



Review of 2008/09 and Forward Look

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As Jim has said it's been a turbulent 18 months for world markets and we in the South East haven't escaped the impact. The combination of banking crisis, property collapse and world trade recession has been toxic. But we have had successes too and it has been important to be realistic, not pessimistic. What businesses have been asking for, for many months now, is more, not less, confidence to help markets to recover. And the framework within which they can drive their own future success.

Jim has been a big part of driving that positive approach with his energy, enthusiasm and commitment. I would like to thank him for all that he has done to help SEEDA to be braver and more entrepreneurial in our work and the great results he has personally achieved for the region through his energy and commitment to the 'locomotive of the UK economy'.

May I add my welcome to yours for our new Chairman Rob Douglas, who took up the reins just this week and who brings to the role not only a knowledge of SEEDA and the region but also a wealth of experience in large global corporates as well as small global and more local businesses.

My task this morning is threefold.

- To offer you an overview of SEEDA's work with our partners last year to deliver the RES, as set out in our Annual Report for 2008/09;
- To report on our refocusing, to respond to the recession and support the upturn;
- And to explain that, in the context of changes to the landscape of support for economic development.

The context in which we face the future is one of total focus on economic competitiveness and economic challenges. We are still committed to the wider objectives of the Regional Economic Strategy and as you will see from the [3rd RES Monitoring report published today](#) on our website, with a summary version here, we have been working with partners to ensure that prosperity is both shared and sustainable. Indeed every success that I will be mentioning is in [partnership](#), with the South East's businesses, local authorities, universities and with national and regional agencies such as JobCentrePlus, the Technology Strategy Board or the Government's new National and Regional Economic Councils.

There is considerable speculation about the value of regional level agencies. [Our](#) task is not speculation but economic development and we are concentrating on the business in hand. So what is our track record? Last year an independent performance assessment of all nine RDAs, carried out by PWC, concluded that we had helped create over £23 billion additional Gross Value Added through our work in the five years 2002-2007. This is some 5 times our investment.

In the South East, with one of the smallest RDA budgets, SEEDA contributed over £2.6 billion added GVA across the five years. We generated £5.60 for every £1 that we spent. Increasingly we are measuring our impact in these terms, and learning from those interventions that have delivered the most.

So let me describe our

- Achievements against targets for 2008-09;
- Our response to business needs in the downturn;
- Our counter-cyclical and low carbon developments; and
- Our collaborations to strengthen the economy for the upturn.

2008/9 was the first year of SEEDA's new Corporate Plan, addressing directly the Regional Economic Strategy's challenges of global competitiveness, smart growth and sustainable prosperity. The results against our core targets were strong as you can see here – with many targets greatly exceeded and only one missed.

Let me give you some illustrations of what these figures mean...

Some of the exceptional results for businesses, people and places in the South East were driven by the challenging economic climate. Some of our companies responded by seeking new markets, to safeguard jobs or create new ones. With caseloads up, our 11 Investor Development managers delivered over 2800 through inward investors here to more than double our first target, with SEEDA supporting **8,000 new or safeguarded jobs** overall, across many different sectors, from food production for example Davies & Davies in Gillingham, Kent with 139 new and safeguarded jobs in meat manufacturing, to advanced composite materials, e.g. Crompton Technology Group retained in Banbury, to financial services with Merrill Lynch securing 250 jobs in Camberley, and environmental technologies, where Ceres Power in Crawley have created 50 new jobs as they move into production.

Our increased support for Business Link providers enabled them to respond to record levels of demand too. They advised almost 145,000 customers over the year and contributed to our **support for more than 50,000 businesses**. Our Manufacturing Advisory Service's support for over 1,000 of these businesses, helped them alone to

generate £92 million additional GVA through improved productivity, as well as to save costs, waste and energy consumption through lean techniques. And we supported **over 22,000 people to start new businesses**.

The Continuing Employment Support Service is operated by SEEDA in partnership with JobCentre Plus and the Learning and Skills Council, as part of a wider Regional Recovery Plan. We took on more brokers to support over 12,000 people made redundant across the South East last year and we helped a total of over **17,000 individuals to secure employment**. We set up and chaired task forces with local partners and national agencies to tackle the largest redundancies – Ford in Southampton, BMW in Oxford, Vestas on the Isle of Wight – and helped people into new opportunities with local businesses who were expanding.

Businesses have been keen to retain valued employees through this recession and our role is to help them do so. With new flexibilities in the Train to Gain programme and a new impetus for retraining, we supported nearly **22,000 people to improve their skills**.

It wasn't an easy year for levering funds into development schemes – but our task was to keep up the momentum. We secured over £155 million for regeneration infrastructure schemes across the South East – 90% of our target with 75% of that from the private sector. The largest sums went into three projects in North Kent Thames Gateway: Chatham Maritime (c. £36m), Northfleet (c.£17.3m) and Queenborough (c.17.1m).

We developed **16 hectares of brownfield land** around the Solent, half of them at Woolston in Southampton where SEEDA completed the final phase of remediation of this former shipyard – ready now for homes and workspace. The first phase of new development is expected to start on site next Spring 2010. We also completed the remediation of waterfront sites at Marchwood, Southampton (2.46 ha) and Hythe (4.9 ha) both to support the growth of the important marine sector, facing a shortage of good employment land.

As Jim mentioned during 2008-09 SEEDA-led projects with UKTI resulted in **90 new investments** in the region by foreign-owned companies against a target of 70, creating or safeguarding over **3,800 jobs** over the next 3 years. For example, working with Pinewood Studios we helped to secure the filming of Prince of Persia in the South East, an investment of £72m - the top Return on Investment of our international activities.

Whilst our core results are important, last year our main concern was to create focus and discipline in our programmes first to understand and tackle the recession and secondly to strengthen the region's businesses to go out and exploit new global markets as the recovery takes off.

In August 2008 SEEDA published, with Treasury and the Business Department, our first analysis and strategy for dealing with the recession in the South East. We developed an economic intelligence network which we are told has proven of enormous value not only to us but to our partners, and a framework of immediate support for businesses.

The **£15m Rapid Response Package** required a tough and fast prioritisation of our regional programmes to deliver a response to the immediate needs of small businesses across the South East.

It was a practical set of actions which delivered enhanced Business Link services, grants for Business Investment, robust business development advice, help for businesses to access finance, leadership and management support, tackling redundancy, and job matching with expanding businesses, assistance in trading overseas, and focused support for new inward investment companies after arrival.

To give two examples:

- Our Business Link have delivered over 16,000 free Health Checks for businesses – one in five of the national total.
- We knew very early that finance would be a key concern for companies. So we launched a **£3m Transition Loan Fund**, managed by Finance South East as a last resort for high growth small businesses facing difficulties in obtaining credit from which **23 loans have been approved supporting almost 850 jobs**. Mercator Media Limited in Hampshire is one of a number of local South East companies which received funds to take forward their business-to-business media services.
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All of this took place within the framework of a new National Economic Council on which our Chairman sits, led by the Chancellor and Lord Mandelson; a new Regional Economic Delivery Council chaired by our Regional Minister, Jonathan Shaw, and our own monthly Regional Intelligence Reports, drawn together from national data and input from across the region. A very clear monthly economy dashboard – the latest version of which you can see here – has been very well received by all our partners across the regions – public policy makers and business people alike. Both are widely distributed and readily available on our website. This is now a valuable part of our ability to inform and support all our partners. We have seen the diversity and strengths of the South East's economy prove very much more resilient than expected.

We now have a South East Financial Services Forum which I chair and at which we meet all the region's banks quarterly, to discuss keeping the traditional channels of business funding flowing. I also sit on the Government's Small Business Finance Forum which brings the banks together at national level, with Lord Mandelson and the business member organisations. This has really opened up the dialogue – although there is no magic wand. Each RDA has also recently created a Financial Intermediary Service in Business Link. This was proposed by the Federation of Small Businesses (FSB) and brings support to businesses whose relationship with their banks has broken down. In over 90 cases seen across the region so far, only 1 case has been referred to the Financial Intermediary for follow-up with the bank. What the Business Link service has achieved is to help businesses to understand the reasons for the rejection and to support them to put stronger proposals to their lenders in order to secure the funding they need.

As well as understanding and reporting on economic trends and responding to the immediate needs of small businesses, SEEDA identified counter-cyclical investments to maintain construction employment and, with our partners, prioritised a number of projects creating a platform for low carbon growth. For example, new incubation and innovation centres provide key business infrastructure whilst maintaining development and demonstrating new standards of environmental responsibility.

One example is the £7m investment in this environmentally forward looking building for **Canterbury Innovation Centre**, which will incubate high tech new businesses linked to the expertise and research of the University of Canterbury, and support them to go out and create the global markets for their new products and services.

And this is **Enviro21**, the first of a series of business parks for environmental technology companies, developed with our sector consortium, Envirobusiness, in North Bexhill, East Sussex. This development will drive innovation forward, providing workspaces, and in this building exhibition and meeting space, for cutting edge companies. It has attracted private finance into Hastings & Bexhill; Inquiries are good and the first business park will be completed early next year.

Of course it isn't just physical infrastructure which drives growth.

We also invested in **enterprise training** and have prioritised **investment in key technologies** that will enable South East companies to win global contracts and create strong supply chains across the South East.

Just three examples:

- With £2m from SEEDA Peter Jones' new **National Enterprise Academy** opened its doors last year in Aylesbury, Buckinghamshire. This is the beginning of a major shift to encourage young people to become the business leaders of the future and create a globally competitive enterprise culture. We wanted to make sure it started here.
- With London and the East of England we delivered £12m of our £36 million investment in to **Alphasat** – leveraging private and EU funds to win the contract to build the most advanced civilian satellite. This is now bringing some 500 jobs to Portsmouth and Stevenage and new opportunities to the city of London as well as demonstrating the UK's support for space – reflected this year in the European Space Agency's (ESA) commitment to the new space research centre at Harwell in Oxfordshire. I am sure you will see and here more about this exciting project from Chris McLaughlin.
- We contributed £825k to a £6m **Electric Mini** demonstrator study in Oxfordshire. The results will accelerate the introduction of electric cars by testing and developing a highly skilled workforce and the necessary charging infrastructure. Other partners in this exciting collaboration are Scottish and Southern Energy, Oxford Brookes University, Oxford City Council and Oxfordshire County Council and this is just one of several pilots across the UK. Our own staff are testing five of the electric Minis and I enjoyed a test drive at the press launch in Farnborough recently.

Global competitiveness is driven by new technologies, innovative new processes, products and services and powerful new collaborations.

To focus intensive, specialist support on the region's top 2000 innovative and high growth businesses, we will invest £20 million to December 2013 and lever partners' investment into "South East Business Innovation and Growth" – a new **regional network of eight Innovation and Growth Teams**. This builds on and brings together SEEDA's most successful programmes - the Enterprise Hubs, Innovation Advisory Service and High Growth Coaching programme – and will reach out to another 4000 companies that aspire to innovate and can benefit from the network.

The teams will cover the whole region, primarily focused on the 8 Diamonds for Investment and Growth and on places with significant clusters of businesses with high growth potential. They are **managed by local partnerships** involving the sub-regional economic partnerships, the world class knowledge base of our universities and Research Centres, the local Business Link, Local Authorities and business representatives. This will align resources of all partners behind the sub-regional economic growth agenda. They will provide tailored coaching, mentoring and networking opportunities to high growth businesses of all sizes. Staffed by experienced business professionals, they will deliver five of the new 'Solutions for Business' portfolio of products, tailored to the needs of each high growth business.

So this year has been about providing **emergency support in recession** but also about **driving innovation for recovery**. We must do both together, helping businesses to get out there and create new, and exploit existing, global markets.

In *Building Britain's Future – New Industry, new jobs*, the government set out its support for the key sectors which will drive future growth, here in the UK and globally.

Our job is to translate these national policies into opportunities for businesses across the South East. New Industry, New Jobs exactly matched our own approach to the new needs of a globally competitive economy facing tough enough challenges today, but even tougher international competition tomorrow.

South East well positioned

And this can be good news for the South East if we work together effectively. We have world-beating potential.

- We are a top exporting region, with the second highest business start-up and survival rates in the country and the highest value manufacturing output;
- We have a world-beating knowledge economy with more employees in the High & Medium Technology sector than any other region;
- We have a wide range of companies in key sectors such as Environmental Technologies – from global leaders in Hampshire and the IOW such as Veolia and Vestas to new companies such as Ceres Power in Crawley, now manufacturing their innovative fuel cells; and
- We have a world-leading financial and business services sector, which remains strong.

Bringing this all together to deliver a world-class offer is our task. We demonstrate an excellent return on public investment in the South East – and it is that return which fuels the tax take of most of the rest of the country. We now have a strong **Regional Partnership Board**, with SEEDA working alongside the new South East England Leaders' Board. Together we have delivered successes already:

- clearly focused Regional Funding Advice followed through by the three Delivery Boards to drive national agencies' investment in the South East - including the £5bn budget of the new HCA;
- £25m extra Government funds into our new Regional Infrastructure Fund from DfT, with the first £15m now targeted on 2 schemes in Ashford; and

- Sufficient confidence in the new structures for Government to ask SEEDA to create new Regional Skills Strategies within the framework of the integrated Regional Strategies to prioritise the substantial resources of the new Skills Funding Agency for post 19 skills.

We look forward to beginning consultations towards a new Regional Strategy with workshops early next year with local authority leaders to explore key themes looking forward to 2020 and beyond. I'd like to thank Paul Carter and all his colleagues on the South East England Leaders' Board for the constructive way in which we have been able to work together this year to set out the case for investment in the South East and take forward the RES and South East Plan together.

To create expertise and discipline to deliver our new focus SEEDA has radically restructured our business. Recent events and cuts to our budgets have demonstrated the need for radical changes to achieve efficiency, innovation and collaboration. We will be a smaller, more strategic, more agile and more business-focused organisation.

SEEDA's vision is to be the best economic development agency a top global region could have; with expert interventions, expert deal making and expert advice.

We will focus on the infrastructure of international competitiveness and high growth, through innovation and productivity, understanding the potential impact on local economies, local people and local businesses.

We have already saved our Corporate Plan target of a £3.6m reduction in SEEDA's administration costs. The new SEEDA, expected to be fully in place by April 2010, will have considerably fewer staff. It will be characterised by close cross-team working, pulling together the expertise of different groups to deliver comprehensive, integrated and targeted development packages for businesses, bringing new opportunities to people and places across the region.

The new SEEDA will begin to come into place after the close of formal consultations on redundancies on the 16th November – just over a week away. It will have two elements:

- A new Operations Group led by Robert Crawford with Susan Priest, leading our region-wide business support programmes and delivering a new focus on high growth sectors; and
- A Strategy & Support Group led by Oona Muirhead with Paul Lovejoy, which will develop our policy and economic intelligence, our links to European policies and resources, our five areas and a smaller core of support services.

This has been a time of great upheaval for everyone and I am grateful for the hard work of all my staff and for the support of our Board and partners. We will be saying goodbye to some 70 people who have delivered a great deal for SEEDA and for the South East with energy, enthusiasm and commitment. We will be sad to see them go and many are moving on to exciting new futures. I am very clear that our new structure is the right one to take forward our new mission and I am encouraged that many of our partners have supported it.

Our aim will be to maximise the impact of every intervention and collaboration for local and regional economies.

To look briefly at the newest element, within the Operations Group we will bring together expert teams to work with **six key high value economic sectors** where public sector interventions could make a major difference **to maximise inward investment, international trade, innovation and growth**. These will cover:

- Environmental Technologies;
- Advanced Engineering and Marine;
- Aerospace and Defence;
- Life Sciences and Health Technology;
- ICT and Digital Media; and
- Financial Services.

These key sectors have and will continue to emerge through a thorough analysis of the strengths of the university and business base, which we have worked through with the Technology Strategy Board and with our South East Science, Engineering and Technology Advisory Council (SESETAC).

Our aim is to support the region's most dynamic places, sectors and clusters with policies and programmes specific to their needs and our ability to make transformational change happen.

Like all public bodies SEEDA has faced budget cuts and reduced – or near zero - receipts; like all businesses we need to focus and prioritise – and continue to train and to innovate. SEEDA's offer is not simply financial – our new teams will have expertise and experience to support individual businesses and local, sub-regional and regional partnerships.

SEEDA was asked by Government to review and cut its plans and a summary of the Corporate Plan 'Refresh' is available today. But some £250 million over the two years to March 2011 is still a very substantial investment into the South East's economy. We will meet all our existing legal commitments, leaving some £30m funds for key business sectors which will drive the future low carbon growth needed for international and sustainable success.

This diagram shows our budgets for the three Corporate Plan years split between areas by the two main headings of competitiveness and growth – orange – and enabling infrastructure and development – blue. The contrast is between the emphasis on business investment in the generally prosperous west of the region and the physical support still needed for regeneration and growth areas of the coastal south east. The Corporate Plan proposals for an increasing budget for skills and sustainability projects have had to be substantially reduced. But those aims will now be met through mainstream programmes – whether by working closely with others, as through the Pathways to Zero Waste partnership, which brings funds in from the Environment Agency and Waste Resources Action Programme, or through our sector support. Already we have major investments planned or in train for environmental technologies such as renewable energies and new materials in the advanced composites R&D centres on the Isle of Wight.

The new **Institute for Sustainability** in the North Kent Thames Gateway at Dartford, which we have led with Arups, will develop and demonstrate sustainable construction systems. This will have networks across the Gateway and internationally and will drive a retrofitting programme for buildings across South East towns and cities which we hope will lever in a major loan from the European Investment Bank.

So the future is bright for innovative places and innovative businesses to grasp the world class opportunities around us and to produce the results that will keep the South East a top global region in the face of tough competition.

Our task is to work with all our partners to fuel that engine of the UK economy: to provide the economic intelligence; the critical interventions and the support for productivity across the region that will enable shared and sustainable prosperity to be available to all.