

Rt Hon Gordon Brown MP
HM Treasury

9 June 2006

Dear Chancellor

Draft Regional Spatial Strategy for the South West

The South West Regional Assembly has recently published the draft Regional Spatial Strategy (RSS) which has been submitted to the Department for Communities and Local Government and is now open for public consultation. The Assembly is a partnership of Councillors from all local authorities in the region and representatives of various sectors with a role in the region's economic, social and environmental well-being. The Assembly is the Regional Planning Body, and as such has worked with a wide range of partners and stakeholders including all local authorities in the region over the last 2 years to prepare the Draft RSS.

You will know that the South West Region's population and economy have been growing at a significant rate throughout the 1990s and into this century. Our forecasts, embedded in both the Draft RSS and the Regional Economic Strategy (RES), suggest this will continue into the foreseeable future. Our attitude to growth is clear in the region's Sustainable Communities Plan submission, the Way Ahead, and in the number of places applying for Growth Centre status. The region through its Integrated Regional Strategy 'Just Connect', and particularly through the Draft RSS and RES, recognises the real benefits which can arise from growth, if it is managed properly.

The Regional Spatial Strategy will play a crucial role in the South West's economic, social and environmental wellbeing over the next twenty years and well into the future. There are a number of areas where the RSS, if delivered successfully, will contribute to the delivery of the Treasury's objectives. We have set these out in the appended document, which shows how we believe the RSS can help deliver the Treasury's objectives, as defined in Public Service Agreements, and where we think national policy could change to help deliver the RSS.

We hope that you and your colleagues recognise the great progress which has been made in the South West in the last two years in developing challenging strategies which

are well integrated and are positive about the future and about growth, and in addressing regional priorities through the Way Ahead and the Regional Funding Allocation (RFA) process. We have set out a number of items where the region needs help from Government if we are to deliver sustainable communities and meet Government's targets for emissions. It is also our belief that sparsity is not sufficiently recognised in government funding formulae and that this significantly disadvantages the South West. CSR07 provides an ideal opportunity to address this as well as ensuring that the English regions are not unfairly disadvantaged especially in relation to other parts of the UK, such as Scotland and Wales.

We would welcome an opportunity to discuss with you and your colleagues any of the areas outlined below. We would be particularly delighted if that were able to happen in the Region.

Yours sincerely

Jackie Longworth
Chair, SWRA

Jill Shortland
Deputy Chair, SWRA

Chanel Stevens
Vice Chair, SWRA

Sir Simon Day
Vice Chair, SWRA

Pat Ferguson
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HM Treasury Public Service Agreements and the Draft Regional Spatial Strategy for the South West of England

1. Demonstrate by 2008 progress on the Government's long-term objective of raising the trend rate of growth over the economic cycle by at least meeting the Budget 2004 projection.

Objective I: Maintain a stable macroeconomic environment with low inflation and sound public finances in accordance with the Code for Fiscal Stability.

2. Inflation to be kept at the target as specified in the remit sent by the Chancellor of the Exchequer to the Governor of the Bank of England (currently 2% as measured by the 12-month increase in the Consumer Prices Index).

3. Over the economic cycle, maintain:

- public sector net debt below 40% of GDP; and*
- the current budget in balance or surplus.*

We believe we have a strategy which is in the best long term interests of the region and independent consultants who carried out the Strategic Sustainability Assessment tell us that it is a sustainable approach if it can be delivered. After careful consideration the South West has opted for a growth scenario which reinforces the Regional Economic Strategy (RES) and provides for 2.8% regional growth over 20 years. Policies also recognise that population growth through migration will continue. We hope Ministers will recognise that while the region has been contemplating the long term future through the RSS and RES it has also been addressing shorter term priorities to secure immediate growth through the Way Ahead and the recent Regional Funding Allocation (RFA) process. In all of this work there are clear messages about the need for adequate resources to build the infrastructure and services which will underpin our future growth, as well as addressing the unwanted legacy of 'infrastructure deficits.'

The Assembly remains gravely concerned that the resources required to deliver the very substantial investments in social, health, educational and transport infrastructure will not be in place to facilitate the high levels of development envisaged in the Draft RSS. 'Making the cities and large towns work' is a recurring theme in the draft RSS and in the Regional Funding Allocation submission. Crucial to this, as well as investment in the programme proposed, is sufficient revenue resources available to enable necessary transport modelling and other master planning work to be carried out and to support growth in public transport services. We also need the freedoms and flexibilities which will allow us to pursue innovative approaches to harnessing private funding for infrastructure.

Objective II: Increase the productivity of the economy and expand economic and employment opportunities for all.

4. Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. Joint with the Department of Trade and Industry.

5. As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle, demonstrate progress on increasing the employment rate. Joint with the Department for Work and Pensions.

6. Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. Joint with the Office of the Deputy Prime Minister and the Department of Trade and Industry.

The Draft RSS through its development policies seeks to ensure that opportunities for realising the economic potential of the region are not missed, in the face of competitive pressures from elsewhere in the UK and overseas. The Draft RSS, in aligning with the Regional Economic Strategy (RES), determines the whereabouts of new development, regeneration and infrastructure as a means to encourage economic development and targets regeneration to address these disparities.

The region has demonstrated its willingness to embrace the growth agenda but has limited resources available 'to make things happen' and to deal with accumulated 'infrastructure deficits'. The region is looking carefully at a Regional Infrastructure Fund to enable forward funding of development and has identified the need for 'capacity building' in its RFA transport bid. In both cases, the Assembly seeks a positive response from government, the necessary resources, and the freedom and flexibility to enable RFA funds to be used for capacity building.

Objective III: Promote efficient, stable and fair financial markets, for their users and the economy.

Objective IV: Promote a fair, efficient and integrated tax and benefit system with incentives to work, save and invest.

7. Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020. Joint with the Department for Work and Pensions. (The Government will also set a target as part of the next Spending Review to halve by 2010-11 the numbers of children suffering a combination of material deprivation and relative low income. The target will be met if there is an equivalent proportional reduction to that required on relative low income between 2004-05 and 2010-11.)

The lack of affordable housing is one of the most pressing immediate problems facing low income households in the region. Increasing supply is part of the answer and the Draft RSS makes increased provision. Our concern is that in some parts of region, supply of market housing can generate demand without necessarily resolving the root problem – and can result in unsustainable patterns of transport. The region has benefited from a major uplift in funding for social housing but recent evidence is showing that the South West now has the most acute region-wide problem of affordability. Government is requested in subsequent rounds of funding to take account of what the Draft RSS is trying to achieve in terms of distribution of market housing and to ensure sufficient resources are available to allow significant inroads to be made into

the rural affordability problem, in particular by adequate provision of social and shared equity housing.

Objective V: Promote UK economic prospects by pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity, especially protecting the most vulnerable.

8. Promote increased global prosperity and social justice by:

- *working to increase the number of countries successfully participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards;*

- *ensuring that 90% of all eligible Heavily Indebted Poor Countries committed to poverty reduction that have reached Decision Point by end 2005, receive irrevocable debt relief by end 2008 and that international partners are working effectively with poor countries to make progress towards the United Nations 2015 Millennium Development Goals.*

Joint with the Department for International Development; and

- *working with our European Union partners to achieve structural reform in Europe, demonstrating progress towards the Lisbon Goals by 2008.*

The draft RSS seeks to promote our economic prospects by providing reliable connections to the UK, European and international markets. A crucial factor for South West business is the resilience and reliability of links to London. Investment in infrastructure which lies in the South East region is of fundamental importance to this region. Journey resilience and reliability into London and Heathrow is reliant on enhancement of rail capacity at Reading whilst the implications for the South West of Crossrail need to be considered.

In aligning with the RES, the draft RSS recognises the contribution of development to providing much needed well-paid employment opportunities in places right across the South West. Providing development that will support the further expansion of knowledge based employment in the region's urban centres will be particularly important.

Objective VI: Improve the quality and the cost-effectiveness of public services.

9. Improve public services by working with departments to help them meet their:

- *PSA targets, joint with the Cabinet Office; and*

- *efficiency targets amounting to £20 billion a year by 2007-08, consistently with the fiscal rules.*

10. Deliver a further £3 billion saving by 2007-08 in central government civil procurement, through improvements in the success rate of programmes and projects and through other commercial initiatives.

Objective VII: Achieve world-class standards of financial management in government.

Objective VIII: Protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies.

The Draft RSS seeks to use development to support all communities in the region recognising that encouraging some of the larger settlements to grow will assist service provision by achieving economies of scale and maximising accessibility. Re-configuring the region so that a higher proportion of people live at the 21 identified Strategically Significant Cities and Towns in 2026 will have a major effect in sustainability terms, especially if all local public services are of a consistently high quality. Public services will benefit from a proportionately less dispersed population, which will aid the drive for efficiency savings. This more sustainable approach could be overshadowed, however, by increased carbon dioxide emissions from car, and particularly, air travel. Reducing the need to travel by car is at the core of the RSS and as already indicated, encouraging people out of their cars will need the 'carrot' of increased public transport attractiveness and availability (bus and rail) as well as the 'stick' of demand management and possible national traffic reduction targets. When assessing this draft RSS, Government will need to consider carefully whether its strategy of providing for increased air travel is sustainable in the long term and whether the resourcing of public transport in the South West is adequate.

The draft RSS outlines policies to require sustainable construction and help high standards of insulation and on-site energy generation to become the norm – this is not only more sustainable but more productive and economically efficient. Making this aspect of the draft RSS work in the South West will require a level playing field nationally. We believe Government should set a much higher national mandatory standard than 2006 part L for energy performance in new housing. This needs to be extended to all other building types (including public buildings such as schools and hospitals) and major renovation should be required to achieve the highest practicable energy standards and at least 50% improvement in energy efficiency. Requiring all new buildings to be carbon neutral (equivalent to level 5 of the draft Code for Sustainable Homes) is practicable and should be made standard. We appreciate that these proposals could have an effect on capital costs of new dwellings but taking a lifetime view, they should result in much lower running costs in the context of escalating fuel prices, so helping to alleviate fuel poverty.

**South West Regional Assembly
June 2006**