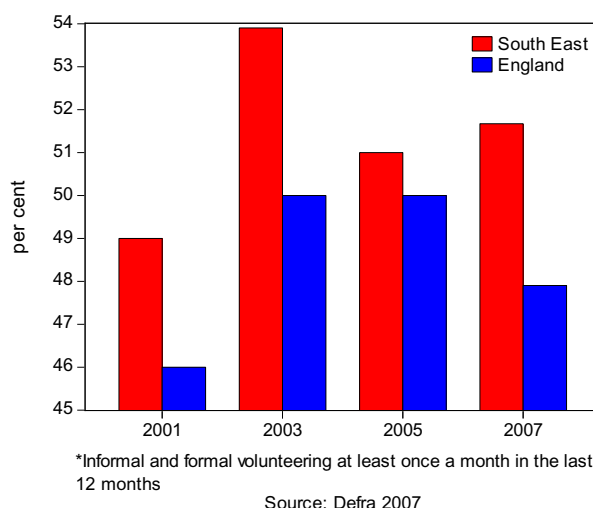
Figure T14-1.2: Residents' overall satisfaction with their area
by English region



T14-2: Active community participation: Informal and formal volunteering at least once a month in the last 12 months

In 2007, more than half of the South East population (52%) had volunteered in some form of community activity (informal or formal), at least once a month over the previous 12 months. This compares to 48% nationally – a fall of two percentage points since 2005. There was a slight drop of 2 percentage points compared to 2003, but an increase of 1 percentage point compared to 2005 (Figure T14-2.1).

Figure T14-2.1: Active community participation*
South East England and England



T14-3: Childhood and pensioner poverty (children in relative low-income households)

Over the period 2003/04-2005/06, the percentage of children living in poverty (defined as those households whose income is below 60% of the median income) *before* housing costs was 13%, 8 percentage points lower than the national average (Figure T14-3.1). This figure has not changed since 2001/02-2003/04.

The proportion of children living in households whose income was below 60% of the median *after* housing costs also remained at 22% since 2001/02-2003/04 – 7 percentage points lower than the national average (Figure T14-3.2).

Figure T14-3.1: Childhood poverty - before housing costs
South East England and England

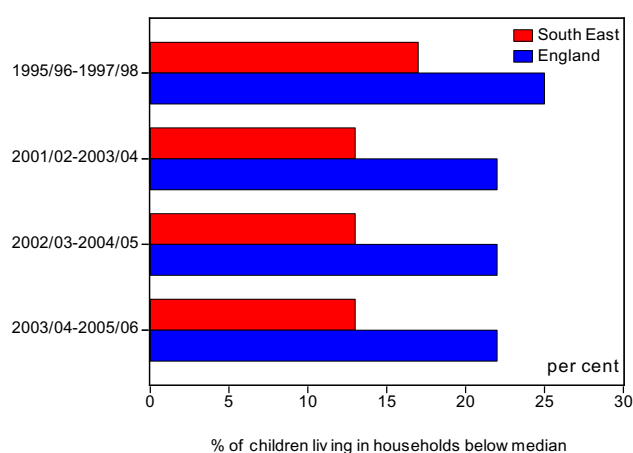
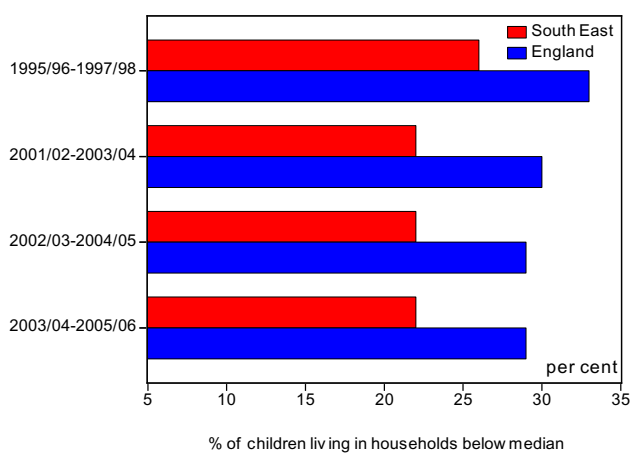
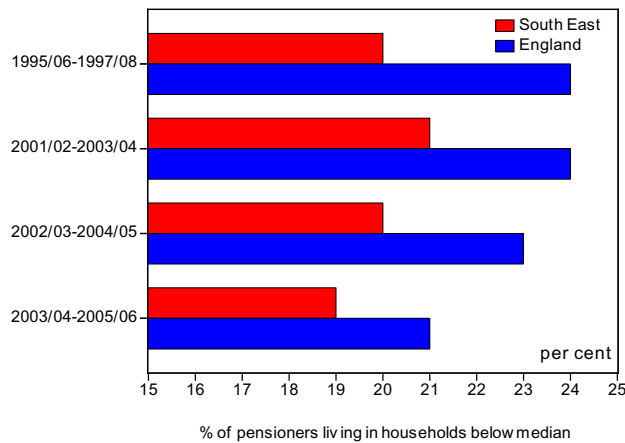


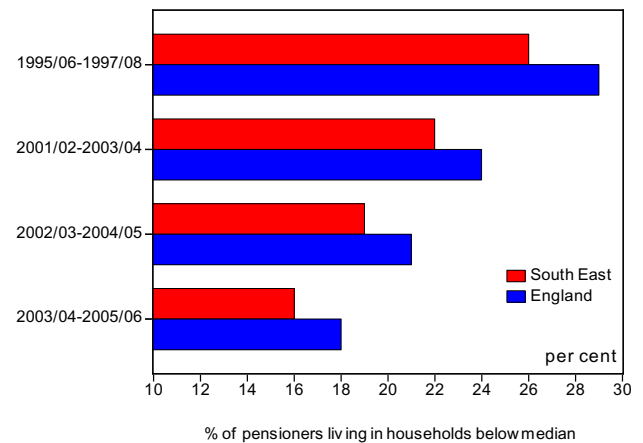
Figure T14-3.2: Childhood poverty - after housing costs
South East England and England



The proportion of pensioners living in poverty (defined as those households with incomes below 60% of the median) *before* housing costs has decreased slightly, from 20% in 2002/03-2004/05 to 19% in 2003/04-2005/06 (Figure T14-3.3). During the same period, the percentage of pensioners living in households with incomes below 60% of the median *after* housing costs has improved slightly, by 3 percentage points, from 19% to 16% (Figure T14-3.4).

Figure T14-3.3: Pensioner poverty - before housing costs
South East England and England

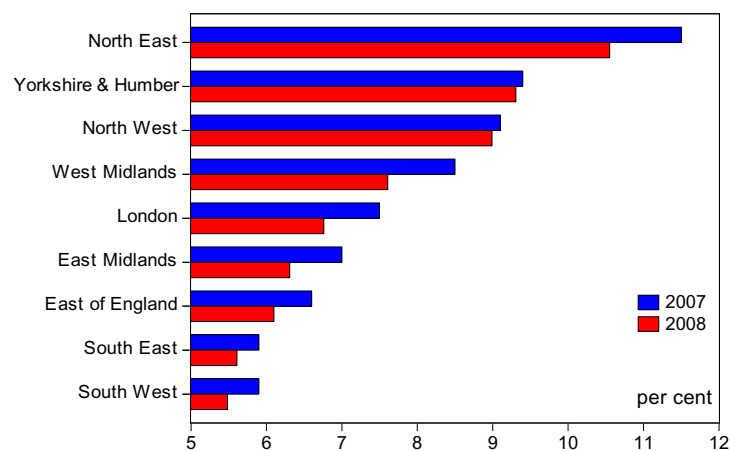
Source: DWP 2008

Figure T14-3.4: Pensioner poverty - after housing costs
South East England and England

Source: DWP 2008

T14-4: Young people not in education or training

The percentage of young people not in education or training decreased from 5.9% in 2007 to 5.6% in 2008 in the South East – lower than any other region except the South West and 1.6 percentage points below the English average (Figure T14-4.1).

Figure T14-4.1: 16-18 year olds not in employment,
education or training, by English region

Source: NCCIS, DCSF 2008

Box O-1: Qualitative examples

South East Excellence – Engaging Places

In May 2008, the Government announced its next steps for Engaging Places, following a report to Ministers on the pilot phase. England's major heritage, architecture and built environment organisations, led by English Heritage and the Commission for Architecture and the Built Environment (CABE), have joined forces to trial and develop practical support to schools so that children and young people have more opportunities to understand why buildings and places matter.

From autumn 2008 the new package of school support will include:

- an online resource for schools providing a national database of heritage/built environment curriculum resources, developed by Culture 24;
- a national partnership of leading cultural and education organisations chaired by Anthea Case, Chair of Heritage Link and CABE commissioner;
- a co-development network for schools and educators providing practical local support and resources supporting the new curriculum;
- increased support to 'Find Your Talent' and the 'Learning outside the Classroom' manifesto.

The 'Engaging Places' project will be taken forward by the CABE and English Heritage over the next three years.

In terms of the regional advisory group, the Government is looking to build on the work undertaken by the regional networks last year, but this time focusing more directly on improving the ability of schools to engage with their built surroundings and look at how we transfer knowledge from providers to teachers. To help do this, the Government is talking to the QCA to develop a schools focused co-development network, as well as providing support to organisations to build on the heritage and built environment sector's involvement with Find Your Talent and Learning Outside the Classroom.

Materials entering the waste stream

In autumn 2007, in order to build materials recycling and reprocessing capacity in the region, SEEDA ran a second competitive call for capital grants to encourage investment in plant and equipment by SMEs.

Funding was given to three businesses to provide additional materials-handling capacity in the region. Two biodiesel business ventures were supported, which should increase the recycling of waste cooking oils by over 6,000 tonnes per annum in 5 years, directly displacing fossil fuel derived fuels and associated CO₂ emissions.

A third company was given funding to invest in a specialist retort that will create a unique capacity in the South East to render hazardous materials inert, diverting materials from hazardous landfill while generating value from the waste stream.

For every pound of grant awarded, another £2 was levered in from other sources.

SEEDA with key national partners, the Environment Agency and WRAP and regional partners Improvement and Efficiency South East, Envirobusiness South East and SECBE (South East Centre for the Built Environment) have established a transformational partnership called the Pathway Towards Zero Waste programme, which will target partner efforts on diverting three waste streams – construction, food and wood – away from landfill.

The priority waste streams were chosen on the basis of scale, contribution to the region's ecological footprint and market failure. The initial focus in the coming year will be on meeting the Sustainable Construction Strategy target of reducing construction and demolition wastes going to landfill by 50% by 2011- a year in advance of the national target.

South East Water Resources Forum

SEEDA, working in partnership with the Environment Agency, has established and supports the South East Water Resources Forum. The Forum is an informal grouping of organisations and individuals concerned about water issues across the South East. In July 2008, the Forum brought together interested parties at a workshop designed to explore the practicalities of achieving the regional water target set out in the RES. The workshop highlighted current retrofitting and the trialling of flexible water tariffs in an attempt to reduce water consumption. Further work is planned to build on such pioneering projects to ensure they are replicable across the region and to achieve the scale of necessary activity.

The Sustainability Checklist

Responding to the Sustainable Communities agenda and the Government's Sustainable Construction Strategy, SEEDA, alongside the South East Assembly and the Government Office for the South East launched the second version of the Sustainability Checklist for Developments in the South East. The Checklist, created for developers and planners, aims to assist in the design and construction of sustainable buildings and developments. Key issues such as climate change, energy, natural resources, community and place-making are covered by the Checklist. More recently, SEEDA, as chair of the national checklist steering group has been working closely with BRE to develop a certified version of the checklists, which could possibly sit as part of the BREEAM suite of tools.

The Checklist forms part of the 'toolkit' offered by South East Excellence, which exists to support the urban renaissance of our towns and cities.

South East Greenspace

The value of open greenspace in and around towns and cities has been widely recognised for providing essential ecological services and contributing to quality of life. Green Infrastructure is a concept that recognises the importance of planning green/blue spaces and natural elements into and between our built environment. Sometimes it has been criticised for lacking the same clarity as other essential infrastructure. In January 2008, a one-day workshop was organised, the aim of which was to bring together key regional environmental stakeholders to clarify and develop consensus around the definition of Green Infrastructure and begin to develop a common approach.

SEEDA in partnership with Natural England, the Environment Agency, the Wildlife Trusts, Forestry Commission, and the South East Regional Assembly have created a South East Green Infrastructure Framework. The Framework defines a 'shared Green Infrastructure agenda' for the purpose of conveying confidence to those delivering GI locally and produce guidelines that will result in more consistent delivery of GI on the ground.

3. Annex A: Indicators and sources

Headline target

Data source

HT1-1	Average annual growth rate in GVA per head.	Experian Business Strategies, Regional Planning Service
HT2-1	Productivity growth; and absolute increase in productivity in constant prices.	National Statistics
HT3-1	The rate of increase in the ecological footprint.	Stockholm Institute

Objective 1 'Global Competitiveness'

T1-1	Percentage of exporting companies.	DTZ Pleda Consulting, SEEDA
T1-2	South East share of global Foreign Direct Investment.	UK Trade and Industry
T2-1	R&D expenditure as a proportion of GVA.	National Statistics, Department for Business Enterprise & Regulatory Reform, SEEDA
T2-2	Proportion of businesses in the South East reporting links with universities.	RDA/CBI Survey of UK Regional Economic Trends
T2-3	Proportion of businesses reporting cooperation agreements on innovation.	Community Innovation Survey, Office for National Statistics
T3-1:	The percentage of total South East business turnover attributable to new products (new to market).	Community Innovation Survey, Office for National Statistics
T3-2:	The percentage of total South East business turnover attributable to significantly improved products.	Community Innovation Survey, Office for National Statistics
T4-1	Total identifiable expenditure on transport, expenditure per head.	HM Treasury

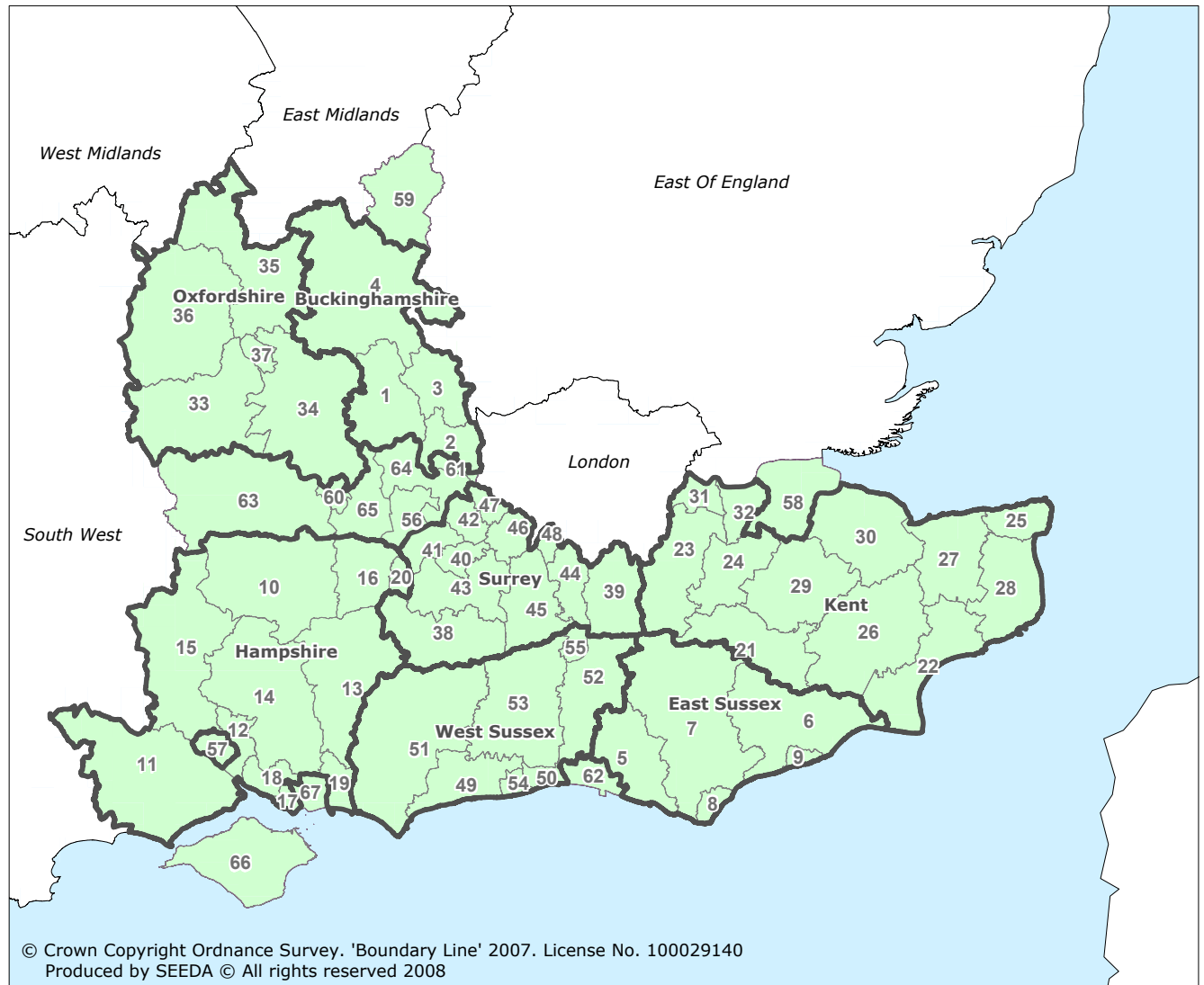
Objective 2 ‘Smart Growth’

T5-1	Business stock per 1,000 inhabitants.	Department for Business, Enterprise and Regulatory Reform, Office for National Statistics
T5-2	Change in the number of businesses run by women (proxy – change in self-employment for females).	Office for National Statistics
T6-1	Proportion of working age population with NVQ 2+.	Office for National Statistics
T6-2	Proportion of working age population with NVQ 3.	Office for National Statistics
T6-3	Proportion of working age population with NVQ 4+.	Office for National Statistics
T6-4	Proportion of working age population with no qualifications.	Office for National Statistics
T6-5	Proportion of employers reporting skills gaps.	Office for National Statistics
T6-6	Proportion of the labour force receiving training.	Office for National Statistics
T8-1	Usual method of travel to work.	Department for Transport
T8-2	Average daily motor vehicle flows (vehicles per day) per road class.	Department for Transport
T8-3	Carbon dioxide emissions from road transport.	Department for Rural Affairs
T9-1	Ratio of median house price to median income.	Communities and Local Government
T9-2	New dwellings built on previously developed land or through conversion.	South East England Regional Assembly
T9-3	Previously developed land by planned use (for employment land, includes employment, mixed use, retail).	Communities and Local Government
T10-1	Change in the economic activity rate.	Office for National Statistics
T10-2	Change in the number of economically inactive people in the region.	Office for National Statistics
T10-3	Employment rate.	Office for National Statistics
T10-4	Proportion of working age population in Top 3 SOC (Standard Occupational Classification) categories: managers/senior officials, professionals and associate professionals.	Office for National Statistics

Objective 3 'Sustainable Prosperity'

T11-1	CO ₂ emissions attributable to the South East.	Department for Rural Affairs
T11-2	Generation of electricity from renewable resources.	Department for Business, Enterprise and Regulatory Reform
T12-1	Per capita water consumption.	Environment Agency
T12-2	GVA generated per tonne of materials entering the waste stream.	Department for Rural Affairs, National Statistics
T12-3	Total household waste (kilo/person/year).	Department for Rural Affairs
T12-4	Percentage of household waste recycled or composted (kilo/person/year).	Department for Rural Affairs
T13-1	Assessment of local environmental quality.	Department for Rural Affairs
T13-2	Biological and chemical river quality.	Department for Rural Affairs
T13-3	Greenspace (% of total area).	Communities and Local Government
T14-1	Residents' overall satisfaction with the characteristics of the area in which they live.	Department for Rural Affairs
T14-2	Active community participation: Informal and formal volunteering at least once a month in the last 12 months.	Department for Rural Affairs
T14-3	Childhood and pensioner poverty.	Department for Children, Schools and Families
T14-4	Young people not in education or training.	Department for Work and Pensions

South East England: Counties and Districts



- | | | | |
|---------------------------|--------------------------|-------------------------|---------------------------|
| 1 - Wycombe | 17 - Gosport | 34 - South Oxfordshire | 51 - Chichester |
| 2 - South Buckinghamshire | 18 - Fareham | 35 - Cherwell | 52 - Mid Sussex |
| 3 - Chiltern | 19 - Havant | 36 - West Oxfordshire | 53 - Horsham |
| 4 - Aylesbury Vale | 20 - Rushmoor | 37 - Oxford | 54 - Worthing |
| 5 - Lewes | 21 - Tunbridge Wells | 38 - Waverley | 55 - Crawley |
| 6 - Rother | 22 - Shepway | 39 - Tandridge | 56 - Bracknell Forest |
| 7 - Wealden | 23 - Sevenoaks | 40 - Woking | 57 - Southampton |
| 8 - Eastbourne | 24 - Tonbridge & Malling | 41 - Surrey Heath | 58 - Medway Towns |
| 9 - Hastings | 25 - Thanet | 42 - Runnymede | 59 - Milton Keynes |
| 10 - Basingstoke & Deane | 26 - Ashford | 43 - Guildford | 60 - Reading |
| 11 - New Forest | 27 - Canterbury | 44 - Reigate & Banstead | 61 - Slough |
| 12 - Eastleigh | 28 - Dover | 45 - Mole Valley | 62 - Brighton & Hove |
| 13 - East Hampshire | 29 - Maidstone | 46 - Elmbridge | 63 - West Berkshire |
| 14 - Winchester | 30 - Swale | 47 - Spelthorne | 64 - Windsor & Maidenhead |
| 15 - Test Valley | 31 - Dartford | 48 - Epsom & Ewell | 65 - Wokingham |
| 16 - Hart | 32 - Gravesham | 49 - Arun | 66 - Isle of Wight |
| | 33 - Vale of White Horse | 50 - Adur | 67 - Portsmouth |

If English is not your first language we can provide a summarised version of this document in Punjabi, Hindi, Gujurati, Urdu, Polish and Bengali. The document can be made available in large print, Braille, disk and audio cassette.

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