

**The Review of the
South East of England
Regional Economic Strategy**

SUMMARY REPORT

**Issues to consider
arising out of the
Sustainability Appraisal**

**Prepared for SEEDA
by
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I. PURPOSE OF THE PAPER

INTRODUCTION

- 1.1. Land Use Consultants and SQW Limited were commissioned by SEEDA to carry out a sustainability appraisal of the Regional Economic Strategy (RES) for South East England 2002-2012 (which is the second RES produced for the region). This appraisal was carried out in 2004, prior to SEEDA commencing the review of the RES and production of the third RES.
- 1.2. For all the RDAs, the pursuit of sustainable development has been a mandatory requirement from the outset and one that was written into the legislation that preceded their formation. The South East is facing particular issues in terms of sustainable development. The South East is Britain's wealthiest region, aside from London, but is facing a range of challenges such as congestion, population growth, housing shortages and development pressure.
- 1.3. The South East currently has a relatively strong economy but this has important geographical dimensions: the situation in Surrey, for example, is quite different from East Kent. Underpinning these contrasts are important questions and challenges with regard to sustainability for both areas and for the region as a whole. In addition, since the appraisal of the first RES, a range of new issues have emerged, such as pressures and opportunities afforded by the three Growth Areas in the South East (Ashford, Milton Keynes South-Midlands and Thames Gateway).

AIMS OF THE SUSTAINABILITY APPRAISAL

- 1.4. The aims of the sustainability appraisal were:
 - To review the RES and provide an assessment of the potential positive and negative aspects.
 - To review and assess the potential impact of the RES overall, including the in-combination effects.
 - To make recommendations on issues that should be addressed in the next review of the RES to enhance its sustainability.
 - To make recommendations for any adjustments that could be made to the implementation of the current version of the RES to enhance its sustainability.
 - To consider the wider issues arising out of the sustainability appraisal.
- 1.5. The approach to the appraisal was based on dialogue with SEEDA staff and other key stakeholders, in order to engage with those who have a role to play in planning and decision-making, as well as an independent appraisal of the RES. This included two workshops, one in April 2004, and the other in November 2004, to consider and debate findings. This paper reflects issues raised by consultees, although the conclusions and recommendations are those of the consultants.

REPORTING ON THE SUSTAINABILITY APPRAISAL

- 1.6. This paper provides a summary of the sustainability appraisal findings and recommendations and presents a wider discussion on the nature of a sustainable economy in the South East, and issues for the RES review. A detailed report of the sustainability appraisal has also been prepared, which provides an overview of the appraisal methodology employed and a discussion of the implications of the RES for the sustainability objectives set out in the South East Integrated Regional Framework.

2. KEY FINDINGS & RECOMMENDATIONS FROM THE SUSTAINABILITY APPRAISAL OF THE RES

SUSTAINABILITY PERFORMANCE OF THE SOUTH EAST

- 2.1. The RES is one of a number of strategies that are tasked with contributing to the wider objectives of the South East Integrated Regional Framework (IRF). These objectives were used as the basis for appraising the RES.
- 2.2. The direct influence or contribution of the RES will vary depending on the sustainability objective being considered. The RES will inevitably have most influence over economic objectives (such as to sustain economic growth and competitiveness across the region). However, when considering sustainability it is important to think about indirect effects, for example the influence the RES may have on issues such as congestion and resource consumption.
- 2.3. The current performance of the South East against each of the objectives set in the IRF provides the context for the appraisal of the RES. The table below indicates where the region as a whole has been performing well, where performance has been mixed, and where performance has been poor, in terms of the sustainability objectives set out in the IRF (the numbers relate to the number given to each of the objectives in the IRF).
- 2.4. Although this is a crude summary of how the South East is performing, it does provide an indication of where improvements need to be made. This shows that, across many of the more economic objectives, the region is doing well. The objectives where further progress is particularly required tend to relate housing provision, congestion, resource consumption and waste, environmental risks, and social disparities between one part of the region and another.

Table 2.1: South East performance for IRF sustainability objectives

<p>Good performance 😊</p> <p>6. To reduce crime and the fear of crime 7. To create and sustain vibrant communities 8. To improve accessibility to all services and facilities¹ 10. To improve efficiency in land use through the re-use of previously developed land and existing buildings, including re-use of materials from buildings, and encourage urban renaissance 14. To protect, enhance, and make accessible for enjoyment, the region’s countryside and historic environment 20. To ensure high and stable levels of employment so everyone can benefit from the economic growth of the region 21. To sustain economic growth and competitiveness across the region 22. To stimulate economic revival in priority regeneration areas 23. To develop a dynamic, diverse and knowledge-based economy that excels in innovation with higher value, lower impact activities</p>
<p>Mixed performance 😐</p> <p>3. To improve health and well-being of the population and reduce inequalities in health 5. To raise education achievement levels across the region and develop the opportunities for everyone to acquire the skills needed to find and remain in work AND 25. To develop and maintain a skilled workforce to support long-term competitiveness of the region 9. To encourage increased engagement in cultural activity across all sections of the community in the South East 11. To reduce air pollution and ensure air quality continues to improve 18. To maintain and improve the water quality of the region’s rivers and coasts, and to achieve sustainable water resources management 24. To encourage the development of a buoyant sustainable tourism sector</p>
<p>Poor performance ☹️</p> <p>1. To ensure that everyone has the opportunity to live in a decent, sustainably constructed, and affordable home 2. To reduce the risk of flooding and the resulting detriment to public well-being, the economy and the environment 4. To reduce poverty and social exclusion and close the gap between the most deprived areas in the South East and the rest of the region 12. To address the causes of climate change through reducing emissions of greenhouse gases and ensure that the South East is prepared for its impacts AND 19. To increase energy efficiency, and the proportion of energy generated from renewable sources in the region 13. To conserve and enhance the region’s biodiversity 15. To reduce road congestion and pollution levels by improving travel choice, and reducing the need for travel by car/lorry 16. To reduce the global social and environmental impact of consumption of resources by using sustainably produced and local products 17. To reduce waste generation and disposal, and achieve the sustainable management of waste.</p>

¹ For the purposes of the Sustainability Appraisal, we assumed this means the promotion of services close to where people live accessible by walking, cycling and public transport rather than provision of new roads, etc..

KEY FINDINGS OF THE APPRAISAL OF THE RES

- 2.5. Given this context, the appraisal aimed to determine whether the RES would be likely to promote an economy for the region that strengthens those aspects where the region is performing well, and addresses those aspects where improvements are needed, where it is within its scope to do so.
- 2.6. Overall, the appraisal found that there is a great deal that the RES seems to be doing in order to encourage more sustainable economic activity in the South East. However, the appraisal also found there is scope for improvement, and also some potential conflicts or contradictions between objectives that need to be addressed. It is also notable that where there are gaps in the RES as it stands, some of these may be better filled through other means, for example the South East Plan.
- 2.7. A summary of the key findings under each of the four main themes of sustainable development is provided below, focusing on those aspects where further improvements can be made.

Social progress which recognises the needs of everyone

- 2.8. Many actions set out in the RES should contribute to social progress which recognises the needs of everyone for example through actions to promote affordable housing and the wide range of actions to tackle poverty and social exclusion such as actions to encourage foreign investment in priority areas for economic regeneration, and a strong package of actions to improve basic learning and skills to increase access to employment. It is notable that 70-80% of SEEDA resources go to the southern and eastern parts of the region in order to support the more deprived parts of the region. Similarly some actions should contribute to vibrant communities, such as those promoting regeneration. Key findings from the sustainability appraisal relating to social progress which meets the needs of everyone included the following:
 - The RES includes priorities for particular sub-regions that focus on continuing economic growth, despite the fact that these regions are already suffering from congestion and are at or near full employment e.g. the North Hampshire-West Surrey Special Attention Area (SAA). This approach could increase disparities in the region and make it harder to close the gap between the most deprived areas and the rest of the region. However, it is recognised that simply restraining growth in one area will not necessarily lead to growth in other areas by default, and could lead to further issues, such as reduced wealth in parts of the region. Therefore, it is important that the RES continues to improve skills and to set out actions to encourage participation in training and employment in more deprived areas.
 - Overall, continuing growth will only be sustainable if it is achieved in a way that is creative in the way that labour and other resources are used – i.e. high added value but low environmental impact.
 - It is important to recognise that a mix of people is needed to sustain vibrant communities. However insufficient provision of affordable housing could limit this. The RES sets out a range of priorities to tackle affordable housing, which

should be strongly supported by all the RES partners, given the magnitude and significance of affordable housing shortages in the South East. But some other actions may also run counter to the objective of creating and sustaining vibrant communities e.g. provision of transport facilitating increased movement of people (e.g. living in one community and working in another and shopping in another again), which could lessen cohesiveness and community spirit.

- There is a need to ensure that ‘hidden’ poverty in the high performing parts of the region is fully addressed, which is also important if continuing growth is to be sustainable and make creative use of labour. Many priorities focus on the generally more deprived parts of the region e.g. coastal areas and not all sub-regional priorities consider the need to address issues of social exclusion e.g. actions for the Western Wedge SAA. The RES could be strengthened by actions to ensure economic development addresses exclusion in the better off parts of the region. However, some actions, such as Enterprise Gateways, which aim to provide business incubation networks, identify a range of priorities in order to ensure both specific geographical areas and societal groups with low entrepreneurship and business skills are targeted. Such actions should go some way to ensuring that actions do not fail to address social issues in the high performing parts of the region.
- The RES includes actions to address crime and fear of crime e.g. actions to address employment of offenders. The previous RES did not cover this issue, although it is arguable whether this should be an issue for a RES.

Effective protection of the environment

2.9. The RES includes a number of actions which specifically seek to enhance the environment e.g. Building for Nature, and actions to promote sustainable agriculture. However, a number of other actions are likely to indirectly move the state of the South East region’s environment in a less positive direction. Overall, our key findings were as follows:

- The RES could do more to actively promote the benefits of greenspace in new developments to serve a variety of purposes, including flood management, heat island attenuation, improved health and well-being, biodiversity, etc.
- To a great extent potential impacts of RES priorities in terms of flood risk are dependent on locational issues, which are rarely detailed in the priorities. Nevertheless the RES could do more to reassure that locations for housing/business premises will not be supported/promoted where they are likely to increase people and property at risk from flooding. For example, the West Sussex Sub-Regional Priority supports development of business premises and industrial estates along the West Sussex coastal strip, which could be at increased risk of flooding as a result of climate change induced sea level rise. The RES should do more to show that it supports planning policy objectives in relation to flood risk and supports flood resilient design and Sustainable Drainage Systems (SUDS) in SEEDA developments and developments delivered by other partners. On the other hand, a number of actions may exert a potentially positive influence on flood risk, for example, improvements to land management including the

possible use of farmland for flood control, and the creation of an extensive framework of open spaces in the Kent and Medway SRP.

- The RES should successfully contribute to improved efficiency in land use and re-use of existing buildings through actions specifically targeted to achieve this objective. However, continued development in 'economic hotspots' may increase pressure to use greenfield sites on the edge of towns.
- It is unlikely that actions in the RES go far enough to significantly reduce private car use. For example, although Priority 13 seeks to Secure a Sustainable Transport Network, it does little to actively encourage a reduction of private car use. Road improvements supported by the RES (such as on the M4 and M40) are likely to lead to increased car use. However, it is commendable that the RES is supporting road charging, and that it recognises the need to weaken the link between economic growth and growth in road traffic.
- Some actions in the RES may lead to increased congestion e.g. in areas where the RES favours continued growth despite acknowledging that these areas already have full employment and suffer from congestion. Unless genuinely smart growth is achieved, some negative effects in terms of congestion and other resource issues are inevitable.
- Implications of the RES for air quality are likely to be mixed. Although the RES does include actions to promote sustainable transport (e.g. Thameslink 2000 and Crossrail), it also supports a range of road improvements (such as improvements to the A256, A299, A2 and M2 and junction improvements on several roads including the M4 and M40) which may increase road traffic and hence emissions. Possible airport expansion and increasing foreign trade could also contribute to increased air pollution.
- The RES makes little or no mention of actions to adapt to climate change. For example, there is no consideration of sea level rise and increased flood risk in relation to development of housing and business premises or of the need to incorporate flood-resilient design into new developments e.g. in the Thames Gateway.
- Environment-led regeneration projects (priority 16), the scope of which are not clearly defined in the RES, could be used to showcase a wide range of sustainable design features e.g. actions to adapt to climate change, flood resilience, etc.
- In terms of climate change mitigation, as noted above emissions may continue to increase due to continued growth in road transport and overall economic growth. Actions are in place to promote and investigate the potential for industrial crops, which is positive. More could be done to promote energy efficiency.
- Implications for biodiversity are mixed. The RES includes a number of actions to promote biodiversity e.g. Building for Nature and actions to promote sustainable agriculture, but other priorities could indirectly put pressure on sites and lead to

habitat fragmentation e.g. general increases in economic activity and demand for housing and business premises and transport infrastructure.

- It is important that projects are considered on a case-by-case basis to consider how they may affect the environment.

Prudent use of natural resources

2.10. Several actions in the RES may contribute to the more prudent use of natural resources e.g. support for energy crops and actions to promote sustainable construction practices which could lead to increased reuse of materials, and the development of the environmental technologies sector. The overall strategy of the RES to develop more productive and lower impact economic activities should also contribute to this objective by making more efficient use of resources – indeed, it is perhaps the key way in which the RES can address issues of sustainability. SEEDA staff suggest this to be the case and note that many other initiatives in the RES labelled as ‘sustainable’, whilst beneficial, are small in scale. However, given the scale of economic growth likely to take place in the South East (necessary to meet the aim of the RES that by 2012 the South East will be recognised by all as one of the world’s 15 top performing regional economies) there are also several ways in which the RES could do more to meet this objective. Key observations are set out below:

- Overall the RES appears to have the scope to cause some significant global social and environmental impacts which are not adequately addressed in the RES. For example, promoting Corporate Social Responsibility is important and may lead to some improvements in businesses performance, but other actions, such as increasing foreign trade with concomitant transport requirements, could have global impacts, as could not adequately addressing fossil fuel use, and unchecked increases in consumption of consumer goods. The RES also does little to promote reduced consumption of raw materials or consumer goods.
- The RES should do more to promote sustainable use of resources e.g. in the development of the Thames Gateway.
- The RES includes a range of actions to tackle sustainable management of waste, which is important given the fact that increased growth is likely to lead to increased waste (although knowledge based sectors are unlikely to produce as much waste as more industrial sectors). But whether this is enough to really make a difference in decoupling the overall growth in waste from growth in the economy is questionable.
- The region is already suffering from water resource shortages, which are likely to worsen with climate change. It is unlikely that the actions to promote sustainable water management will be sufficient to counteract the pressures of increased economic growth and population growth.

Maintenance of high and stable levels of economic growth and employment

- 2.11. Given the overall remit of the RES is to further economic development, it is perhaps not surprising to conclude that many of the actions in the RES will contribute to maintenance of high and stable levels of growth and employment.
- Many of the RES priorities should lead to high and stable levels of employment and sustained economic growth and competitiveness e.g. actions to increase business start-up rates and actions to attract foreign investment. A wide range of other actions will also contribute to this e.g. development of skills, measures to upskill those already in employment, and infrastructure improvements.
 - The RES also includes a range of actions which should improve accessibility to employment (e.g. actions to improve skills and increase childcare provision) and stimulate economic revival in priority regeneration areas (e.g. actions to encourage foreign investment). However, questions remain about the tendency for growth and jobs to cluster in high performing areas (which the RES does not discourage) and the reluctance to locate in more deprived areas will ultimately result in increased polarisation in terms of access to employment and economic growth. Overall there is a need to ensure that RES actions go far enough to stimulate economic activity in the more deprived parts of the region through a range of actions to develop skills and engender community involvement in enterprise.
 - The RES should successfully contribute to developing a dynamic, diverse and knowledge-based economy that excels in innovation with higher value, lower impact activities e.g. through business support mechanisms for knowledge based clusters such as biotech, high-tech engineering and ICT, etc.
 - The RES includes a range of actions to encourage a buoyant sustainable tourism sector e.g. actions to develop tourism in rural and coastal areas. The Sector priority for the tourism industry should however place more emphasis on the importance of 'sustainable' tourism e.g. recognising the impact tourism can have on water demand. There is a need to better manage the impacts of tourism, but that is not to say that the sector should not be encouraged and expanded.

CONCLUSIONS AND RECOMMENDATIONS ARISING FROM THE APPRAISAL OF THE RES

- 2.12. A summary of the key recommendations for improving delivery of RES actions in future are set below:
- RES partners should commission research to understand the likely effects (to the region as a whole/to sub-regions) of various RES priorities on migration patterns of both people and investment, e.g. in relation to economic growth and business development, in order to understand the likely pressures on housing, services, infrastructure and other resources. This information is also vital in order to ensure adequate delivery of affordable housing and other infrastructure through the South East Plan.

- The RES should strongly support provision of affordable housing, given the level of need in the region, and the importance of providing sufficient housing to house the workforce and hence support the economy.
- Congestion is a key challenge for the RES. SEEDA and partners must find ways of continuing economic growth that breaks the link with the growth in traffic and congestion. For example, increasing the use of IT and Broadband connections, and also further exploring the role of road charging schemes and actions to improve public transport.
- The RES should place more emphasis on developing local transport links e.g. local bus services, cycle lanes and walking routes to enable people to access local jobs and services in a sustainable way, as well as encouraging actions to promote closer live-work relationships.
- The RES should recognise the negative impacts that airport expansion will have on greenhouse gas emissions, and on the quality of life for those living close to airports.
- Climate change mitigation and adaptation actions should be mainstreamed within the RES, for example in terms of building adaptation measures into new housing and business premises and also ensuring business decision-making takes into account the risks posed by climate change.
- Similarly, actions to address flood risk should be mainstreamed within the RES. There is a need for SEEDA and partners to balance the requirements for economic development in areas at risk of flooding with this risk. There is a role for the RES in future to make the case for low cost/no regret actions which can be implemented to reduce flood risk and reduce vulnerability to flood damage.
- The role of green infrastructure in new developments is increasingly recognised (for example through the Green Grid initiatives in Kent and Essex) and SEEDA and partners should build on this.
- Priority 16 refers to environment-led regeneration projects, which are not clearly defined, but which it is understood will use the environment as a theme for major attractions. This RES priority could be linked with regeneration priorities to mainstream and clarify the aims of the priority.
- The RES should demonstrate a greater recognition of the potential impacts it can have on other regions/countries, for example in terms of global ecological footprints, and migration of skilled people.
- Stimulating economic revival in priority regeneration areas is not an easy objective to achieve. The RES already does much to improve skills training, and sets out a range of actions to increase access to employment. However, the RES should also seek to ensure that economic development in high growth areas does not impinge upon economic development in priority regeneration areas and should consider the scope for encouraging sector/cluster development in priority

regeneration areas and make reference to these areas in the Sector & Cluster priorities in the RES.

3. WHAT DIFFERENCE DOES SUSTAINABILITY APPRAISAL MAKE?

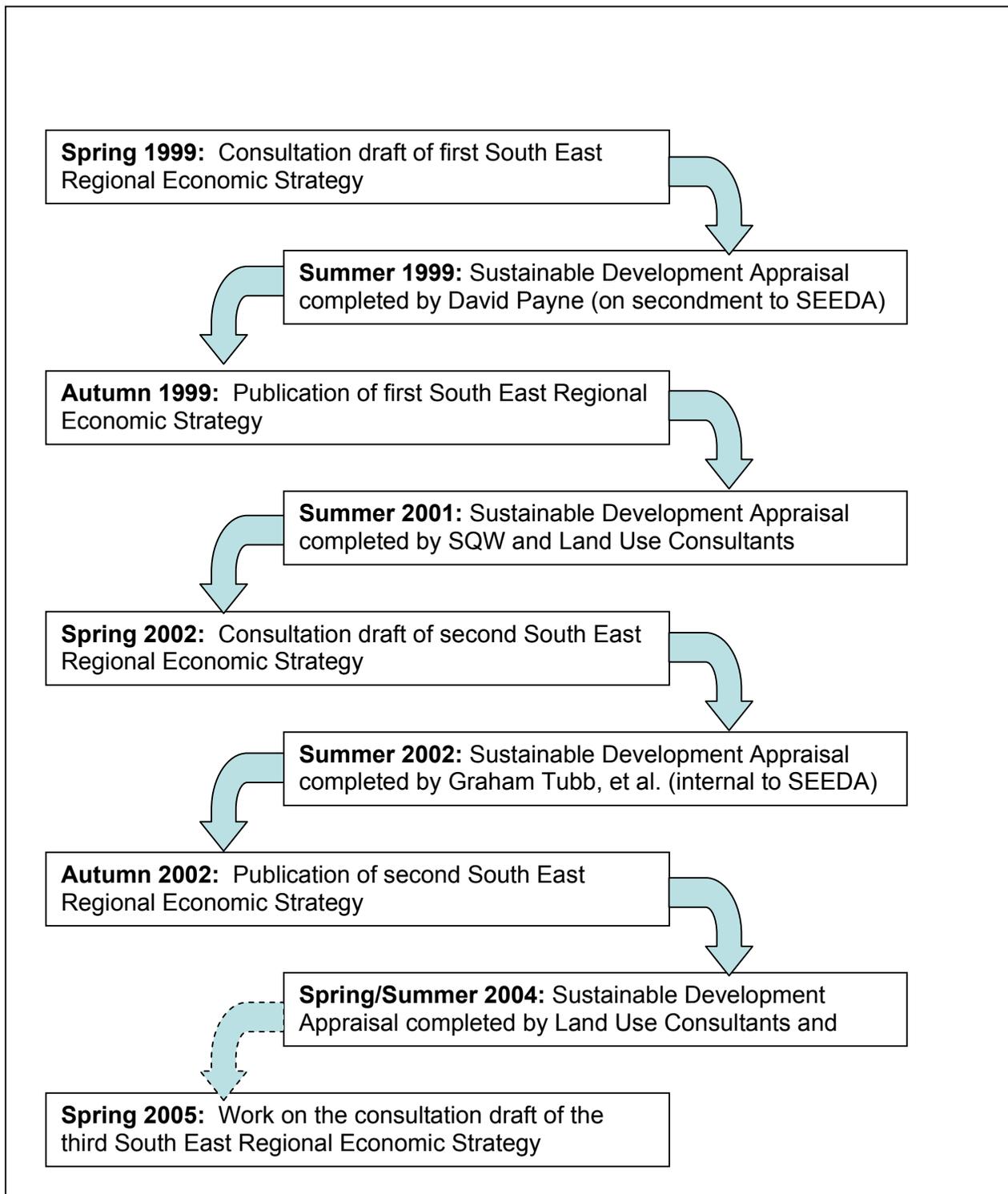
THE EFFECTIVENESS OF THE APPRAISAL PROCESS

- 3.1. The above conclusions show that there is scope for improvement, but that the RES is addressing many aspects of sustainability. However, this is the third RES that SEEDA will have produced, drawing on the views of its partners and other stakeholders. This current assignment is the fourth time that a sustainability appraisal has taken place. Therefore it is timely to draw some conclusions in terms of the effect that sustainability appraisals are having on the preparation of the RES, and whether those with a responsibility for planning and making decisions regarding the economy in the South East are thinking 'sustainably' as they carry out their work.
- 3.2. To assist with this discussion, we considered:
- How sustainability appraisal in the past has influenced the development of the RES.
 - How sustainability checks are incorporated into SEEDA project appraisal and approval processes.
 - How project appraisal processes are being reviewed within SEEDA and the implications of this for the sustainability of projects.

Past sustainability appraisals

- 3.3. **Figure 3.1** below illustrates the cycle of RES preparation, appraisal and review. It can be seen that to date there have been three appraisals undertaken:
- **Summer 1999:** Internal Sustainable Development Appraisal of first draft RES completed by David Payne (on secondment to SEEDA)
 - **Summer 2001:** Sustainable Development Appraisal of published first RES completed by SQW and Land Use Consultants
 - **Summer 2002:** Internal Sustainable Development Appraisal of second draft RES completed by SEEDA's internal Sustainable Development Team.

Figure 3.1: SEEDA: RES and Sustainable Development Appraisal Cycle



- 3.4. Findings from the appraisal of the first published RES included:
- Generally SEEDA’s regeneration programmes appeared to be contributing to social progress that recognises the needs of everyone. However, a tendency towards growing spatial concentration and polarisation across the region was noted.
 - In terms of effects on the environment, the appraisal noted that SEEDA needs to resist short-term and localised pressures for interventions that could compromise effective protection of the environment, and that environmental costs need to be considered with equal and substantial rigour as social and economic costs.
 - Several interventions were deemed helpful in ensuring prudent use would be made of natural resources. However, these activities tended to be modest whilst some of the issues regarding resource use may become increasingly severe.
 - In terms of maintenance of high and stable levels of economic growth and employment, the appraisal recognised the positive performance shown in the region in terms of economic growth and employment levels. However, it highlighted the need to consider the extent to which economic growth is compatible with resource constraints, and whether imbalances in economic performance between different parts of the region will be reduced.
- 3.5. The internal appraisal of the second draft RES identified negative and potentially negative impacts of 98 actions. The negative impacts tended to relate to pollution resulting from increased travel and the associated resource implications of fossil fuels. Other potential negatives included loss of biodiversity through development and reinforcement of economic disparities within the region.
- 3.6. In terms of the extent to which past appraisals have had an influence on the content and implementation of the RES, no audit trail is available, so it is difficult to draw any conclusions. However, discussions during the April brainstorm exercise suggested that some feel that in the past appraisals have relied on ‘ticking boxes’ and do not provide sufficient meaningful analysis.

SEEDA PROJECT APPRAISAL AND APPROVAL PROCESSES

- 3.7. The true test of the RES is how it translates into projects and programmes on the ground – are those that are being supported or granted funding ones that are in line with the principles of sustainable development? To understand how influential sustainability considerations are in the decision-making process, a rapid analysis was undertaken of examples of the project appraisal process.
- 3.8. SEEDA’s project appraisal process was developed for individuals and/ or organisations that are applying for funding from SEEDA, as well as for appraising SEEDA’s own project proposals. The process is designed to enable clear decision-making and ensure that SEEDA’s strategic goals and objectives are met. SEEDA has produced

Guidance Notes on how to complete the forms² and a document detailing the appraisal and approval proposed procedures for projects³.

- 3.9. The project appraisal is carried out in two stages to provide the opportunity for project managers to re-design their projects. Therefore, the appraisal should be a dynamic and flexible process. The extent to which sustainability issues are considered depends on the value of the project. For projects over £50,000 the applicant is required to complete a matrix which lists the Regional Sustainable Development Framework (RSDF) objectives, having discussed the project with a member of the Sustainable Development Team first. For projects under £50,000 a matrix is not completed, although applicants are required to list the themes from the RSDF which the project addresses.
- 3.10. A review of appraisal processes has indicated the following:
- Typically appraisers provide limited information on sustainability issues, usually using a series of symbols to complete the appraisal, rather than any additional description or justification.
 - In some cases (based on the sample of appraisals provided) applicants provide further information on positive impacts of the project, but do not expand on negative impacts.
 - In some cases (based on the sample of appraisals provided) a sustainability appraisal form is not completed at all.
- 3.11. Although the review of the project appraisal process was quite rapid, and based on a sample of only nine examples it suggests that the appraisal process may not be as rigorous as it might be in setting sustainability tests for projects coming forward for funding, and in helping to refine projects to achieve sustainable outcomes, (including looking at alternative, more sustainable ways, of achieving the project's objectives). This is not to say that the projects coming forward and receiving funding are unsustainable, but that their sustainability credentials have not been fully assessed and examined. Indeed discussions at a brainstorm held with SEEDA representatives (and other RES stakeholders) indicated that there is some lack of understanding of how the internal appraisal processes operate, and there is little monitoring of projects for their sustainability effects in practice. The benefits of being more systematic and rigorous in dealing with sustainability issues in the appraisal process should, though, result in a genuine aid to decision making rather than another bureaucratic hurdle.
- 3.12. Discussions with key SEEDA representatives on current appraisal processes yielded the following comments:
- Project appraisal processes should go further than just 'ticking boxes'.
 - The appraisal process should decide whether to deliver a project (in line with the RES), and whether a project is being developed in the right way, rather than being used as a check when many decisions have already been made.

² Project Appraisal Forms – Guidance Notes (SEEDA, April 2002).

³ SEEDA Project Appraisal and Approval Process (Performance Management Team, November 2002).

- There is a need to do more to embed ‘sustainable’ thinking in project managers.
- There is a need for a wider understanding of sustainability issues throughout the RES to guide the project selection process.

Recent developments in SEEDA project appraisal processes

- 3.13. Recently all RDAs have introduced Single Programme Appraisal Guidance, which is a consistent way to select projects, and which will see sustainability more firmly embedded in the process. In line with this, SEEDA is reviewing its project appraisal process, to develop a system to select, evaluate and monitor projects and to report on achievements to the public. Training for appraisers will include training in sustainability issues. Project monitoring will be improved to ensure that projects are monitored against a new set of indicators, which will better measure achievements. Therefore it is likely that appraisal processes will be improved, with the effect of improving the sustainability of projects on the ground

CONCLUSIONS

- 3.14. This sustainability appraisal, and the ones that have preceded it, have shown that there is a genuine willingness and desire amongst those involved in planning for, delivering, and managing economic activity in the South East, to carry out their work in accordance with sustainability principles. Those responsible for preparing the RES have each time made a conscious effort to improve its sustainability credentials - the review of the current RES has shown that there is much to be commended as being in line with sustainability principles. It is possible that the sustainability appraisal process has helped achieve this.
- 3.15. But the written words in the RES form only part of the picture. There is a cultural dimension to sustainability – a way of thinking – which requires more than just a mechanical desk-based appraisal of the RES. The true test of the RES is whether sustainability is being placed at the heart of the all the actions and initiatives that flow from it – has it helped business and those living and working in the South East to act more sustainably, and make more sustainable decisions? Just one cut of this - the review of the appraisal process for projects seeking SEEDA funding - suggest that in this respect there is still progress to be made.

4. WHAT IS A SUSTAINABLE ECONOMY IN THE SOUTH EAST?

DIFFERENT DIMENSIONS OF SUSTAINABLE ECONOMIC DEVELOPMENT

- 4.1. After London, the South East is the most prosperous region in England. According to *Regional Trends*, per capita GDP is some 12% higher than the EU15 average; employment rates are the highest in the UK; business start-up rates are second only to London; the proportion of pupils achieving 5 or more GCSEs at grades A*-C is the highest in England; and average gross weekly household income is £630, well above the UK average of £510. However there are also pressures, measured, for example, in terms of the level of employee absence from work due to sickness; the level of waste produced per household per week; and the number of casualties from road traffic accidents. In fact, our analysis of the performance of the South East against the objectives of the Integrated Regional Framework noted that there is still much to do - the region is still not providing enough affordable housing, disparities in well-being between different parts of the region persist, biodiversity is continuing to decline, traffic and waste continue to increase.
- 4.2. Against this backdrop, it is not unreasonable to ask what is – or should be – the character of sustainable economic development in the South East region.

The spatial dimension

- 4.3. Consultations undertaken in the course of this sustainability appraisal suggested that the character of sustainable economic development needed to be considered at three spatial scales, each of which creates different pressures and imperatives:
- *sustainable economic development within the South East region*: in this context, it is necessary to recognise that exclusion and deprivation are continuing issues affecting particular places within the South East region and particular social groups. Sustainable economic development in this context means, *inter alia*, that all people should have opportunities to acquire skills, engage in interesting and meaningful employment, and to enjoy a good quality of life, and to do so within environmental limits. A vibrant economy is integral to this aspiration and it is imperative to recognise that the economy needs to be nurtured and developed, if it is not to fall behind.
 - *sustainable economic development in the context of the role of the South East vis-à-vis the national economy*: the South East is identified as the ‘locomotive of the UK economy’ and it makes a net contribution of £17bn to the Exchequer. It is also one of the UK’s primary locations for R&D and as such is functionally very important in terms of economic activity elsewhere. Given this role, there is an argument that – for the benefit of the UK as a whole – growth within the South East must continue, but that stronger links with other regions should be forged. For example, some consultees felt there is connection between the difficulty of maintaining employment levels of older members of the workforce in the South

East with the continuing in-migration of skilled younger people from other regions in the UK. Their concerns were not only with respect to an ageing population in the South East, but also about the loss of the higher skilled from more deprived regions who are keen to retain such people within the regions where they have grown up to make their economies more competitive.

- *sustainable economic development that recognises the international role of the South East* – considered on an international canvass, the question of what sustainable economic development looks like is different again. One argument is that locations such as the Thames Valley need to remain internationally competitive, so that international investment continues to take place: investors are fickle and there are very significant competitive pressures. Another – quite different – argument is that the South East needs to take more account of its global ‘footprint’ recognising, and taking responsibility for, its impact on communities, economies and environments elsewhere. For example, the export of technological know-how from the South East to developing nations could help such nations to develop their own economies and meet their own needs, whereas the replacement of locally produced goods by imported goods (although the South East economy is increasingly based on the production of services rather than goods) could well raise a range of social, environmental and economic issues, as might transportation of goods over long distances⁴. Similarly, concerns were raised by consultees that the shortage of key workers in the South East, such as nurses, teachers, etc., due to the problems of housing affordability, has meant that such skills are being sought from overseas labour pools (e.g. from South Africa), with knock-on effects on the quality of public services in the countries of origin.

- 4.4. Taken in combination, these cameos highlight some of the issues and tensions inherent within aspirations for genuinely sustainable development: is sustainable development at the regional level consistent with sustainable solutions nationally and internationally? Can development that is sustainable ever be consistent with international trade and globalisation? Is a region that seriously shuns the opportunities linked to international trade likely to be able to continue to provide high and stable levels of employment?

Dimensions of economic growth and quality of life

- 4.5. In recent months, there has been an increasing amount of debate amongst economists and social and environmental commentators about the links between economic growth and quality of life.
- 4.6. For example, the Global Policy Forum draws attention to the views of eminent economists such as Nobel laureate Amartya Sen, who have questioned the equivalence of economic growth with growth in well-being and the quality of people's lives. They point out that wealth creation does not necessarily lead to broader improvements in the quality of life. Instead they claim that, in numerous cases,

⁴ The South East currently exports more than any other region of the UK, but the RES notes that fewer than 10% of the region's businesses currently export, and that there is considerable scope to increase both the numbers of exporters and the value of exports by individual companies (RES 2002-2012, page 25)

- nations have similar GDP levels or average income levels, yet differ substantially in levels of national health and education. At the same time, some poorer nations fare better than some richer nations in terms of life expectancy, infant mortality, and other indicators of well-being⁵.
- 4.7. The High Level Group chaired by former Dutch Prime Minister Wim Kok's warns that Europe's position in the world's economic league table is being threatened by the performance of Asia and the US. But it also notes that life expectancy, infant mortality rates, income inequality or poverty Europe has a much better record than the US, and that the decoupling of economic performance from harmful environmental impacts has been only partly successful⁶.
- 4.8. In the UK, the Sustainable Development Commission⁷ notes that whilst GDP in the UK is high and growing, this is accompanied by greater inequality in income, long hours and increased work pressure. It suggests that there is no evidence that the UK pattern of economic development is making people happier or giving them a better quality of life, and notes that some studies in fact suggest the opposite.
- 4.9. In the South East, the Institute for Public Policy Research (IPPR)⁸ concluded in a report to the Commission on Sustainable Development in the South East that:
- “Further increasing the rate of economic growth in the South East does not seem a high priority relative to dealing with disparities in prosperity within the region and coping with the problems that current levels of relative economic success pose, particularly in terms of traffic congestion, the lack of affordable housing, the use of natural resources and the quality of the environment. This is not the same as arguing for ‘no growth’ or even ‘lack of growth’. At the very least it is merely suggesting that the current rate of economic growth is acceptable as an economic objective, although this will pose challenges for achieving environmental objectives in the region”.*
- 4.10. A subsequent paper by the IPPR noted that, using a Regional Economy-Environment Input-Output model, a ‘business as usual’ growth scenario (economic growth rate of 2.8% GVA per year and population growth rate of 0.45% per year) would lead to a 22.7% increase in road traffic, 15.5% increase in water use, and a 7.4% increase in air pollution⁹.
- 4.11. Such thinking adds another challenge for the South East – developing a better understanding of the relationships between economic growth, consumption and

⁵ <http://www.globalpolicy.org/socecon/develop/qualityindex.htm>

⁶ *Facing the Challenge. The Lisbon Strategy for Growth and Employment.* Report from the High Level Group chaired by Wim Kok, November 2004.

⁷ Shows promise. But must try harder: an assessment by the Sustainable Development Commission of the Government's reported progress on sustainable development over the past five years: A report by the Sustainable Development Commission (April 2004)
<http://www.sd-commission.gov.uk/pubs/assessment/index.htm>

⁸ *Going for Growth. Comparing the South East's economic performance.* Commission on Sustainable Development in the South East Working Paper One. (Peter Robinson, IPPR, supported by the South East Counties and PriceWaterhouseCoopers LLP).

⁹ *The Problems of Success. Reconciling economic growth and quality of life in the South East.* Commission on Sustainable Development in the South East Working Paper Two. (Julie Foley, IPPR, supported by the South East Counties and PriceWaterhouseCoopers LLP).

resource use, employment, environmental quality, and social objectives, in order to deliver of the region’s wider aspirations for quality of life.

THE APPROACH TAKEN IN THE RES

- 4.12. Within this overall context, ‘smart growth’ was the cornerstone of the RES. The chairman’s introduction to the RES asserts that:

“we need smart growth that maximises the benefit gained from scarce resources – growth driven by productivity gains, not by resource intensive and low value-added activity”.

- 4.13. The Vision for the South East set out in the RES is that:

“by 2012, the South East will be recognised by all as one of the world’s 15 top performing regional economies as measured against a broad range of economic, social and environmental indicators”.

- 4.14. The point is made that:

“economic success for the region can only be sustainable if growth is of a pace, type and spread that reinforces progress against the other key aspects of sustainable development”.

Box 4.1: ‘Smart Growth’ in the South East¹⁰

Competitive business: A dynamic, diverse and knowledge-based economy that excels in innovation and turning ideas into wealth creating enterprise. By 2012, the South East will be one of the world’s 15 most entrepreneurial and innovative regions.

Successful people: A skilled, motivated, inclusive and highly productive workforce that anticipates and embraces change. By 2012, the South East will be one of the top 15 regions in the world in terms of labour productivity and employment rates.

Vibrant communities: An inclusive society characterised by strong, diverse and healthy communities enjoying ready access to high quality jobs, education, homes, health and other services, and free from high levels of crime and discrimination. By 2012, the gap between the most deprived parts of the region and the rest will have narrowed by at least 10%.

Effective infrastructure: Transport, communication, housing and health infrastructures that support and enable continued economic growth and improved quality of life for all. By 2012, the region will have made measurable progress towards infrastructure that matches the standards of the best in North West Europe.

Sustainable use of natural resources: Environmentally efficient businesses and high quality development demonstrating that quality of the environment is a key asset that underpins economic success. By 2012 the South East will be one of the world’s leading environmental economies, with businesses in the region having made significant gains in safeguarding and enhancing this asset.

- 4.15. This means that the region’s economy needs to support social progress which recognises the needs of everyone; effective protection of and investment in environmental assets; prudent use of natural resources; and maintenance of high and stable levels of economic growth and employment. The RES also asserts that the only route to improving long term performance lies in raising productivity which –

¹⁰ Regional Economic Strategy for the South East 2002-2012, page 8.

according to Treasury – depends on five key drivers: skills, investment, innovation, enterprise and competition.

4.16. Against this backdrop – and within this overall context of a sustainability appraisal – there are three key questions on which SEEDA and its partners may wish to reflect in its review of the RES:

- first, to what extent can ‘smart growth’ be achieved through improvements in productivity?
- second, to what extent and how does the nature and form of ‘smart growth’ vary spatially across the South East region?
- third, in what ways will achieving ‘smart growth’ also precipitate positive changes across all four pillars of sustainable development?

5. KEY ISSUES FOR THE RES REVIEW

INTRODUCTION

- 5.1. There are many aspects of sustainable development that need to be addressed within the South East itself. Examples include the development pressures on the Thames Valley with a lack of brownfield land to develop, the sustainable delivery of the Thames Gateway, Milton Keynes-South Midlands and Ashford growth areas, the designation of the South Downs as a National Park, the potential expansion of Heathrow and Gatwick airports, the on-going issue of congestion and legacy of inadequate investment in public transport, the potential impacts of climate change and the possible lack of water resources, dealing with huge amounts of waste, the affordability of housing and the ability to retain key workers, the changing relationship between rural areas, market towns and larger urban conurbations, the population growth planned for London which will have such a major influence on the South East, etc., etc. These are just some of the significant sustainability issues that need to be considered in delivering economic development in the region, and which set the context for the sustainability appraisal.
- 5.2. The previous section of this paper concluded with three questions that we suggest should be grappled with by SEEDA and its partners during the next review of the RES, in order to address some of the sustainability challenges that lie ahead. This part of the paper unpacks these questions further to help inform debate.

DELIVERING SUSTAINABLE ‘SMART GROWTH’

How far can ‘smart growth’ be delivered through improvements in productivity?

- 5.3. The current RES identifies five Themes and, within these, some 18 different Priorities. All of these relate to the core objective either directly (e.g. Priority 2: growth and innovation) or indirectly, at a more foundational level (e.g. Priority 8: community participation and local leadership).
- 5.4. In terms of the first question, then, the RES would appear to be consistent with the productivity agenda which sits at the heart of ‘smart growth’.
- 5.5. But it has been calculated that if all the world’s population had consumption patterns like the South East’s, there would need to be three and a half planets to sustain us (known as its ‘ecological footprint’)¹¹. As a result, some commentators claim that it is no good simply to rely on resource productivity or eco-efficiency of the economy through technological innovation, when these are cancelled out or exceeded by increases in consumption – no progress at all will have been made¹².

¹¹ South East England Regional Assembly Plenary Meeting. Proposed Amendment 2, Agenda Item 4. 29 November 2004. Chris Corrigan, South East Forum for Sustainability.

¹² *A Better Choice of Choice. Quality of Life, Consumption, and Economic Growth* (Levett et al, 2003).

- 5.6. Further, society's understanding of, and wider signing up to, the principles of sustainable development has meant that greater emphasis is now being placed on promoting the sort of economic development that goes hand-in-hand with high environmental quality and the achievement of social progress – all of which contribute to quality of life in its broadest sense.
- 5.7. The challenge for the South East and its RES, therefore is not just to improve its productivity, but also to make real inroads into its overall consumption of resources in order to reduce its ecological footprint, whilst protecting and enhancing the quality of the built and natural environment that makes the South East such an attractive place in which to live and work.

How far does and should 'smart growth' vary across the South East?

- 5.8. Whether the outcomes linked to these Priorities are sustainable also depends on the extent to which the mix of interventions responds to local circumstances and more place-specific challenges with regard to increasing productivity. And across the South East, there is an array of different circumstances. In large parts of the region, labour shortages are a real issue, but in pockets, there is a need for job creation. Whilst qualification levels among the workforce of the South East are amongst the highest nationally, more effective labour market engagement is a concern in some areas. Hence, the precise mix of interventions required to effect an appropriate response to the challenge of smart growth and sustainable development will vary spatially.
- 5.9. Whilst acknowledging the nature and extent of local differences, the RES is – by definition – a strategy for the region and all 18 priorities pertain to the region as a whole. Within this context, the extent to which the range and type of interventions has responded to locally defined circumstances is largely a reflection of the effectiveness of the mechanisms set up to deliver it. A number of these mechanisms have distinctive local dimensions. Sub-regional economic partnerships, for example, are afforded a significant role in terms of defining the RES Action Plan and these should have the scope to 'bend' RES priorities to the specificities of particular places; thus the Action Plan for the Surrey should look different from that for East Sussex if both are seeking to deliver 'smart growth'.
- 5.10. A question that SEEDA and its partners may want to consider is whether the differences are as big as they should be: given the pressures, should Surrey in fact pursue a serious 'no growth' agenda and should there be more radical efforts to differentially focus development in parts of East Sussex? Underpinning these questions are some quite fundamental issues and – in the context of a sustainability appraisal – it is appropriate to raise them: can 'smart growth' from the perspective of the region ever mean 'no growth' within particular localities? And is 'no growth' actually sustainable or desirable – what, for example, would it mean for particular people doing specific jobs in individual businesses?
- 5.11. On a smaller spatial scale, Area Investment Frameworks (AIFs) are intended to effect joined-up solutions in response to area-based regeneration agendas. Within the AIFs, the intention is that all forms of investment – public, private and within the voluntary sector – should be focused around shared priorities. Thus to the extent that

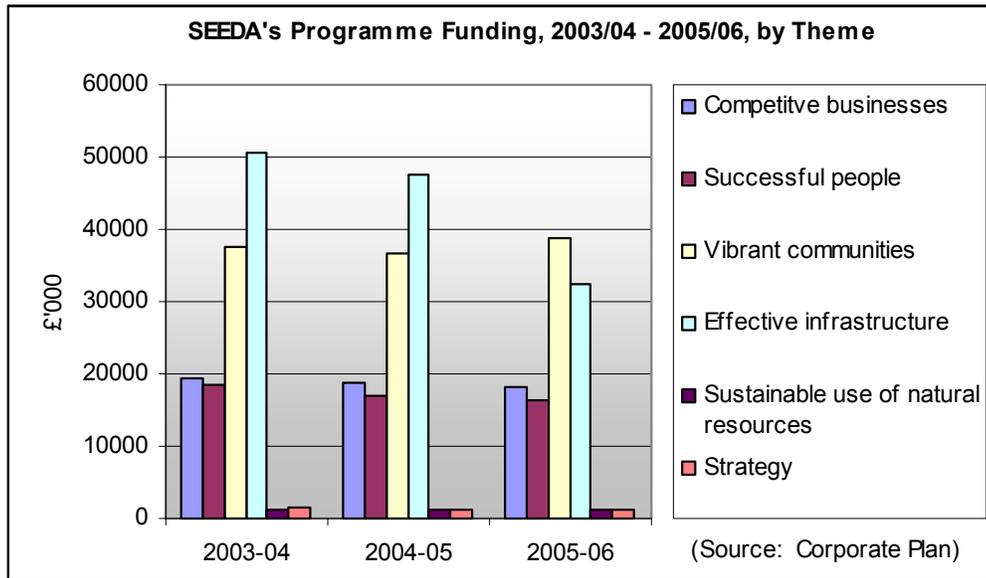
regeneration solutions are endogenous, the AIF ought to form an effective and flexible tool.

- 5.12. An evaluation of the effectiveness of sub-regional economic partnerships and AIFs extends well beyond the scope of our brief but this is the domain that would need to be examined in order to address the second key question set out above; specifically, there would be a need to clarify the extent to which different Sub-regional economic partnerships and AIF partnerships really were responding to locally defined imperatives in order to achieve outcomes consistent with genuinely 'smart growth'.
- 5.13. We can however make one observation. Most of the sub-regional economic partnerships are county-based and thus their spatial remit is defined by administrative boundaries. Inevitably therefore, in most cases, they cut across functionally-defined sub-regions. This means that the tool of the sub-region – as currently defined – is still quite crude in responding to sub-regionally specific agendas. With the transition to a Regional Spatial Strategy – through the South East Plan – and in response to guidance produced by ODPM, there is growing scope to define functionally-based sub-regions. And within the South East, some are emerging: the Gatwick Diamond is one important example. Functionally defined sub-regions – if they can be made to work organisationally – ought to provide an effective vehicle for delivering locally-appropriate forms of 'smart growth' and in terms of effecting sustainable economic development, they should have an important role to play. In moving towards the preparation of the third RES, this ought to be a consideration.

How far will 'smart growth' lead to changes against all aspects of sustainable development?

- 5.14. The third question concerns the extent to which the pursuit of 'smart growth' will precipitate positive changes across all four pillars of sustainable development. Although difficult to answer, this question goes to the core of the Chairman's aspirations as set out in the introduction to the RES. It also relates to the purposes of RDAs set out in the original Regional Development Agencies Act. These were defined in terms of five purposes which should apply as much in rural as urban areas:
- To further the economic development and the regeneration of its area.
 - To promote business efficiency, investment and competitiveness in its area.
 - To promote employment in its area.
 - To enhance the development and application of skills relevant to employment in its area.
 - To contribute to the achievement of sustainable development in the United Kingdom where it is relevant to its area to do so.
- 5.15. The RES belongs to the South East region and its delivery depends on a whole gamut of organisations and institutions in addition to SEEDA. Nevertheless, the RES clearly provides the context within which SEEDA's own corporate plan is prepared. **Figure 5.1** shows the planned distribution of SEEDA's programme spend over three years and across five programme areas (plus strategy), as set out in its corporate plan.

Figure: 5.1: SEEDA's Programme Funding



- 5.16. The majority of SEEDA's own spend is focused on 'vibrant communities' and 'effective infrastructure'; together these account for around 70% of the total. 'Competitive businesses' and 'successful people' account for about 30%. 'Sustainable use of natural resources' accounts for around 1%.
- 5.17. SEEDA is an economic development and regeneration agency and – given its purposes set out in the original legislation – it is both inevitable and appropriate that its primary focus should be on the economic and related social domains; improving the economy is its *raison d'être* and it is the agenda given to it by government. However if the RES is contributing to the delivery of sustainable development – and if, indeed, the Vision for the South East set out in the RES is to be achieved – then it is apparent that the RES ought to be helping to advance all four pillars.
- 5.18. Our sustainability appraisal has indicated that in the main, the Themes and Priorities articulated within the RES are the right ones. What is also clear though is that the extent to which the full spectrum of Themes and Priorities will in practice be achieved depends crucially on the effectiveness of SEEDA's influencing role; is the RES providing a catalyst for other partners to engage seriously in the delivery of the fifth Theme? And indeed, should the RES be providing this role?

THE ROLE OF THE REGIONAL ECONOMIC STRATEGY

- 5.19. In the summer, 2004, SEERA – working with a wide range of organisations including SEEDA – published the first Integrated Regional Framework for the South East. The purpose of this was to provide a framework for integrating key regional strategies by:

“establish[ing] a shared regional vision and set of objectives which organisations can use to achieve economic development that benefits people and protects and improves the environment”.

- 5.20. In essence the IRF evolved from the Regional Sustainable Development Framework and the intention was that it should provide the backdrop to the suite of regional strategies such that they could be refreshed and developed in a manner that generates synergies around the regional vision and objectives.
- 5.21. The IRF – unlike almost all other regional strategies, including the RES – is a ‘bottom-up’ initiative which was instigated by regional partners; it has no direct reporting lines into central government and the achievement of PSA targets is not related to it. Thus it is – in principle – a much ‘purer’ statement of the region’s priorities and aspirations, and this is a significant strength. A weakness however is that it brings with it no statutory clout or ‘policing’: it will be effective only if regional partners – including SEEDA – choose to embrace it.
- 5.22. Assuming that regional partners do indeed truly buy into the vision and objectives set out in the IRF, it could, potentially, redefine the ‘space’ occupied by the RES. One argument that SEEDA and partners may wish to consider is whether the fact of the IRF – and the fast evolving infrastructure of regional governance – is such that the RES in its third incarnation could or should be more narrowly socio-economic in focus. This would not imply that SEEDA was abandoning its commitment to what is effectively the fifth objective in the current RES. Rather, it might suggest that SEEDA was confident that this agenda was being picked up adequately elsewhere and that as a result, the RES (and SEEDA) could focus more on the regional economy within the strategic framework provided by the IRF. Indeed, it might be argued that the first and second RESs have tried – effectively – to be integrated regional frameworks and that this is one function that the RES could now surrender – partly so that it can be more focused and partly so that the status of the IRF can be increased. In considering the role of RDAs, one prominent academic commented on the “*chronic disjunction between their powers (which are modest) and their tasks (which are awesome)*¹³”. Seriously using the IRF in this manner might be a step forward.
- 5.23. This argument is contentious, but it merits some consideration. The implications of it are potentially important, both for the RES and for SEEDA, and for the whole machinery of regional governance in the South East. SEEDA must remain committed to sustainable development. But it is an economic development agency, not an integrated development agency: that is why strong relationships with regional partners are so important and why the role of the Regional Assembly is critical. What SEEDA and its partners may wish to consider is whether the evolving machinery of regional governance – including, crucially, the IRF – is such that the RES and SEEDA can focus more single-mindedly on the economic domain, confident in the knowledge that regional mechanisms exist to effect sustainable development in which it has an important – but by no means exclusive – role.
- 5.24. In practice, one element of the regional machinery that would need to be in place if this scenario was to be developed would be some basis for making decisions and agreeing to make trade-offs. At a regional scale, there will be occasions on which very hard decisions will need to be made: a second runway at Gatwick Airport, a significant further increment in housing numbers, etc. The IRF ought to provide the

¹³ “The English Question: Regional Perspectives on a Fractured Nation” Kevin Morgan, *Regional Studies* 36(7) (2002)

reference point in this context. Individual actors and agencies would – rightly – bring different perspectives and different arguments. But a shared and agreed basis for assessing the relative importance of different arguments in particular contexts ought to be useful – if only as a way of structuring discussions in a constructive way. In moving forward sustainably, a mechanism of this nature – within the auspices of the IRF – could be helpful for regional partners. During discussions at the November workshop, participants saw some merit in this approach, as it would allow the RES to focus on key priorities, but that this should not be at the expense of losing the links between the economic, social and environmental domains, nor a marginalising of environmental and social stakeholders in economic issues (and vice versa).

CONCLUSIONS

- 5.25. This paper has highlighted some of the issues that we recommend need to be addressed during the next RES review. It could be argued that some of these are more the role for international and national debate and action, rather than for regional level bodies to be involved with.
- 5.26. Similarly, it could also be argued that the RES should not be trying to achieve everything, but instead focus on the economic dimension of sustainable development, within the context of the IRF – in short, that the RES should focus on what it can actually do.
- 5.27. Whilst we recognise that the relationship between the economy and sustainable development, and between regional and higher (and lower) levels of decision-making and setting of policy agendas, is a complex one that can be difficult to disentangle, we feel it is important that the region does begin to break into this debate. This will help it to explore what the characteristics of a sustainable economy really should be in a South East context, how this might vary from one part of the region and another. It should also help the region to begin to get to grips with some of the more difficult challenges and trends that need to be addressed head-on if the South East is to be placed on a more sustainable footing, whilst maintaining the competitive advantages the region already enjoys.

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