

## **CHIEF EXECUTIVE'S REPORT**

### **Purpose**

To update the Board on key policy and programme developments at national and regional level. The report includes an update on key economic development; recent engagement with business and stakeholders; an update on national (lead role) matters, including the BIS Select Committee; transition matters; and the annual open public meeting planned for November.

### **Regional perspective**

#### **1. Key economic developments**

The latest intelligence on the economy indicates that UK GDP increased by 1.2% in the second quarter of 2010 (revised up from 1.1%); the fastest rate since the first three months of 2001. The latest South East Purchasing Managers' Index survey signaled a further overall improvement in business conditions in July, though growth seemed to have lost some momentum: both output and new orders increased at the weakest rate since September 2009, leading to the steepest fall in outstanding work in four months.

The latest ONS data shows that in the three months to June the number of people in employment in the region fell by 1,000 compared with the previous three months. The South East was the only region in the UK to see a fall in employment. However, survey evidence shows that private sectors firms continued to add to their workforce - the Purchasing Manager's Index (PMI) private sector employment index in July increased for the fourth month running at a rate that was greater than the index's long-term trend. In the three months to July Public sector job losses made the largest contribution to redundancies, accounting for 40% of total redundancies, and for 54% of service sector redundancies. Nearly half of the public sector redundancy notifications were recorded in the northwest of the region (Oxfordshire and Berkshire).

Claimant count unemployment in July fell to 132,042, down by 2,093 compared to June. At the same time the number of vacancies notified to JobCentre Plus dropped by -250, to 40,283.

The latest Bank of England Inflation Report shows that the recovery is likely to continue in the UK, though the overall economic outlook is now weaker than expected in the May report. Growth forecasts for the UK in 2011 have been downgraded from 3.4 per cent to 2.5 per cent.

From a business perspective, the latest Federation of Small Business Index for Q2 2010, showed that business confidence has faltered across the UK in the second quarter with just over 4% of SMEs expecting an improvement in the next three months (down from 16% in March); by comparison, businesses in the South East are slightly less optimistic than the UK average. This is reflected in business investment which was down by 2.4% in Q2.

#### **2. Stakeholder Engagement**

By 6<sup>th</sup> September, 17 expressions of interest for **Local Enterprise Partnerships (LEPs)** had been received from South East partners (list at Annex A). We understand these were

reviewed by Ministers on 10<sup>th</sup> September. We expect that an announcement about 'Pathfinder' LEPs may be made shortly. In many cases, we have been working closely with local business and Local Authority partners to develop their bids. Initial feedback from business organisations suggests that while the focus in LEP formation has been on boundaries and structures, further development is required to ensure they will add value and achieve effective focus on economic growth.

The Board Transition Sub Committee and Major Projects Committee will be aware of our ongoing dialogue with Local Authorities about SEEDA's assets. The majority of SEEDA's assets are held in Kent and the Solent area; we are working closely with authorities in these localities to scope out options for their future ownership and operation.

I attended a meeting of South East England Council (SEEC) Executive on 10<sup>th</sup> September to discuss the transitioning of SEEDA's activities. They supported a business led network to allow the emerging LEPs to collaborate where appropriate, providing a voice for the South East. This follows a constructive meeting with SEEC, SESL and SEBUS involving Rob Douglas, Keith Riley, Tim Stansfeld and me in early August.

I recently chaired a meeting of the **South East Financial Services Forum**, where we discussed a response to the Treasury/BIS green paper on "Financing a Private Sector Recovery", to ensure that SEEDA's response reflects genuine industry perspectives. Comments expressed by business included a view that Loan demand has slackened right off in the face of economic uncertainty (double-dip), unexpected tax changes and public sector cuts but this could return strongly when confidence grows, as businesses re-tool and re-stock to prepare to benefit from the recovery. Banks reiterated their view that businesses are holding back from major investment causing a lack of good quality opportunities to lend; they did currently see any evidence of unmet demand.

I chaired the South East Partnership (SEP) for the **London 2012 Games** earlier this month. Given major changes to the public sector partners, the group discussed the future role of SEP and agreed that it should focus on ensuring the preparedness of the region to deliver the Games, and legacy projects which will have the biggest impact. The group will review progress to date and determine the future priorities for and shape of the partnership at the December meeting.

On 28<sup>th</sup> July, the Chairman and I joined the Secretary of State for Communities and Local Government and Crest Nicholson at our **Woolston** site in Southampton to lay the foundation stone for the first homes to be built at the Centenary Quays development. Partners were very appreciative of SEEDA's work, led by Peter Cusdin.

In August, Dolores Byrne facilitated a productive meeting with QinetiQ; one of our key regional companies in the aerospace and defence sector. We have since linked them into the CESS broker service to support their restructuring going forward and support them on physical and technological partnering opportunities with foreign and domestic companies.

## **National perspective**

### **3. BIS Select Committee on Local Enterprise Partnerships**

On 7<sup>th</sup> September, I gave evidence to the **BIS Select Committee** on inquiry into LEPs with the Chief Executives of North West Development Agency and One North East and

the Chairs of Advantage West Midlands and South West Regional Development Agency. The Committee focused on how the new arrangements could work effectively. Questions included how local bodies can interact effectively with business; RDA transition issues, planning and timing; funding and resources for RDA and emerging LEPs; and the structure and accountability of current and new structures to deliver economic development. A summary of the discussion is available through SEEDA's Communications team and was circulated to Board Members as part of the weekly update on Friday 10<sup>th</sup> September.

#### **4. RDA Lead Roles**

We are working closely with the **Technology Strategy Board** (TSB) and innovation colleagues at BIS to shape the proposals for transition, using the Regional Innovation, Science and Technology (RIST) Group to engage all RDAs. SEEDA has co-ordinated an exercise across the RDA network to capture the impact of the cuts and this is now being analysed by SEEDA with TSB, who are likely to take on these functions in future. I have been in contact with David Willetts, Minister of State for Universities and Science about how we can support high growth companies into the future; his focus as is clear from recent speeches, is to create a national network of Technology and Innovation Centres and Iain Gray, Simon Edmonds, Ann Johnstone and I have discussed building on the hub and spoke network of national centres of excellence.

Oona and I are in regular dialogue with BIS in respect of our **skills lead role**, using the national Skills Group, which SEEDA chairs, as a transition Board. SEEDA has, on behalf of the RDA network, prepared and submitted responses to the two skills consultations BIS initiated in July to inform future skills strategy and funding. These substantive responses capture RDA good practice and knowledge from our extensive labour market research and delivery of demand-led training programmes. A number of recommendations are proposed in our responses, including the need to focus on developing skills that will help create new jobs to support economic growth; providing the skills necessary to support high growth firms; and offering employers more courses that explicitly meet their needs. Copies are available from SEEDA's Employment and Skills team.

With partners across the region we have recently prepared the South East Regional Skills Priority Statement, currently out to consultation, which the coalition government hopes will inform providers as to future demand. Again, copies are available from the Employment and Skills team.

In dialogue with Department for Work and Pensions, in our **lead role for employment**, we are establishing a framework for managing closure and transition of RDA employment functions which distils the key functions RDAs undertake on employment, and this is being discussed with DWP.

### **Organisational matters**

#### **5. Transition Matters**

Progress of our transition programme is covered under agenda item 3.3 and I updated you on 14<sup>th</sup> September regarding the 10 applications accepted for SEEDA's VERS.

On broader transition matters, we are providing BIS, at their request, substantial amounts of information relating to our future financial commitments, assets and liabilities and

staffing, alongside other RDAs and often to tight deadlines. Individual RDA delegation limits have now been reduced to £5million for 2010/11 and no new commitments can be made which require payments beyond March 2011. Audit Committee Chairs recently met to share perspectives and experience.

#### **6. Annual Open Public Meeting**

BIS have confirmed that all RDAs must hold Open Public Meetings this year but ask that costs should be minimised. The SEEDA meeting is scheduled for 4<sup>th</sup> November 2010. It will be an opportunity to present to stakeholders and partners our achievements over the last year and transition plans going forward in the context of the Comprehensive Spending Review (20<sup>th</sup> October), the anticipated White Paper on economic growth and the first response to the LEP proposals. The meeting will be promoted through SEEDA's website, stakeholder correspondence and a press notice.

#### **7. Key Changes in BIS personnel**

We recently advised Board Members of personnel changes at BIS. To re-cap, and add to: Philip Rutnam is now interim Permanent Secretary; Philip Rycroft has taken on responsibility for RDAs in the meantime at Director General level, supported by Simon Edmonds and Philippa Lloyd; John Alty (from the Intellectual Property Office) is taking over responsibility for innovation policy at BIS. It may also be useful to note that BIS have appointed a new Trade and Investment Minister, Stephen Green, who will take up post in January 2011.

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**Editor:**

**Pam Alexander**, Chief Executive, 15<sup>th</sup> September 2010

**Annex A – Local Enterprise Partnership Expressions of Interest**

<b>1</b>	Solent (South Hampshire & Isle of Wight)	<b>10</b>	East Sussex
<b>2</b>	North East Hants & M3	<b>11</b>	Gatwick Diamond
<b>3</b>	Hampshire	<b>12</b>	Surrey
<b>4</b>	Kent & Essex	<b>13</b>	Thames Valley Berkshire
<b>5</b>	Kent & Medway	<b>14</b>	Thames Valley Buckinghamshire
<b>6</b>	Gravesham, Dartford & Bexley - submitted by Gravesham BC and signed up to by Dartford and Bexley (not yet seen)	<b>15</b>	Oxfordshire
<b>7</b>	Eastern Alliance LEP (Chelmsford, Maidstone, Dartford and Isle of Sheppey - this was submitted by a lobby group called metro tidal and does not have any local authority support) (not yet seen)	<b>16</b>	South East Midlands
<b>8</b>	Coastal West Sussex (Shoreham to Selsey)	<b>17</b>	Visitor Economy Southern England (not yet seen)
<b>9</b>	Coast to Capital (West Sussex, Gatwick Diamond, Brighton & Hove and Croydon)		