



South East Diamonds for Investment and Growth  
**A Prospectus for Prosperity**

April 2009





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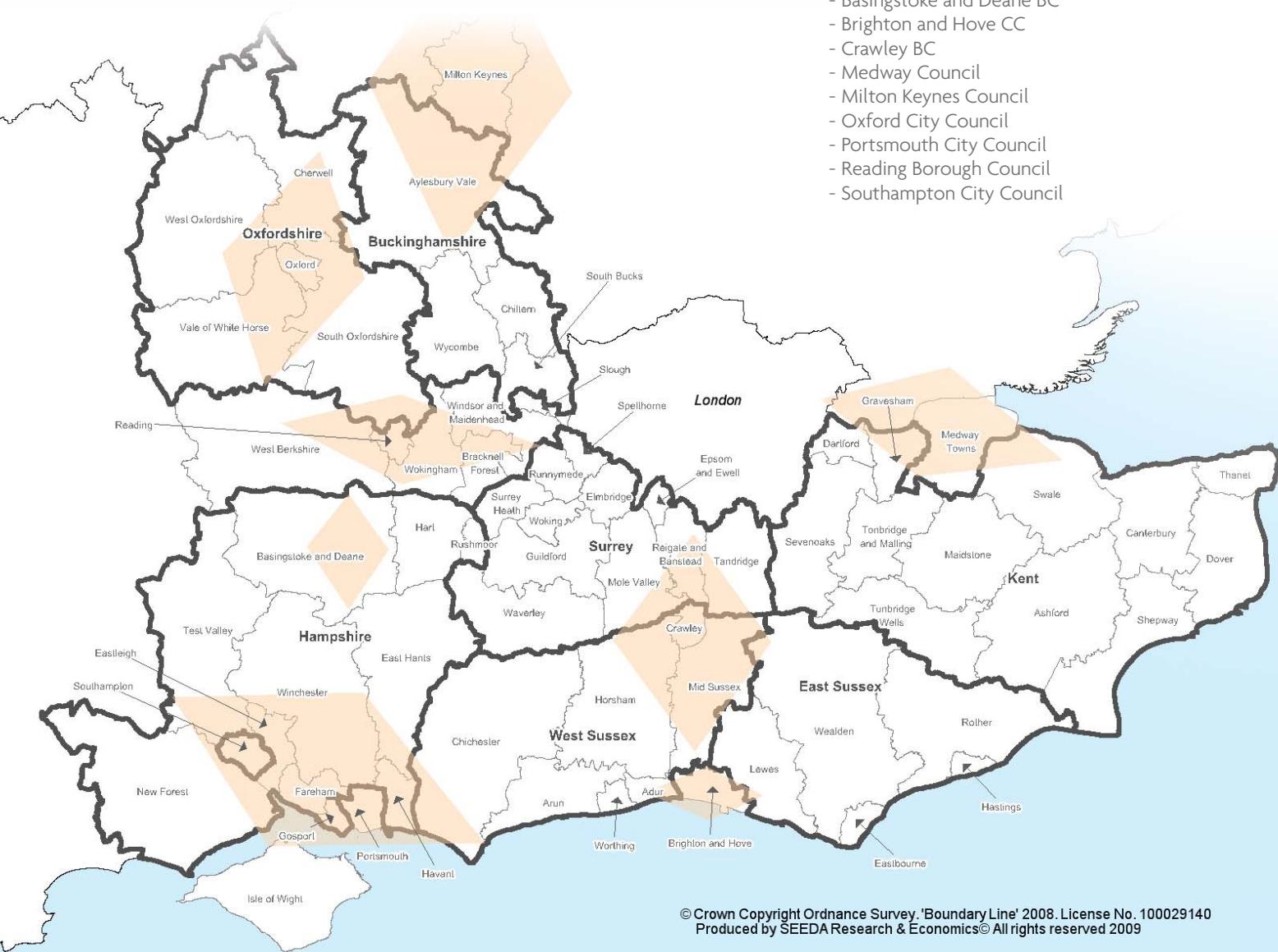
# 1. Introduction

- 1.1 The south east of England is a world-class region, a powerhouse of the UK economy and a major contributor to the success of London as a world city. The economic growth and success seen within the region in recent years has been built upon a strong skills base, excellent connections to markets, a high end knowledge economy and the outstanding quality of life on offer to businesses and their employees.
- 1.2 In seeking to build upon this position in the face of increasing global competition, the 2006 Regional Economic Strategy (RES) adopted a place-based focus. Within this focus, the **South East Diamonds for Investment and Growth** were identified as having the potential to act as a catalyst to stimulate prosperity across wider areas. The eight areas identified within

the RES were: Basingstoke, Brighton and Hove, the Gatwick Diamond, Milton Keynes and Aylesbury Vale, Oxford / Central Oxfordshire, Reading, Thames Gateway Kent and Urban South Hampshire. These Diamond areas were held to have the concentrations of people, employment, built assets, knowledge, transport, creativity, culture and diversity necessary to act as economic catalysts for the region as a whole.

- 1.3 Since the publication of the RES, the nine local authorities at the urban core of these Diamonds have come together, with support from SEEDA and other Regional Agencies, to form the South East Diamonds for Investment and Growth (SEDfIG) partnership. The membership of this partnership has been drawn from:

- Basingstoke and Deane BC
- Brighton and Hove CC
- Crawley BC
- Medway Council
- Milton Keynes Council
- Oxford City Council
- Portsmouth City Council
- Reading Borough Council
- Southampton City Council





- 1.4 The SEDfIG partnership exists as a forum for dialogue between those urban areas at the core of the RES Diamonds, for the exchange of best practice, the research and monitoring of the impacts and effects of growth and a platform for lobbying and profile-raising for the Diamond areas. However, the formulation of executive policy and delivery of sub-regional and local targets rests with the relevant Diamond areas and the various partners that constitute them.
- 1.5 In taking forward their work over the past 18 months, SEDfIG has sought to develop a shared vision, shared values and shared priorities. This work is now brought together within this prospectus. The prospectus defines the role of the SEDfIG partnership, the strengths and opportunities of the Diamond network and a vision for sustainable prosperity within the South East Diamonds for Investment and Growth. Collaborative working, the sharing of experience and exchange of best practice will allow the economic catalysts of the region to move forward more strongly. The current challenging economic climate reinforces the need for mutual support and joint-working in areas of common interest.
- 1.6 Whilst shaping the work of the SEDfIG partnership itself, we also hope that the broad values promoted in this document can positively influence the work of sub-regional and local partnerships. Ultimately, it is up to the differential partnerships that exist across the Diamond areas to take forward those elements of the prospectus that are most appropriate to local circumstances.
- 1.7 The vision and purpose expressed within the document is built upon the principle of long-term sustainable economic growth, delivering positive outcomes for local people and local communities. Skills development is key to all nine of the SEDfIG partners and is a vital element in unlocking the untapped potential of our local communities. We have also sought, through our work, to mainstream our aim of reducing ecological footprint within our areas. Tackling our ecological footprint is an essential element of delivering sustainable long-term growth and, indeed, offers another opportunity to unlock economic potential.
- 1.8 In taking this long-term focus we do not, however, ignore the shorter-term challenges presented by the world financial crisis. The partnership is currently monitoring the very real impacts being felt on the ground in SEDfIG areas, whilst sharing learning on effective steps being taken within the region to mitigate negative effects. Our strong focus on skills development within our communities has been refined, to take full account of the related issue of employability and the changing circumstances of the employment markets.
- 1.9 As set out in this document, the Diamonds will continue to work jointly over forthcoming years to exchange learning, build networks, research and monitor the impacts of growth and communicate areas of shared opportunity and concern to policymakers. In adopting this prospectus as our core message, and developing a delivery plan to sit alongside it, we hope to contribute positively towards building long-term, sustainable prosperity for local communities across the region.



## 2. Background and Context

### Introduction

- 2.1 The south east region is a powerhouse of the UK economy and plays a crucial role in the success of London as a world city. The South East has 13.5 per cent of the UK's population, but in 2004 it accounted for 15.3 per cent of the UK's total GVA. In the same year the region exceeded average annual growth in GVA by more than three per cent, which demonstrates the benefits of the high productivity, knowledge-based economy, which is being led from this region.
- 2.2 However, the South East is a polycentric region, without urban / economic areas which could call themselves a city region. If the South East is to maintain its relative position and its contribution to national economic success, then it must look to alternative economic and urban entities to deliver successful partnership development, which the Government is driving. The South East Diamonds for Investment and Growth have the potential to deliver this goal.

### National Policy Context

- 2.3 A number of key reports have been published focusing attention on the role of cities and city regions. In November 2004, the third report of the Core Cities group underlined the urban renaissance achieved by our cities, and the critical success factors in the future delivery of prosperous regions.<sup>1</sup> At the end of 2006 NLGN also published a report specifically on city regions, underlining the importance of this geographical concept and comparing the UK with European and American sub-regional activities.<sup>2</sup>
- 2.4 In March 2006, the Treasury also published a report, examining the economic performance of cities and their role in economic growth.<sup>3</sup> The report sets cities in their wider policy framework, stating:

*"Cities should be integrated into the wider strategic role of regional economic development... Addressing constraints to economic performance within this wider strategic context requires cities and regions to manage city region assets effectively."*

- 2.5 At the same time, the then ODPM published their findings on cities in England, acknowledging that cities are critical to the delivery of the Government's ambitions, and citing city regions as a key priority.<sup>4</sup> The report specifically acknowledges the role of places like the Diamonds, stating:

*"Many of the most economically successful cities in England are small and medium sized in the south and east. Policy should try and strengthen their performance."*

- 2.6 Furthermore, research by Paul Hildreth demonstrates the importance of places like the Diamonds to regional and national economies. Where medium-sized cities are part of a dynamic city-region, as is the case in London's super-region, his research shows that they are likely to produce significant economic benefit.<sup>5</sup> Hildreth recommends that:

*"The best strategy for most medium-sized cities will be to seek to collaborate with regional/city-regional partners to influence their economic future."*

- 2.7 This focus is further strengthened through the Local Government White Paper, which states:<sup>6</sup>

*"Smaller cities and larger towns can be engines of growth, especially where geographical neighbours work together and recognise their interdependence with each other and with the larger cities."*

- 2.8 There are also a number of emerging themes and initiatives that are driving and defining the nature of economic development and growth in the UK today. The Barker review of housing supply has become a key driver for the statutory planning process, pressing the Government's housing provision figures ever higher. CLG is in part funding this through the Growth Points – smaller versions of the Growth Areas. All of the Diamond areas fall into one of the growth categories, committed to delivering significant additional volumes of housing.

<sup>1</sup> Our Cities Are Back, ODPM 2004

<sup>2</sup> Seeing the Light? Next Steps for City Regions, NLGN 2006

<sup>3</sup> Meeting the Regional Economic Challenge, HM Treasury 2006

<sup>4</sup> State of the English Cities (Urban Research Summary 21), ODPM 2006

<sup>5</sup> Hildreth, Role and Economic Potential of English Medium-sized Cities, 2006

<sup>6</sup> Strong and Prosperous Communities, the Local Government White Paper, DCLG 2006



- 2.9 If growth is to be truly sustainable, the impacts of climate change and burgeoning ecological footprints need to be addressed in tandem with growth ambitions. In addition to CLG's targets for zero carbon rated housing by 2016, the Local Government Climate Change Commission, in December 2007, concluded:

*"If we do not stabilise (carbon) emissions within eight years, we risk unpredictable climate change and with it, catastrophic consequences for our communities..."*

Cities and major urban areas are the most significant contributors to the unsustainable exploitation of the environmental infrastructure that supports life. These areas – and in particular the new urban growth areas – therefore provide the best opportunity for demonstrating commitment to reducing our ecological footprint – and the SEDfIG are currently exemplifying this approach.

- 2.10 The recent government proposals for taking forward the Sub National Review (SNR) have endorsed the importance of regional development, and the synergies required between strategic planning, housing and transport to deliver sustainable and cohesive growth. CLG, in July 2008, approved the first Multi Area Agreements, whereby cross boundary working at a sub regional level provides a way around the economic restrictions of the many underbounded urban areas. The recent SNR proposals build upon these pilots to offer a wider range of options for strengthened sub-regional working. In parallel a report, "Communities in Control" (CLG 2008) has explored the different ways in which citizens can contribute to and determine the future of the areas they live in – the local "place-shaping" discussed in the Lyons report. Last year saw almost contradictory developments: underlining the importance of sub regional, strategic working, as set against the importance of local, bottom up delivery. Local authorities and their partners will be challenged to deliver on both fronts simultaneously. The essence of the SEDfIG is to provide a platform to address this contradiction, sharing learning and shaping responses.

## The Economic Context

- 2.11 As detailed above, the south east has acted as the economic powerhouse of the UK, driving the growth of the high-end knowledge economy and leading the field in innovation, research and development. In the current economic climate, these qualities will be key in allowing the region to lead the way to economic recovery.
- 2.12 The region is currently feeling the full force of the international financial pressures that are straining the UK economy, with real impacts becoming increasingly visible. Published research has argued that the region will feel the impacts of the finance crisis disproportionately strongly in comparison to other parts of the country. However, recent statistics published by the government have also suggested otherwise, with the gap in employment rates between north and south widening over the past 12 months. Clearly, the full impacts of the economic crisis are not fully known at the moment, and patterns will vary across the country. However, the unique strengths and opportunities of the Diamonds, and the region, remain, leaving it well placed to emerge stronger as the economic recovery takes root. This document seeks to address the long-term opportunities of the Diamonds, whilst not ignoring the shorter-term difficulties currently being experienced.





2.13 In addition, the current economic situation, and the innovative policy responses it necessitates, gives further weight to the arguments for sub-regional working. The Local Government Association commissioned research, published in November 2008, which illustrates the diversity of impacts arising from recession across different sub-regions.<sup>7</sup> The Centre for Cities, in September 2008, published a report highlighting the sectoral differences between city-regions, making the case for targeted and co-ordinated policy initiatives across functional economic areas.<sup>8</sup> The current economic context strengthens the need for co-ordinated sub-regional policy responses to successfully meet differing challenges across the region.

### **Regional Policy Context**

2.14 The south east differs from other regions, in particular with regard to their urban structure. The south east's urban areas are generally smaller than the Core Cities of the north and Midlands. However, on the whole, the Diamonds exceed the identified Northern Way city regions in recent GVA growth performance. For historical reasons, and because of their proximity to London, urban areas in the south east are already 21st century economies, and sit in a unique, polycentric format, closely interlinked with the globally successful London economy. The Diamonds' polycentric economic geography provides a different policy background for the analysis both of economic potential and Government interventions.

2.15 SEEDA's 2006 Regional Economic Strategy spells out the importance of smart growth and sustainable prosperity in the south east.<sup>9</sup> It focuses on three key challenges for the region:

- Maintaining global competitiveness in the face of international competition
- Achieving smart growth, through higher productivity and GVA per capita and through improving underperforming areas

- Securing economic prosperity through adopting the principles of sustainable development and reducing the region's ecological footprint.

2.16 SEEDA acknowledges the key role of 21 regional hubs in driving and facilitating this agenda, but focuses attention on the eight major concentrations of growth potential: **the Diamonds for Investment and Growth**. Research for SEEDA by Experian supports this role, identifying the key factors which underpin the Diamonds' importance:<sup>10</sup>

- Their proximity to London, Gatwick and Heathrow
- Their concentration of knowledge sectors
- Their high rates of innovation and creativity
- The quality of life and environment in the Diamond areas.

2.17 As well as being important within our own region, the Diamonds have a close relationship with London, in terms of our workforces, incomes, supply chains and migration patterns. About 20 per cent of London's labour is located in the south east region, whilst the estimated gross incomes of commuters from the south east to London is approximately one sixth of the South East's GVA. Estimates suggest that around £15 billion of annual Government tax revenues accrue from linkages between the two regions.<sup>11</sup>

2.18 The Diamonds importance within the south east will be reinforced through future development. The South East Plan, and its subsequent modified versions, proposed to allocate around 50 per cent of future housing in the south-east to the Diamonds. The Diamonds were also the subject of discussion at Examination in Public sessions, where support was expressed for the SEDfIG approach, as part of the implementation of the SE Plan. The Government's recent proposals on housing numbers can only emphasise the importance of sustainable, well managed and well planned development.

<sup>7</sup> From Recesssion to Recovery: the Local Dimension, PACEC for LGA, 2008

<sup>8</sup> UK Cities in the Global Economy, Centre for Cities, 2008

<sup>9</sup> Regional Economic Strategy, 2006-2016, SEEDA 2006

<sup>10</sup> South East Diamonds for Investment and Growth: the Evidence, Experian for SEEDA 2006

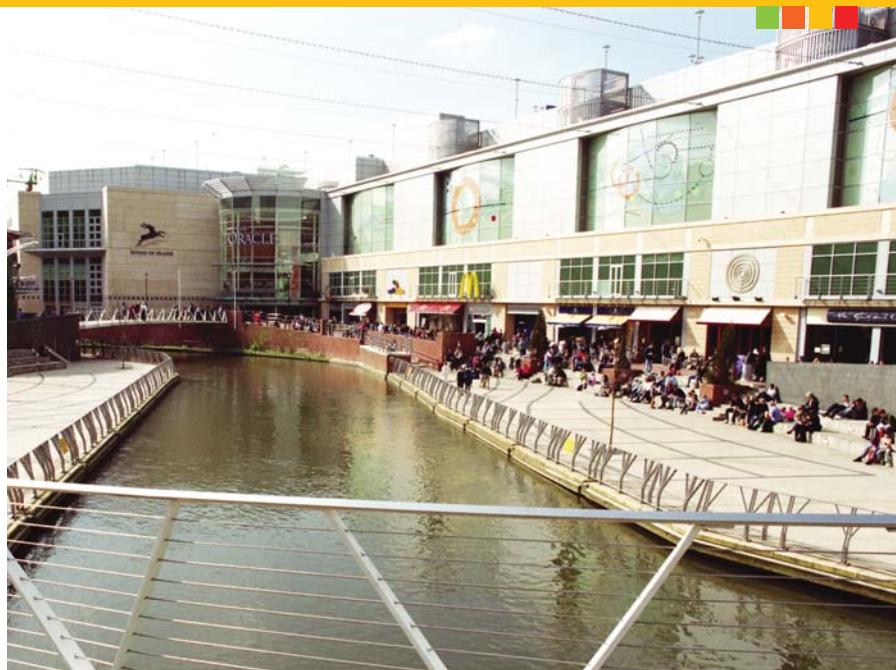
<sup>11</sup> Regional Economic Strategy, 2006-2016, SEEDA 2006



## The South East Diamonds: An Overview

2.19 The Diamonds collectively represent the most promising areas for delivering both the national and regional growth agendas. Half of the Diamonds have had outstanding economic performance achievements, which exceed comparable regional and national indicators. From 1999 to 2004, their collective growth of 1.5 per cent p.a. and average annual GVA growth of 3.7 per cent p.a. exceeded the region's average of 1.3 per cent and 3.5 per cent respectively. Other Diamonds have huge potential for growth – in terms of land and space – but have barriers to overcome. Individual Diamonds possess their own potential for success and it is this diversity that is a key to our collective strength. In the current climate economic growth may be restricted in the short-term; however, the long-term strengths, opportunities and challenges within the Diamonds remain, and will once again be apparent as the recovery takes hold.

2.20 The SEDFIG collectively are committed to meeting the challenge of sustainability and smart growth, and to ensuring that economic and housing development proceed hand in hand, supported by the necessary infrastructure. The designation of growth areas and growth points within the Diamonds reflects judgements already made as to their importance, but the scale of these agendas is ambitious and the necessary requirements for successful delivery stretch beyond historic economic performance and current infrastructures. What has now emerged as a key ingredient for sustainable economic growth is a readiness to work in partnership, to collaborate across boundaries and to engage in strategic decision-making, both beyond and within the south east, and sub-regionally, within the Diamond areas. This collaboration and openness will be vital to shaping intelligent responses to, and policies for, growth – particularly in the current challenging economic climate.



# 3. Delivering Smart Growth

## Introduction

- 3.1 When taken together, the South East Diamonds possess a wide range of expertise, assets and opportunities. The SEDfIG partnership believes that potential exists, through collaborative and collective working, to maximise these advantages, thereby contributing significantly to the sustainable growth of the wider south east and the UK as a whole.
- 3.2 This chapter considers the distinctive strengths of the Diamonds, including the local strengths and specialisms of each of the areas, as well as the collective strength of the partnership as a whole. The recent position of the Diamonds within the UK economy is also discussed, along with the long-term opportunities emerging from our economic strengths and relevant national and regional policy.
- 3.4 The Diamond is consistently among the top performers in terms of competitiveness, with high rates of earnings, productivity and employment. Recent years have seen the economy of the Basingstoke Diamond expanding at an average annual rate of 4.9 per cent, outstripping regional and national benchmarks.
- 3.5 The Diamond is also home to many multinational corporations, including Barclays Capital, Motorola and Sony, in addition to UK businesses operating in international markets. As such, the Diamond acts as a virtual gateway to the global economy. Growth has also been driven by expansion in business service activities and a large and highly specialised manufacturing base including medical equipment, pharmaceuticals and computing.
- 3.6 GVA per capita in the Diamond significantly exceeds regional and national benchmarks. In addition, quality of life indicators suggest that Basingstoke is a highly desirable place to live, adding to the offer and attraction presented by the area.

## The Diamonds: Local Strengths

### Basingstoke

- 3.3 The Basingstoke Diamond lies to the south west of London and south of Reading. It is the smallest of the Diamonds, with a population of just over 160,000 people and 85,000 employed within the area. However, the significance of Basingstoke to the Diamonds and the wider south east is disproportionate to its size, with the functional economic area of Basingstoke and Deane

stretching beyond the boundary of both the local authority and the 'Diamond'.

- 3.7 The Brighton and Hove Diamond lies on the south coast and is bordered by the South





Downs to the west. The wider Diamond area is home to 400,000 people and a workforce of more than 200,000. Analysis suggests that there is a large base of educated young single people alongside wealthy London commuters and older more wealthy families.

- 3.8 Recent growth within the Diamond has been driven by a strong financial and business service base, particularly consultancies, banks and insurance and credit organisations. However, the role of the area as a major centre of culture is of wider and greater significance. Brighton is well known for its 'café culture', offering a wealth of bars, restaurants and clubs, as well as retail and leisure facilities. The Diamond also benefits from high levels of UK tourism, based around the cultural offer, the coastal location and proximity to London.
- 3.9 In addition, the Diamond benefits from a strong skills base, developed through local universities – over one third of the resident working age population hold degree level qualifications, outperforming regional and national averages.

#### *Milton Keynes and Aylesbury Vale*

- 3.10 The Milton Keynes and Aylesbury Vale Diamond lies to the north west of London and incorporates Milton Keynes and Newport Pagnell to the north, Buckingham to the west and Aylesbury to the south. The Diamond is home to a population of around 380,000 and a total workforce in excess of 230,000.
- 3.11 The Diamond has performed strongly across a range of indicators over recent years. Substantial economic growth has been driven, in part, by significant population expansion, which is likely to continue given the Diamond's inclusion in the Greater South East Growth Areas. The Diamond benefits from a large base of financial and business services, particularly consultancy, accounting and banking. Substantial investment has also played a part in growth, with 40 per cent of businesses in the Diamond introducing new products or processes between 2002 and 2004.
- 3.12 Benefiting from its location and access to the north, south, Midlands and London, a plentiful supply of land and a development-minded planning regime have contributed to a sound industrial mix, coupled with a dynamic business environment. The Diamond is recognised nationally as a major centre for growth.

#### *Central Oxfordshire*

- 3.13 The Diamond is home to a population of 620,000, with more than 350,000 employed within Oxford / Central Oxfordshire. At the heart of the Diamond is the city of Oxford, one of the most important centres of education and research in the UK. With GVA per FTE worker of more than £44,000, labour productivity in the Diamond is amongst the highest of them all.
- 3.14 The Diamond benefits from the wide recognition of its highly prestigious education offer, with 31 per cent of the working age population holding degree level qualifications. A strong knowledge economy thrives locally, fuelled by further expansion of the education sector. The strong knowledge base is reflected in the proliferation of high-value research parks, including the Oxford Science Park, Begbroke Science Park and the Culham Science Park. The Science Vale UK partnership, bringing together public and private sector partners, is also working to support southern Oxfordshire's knowledge-based economic development.

- 3.15 The Diamond also benefits from a strong tourism sector and a sizeable base of business services, particularly consultancy and research and development. The manufacturing base within the area is also of importance, with a strong publishing, printing and motor industry.

#### *Reading*

- 3.16 The Reading Diamond lies to the west of London and includes the wider 'Greater Reading' area, stretching into West Berkshire and Wokingham borough. The Diamond is one of the most prosperous areas in the south east, with GVA per capita and gross disposable household income in excess of national and regional benchmarks.
- 3.17 This prosperity is based upon a strong business services sector, working to support the economies of London, the wider south east and beyond. Reading also benefits from a strong knowledge economy, innovation and high levels of business investment. Hi-tech industries and the creative sector also contribute significantly to the success of the area. The Diamond is a key site for European HQs of global multinationals such as Microsoft, Oracle and Cisco. The Diamond has a strong and mature economy built around ICT, finance and business services, retail, research and development, pharma-bio, hospitality and leisure.

3.18 The Reading Diamond also benefits from high skills levels, with large numbers qualified to degree level. Labour productivity and employment rates are high, with significant inward migration also contributing to an expanding population and potential for growth.

#### *Thames Gateway Kent*

3.19 The Thames Gateway Kent Diamond is home to more than 560,000 people. The Diamond incorporates the Medway towns of Chatham, Gillingham and Rochester, Gravesend and Dartford to the west of the Diamond and Faversham and Sittingbourne to the east. It is part of the largest of the Greater South East Growth Areas and one of Europe's largest regeneration initiatives, the Thames Gateway.

3.20 Recent years have seen expansion of the economy driven by growth in the Diamond's hospitality, business services and transport sectors. In the first half of this decade the Diamond's average annual GVA growth rates were in excess of regional trends. However, the area lags behind other Diamonds in many measures of economic competitiveness, including labour productivity, employment rates and average weekly earnings.

3.21 In light of this, the main strength of the Diamond derives from its significant potential for growth. The Diamond has the greatest capacity for substantial growth, and could act as a driving force for the south east as a whole. Human capital, coupled with the significant investment already underway and a major focus from regional and national policymakers, ensure that Thames Gateway Kent will be an area of considerable growth opportunity in forthcoming years.

#### *The Gatwick Diamond*

3.22 The Gatwick Diamond lies to the south of London and is home to more than 640,000 people, with a workforce in excess of 360,000. The Diamond is centred around the key urban area of Crawley but also includes wider conurbations such as Horsham, Reigate, Redhill, East Grinstead, Burgess Hill and Haywards Heath.

3.23 The economy of the Diamond is driven by linkages with London and strong international connectivity via Gatwick Airport. The transport

sector, particularly wholesale, warehousing and logistics, has acted as a driver of growth in recent years, alongside growing financial and business services sectors.

3.24 The Diamond benefits from a strong competitive position, with rates of employment and labour productivity in excess of regional and national trends and high average weekly earnings. The area is also home to significant numbers of high earners working in the capital, utilising the strong links to London. In addition, the Diamond also benefits from strong recognition of the economic functionality of the area and partnership structures already developed to promote the concept of the Diamond. This leaves the Gatwick Diamond well placed to maximise the benefit of increasing policy recognition.

#### *Urban South Hampshire*

3.25 Urban South Hampshire has the highest population of all the Diamonds, being home to more than 800,000 people and a workforce of 420,000. The Diamond incorporates the two urban centres of Southampton and Portsmouth, along with a number of towns along the M27 including Fareham, Gosport and Havant.

3.26 Historically, Urban South Hampshire has been an area of great importance to the UK with a strong naval and defence presence. However, structural decline in these industries and the wider manufacturing base have undermined growth in other sectors. This has been offset in recent years by growth in the transport industry, including supporting engineering activity and technical consultancy, alongside a developing leisure and tourism offer. The Diamond also benefits from the presence of some of the largest ports in the country.

3.27 As in the case of Thames Gateway Kent, Urban South Hampshire represents an area of significant opportunity, particularly given its large population and diverse nature. Moreover, the Diamond has a well established partnership structure in the form of PUSH (Partnership for Urban South Hampshire), which has recently negotiated an economic development / skills based MAA with government. This ensures the Diamond is well placed to take advantage of emerging policy opportunities.



## Diamonds: Collective Strengths

3.28 In considering the distinctive local strengths of the Diamonds, a number of collective strengths shared by the partnership as a whole also become apparent. Taken together, these strengths further underline the status of the Diamonds as areas of significant growth opportunity. These collective strengths include:

- Strong track record of economic delivery
- Delivery of housing growth
- Proximity to London
- Exceptional connectivity and international linkages
- World-class knowledge economy and research bodies
- Thriving cultural and creative industries scene
- Sustainability expertise
- Commitment to growth and collaborative approach.

## Strong Track Record of Economic Delivery

3.29 As detailed in the discussion of local strengths, the Diamonds are home to some areas of exceptional economic performance. The eight Diamonds are also of vital importance to the wider south east, accounting for 61 per cent of total regional GVA in 2004, and 55 per cent of total regional employment. This demonstrates the importance of growing Diamond economies to the performance of the south east as a whole.

3.30 Recent years saw average annual GVA growth rates in the Diamonds exceed both regional and national averages. Employment growth has been equally impressive, with a 1.5 per cent average annual increase between 1999 and 2004, compared to a regional average of 1.3 per cent and national average of one per cent. Total employment in the Diamonds stands at around 2.4m, representing more than half the employment of the south east and almost a tenth of the total employment of England.

3.31 These headline figures are further supplemented by high and improving skills levels, high levels of productivity and high levels of business investment. Combined, these factors suggest an impressive ongoing track record of economic delivery, of vital importance to both the region and the nation as a whole, particularly in the current financial climate. The SEDfIG areas have delivered economic growth at exceptional levels, and possess the potential to lead the recovery of the region from the economic difficulties faced at present.





## Delivery of Housing Growth

3.32 The local authorities at the core of each of the eight Diamonds have a strong track record of housing delivery. The core authorities alone have delivered in excess of 39,662 net additional dwellings in the period between 2001 and 2007. When all authorities comprising the wider Diamond areas are taken into account this figure increases to an even more impressive 104,128 – almost 75 per cent of the regional total. This demonstrates a strong record of housing growth.

3.33 As discussed in chapter one, this track record of housing delivery has been recognised by policymakers. Both the Milton Keynes / Aylesbury Vale and Thames Gateway Kent Diamonds feature in the Greater South East Growth Areas. A wide range of designated New Growth Points exist within all of the Diamond areas. In the longer term, all of these areas will continue to deliver high levels of net additional dwellings.

3.34 This fact is recognised in the housing allocations specified in the emerging South East Plan. The table below sets out the housing requirements for each of the Diamonds up to 2026 alongside a collective total:

Area	SE Plan 2006-2026	SE Plan – DPA	Proposed Changes	Proposed Changes – DPA
South East	578,000	28,900	662,500	33,125
PUSH	80,000	4,000	80,000	4,000
Brighton and Hove	11,000	550	12,400	620
Thames Gateway	48,000	2,400	52,140	2,607
Gatwick Diamond	33,000	1,650	36,500	1,825
Reading Diamond <sup>12</sup>	16,840	842	19,461	973.5
Central Oxfordshire	34,000	1,700	40,680	2,034
Basingstoke and Deane	16,500	825	18,900	945
Milton Keynes and Aylesbury Vale	48,850	2,442.5	49,950	2,497
Diamonds	288,190	14,409.5	310,031	15,502

<sup>12</sup> Approximate figure based on Reading Diamond, rather than SE Plan 'Western Corridor'





Under both the draft plan, and the Secretary of State's Proposed Changes, the Diamonds housing requirement represents almost 50 per cent of the additional dwellings required across the south east up to 2026. This further underlines the importance of the Diamonds to the growth of the region, and nation, as a whole.

3.35 Clearly, the ongoing crisis of finance has slowed the rate of housing completions across the country at the current time. However, within the Diamonds there remains the strong underlying demand that necessitated the figures above. When the economic crisis runs its course housing will still be needed within the south east and the Diamonds, when given assistance in providing the necessary infrastructure, offer the most sustainable locations to supply it.

#### **Proximity to London**

3.36 As detailed previously, the Diamonds proximity to London is of critical importance to both the Diamonds' economy and that of the capital. The mutual relationship between the economic powerhouse of London and the surrounding concentrations of population, employment and skills is one of the strongest drivers of the economic prosperity of the nation as a whole.

3.37 The following table sets out travel times by rail to London and by road to Heathrow, from the stations at the urban core of each of the Diamond areas:

Diamond	Rail (minutes)	Road (minutes)
PUSH	80	80
Brighton and Hove	51	80
Thames Gateway	44	90
Gatwick Diamond	33	58
Reading Diamond	26	46
Central Oxfordshire	55	65
Basingstoke and Deane	45	51
Milton Keynes and Aylesbury Vale	36	73

Future years are likely to witness significant improvements to these travel times, in light of the development of Crossrail and other strategic infrastructure.

3.38 Linkages express themselves in a number of forms, including mutual access to markets, the presence in Diamond areas of the European HQs of large multinationals and back office operations for major London based firms, and high value London workers basing themselves in Diamond areas. In addition, many key channels to international markets that London businesses use pass through the Diamonds.

3.39 The importance of this mutual relationship to both the London and Diamond economies, as well as the south east and nation as a whole, cannot be underplayed. Infrastructure improvements should strengthen this asset even further in future, and the Diamonds, with housing growth and expanding economies, should be well placed to take advantage of this.



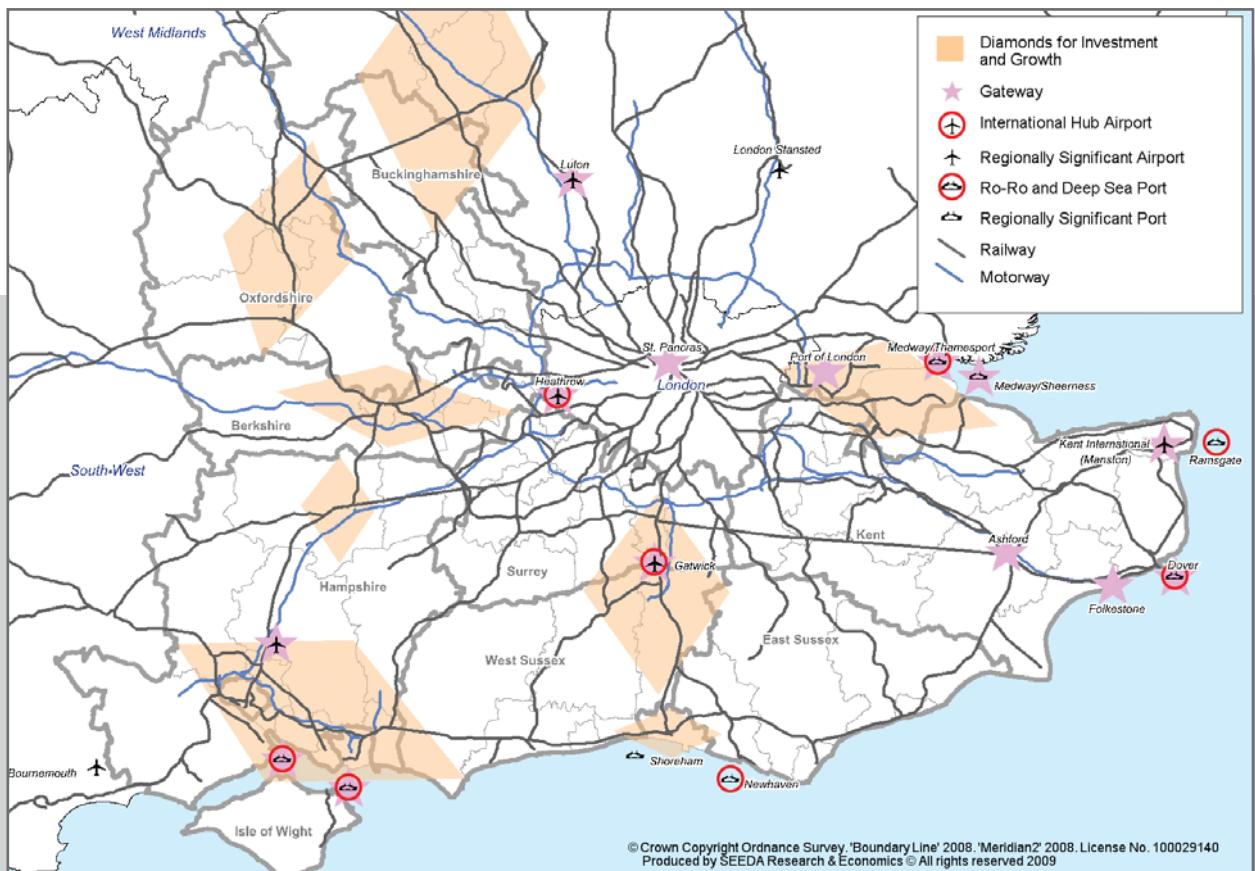
## **Wider Connectivity and International Linkages**

- 3.40 Another significant factor in the economic success of the Diamonds has been good access to global and national markets. The road, rail, air and sea links to be found in the Diamond areas ensure easy access to markets across Britain and around the globe.
- 3.41 Access to an airport is an important strategic asset, improving access to markets, allowing for the easy movement of employees between international offices and generating wide employment and a broader skills base. The Diamonds are well served in this area, with easy access to Heathrow and Gatwick and smaller airports at Southampton and Manston. Beyond the south east, both Stansted and Luton airports are also well connected and within easy reach.
- 3.42 The seaports to be found within the region also enhance the attractiveness of the Diamonds to business and investment. Along the south coast are a string of ports which connect the Diamonds

to Europe and beyond, allowing for the export of products and goods and movement of people. Connectivity with the continent has been enhanced further in recent years with the development of high speed rail links and new terminals at Ashford and Ebbsfleet.

- 3.43 When looking at travel within the UK, the Diamonds also benefit from exceptional connectivity. The M1, M4 and M3 connect the south east to the wider UK, whilst excellent rail links flow out of the capital and through the Diamonds, ensuring connectivity to the north, south, east and west. Again, substantial infrastructure investment, such as the Reading station development, will enhance these connections in years to come.

- 3.44 The picture that emerges is that of a region connected to the UK, Europe and the world, with infrastructure developments strengthening this asset further in future. The Diamonds will be well placed to maximise the opportunity this presents in years to come.



Wider Connectivity and International Linkages



## World-Class Knowledge Economy and Research Bodies

3.45 The Diamonds benefit from a proliferation of higher education institutions and research bodies, which, along with high technology businesses, contribute to a strong knowledge-based economy in the region. The high-end knowledge economy, and the innovation and creativity that it fosters and supports, will be a key factor in enabling the south east to lead the nation into economic recovery.

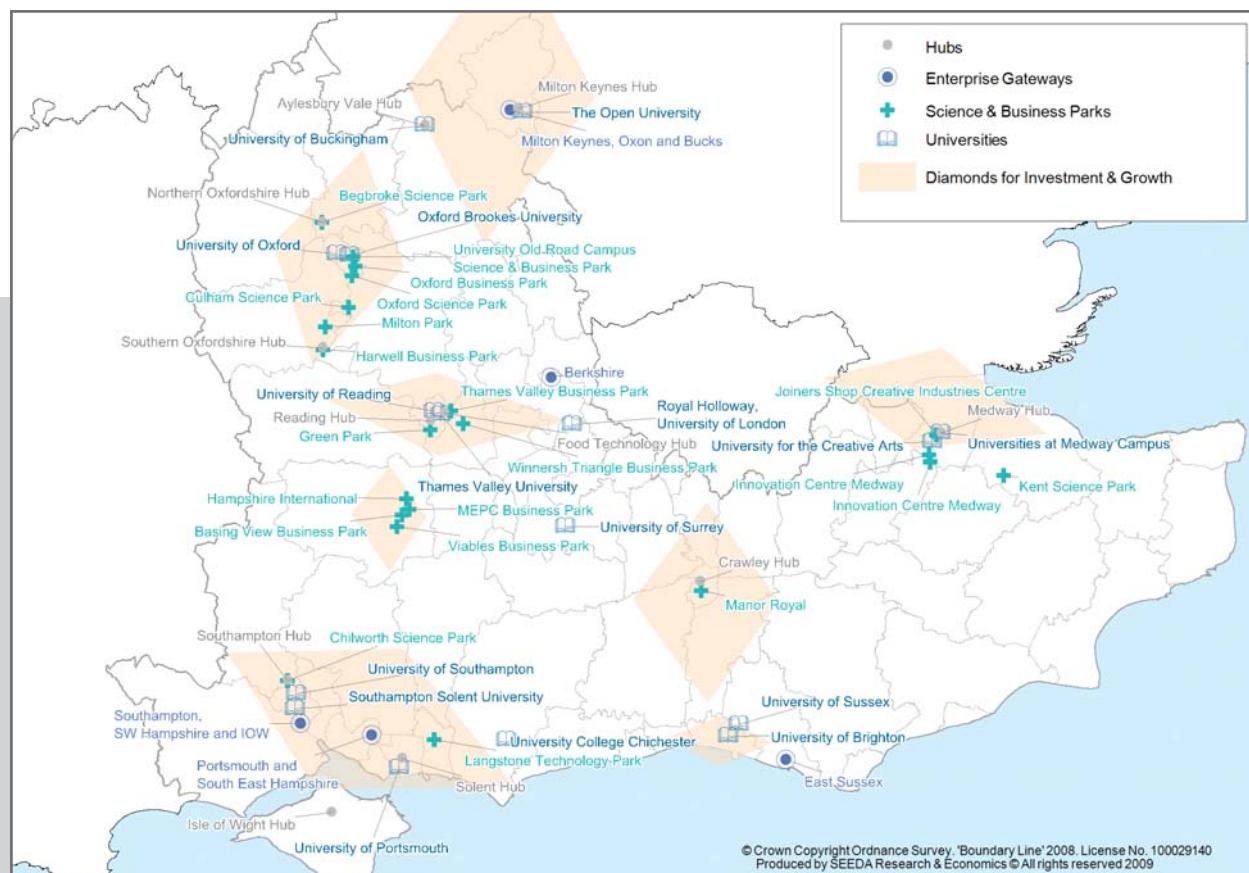
3.46 Collectively, the Diamonds are strong in the following knowledge-based areas:

- Medicine and pharmaceuticals
- Information and Communication Technology
- Engineering
- Bioscience

3.47 In terms of research and development expenditure per head, the south east region is the best performer in the UK, with the Diamonds contributing disproportionately strongly to this achievement. The Diamonds performance in this area will further improve with the development of Innovation and Growth Teams, focused in the SEDFIG areas, and the South East Innovation Action Plan, flowing out of the Regional Economic Strategy.

## Thriving Cultural and Creative Industries Scene

3.48 Across the Diamonds there are a wide range of cultural activities, industries and opportunities. These flow from the varied history, populations, locations and specialisms of the Diamonds. The significance of Brighton in this area has been discussed previously but, in addition, particular events, attractions and industries of note include the Reading Festival, Oxford's historic offer and burgeoning student scene and maritime heritage attractions in PUSH and the Thames Gateway.



3.49 As well as enhancing the entertainment and leisure offer of each of the Diamonds, these industries contribute to the growing economies and provide significant opportunities for further growth. The Cultural and Creative Industries ensure the Diamonds provide a rounded offer, enhancing their potential for future growth. The SEDfIG are committed to working with partners and agencies such as Arts Council England to promote these assets and maximise the benefit that can be derived from them.

### Sustainability Expertise

3.50 The SEDfIG authorities and, indeed, partners in the wider south east, have long recognised that future growth must be sustainable. As the region which contributes most significantly to the ecological footprint of the UK, the south east has the greatest capacity to deliver improvements in future years. This represents a significant opportunity for the SEDfIG.

3.51 Higher education institutions within the Diamonds contain a wide range of expertise and excellence within this area. The Diamond authorities have themselves already gone some way to set an example in this area, with Southampton City Council's combined heat and power system and Reading BC's commitment to sustainable building being noteworthy examples. Lessons can also be learnt from the successes of partnership working in the region – such as the integrated approach to waste management offered by Project Integra in Hampshire.

3.52 Having recognised the scale of the challenge, the SEDfIG have worked closely with SEEDA and other regional partners to establish a group dedicated to reducing the ecological footprint of the south east. The work of the group is detailed later in this document but, already, an innovative and committed approach to tackling this issue is being developed, further strengthening the work and expertise of the Diamonds in this area.

### Commitment to Growth and Collaborative Approach

3.53 The collective strengths set out above illustrate the strong performance of the Diamonds to date, and the major opportunity that they provide for future sustainable economic growth. This is complemented by a committed and forward thinking partnership, cognisant of the challenges facing the south east and ambitious to meet them. The collaborative working of the SEDfIG (detailed further in Section 5) provides an opportunity for exchange, support and collective bargaining and, in doing so, is another important element of the ability of the SEDfIG to deliver growth.

### Diamonds and the Greater South East

3.54 The south east region is a significant driver of the UK economy and has, in recent years, performed strongly. In 2003, it had GVA per capita of £17,631, second only to London amongst the English regions. As detailed previously, the SEDfIG accounted for 61 per cent of total regional GVA in 2004, and 55 per cent of total regional employment. The total output of the Diamonds, at £84m, is over half of the south east figure of £139m and a tenth of the £844m for the whole of England. Thus, the performance of the SEDfIG is of critical importance to the south east and, accordingly, the UK as a whole.

3.55 In addition to this, estimates suggest that, in the period from 2006 to 2016, the Diamonds will need to provide around 40 per cent of the regional growth in GVA. The Diamonds will also contribute disproportionately highly to housing growth, business formation and skills development. Major infrastructure investment, particularly transport improvements, will also be focused within the Diamonds, consolidating their role as 'hubs' for the wider region.

3.56 It is apparent that the Diamonds are set for significant change and development over the forthcoming years, both deriving from and contributing to their ability to deliver sustainable growth. This growth will be of critical importance to the success of the wider south east and, therefore, needs to be acknowledged, managed and promoted effectively. Whilst the current economic slowdown has had some impact on development, the underlying strengths, opportunities and pressures of the Diamonds remain, and will need to be managed and addressed as the economic recovery progresses.

#### Diamonds and UK growth

3.57 A number of factors suggest that the Diamonds can make a major lasting contribution to UK growth over the next 20 years:

- Excellent access to London, the UK, Europe and beyond, through a wide range of strategic transport routes
- Ambitious housing and employment targets backed by a track record of successful delivery
- A broad economic base including major multinationals, sectors of national importance and a range of business and research institutions that are internationally competitive
- The strong contribution of the Diamonds to the success of the south east economy and, in turn, the major contribution of the south east to the competitiveness of the UK as a whole.

3.58 The State of the English Cities report illustrated the strong performance of some of the Diamonds, whilst also acknowledging the opportunities presented in the coastal Diamonds. Through collective working, the SEDfIG are well placed to build upon the strengths outlined above and maximise the wide range of opportunities available to them. However, a number of challenges are evident and will need to be acknowledged and overcome if we are to take the opportunity to provide sustainable growth in the south east.





# 4. Challenges and Opportunities

## Introduction

- 4.1 At present, the greatest short-term challenge to delivery of growth and prosperity in the south east is the prevailing economic situation. The effects of the financial crisis of confidence have begun to spread beyond property and finance into wider sectors of the economy with very visible impacts upon high street retailers present in the latter parts of 2008 and early 2009. The impact on housing markets and the potential to meet housing delivery targets is also becoming increasingly apparent.
- 4.2 The Government, business community and other policymakers continue to seek to stimulate recovery, with a range of structural changes, fiscal and monetary policy measures being utilised. Government estimates suggest that economic growth will begin to pick up in the latter part of 2009; other commentators are suggesting that the recovery will take longer to develop. The SEDfIG authorities have sought to support regional and national measures taken to encourage growth and are committed to working proactively to assist communities, businesses and residents wherever possible. Some of the measures taken, and being proposed, by the SEDfIG are discussed in later sections of this document.
- 4.3 Whilst the current situation remains difficult, the regional strategies that have defined the role of the Diamonds all adopt a long-term outlook. Over the longer term, the greater south east will remain the powerhouse of the UK economy. Meeting the medium and long-term challenges to growth within the region, and maximising the opportunities that exist within the Diamonds, will help us to build the recovery that is needed in the short-term.

## Strategic Capacity

- 4.4 Historical changes to local government have reduced the awareness of the key role played by cities and major towns and, consequently, limited their ability to influence and undertake strategic decision-making. In some cases this has been compounded by administrative boundaries that no longer reflect the communities, patterns of economic activity, nor functionality of some existing urban areas.

- 4.5 Whilst some shared goals can be delivered, it has often been the more strategic and longer-term objectives that were difficult to achieve. Particular issues have sometimes been:
  - A reduced ability to plan and deliver at a strategic level because of fragmented decision-making structures. These can be in the form of multi-tier structures or 'underbounding', where administrative boundaries do not reflect functional urban areas
  - Conflicting political agendas and priorities across different authorities and organisations
  - Where shared goals do exist, complex organisational structures and unclear democratic and financial accountability can hinder success.
- 4.6 Recent years have seen significant progress made in cross boundary working arrangements within some of the Diamonds. Relationships and partnerships have been developed between district, unitary and county councils that offer real scope to deliver sustainable economic development to local communities. Of particular note is the development of the Partnership for Urban South Hampshire, with the successful sign-off of a Multi Area Agreement in July 2008, targeting skills growth and economic development. Whilst this can provide a model for other Diamonds, different partnerships and arrangements will be successful in delivering growth in different localities. The recent government response to the consultation on taking forward the SNR offers a wider range of options for developing and taking forward sub-regional working, the potential opportunities of which need to be fully explored. In particular, the proposal for Economic Prosperity Boards holds the promise of developing more integrated and effective delivery mechanisms for sub-regions and functional economic areas.
- 4.7 The SEDfIG will need to be supported in developing innovative partnership arrangements that can drive growth across boundaries and through functional economic areas. Central government support in promoting and endorsing community leadership across wider urban areas will be essential to enhancing delivery in the Diamonds. The collective SEDfIG partnership sits above the various different sub-regional



structures and provides a useful vehicle for communication with government across these different areas and structures.

- 4.8 In addition, engagement with business and potential international investors needs to be strengthened if opportunities for growth are to be exploited within the Diamonds. At present, the local authorities that constitute the SEDfIG do not fully possess the capacity or expertise to carry out this function effectively. Greater levels of co-ordination and targeted support from government and regional agencies would be welcome in maximising future business investment opportunities and enhancing dialogue with key players in the private sector.

### **Population, Housing and Affordability**

- 4.9 The Draft South East Plan set out a strategic framework for housing delivery in the south east up to 2026. As mentioned previously, the draft plan and subsequent proposed changes both require the Diamond areas to provide approximately 50 per cent of the region's net additional dwellings between 2006 and 2026. This represents a daunting target, particularly given the current economic climate, but may not be unachievable, given the strong track record of the Diamonds in this area and underlying levels of housing demand.



- 4.10 In seeking to deliver growth, however, it is not only the total numbers of additional dwellings which will be important but also the mix, type and affordability of new accommodation. Analysis suggests that over 70 per cent of first time buyers are currently priced out of the housing market across the region<sup>13</sup> – with local analysis also emphasising the impact of affordability issues across the SEDfIG.
- 4.11 This basic affordability issue stems from the lack of a supply of suitable housing for both local residents and in-migrating workers. Statistics suggest that over-occupancy of existing dwellings also runs at high levels in some of the Diamonds, with, for instance, over 10 per cent of dwellings in Reading over occupied.<sup>14</sup>
- 4.12 Clearly, the housing stock of the SEDfIG has been stretched to the margins to accommodate the economic growth that has taken place to date. Future housing provision needs to adequately meet the needs of existing local communities if growth within the Diamonds is to be sustainable. In addition, in pursuing our aim of sustainable growth, increased housing provision will need to be managed effectively, taking proper account of wider environmental impacts. Future growth will also be predicated upon the provision of a range of housing which is both suitable for, and affordable to, a diverse and expanding workforce. The targets expressed within regional strategies and local development documents provide an opportunity to seek to meet this need.
- 4.13 In seeking to address some of these issues, the Draft South East Plan lays out exacting affordability targets for each of the Diamond areas. The commitment of the SEDfIG to provide a balanced housing supply can be seen in the early integration of stretching affordability targets into the Local Development Frameworks of some member authorities. However, further support and targeted intervention will be required to develop innovative measures to address these issues.
- 4.14 Concomitant to these housing related barriers, the growth in population witnessed across the Diamonds in recent years represents both an asset and a challenge. Mid-year population estimates from the Office for National Statistics suggest that, within the core SEDfIG authorities alone, population has increased by approximately 57,000 between 2002 and 2007.<sup>15</sup>
- 4.15 Whilst linkages between population growth and economic growth are long recognised, the pressure placed upon local services by burgeoning populations also presents a barrier to growth. Across the SEDfIG, schools, health services, leisure facilities and emergency services are being tested by an ever-rising population and a squeeze on resources. The Diamonds need targeted support to meet this challenge, and ensure that service quality is not compromised in seeking to tackle this combination of pressures.

#### **Physical and Social Infrastructure Pressures**

- 4.16 The excellent transport connections which are, in the main, enjoyed by the Diamonds have already been described as a collective strength. The economies of the Diamonds benefit from good connections to the UK, Europe and beyond, all of which are key to generating future growth across the region. However, the intensive use of this infrastructure creates a substantial volume of traffic within, between and beyond the Diamonds. Roads and rail services are congested and stretched in the Diamond areas as goods and people are moved around the region to generate trade.
- 4.17 Effective transport infrastructure and accessibility are one of the most important factors in business location. To maintain our GVA growth rate and to share our economic prosperity with the wider region, a sustainable and integrated transport system that improves connections between the Diamonds, London and key transport hubs will be essential.
- 4.18 Beyond transport, population growth and business expansion are testing the wider infrastructure of Diamond areas. Challenges are apparent in maintaining the current level of water supply and quality, whilst waste treatment facilities are also stretched within the region. Health services are experiencing exceptionally high-levels of demand, impacting upon service quality. Energy supplies will need to be

<sup>13</sup> *Housing Intelligence System, Hometrack, October 2008*

<sup>14</sup> *Housing Intelligence System, Hometrack, October 2008*

<sup>15</sup> Office for National Statistics (Mid-year Population Estimates), 2008



maintained whilst, simultaneously, being adapted to tackle the region's burgeoning ecological footprint. All of these areas require urgent long-term planning and investment in order to address existing shortfalls and encourage opportunities for future development.

4.19 Over recent years the emergence of new funding schemes, such as the Growth Fund and Community Infrastructure Fund, have sought to address some of these pressures. However, many of these infrastructure requirements are strategic in scale and transcend both administrative and organisational boundaries. Their delivery is dependent on collaborative working with a range of players, requiring strong facilitation and co-ordination.

4.20 The SEDfIG are keen to maximise opportunities for future sustainable growth and prosperity, accommodating many of the pressures placed on the wider south east region. However, continued economic success and development will necessitate a robust strategic framework and delivery programme if key infrastructure is going to be delivered in the right place and at the right time. The SEDfIG would be keen to explore with government any opportunities for enhanced co-ordination of national and regional funding streams, along with the potential for developing innovative and creative mechanisms for funding future infrastructure provision. Adequately meeting the needs of growth will require a range of funding options and mechanisms, which we are keen to explore with HMT and wider partners.

### **Localised Deprivation**

4.21 Despite being collectively considered as relatively prosperous, the SEDfIG contain significant pockets of deprivation. Of these, the larger concentrations can be found in the coastal Diamonds, as detailed in SEEDA's Regional Economic Strategy, whilst significant areas of deprivation also exist in the other Diamonds. The 2007 Indices of Multiple Deprivation (IMD) show that Brighton and Hove CC has 35 Lower Super Output Areas (LSOAs) within the 20 per cent most deprived in England. This represents a decline against the 2004 IMD, reflecting the pattern across the SEDfIG as a whole and the wider south east.

4.22 The following table shows, for each of the core SEDfIG authorities, the number of LSOAs ranked within the 20 per cent most deprived in the country<sup>16</sup>:

Local Authority	Number
Brighton and Hove	35
Southampton	34
Portsmouth	24
Medway	16
Milton Keynes	15
Reading	11
Oxford	10
Crawley	1
Basingstoke and Deane	0

4.23 These figures illustrate that the region is not without deprivation; indeed, significant pockets exist across all the Diamond areas. This deprivation can manifest itself in a number of ways. Economic factors include generally lower economic activity rates, with high concentrations of economic inactivity and higher 'structural' unemployment rates. Lower productivity rates and low average weekly earnings are also to be found in some areas, along with low growth levels. These SOAs are also characterised by low business formation and enterprise rates. These economic factors often lead to wider and more obvious 'deprivation' with poor health outcomes, reduced access to services, low earnings, high crime rates, anti-social behaviour and the wider isolation of communities.

4.24 Whilst presenting an obvious challenge for the SEDfIG, the localised deprivation apparent across Diamond areas also provides a real opportunity for growth and the spread of prosperity to local communities. At present there exists a wealth of untapped potential within Diamond areas. Within the nine core SEDfIG authorities, for example, there are approximately 211,000 economically inactive people. When expanded to cover the wider Diamond areas, this figure increases to in excess of 365,000 people who are economically inactive.<sup>17</sup> Unlocking this latent potential will be key to driving sustainable growth and improving the circumstances of local residents over the coming years.

<sup>16</sup> Indices of Deprivation, CLG, 2007

<sup>17</sup> Office for National Statistics, Economic Inactivity Numbers, April 2006 to March 2007.



4.25 In order for future economic success to be sustainable it is necessary for the SEDfIG to maximise the potential of their current populations. It is vital that social inequality is addressed, inclusion enhanced and opportunity maximised. Tackling deprivation within the SEDfIG requires targeted resources and strategic planning. Actions coming out of the RES and other relevant economic strategies, as well as those taken by the Diamonds themselves, will seek to address these problems; however, further support will be necessary if social justice is to be enhanced.

### Skills for Sustainable Growth

4.26 In the main, the SEDfIG are characterised by high skills levels, helping to drive the knowledge economy and financial and business sectors. However, linked to the deprivation mentioned above, significant areas are characterised by low skills levels and low levels of attainment. In addition, the economic changes being brought about by the current recession make it crucial that the link is made between skills and employability, as unemployment rises across numerous different sectors, skill bases and parts of the economy. If we are to deliver sustainable prosperity to our local communities it is essential that we address these factors. Furthermore, the State of the English Cities Report highlights the strong correlation between higher level qualifications and economic performance.<sup>18</sup> This linkage suggests that driving up skills levels will be essential to future growth.

4.27 The link between highly skilled workers and the development of high tech industries and high value services has also been made by Experian.<sup>19</sup> Their report spelt out key skills issues facing some of the Diamonds, as follows:

- **Basingstoke** – Only has a moderate base of highly skilled workers, which may harm the prospect of further development of high-end industries. The need for additional higher education support has also been acknowledged by government
- **Brighton and Hove** – Issues around whether the high skills base of the Diamond is being fully utilised and, particularly, whether it is utilised within the Diamond itself
- **Milton Keynes and Aylesbury Vale** – Only 28 per cent of the population possess degree level qualifications and 10 per cent hold no qualifications at all
- **Thames Gateway Kent** – The low skills base is identified as the biggest constraint to the economic prosperity of the Diamond. Only 19 per cent of the population hold degree level qualifications, significantly below both the regional and national average. 13 per cent have no qualifications at all





- **Urban South Hampshire** – Despite being home to three universities and having a large base of higher education and further education students, the Diamond has problems with graduate retention and a comparatively low skilled population, with just 24 per cent possessing degree-level qualifications and 12 per cent having no qualifications at all.
- 4.28 These factors, added to the more localised skills issues in the other Diamonds, represent a major potential barrier to growth. The SEDfIG consider skills development to be a major driver of prosperity, and support the strong focus of the RES on up-skilling local populations. Again, the SEDfIG feel that strong, co-ordinated action with county councils and other partners, sharing best practice and managing initiatives across boundaries, will be essential to addressing these issues.

### **Enterprise, Innovation and Expansion**

4.29 Flowing out of this discussion of deprivation and skills levels, the issue of enterprise, business expansion and business formation is also of particular importance in revitalising communities. Low enterprise levels amongst certain parts of the SEDfIG represent another currently untapped opportunity to stimulate long-term sustainable growth. Similarly, despite the prevalence of high-end knowledge economies amongst the Diamonds, there are a number of areas where innovation and investment require further stimulation to generate future growth.

4.30 Encouraging innovation, expansion and the introduction of new products and processes amongst the existing business stock could prove just as vital as the encouragement of new business formation. For example, 38,045 new jobs could be created within the core authorities alone, if each business currently employing less than 20 people was to take on an extra employee.<sup>20</sup> Taken across the Diamond areas as a whole, this figure would expand considerably – giving another example of the latent potential lying within the SEDfIG.

- 4.31 Turning to the Experian research once again, a number of concerns were highlighted in this area:
- **Basingstoke** – Relatively low rate of innovation, with just 23 per cent of companies introducing new products and services between 2002 and 2004, acting as a potential constraint to future growth
  - **Milton Keynes and Aylesbury Vale** – Future expansion is likely to be increasingly dependent on knowledge-based industries, requiring continued and sustained private investment and innovation
  - **Thames Gateway Kent** – Only 29 per cent of companies reported the introduction of new products and processes between 2002 and 2004, below the regional average. Business start-up rates are also poor, at 33 per 10,000 adult population
  - **Gatwick Diamond** – The percentage of firms introducing new products and processes lower than both the national and regional average
  - **Urban South Hampshire** – Business start-up rates significantly below both regional and national averages.

4.32 Stimulating enterprise, innovation and expansion is key to maximising the opportunities currently presented within the Diamonds. The SEDfIG will be pursuing all available steps, through local partnerships and wider arrangements, to address some of the barriers to growth identified above.

### **Climate Change and Environmental Impact**

4.33 Nationally, the issue of climate change has been identified as a top policy priority. A growing weight of evidence, including the Stern Report,<sup>21</sup> has documented the strong linkages between climate change and economic growth, and the potential economic cost that may derive from any failure to act.

<sup>18</sup> State of the English Cities (Urban Research Summary 2), ODPM 2006

<sup>19</sup> South East Diamonds for Investment and Growth: the Evidence, Experian for SEEDA 2006

<sup>20</sup> Office for National Statistics, VAT registered businesses by size band, March 2007.

<sup>21</sup> Stern Review on the Economics of Climate Change, HMT, 2006.



- 4.34 The wide-ranging impacts of climate change are beginning to be felt and, furthermore, are now bringing about an economic impact. World food prices have doubled since 2005, oil prices continue to rise, driving up gas and electricity prices and, accordingly, contributing to heightened levels of inflation. Beyond economics, climate change impacts, in terms of weather, heat and water, are likely to be more severe in the south east than in any other UK region.
- 4.35 Within the UK, the south east is also recognised as the greatest regional contributor to the ecological footprint, at 6.3 global hectares per person. This figure is growing, with latest estimates suggesting a 1.6 per cent increase per annum. Within the south east, the ecological footprints of each of the eight Diamond areas are all approaching a level equivalent to 3.5 planets-worth of resources.<sup>22</sup>
- 4.36 Whilst climate change is a global threat, the impacts will be felt locally and, also, disproportionately in the south east. Ambitions for economic and housing growth also bring about pressures on local and regional ecological footprints. The SEDfIG recognise that climate change is another potential challenge on their path to further, sustained economic growth and, with the support of SEEDA and wider partners, are committed to a step-change reduction in their ecological impact over forthcoming years. However, the adaptations needed to meet this challenge provide another opportunity, with the region leading the way in the development of new technologies and exploiting new business opportunities. The SEDfIG will seek to pursue a goal of 'smart' growth, remaining committed to the core principle of reducing our ecological footprint.

### **Prosperity for Local Communities**

- 4.37 The SEDfIG commitment to growth is founded upon the core principle that economic and housing growth must deliver enhanced opportunities, quality of life and prosperity for local communities. It is essential that real benefits for local people can be derived from economic expansion, particularly given the wide apprehension and fear of some of the possible negative effects of unmanaged growth.

4.38 It is for this reason that the SEDfIG seek to approach growth in a managed, strategic and sustainable fashion. Our approach rests heavily upon unlocking the potential of local communities, increasing the skills levels and economic opportunities of residents and delivering the necessary infrastructure to mitigate any possible negative effects of growth. Enhancing the prosperity and opportunities of our local communities, whilst contributing to the wider needs of the region and nation, is our core objective.

### **Summary**

4.39 The SEDfIG have recognised eight key challenges, with associated opportunities, which must be addressed in order to fully capitalise on their growth potential over the long term:

- **Strategic Capacity** – The Diamonds must find innovative and productive ways of delivering to functional economic areas, across boundaries and between structures. Current best practice within the SEDfIG must be shared, with appropriate support needed to develop locally suitable vehicles of delivery
- **Population, Housing and Affordability** – The Diamonds must deliver against stretching housing targets, whilst also redressing the current affordability problems and ensuring a suitable mix of housing for the workforce of tomorrow
- **Physical and Social Infrastructure Pressures** – Transport hubs and services, water and waste facilities are already being tested by expanding populations. Future growth will require investment and long term planning to offset these infrastructure pressures and maximise local growth potential
- **Localised Deprivation** – Within the Diamonds, significant pockets of deprivation, economic inactivity and low life chances exist. This could represent a waste of potential, but also an opportunity for future growth and development

<sup>22</sup> Achieving the Triple Dividend (Presentation to SEDfIG Leaders' Board), SEEDA, 2008.



- **Skills for Growth** – The links between a highly skilled workforce and high growth are well documented. The skills of the Diamonds vary, but, in parts, a significant and co-ordinated programme is necessary to up-skill local populations and maximise potential
- **Enterprise, Innovation and Expansion** – The Diamonds, and the wider south east, enjoy world-class levels of enterprise and innovation. However, within the Diamonds, there are areas with low levels of technological investment and low enterprise formation rates. Again, this represents a potential barrier to growth but, more importantly, also an opportunity
- **Climate Change and Environmental Impact** – Climate change is an issue of both national and international importance, with far-reaching potential impacts. The south east is a major polluter within the UK, and the Diamonds are the economic drivers of the south east. As such, we are committed to act to tackle our ecological footprint
- **Prosperity for Local Communities** – Growth must deliver prosperity and new opportunities for our local residents if we are to take the opportunity to provide sustainable growth in the south east.



# 5. SEDfIG: Taking the Opportunity

## Introduction

- 5.1 The SEDfIG core authorities are committed to working together to address and overcome the barriers to successful development. Individually, they do not have the size and power of a City Region, but they all represent areas with great potential and are located in the most advanced and economically successful UK region. For this reason, the SEDfIG network was established, and is governed by a board of local authority leaders and key regional agency representatives (see Appendices).
- 5.2 With support from regional agencies, the SEDfIG partnership has defined collective priorities and an exacting work programme that seeks to meet some of the challenges outlined in the previous section. Whilst government support and the continued commitment of regional partners are vital to our ultimate success, the SEDfIG are committed to pursuing transformative actions to drive progress wherever possible. The positive approach of the SEDfIG, with sustainable growth and prosperity for local communities at its heart, is explained in detail in this section.

## The Diamonds: Core Message and Strategic Objectives

- 5.3 In order to demonstrate the pivotal role of the Diamonds in economic development and regeneration in the south east, in March 2008 the SEDfIG adopted a challenging tasking framework, to reflect the anticipated long-term progress and success of these areas. The framework is explained fully in the appendices but, in summary, outlined aspirational targets for economic growth, the development of sustainable communities, affordable housing and the reduction of the region's ecological footprint. The framework has been fully aligned with local priorities emerging through the new LAA process and regional priorities coming out of the South East Plan and Regional Economic Strategy.
- 5.4 As a result of this work, the following three strategic objectives were adopted by the SEDfIG Board to effectively explain and communicate the Diamonds purpose and **core message**:
- The Diamonds collectively will aim to generate 45 per cent of the South East's GVA growth to 2016 (against a RES requirement of 39.5 per cent)

- The Diamonds will deliver 50 per cent of the planned housing growth in the south east by 2026
  - The Diamonds will stabilize their ecological footprint by 2014 and secure a 30 per cent reduction by 2026.
- 5.5 Underpinned by the wider set of targets in the tasking framework, these indicators reflect the collective priorities and aspirations of the SEDfIG, and will shape the work undertaken by the group itself to drive growth and prosperity in the coming years.

## The Diamonds' Work Programme

### *The SEDfIG Board*

- 5.6 At the apex of the Diamonds' network is the SEDfIG Board, representing the political leadership of the core authorities from each of the Diamonds, along with the regional agencies. Future meetings of the board will also enjoy representation from the South East County Leaders, further developing and supporting our links with county partners. The board is supported by the network of chief executives and the Diamonds' Core Team, which consists of a Project Director and part-time Policy Officer. The board is tasked with providing strategic leadership to the network as a whole, shaping and defining the voice and work programme of the partnership.

- 5.7 The SEDfIG have enjoyed increasing recognition in regional and national policy and have been pro-active in responding to consultations and debates about key regional and national policy, such as the Sub-National Review and the South East Plan. Through the board, the SEDfIG provides an effective mechanism through which policymakers can communicate with the major urban centres of the south east. The SEDfIG board is committed to full participation and positive involvement in all key policy debates affecting growth and development within the region. We would welcome further opportunities to discuss the real impacts of growth upon communities and value early engagement in future policy development.

### *Networking and Learning Events*

- 5.8 In order to build and develop our network, reach out to neighbouring authorities and partners, and



exchange best practice and learning, the SEDfIG have committed to a series of networking events, to be held at six-monthly intervals. These events will offer a real opportunity to enhance the dialogue around sustainable growth across the south east, a benefit which is of particular importance given the pressures arising out of the present wider economic difficulties.

- 5.9 The first of these learning and networking events was held in Reading on October 16 2008, providing an initial opportunity to learn about the work of the SEDfIG and the contribution they are making, with local neighbours and regional partners, to sustainable growth across the region. It also served as a forum for the exchange of best practice and learning across a range of policy areas, in this case focussing upon MAAs, skills for growth and tackling the ecological footprint of the region. The event received widespread positive feedback from attendees, and support from CLG, who praised the SEDfIG as “a good concept and good practice”, welcoming the commitment to sustainable growth. The next event will look at how future delivery can be secured in the rapidly changing economic climate.

#### **SEDfIG Policy Groups**

- 5.10 Through their collective working, the SEDfIG have established and supported three policy groups, each championed by a local authority. The groups are based around the three themes of Skills, Knowledge Economy and Ecological Footprint, with initial work concentrating upon sharing experience, best practice and joint lobbying and bidding.

- 5.11 These groups are designed to share expertise, increase capacity and facilitate learning at a strategic level, by taking forward key challenges through partnership, rather than each authority having to develop its own knowledge. This enhances local authority capacity and offers a mechanism for an exchange of good practice and learning between the Diamonds. The groups have benefited from the strong support of SEEDA, the Learning and Skills Council and universities across the Diamond areas.

- 5.12 There have been some real successes in terms of lessons for sharing best practice in local skills development initiatives, developing guidance for local authorities to reduce their ecological footprint and working, with knowledge economy practitioners, to develop an understanding of

the local interventions that can help to foster and support such industries. These initial successes are explained in greater detail later in this document.

#### **Taking the Opportunity and Meeting the Challenges**

- 5.13 The challenges and opportunities outlined in Section 4 set the tone and define the context for the work of the SEDfIG partnership. Some of the challenges can only be met with government support; however, through the work programme outlined above, the SEDfIG will seek to maximise performance in the following areas:

##### *Strategic Capacity*

- 5.14 The SEDfIG welcome the increased focus placed on strengthened sub-regional working by government, particularly CLG and HMT, in recent years, reflecting the importance of the functional economic area to future prosperity. The partnership is keen to explore new ways of working across sub-regions, recognising the increased opportunities and differing mechanisms suggested in the Government’s recent proposals to take forward the SNR.

- 5.15 Over the last 18 months, the Diamonds have emerged as key sub-regional players, demonstrating a range of partnerships, using the networking structures to strengthen and support cross-boundary working with county councils and neighbour authorities. The PUSH Diamond, which has evolved from an informal partnership of 11 authorities, through joint planning committees, now has the formal status of an MAA. This is an excellent example of a bottom up partnership, established to enhance the economic performance of the area through co-ordinated government and regional support.

- 5.16 Experiences and learning from the development of the PUSH MAA have been shared across the Diamond network, through policy groups, learning events and the website, allowing other sub-regions to progress their own plans to move towards MAA status. The Gatwick Diamond, with its eight local authority partners, is giving consideration to the merits of seeking an MAA and represents a different, business-based partnership. In North Hampshire, Basingstoke and Deane BC is leading on the development of an MAA which seeks to meet the needs of that particular sub-region.

5.17 The SEDfIG partnership is keen to explore all methods of enhanced sub-regional working, as a mechanism for sustaining future growth and prosperity across functional economic areas. Recognising that the MAA approach may not be suitable for all, the partnership welcomes government proposals to enhance the range of options available for strengthened sub-regional working and looks forward to further discussions around this topic.

#### *Population, Housing and Affordability*

5.18 As explained above, both the Draft South East Plan and the Secretary of State's Proposed Changes require approximately 50 per cent of future housing growth within the region to be targeted in Diamond areas. As sustainable locations, working as transport hubs and benefiting from good connectivity, this is a sensible policy approach. The SEDfIG are committed to delivering their share of the required housing growth; however, physical and social infrastructure will need to be forthcoming to support this if current issues of localised deprivation are not to be exacerbated.

5.19 The SEDfIG partnership is also committed to meeting the needs of local communities by providing the right balance of housing and the required amounts of affordable provision. Reading BC and Oxford CC have already moved quickly to incorporate exacting affordability requirements into local development documents. This is beginning to take effect, with a third of net additional dwellings provided in Reading last year being affordable housing.

5.20 We are keen to explore, with government, regional agencies and our neighbours, how future adequate and required provision can be secured, particularly in the current economic climate. Future networking and learning events will provide a vehicle to facilitate this debate and develop options for progress across the SEDfIG network and, indeed, the region.

#### *Social and Physical Infrastructure Pressures*

5.21 To date, the authorities that constitute the SEDfIG have been keen to explore all options for funding the current infrastructure deficit and securing adequate future provision. All of the Diamond areas contain local authorities that

have embraced the Growth Fund, through either Growth Area or Growth Point status. This has brought about real benefits, plugging funding gaps in capital projects and allowing housing growth to be matched by infrastructure provision.

5.22 Where possible other funding opportunities, such as the Community Infrastructure Fund and European funding streams, have been explored and maximised. The SEDfIG are committed to exploring all avenues for funding future infrastructure provision and pursuing innovative and creative mechanisms to secure long-term investment. Going forward, building an effective relationship with the new Homes and Communities Agency will be essential, given their strong role in this area of work.

#### *Skills for Sustainable Growth*

5.23 Improving skills performance forms a central tenet of the SEDfIG tasking framework. Over the period up to 2016 the Diamonds are seeking, through their collective work and exchange of best practice and learning, to increase performance at levels two and four significantly, moving beyond the levels of improvement required under the RES.

5.24 In seeking to meet this aim the SEDfIG have, to date, benefited from the strong support of the Learning and Skills Council, who chair our Skills Policy Group. The work programme of the group has included pilot skills audits for some member authorities, to be supported with follow-through from Train to Gain. The group has also looked at sector specific issues in retail and construction, exploring how skills development can be driven in these areas and has shared learning around European bidding processes as a means to improving future success rates.

5.25 As the work programme of the group continues and expands, in tandem with the extensive work being carried out in this area at local and sub-regional level, it will be essential to maintain the level of engagement from the Learning and Skills Council and its successors. The SEDfIG are committed to collective work in this area and will seek out future funding opportunities for skills development, particularly where impacts of smaller funding 'pots' can be maximised across the Diamond network.



### *Enterprise, Innovation and Expansion*

- 5.26 Again, through the tasking framework, the SEDfIG are seeking to out-perform the RES required levels of improvement in this area. To that end, the group has actively engaged with SEEDA in the development of the new Innovation and Growth Teams, which will be based within Diamond areas. These services, and the broader linkages that they develop, will be key to future innovation and enterprise growth within the region.
- 5.27 Engagement with universities, research bodies and knowledge economy industries across the region has also formed a key part of the SEDfIG work to date. Through the Knowledge Economy Policy Group, chaired by Oxford City Council, the partnership has supported a range of events across the region at which local knowledge economy practitioners have brought forward their ideas and issues, and outlined ways in which the SEDfIG can help their work. Future events will take place in the first half of 2009 before the findings and suggested actions for improvement are brought forward to the SEDfIG Board and regional agencies.

### *Climate Change and Environmental Impact*

- 5.28 A commitment to stabilise and then reduce the ecological footprint of our areas is a key SEDfIG goal, and forms one of our three strategic objectives. The SEDfIG Ecological Footprint Policy Group, chaired by SEEDA, has been key to developing aspirations and a work programme in this area. Having commissioned extensive research into baselines and ecological impacts across the Diamonds, the group is now in the process of exploring these issues in detail and drawing up comprehensive, practical guidance from across the country to explain how ecological footprints can be reduced effectively and efficiently. Due for launch in April 2009, this guidance will provide a powerful source of expertise, practical examples and proposals for change to be drawn upon by Diamond authorities.

5.29 Future Diamond networking and learning events will also provide a mechanism for the exchange of best practice and new ways of working in this fast-evolving area. The SEDfIG network also offers an opportunity, by linking to the Skills and Knowledge Economy groups, to maximise economic benefits and innovations in this area. Future work programmes will seek to work with partners across the region to take full advantage of new technologies and possibilities.

### *Providing Prosperity for Local Communities and Tackling Localised Deprivation*

5.30 All of the various actions outlined above seek, in some way, to meet these objectives. Improved strategic decision-making capacity is vital to adequately target localised deprivation – with the PUSH MAA focus on skills development being a prime example. Driving up skills levels will help to enhance the economic potential of our local communities. Delivering increased levels of affordable housing helps to reduce pressures and provide new opportunities. Improved social and physical infrastructure will be of direct benefit to local residents. Going forward, it is essential that the SEDfIG seek to ensure that local communities enjoy the full benefits of economic growth. The actions proposed above seek to meet this challenge, but support from partners and government will be vital.



# 6. How Government and Regional Agencies can help



## Introduction

- 6.1 To date, the SEDfIG have clearly demonstrated their commitment to delivering sustainable economic and housing growth. This commitment is coupled with an impressive track record over recent years and concentrations of further potential and capacity within Diamond areas. However, specific targeted support from government and regional agencies would allow us to enhance performance and delivery still further.

## Government Support

- 6.2 The SEDfIG have, thus far, benefited from the active involvement of GoSE in board meetings and further engagement with CLG and the Treasury. In assessing the challenges and opportunities outlined earlier in this document, it is apparent that there are a number of areas in which further government support and intervention could make a positive impact and foster future growth. These areas are:
- Strategic Capacity
  - Population, Housing and Affordability
  - Social and Physical Infrastructure Pressure
  - Skills for Growth
  - Tackling Localised Deprivation

- 6.3 The Government support needed across these areas of work can be summarised under the following three headings:
- Recognition and Engagement
  - Supporting Innovative Funding
  - Policy Co-ordination

### *Recognition and Engagement*

- 6.4 The SEDfIG have already been acknowledged by CLG for their positive approach to sustainable growth and the work carried out by the partnership thus far. We would now like to ask the Government to acknowledge the unique and valuable attributes of the south east, its importance to national prosperity, and its dependence on the collective performance of the SEDfIG. In the current economic climate, the strong knowledge economies and connectivity of the SEDfIG areas will be key to leading the region into recovery. The SEDfIG areas will deliver almost half of the economic and housing growth within the south east over forthcoming years

– their success or failure is vital to that of the region and, therefore, the nation as a whole.

- 6.5 Such recognition could then form the basis of ongoing enhanced dialogue between the SEDfIG and government. The SEDfIG partnership, representing the key urban growth areas of the south east, offers a valuable platform for consultation and exchange. We would welcome, for instance, the opportunity to have further input in shaping new proposals for strengthened sub-regional working, as a means to foster economic growth. We would also welcome any opportunity for early engagement in future policy-making, as a partnership representing urban areas in the south east.
- 6.6 Such engagement would need dedicated support and a channel through which we could continue dialogue with civil servants, and open up opportunities for political engagement between the centre and the Diamonds. The SEDfIG partnership has established a clear framework within which the eight Diamonds can work together; it now wishes to agree a progressive structure through which we can work with government.

### *Supporting Innovative Funding*

- 6.7 CLG's Growth Fund has made a financial contribution to growth areas and growth points across the region, and the SEDfIG have sought to use this to encourage sustainable growth within their areas. However, this level of funding, coupled with other currently available sources, can only go so far in tackling the current infrastructure deficit and seeking to provide adequately for long-term future growth.
- 6.8 The SEDfIG would welcome dialogue with the Treasury to explore any possible innovative or creative future measures that could be taken to open up new opportunities for funding social and physical infrastructure. Better alignment and co-ordination, where possible, between national, regional and local funding streams would also be welcomed. Funding could be more usefully aligned to deliver the skills' agenda, enterprise / innovation initiatives, urban environmental improvements and major infrastructure projects. Such an alignment, coupled with new opportunities for investment, would allow for more targeted long-term planning, vital to securing future growth as the recovery takes root.



6.9 In addition, it would be helpful if locally generated sources of funding (such as the proposed Community Infrastructure Levy) could be largely retained in the Diamonds as a means of facilitating local ownership of the development and its benefits. Whilst accepting the recent benefits of LABGI, we believe the handling of capital receipts and business rates should be further reviewed, with opportunity for greater retention at the local level, where linked to sustainable growth priorities. We would welcome future dialogue with government on how some of these measures could be taken forward to deliver regional priorities and long-term sustainable growth.

#### *Policy Co-ordination*

6.10 A frequent request to Government has been the need to join up the agendas of central departments to ensure focus and support. This is particularly relevant to deliver the skills' agenda, which is fragmented across departments. The Core Cities Group has made the case for a more proactive role in influencing the Learning and Skills Councils and more explicit roles in the regional skills' partnerships, and these proposals would apply equally strongly to the urban areas in the south east.

6.11 It is already apparent that one of the key benefits of the PUSH MAA has been the enhanced co-ordination, commitment and co-operation from and across government departments. The SEDfIG would welcome future dialogue with government, with the aim of co-ordinating policy approaches across and within Diamond areas. MAAs, and the new options suggested through the SNR process, may provide further future options for enhanced co-ordination on the part of central government - we would welcome the opportunity to explore this with policymakers.

#### **Regional Support**

6.12 In seeking to define their agenda and shape their priorities, the SEDfIG have benefited from the active support of the Regional Agencies to date. Initial funding support from SEERA and GoSE proved essential to establishing the SEDfIG network and developing the website. The involvement of SEEDA and the LSC has been key to driving and developing the work of the Ecological Footprint and Skills Policy Groups. In addition, SEEDA have also recently committed

to match the contribution made by local authorities over the next two years. This will allow the SEDfIG to develop further through strengthening their core staff and developing a greater capacity to shape and steer the growth agenda within the region.

6.13 Beyond this core funding support, it is evident that further targeted support from the regional agencies could help to drive future economic growth and performance, by addressing the following challenges:

- Social and Physical Infrastructure Pressures
- Tackling Localised Deprivation
- Skills for Growth
- Enterprise, Innovation and Expansion
- Climate Change and Environmental Impact

6.14 The supportive actions required from regional agencies over the forthcoming period can be summarised under the following headings:

- Recognition and Engagement
- Specialist Expertise and Support
- Communication, Lobbying and Profile Raising

#### *Recognition and Engagement*

6.15 The Diamonds were borne out of the 2006 Regional Economic Strategy, where they are recognised as the functional economic areas with the greatest potential for sustainable economic growth in forthcoming years. If the Diamonds are to deliver to their full potential it is essential that they continue to be recognised in this fashion, and that this recognition filters through to policy, practice and funding priorities, across the full range of regional agencies and actors.

6.16 In addition, as with government, engagement with the SEDfIG network offers the opportunity to liaise with the key functional economic areas of the south east, which are key to driving the future prosperity of the region. We would value early discussions on policy development, the shaping of priorities and new mechanisms for delivering growth within the region. We would value dialogue with regional agencies which sought to unlock some of the untapped potential within our communities. The SEDfIG believe they offer a useful platform for piloting new ways of working, achieving economies of scale and driving economic growth across the region as a whole.



### *Specialist Expertise and Support*

- 6.17 The SEDfIG have benefited greatly from the expertise of regional agency personnel, particularly in designing the tasking framework and shaping the work of policy groups. We need this support to be sustained and enhanced, particularly given SEEDA's move towards a strategic, influencing role and the opportunity that the SEDfIG network offers to reach growth hubs across the region.
- 6.18 In particular, regional agency support would be valuable in helping to unlock funding support for projects within the Diamonds. European and other funding streams are often predicated upon complex requirements and scoring mechanisms. In addition, the total value of some funds is marginal when considered alongside the geographical areas they are focused upon.
- 6.19 The SEDfIG network offers an opportunity to extract maximum benefit from such funding streams, with a single partnership spreading across the south east region. Where appropriate, targeted support, co-ordination and expertise from regional agency staff would be a valuable asset in levering in extra resource to encourage future growth in our areas.

### *Communication, Lobbying and Profile Raising*

- 6.20 Major international investment decisions that affect the Diamond areas are often taken on a scale far above that of everyday local authority operation. Major public policy decisions are also often taken in Europe. In both of these areas, the regional agencies, and SEEDA in particular, could offer valuable support to the Diamonds.
- 6.21 SEEDA has a major role to play in liaising with the private sector, on a regional, national and international scale, and offers the main mechanism through which the SEDfIG can communicate with businesses and investors. We would welcome SEEDA support in sharing knowledge about the Diamonds with international investors and providing a lead on international business investment into the Diamond areas. To deliver future growth it is vital that networks are opened up, information shared and investment opportunities maximised.
- 6.22 In addition, SEEDA currently offers the main route through which the SEDfIG can exert a European influence. We would value a SEEDA-led approach to communicating with MEPs and the wider European community where appropriate. The support and leadership of the regional agency will be vital in ensuring the voice of the Diamonds is heard in the right places.



# 7. Conclusion

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- relevance to the south east. The partnership supports national policy by seeking to proactively develop the role and function of medium-sized cities and towns, in a way that can contribute effectively to the sustainable growth agenda.
- 7.1 Following 15 years of sustained economic growth, the past 12 months have seen a slowdown across the UK economy. The ‘credit crunch’, liquidity crisis and loss of confidence in financial markets has had a pronounced effect upon finance, business and property markets, which is now permeating through to the high-street and wider sectors of the national economy.
- 7.2 Whilst the full range of impacts are not immediately apparent, some analysis has suggested that the south east could experience a disproportionately negative impact from the current economic situation. The south east is a vital player in the success of the national economy – the second highest net contributor to the national exchequer and home to an array of high-end knowledge intensive industries.
- 7.3 With this in mind it is vital that authorities within the region co-operate and collaborate effectively, in order to meet this immediate challenge and the longer-term housing, economic growth and prosperity needs of our local communities. This collaboration needs to occur both across the geography of the south east and between the governance tiers of the region.
- 7.4 The SEDFIG, based around those functional economic areas that offer the greatest potential for significant economic growth over coming years, provide a unique opportunity for this collaboration and co-operative working to take place. The Diamonds, comprising areas with strong track records of delivering growth and areas of outstanding economic potential, will be key to driving recovery and subsequent growth and prosperity within the region.
- 7.5 Over recent years, with support from government and regional agencies, a great deal of progress has been made, with strong sub-regional working allowing some Diamond areas to shape services and policy responses to meet the needs of their local communities. The Diamonds are well placed to take forward a range of national policy initiatives, including the most recent proposals emerging from the Sub National Review of Economic Development and Regeneration.
- 7.6 At the collective level, the Diamond areas have also come together to develop a partnership of urban growth areas with the potential to address and respond to issues and challenges of direct
- 7.7 The SEDFIG partnership has defined a comprehensive and challenging framework of aspirational targets, centred around the strategic aims of providing almost half of the GVA growth and new housing in the south east over the coming years, whilst also seeking to stabilise and then reduce our ecological footprint. The group will look to meet these targets through strong collaborative working, sharing best practice, focusing on specialist strengths and developing common solutions to shared problems. The proposals contained within this prospectus will be worked up into a comprehensive and structured action plan for delivery over the coming years.
- 7.8 If, however, the existing opportunities are to be fully maximised then the SEDFIG will need more support, recognition and engagement. Regional agencies have a role to play in providing specialist support and expertise where relevant, as well as assisting the Diamonds in developing the profile necessary to attract recognition and investment. Further engagement with government, in a bid to co-ordinate policy and support the development of innovative infrastructure funding solutions, would also help us to deliver more jobs and homes in a sustainable way.
- 7.9 In the current circumstances, and over forthcoming years, the South East Diamonds for Investment and Growth offer a major opportunity. Within our region, with strained infrastructure, traditionally high house prices and pressured services, we offer the most sustainable locations for the economic and housing growth needed to ensure continued success. If we are to meet the needs and realise the potential of our local communities, the wider south east and the UK economy as a whole, we will need to work strongly with our local partners, neighbours, county councils, regional agencies, businesses and government. This Prospectus for Prosperity provides a basis on which this joint working can be delivered, allowing all of us to deliver the improved outcomes, economic successes and wider prosperity demanded by our local communities.

# Appendix One:

## SEDfIG Tasking Framework

	Indicator	Strategic Fit	Diamonds baseline or existing target			'Stretch Target'		Data	
			Source	Target	Date	Target	Date	Source	Compiler
1	GVA Growth Rate	RES Headline Target	SEEDA – RES Required Rate	39.5% of Regional GVA Growth	2016	45%	2016	Experian	SEEDA Research Team
2	Gross Domestic Expenditure on Research and Development	RES Target	SEEDA – RES	10,752 Employed in research and development (proxy)	2016	10,752	2013	ONS / ABI	SEEDA Research Team
3	Business Registration Rate	RES Target National Indicator (NI) 171	SEEDA – RES	33,194 new VAT Registered Businesses	2016	54,168 New VAT Registered Businesses	2016	ONS / BERR	Core Team and SEEDA
4a	Skills Performance at NVQ Level 2 (or equivalent)	RES Target NI 163	SEEDA – RES	79.2% working age population qualified	2016	Out-perform RES required rate	2016	ONS / APS	Core Team and SEEDA
4b	Skills Performance at NVQ Level 4 (or equivalent)	RES Target NI 165	SEEDA – RES	39.2% working age population qualified	2016	Out-perform RES required rate	2016	ONS / APS	Core Team and SEEDA
5	Net Additional Homes Provided	SE Plan NI 154	SE Plan	288,190 new homes (50% total SE provision)	2026	50% total SE provision	2026	Local Authorities / SEERA	Core Team
6	Numbers of affordable homes delivered	SE Plan NI 155	SE Plan / Panel Report	Variable across Diamonds	2026	Commitment and Early Integration of Requirements into LDF	Up to 2026	Local Authorities	Core Team
7a	Percentage of completions meeting Code for Sustainable Homes Level 4	CLG target and Planning Policy Statement 1	PPS 1 (supplementary guidance)	All new housing compliant	2013	All new housing compliant	2012	Ecological Footprint policy group producing guidance	
7b	Percentage of completions meeting CSH Level 6	CLG target and Planning Policy Statement 1	PPS 1 (supplementary guidance)	All new housing compliant	2016	All new housing compliant	2014	Ecological Footprint policy group producing guidance	
8	Overall Employment Rate	NI 151	SEEDA - RES	80% working age population	2016	Out-perform RES required rate	2016	ONS / APS	Core Team and SEEDA
9	Stabilisation and reduction of ecological footprint	RES Target	SEEDA - RES	Stabilise and seek to reduce	2016	Stabilise - 30% reduction	2014 2025	REAP	Core Team and SEEDA
10	Reduction in CO2 in LA area	RES Target NI 186	SEEDA - RES	20% reduction	2016	20% reduction	2012	Local Authorities / SEEDA	SEEDA Research Team
11	Reduction in per capita consumption of water	RES target	SEEDA - RES	20% reduction	2016	20% reduction	2014	SEEDA	SEEDA Research Team
12	Increase capacity of Renewable Energy	RES target	SEEDA - RES	20% increase in capacity	2020	20% increase	2012	SEEDA	SEEDA Research Team

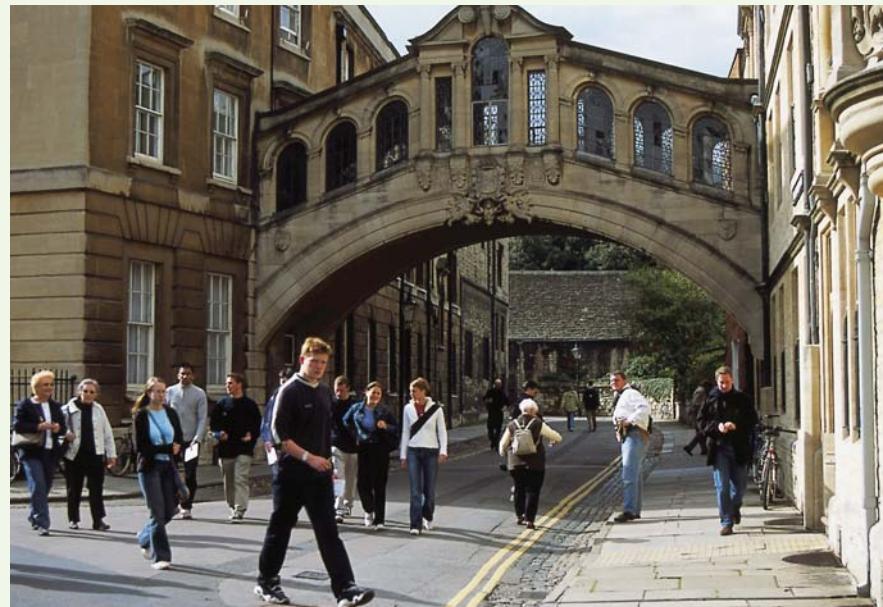


## SEDFIG Tasking Framework: Commentary

Agreed by the SEDFIG Board in March 2008, the Tasking Framework outlines a series of long-term aspirational targets for the Diamond areas. Delivery of these aspirations will ultimately rest upon the strength, will and ability of sub-regional partnerships, aided by appropriate support from regional agencies and government. The collective work of the SEDFIG partnership will add another dimension of support through its growing work programme, monitoring activities and exchange of best practice.

Clearly, the duration and depth of the current recession could have an impact upon achievability of these goals. However, most targets are long-term in nature, whilst others are related to the performance of the region as a whole. For those indicators where recent data is available, an up-to-date analysis has been sought from SEEDA. This suggests a marginal fall in employment rates within the Diamonds, in line with that across the rest of the region, to 78 per cent in June 2008. However, the aspirational target of 80+ per cent by 2016 would still appear achievable. Skills performance at Levels 2 and 4 have seen improvement over the past two years, with the greatest levels of increase in the coastal Diamonds, reflecting the focus placed upon them.

Monitoring will continue to take place as data is available, assessing the deliverability of these aims in light of the wider economic and policy context. Future updates will be provided through an Annual Monitoring Report to the SEDFIG board, which will also be published on the SEDFIG website.



# Appendix One: Supporting metrics and technical data



## 1. GVA Growth Rate

The Diamonds will seek to provide a higher share of the regional growth in GVA up to 2016 than that required in the RES, with the figures as follows:

Area	Baseline	Required (2016)	Aspirational (2016)
South East	60.5%	60.5%	55%
Diamonds	39.5%	39.5%	45%

Source: SEEDA estimates based on Experian data

## 2. Regional Gross Domestic Expenditure on Research and Development

For this indicator, the total number of employees involved in research and development has been taken as a proxy. The SEDfIG will seek to deliver the RES required rates of improvement by 2013, in advance of the 2016 target.

Area	2005	RES Required 2016
South East	27,747	37,275
PUSH	1,941	2,608
Brighton and Hove	352	473
Thames Gateway	154	207
Gatwick Diamond	440	592
Reading Diamond	769	1,033
Central Oxfordshire	4,038	5,425
Basingstoke and Deane	219	294
Milton Keynes and Aylesbury Vale	89	120
Diamonds	8,004	10,752

Source: SEEDA estimates derived from ONS data



### 3. VAT Registration Rate

Area	2005 baseline	Trend based 2016	2016 – RES	Aspiration
South East	288,665	348,454	387,792	387,792
PUSH	25,181	30,396	33,827	39,291
Brighton and Hove	8,345	10,073	11,211	13,021
Thames Gateway	12,839	15,498	17,248	20,033
Gatwick Diamond	11,625	14,033	15,617	18,140
Reading Diamond	8,279	9,993	11,121	12,918
Central Oxfordshire	14,111	17,034	18,957	22,019
Basingstoke and Deane	5,350	6,458	7,187	8,348
Milton Keynes and Aylesbury Vale	10,932	13,196	14,686	17,058
Diamonds	96,661	116,682	129,855	150,829

Source: SEEDA estimates derived from BERR data

### 4a. Skills Performance at NVQ equivalent Level 2

Area	2005	Trend based 2016	RES Required 2016	Aspiration
South East	67.3	76.5	81.1	Out-perform RES required rates
PUSH	63.7	72.9	77.5	
Brighton and Hove	68.3	77.5	82.1	
Thames Gateway	59.0	68.2	72.8	
Gatwick Diamond	70.7	79.9	84.5	
Reading Diamond	67.8	76.9	81.5	
Central Oxfordshire	69.6	78.7	83.3	
Basingstoke and Deane	67.6	76.8	81.4	
Milton Keynes and Aylesbury Vale	65.5	74.7	79.3	
Diamonds	65.4	74.6	79.2	

Source: SEEDA estimates derived from ONS data

### 4b. Skills Performance at NVQ equivalent Level 4

Area	2005	Trend based 2016	RES required 2016	Aspiration
South East	29.5	38.4	41.3	Out-perform RES required rates
PUSH	24.9	33.8	36.7	
Brighton and Hove	37.3	46.2	49.0	
Thames Gateway	19.1	28.0	30.9	
Gatwick Diamond	28.5	37.4	40.3	
Reading Diamond	33.5	42.4	45.2	
Central Oxfordshire	32.7	41.6	44.5	
Basingstoke and Deane	29.8	38.7	41.6	
Milton Keynes and Aylesbury Vale	27.2	36.1	39.0	
Diamonds	27.5	36.3	39.2	

Source: SEEDA estimates derived from ONS data



## 5. Net additional homes provided

Area	SE Plan 2006-2026	SE Plan – DPA	Proposed Changes	Proposed Changes – DPA
South East	578,000	28,900	662,500	33,125
PUSH	80,000	4,000	80,000	4,000
Brighton and Hove	11,000	550	12,400	620
Thames Gateway	48,000	2,400	52,140	2,607
Gatwick Diamond	33,000	1,650	36,500	1,825
Reading Diamond <sup>l</sup>	16,840	842	19,461	973.5
Central Oxfordshire	34,000	1,700	40,680	2,034
Basingstoke and Deane	16,500	825	18,900	945
Milton Keynes and Aylesbury Vale	48,850	2,442.5	49,950	2,497
Diamonds	288,190	14,409.5	310,031	15,502

<sup>l</sup>Approximate figure based on Reading Diamond, rather than SE Plan 'Western Corridor'

## 6. Numbers of affordable homes delivered (gross)

In this area it is likely that the requirements of the statutory regional planning process will prove ambitious enough. The SEDFIG therefore provide an early commitment to pro-actively seek improvement in this area, integrating these requirements into Local Development Documents and embracing the provision of affordable housing as a core aim. This has already happened in some instances, with Oxford City and Reading BC already asking for 50 per cent affordable housing on many developments.

## 7. Percentage of completions meeting the Code for Sustainable Homes (Levels 4 and 6)

Supplementary guidance to Planning Policy Statement 1 states that Planning Authorities are expected to help achieve national targets in this area, including that all new housing built in 2016 will be carbon neutral (Code Level 6). Indicative levels have previously been given as follows:

- 2010 – all new housing meets Code Level 3
- 2013 – all new housing meets Code Level 4
- 2016 – all new housing meets Code Level 6

The aspirational target in this instance is to aim for the early integration of these requirements into Local Development Documents. Reading BC has, for instance, already adopted a Supplementary Planning Document which requires all new housing to meet Code Level 3, with developments of more than 10 dwellings required to achieve Level 4. These policies are now embedded in the council's adopted Core Strategy. Therefore, the Diamonds are aiming for all new housing to meet Code Level 4 by 2012, in advance of the national indicative target of 2013. An additional aim is that, by 2014, the Diamonds will strive to ensure that all new housing built meets Code Level 6 (two years in advance of the national target).



## 8. Overall employment rate

Area	2005	RES Required 2016	Aspiration
South East	79.0	81	Out-perform RES required rates
PUSH	77.2	79	
Brighton and Hove	72.7	75	
Thames Gateway	76.6	79	
Gatwick Diamond	80.7	82	
Reading Diamond	79.0	81	
Central Oxfordshire	79.6	81	
Basingstoke and Deane	84.3	86	
Milton Keynes and Aylesbury Vale	81.1	83	
Diamonds	78.2	80	

Source: SEEDA estimates based on ONS data

### District level weightings used in metrics work

The weights detailed below were used to produce the figures given for indicators 1-4 and 8. It is proposed that they be used as the basis for future monitoring of these indicators.

PUSH	
East Hampshire	0.1182
Eastleigh	1
Fareham	1
Gosport 1	
Havant	1
New Forest	0.3225
Portsmouth	1
Southampton	1
Test Valley	0.3395
Winchester	0.2058

<b>Brighton and Hove</b>	<b>1</b>
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Thames Gateway / Kent	
Medway	1
Gravesham	1
Swale	0.75
Dartford	1

Gatwick Diamond	
Crawley	1
Horsham	0.487
Mid Sussex	0.9395
Mole Valley	0.0465
Reigate and Banstead	0.1909
Tandridge	0.09

Reading Diamond	
Reading	1
Wokingham	0.41
West Berks	0.203

Central Oxfordshire	
Cherwell	0.4286
Oxford City	1
South Oxfordshire	0.4586
Vale of White Horse	0.7921
West Oxfordshire	0.4829

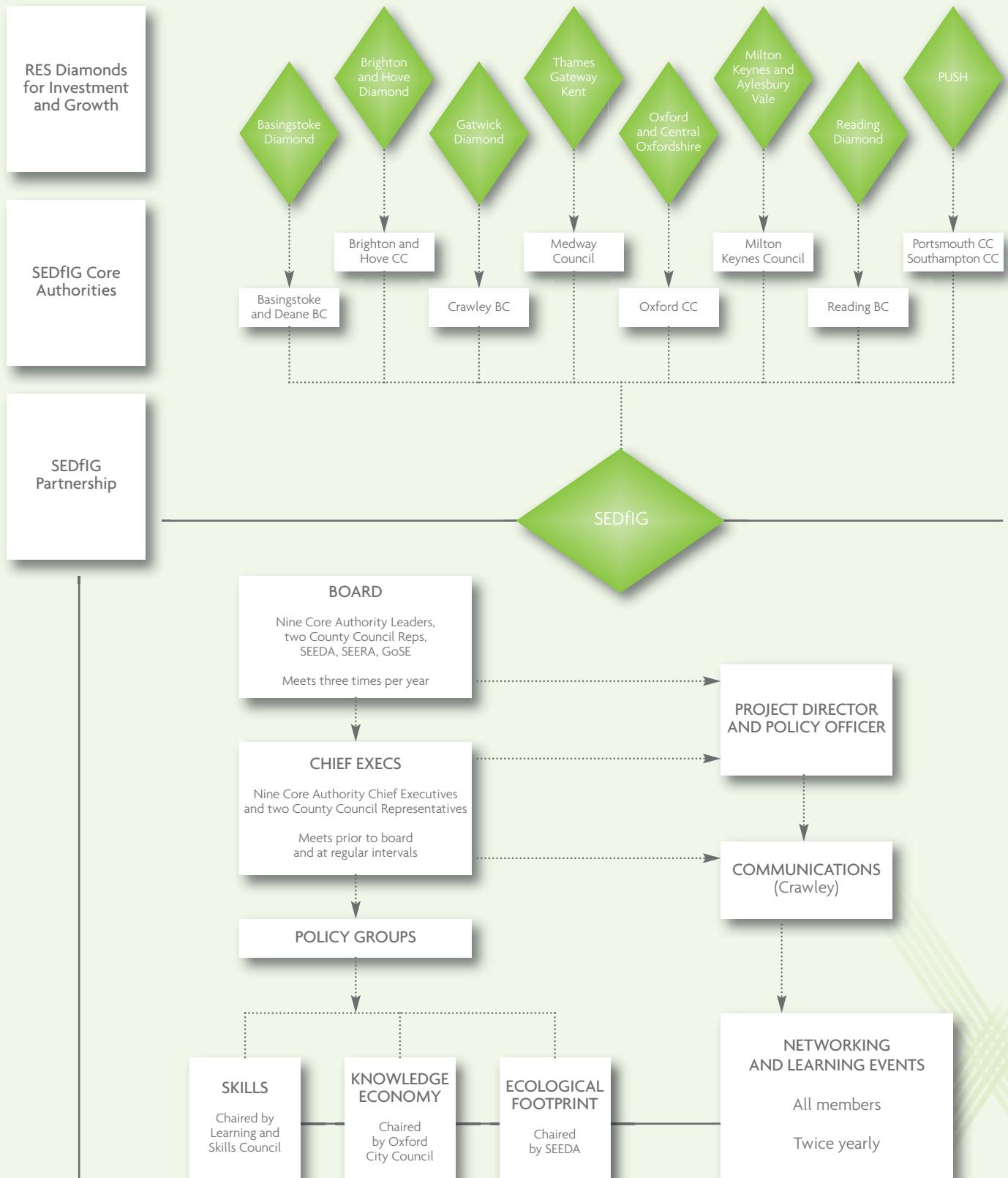
<b>Basingstoke and Deane</b>	<b>1</b>
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Milton Keynes and Aylesbury Vale	
Milton Keynes	1
Aylesbury Vale	0.492

# Appendix Two: SEDfIG Structure Chart



APPENDIX TWO: SEDfIG STRUCTURE CHART





Images provided by SEERA Ltd



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