

DRAFT FOR COMMENT BY ASSEMBLY MEMBERS

South West Regional Assembly Leaders 8 Point Plan of Action in response to economic recession

The South West Regional Assembly is composed of elected members from all 51 of the region's local authorities and representatives of Social, Economic and Environmental Partners. The Assembly has recently led the production of the region's Climate Change Action Plan and has a statutory responsibility to keep the Regional Spatial Strategy under review, including transport priorities. This 'Regional Response to Economic Recession' is the Assembly's proposals to government for investments and actions which could be made in the short term and will help the region withstand the effects of recession and respond effectively when the upturn comes. The suggestions here complement the proposals to assist the business community already made by the RDA and should help the Regional Minister in making the case for the South West.

Over the past decade the region has developed a coherent set of strategies which are predicated on the region actively welcoming the opportunities presented by continued strong economic growth. The region's economic and spatial strategies (RES, RPG10 and draft RSS) are aligned in terms of the scale of economic growth which is sustainable and there is a broad consensus that the region should manage development carefully, focussing on the region's main centres, so as not to undermine the distinct qualities of the region. The current economic downturn presents a clear challenge to the achievement of these strategies. What is important now is to redouble efforts through innovative approaches to ensure the objectives of the region's strategies are achieved. This will require early and effective support from government to invest in the region.

Assembly Leaders are clear that there is a need for leadership to be shown at all levels and they are committed to working with the Regional Minister, the emerging Strategic Leaders Forum and the RDA and other agencies and local authorities to promote regional solutions.

The effects of the economic recession are being felt by South West residents, the business community and local authorities. The most obvious effect is the slow down in housing market transactions and the pace of property development in the region. Access to capital and credit by residents and businesses is also proving more difficult. As yet this has not manifested itself in significant increases in unemployment or company liquidations, although these are expected. Assembly Leaders have devised the following 8 point action plan for discussion, as a part of regional response to the economic recession:

- 1 Action to bring forward serviced land for development, to deliver regional strategies, through a Regional Development Land Fund**
- 2 Development of the Regional Infrastructure Fund (RIF) and extension of its use to bring forward serviced development land**
- 3 Short Term Delivery of Transport Projects in RFA2 which strongly support regional strategy delivery**
- 4 Accelerate improvements to the thermal efficiency of the region's housing stock**
- 5 Bring forward investment in basic resilience projects**

- 6 Boost the renewables industry in the region**
- 7 Support RDA action to step up advice, guidance and support available to individuals and SMEs on finance and innovation**
- 8 Increase regional capacity to accelerate project delivery**

1 Action to bring forward serviced land for development, to deliver regional strategies, through a Regional Development Land Fund

1.1 The dramatic downturn in the property market and the reduction in available credit could jeopardise the achievement of the region's strategies for sustainable development. There is a high probability that new development projects, particularly major new development projects and brown land projects, will not be brought forward by private developers until the credit position eases or demand picks up. The downturn in activity is having an effect on the development industry, private sector planning and civil engineering capacity as well as the building trades. This will mean that development activity in the region could be delayed, with a 'lumpy' profile over the foreseeable future, and there could be major shortages of supply even when the market picks up. The Assembly Leaders believe that there is a need for radical approaches and for public intervention in the land and property market; not to take control as an end in itself but to facilitate private development and pay back to the public purse subsequently.

1.2 This approach will need capital investment funds to be made available for public agencies such as the HCA or RDA to acquire land and fund its servicing or for local authorities to carry this out on a smaller scale. A partnership approach of agencies at regional level and at particular places, coordinated through the mechanisms identified in the Baroness Andrews letter about the RSS will be needed with appropriate governance arrangements.

1.3 In the South West, if the Secretary of State's proposed changes to the draft RSS are carried through then about 40 large urban extensions (over 1000 dwellings per urban extension) at the region's SSCTs will need to be brought forward. If these large developments are to make a serious inroad into housing supply and affordability they will need to be brought on stream with the same timing. The region has aspirations for these new flagship developments to be serviced and built to the highest achievable environmental and quality standards. In addition, at a smaller scale, there will be many instances around the region where smaller parcels of land could be dealt with by local authorities, if funds were available to acquire and service sites, which could be released to smaller local developers and house builders. LG capital rules may need to be adjusted to allow this activity. In line with emerging Government policy, the Community Land Trust Model could be a useful tool on both large and small sites.

1.4 The basic proposition is that public resources should be used to acquire land, fund its basic servicing and then sell on, when market conditions allow, to private developers to provide housing, and to provide sites for other end uses. This would assist in meeting regional aspirations for high standards of construction and sustainability benefits including unlocking barriers to high quality local environmental outcomes. The basic costs of funding this activity will be recouped through legal

agreements with developers. Public intervention either by open market purchase of land in declining markets or by compulsory acquisition will be needed. This should be possible under planning act powers or for the RDA and HCA to take forward under their respective powers.

1.5 One possible response is to establish a Regional Development Land Fund to operate in the period when the market for development is depressed and developers are struggling to manage cash flow. The mechanics and governance of such a Fund would need to be worked through carefully with RDA and HCA including the potential to use the existing Regional Infrastructure Fund. If the principle is accepted then rapid work will need to take place to identify the funding required and the opportunities for such interventions to bring forward strategic sites already identified through the planning process.

The benefits include

- Workflow for construction and building materials industries.
- Sites prepared for upturn and site master-planning to highest standards
- Provision made for affordable housing to proceed without waiting for private market to pick up.
- Sites serviced up front so minimum disruption for end users.

Funding required unknown at this stage, but could be several hundreds of millions of pounds need for investment

2 Development of the Regional Infrastructure Fund (RIF) and extension of its use to bring forward serviced development land

2.1 This Fund was established using RFA 1 funding (£30m Transport, £50m RDA) to provide forward funding for key infrastructure for strategically important development. The principle being that the public sector takes some of the uncertainty out of the development process but requires a pay back as development proceeds. This is not 'gap' funding but a revolving fund. The fund is managed by the RDA with governance provided by an Investment Panel.

2.2 RIF relies on proposals coming forward where there is a problem in forward funding infrastructure. The basic model relies on market push which is fast declining. The RIF could be extended to fund key infrastructure associated with sites brought forward under proposal 1 above as part of a package of public intervention. Also the potential to extend the RIF to incorporate the features of a Regional Development Land Fund set out above should be explored as a matter of urgency.

2.3 The scope should also be investigated for RFA funding through a mechanism like the RIF to forward fund small scale transport and other projects for which local authorities and other public agencies will receive capital funds at a future date; effectively making capital 'loans' to authorities to bring forward works. The size of the RIF could be increased significantly through the RFA 2 process, to allow this to happen, or by redeploying those funds allocated under RFA1 for projects whose

delivery may not be assured or which may fail to reflect adequately the imperatives of the Government's sustainable growth priorities.

- Immediate increase the funding available through the RIF

The benefits include:

- Works brought forward increasing demand for construction and materials.
- Benefits associated with proposal 1 above

3 Short Term Delivery of Transport Projects in RFA2 which strongly support regional strategy delivery

3.1 The Regional Funding Advice process enables the region to influence government departmental expenditure in housing, economic development and major transport projects costing more than £5m. There have been problems of delivery of major transport infrastructure projects as the focus has shifted to more complex urban packages and the DfT evaluation process has become more searching. DfT policies have also been modified since the first RFA round: there is now increased emphasis on the importance of sustainable transport systems and, following the Eddington Transport Study of targeted interventions to ensure better use of existing assets in addressing inter-urban connectivity and congestion. One possible response to the current economic difficulties is to accelerate the implementation of transport projects which can deliver agreed transport outcomes in line with regional strategies.

3.2 Addressing capacity is one way of accelerating progress of projects and is dealt with in 8 below. There are also rail projects which have not been captured by the RFA process to date although it is possible for the region to use RFA to fund them if they are capable of delivery before 2010, to assist with programme management. This might take the form of contributory seed-corn or bridging finance where Network Rail or the Train Operators are confident of the financial returns that such investment might bring over time (for example through efficiency savings or through increased track access charges). RFA 2 will address the possibility of using funds in this way and will be reporting in February 2009.

3.3 Examples of projects which align with the Regional Rail Prospectus objectives and where the potential for early delivery should be explored are:

- Swindon/Kemble track doubling £18-32m
- Additional rolling stock for South Wales to South Coast services to release rolling stock for West of England metro and Exeter and Plymouth commuter services £40m
- West of England metro infrastructure to enhance line capacity and reduce delays on cross-Bristol services: including provision of additional platforms, signal modifications and a possible extension to and passing loop on the area's network £50m ?

The benefits include:

- Works brought forward increasing demand for construction and materials.

- Contribution to sustainable transport in the region.
- Maintains and improves reliability, resilience and capacity of links with other regions (including Wales).
- Improves inter-regional connectivity.
- Addresses social inclusion by improving accessibility to jobs and services.
- Allows urban areas to work more effectively by supporting strategy to concentrate growth and development.
- Facilitates viability of planned urban extensions.
- “Feel good factor” – the public will be able to see regional bodies in a good light.
- The region’s Climate Change Action Plan (CCAP) identifies the case for bringing forward those transport improvements which are low carbon modes of transport.

4 Accelerate improvements to the thermal efficiency of the region’s existing housing stock

4.1 The region’s Climate Change Action Plan (CCAP) was approved by the Assembly and main regional partners in July 2008. The CCAP identifies the domestic sector as accounting for about 1/3rd of emissions of CO₂ in the region. The SW region has the least energy efficient housing of all regions (albeit by a small margin), the highest level of failures on thermal conditions within the Decent Homes Standard and a higher than average level of fuel poverty. In 2003 37% of the region’s properties were considered to be “Hard to Treat”, i.e. they had either solid walls or were in ‘off-gas’ areas. The same analysis suggested that in order for the region to contribute towards the government’s carbon emission reduction targets the region will have to insulate 600,000 lofts and 600,000 cavities by 2010, this equates to approximately a four-fold increase on the installation rates in 2005 for these measures.

4.2 There are government funded initiatives in the region to promote the take up of cavity wall and loft insulation, amounting to £XXXm funding available to the South west. In addition, the advisory support available has been simplified with a single regional source now in operation via the South West Energy Saving Trust (EST) Advice Centre. Assembly leaders believe the evidence of the potential contribution investment in housing stock improvements can make to both the regional economy and climate change is compelling. There is still clearly a need for a significant step up in activity which will rely on additional injections of funding to provide either grant or loan funding to private property owners, together with a more forceful campaign to encourage take up. It will also require an increase in local authority advisory capacity (HECA Officers) to enable funds to be drawn down and targetted effectively

The benefits include:

- Workflow for installation companies and materials producers
- Develop a critical skills mass in renewables technology to underpin achievement of a low carbon economy
- Significant contribution towards regional targets for CO₂ emissions.
- Positive implications for fuel poverty

5 Bring forward investment in basic resilience projects

5.1 Climate change will increase the frequency of extreme weather events; a 20% increase in annual rainfall is anticipated by 2050, increasing water volumes and velocity. As a result an increase in flood storage will be required as well as relatively novel approaches to storage and slow release within the river catchment area. In addition, increased sea levels and wind velocities will reduce the current standards of protection along the coastlines putting people and property, which includes habitat and farmland at an increasing risk of being inundated by floodwaters. Increase in rainfall intensity, perhaps by as much as 30% by the 2080s will increase flooding in urban areas whose current drainage infrastructure will be overwhelmed due to inadequate capacity. Greater intensity over agricultural land will increase the risk of erosion with soil and nutrients polluting watercourses..

5.2 Climate change adaptation strategies for the region are highlighting some important vulnerabilities in regional infrastructure and gaps in understanding and detailed planning. Utilities and transport agencies are auditing assets and assessing their potential resilience. The National Trust has recently highlighted erosion of its coastal assets as a concern for the region affecting the coastal economy. Assembly leaders are concerned that significant elements of regional transport and other infrastructure could therefore be put at risk as a result. Progress is needed in developing asset management and maintenance proposals and for the Regional Resilience Forum to continue to progress work with Highways Agency, the Utilities and Network Rail, Environment Agency and local authorities to bring forward proposals for investment to address basic resilience issues. Possible issues to investigate further are, strategic road and rail routes across the Somerset Levels, through the Exe Valley, the Dawlish sea-wall and the problems of drainage for the main line Bristol Parkway centred rail routes through the Oolitic at Wickwar and Chipping Sodbury Tunnels, together with adaptation actions on coastal natural assets at risk including Brownsea Island lagoon, and assets in the Exe and Severn estuaries.

Examples of specific opportunities for early investment in resilience projects needed:

The benefits include:

- Improve resilience of regional networks
- Reduce impact of extreme events long term by bringing forward investment plans
- Economic benefits of high profile actions to safeguard iconic natural systems

6 Boost the renewables industry in the region

6.1 The economic benefit of generating more low carbon energy within the region could be significant. The South West already has a thriving renewable energy industry, with over 200 businesses and organisations that employ over 2,900 (full time equivalent) people and contribute some £34 million to the economy. Generating more

low carbon energy from within the region will directly support further growth of this sector. The Wave Hub alone could create 1,800 jobs and contribute £560 million to the UK economy..

6.2 The region's Climate Change Action Plan highlights the need for further investment in the development of the renewables industry. This is supported by the innovative work of the RDA to help move to a 'low carbon economy' and is reflected in RDA proposals for a 'green recovery' which Leaders support. The '@Road to 2020' produced by REGEN outlines regional investments which could boost renewables provision. The renewables industry and the installation of more renewables capacity offer a way of bringing forward a range of small and much larger capital projects with positive climate change effects. There are clearly issues of public acceptability to overcome if significant new investments in land based technologies are to be achieved.

6.3 Assembly Leaders believe that the renewables sector has the potential to act as a 'lead sector' in the South west economy which, with the right investment climate and tariff regime, could provide a new focus for supply chains in the region, deliver significant employment and make a major contribution to climate change mitigation and a low carbon economy.

Examples of specific investments needed are:

- Support RDA proposals for a 'green recovery'

Examples to be identified????

The benefits include:

- Workflow for installation companies and materials producers within SW
- Increased R&D capacity in the region
- Significant contribution towards national energy security and regional targets for CO2 emissions.
- Positive implications for fuel poverty

7 Support RDA action to step up advice and guidance available to individuals and SMEs on finance and innovation

7.1 Significant sections of the public and the business community will be vulnerable financially as a result of the economic recession and the reduction in available credit.

7.2 The extent of indebtedness of the population and the consequences of debt is well documented by organisations such as CAB. Initiatives for debt counselling, to promote benefit take up and to extend innovative forms of personal finance such as credit unions should be supported by government via local authorities which are well placed to engage directly with their local communities.

7.3 SMEs will experience significant cash flow and working capital problems quickly if demand reduces and lines of credit are frozen. Given the importance of SME activity in the South west and particularly in the more rural and western parts of

the region it is important that the action is taken. Assembly Leaders endorse the initiative taken by the RDA to identify action to support the regional business community in the recently launched 'First Steps : Action for Recovery'. In particular Leaders support the proposals for community finance initiatives and a Business Loan Fund and hope that sufficient funds will be provided by government to enable the proposals contained within the document to be implemented.

Examples of specific actions needed are:

- Increase funding for debt counselling and benefit take up advice offered by CABs and other local agencies with funding directed via local authorities to purchase such services
- Increase funding available to SW RDA to enhance the capability to offer targeted financial advice and support to SMEs as set out in 'First Steps : Action for Recovery'

The benefits include:

- For individuals improved management of finances and debt
- For SMEs improved cash flow and debt management

Rural Issues

In addition, Assembly Leaders are clear that there is a need for an enhanced programme of activity targeted towards the environmentally sensitive areas of the region, building on some of the proposals contained in the RDA's 'First Steps' document; proposals will follow in due course.

8 Increase regional capacity to accelerate project delivery

8.1 Assembly leaders are clear that acceleration of delivery of development and investment projects in the region will require a step change in the capacity available to local authorities and other agencies. This is accentuated, as set out in 1 above, by the reduction in 'market push' for projects as overall demand declines and developers find credit more difficult to acquire, often affecting the funding profile of individual schemes. Capacity issues also have influenced the ability of local authorities in particular to take forward significant and increasingly complex urban transport packages, including those that are designed to deliver sustainable transport solutions and that draw on disciplines to which many local authorities have only limited access. A crucial factor in determining the progress of major capital schemes has been the influence of Government departmental decision making processes, particularly those of the Department for Transport which via the NATA process and RFA programme entry requirements has imposed very significant burdens on local authorities for evidence and significant delay in approving projects. This is outside of any effects of the public enquiry process on scheme progression.

8.2 In RFA 1 the region promoted the idea for a Regional Capacity Fund of £5m which could be used to help with the 'at risk' elements of transport scheme development, before programme entry is achieved and funding via RFA guaranteed. This proposal fell foul of government funding rules preventing use of capital funds for

'revenue' purposes. Assembly Leaders believe that a relaxation of this, or a re-definition of the 'at risk' planning of transport major schemes as part of the capital project, would provide an immediate boost to regional capacity and in turn accelerate scheme progression and investment within the RFA programme. The Regional Improvement and Efficiency Partnership is targeting some funds on increasing capacity to assist with scheme progression but this is relatively small compared with the need and the potential of a properly funded Regional Capacity Fund. Governance of this Fund could be based on a development of the governance arrangements for the RIF.

8.3 Several of the Assembly leaders proposals connect with the Region's CCCAP and will have major benefits in promoting investment which supports adaptation to and mitigation of climate change. Of fundamental importance in taking forward these proposals and the other proposals in the CCAP is to accelerate the build up of the shared knowledge and intellectual, practical and community capacity in the region. An Academy of Climate Change would be a national innovation which would link Universities, agencies, businesses and citizens within the region to enhance capacity to deliver the region's ambitious Action Plan. It would facilitate a step change in climate literacy across all sectors in the region. In concept this is a highly networked virtual process, not about another institution. A first step would include a rapid assessment of the scale and impact of the opportunity this 'Academy' could drive.

Examples of specific actions needed are:

- Establish a Regional Capacity Fund of at least £10m which can be applied to accelerate transport and other infrastructure projects with governance arrangements based on RIF
- Government should ensure that DfT capacity to evaluate RFA proposals is sufficient to not impede scheme progression.
- DECC should make available £3m over three years to pilot the establishment of a South West Climate Change Academy

The benefits include:

- Acceleration of investment in key regional infrastructure and climate change related projects.

**South West Regional Assembly
Assembly Leaders and Chairs of Member Groups
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