



Consultation on the Regional Growth Fund – Joint Response from the South East Diamonds for Investment & Growth

Introduction

We welcome the opportunity to provide a submission to the Government's consultation on the Regional Growth Fund.

The South East Diamonds for Investment & Growth (SEDfIG) Partnership¹ seeks to support the economic performance of the key economic areas of south-east England - the 8 'Diamonds for Investment & Growth'. These 'functional economic areas' account for a disproportionate amount of GVA within the region and will provide the majority of economic and housing growth within the south-east in forthcoming years.

The eight Diamond areas are:

- Brighton & Hove
- Gatwick Diamond
- Milton Keynes & Aylesbury Vale
- North Hampshire
- Oxford / Central Oxfordshire
- Reading
- Thames Gateway Kent
- Urban South Hampshire

Each of these functional economic areas is supported by sub-regional partnerships, with strong levels of business engagement and involvement. Since 2006, the authorities at the urban core of these areas have been working together as the SEDfIG Partnership.

The SEDfIG has led and commissioned economic research, supported shared EU-funded programmes, arranged pan-Diamond conferences, responded to Government and associated consultations, contributed to national policy development, shared good practice case studies and learning and sought to articulate and support the growth needs of the Diamonds.

¹ Comprising Basingstoke & Deane BC, Brighton & Hove CC, Crawley BC, Medway Council, Milton Keynes Council, Oxford CC, Portsmouth CC, Reading BC, Southampton CC and partners.

The Economy of South-East England

The south-east currently accounts for over 14% of UK Gross Value Added (GVA), as well as over 25% (£3.2 billion) of UK business expenditure on research and development. The region has an existing strong presence amongst nationally identified priority growth sectors, largely based in the Diamond areas. The region has the highest concentration of health technology companies in the UK and is an international centre for the aerospace industry, accounting for 22% of UK firms in the sector. The south east also has higher levels of productivity than the rest of the UK.²

Earlier work by Oxford Economics has revealed that £1 billion invested in infrastructure in the south-east can deliver a £160m per annum increase to UK GDP, compared to a return of £119m for the Midlands and £76m for the North of England.³ This demonstrates the value added rate of return gained from investing in south-east infrastructure.

Whilst there are no 'core' cities in the south-east, there are a number of strong urban economies – the Diamonds - which drive growth and productivity in the region. The south-east of England relies heavily upon the economic vitality and success of the Diamond areas to generate employment, GVA and prosperity. The 'polycentricity' of the south-east, and the way that smaller urban areas tie together, with London, to form a strong regional economy, is now widely recognised.⁴ Strong functional relationships tie the Diamonds both to London and to each other, playing a vital role in the economic success of the capital and the UK as a whole.

The South East is critical to UK economic success, so it is important to ensure there is an overall strategy for meeting the needs and aspirations of the area as a whole. Growth will bring pressures on the infrastructure, housing, environment, and economic development that must be met. In addition, the south-east of England is slipping behind competitor regions internationally, dropping ten places on the World Knowledge Competitiveness Index between 2005 and 2008.⁵ There also exist significant pockets of deprivation, largely found in urban parts of the region. Across the south-east as a whole, there are 958,000 economically inactive people of working age – compared with only 354,000 in the north-east.⁶

The Regional Growth Fund

² Centre for Local Economic Strategies (2010), *Building the Knowledge Economy – Research and Action Planning for the SEDfIG*.

³ Oxford Economics (2009), *The Impact of the Tax / Spending Imbalance in the South-East*.

⁴ Eg. Pain, K. (2006) Policy Challenges of Functional Polycentricity in a Global Mega-City Region: South East England, *Built Environment*, 32(2).

⁵ Huggins *et al* (2008), *The World Knowledge Competitiveness Index*, Centre for International Competitiveness, Cardiff University.

⁶ Labour Force Survey, March to May 2010.

We welcome the fact that the new coalition government is seeking to refocus the economy, with an emphasis on private sector jobs growth and enterprise. We also welcome the emphasis on flexibility, with local partners responding to local needs, and Local Enterprise Partnerships (LEPs) providing a delivery vehicle for growth in functional economic areas. As such, we welcome the acknowledgement of the strong role that LEPs can play in delivering against the priorities of the Regional Growth Fund (RGF).

However, we wish to note a contradiction between the two main objectives for the RGF defined in the consultation paper. Whilst the aspiration of rebalancing the economic geography is laudable, the weight of recent evidence shows that the polycentric south-east, and the 'mega-city region' around London has the agglomerations of expertise favoured by international business investors. As such, projects with the greatest potential for sustainable economic growth – support of which is the other aim of the RGF - will exist within this part of England. A judgement will need to be made about which of these contradictory aims takes precedence – we believe that a strong focus on unlocking further growth in those areas with the highest potential offers greatest long-term benefit to the national economy.

Consultation Questions

1. *Are there benefits to be had from allocating different elements of the fund in different ways?*

We believe that, in the spirit of the wider reforming agenda of the government, the greatest possible local flexibility should be encouraged. To avoid inefficiencies, bidding processes should also be as non-bureaucratic as possible. As such, the nature of projects supported in local areas will be different, and should reflect local priorities that accord with a set, single, national framework of high-level funding criteria.

2. *What types of activities should the fund support and how should the fund be best designed to facilitate this?*

The fund should be used in a way which prioritises spend on necessary interventions which will give the greatest proportionate return in terms of economic growth. Areas such as the South East Diamonds provide the best opportunity for economic growth to aid national economic recovery, but this is only achievable if funding is available to address support needs and overcome infrastructure deficiencies. The fund should aim to support activities which are future focussed and oriented towards delivering maximum impact on private sector growth.

3. *Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?*

Bidding should not be characterised by overly bureaucratic bidding rounds, project assessment methodologies or centralised decision making – such a process would sit counter to the professed aims of the new government. As such, what is required is a slim-line national framework that allows bids to be assessed against expressed local priorities, rather than a standard national set of appraisal criteria. The ability and capacity to deliver GVA and private sector jobs growth – two of the key aims of the SEDfIG Partnership, reflecting the potential of the south-east – should form part of this national framework.

4. *Do you think we should operate a two-stage bidding process?*

The suggested timetable for bids could be difficult to achieve, given the strong role envisaged for LEPs within the consultation paper. To conduct a first bidding round by December 2010, when initial LEPs proposals are only to be submitted to government by 6th September, will not allow for the preparation of integrated, cohesive RGF bids that the government is seeking. The timetable for bidding should therefore be given further consideration and, as part of this, the likely (considerable) resource implications of a two-stage bidding process should also be considered.

5. *Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?*

Yes, but within a framework that offers the greatest possible flexibility to LEPs (or networks of LEPs, coming together at scale when required) to apportion funding as deemed necessary to deliver high-volume economic growth. The synergy of the public private partnership should also endeavour to maximise the key strengths of the private sector – innovation and wealth creation, thereby inducing the private sector to invest in the Regional Growth Fund in the longer-term.