

## **THE NEW LOCAL ENTERPRISE PARTNERSHIPS**

**Submission to the Business, Innovation and Skills Committee by the South East Diamonds for Investment & Growth (SEDfIG) Partnership**

**August 2010**

### **1. Introduction**

1.1 The South East Diamonds for Investment & Growth (SEDfIG) Partnership<sup>1</sup> 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.

1.2 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.

### **2. The Economy of South-East England**

2.1 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

---

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

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 is Britain's most economically active region and has higher levels of productivity than the rest of the UK.<sup>2</sup>

- 2.2 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.<sup>3</sup> This demonstrates the value added rate of return gained from investing in south-east infrastructure.
- 2.3 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.<sup>4</sup> 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.
- 2.4 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.<sup>5</sup> 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.<sup>6</sup>

### **3. Implications for Local Enterprise Partnerships (LEPs)**

- 3.1 The economic context set out above has a number of implications for the structure and workings of LEPs in the south-east. These include:

---

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

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

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

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

<sup>6</sup> Labour Force Survey, March to May 2010.

- The south-east makes a vital, disproportionate contribution to the success of 'UK Plc'.
- LEPs need to provide a means to overcome the challenges of creaking infrastructure, inadequate housing supply and skills gaps to ensure south-east can continue to make this contribution. Without it, the national economy suffers.
- The south-east is slipping behind comparative regions internationally. LEPs, supported by appropriate investment, need to address this and have a role to play in inward investment, sector policy and other associated functions. Complacency in the face of this challenge poses a risk to recovery and growth.
- As a region without a core city, the south-east is 'different' to the rest of the UK. Businesses identify with natural economic geographies - the Diamonds - that are smaller than the cities of the north.
- There are 74 Councils, including District, Unitary and Counties, across the South East, far more than in any other region. It is a busy governance environment, which brings complexity and a multiplicity of relationships, presenting particular challenges for effective and efficient partnership working across wider than 'local' areas.
- As a result, it is likely and proper that a greater number of LEP proposals will come forward from the south-east, reflecting 'natural economic geographies' and viable, practical governance and partnership arrangements.
- There is a need to ensure some level of collaboration and co-operation between these areas, to meet some of the strategic challenges set out above. Smaller LEPs will be able to work together, providing 'building blocks' to increase capacity and address issues at an appropriate scale. The SEDfIG can fulfil this role.
- The track record of the SEDfIG in coming together, voluntarily, at both local and South East levels is proven. The SEDfIG Partnership will continue to support collaboration across the south-east, building on the successful joint working to date and supporting the emerging LEPs. The necessary partnership structures, processes and governance arrangements are already largely in place and in the interests of efficiency, speed and effectiveness, should be used to facilitate the establishment of LEPs where appropriate.

#### **4. The Regional Growth Fund**

- 4.1 The SEDfIG Partnership intends to submit a separate response to the ongoing consultation on the Regional Growth Fund. At present, we would wish to draw the attention of the Committee to the economic decline of the south-east on the international scale, and the importance of the economic growth of the south-east to the success of the UK.

- 4.2 We would hope that, in light of the above, the Regional Growth Fund is not unduly targeted outside the 'Greater South-East'. It seems that one of the primary aims of the fund is to stimulate private sector growth and jobs in order to mitigate the impact of likely public sector job losses. Whilst private sector job growth in the south-east has been high over the past decade, the impacts of public sector job cuts should not be underestimated. Large concentrations of public sector employment exist across the Diamonds, in areas as diverse and economically different as the Thames Gateway and central Oxfordshire.
- 4.3 The funding and bidding arrangements of the Regional Growth Fund should not unduly hinder the ability of the south-east to respond to likely job losses in these areas.

## **5. Means of Procuring Funding from Outside Bodies**

- 5.1 The SEDFIG Partnership has proven successful in bringing EU funds into the Diamonds for a range of programmes, including skills development and retrofitting technologies. It will be important going forward for the appropriate groupings of LEPs, suitably funded, to come together to operate at a sufficient scale to provide both supportive expertise and efficient administration of bidding processes for these funds.
- 5.2 The SEDFIG believe that, in a 'Europe of the Regions', it is critical to ensure that we are not disadvantaged by the fragmentation of functions required to be successful in competition with other parts of the EU, particularly when seeking to obtain such funding in future. Prompt consideration needs to be given as to the means of procuring EU and other funding, and how this can be managed at an efficient scale.

## **6. Conclusion**

- 6.1 To conclude, the SEDFIG authorities have already developed strong and sustainable arrangements to work with business and welcome the proposal jointly to develop and shape the new LEPs arrangements.
- 6.2 We hope that, in the spirit of 'localism', the polycentric, dispersed nature of the south-east economy is recognised by policymakers when considering the LEPs proposals that come forward. Economic geographies are smaller in the south-east, but make a disproportionately large contribution to the exchequer.
- 6.3 In addition, we would conclude by reiterating that, whilst the economy of the south-east has performed strongly over recent years (but less strongly than some competitor areas globally) it has a wide range of diverse needs. It will be important for partners to continue to work together to articulate the

growth needs of our cities and towns but, equally, it is important that new initiatives such as the Regional Growth Fund allow the south-east to play as full a role as possible in supporting the return of the UK to sustained economic growth.