

**Matter 1B / Government Office for the South East of
England (7447)**

Draft RSS for The South East of England -The South East Plan
Examination in Public - November 2006 to March 2007
Written Statement on behalf of HM Government - October 2006

1B.1 Has the draft RSS taken sufficient account of the effects of:

- **globalisation and technological change;**
- **change in lifestyles; and**
- **likely changes to European policy and funding?**

Globalisation and the EU Lisbon Strategy

1. As HM Treasury points out Globalisation is a two way street; it can threaten economies with competitive pressures, but it can also help promote productivity and economic growth allowing market leaders to expand further, as well as creating new markets for existing products and services. It can apply pressure with new less expensive supplies of labour but it can also open up access to new consumers and new investors. The Government believes that the long-run productivity growth rather than short term reaction is the only way to deliver sustained prosperityⁱ. The UK National Reform Programme under the Lisbon Strategy sets out delivering high employment as well as long-term sustainable economic growth as implementation priorities.ⁱⁱ
2. The Lisbon Strategy includes a territorial dimension as it emphasises that “global competition is not limited to enterprises- cities and regions compete with each other but also cooperate to attract economic activities. The competitors are increasingly territories in other countries.”ⁱⁱⁱ Therefore it is essential that the Government, the businesses and individuals are able to respond and adjust flexibly and that the pre-conditions for such flexibility are met in the regions.
3. Since 2004 Governments across the EU have been committed to a process of elaborating the territorial dimension of the Lisbon process^{iv} thus building upon the earlier “European Spatial Development Perspectives” (ESDP) document. It is worth noting that there is a fair degree of consensus among regional stakeholders, particularly the Regional Assembly and SEEDA on the need for a robust strategy to meet the challenges posed by globalisation. For example, the regional Input to the Comprehensive Spending Review 2007 by the Regional Assembly and SEEDA acknowledges that “if the South East is to maintain its position as a global player, it must ‘attract the highest skilled people and the companies which have the potential to innovate and turn innovation to commercial opportunity’^v.”

European policies and funding

4. The “European Spatial Development Perspectives” and subsequently the emerging “Territorial State and Perspectives” of the EU document, both illustrate some of the spatial impacts of EU policies such as environmental policy. As EU Habitats Directive demonstrates, the implications of EU policies as implemented through national legislation and policy may not necessarily be uniform across the region.

In terms of funding, the region will continue to benefit from European funding during 2007-2013 and work is underway to develop the various programmes for the South East and ensure that they help drive forward the regional agenda.

The South East will be able to access funding from the following schemes:

- Competitiveness and Employment European Regional Development Fund (ERDF) programme
- Competitiveness and Employment England European Social Fund (ESF) programme
- Territorial Co-operation Objective (ERDF) programmes

The new programmes will have an effective start date of 1 January 2007, although the delay in agreeing the 2007-2013 EU Financial Perspective means that the Structural Funds programmes will not be agreed and operational until later in 2007.

5. The greater prosperity in the South East means that it can only expect to attract a limited amount of European funding. The funding allocation was announced on 23 October - South East will receive €224m under the Competitiveness and Employment programme of which €203m will be under the European Social Fund budget and support training and just €21m from the European Regional Development Fund to support regional development. The new funding programmes will have a greater focus on the Lisbon agenda – especially job creation, economic growth and sustainability.

Future Proofing / Changes in life styles

6. In our view, the Regional Assembly has been both imaginative and rigorous in considering the wider context and the uncertainty of the long term future^{vi}. However, we remain concerned that the draft South East Plan fails to properly interpret its own vision for long term growth especially in terms of the requirements for housing and economic growth.

1B.2 Is the draft RSS founded on a robust understanding of the importance of the South East for the national economy? Is there sufficient alignment between draft RSS and draft RES, including assumptions on GVA and sectoral growth?

Importance of the South East for the national economy

1. The critical importance of the South East for the national economy can not be over emphasised^{vii}. In an increasingly globalised world we can not simply try to halt growth in the South East in order to divert it to other UK regions. The Government's regional policy is focussed on enabling every region to perform to its full potential in both economic and employment terms. Both SEERA and SEEDA agree that the "UK's overall competitiveness, and the quality of its public services, is dependent on the South East's continued success."^{viii}
2. For the reasons given in our statements on 1G and 1H, we believe that some key decisions underpinning the draft RSS suggest an inadequate grasp of the region's significance to the national economy and could potentially harm the region's competitiveness to the detriment of the national economy. As the draft RES puts it "despite its headline affluence, the region is at a juncture.....the future is not assured"^{ix}
3. We would invite advice from the Panel on the need to and means of strengthening the recognition given in the draft RSS to the critical importance of the South East for the national economy.

Alignment between draft RSS and draft RES

4. RDA Statutory purposes require SEEDA to promote employment as well as to further economic development and regeneration and Panning policy guidance require the RSS to take into account the need for an appropriate supply of labour in formulating its housing provision. The Government is keen to be reassured about the strategic alignment between the RES and the RSS on these matters. We are pleased that the Assembly has endorsed the RES, albeit with two significant caveats around economic growth (see below) and airports policy.
5. Achieving "an average annual increase in GVA per capita of at least 3% is a headline target for the draft RES. The GVA growth objective as set out in the draft RSS is 3% (total GVA growth). The rate underpinning the Plan period is more likely to be 2.75%^{ox}. A relatively higher level (2.9%) is forecast for 2006-16. In GVA per capita terms this may only amount to about 2.5%.
6. A more significant effect would be felt during the post 2016 period when GVA growth under draft RSS scenario (Experian Scenario 7) is expected to slow down thus enlarging the gap between the economic growth underpinning draft RSS and extrapolated trajectory of the draft RES minimum economic growth target.

7. We have outlined the potential conflict between draft RSS labour supply and demand assumptions and the economic development and regeneration needs of the region under 1G and 5A. In particular, we wish to draw Panel's attention to:
 - implications of labour supply constraints introduced by draft RSS housing policies,
 - risk of a significant reduction of employment growth (by one-third) as compared to trend growth implied by draft RSS economic growth scenario, and
 - potential conflict between draft RSS housing and economic policies and the need to revitalise badly performing local economies.
8. We urge the Panel to consider whether there is a need to introduce a greater strategic fit between draft RES and the RSS and to strengthened joint working already taking place between The Assembly and SEEDA with stronger support for a common evidence base and "joint" implementation planning.
9. An additional issue on which we seek Panel's advice is the relevance of the concept of diamonds in draft RES to the RSS and any need to better integrate these through specific policies that apply across these areas while allowing sufficient flexibility for variation between the diamonds.

1B.3 Does the Plan adequately address the relationship between the South East and adjoining regions, particularly London, having regard to such cross-boundary linkages as:

- **households and migration?**
 - **employment and commuting?**
 - **transport and infrastructure?**
- (including Policy CC7 and the cross-boundary growth areas).**

1. We reiterate the point that it is neither realistic nor appropriate to look at the draft RSS in isolation and draw attention to points we made in pages 10 to 11 of our representations. We are encouraged by the increased joint working between SEERA and regional partners in neighbouring regions and pleased to see joint research between London and South East assemblies forming the draft RSS evidence base. Whilst welcoming the strengthened references to inter-regional working throughout the Plan, we find Policy CC7 to be a mere listing of intended actions rather than strategic policy guidance on the matter.
2. The South East is part of the "Greater South East" world city region. London's global financial centre and world city role is a uniquely important driver of South East's economic success and prosperity. Interdependencies between South East and East of England are also founded on their mutual inter-connections with London as much as on the more direct cross boundary implications.

Draft RSS acknowledges this significance but its approach to employment and housing growth does not appear to be consistent with it.

3. We would invite the Panel to explore whether there is a need for a more implicit 'Greater South East' spatial context both in order to improve consistency and to better seek for opportunities to strengthen inter-regional co-operation?

Households and migration

4. According to estimates by the Assembly, about one-third of the household growth in the South East is attributed to migration. Contrary to the popular belief, there has been a net out-migration rather than an in-migration from South East to the "North" in recent years. London continues to be the predominant region that contributes to migratory pressures. The scale of gross migration flows between the two regions shows (53,000 into and 90,300 out of London in 2005) that it is not just one way or of a scale that can easily be manipulated. Draft RSS recognises the vulnerability of the region but appear to can be managed with constrains on the supply of housing. The Panel may wish to consider whether the RSS needs to better manage this significant uncertainty.
5. While South East receives net migration from East of England and East Midlands the region has net outflow to the South West. We note the concerns expressed by the East Midlands Regional Assembly on possible overspill from South East and in particular of the probability of under provision in the South East creating pressure for more MKSM type interventions in the future.^{xi}

Employment and commuting

6. Over 370,000 South East residents worked in London while 128,000 Londoners found work in the South East. London depends on the South East as the home of choice for many London workers in high category occupations. In our view, the growing stature of London as a global centre may further strengthen this relationship if the current trends were to remain broadly the same and we look to the Panel for advice on how the strategy can make the best use of strengths arising from the regions proximity to and strong economic links with the London world city and manage the pressures arising from it.
7. Berkshire, Buckinghamshire and Oxfordshire have a different relationship with London with high growth economies that see net inflows of labour. The Panel may wish to consider whether the constrained housing market in these high wage economies encourages more and longer in-commuting from neighbouring regions?

Transport and infrastructure

8. The national and international strategic context, which was separately set out in Table 7 of the RTS, and in policy T17 and map 3, has been weakened by the omission of the separate policy and map3. It would be helpful to relate the national strategic context to problem identification, which is currently limited to textual comment about economic success, pockets of deprivation, unreliable journey times and the gateway role. Maps or text defining the most congested or inaccessible parts of the road and rail network would be useful. MapT1 does set out key international and inter-regional Corridors.
9. The relationship between the South East and London is particularly weak. The draft further alterations to the London Plan's Policy 3C.8, *Improving Strategic Rail Services* sets out that "the Mayor will collaborate with government and the South East and East of England planning and transport authorities to improve the reliability, quality and safety of inter-regional rail commuting and, where appropriate, coach and express bus services, while encouraging the greatest practical levels of self-sufficiency in local economies", whilst Table 3C.1 sets out major transport scheme proposals, including the following partly within or affecting the South East Region: South Eastern, Southern and South Western lines rail enhancements, Thameslink upgrade, Airtrack, Crossrail 1 and Crossrail 2, plus "other National rail improvements". These proposals would have a major impact on employment accessibility for residents in certain parts of the south east, and the South East Plan should include similar policies.
10. The biggest challenge to the railway in the South East region to 2026 will be to provide adequate peak period capacity to serve continuing growth in demand for rail commuting across the regional boundary to London, driven by the major forecast growth in employment in central London. Accommodating this growth will be challenging even in the context of the London Plan and South East Plan policies broadly to balance population and employment growth. The DfT's Regional Planning Assessments for the railway (RPAs) set out the Government's approach to responding to the demands placed on the railway by the forecast growth and the regional spatial strategies. The RPAs' analysis highlights the importance of achieving balanced jobs and housing growth because strong growth in long distance commuting above that already forecast would be very challenging for the railway to accommodate. The Panel is asked to consider whether this key challenge should be recognised explicitly in the RTS chapter.
11. The Panel will wish to be assured by the Highways Agency, Network Rail or Local Highway Authority that cross regional schemes in the Implementation Plan feature similarly in the plans and strategies of the relevant neighbouring authorities.

ⁱ Productivity in the UK 6: Progress and new evidence – HM Treasury, March 2006

ⁱⁱ Lisbon Strategy for jobs and growth – The UK National Reforms Programme – Oct 2006
http://www.hm-treasury.gov.uk/media/426/00/lisbon_natreform151006.pdf

^{iv} This includes the preparation by officials of a synthesis document, "The Territorial State and Perspectives of the European Union", which draws extensively on the research findings of the European Spatial Planning Observatory Network (ESPON). It also involves the preparation of the "Territorial Agenda for the EU" by May 2007.

^v SEERA and SEEDA input to CSR07

^{vi} As part of the drafting of the RSS, the Regional Assembly took the innovative step of commissioning Forum for the Future to facilitate a future-proofing exercise involving a range of stakeholders. GOSE officials participated in the series of workshops held by Forum for the Future as part of this work. In the course of these workshops stakeholders identified and debated a myriad of global and societal trends and influences in relation to the emerging Regional Spatial Strategy. Effects of technological change and changes in lifestyle were considered alongside issues such as the ageing of population and globalisation.

^{vii} GOSE response to consultation on the draft RSS, pages 1 to 2. June 2006.

^{viii} SEERA and SEEDA input to CSR07.

^{ix} Draft RES, Page 28

^x http://www.southeast-ra.gov.uk/southeastplan/plan/march_2006/tech_notes/technical_note_1_annex-economic_and_labour_demand_forecasting.pdf - October 2006

^{xi} East Midlands Regional Assembly's response to consultation on draft RSS. June 2006