

# the future of Yorkshire & Humber

Edited by Paul Hackett



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Yorkshire & Humber is one of England's largest and most dynamic regions, boasting first-class universities, a mix of old and new industries, beautiful countryside, and vibrant cities and towns. The region has attracted considerable investment in recent years, and its economy has grown to over £80 billion – as large as that of Scotland. Although the pace of change has slowed since the credit crunch and there remain difficult challenges ahead (in skills and transport, for example), the region maintains its strong identity and its sense of ambition and purpose, as shown by the essays in this booklet.

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*Paul Hackett, Director, The Smith Institute*

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## Foreword

Rt Hon Rosie Winterton MP, Regional Minister for Yorkshire & Humber

As minister for Yorkshire & Humber, I am pleased to introduce this monograph, one of a series of regional outlooks published by the Smith Institute. It is an opportunity both to take stock and to look ahead. In particular, it enables an evaluation of how we are dealing with the current challenges and highlights how we are investing for economic recovery.

As global economic fortunes have faltered, never have regional perspective and action been more important. I have always been in favour of a regional approach, chiefly because it works – as exemplified by the work our regional development agency is doing with our local authorities in providing economic direction, supporting investment in key infrastructure projects and attracting vital inward investment.

As regional minister, I know that many organisations and individuals have faced very real difficulties in the past 12 months. These challenges range from securing credit and finance for investment or regeneration to coping with losing a job and finding another. I know too how people are pulling together, and how schemes initiated and funded by central, regional and local government are providing real help now to businesses and individuals. I know this investment is enabling people to plan ahead and to build a better future.

A raft of help is available to businesses; for example, more than 7,000 businesses in our region have benefited from free financial health checks through Business Link. Local authorities have responded rapidly too, keeping the cash flowing and helping small firms by paying bills promptly and buying locally wherever possible. All these activities are essential building blocks for economic recovery and demonstrate the benefit of strong partnership between key regional agencies and business.

In Yorkshire & Humber, we have a strong track record of local and regional partnership. We are second to none in working together – especially in tough times. Just over a year ago, I established the Economic Delivery Group, a high-level forum to head up our response to recession and ensure economic resilience and recovery. The Economic Delivery Group has brought together the leaders of key organisations: our regional development agency, Yorkshire Forward, Jobcentre Plus, the CBI, the Federation of Small Businesses and, of course, our local authorities.

In partnership we have driven forward programmes of support: on housing, on employment and on skills and training. Backing Young Britain is high on our agenda, with help for graduates and increased opportunities for apprenticeship. We are determined that, unlike

in previous recessions, young people's needs are not overlooked.

And now Yorkshire Forward is working closely with local government leaders through a joint regional board. They are jointly preparing a new regional strategy, which will set out long-term priorities and how to align investment to deliver sustainable economic growth across Yorkshire & Humber.

We must also as a region prepare for the upturn; planning for the future of the region's economy and focusing on building strong foundations that will enable all the people in the region to share fairly in our future prosperity. The skills of our workforce will be key. That is why we are continuing to invest. Train to Gain has helped people achieve 65,500 qualifications over the last three years and improve their skills so that they are a better fit for jobs now and in the future. And we are boosting support for apprenticeships in the region, with over £68 million invested in 2009/10.

We have identified the key sectors with significant potential for growth, such as low-carbon technologies, advanced engineering and materials (AEM), digital and new media, and life sciences (particularly medical devices), with a more active industrial policy to drive growth and create the high-value jobs of the future. Our financial and professional services sector, in which the Leeds city region is a UK centre of excellence, and advanced manufacturing, will remain key strengths.

In Yorkshire & Humber we have a culture of enterprise and hard work. We are rightly proud of our region, but all too often, I believe, we are overly modest about our achievements and ambitions. One positive outcome from the current global uncertainties is that it has focused minds across our region on our strengths, priorities and our goals.

I believe we are tackling the immediate and most pressing issues with confidence founded in our achievements over the past decade. As we prepare for economic recovery, we have good reason for optimism. As other contributors demonstrate, it is clear that Yorkshire & Humber will continue to be a good place to live, work and do business.



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Chapter 1

# The future of local government in Yorkshire & Humber

Carole Hassan, Chief Executive of Local Government  
Yorkshire & Humber

## The future of local government in Yorkshire & Humber

To quote Winston Churchill: "A politician needs the ability to foretell what is going to happen tomorrow, next week, next month and next year. And to have the ability afterwards to explain why it did not happen." In this chapter I have tried to describe what might happen in the future with local government and the challenge for politicians in managing the aspirations and hopes of communities through both the development of strategy and its delivery. The chapter also recognises how the requirement to be accountable when things do not turn out as planned is the strength of local government.

### Delivering for people in places

There is renewed optimism and recognition within Yorkshire & Humber of the importance of local government in securing a positive future for people and places. This renewed interest in localism and democracy comes, in some part, as a reaction to the lack of legitimacy of quangos and the failure of national policies to deal with entrenched local deprivation and disadvantage.

Sir Michael Lyons, author of the Lyons review of local government<sup>1</sup> (seen as the seminal work on the sector in the past decade), introduced the concept of place shaping. This is an explicit recognition of the role of local councils in creating and leading places where people and businesses can thrive. This leadership role extends to the whole of the public sector within an area.

To describe the future of local government in Yorkshire & Humber is to describe this leadership of places. The future of our towns, cities and rural areas will be largely determined by the quality of the local political leadership and the quality of the services provided by councils and other local public service providers.

This close affinity to place is the strength of local democracy. Local politicians have to pay attention to the views, hopes, aspirations and realities of local people's lives or pay the price at the ballot box. "All politics is local" is a quote attributed to Tip O'Neill Jr, Speaker of the US House of Representatives. Suffering his only electoral loss, it was a remark made to him by his father reflecting the fact that he had taken his own neighbourhood for granted and so lost the vote.

Local legitimacy is critical to the future of local government. In 10 of Yorkshire & Humber's 22 local authorities no single political party has overall control, and there is real political

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<sup>1</sup> Lyons, M *Place-shaping: A Shared Ambition for the Future of Local Government* (Department for Communities & Local Government, 2007)

debate and engagement on a shared agenda for the local area and who should lead the council. In Leeds there is a unique power-sharing arrangement between the Conservatives and Liberal Democrats. All leaders in Yorkshire & Humber have to work to maintain legitimacy and control of the council.

This collaborative working extends to collaborations across boundaries, with neighbouring councils and groups of councils creating city-regional and subregional partnerships to drive forward on areas of common interest. City regions are dynamic partnerships based on real economic networks and drivers. Councils recognise that to support economic growth and enable people to access jobs, public policies and services need to be organised around real networks and not be determined by old administrative boundaries. This working together, politically and professionally, across boundaries will be critical for the future prosperity and well-being of people and places.

Working together, political leaders in Yorkshire & Humber have created new relationships and opportunities, sharing good practice and securing efficiencies through shared services. They are also providing excellent political leadership in current regional arrangements and, through this, securing better outcomes for places across Yorkshire & Humber.

Governance arrangements for the city regions and subregions are now established, and the next phase of development requires devolution from central government to deliver on critical priorities such as developing integrated transport systems and enhancing access to and quality of skills and training opportunities. Final negotiations on the Leeds city-region pathfinder will, hopefully, demonstrate some devolution from Whitehall.

Chief executives driving forward this work are especially concerned that we could lose focus and energy through running structures that are semi-evolved from earlier approaches to regionalism, the subnational review and the city-region forerunners. We need to avoid the British obsession with structure as the means to deliver change; however, we do need to get the structures right to enable things to happen. There needs to be flexibility within this. For example, several councils in Yorkshire & Humber (namely Craven, Harrogate and Selby districts and Barnsley metropolitan borough) need to be part of two subregions/city regions, and central government must recognise the realities on the ground and not set out national prescriptions that inhibit collaboration and delivery.

### **Delivering in the new economic context**

Central government has recognised that local government is uniquely placed to ensure that the needs of local residents and businesses drive regeneration. Rotherham MP and senior cabinet minister John Healey praised local government as “the unsung hero of the

response to the recession", reflecting his long-held belief that local government does a great deal more than it gets credit for.

Councils in Yorkshire & Humber have responded to the recession individually, and collectively they have adopted a 12-point pledge<sup>2</sup> to try to encourage all areas to respond. This acted as a catalyst for some, while other councils went well beyond this basic framework. Sheffield City Council undertook a complete review of how all aspects of the council's activities could be harnessed either to mitigate the impact of recession on people or to support businesses and communities to respond.

This local approach, which is sensitive to context, can be faster and more dynamic and is how councils are seeking to work in the future. The ability to respond rapidly and to switch priorities and resources is part of the transformation they are seeking to achieve. How to deliver in the context of rapid economic and social change is the question at the heart of the improvement agenda.

The strength of local government is that it is rooted in "place" and that it has a thorough understanding of the needs of its citizens' neighbourhoods, towns and cities. The challenge for the future is how to respond to change, which means that towns and cities and rural areas have to adapt, and in some cases change their very identity.

### **Delivering through political leadership**

This places a premium on political leadership. Mark Moore of Harvard University has asserted that the next wave of public value will be not from professional or technical innovation but from the quality of political leadership. His public value model, developed in 1995,<sup>3</sup> asserts that delivery requires political legitimacy, a good understanding of what the goals are, and capacity to deliver those goals.

Political leadership is vital over the coming period as the impact of the recession bites on the public sector and local government spend is reduced. Whatever the timescale of this, it appears to be inevitable. Political leadership will be critical in ensuring that goals are clear and shared and that in the context of scarce resources there is capacity to deliver them and real clarity on priorities and what works. Innovation will be critical in all of this – thinking about things differently, trying out new approaches, and stopping delivery of services that no longer meet needs or match priorities.

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2 <http://www.lgyh.gov.uk/News/2008-news/Economic-Pledge-signed-by-Regional-Leaders>

3 Moore, MH *Creating Public Value Strategic Management in Government* (Harvard University Press, 1995)

Local councils in Yorkshire & Humber employ almost 200,000 people, and the economies of some towns and cities are highly dependent on public service expenditure. As they respond to the reduction in public spending, councils and local public service providers, police, primary care trusts and fire authorities will have to manage the wider community effects. By working together across these public sectors, as is the case in Yorkshire & Humber, there is the opportunity to manage the impact of these cuts on local communities.

In the 1980s and 1990s councils responded to economic recession and public spending cuts. Major national initiatives such as community employment and youth employment programmes were delivered, and people and communities were supported through economic transformation. Councils are seizing the initiative now by developing apprenticeship schemes and have created almost 1,000 placements this year. Around 6,400 new jobs will be created in Yorkshire & Humber through the Future Jobs Fund, with 5,400 from successful council bids and the remaining 1,000 from national bids that plan to deliver in the region.

Councils in South Yorkshire worked to keep the very fabric of communities together through the restructuring of the coal and steel industries. The current recession presents its own challenge in respect of community cohesion – an area on which Rob Vincent, chief executive of Kirklees Metropolitan Council, expands in his chapter on the Leeds city region.

The impact of the recession varies from place to place. Councils bring leadership that is flexible, responsive and can tailor approaches relevant to local circumstances. Political leadership helps to rebuild confidence and encourage growth. Businesses that have confidence in the political leadership of a place will invest and develop local employment opportunities. Investment in the public realm, as demonstrated in York and Sheffield, builds business confidence to invest, as firms are more likely to see a good return on their investment.

This political leadership extends to ensuring that towns and cities are able to take advantage of global opportunities. Yorkshire & Humber's leaders are forging international links that build networks and create economic and trade links, as well as raising civic aspirations by looking at international good practice and future partnership working with European towns and cities. Taking such initiatives in a context of scrutiny of public expenditure requires real political leadership, which takes a long-term and a wide view of what is important.

In this context of an economy moving towards recovery, councils are developing better

intelligence and knowledge at both local and city-region levels to maximise the opportunities for the future. These are uncertain times, and the challenges we face have no easy solutions. We need political leadership as we shape a new economic future. Critical to this is how we respond to climate change and the need to ensure the sustainable use of resources – and, in the case of the northern part of Yorkshire & Humber, ensuring food security.

In the context of reduced public expenditure, the shape and nature of public services within this economy will be forced to change as we, as a society, are forced to make difficult choices. As the Kirklees council chief executive, Rob Vincent, said recently: “Community engagement is not enough when tough spending choices are to be made ... only democracy will do.”

This is the public value that Mark Moore talked about being created through political leadership. We need to engage in a debate about the kind of local public services that we want within the resources we have. This requires a new kind of politician who can inspire people to take part in creating a future for the places they live in.

### **Leadership and creation of new public services**

In the future we will see more informed local government, strengthened by acting with local people, businesses and civil associations, building upon local strategic partnerships.

Councils have always worked with the private and voluntary/community sectors in a symbiotic way and not merely on a contractual basis. Money flows between public and private sectors, as the recession has highlighted. Councils have demonstrated dynamic ways of using design and planning to act as a catalyst for much more than physical regeneration, as Wakefield Metropolitan District Council did in Castleford with The Bridge. There are many excellent examples of this across the range of councils, creating new relationships between council, professionals and communities.

The idea of the simple, direct delivery of a set of standard services by councils has long been outmoded. As with any industry or sector of the economy, councils have been modernising processes and reinventing services. Councils in Yorkshire & Humber have been at the leading edge of the efficiency and transformation agenda. East Riding of Yorkshire Council was one of the first councils in the country to develop and offer a customer-focused approach with truly integrated front-line services and continues to pioneer new approaches through its partnership with Arvato Government Services.

Efficiency will be at the forefront of the agenda for the foreseeable future, with councils

increasingly looking beyond procurement for savings. Initiatives such as the shared management arrangements developed between Hambleton District Council and Richmondshire District Council show that councils are looking beyond their own budgets to the savings that can be realised through shared services. Councils need to work with other key public sectors, such as health, police and fire services, to secure cross-sectoral efficiencies, and in Yorkshire & Humber these developments are progressing.

The scale and range of this activity will increase in the future. As well as shared services across authorities, the Total Place initiative looks at total public spend at the local level. It counts the cost, considers the outcomes being delivered and looks at how these might be delivered differently.

### **Effective managerial leadership**

This integration of different spheres of public service at the local level requires decisive and effective managerial leadership. There is much debate about the cost and value of senior local government managers and professionals but little public recognition of the complexity of the role they play.

If services are to be integrated and designed around individual citizens, then there is a considerable culture shift and organisational development task ahead. Councils in Yorkshire & Humber have developed effective professional networks, such as in human resources and organisational development, to drive forward this work professionally.

Scoping and developing a workforce development strategy that meets local needs and also deals with areas of recruitment difficulties with a workforce of the scale of local government and the wider public sector is a major challenge.

### **Leadership in creating new relationships between citizens and public services**

The very nature of local public services is changing. Gone are the days when people believed that the council knew best. The old model of public service was built upon an assumption illustrated by this quote from Beatrice Webb:

*We have little faith in the average sensual man. We do not believe he can do more than describe his grievances, we do not think he can prescribe his remedies ... we wish to introduce the professional expert!*

Public service was built on a model of knowledge that was founded on the idea that the expert knew best. The nature of knowledge is changing and we need more debate on this and the role of the professional, technical expert in the provision of modern public

services. In the context of the explosion of information through the internet, we need to agree how we best serve people and communities and use their knowledge and capabilities. In responding to such challenges as climate change, we need to understand how to use technical data and projections to build knowledge and understanding. This will enhance our capacity to respond effectively.

Councils are working to reinvent policy and consultation processes in this context. They are developing social marketing approaches and an understanding of how to drive up aspiration. Councils and police in the South Yorkshire subregion are working on how to go beyond labelling people and describing problems to developing new and more mutual approaches to changing lives and communities. This signals the direction in which councils are moving.

Both within Yorkshire & Humber and nationally there is much debate about moves towards greater involvement of people in the design, commissioning and delivery of services. This is most obvious in the move towards personalised social care services, where individuals control their own budgets and commission their own services. However, this drive towards creating an environment within which those using services are closely engaged with its commissioning is a trend across all services. This could have obvious efficiency savings but could equally become bureaucratised and lead to fragmented services. Whatever the pitfalls of such an approach, it is clear that in the future local government will not be a series of departmental services run through a large corporate bureaucracy.

The shape of front-line services has changed and will change further. The corporate organisation of local government will also change in the light of flexible working and commissioning approaches. Largely concerned with the management of risk, services such as human resources, legal and other corporate services will need to adapt to the new context.

Councils are embracing technology and seeking to enhance access through maximising web-based services. The full limits of this have yet to be explored and the future holds more possibilities, as community-based and community-led websites will need to be developed if individuals are to create their own networks for support. In the future, then, we should see a shift towards a more mutual approach. Phillip Blond<sup>4</sup> has advocated a social enterprise approach in which front-line staff are empowered to take over services and run them.

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<sup>4</sup> Phillip Blond "Rise of the Red Tories" in *Prospect*, 28 February 2009. Blond was a senior lecturer in theology and philosophy at the University of Cumbria and is now director of ResPublica.

**New relationships between local and national government**

Finally, in the future a shift towards greater local leadership will result in a different relationship between local and national government. Greater devolution, more dialogue, better understanding and improved trust will create an environment within which innovation can thrive. The low-trust model of the inspection-led performance management regime and the energy and resources wasted on a narrow target-based and performance-monitoring regime will disappear as councils challenge themselves and each other to deliver more.

The annual cost of regulating local government from Whitehall is £2.5 billion,<sup>5</sup> while the cost per authority of reporting to central government is on average £1.8 million.<sup>6</sup> This use of resources requires reassessment, and the potential to refocus resources to the front line of service delivery needs to be considered.

The renewal of democracy and political leadership, and in consequence legitimacy and mandate, together with the transformation of public services, will drive the future of local government in Yorkshire & Humber and thus ensure a sustainable future for the region's towns, cities and rural areas.

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<sup>5</sup> Gershon efficiency review, 2006

<sup>6</sup> PricewaterhouseCoopers' Treasury report, 2006



## Chapter 2

# New era, new economy – where next for Yorkshire & Humber?

Tom Riordan, Chief Executive of Yorkshire Forward

## **New era, new economy – where next for Yorkshire & Humber?**

The global economy stands at a critical juncture. The economic turbulence of 2008 marked more than just an unexpected recession. It is my belief that, when we look back in history in years to come, it will be seen as the end of an era. The last 15 years or so have been a period of prolonged, steady and predictable economic growth, in a globalising world, but one where the same economic power blocks have largely held sway and where environmental factors have been growing in importance but have not been central to economic fortunes. The next 15 years will see a very different context emerge. So it is timely to reflect on the economic journey Yorkshire & Humber is making and some of the factors that will be critical to future success.

Yorkshire & Humber's economy has undergone major restructuring and made great strides forward over the past two decades. Traditional industries such as coal, steel, textiles, fishing and agriculture have seen a decline in both the number of businesses and the level of employment. New areas of competitive advantage are emerging, including advanced manufacturing, low-carbon technologies and financial and business services. This process of change has presented real challenges for business, individuals and policy makers. Business adaptation and individual reskilling have been central to the progress the region has made.

We are proud that, since the introduction of regional development agencies in the late 1990s, Yorkshire Forward has been at the heart of that change. We have worked with a wide spectrum of partners to make economic development more strategic, more effective, and more in tune with the needs of business and local communities. Work in areas such as resource efficiency and urban renaissance has moved from being cutting-edge to mainstream. Core support to help businesses improve their performance, develop new markets, and enhance skills and employment opportunities has become ever more effective. And we have been able to work with enthused local partners to enhance rural areas, cities and city regions.

As a result, despite the recent rise in unemployment, the labour market is much stronger now than during the previous recession. We still have a functional jobs market with job creation and vacancies, 2.4 million people in employment – up almost 10% from 2.2 million in 1998 – and greater economic diversity.

### **Recovery from recession and the need for new solutions**

Nevertheless, headline economic and labour market indicators demonstrate the severity of the economic downturn. In the final quarter of 2008, GDP across the Eurozone, the UK,

and the US was down 1.6%, while the UK unemployment rate stood at around 7.9% at the end of July 2009 – leaving approximately 2.47 million people unemployed. This turbulence is reflected at the regional level. The Yorkshire & Humber economy has experienced a deep decline in output and a related rise in unemployment.

Virtually all sectors have been affected, including financial services, as well as the manufacturing and construction sectors, which have experienced the greatest declines in output and job impacts. That said, there are variations, with winners as well as losers in many sectors. Tourism stands out as one area where the weak pound, reduced disposable incomes and rising airfares have actually created opportunities in the domestic market. The new, high-profile “Welcome to Yorkshire” tourism campaign is timed to take advantage of that.

A key concern for the region is the recession's lagged effect on jobs. Both experience and forecasts suggest it takes longer for employment to recover than for output. The immediate challenge is stark but simple: keep as many people as possible in work and keep viable businesses trading. Yorkshire Forward has been at the forefront of this response, working through task forces to support the financial services and manufacturing sectors, investing £50 million to assist employers to continue to train staff, and helping thousands of businesses through Business Link.

### **Shaping a new economy – pressures, peaks and opportunities**

The aggressive pursuit of economic growth by much of the developed world has been exposed, at least over the short term, as failing to consider the basis upon which this growth was predicated. Global macroeconomic imbalances, cheap money and the “irrational exuberance” of investors gave rise to an unsustainable speculative bubble that spectacularly collapsed in on itself with the onset of the credit crunch. Interdependence across the global economy has brought the implications of this financial market meltdown and the opaque world of the financial system to the wider economy and, by extension, to our regions. Otherwise strong and viable businesses are struggling, while individuals are facing a new reality characterised by rising unemployment, job insecurity, reduced working hours and static or reduced disposable income.

As a society we have reached a broad consensus that irreversible climate change, environmental degradation, and persistent and growing inequalities cannot be allowed to go unaddressed. These factors suggest the need for new economic models capable of driving *sustainable* economic growth, fostering resilience and delivering greater social justice. Achieving this will mean significant changes in individual lifestyles and in the way many firms do business.

Yorkshire Futures published work in January 2008 looking at long-term future trends and scenarios.<sup>1</sup> This included models based on much higher energy prices, rapid growth in the North of England, and the twin impacts of recession and rapid climate change. Work and presentations on scenarios following on from this in 2008/09 (and as yet unpublished) further considered a new, post-credit-crunch scenario later in 2008, exploring a "new era of financial prudence". In this envisaged era, while the economy recovers, the psychological impact of the recession, restricted public finances and a return to rising oil and energy prices create a range of impacts. The implication is static rather than increasing disposable incomes and a preference for economic diversity, leading to more modest but also more resilient economic growth.

Other aspects of the new era include growth in low-carbon sectors, more people making secure, "always needed" career choices, less spending on luxuries, a greater willingness to regulate where needed, and more people and communities seeking a greater degree of self-reliance. I suspect many of these expectations may not be that far off the mark. Whatever realities transpire, the pressures we are facing demand consideration of the type of world we will be living in and the type of economy that will succeed within it.

What are the key elements of a new model and the challenges to which we must rise? Here I will focus on just three – a low-carbon economy, a widened and deepened "team-based" model of partnership, and the importance of community cohesion. I will conclude with some reflections on how a more integrated view of the economy and a more confident, differentiated view of our region and the North of England are central to delivering success in a new economic era.

### **Yorkshire & Humber as a pioneering low-carbon economy**

Addressing the prospect of irreversible climate change is perhaps the most significant economic, social and environmental challenge that confronts the world. The consequences of failing to take the required action cannot be understated. Food and water shortages, rising sea levels and economic crises are just some of the implications, should we fail to act decisively. As Nicholas Stern notes, "ignoring climate change will eventually damage economic growth", creating "risks of major disruption to economic and social activity". The message that inaction will be much more costly than action in the long term has been heard loudly and clearly.

Across the world, governments have announced stimulus and regulatory packages that will drive investment in the development and commercialisation of low-carbon technologies.

1 Henley Centre Headlight Visions and Yorkshire Futures *The Future of Yorkshire & Humber: Trends & Scenarios to 2030* (January 2008)

In the UK, the government has committed £1.4 billion of new money to support areas such as renewable energy, low-carbon and green manufacturing, and carbon capture and storage technologies. The announcement of the carbon budget sets a legally binding target to reduce emissions by 34% by 2020, providing the certainty demanded by businesses in order to stimulate investment in technological, process and product developments. The new Climate Change Act represents a world first in setting an ambitious and compelling domestic target to reduce carbon emissions by 80% by 2050. Despite the lack of fuss or fanfare surrounding it now, the new act may well be one of the most groundbreaking and progressive pieces of legislation passed by any recent government.

Major employment and businesses opportunities will be created in the UK. Over the next five to six years, the government expects the low-carbon and environmental sector to grow by £45 billion, totalling £150 billion by 2015 and employing 1.3 million, an increase of 400,000 from 2009. This presents huge opportunities for the regional economy. Yorkshire & Humber has the potential to transform itself from what was a heavily industrialised and energy-intensive economy to a world leader in clean energy and environmental technologies.

The Hull & Humber city region has great potential in renewable energy because of its wind, wave and tidal resources and its existing skills base and commercial know-how in energy and engineering. Its concentration of major coal-fired power stations, proximity to the North Sea and energy infrastructure also make it an ideal base for the deployment of carbon capture and storage technologies. Yorkshire Forward has spearheaded research into this field and is working with commercial partners to develop the business case for investment here. By seizing these opportunities, the region has the potential to be a major hub in a global low-carbon economy.

Other ambitions, such as the far-reaching Eco Vision proposals for the Dearne Valley, further demonstrate that the opportunity of the green economy is now seen and shared by a critical mass of partners and localities. Yorkshire Forward's major investment in the sustainable development company CO2 Sense, which is working to increase the competitiveness of regional businesses through the widespread adoption of resource efficiency and low-carbon measures, further enables the region to turn the rhetoric of the environmental economy into a business reality.

The leadership of Yorkshire Forward and the region in making climate change a key issue is demonstrated in targets and investment that started in support of the very first regional economic strategy in 2000 and has been consistently heightened since. This foundation will be a real asset in reaping dividends now that these issues have become mainstream.

Additionally, Yorkshire Forward has a unique position to play as a bridge and focal point to bring partners together. Its status enables it to link national policy makers to local opportunities, and to blend the different skills, assets and interests of the public and private sectors in a genuine partnership.

### **The next phase of partnership – Team Yorkshire & Humber**

When I returned to Yorkshire in the late 1990s, I was struck by the level of debate about the comparative merits of the public and private sectors. In many people's eyes, one or other was hero or villain. Some saw businesses as the fount of all wealth, others as ruthless profiteers; while the public sector was either a force for good or a byword for bureaucracy. Few saw that their roles are complementary and that working together their potential is vast.

Today we have moved on, and the idea of partnership is cemented. We have a good track record of public-private partnership in this region, which others envy. But it would be naive to think we are at an end-point and that those divides have disappeared. We live in a snapshot view of an evolving history. And taking past trends forward, I believe that over the next 20 years the boundaries between sectors – public, private, academic and voluntary – will blur further.

The voluntary sector will become even more entrepreneurial. The private sector will have to work with public agencies to tackle issues like climate change and rising energy costs. The public sector will be driven to become sharper in operation and used to working with the private sector. Unmanaged, this could be a recipe for confusion. But working together – under the common framework of the regional economic strategy and then the new integrated regional strategy – it can be our greatest strength.

The demands of a modern economy can be met only if partners work together behind shared objectives. Yorkshire Forward has performed a pivotal role in our region's development, delivering strategic leadership and promoting close partnership working between regional and local stakeholders from the public, private and voluntary sectors. Much progress has been achieved as a result. Employment and new business start-up rates have risen faster than the national average since 1998, helping to increase the size of the regional economy to over £80 billion. We now have a more diverse and resilient knowledge-based economy than ever before, with (until recently) record numbers in employment.

The government has recently published its new and forward-looking industrial policy, New Industry, New Jobs. This aims to align central government and other public-sector

interventions with current economic requirements and provides a renewed impetus for closer partnership working that links national, regional and local levels. This echoes the influencing and convening role that the regional development agencies have been developing over the past 10 years, and which will be taken further in the development of integrated regional strategies. The task of the integrated regional strategies in ensuring strategic alignment between the economy, housing, spatial planning, transport and climate change, within the overarching aim of sustainable economic growth, demands a widening of the issues that partnerships cover and a deepening of relationships with local government in particular.

On-going examples of regional partnership include initiatives such as the Renaissance Towns and Cities programme, which Yorkshire Forward has driven through strategic leadership and investment. This has enabled local authorities, businesses, architects and local citizens (through "town teams") to develop and deliver economically led civic visions for towns and cities.

Other partnership models include institutions based in our cities, and now the city regions. Sheffield is an excellent example of how a creative approach and innovative partnership working, driven by effective strategic leadership, can deliver economic recovery. The city had one of the first three urban regeneration companies (Sheffield One) and established the first city development company (Creative Sheffield). Backed by strong civic leadership and private-sector investment, it worked closely with Yorkshire Forward and English Partnerships to revitalise a city that has transformed its city centre and built a growing knowledge-based economy. Leeds city region's new pilot status provides another opportunity for regional and local partners to combine their different capacities and assets and make a new concept deliver real outcomes.

For me, building Team Yorkshire & Humber – an alliance across sectors and organisations of all those with a capacity and desire to make Yorkshire & Humber a better place – is central to our future. In new times, with new strategies and structures to work through, it is no longer enough just to recognise, respect or even collaborate with each other. What we need is the shared sense of purpose, zeal and drive that good teams have: an acceptance that, while we all have specialist roles to play, working together we have a collective strength that far exceeds individual talents. If we are to respond effectively to the big issues of the future, such as globalisation, climate change and security, a team approach will be critical.

### **Community cohesion, diversity and distinctiveness**

Population change and an increasingly diverse population present challenges and opportunities

across all sectors and localities. The UN predicts that the global population will exceed 9 billion by 2050, and the implications of greater competition for scarce resources will affect all countries and regions. The UK population is projected to reach 67 million by 2031; Yorkshire & Humber is also expected to show significant net growth, and both its ethnic diversity and average age will increase.

The ageing population profile means that the working-age population will have to support more people outside working age. This will place pressure on taxation revenue and public service provision, and has implications that we are already seeing for how long people will need to work in order to be able to support subsequent pensions.

Real economic opportunities exist in the use of the skills and experience of people who choose to delay retirement. More of this group may wish to work part-time, while younger employees may be more likely to seek extended travel opportunities and parents seek a better work-life balance. Meeting these pressures while enhancing productivity will be a key challenge for employers. But there will be major market opportunities too, for instance to cater for the increasingly active lifestyles and broader interests of older people, as well as in the health, housing and social care sectors. Areas of previous public provision may well become more partnership based or blurred across sectors, as previously stated.

Diversity is one of our strengths, and significant differences in population trends are likely within our region and across the UK. Cities and areas with higher ethnic-minority populations are more likely to have a younger population profile, bringing the dynamism, ideas and different perspectives that can drive innovation and business growth. New and rapidly growing markets are emerging around the provision of specialist goods and services, from Islamic banking to Bollywood fashion. It is vital that we recognise the potential of our people, our greatest asset, and ensure that we create the right conditions for all sections of the community to thrive.

Finally, the persistence – and in some cases growing nature – of inequalities is a major challenge. Research suggests that there are now fewer areas where most people are “average”, and instead there is one set of neighbourhoods where most people are advantaged and another set where most are disadvantaged. A recent report from the University of Sheffield shows that polarisation between rich and poor neighbourhoods is increasing; there are now no large neighbourhoods where children in the highest social class mix with any other class of children than the one just beneath them.<sup>2</sup>

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<sup>2</sup> Thomas, B and Dorling, D *Identity in Britain, A Cradle-to-grave Atlas* (Policy Press, 2007)

Much of this change is driven by global pressures, with higher-skilled jobs enjoying higher salary rises than lower-skilled jobs, and a "shrinking middle" in the labour market. How central government, regions and localities respond to this, especially in the context of a more diverse and potentially economically pressured society, will be key to ensuring the community cohesion that is essential for successful economies. Ensuring ambition, understanding, and enterprising, outward-looking perspectives are fostered from school onwards will be vital to achieving a society where the talents and opportunities of all can be maximised.

### **Well-being as an economic outcome**

There is a growing consensus that economic indicators can only ever tell us so much about the progress being made by our society. A body of research suggests that, above a certain level, increases in income in developed nations are not delivering corresponding increases in well-being. While there are clearly strong relationships between economy, society and environment, these links are complex and policy makers have yet to understand fully how to truly "join up" policy to achieve the desired outcomes.

Simon Foy's chapter in this publication sets out how integration of economic issues with society and environment will be more important than ever in developing an economic model that moves out of the last century and rises to future challenges. In broad terms, we need a long-term, joined-up approach that seeks improvements in quality of life, shared across society, serviced by a strong and stable economy, and operating within environmental limits. We need to better understand and define what sort of economy best delivers on this widened agenda, while continuing to support a flourishing business base. Yorkshire & Humber's work to deliver a low-carbon economy is just one example of how we can deliver multiple goals together.

There is a lively and developing debate nationally and beyond about the concept of well-being and how the economy relates to it. We don't have all the answers about how to apply this regionally and its precise implications for our economy. What is clear is that while GVA<sup>3</sup> is a useful measure of the size of the economy, it is not on its own the right yardstick to sum up everything the region wants to achieve. Of course we want our economy to grow, but we don't want the unsustainable double-digit growth, the huge extremes of wealth or the chronic congestion of London.

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3 Gross value added (GVA) represents the income generated by businesses, out of which are paid wages and salaries, the cost of capital investment and financial charges, before arriving at a figure for profit. It includes taxes on production but not subsidies or taxes on products.

### **From a North/South divide to a North/South difference?**

That thinking calls into question the conventional notion of a North/South divide and its application as a driver for our economic ambitions. While the sentiments behind the North "catching up" with the South are well intentioned and can have value as a rallying cry to focus action, there is a danger that this analysis is increasingly outmoded and simplistic. The North cannot and should not aspire to become the same beast as London and the wider South East.

On one level, the power of the City of London, and London's role as the seat of government and many major national institutions, will mean that a concentration of major businesses and corporations will always be drawn to it – ramping up its GVA massively. However desirable, it is unrealistic to expect the same level of commercial activity in regions some distance removed from the capital. Setting ourselves up to achieve that is setting ourselves up to fail and cementing a status as second-best. Equally, the "catch up" notion positions regions as competitors to London rather than collaborators with it. And it makes the highly questionable assumption that the reality of London and the South East provides an idyll we should want to emulate.

Looking forward, a new narrative focusing on a much more positive concept of a "North/South difference" could emphasise the importance of regional visions that are distinctive, ambitious and achievable. The notion of a North/South divide is predicated on an outdated model of sameness: that if Yorkshire & Humber were to become a mirror image of London and the South East we would have succeeded. Yet I am not aware of any regions that have succeeded by disregarding their history, culture and local assets in a quest to become a replica of somewhere else.

The idea of asserting our "difference" as the North or as a region does not mean saying that the North's economy is weak compared with that elsewhere and that we should simply accept it. To the contrary; there is a very positive story to tell about the North achieving a strong, forward-looking and sustainable economy, with good levels of employment and prosperity alongside economic resilience based on diversity and innovation. But that is better measured in absolute terms or based on wider international comparison with similar regions.

Our economy should be strong enough to stop gaps with the South growing, based on its own distinctive strengths which will propel our growth into the future and deliver improved and sustainable well-being. It needs to be one that can deliver the ambitions of our people and businesses and contribute to the national economy. Delivering on that kind of vision of a differentiated and successful North matters far more than whether we

do or don't close a doom-laden North/South divide as traditionally conceived.

The challenge in this model is that we need to articulate what the "difference" is and why that is an attractive option. The region will be addressing this question about our vision and direction in developing our integrated regional strategy. However, even at the outset it is clear that Yorkshire & Humber has a very strong offer. We combine a sound economy (which will strengthen again as we emerge from recession) coupled with attractive quality of life, big city opportunities, easy access to the best scenery in England, less time spent commuting and more time spent with friends and family, and better affordability – not least in terms of a much nicer house for your money.

Of course there are challenges: among them, securing investment in transport, research and development, and raising higher level skills. But my belief is that in a new economic era, Yorkshire & Humber is ready to adapt again and continue its journey to becoming a distinctive, modern and prosperous economy that turns environmental pressures into opportunities and which delivers for its businesses and people.



## Chapter 3

# Progress, position and challenges for the future

Simon Foy, Executive Director for Strategy at Yorkshire Forward

## Progress, position and challenges for the future

As the adage goes, if you can't monitor it, you can't manage it. That holds true for regions as well as business. Although we clearly cannot and would not want to put a number on *everything*, having clear and objective information about the position of our region, the progress it has made and the issues it faces is vital in assessing future courses of action. If strategies are to be relevant to people and businesses, then they need to be based on a clear understanding of regional trends and relative performance, as well as wider evidence and stakeholder input.

In Yorkshire & Humber, we created Yorkshire Futures in 2001 as a "regional intelligence network" to bring together partners in sharing research and intelligence, with a core team created to drive its work. Yorkshire Futures' work has grown in profile, breadth and partnership reach since its inception and now encompasses a range of aspects including wide-ranging research, futures analysis and "what works" information as well as communication of that to policy makers and practitioners. That adds to the work it has been doing consistently on collating and monitoring priority indicators, encapsulated in an annual *Progress in the Region* report covering social and environmental as well as economic progress.

At its heart, this chapter briefly summarises the headline findings from the most recent iteration of *Progress in the Region*, covering data available in 2008,<sup>1</sup> to provide context about how the region's performance has changed over time and how it compares with the national average. However, this work is limited by use of official data sources that are often no more recent than 2007, and offers a view of long-term trends rather than an insight into the impact of the current period's almost unprecedented economic turbulence. Hence I will supplement this with more contemporary data from Yorkshire Forward's Chief Economist's Unit, as well as some wider thinking on the nature of future economic development in our region.

### Performance on headline indicators

For some years, the region has collectively agreed a set of high-level indicators against which to assess its performance towards sustainable development – with strong content on economy and skills, but also on quality of life, infrastructure, environment and governance. These indicators were reviewed and strengthened in 2007 to provide four headline measures that offer an at-a-glance view of progress, backed by 35 high-level indicators. On all of these, *Progress in the Region* monitors long-term trends against a

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<sup>1</sup> Yorkshire Futures *Progress in the Region 2008* (2009) ([www.yorkshirefutures.com](http://www.yorkshirefutures.com))

baseline going back to 1998 (described as "absolute change" in the tables that follow) and against the national average (described as "relative change").

So how has the region been doing against these measures? The first test is to look at the four headline figures of the region's new indicators framework. These provide a broad picture, often based on overarching or index-based measures, and are designed to offer an overview of progress on the economy, quality of life, the environment and climate change. If the region is making progress on all four simultaneously and fast enough, then that would signal success in moving towards sustainable development.

**Table 1: Progress against headline indicators**

Headline indicator		Absolute change (compared with baseline year)		Headline indicator (compared with England average)
Regional Quality of Life Index <sup>2</sup>	?	Some improvement but not enough to be marked as progress	?	Change index very similar to that nationally
Total regional GVA	✓	Rise to £87 billion in 2007 – 52% higher than in 1998	?	Rise insufficient to close gap with national average
Regional Index of Sustainable Economic Well-being (ISEW) <sup>3</sup>	✓	Increase of nearly 50% between 1998 and 2006	✓	Below national average, but good progress made in closing the gap
Carbon-dioxide emissions	?	Slight reduction over the short period for which consistent data is available	?	Base emissions higher than national average and level of change similar – sharper cuts needed to meet targets

The headline indicators include the conventional measure of GVA (as a measure of output) as well as the newer measure of ISEW – essentially a sustainable economic measure that uses GVA data as its base and then makes additions and subtractions to take account of factors that are not included in GVA (such as pollution, unpaid economic activity, investment in health and education, and inequalities) but which influence the economy's impact on society and the environment.

<sup>2</sup> Index developed by Yorkshire Futures to capture aspects of well-being that can be affected by public policy and investments. It is based on six broad domains: health; economy and equality; crime and safety; neighbourhood and housing; sport, culture and leisure; and skills.

<sup>3</sup> Index developed by the New Economics Foundation and on which regional data collectively commissioned by regional development agencies and regional observatories is now available

They also include carbon emissions – which is becoming a new core issue in policy terms and where progress has to be judged against the ground-breaking ambitions of the new Climate Change Act. The set is completed with a new quality-of-life index developed in the region by Yorkshire Futures to pick up issues such as health, crime, employment and neighbourhood satisfaction.

As table 1 shows, the region is making *absolute* progress compared with the baseline on both GVA and ISEW. Though there has been an improvement in regional quality of life, it has not been significant enough to be marked as progress, while per-capita carbon-dioxide emissions have remained largely static against the baseline. A *relative* assessment of Yorkshire & Humber's performance against the national average makes it clear that while some progress has been made, on many issues the same trends and pace of change are apparent regionally as well as nationally. Tom Riordan explores this issue further in his chapter, which includes some thoughts on whether "bridging the North/South divide" is the right aspiration or an achievable one.

### High-level indicators

In addition to the headline indicators, the region tracks performance against 35 high-level indicators. The table shows overall performance against these.

**Table 2: Overall progress on high-level indicators**

*Assessment of trends for Yorkshire & Humber's 35 high-level indicators*

Absolute progress (compared with baseline)	Relative progress (compared with England average)
<ul style="list-style-type: none"> <li>• Positive progress – on 22 indicators</li> <li>• Little/uncertain change – on five indicators</li> <li>• Negative trends – on 8 indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Positive progress – on 17 indicators</li> <li>• Little/uncertain change – on five indicators</li> <li>• Negative trends – on 13 indicators</li> </ul>

Overall, the indicators show a mixed but predominantly positive picture. Absolute change in particular has been much more often positive than negative. For instance, in the economy, progress has been made in personal incomes, which have risen by 22% since 2002, and on the employment rate, which had risen to 73% (although, as will be mentioned later, the recession has recently unravelled this progress). Health, quality of place, river and air quality, and biodiversity have all improved too. Though major challenges on reducing carbon-dioxide emissions lie ahead, the region has managed to couple together economic progress with improvements in environmental quality. That is a real achievement of which the region can be proud.

Despite these successes, there are specific areas where we need to focus attention. The region still needs to improve productivity and increase investment in research and development. Progress has been mixed in terms of education and skills. Despite absolute progress, we are not sufficiently closing the gap with other regions on education and skills, which will be crucial to long-term success but which involves tackling complex issues about culture, aspirations and inequalities as well as the bedrock of provision of good schools and relevant training.

Table 3 provides a summary of the region's position on the key policy areas in which it is interested, before major long-term challenges are picked up in a discussion of "landmark issues" that *Progress in the Region* singles out.

**Table 3: Overall progress and implications for key policy areas**

	Policy area	Progress at a glance
Economy	Productivity and innovation	Performance on international trade has improved notably in relative terms. R&D levels are not rising as hoped and there is an increasing gap between Y&H and national productivity levels
	Enterprise	Enterprise levels are relatively low, but both start-up and three-year survival rates for new firms have improved faster than nationally
	Employment and incomes	Employment rates have risen faster than national average since 1998. They have slightly reduced in recent years and are likely to fall further during the downturn. Income levels have improved faster than average since baseline
Quality of life	Health and well-being	Life expectancy is improving at about the same rate as nationally. Obesity levels are rising, and faster than average
	Crime and safety	Total recorded crime is down by a quarter on 2002/03 levels. Violent crime is up on 1998 levels but there have been notable falls since 2005/06, with levels now the same as nationally
	Culture	Encouraging increases recorded in active recreation and in cultural participation, with the gap to the national average reduced
	Diversity and equalities	A modest but encouraging reduction in deprived wards and workless households compared with the baseline
Environment	Climate change and energy	Limited data, but still clear that climate change mitigation and adaptation and energy will be major long-term issues, especially as the region is an intensive energy producer and user
	Waste and resources	Higher recycling levels and sizeable reductions in the proportion of waste sent to landfill. More improvement possible

	Biodiversity	Good progress on condition of important habitats (SSSIs). While the region has a way to go to meet targets, the gap with the national average is much reduced
	Quality of local environments	Good improvements in water quality, with 90% now fair or better condition, and a reduced gap to national average. Air quality also improving. Quality of place has risen faster in areas with urban renaissance programmes than elsewhere regionally and nationally
Infrastructure	Transport	Traffic volume has been rising by about 1.5% per year – notably faster than nationally, with an increasing share of journeys by car
	Housing	House building increased up to 2006/07 but fell back in 2007/08. Energy performance of new housing is generally underwhelming, although better performance in some localities points to potential for improvement. Fuel poverty has risen sharply. Housing became less affordable up to 2007, although 2008 data may change that position
	Planning and land	There is absolute and relative progress on development on brownfield land. However, Yorkshire & Humber has more homes at significant or moderate flood risk than other regions
Education and skills	Education and skills	Pass rates for five good GCSEs including English and maths have improved, although the region's relative performance remains a major cause for concern. Skills levels are also improving, but gaps to national average have widened, especially at higher NVQ levels
Governance	Communities and participation	The region is improving on civic participation and volunteering, but is not yet at national average levels. On quality of public services, more local authorities are now getting the best ratings than nationally

### Landmark issues

Based on the trends and position on the high-level indicators, *Progress in the Region* singles out a number of “landmark issues” where trends appear to be persistent and problematic. Although they represent a minority of issues, and are usually not restricted to this region, they demand concerted and long-term attention in order to turn them around. These issues, which will have to be factored into future regional strategy and development, are:

- **Sustainable transport**

Trends towards more traffic, longer journeys and a higher proportion of travel by car and lorry cause economic, environmental and social problems. These trends will take concerted and radical action to shift.

- **Climate change**

Greenhouse gas emissions are not yet reducing in line with targets and the region's economy is the most energy-intensive in England (although most of that energy is then consumed elsewhere). Power generation and transport are crucial areas to address. Climate change adaptation is also a critical and long-term area for action.

- **Productivity and innovation**

The importance of innovation, coupled with poor relative performance on business R&D investment in particular, means this remains a key issue. It is strongly connected to productivity, where the gap with the national average is not closing. Turning this around will be a long-term challenge and demand integrated economic action on drivers of productivity.

- **Housing markets and affordability**

House prices are starting to fall after sharp rises over previous years, but there remains a gulf between areas of low demand and others that are unaffordable for most people. Reduced availability of finance and economic uncertainty are limiting the affordability benefits that reduced prices might otherwise bring.

- **Public health and obesity**

Despite a backdrop of lengthening life spans, some key determinants of health – most notably obesity – are deteriorating. This risks undermining future health improvements and could also impact upon employment and the economy. Action on physical activity, diet, alcohol and lifestyles is critical.

- **Higher-level skills and education**

GCSE pass rates are improving, but the region is at the foot of the regional performance league on this indicator and seeks rapid performance improvements. Higher-level skills, at NVQ 3 and especially NVQ 4 and above, are also improving but less quickly than elsewhere, meaning the region is lagging in an area that is vital to life chances, productivity and innovation.

- **Diversity and equalities**

While the extent of deprivation has been reducing, there are signs that it may be becoming more concentrated in certain areas and groups. This, along with analysis of future trends in areas such as skills, health and housing, points to what could become a potentially divided society. Divisions can be tied to localities and ethnicity too, with implications for community cohesion.

- **Economic recovery**

While the current economic downturn is too recent to influence some long-term indicators, it will clearly have a profound effect on the region and its economy.

The region's manufacturing base has been particularly hard hit. Further, the region's financial and business services sector, despite remaining a sector of regional significance, is unlikely to experience a continuation of the rapid growth it has undergone over the past five to 10 years. The challenge of protecting jobs and businesses and then stimulating growth and employment will be long-term, and focus on economic diversity and resilience will be needed.

### **The impact of the economic downturn**

As has been mentioned, *Progress in the Region's* focus on long-term trends and data sources that suffer a time lag before publication and which are not updated frequently means there is a divergence between the positive trends it reports and the economic realities that are all too obvious in the here and now. Hence, before we return to the big issues facing the region, it is useful to supplement its findings with more contemporary economic data collected by Yorkshire Forward.

The current economic downturn places a premium upon timely data and information in order to react swiftly and tactically to changing market conditions. In response, Yorkshire Forward's Chief Economist's Unit monitors the rapidly changing developments in the economy to provide a more accurate picture of the present highly dynamic economic landscape. This offers a narrower and more niched view of regional position – with a focus on jobs and business data – but one that is vital to making speedy and effective responses to the downturn.

Yorkshire Forward estimates that the regional economy contracted by 0.6% in 2008. The latest GVA forecast figures suggest it will contract by 2.7% in 2009, meaning that Yorkshire & Humber's economy is likely to shrink by £2.17 billion. However, there are emerging divergences in the relative performance across sectors and localities. Manufacturing and construction have been particularly hard hit, with significant job losses and business failures. The Humber and South Yorkshire are showing signs of comparative vulnerabilities in their labour markets and business stock.

In terms of the labour market, the region, like the UK as a whole, has seen employment fall while the unemployment rate has increased. This was confirmed by the official labour market estimates from the Office for National Statistics, which showed that unemployment in the region reached 8.0% in March 2009, up by 2.8 percentage points on a year earlier. The corresponding figure in the UK was 7.1%, up by 1.8 percentage points on a

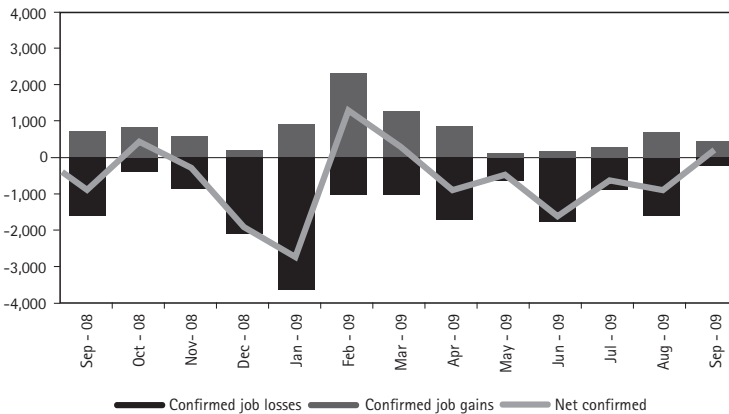
year earlier. The regional employment rate now stands at 71.7%, below the national average and down from around 73% a year earlier. Putting this into a longer-term context, the rate is now about the same as in 1998, meaning improvements in that rate achieved over a decade have been wiped out in a matter of months.

These trends are a concern, particularly as experience from previous recessions suggests that Yorkshire & Humber's labour market will take longer to recover from a downturn than that of the nation as a whole. Forecast data suggests that it could take until 2016/17 for the region to return to its 2007 employment levels. Nevertheless, what is different is that the total number of jobs and people in work remains notably higher than in previous decades, so there is a stronger base remaining than was the case in previous recent recessions. Achievements to date, a broader economic base and higher enterprise and employment levels all mean the region is better placed to emerge and recover from this recession.

A further source of up-to-date economic intelligence is the regional jobs database. This tracks planned and confirmed press announcements of job losses and gains throughout the region, on a weekly basis. Since September 2008 there has been a net loss of 8,191 jobs within the region. Figure 1 demonstrates the sharp fall in net job creation that took place in late 2008 and early 2009, and the continuation of a net job loss throughout the rest of 2009. This contrasts with the trends experienced during 2007/08.

**Figure 1: Net job gains or losses 2008-2009**

*Confirmed job gains and losses in Yorkshire & Humber*



Survey evidence suggests that business confidence is down across the region, with sharp drops in confidence pre-empting the recession itself, linked to oil and resource prices and inflation in 2008 before the banking crisis, and continuing into early 2009. However, the Purchasing Managers' Index for April 2009 suggested a slowdown in the pace of the recession in the region, with both business activity and incoming new business falling at slower rates than previously.

Unemployment claimant count data shows that the rate of increase in jobseeker's allowance claimant count slowed steeply between February 2009 – when it peaked – and April 2009. Tentatively, then, there are signs that the recession may be bottoming out. What is certain, however, is that the economic downturn will last longer than the recession itself and that the task of stimulating and sustaining economic recovery will be long-term. It is one that will prompt questions about the model of economic development we pursue as well as simply reviving economic growth.

### **Future directions – a new model of economic development?**

The unprecedented and unexpected nature of the recession – combining global reach, near meltdown in banking and crippling indebtedness – demands a response that is about more than simply getting back to business as usual. Add in the complications and potentially massive changes that will be catalysed by climate change, energy and natural resource issues – which are intimately connected to the operation of the economy – and it is clear that we should be considering fundamental and complex questions about the nature of the growth we seek. That includes how it is delivered, how resilient it will be to future pressures and economic shocks, and how it delivers outcomes that society seeks.

While the current economic downturn demands urgent action to assist people to remain in work and to help viable businesses to continue trading, it also provides an important opportunity to reassess the basis upon which our economies have developed over the last decade. It is highly likely that resilience to withstand and recover from economic shocks will be prized. Equally, employment will command more weight as a driver of economic policy. The combined impact may mean less emphasis on maximising economic output through focus on high-growth sectors, and more onus on sectoral diversity, the skills mix and flexibility of the labour market, the nature and number of jobs created, the enterprise culture, the extent to which business is embedded locally, community economic development approaches, and the assets and infrastructure necessary to sustain and heighten competitiveness.

The interconnected nature of the “landmark issues” facing the region further points to the need for an integrated approach. A model predicated on simply counting and maximising

GVA will by its very nature mitigate against fully developing those linkages and securing the win:win solutions that will be vital in ensuring that economic growth is long-term, robust and effective in delivering what society seeks from it. That is not a recipe for a no-growth model; far from it. It is an acknowledgement that we are entering a new era where we have to grapple with complexity and integration: one where the economy both supports and is supported by other policy goals, whether that be transport, housing, education, health or climate change. And one where living within limits, whether financial or environmental, is not an optional extra but central to securing long-term prosperity and well-being.

*Progress in the Region 2008* demonstrates that Yorkshire & Humber has made real progress on key indicators over the last decade. Regional output, employment and income levels, enterprise, environmental quality, health and skills have all improved, and the region's economy has emerged from the decline of its traditional industrial base with a stronger and more diverse sectoral mix.

However, significant challenges remain. These include securing long-term economic prosperity, tackling and living with climate change, raising aspirations and enhancing our skills base, improving our infrastructure – including better transport and housing – and promoting cohesion and diversity in the face of widening inequalities and a changing population. The emerging integrated regional strategy provides an ideal mechanism to meet these challenges and to establish a long-term vision for sustainable economic growth in a distinctive and successful Yorkshire & Humber.



## Chapter 4

# Delivering a skilled and employed region – a demand-led approach

Mark Andrews, Chair of the Regional Work & Skills Partnership and Chief Executive of NG Bailey, with Sharon Pickering, Director of the Regional Work & Skills Partnership, and Gila Tabrizi, Skills Policy Manager at Yorkshire Forward

## **Delivering a skilled and employed region – a demand-led approach**

*What we need from the government is a vision of the kind of economy we want to have in 10 years time' and what it's going to take to get from here to there.*

Richard Lambert, director-general of the CBI

The recent policy document *Building Britain's Future: New Industry, New Jobs*<sup>1</sup> articulates that a number of trends in the global economy will present new opportunities for British businesses. These trends include: growing populations and rising prosperity in other parts of the world; new technologies; the transition to low carbon and the green revolution; changes in demography in different societies; and the spread of international supply chains.

In this document, the government identifies that British businesses and therefore the British economy have fundamental strengths that will allow us to capitalise on these market opportunities but that, in order to do so, continued investment in raising the performance of people is required. The need to concentrate on skills for the future has been identified as a critical strand for Yorkshire & Humber as a means of continuing the focus on medium- and long-term employment opportunities, and therefore the skills needs of the region.

Central government policy on skills and training in response to the recession, and the associated funding, has become increasingly directed at retraining individuals to reskill them for the available jobs in local economies.

### **The regional context**

Yorkshire & Humber is a diverse region in terms of geography, industry and people. It has a population of over 5 million and a land area half the size of the Netherlands. Its geographical position also means that it is of important strategic spatial importance, which attracts both individuals and companies. Yorkshire & Humber has made great strides towards reaching its potential "to be a great place to live, work and do business", as stated in the regional economic strategy vision.

Even with the great diversity of the region, Yorkshire & Humber has a definite identity that has come about as result of its history of ridings and counties. It is an area of England that is well recognised as a place that tourists want to visit, and this reputation is both a national and international one.

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<sup>1</sup> Department for Business, Enterprise & Regulatory Reform *Building Britain's Future: New Industry, New Jobs* (April 2009)

This context has led to a distinct culture of working through subregions to maximise the potential of the region as a whole. Each of these subregions has a strong identity and has developed ways of working through partnership to become more effective.

The Yorkshire & Humber region is home to three city regions: Leeds, Sheffield, and Hull & Humber Ports. It also has the functional subregion of North Yorkshire, which is distinct in terms of its rural nature as home to two national parks and agricultural heritage. This complexity and diversity gives the region some challenges but brings with it opportunities in terms of collaboration and devolved decision making.

This paper will explain the challenges that Yorkshire & Humber faces in the context of employment and skills and describe the employer-facing mechanisms that have been put in place to enable a move to a demand-led approach to the employment and skills system. It will also explore some of the challenges of engaging employers at various spatial levels and ensuring that the messages they give are fed into strategic plans.

### **The regional economy**

In common with all regions in England, Yorkshire & Humber operates in an open global market and is therefore subject to the opportunities and challenges that this brings. In recent years the region's economy has seen significant growth and greater diversity in the range of businesses based there. The region's priority sectors in terms of adding significantly to economic growth are:

- advanced manufacturing and metals;
- food and drink;
- digital and new media industries;
- healthcare technologies; and
- financial and business services.

However, there are sectors that provide the region with significant employment opportunities. These areas have been:

- retail and logistics;
- health and social care;
- construction and the built environment;
- public services, including education; and
- hospitality and leisure services.

The global economic downturn has adversely affected the region's economy, and its key sectors are consequently feeling the impact to varying degrees. Continual research and analysis is being undertaken in the region to try to understand where the economic shocks have been felt hardest and to help ensure robustness for the future. Although such research cannot be fully concluded until the economy enters recovery, we can point to initial findings on the impact on key sectors.

Early forecasts of this recession suggested a retrenchment in consumer spending and financial services. In fact we have seen investment and manufacturing decline the most. In Yorkshire & Humber, we estimate that up to 43,000 manufacturing jobs are at risk – representing some 14% of the sector's total workforce. The construction sector has also suffered disproportionately during this downturn. In total there are potentially up to 120,000 jobs at risk up to 2011, after which we forecast the regional economy will begin to show positive growth once more.

Within the region there are geographical variations too, with businesses in the Humber and South Yorkshire reporting less optimism than other areas. Leeds, Doncaster and Sheffield have seen the greatest numbers of redundancies in the region. The unemployment claimant count has risen across all the region's local authorities over the past year, but to a varying extent. The rate ranges from highs of 8% in Kingston upon Hull and 5.7% in North East Lincolnshire to lows of only 2% in Craven, Harrogate and Richmondshire.

Despite this gloomy outlook, we must remember that even at the height of this recession Yorkshire & Humber will still have more than 2 million people in employment, which is a significantly better performance – a quarter of a million more – than during the recession of the 1990s. Moreover, a functional jobs market remains, with jobs and vacancies still arising continuously.

Regional and local agencies are working very closely together with businesses to make sure that the negative effects of the changes in the economy are minimised and to ensure that Yorkshire & Humber is positioned favourably to capitalise on the opportunities of the economic upturn.

### **Regional skills and employment challenges**

The longer-term challenges for employment and skills in Yorkshire & Humber are significant.

Put briefly, the region has:<sup>2</sup>

<sup>2</sup> Data from: Yorkshire Futures *Progress in the Region* (2009)

- a score still below the national average of 47.6% for attainment of five or more GCSEs at A\*-C, despite an increase of nearly five percentage points over the last three years to 44.4%;
- 7.7% of 16- to 18-year-olds not in education, employment or training, against a national average of 6.5%, according to the latest available data;
- the third-highest proportion (14.5%) of people of working age with no qualifications in the country, despite a reduction from 18% in 1999;
- adult skill levels at NVQ levels 2, 3 and 4 all below the national average;
- a percentage of working-age people living in workless households that is higher than the national average and the fifth-worst of all regions; and
- a jobseeker's allowance claimant count that has risen to 5.4% at March 2009, up 2.6% on March 2008 and representing 142,800 claimants in the region.

### **Skills and employment policy**

The Leitch skills review<sup>3</sup> set out the challenge for the UK in relation to the knowledge economy and the need for a more and higher-level skilled population and a better infrastructure to deliver this. The main thrust of the policy is the need for the country to move towards a demand-led skills system that would be more sensitive and responsive to needs of the economy and the businesses that contribute to it. This has become even more crucial in the current economic climate, alongside the challenges that are faced within the region.

Analysis of the targets set by Leitch in the context of Yorkshire & Humber shows that there is a huge challenge to achieve what is set out in the final report. Put succinctly, the region needs to do the following:

- An additional 986,000 individuals need to be qualified to NVQ level 2 or higher, including an additional 583,000 qualified to level 4.
- Taking into account retirements, the target is more likely to be an extra 1.46 million individuals gaining qualifications at level 2 or above, of which 781,000 will be to level 4 or above.
- The estimated level 3 contribution required from the region is likely to be an additional 190,000 qualifications.
- The region will also need to find at least a further 50,000 apprenticeships.
- To achieve 95% literacy and numeracy, the region will need to achieve more than 750,000 qualifications.
- Of the 908,000 young people reaching age 19 during 2007-20, it is estimated that 713,000 will attain a level 2 qualification, leaving a gap of 747,000 further individuals

<sup>3</sup> Leitch, *S Skills, Prosperity for All in the Global Economy: World Class Skills* (HM Treasury, December 2006)

to reach level 2 if the 90% Leitch target is to be attained.

- Trend analysis suggests that the region will generate 339,000 NVQ level 4s, leaving a gap of 442,000.
- These gaps will need to be filled by those currently in employment and those who are economically inactive.

Unlike the 2006 regional economy strategy,<sup>4</sup> Leitch defines the future (and ideal mix) of skills in the workforce to support national policy priorities. The Leitch review shares the same policy imperative as the regional economy strategy (for adults): that better skills and more economically valuable qualifications are a means by which we connect people to economic opportunity. Leitch gives us a road map for achieving a better balance between basic, intermediate and higher-level skills by 2020.

In considering the regional economic and skills profile and the ambitions outlined in the Leitch review, the regional work and skills partnership in Yorkshire & Humber has a critical role to add value through its collective influence. The aim is to ensure that the demands from industry, communities and individuals for skills are delivered in a way that best assists economic growth and development, and ensures that the region achieves its optimum potential. In order to achieve this it is essential that employers, business leaders and employer-facing organisations are connected into the system. In Yorkshire & Humber, then, there is deliberate effort in ensuring that the work and skills partnership not only shows the way being led by business but also facilitates the implementation of this policy at all spatial levels.

### **Economies and places**

In addition to this complexity of business base and geography, the current context of machinery-of-government changes<sup>5</sup> and the existing employment and skills challenges mean that the present and future governance infrastructures of the region are integral to achieving its ambitions.

Alongside the significant policy drivers of Leitch, the region is moving towards further devolved decision making, through the implementation of the subnational review,<sup>6</sup> a central government-led review of the structures and responsibilities of the subnational tier. As a result, the Yorkshire & Humber assembly was disbanded in April 2009 and

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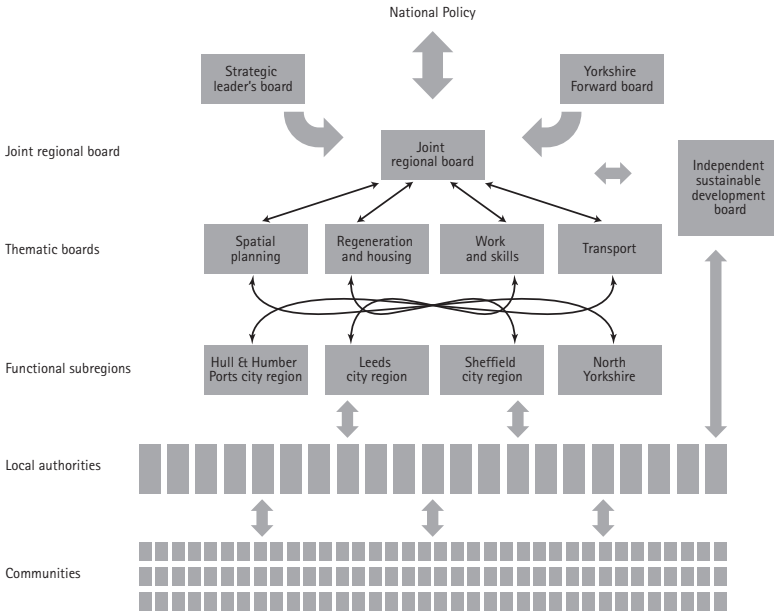
<sup>4</sup> Yorkshire Forward *The Regional Economic Strategy for Yorkshire & the Humber 2006–2015* (2006)

<sup>5</sup> Department for Children, Schools & Families and Department for Innovation, Universities & Skills *Raising Expectations: Enabling the System to Deliver* (2008)

<sup>6</sup> HM Treasury, Department for Business & Regulatory Reform and Department for Communities & Local Government *Review of Sub-national Economic Development & Regeneration* (2007)

new arrangements for regional governance have been put in place to ensure a better connection between the economic development and regeneration strategies.

**Figure 1: Regional governance structures in Yorkshire & Humber**



The development of a joint regional board in Yorkshire & Humber, and the four thematic boards (housing and regeneration, transport, spatial planning, and work and skills), which will support the delivery of the integrated regional strategy, formally strengthens the relationship between Yorkshire Forward and local government. The new governance structure also helps connect the region as a whole to its city regions and functional subregions. This connectivity is vital in ensuring strategies are aligned, investment is targeted to real need and therefore there is added value in the system. In addition, the new structure highlights the importance of place as well as sectors in the strategic positioning of skills and employment as a key driver of economic performance.

The regional skills partnership had been working explicitly on what the demand-led skills system for the region should look like and how it would interface between the complex-

ities of regional, city-region and local strategies. In addition, how the system should respond to the diverse demands in the region from sectors, businesses and communities had been a common theme in the discussions at a strategic level.

In this context it was sensible and pragmatic for the regional skills partnership to take on the mantle of the new thematic board for work and skills (becoming the regional work and skills partnership). This transition is in its infancy but the success of the new structures to deliver the aspirations of both sectors and geographies depends on the ability of the new board to bring together the key agencies and sectors in the region; to work in partnership; to give collective leadership to the skills agenda in Yorkshire & Humber; and to improve employment and skills outcomes and productivity on a demand-led basis for the region, in alignment with the integrated regional strategy.

The regional work and skills partnership will work to add value in the region by:

- maintaining a clear and informed view of the employment and skills needs of the regional economy going forward, including geographical variations, and of the needs of employers and communities within it;
- giving leadership to the employment and skills agenda in the region and, through discussion and agreed follow-up action by partner agencies and sectors, achieving policy alignment and coherence of action to meet those needs; and
- agreeing and maintaining an effective employment and skills strategy for the region, bringing together the contributions of all agencies and sectors, working together collaboratively and coherently, informed by and aligned to the regional economic strategy and its successor, the integrated regional strategy.

The evolution of infrastructures and networks to enable the employer voice to be not just heard but embedded within the system is vital but not an easy process. Within Yorkshire & Humber, those infrastructures have developed within the context of a demand-led policy approach.

### **Achieving a demand-led system**

The Leitch challenge to the skills and employment system to become demand-led, and to deliver what is required by business, is seen as a way of developing people within the learning and skills system to be fit-for-purpose for employment in a world where the knowledge economy and high-technology industries are providing more employment opportunities than ever before. The key to this is to make sure that the employer voice is fed into the system.

Employers demand skills in their current and future workforce to deliver a high-quality product or service. Employers are unlikely to fund full qualifications unless the investment in this type of training links to specific business benefits. They therefore tend to value specific, targeted training as opposed to traditional academic courses.

Local authorities, alongside the third sector, the TUC with Unionlearn, and to a great extent education and training providers, are clearly also concerned to respond to demand from individuals and communities. The tension between these two types of demand can be reconciled through the development of partnerships between communities, businesses and local government at different spatial levels. However, these partnerships are highly dependent on leadership from local government, local communities and local businesses. For individuals, skills are important to enable them either to find a job or to get a job that is better in terms of status and pay. Qualifications are important as a passport to that better job and as a statement of ability.

The issue and definition of the term "demand-led" is problematic. Leitch does not clearly identify that demand equates entirely to employer or business demand, but policy makers have used this as a policy driver, and this view of what demand-led means has certainly influenced strategic investment thus far. For example, initiatives such as Train to Gain are clearly aimed at ensuring employer-driven demand in skills provision.

However, central government has recently promoted the idea of "industrial activism" and "strategic skills", ensuring that government interventions help deliver the right skills to the right people at the right time. Anticipating strategic demand cannot be left solely to employers articulating their future demand, because government policy and investment decisions can significantly alter skills requirements in local labour markets. The policy paper *Building Britain's Future: New Industry, New Jobs*<sup>7</sup> examines this concept in greater detail.

In Yorkshire & Humber we have recognised that the region needs innovative businesses to stimulate creativity, diversity and sustainable economic growth for the future. If we focus only on current individual and employer demand we will meet our short-term skills needs but will not necessarily equip the region with the skills required to succeed in the future. We therefore believe that a strategic approach to developing a demand-led system is crucial. The challenge lies in how to achieve this.

Although we can predict growth sectors in the regional economy, we cannot in all certainty say what future job opportunities will arise out of these, because much work of

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7 Department for Business, Enterprise & Regulatory Reform *Building Britain's Future: New Industry, New Jobs* (April 2009)

the future may not yet exist. It is therefore a very difficult task to specify what the exact job-related skills are that people would need to be able to take up these opportunities. Improving the generic transferable skills of individuals is critical, because employers will require people with flexible skills who can quickly and easily adapt to new duties and new disciplines.

Individuals must be able to sell their generic transferable skills to a variety of employers where common skill sets are in demand, regardless of the nature of business. For instance, people with skills in customer care, communication, budgeting, problem solving, project management, planning, and research and analysis could apply these across a wide variety of sectors and successfully gain employment in a number of different types of businesses. The supply side may therefore be more effective in meeting strategic skill demand by concentrating on raising these types of generic skills rather than trying to predict specific occupational skills.

Ensuring that demand for skills is aligned with the supply of skills is an almost intractable problem that few systems appear to resolve successfully. Moreover, it is imperative to ensure that the evidence of demand is fed into regional and local investment strategies. This can be done in a variety of ways, including the following:

- collecting quantitative data through national and regional surveys;
- using qualitative approaches to engage with the employer voice;
- taking account of anecdotal evidence and experiences; and
- engaging employers in policy and strategy development.

All these are important ways of capturing the employer "voice" on their demand for skills, but in order to ensure the right fit with employer demand there needs to be a way of capturing intelligence from the demand side of the system and making sure that it is taken into account in terms of strategic investment.

The development of work and skills boards at local and city-regional or subregional level is clearly an important method of ensuring that the complexities of demand are captured, made sense of and threaded through strategy development into targeting investments on to skills and employment solutions appropriate to local requirements and contexts. Within the region, these bodies and groups are diverse but all provide a vital function of making connections with employers, business and local communities in order to understand the demands in that locality.

In Yorkshire & Humber many of these groups are owned or chaired by employers, as is the regional work and skills partnership. This engagement by business in both strategy setting and influencing investment is a strength that is allowing the demand-led policy of government to be embedded within the delivery system. The challenge for the region is to maintain the engagement, identify impact and generate a culture of business engagement in skills and training.

### **Conclusion**

The engagement of employers in developing skills strategies and investment planning is crucial if we are to achieve the holy grail of aligning supply more closely to the demands of businesses and individuals. There are challenges that are systemic, political and cultural – however, there are prizes to be won, as Leitch has explained.

Within Yorkshire & Humber we have made the decision to engage employers at all levels of the system and ensure that their needs are made central to investment decisions. The long-term gains will be that the people and businesses here will be better skilled and therefore more productive and the region will be better placed to emerge from the current economic difficulties.



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Chapter 5

# Achieving sustainable development

Andrew Wood, Managing Director of Green Empire and Co-ordinator of the Yorkshire & Humber Regional Environment Forum

## Achieving sustainable development

*The way to get people to build a ship is not to teach them carpentry, assign them tasks, and give them schedules to meet, but to inspire them to long for the infinite immensity of the sea.*

Antoine de Saint-Exupery

*[The Japanese] believe in progress by stages, in the iterative process ... the persistent trial and error that allows them to wake up one morning after many, many mornings with a world-beating product ... All their success is born out of a theory of gradual development that is the very antithesis of the British obsession with the quantum leap.*

James Dyson

Can the Yorkshire & Humber region achieve sustainable development? Or to be more precise, since inevitably it must achieve sustainable development at some point, how can it do so sooner rather than later?

*Progress in the Region 2008*,<sup>1</sup> Yorkshire & Humber's regional monitoring document produced by Yorkshire Futures, outlines eight landmark issues that give a very useful baseline for tackling the legacy of decades of "growth at any price" policies, because they are rooted in an honest appraisal of the social, environmental and economic circumstances that are not improving in the region at the moment, or are worsening. Progress in the Region states:

*Many argue that the quest for growth and consumption, beyond that which people, institutions and the planet can actually sustain, has contributed to the current economic position. It is highly likely that a stronger emphasis on sustainability and resilience will result – not least given the realities of climate change and a powerful new Climate Change Act to drive down carbon emissions.*

This is a monumentally significant recognition for a document published and endorsed by the regional agencies. It also seems at odds with many facets of the places we have built around us – our modern urban economies, our bulging transport infrastructure and our out-of-town retail developments, all monuments to this quest for growth and consumption. Can we square the circle? At a time when the regional structures of the last decade are being overhauled, is this a golden opportunity to progress sustainable development?

<sup>1</sup> Yorkshire Futures Progress in the Region 2008 (2009)  
(<http://www.yorkshirefutures.com/siteassets/documents/YorkshireFutures/F/9/F94E4B0B-DECA-4690-AC31-6B4A903FCD32/Progress%20in%20the%20Region%202008%20FINAL.pdf>)

The trouble is that our institutions are not really built to deal with these issues. The UK's public bodies and civil society alike are historically structured around pursuing growth (such as incentives for inward investment, plan-led private-sector housing, ever-growing road infrastructure, and encouragement of the "night-time economy" of town centres) and then mitigating the resulting externalities (with support for the unemployed, planning obligations to pay for affordable housing, air-quality management areas, and medical and emergency services dealing with the consequences of excessive drinking, for example).

### **Landmark issues for the region**

The landmark issues broadly highlight symptomatic trends, but don't really illuminate the underlying causes of these trends. For example, most sustainable transport initiatives are crippled by a combination of dispersed settlement patterns; loss of local shops and services; the sustained real-terms reduction in the cost of motoring compared with the increase in the cost of public transport; the dependence of so many people's livelihoods on a transport-hungry economy; and consequent political reluctance to act radically. The old joke about giving directions and saying "I wouldn't start from here" was never more appropriate.

Yorkshire & Humber's landmark issues (as stated in *Progress in the Region 2008*) are:

- sustainable transport;
- climate change;
- productivity and innovation;
- housing markets and affordability;
- public health and obesity;
- higher-level skills and education;
- diversity and equalities; and
- economic recovery,

For many years now the dominant model for visualising sustainable development has been the three-legged stool, in which the three legs of social, environmental and economic well-being must be balanced. Historically, economic considerations have always tended to take priority and thus the economic "leg" is much longer than the other two. Hence achieving sustainable development would mean making much more progress on social and environmental objectives than on economic ones to redress the balance.

However, the three-legged stool model is not so effective in expressing what Douglas Adams called the "ultimate interconnectedness of all things": playing catch-up on environmental restoration or social equality as separate activities tends to reinforce silo thinking in policy and action, and synergies are not found.

For this reason the Russian dolls model is much more compelling. The environment provides the life-support and context within which all human activity takes place, and is therefore the outer doll. Society functions within the environment, and is the middle doll; and the economy functions within society, and is the inner doll. It is easy to visualise, because one doll cannot be larger than the one in which it sits. It chimes well with the government definition of "sustainable economic growth". We also now have strong indicators to show the morbid obesity of the inner two dolls and the resulting pressure on society and on environmental limits. In crude terms:

- The gap between gross domestic product (GDP) and the Index of Social and Economic Wellbeing (ISEW) per capita indicates the extent to which the economy has outgrown the society it is supposed to serve – by a factor of two.
- The gap between the region's ecological footprint and its global fair share indicates the extent to which our society has outgrown the environmental systems it needs to support it – by a factor of three.

So, having shown how terrifyingly out of kilter we are, are we any nearer to knowing what to do about it? What means do we have at our disposal to get the dolls back into the right proportions?

The New Economics Foundation has worked with several regions on a Regional Index of Social and Economic Wellbeing (R-ISEW). The ISEW is an interesting measure because it starts from consumer expenditure per capita and makes adjustments for economic growth, investment in public services, social and environmental costs, and the value of unpaid work. In Yorkshire & Humber<sup>2</sup> the ISEW per capita has grown more quickly in recent years than has GDP – potentially a good sign, although the gains in health, education and air quality to which this is attributed may be tailing off. But ISEW remains at roughly half of GDP.

While detailed comparisons have not been undertaken to identify what falls within this ISEW-GDP gap, we may assume that it includes the following:

- the costs of social externalities, such as productivity lost to sickness;
- the costs of environmental externalities, such as air pollution from road traffic; and
- the lengthening of supply chains for goods and services that increase the gross transaction value without changing consumer expenditure or necessarily improving the product.

2 New Economics Foundation *Index of Social & Economic Wellbeing in Yorkshire & Humber* (Yorkshire Futures, 2006) (<http://www.yorkshirefutures.com/siteassets/documents/YorkshireFutures/5/9/596BE40D-5DA0-4773-AB84-47C7CEE8FE3B/4%20PAGER%20-%20ISEW%20the%20FINAL.pdf>)

We might therefore describe this ISEW-GDP gap as economic activity happening outside, or in debt to, society and the environment. If sustainable economic growth really is an attainable goal, then closing this gap is of paramount importance.

### **Reducing our ecological footprint**

Ecological footprint expresses – in global hectares – the amount of land each of us requires to support our consumption of resources. If everyone on the planet had the same consumption habits as we do in Yorkshire & Humber, we would need three planets. There are two ways to reduce our per-capita ecological footprint: reduce our consumption of resources, or increase the capacity of the ecosystems on which we depend. So we can categorise footprint reduction activity as follows.

#### **Reducing our consumption of resources:**

- Consume less – energy, raw materials, water, food.
- Consume better – renewable energy, closed-loop materials/recycling, flexible working patterns, better diets, more equitable access to better consumption choices.
- Pollute less – reducing waste and pollution in all its forms and relieving the environmental and health pressures that result from pollution.

#### **Increasing the capacity of ecosystems:**

- Making space for ecosystems within new and existing developments – green infrastructure, wetlands, ecological networks.
- Managing ecosystems for improved bio-productivity – managing species, drainage, nutrients and pollutants to give best effect.

A parallel equation can be drawn for socioeconomic capacity, which on the consumption side tackles inequalities, fuel poverty and obesity, and finds ways to keep economic productivity circulating within a community; and on the capacity side addresses equal opportunities, civil society and citizenship, mental health, education and skills.

Regional agencies often contend that much of this activity is outside their scope or control. To an extent these excuses are beginning to lose their shine, as more and more public organisations respond to the duties of the Climate Change Act, and accept that in a country where the public sector accounts for around 20% of employment and of GDP there is huge power simply in their own procurement and investment decisions. Once we add in the effects of fiscal policies, spatial planning policies and devolution, the public sector's leverage over our resource-consumption habits is much greater than even many decision makers realise.

A very useful step forward might be a combined audit of central government targets (in public service agreements), regional targets (in emerging integrated regional strategies) and local targets (in local area agreements and so forth) to see how they could be better aligned to unlock potential for footprint reduction. There is no reason why such an exercise could not or should not be done at a regional level, where it could reflect the specific circumstances of the region, its global relationships and the aspirations of the places within it.

### **Living within environmental limits**

The Yorkshire & Humber Regional Environment Forum renewed the regional environmental enhancement strategy in 2007, and this is now centred on the principle of "living within environmental limits". During 2008 we examined environmental limits in detail, and discovered that sustainable development at *regional scale* is really about valuing the competing uses for land and managing those uses to best effect.

In the near future Yorkshire & Humber will be required to accommodate more and more people, their livelihoods, their needs for food, natural resources, energy, waste processing, public services and recreation, all within a finite amount of land and with an unpredictable amount of water. Crucially, all of this can work only if there is a functioning ecosystem, and a functioning ecosystem needs space for itself – space designated for natural systems to maintain and regenerate themselves, and where those natural systems are not being continually tapped by humans. Without functioning ecosystems *all* of our other regional challenges are, quite simply, doomed to fail.

The UK is now in ecological "double deficit", because its own ecosystems are still in decline and it is dependent for food, resources and waste processing on ecosystems elsewhere in the world. Yet making space for this essential ecological capital within our development decisions is a priority for which we have virtually no implementation mechanisms.

Our policy toolkit is not yet up to the challenge. Building a new settlement in a carefully chosen location, with good energy performance, good transport options and sustainable water and drainage measures will enable us to squeeze some more homes into the region without significant risk of increasing our ecological footprint. But it offers almost no hope at all of helping us meet our 2020 or 2050 carbon-reduction targets, nor of reducing our ecological footprint.

Similarly, the push for increasing provision of renewable energy can just about keep pace with increases in energy demand but will have no effect on our existing baseline level of fossil fuel consumption. And we have had regional policies to promote sustainable

transport for at least 10 years, yet a recent study in the region<sup>3</sup> showed that even a package of transport measures considered so radical as to be politically unpalatable would not have nearly enough effect on the ecological footprint of the transport system.

#### **Four policy priorities**

To have any prospect of achieving our sustainability goals demands at least four policy priorities – each hugely more important than low-carbon settlements or renewable-energy schemes:

- a massive programme of retrofitting state-of-the-art energy and water efficiency measures to our existing building stock;
- serious public finance intervention to make public transport substantially cheaper than driving;
- strategic targets for increasing the ecological capital and resilience of the region, building on current green infrastructure, biodiversity and climate change adaptation objectives; and
- sustained effort to support community-based initiatives, entrepreneurs and education, so that in a few years every local community will be enthusiastically pursuing sustainable development, in their own way.

Education and community engagement really are desperately important, since all real action ultimately comes from individuals. Policy follows reality: if initiatives derived locally are shown to work, regional and national policy and business practice gradually evolve to reflect what works. Conversely, policies that don't chime with the mood of society will generally not succeed. This is the iterative process in action, and it can square the circle.

One of the difficulties we have seen regional development agencies facing across the UK is that the pressure to achieve GDP growth and to demonstrate short-term results has pushed them towards supporting "programme-scale" activity, which basically means fewer, larger projects. We might conclude that there is a gap in the institutional arrangements, between regional/supra-regional investment programmes – where accountability is a priority – and local-scale projects, where micro-cash flow and day-to-day skills and capacity are at a premium. It is important to set ambitious, inspiring goals, and rather than addressing these goals through high-minded, strategic schemes with linear targets, we should be nurturing a groundswell of small, community-led and micro-business ideas. Spread the risk and spread the benefits.

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<sup>3</sup> Yorkshire & Humber Assembly *Achieving Low Carbon Transport Systems in Yorkshire & Humber* (2008) (<http://www.yhassembly.gov.uk/dnlds/JMP%20SEI%20Final%20Report%20%20310308.pdf>)

## Concluding recommendations

To conclude, here are some suggestions for how the region and its institutions might be able to form a clearer vision and find a less rocky path towards sustainable development.

1. Some really ambitious long-range targets should be set that focus all our minds on the scale of the task. The Welsh Assembly government's example, "One Wales, One Planet within One Generation", is the kind of ambition all regions should be aspiring to, with honesty and openness about the gargantuan scale of the challenge.
2. A commitment should be made to some big, bold indicators that express a rate of progress, not just an endgame. How about regional GDP-ISEW convergence and a rate of ecological footprint reduction?
3. It should be recognised that progress will nevertheless be experimental and iterative, that momentum needs to be built from micro-scale activities before real progress will be seen, and that this should be reflected in the trajectory of the long-range targets.
4. A regional sustainability analysis of the combination of national, regional and local performance indicators should be undertaken to evaluate objectives and see where synergies can be found across the tiers of government that could save resources and enable joined-up activity.
5. The potential for strategic interventions to increase environmental and social capital in the region should be looked at in detail. Yorkshire & Humber's civil society organisations are ready and waiting to help with this work.
6. A low-bureaucracy support infrastructure should be built up for micro-scale initiatives and projects that better connects on-the-ground outcomes to the regional and local investment apparatus, to the integrated regional strategy, and to the scrutiny processes: don't burden small ideas with big procedures.

In other words, the time may yet be upon us where regionalism can inspire sustainable development ambitions, and can also provide the support infrastructure within which the inevitable trial-and-error, project-by-project progress can flourish.

*Andrew Wood has worked with the Yorkshire & Humber Regional Environment Forum since 2001, after training in architecture and town planning and working in the environmental charity sector. As managing director of sustainability consultant Green Empire he now provides policy and organisational support to the forum on a consultancy basis.*

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Chapter 6

# Regenerating the region's rural economy

Graham Ward OBE, Chair of Yorkshire & Humber Rural Affairs Forum

## Regenerating the region's rural economy

I wonder if rural residents and businesses feel they wish to be regenerated – and if so, can we convert hearsay into evidence, into policy and into strategy? Everything I read suggests there is great variability across the region, much of which is related to historical and economic relationships with global, national as well as regional forces.

Using the three legs of sustainability, can we identify economic failures, social breakdown or degraded environment so that the new integrated regional strategy can advance opportunity on all three fronts? The secretary of state's revisions to the last regional spatial strategy required it to be refocused on cities and principal towns, and instated reduced housing provision outside these areas. The regional economic strategy says, for rural areas, "concentrate renaissance on towns together with a bit on tourism and economic balance in remote rural and national parks".

### A brief description of Y&H rurality

The rural areas of the region account for 87% of the land area, and some 27% is subject to national landscape and nature conservation designation. This attractive countryside is shaped by the geology and further honed by farming activities. It ranges across moors, dales, vales and wolds, each having distinctive built as well as natural variation. It is home to around a million people, some 20% of the region's population – not an insignificant minority, by any measure.

There are a range of market towns, which have arisen around agricultural trading, and some 800 parishes. The characteristics of these settlements are their relatively small populations and their spatial separation, both of which certainly affect communication and services in terms of cost and time. They also, however, create higher levels of self-determination and social cohesion.

There is much evidence of industrial activity in the region, including of course the Industrial Revolution, which created the major conurbations and many of the large country houses. The recent demise of the coal and steel industries has left scars on our rural areas, not only physically on the landscape but also on some of our village communities, where evidence of deprivation can be observed. Rural areas have much industrial infrastructure, such as power stations, quarries and distribution centres, as well as being traversed by major roads and railways. The Ouse and Trent catchments have the largest water movement in England, and climate change will bring a serious challenge to the rural areas in helping to manage these flows for the benefit of our urban neighbours.

The rising price of oil and climate change will largely determine the challenges and create the opportunities to advance economic growth in our region, and this will need a partnership in which both the urban and rural parts contribute effectively.

### **Economic activity**

Although farming contributes only a small part of regional output and employment, it is a fundamental part of the landscape structure and is the canvas upon which most other rural activities occur. It is interrelated with very important economic activities, such as tourism, food processing, and small and large servicing suppliers. Professional services such as auctioneers, vets, estate management, banking and accountancy are all part of the economic activity generated. The farming sector thus has a wide influence on rural areas.

Monies to incentivise and change agriculture are now channelled from Brussels as part of the Common Agricultural Policy. The reform of the CAP has massively changed the policy objectives and the political direction of these cash injections. The majority of commodity support has gone to create a market-driven free-capitalist culture. "Farmers must compete in the global marketplace" is the mantra. This begs the question of trade protection and the total failure of the Doha round of international trade talks.

Having liberated farmers from commodity focus, great efforts are now being made by regulators, spurred on by a very wide range of "interests", to contain these free-trade market activities. These include incentives from Natural England (on biodiversity and landscape), regulatory empowerment by the Environment Agency (for resource protection and water management), and of course the all-encompassing planning powers vested in national parks and local authorities.

Finally, the marketplace in which farmers operate has become dominated by large global businesses. The implications of this for the environment, the supply chain and the local economy are only just beginning to emerge. No wonder farmers feel put upon and are withdrawing behind their farm gates. One of the challenges of rural policy is to reconnect the farming social expertise into the rural governance structures, from parish council up to regional board.

How is the agricultural marketplace changing? We have a new bio-ethanol plant at Hull that will take in over 1 million tonnes of wheat, all of which can be sourced from the region. There is also a starch plant at Old Trafford and another ethanol plant at Teesside, both taking similar quantities of wheat. While there is infrastructure to organise the wheat inwards, there is less "structure" for the continuous supply of animal feed exiting these plants. This is of most value to bovines as a protein feed alternative to soya. In the

US it is used to produce consistent volume supplies of beef, processed through adjacent abattoirs and processing plants. Waste is utilised for gas production using bio-digesters. The cost of oil will most severely affect our intensive pig and poultry sectors. Will the free, fragmented market be able to plan the growth of this new livestock opportunity while managing the decline of the other?

Our regional electricity generators are investing in biomass plants. This is a major new market, as it is essential that transport journeys are short. Farmers will grow willow coppice and miscanthus grass as agricultural crops, but other land managers may be willing to grow them on wasteland or poor land. Only if they are farm crops will the production levels be meaningful and these crops become a regional rural opportunity. If the generators cannot get local supplies, the plants will be fed from imports.

Oil price and carbon emission evaluations will mitigate against movement of food. This will accelerate the flavour- and provenance-driven movement to regional and local food sourcing. Particularly with vegetables, growing will return closer to consumption. There is evidence of allotment revival at the "elite" end of the supply chain. But should there be new horticultural enterprise in the Dales? There is plenty of valley bottom for such intensive production. Regional food has been shown to be of great value to the catering and tourist offer, and further integration of local food and tourism can capture incoming monetary spend.

There are many more examples of where the rural economy can change to grasp opportunities, but will these changes occur without strategic input? Historical experience has shown that such changes need technology transfer activity. The very successful government research and development structures that fuelled the food-production revolution of the years between 1960 and 1990 have been all but abandoned.

The government has, in the reshaping of the CAP, taken considerable funds from direct farmer payments for modulation funds and redirected these to environmental protection, with a smaller amount going to farm or rural business development through the Rural Development Programme for England. The programme funds are delivered by the regional development agency, Yorkshire Forward.

Yorkshire Forward with appropriate partners should now press the government to use some modulation funds to support a new era of demonstration/technology projects and partnerships to encourage the rapid response of farmers to these economic opportunities. Such investment helps support the movement for market-driven farming and would significantly enhance the region's efforts to meet fossil-fuel carbon-reduction targets for both fuel and electricity generation.

Certain tensions caused by trying to support too many land management businesses, with individually minded proprietors, could in addition be lowered. However, encouraging this reduction would require a very supportive housing and retirement/diversification package, particularly for tenant farmers, should such changes become acceptable policy.

### **Land management governance structure**

Historically, the governance of land management was vested with the Ministry for Agriculture, Fisheries & Food, but as strategies changed and Brussels became the dominant policy driver, the wider considerations and lower emphasis on food production were incorporated into a more diverse Department for Environment, Food & Rural Affairs.

DEFRA created a series of non-departmental public bodies to manage various aspects of policy, in particular Natural England for landscape and biodiversity and the Environment Agency for regulation of water and resource management. These two bodies have become embedded in regional and local authority governance. There are also a multitude of single-interest NGOs, most of which oppose change or wish to limit it.

Regional economic production from the land is essential for the rural economy to adapt, thrive and prosper. DEFRA does not have a public service agreement for food and energy crop production and future security of supply. It is revising its departmental strategic objectives, after the transfer of most climate change activity to the Department for Energy & Climate Change, but I understand that this new, strengthened food-production departmental strategic objective will still have statements about constraints related to environmental assets.

Two of the pillars of sustainability are economic growth and the environment. It is my view that if DEFRA is to mainstream the rural contribution across government departments, and if the new regional governance structures established following the 2007 subnational review of economic development and regeneration are to be balanced, then land productivity needs a full and equal place at the strategy and policy development table. Only in this way can the limiting influences of the two powerful agencies be properly prioritised.

Regional governance should be pressing central government either to give DEFRA a public service agreement on food production and security, or to designate another, non-departmental public body to deal with these vital elements of our future, so that a balanced and sustainable rural economic balance can be put into the integrated regional strategy.

## Inequality

Deprivation in rural villages in West Yorkshire and South Yorkshire relates largely to mining and industrial decline. The East Coast also has well-documented social problems, which are mainly due to spatial separation – transport there needs to be a centralised public service. Many rural communities, moreover, suffer a lower level of access to services. The continuing Commission for Rural Communities inquiry is collecting evidence about the sustainability of our upland areas, where the doomsayers are predicting a collapse of social frameworks.

Has public policy created the imbalance? Overemphasis on environmental planning, as required by government of the national parks and areas of outstanding beauty, has shaped these areas for many years, rather than a balanced sustainable strategy. On the other hand, a measurement of income per household shows that rural household incomes are considerably higher than for our urban neighbours. This is attributed to the high earners from urban areas, together with retirees, preferring to live in the country. This distorts or hides the evidence on incomes of residents actually working in the rural economy, where rural businesses have been shown to operate at much lower wage levels.

The policies of central government, reflected by conditions set on regional governance, to tackle *places* of deprivation rather than *people*, is a major policy delivery problem for these small numbers of deprived people in any one location. The Commission for Rural Communities reports continually highlight these differences of place. The greatest contribution to reducing these inequalities would be for government to place more emphasis on the greater uptake of personally directed benefit measures, with increased funding where necessary, thereby targeting individuals rather than hotspots of deprivation.

## Housing

The attributes of greenness, spatial separation, social cohesion and less aggravation continue to attract inward migration to the area, which puts pressure on a housing market that is restricted in supply. These aspects are very well covered in the recent Taylor report on affordable housing and the rural economy.<sup>1</sup>

The government response to Taylor is somewhat disappointing, particularly the concept that sufficient houses will be provided by using exception sites (sites in small villages which have not been allocated for development in the local plan, but that might be suitable for building affordable housing for local residents). More encouraging is the

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<sup>1</sup> Taylor, M *Living Working Countryside: The Taylor Review of Rural Economy & Affordable Housing* (Department for Communities & Local Government, 2008)

Homes & Communities Agency, which has stronger rural-proofing – checking the effect that policies and projects have on rural communities.

A considerable increase in supply will not significantly affect the landscape, but will tackle the problem of those who can afford to purchase, increase access to the younger, hard-working locally employed and re-establish the mixed social culture so necessary for community vitality and sustainability.

Rural quality of life is based around shared culture and traditional values of self-reliance. I have already touched on the withdrawal of farmers. The social meetings I attend emphasise the welcoming of “commuters” and the “protection” of the hidden elderly or disadvantaged, but housing availability is a major divider.

Public policy has a major responsibility to play in improving this balance and addressing the lack of social cohesion and the personal inequalities caused by lack of housing, whether action to boost supply is aimed at the open market or the affordable (rented) sector. Lack of housing supply to meet demand will destroy rural society as we know it. Planning policies cannot be based around imagined romantic Edwardian landscapes. I grew up in deepest rural Worcestershire, without water, electricity and phones, on an imposed organic food supply. It was not romantic – it was cold, lonely and relentless hard work.

Rural housing recommendations in the last regional spatial strategy were overruled by government; if this is carried into the integrated regional strategy it will totally undermine the concept of empowerment.

### **New regional architecture**

Advancing the region's rural economy must be a key policy challenge to advancing the whole of the Yorkshire & Humber region. A vibrant rural sector is a place of outstanding natural beauty in which to live, relax and work. It must be sustainable. The proper balance of economic, social and environmental policies must be built into the integrated regional strategy.

There is a government and regional commitment to rural-proofing. It is not yet clear whether the new governance structures have mechanisms to deliver this commitment either at regional board, thematic board or city-region level for functional subregions. City regions will be a new challenge for the rural voice.

To maximise opportunity in rural Yorkshire & Humber, the key policy challenges are:

- economic opportunities from production activities of land management;
- employment opportunities that provide comparable earning power to employment from outward commuting;
- infrastructure investment to give access to global digital inclusion;
- equality of access to services, allowing for spatial separation and reliance on transport;
- affordable housing to enhance sustainability, social mix and cohesion; and
- strategies to meet the challenge of climate change and oil shortages.

The Yorkshire & Humber Rural Affairs Forum is in discussion with the regional bodies about possible ways to feed a rural voice and rural expertise into the integrated regional strategy and to rural-proof policies across the new governance and delivery structures.

## Chapter 7

# The role of local authorities in place-based innovation

Dr Su Maddock, Director of the Whitehall Innovation Hub

## The role of local authorities in place-based innovation

Local authorities have been developing their own approaches to innovation for some time. For instance, East Riding of Yorkshire Council, led by Stephen Parnaby, has developed a reputation as one of the most innovative rural councils, providing access to all services through community hubs where local residents can find everything they need to know about local services. Councillor Parnaby and his colleagues have a passion for citizen engagement in rural areas.

A growing number of leaders and chief executives in Yorkshire & Humber have recognised that sticking to the status quo is not an option, given the pressure from central government for efficiency savings, greater engagement with the public, and radical redesign of services through innovation and the increased usage of new technologies.

Chief executives meet regularly and are aware that in future the public may accept standard services in some spheres in exchange for investment and personalisation in those services that they think warrant it, such as social care or mental health. Such choices are a matter of local and regional public debate, and will not be solved through managerial and technical competence alone.

*We are trying to create empowered local leadership – the regional assembly was a substitute for that. Partners move to the regional level too quickly because they have no power in communities, making the power come back up again – getting councils ... acting powerfully ...is what we're trying to achieve.*

Carole Hassan, director of Local Government Yorkshire & Humber, 2009

Leaders in Yorkshire & Humber are collaboratively addressing the problems faced by people in the region, supported by Local Government Yorkshire & Humber. They are developing a shared strategy for making the region a better place to live. Together they are committed to creating communities that support well-being as well as tackling the impact of years of decline and forms of regeneration that have ignored people's health and the social environment. Local innovation is not just about more efficient and effective services – it is also about place shaping, and people's well-being.

Some localities may have poor services or low incomes but are pleasant places to live; others may have excellent services on paper but lack social cohesion and civic and social activity. Place shaping is about much more than improving access to individual services; it is about tackling entrenched social inequalities, lack of green space, inadequate facilities, and low social well-being. In Yorkshire & Humber, leaders from across parties are looking

for innovations that generate connectivity and social relationships, which are capable of building resilience in communities when times are hard.

Chief executives in Yorkshire have witnessed the barren returns of structural change, which did little to develop the types of trusting relationships that underpin new ways of working and sustainable innovations. Tony Elson, a former chief executive of Kirklees, observed some years ago that he was a lone voice for people-centred management among the first wave of excellent local authorities.

Political leaders in this region have a confidence in what people can do for themselves; they want to raise expectations. For instance, Roger Stone, the leader of Rotherham, sees local government not just as a provider of services but also as a broker of relationships within a place. He and other political leaders want social outcomes, not new partnership for the sake of it. Inspired by Dolly Parton's children's book project, because he could see that many kids in Rotherham were as in need of books as were those in the US, he set up Books for Babies and the Imagination Library, an initiative that has since been adopted by many other authorities.

In partnership with Jamie Oliver's Ministry of Food, Roger Stone has also set up an initiative providing cooking skills for many men who would have never previously attended a course. This approach has been enthusiastically taken up by other authorities in the region, such as Bradford and Scarborough – both Conservative councils. An interest in public innovation and place shaping has not been confined by political boundaries in Yorkshire & Humber.

Roger Stone thinks of Yorkshire & Humber as a family that overrides party; he is very outwardly focused and brings urgency to solving problems and energy to the system; he challenges those leaders stuck in process. There are now only six Labour leaders among the 22 local authorities in Yorkshire & Humber, mostly in South Yorkshire. Steve Houghton, leader of Barnsley, works closely with the leader of Rotherham; together they create alliances with those who share their perspective on transformation – people who want to drive outcomes – irrespective of party politics.

While in some regions competition is fierce, in Yorkshire there is a commitment to the subregion and an acknowledgment that together they can do more, resulting in an exploration of new ways of working as leaders and with executives. Chief executives recognise that they now have to involve communities more, as well as working in partnership with each other and with central government. Systemic innovation is taking place in Yorkshire & Humber, where a group of leaders are championing a collaborative

strategic leadership model of place shaping. A new architecture is emerging that is creating space for innovation. Chief executives and leaders from across parties are addressing the challenges faced by the region and have embarked on a journey together to improve the lives of people in the subregion in a way that involves local communities and public-sector staff.

This approach is in the early stages, and the next hurdle is working with central government in a more positive manner that involves less central diktat and more dialogue. Decentralisation is being negotiated on a daily basis, and the more that localities seize their strategic role in innovation and establish new ways of working with the public, the more central government will have to readjust its attitudes to local decisions and local government.

The coming public expenditure cuts make decentralisation more attractive to all political parties. Any future government will be demanding efficiency savings of at least 20%; achieving these at the local level will be difficult and will depend on a much more innovative approach to leadership and service provision. The innovations implemented are likely to give people more control over and involvement in the type of services they choose as appropriate for them. Personalisation will become more than choice. Local leaders will have to navigate their way through difficult decisions and about how to involve and develop staff in their own organisations and specify much more holistic and person-focused services in commissioning.

Achieving efficiencies and community resilience do not necessarily result from going to scale and creating more and more mergers. Cohesive and connected local leadership and administrations can also generate better service, more jobs and savings. Northumberland County Council redirected 10% of its procurement spending towards local suppliers and thereby generated £34 million of savings. This strategy of looking for savings through connectedness with local businesses can improve morale as well as cutting costs.

Many Yorkshire & Humber local authority chief executives question the ability to deliver efficiencies and excellent services in the short term, while agreeing that innovation could deliver efficiencies in the interim and longer term. Those involved in services recognise that the involvement of staff and communities is critical; this takes persuasive leadership but also time for staff to engage with communities in a way that will build resilience.

People do not change their behaviour until they themselves judge that the arguments presented to them for change make sense. The significance of arguments in support of place-based innovation is that they can appeal to the wider community as benefiting

them. The reason that the Ministry of Food in Yorkshire is successful is that it is "on the streets", involves people and is persuasive in terms of how it is being presented – not on paper, but in practice and in public. If people feel better because of this type of activity, that's great.

Local Government Yorkshire & Humber chief executive Carole Hassan knows that building resilience in staff will be critical to their ability to be agile enough to cope with changing demands and working in a much more open and interactive way with everyone. Kim Ryley, formerly chief executive of Hull City Council, is also convinced that how employers motivate staff to work more responsively in communities is the key to services becoming more accessible, responsive and appropriate. This closeness of contact creates the relationships that build confidence in an area or community. You build local resilience by investing in people.

A major preoccupation of all innovative councils is how to develop staff capability and motivation for innovation. The question is how to build capabilities across the region to enable a landscape to emerge – this is a very different strategy from merely the accumulation of many small innovatory actions. Kim Ryley is emphatic that local transformation depends on the ability to motivate staff and he thinks that organisational change is effective only when anchored in local challenges. Personal motivation is at the core of innovation and of changing attitudes and behaviours, and underpins most public service innovation, whether in health, social care, crime or training.

The barrier to such a shift is the lack of aspiration and confidence of community and staff groups alike. While public servants tend to be sceptical and doubtful that being creative is a good career move, those at the forefront of social change are highly motivated and have an aptitude for networking. Interestingly, large corporations are recruiting baby-boomers and recent graduates because they possess these very qualities, according to a recent issue of the *Harvard Business Review*. Recent graduates may not be getting jobs, but they are working for free in charities and thereby experiencing the messiness of life and getting involved in things that are challenging and unpredictable; later they will view this experience as life-changing and a basis for developing sound judgment.

However, too many public servants lack such experience, are afraid to take risks and feel they have no authority to deviate from the rules. Government is looking to nurture more open cultures but largely failing to do so. When public-sector staff feel they have permission to do things differently, they become more imaginative and innovation follows. A shared recognition of local problems can motivate people to find solutions, but if they feel these are overruled by micromanagement, then motivation wanes.

The challenge for those committed to public-sector transformation is to rebalance relationships between local and central government and to develop forms of devolution that support economic benefits and social well-being across the country. Increased devolution could support the capacity to innovate and therefore the efficiency agenda. This is only likely to start to emerge if regional and central government recognise the diversity of "place" and local political leadership. The continuing disconnect between government departments is increasingly recognised by those in the regions who are developing more mature horizontal partnerships.

At present the approach to government transformation is far too technical and focused on changing process rather than on stretching relationships, policy making and redesigning the way government works with those outside the centre. The Whitehall Innovation Hub has been working with Local Government Yorkshire Et Humber to improve the relationships between the region's local authorities and central government, because there is a recognition that, no matter how great the plans, if they do not fit with those being developed in government departments – including the Treasury – they are likely to be overtaken.

*The hub recognises that there is a need to shift the perception of civil servants as people who "do process" and the best thing we could do is "get off your back" and write cheques. This is extremely negative and damaging for all parties. One key barrier to changing this is the current investment model that tasks civil servants with asking "what is the minimum amount of money the project needs?", and the only way to key beyond this focus on waste and over-exaggeration is develop a far more sophisticated performance assessment framework.*

Whitehall Innovation Hub

Often it is the way that finance flows through single departments to local authorities and the regions which is the barrier to investment in shared services. This is a fact recognised by the government's Total Place initiative, of which one pilot is based in Bradford. Bradford Total Place is tackling "lost in transmission" gaps that happen when a child leaves care or an offender leaves prison and moves from dependence to independence. Director Becky Hellard<sup>1</sup> says that Total Place is leading to much more questioning of why services, including central government services, are organised in the way they are, thereby providing an opportunity to address problems in a more holistic manner, and refers to financial flow and government's role.

One of the consequences of "new public management" (the application of management

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<sup>1</sup> Quoted in: Max Rashbrooke, "It's Like, Totally" in *PPP Bulletin* No 14 (23 October 2009)

techniques from the private sector to public services) is a loss of whole-system thinking and a belief in managerial solutions to social or economic and political problems. There is a declining interest in delivery in government and a tendency to look to generic management tools, when imagination, conversation and enquiry would produce more intelligent policy. The insularity of Whitehall and lack of interest in consequences leads to implementation failure. The fact that central government is in need of modernisation has been acknowledged by Sir Gus O'Donnell, the cabinet secretary.

There is also a growing desire among all politicians for decentralisation and for allowing greater freedom to locality leaders and local government. Devolution at a time of recession is an attractive proposition for all political parties<sup>2</sup> – Liam Byrne, chief secretary to the Treasury, recently said that decentralisation was critical to achieving efficiencies but also to tackling social inequalities, which in places such as his constituency in Birmingham's Hough Hill are not helped by government's inability to get close to the realities of people's experience because of their own processes, lack of ability to focus on achieving outcomes and tendency to talk as if departmental silos were fixed and immovable. Communities secretary John Denham at a recent RSA lecture reiterated this.

However, with dwindling resources the motivation for serious collaboration may wane, if regions and places lack strong collaborative, strategic leadership. While some city regions or subregions such as Yorkshire & Humber have collaborative leadership, it is not always seen as powerful leadership, precisely because it is less competitive and more co-operative.

Politicians need to stimulate confidence in a different kind of devolvement based more on relationships and emergent practice of the kind that is happening at the local level in Yorkshire & Humber in a quiet way. By articulating a shared story on localism that staff can understand and that all political parties can sign up to, they are showing how a less authoritarian form of leadership can provide a platform for the innovation that is appropriate for the region.

Place-based innovation may be key to future public service reform. The Total Place pilots are one example of this and are spawning collaboration in other areas. The Local Government Yorkshire & Humber approach is another. Both are driving shared services, building relationships and moving towards whole-system analysis. Place-based innovation can be recognised as benefiting the wider community, thereby creating coherence rather than isolation.

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<sup>2</sup> As Tony Travers, quoted in October issue of *PPP Bulletin*, has said

Local Government Yorkshire & Humber is demonstrating how place-based innovation can be sustainable and deeply embedded, when underpinned by strategic local leadership that is seeking to drive systemic innovation aimed at providing a platform not just for particular shared services but for a more innovative form of local public administration.

## Chapter 8

# Maximising the impact of higher education

Amelia Morgan, Acting Chief Executive of Yorkshire Universities, and Professor Colin Mellors, Director of Higher Education Strategy for Yorkshire Forward

## Maximising the impact of higher education

In many ways, there is little that is new about the notion that universities and other higher-education institutions should contribute to the economic and social well-being of their communities. Although the terminology that is used – knowledge transfer, business and community engagement, and the like – may be of recent invention, the idea that higher education should, and does, act as a key component of the local economic, social and cultural fabric of an area is both well known and well established. It is one reason why local benefaction was behind the foundation of many universities and, more recently, why so many places have campaigned for the establishment of their “own” university.

Equally, from the perspective of those in higher education, while learning and scholarship must not be constrained by the immediate needs and demands of society – after all, many of the most important and ultimately most valuable breakthroughs have been serendipitous or derived from “blue sky” research – there is clear recognition of the responsibility to ensure that society as a whole can access and extract value from the work of the sector. Put simply, it is in the interest of both higher-education institutions and their communities that the relationship works to maximum benefit for both parties.

### A crucial sector

However measured, higher education forms a crucial part of the UK economy. Overall, and despite receiving a lower share of public expenditure as a proportion of GDP than many other advanced competitor countries, the UK’s 109 universities and 169 other higher-education institutions are essential to the wealth of the nation. The sector’s £21 billion turnover is worth around £45 billion to the UK economy. Gross export earnings are estimated at £5.8 billion but, with indirect earnings, are worth over £10 billion to the economy. The sector has generated over £1.7 billion through the creation of spin-out companies over the last four years. With just 1% of the world’s population, the UK is responsible for 9% of the world’s science publications and has 14 universities in the global top 100.

Higher education within Yorkshire & Humber can claim a similarly impressive record. The area is fortunate in having a strong higher-education presence across the entire region, with a total of nine universities and three higher-education institutions based there, together with a regional arm of the Open University. Outside London and the South East, the region is the largest net importer of students, producing significant numbers of graduates each year, many of whom remain after graduation and bring high-level skills to support further economic development. The research base – valued at approximately £340 million and equivalent to 40% of total regional R&D spend – offers expertise and

other resources that businesses and other organisations can access to develop their products and services. Contract research income is £62 million – over 11% of the England total and a figure surpassed only by that of London and the South East.

With a total income of £1.43 billion per annum, it is calculated that the sector is worth £2.8 billion to the Yorkshire & Humber region, equivalent to 3.2% of GDP. This puts it on a par with, or slightly above, sectors such as banking and insurance, food and drink, and hotels and catering. The sector is also crucial to health, culture, sport and community development throughout the region.

### **Working in partnership**

The simple presence of higher education is valuable in itself economically, but the sector has also sought more active ways of contributing to the well-being and future of the region through a spirit of partnership and a culture of collaboration. The region was one of the first to establish a regional higher-education partnership – now Yorkshire Universities – that brought together all of the universities and higher-education institutes to look for common opportunities to work with each other and with other agencies in addressing regional and local agendas. The partnership style of working has helped them to operate more efficiently and effectively when linking with organisations such as health authorities, local authorities, sports and cultural bodies, and the Government Office for Yorkshire & the Humber.

Perhaps the most important link, however, has been that with the regional development agency, Yorkshire Forward. Over the past few years this relationship has moved away from a simple, funding-based model where the regional development agency looked to higher education to provide projects that would help it deliver its targets and the sector looked to the regional development agency to provide additional funding. It has been replaced by one that is essentially strategic and is driven by the search for common agendas that will drive sustainable benefit.

Widely recognised as an exemplar for joint working, the relationship has matured even more as both parties have sought to identify those longer-term, and larger-scale, interventions that will bring about durable and positive improvement for the region's economy. While there is always the need to be able to respond quickly and pragmatically to unforeseen opportunities, both sides have sought to replace projects with programmes, and the ad hoc and piecemeal with the targeted and integrated.

It would, of course, be wrong to imply that everything always works smoothly, and one of the characteristics of mature relationships is to recognise that there are sometimes

tensions, areas where interests diverge, and things that are simply too difficult. It is easy to work collaboratively when things go well and each party benefits; the test is whether the relationship can still prosper when the gains are not equal or things go wrong.

It is a testimony to both sides that, in this region, higher education and the regional development agency regard themselves as long-term partners with shared esteem and not simply partners of convenience. Through a mixture of structures, mechanisms for joint intelligence, processes for identifying shared opportunities, and effective brokering and translational activity (combined, of course, with some funding), partners have developed a style of working that contributes to each other's mission and, even more importantly, maximises the positive impact of higher education on the region itself.

### **Extracting value from higher education**

There are many examples of how the higher-education sector is bringing tangible benefit to the regional economy. One of the best illustrations is through the work of the White Rose University Consortium, a strategic alliance that was established in 1997 between the universities of Leeds, Sheffield and York. Over the past 12 years, the partnership has secured over £80 million in funding to support collaborative research, to ensure that maximum business and commercial benefit derives from the region's knowledge base, and to promote enterprise and cement business partnerships. Working with world-leading companies, as well as locally based SMEs, the three universities (increasingly joined by academics from other local universities) are using their knowledge and expertise to establish critical mass in areas such as healthcare technologies, advanced manufacturing and bioscience.

A powerful example of universities working with industry and health service professionals is provided by the White Rose Health Innovation Partnership. Working with Medilink and Medipex in Yorkshire, and partnered with a number of US universities, this initiative focuses on accelerating innovation in the NHS. The partnership has received international recognition for its open innovation approach and potential impact on healthcare services, and has received prestigious awards from the Edison Innovation Foundation.

Another initiative, supported by Yorkshire Forward and working directly with business clusters, resulted in the establishment of a series of Centres for Industrial Collaboration partly funded by the European Union. All the region's universities were involved in one or more of these centres, which in 2003–06 worked on over 1,400 projects with businesses, generating £50 million of income and safeguarding more than 1,000 jobs.

As a region, Yorkshire & Humber can claim the highest proportion of graduates in the UK

who remain in the region in which they studied after graduation. Graduation retention is a key priority for the region, and efforts to retain and utilise the talents of graduates to maximise their contribution to regional prosperity grew out of a long-established partnership between the university careers services. Funded by Yorkshire Forward, and now a spin-out company in its own right, Graduates Yorkshire has already handled over 25,000 vacancies, working with businesses, primarily SMEs, to recruit graduates from across the region.

One of the highest-profile university-led initiatives has been Science City York, established in 1998 as a joint collaboration between the University of York, the City of York Council and Yorkshire Forward. Focusing on bioscience, digital and IT, and creative industries, the partnership has driven the growth of businesses across these three sectors in York and North Yorkshire. It is estimated that it has already created 2,800 new jobs and it continues to act as a catalyst for R&D and enterprise in new technologies. Major recognition for its work came when the then chancellor of the exchequer announced Science City York as the first of six UK science cities. More recently, Science City York has been awarded major EU funding for a further expansion of its work in supporting knowledge transfer activities.

In a similar vein, a partnership between the University of Leeds and Leeds Metropolitan University is developing a major innovation capacity to support the recently announced pilot status for Leeds city region, while in South Yorkshire the two universities in Sheffield continue to exploit the opportunities afforded by the Creative Sheffield initiative and to build on the opportunities offered by the Advanced Manufacturing Park, a world-leading centre that was established to support leading-edge work on materials and structures. Collaborators include Boeing, Rolls-Royce, Cti, Dormer and TWI. Technology developed on the park is already being used in products ranging from Formula One cars to next-generation civil and military aircraft.

These are just a few examples. Many similar ones involving universities in Bradford, Hull and Huddersfield are extracting real value from the higher-education sector to support businesses and jobs and to underpin the region's economy.

Perhaps the most ambitious so far is the recent decision to establish the Centre for Low Carbon Futures. A £50 million initiative, including approximately £17 million from Yorkshire Forward, it will bring together expertise from across a wide range of academic disciplines to address crucial issues and pool the significant research strengths of the region's universities alongside those within innovation-led businesses to deliver practical solutions optimising carbon efficiency within businesses and other organisations.

Finally, as an illustration of the ability to respond rapidly, there is the example of the sector's recent success under the Higher Education Funding Council's Economic Challenge Initiative Fund. It will mean that, over the next 18 months, the sector will be working to support employers and employees in over 1,000 regional businesses in overcoming the economic challenges they are facing. More than in any other region, the response was a collaborative one designed to ensure that the various projects will address real and practical issues and in a way that will generate maximum impact and build confidence and resilience.

### **Looking to the future**

This short volume is about anticipating the challenges as well as celebrating the successes. In a period of economic churn and potential political change, it is important that, if the region is to continue to enjoy maximum benefit from the presence of higher education in Yorkshire & Humber, there is realism about what might need to be done in the next few months and years.

Some of the changes in the landscape are already apparent. They include the increasing pressure on public expenditure, the new responsibilities for economic development being given to local authorities, and further possible changes in subnational architecture after the next general election, irrespective of which party wins. For universities, there is the prospect, at least in the short term, of restricted opportunities for publicly funded growth and limits on taking additional students.

Also, it is inevitable that there will be an ever-growing need for the sector to demonstrate its value and not simply to take for granted the view that higher education is justified as a "public good" in its own right. Hard times make for hard choices, and it will be important that, during a period of change and challenge, the regional mission does not become lost among a range of other imperatives and priorities.

The government's subnational review has brought changes to the way that regional governance operates and has, in some areas, already tested the cross-agency partnerships that have been established over the last decade. Probably more than any other region, however, Yorkshire & Humber has accommodated these changes, reflecting a view that regional partnership is more about an outlook and a way of working than about particular structures and organisations. Even if the next government introduces further change, from the perspective of the higher-education sector, there is the commitment to continue to work in ways that are both collaborative and bring value to the region and to the communities in which it operates.

Uncertainty about political and economic structures over the coming period will not be helpful, especially when accompanied by inevitable pressures on government spending that place the sector in competition with others for funding. While there is overwhelming evidence about the enormous return on investment in higher education – and it is encouraging that at the moment the science and innovation budget, broadly defined, is escaping the cuts faced in other parts of the sector – it would be highly optimistic to believe that pressures will not increase.

Widening participation, retaining graduates, upskilling the workforce, creating and supporting businesses through knowledge transfer, and undertaking leading-edge research have all benefited from the regional perspective that has characterised the way in which universities now do business. This does not mean, of course, that the regional agenda is their only or even their most important one, but it is a perspective that has brought benefits to them and to the region in which they operate.

Whatever changes do take place in the next couple of years, it is important that the strategies that have been formed and the working partnerships that have developed are not lost. A healthy higher-education sector is vital for the well-being of the region. In the short term it is ideally placed to support businesses and employees through the downturn, and in the longer term it will be essential to the reconstruction of a regional economy that places knowledge-rich industries firmly centre stage.



## Chapter 9

# Prospects for regeneration – innovating in a downturn

Stuart Howie, Director of PricewaterhouseCoopers in Leeds

## Prospects for regeneration – innovating in a downturn

Having worked in economic development in Yorkshire & Humber for the past 12 years, I have seen first-hand how substantial public investment has been a catalyst to transform the places in which we live and work. No matter which part of the region you visit, the difference is clear.

For example, the regeneration of Sheffield city centre has provided a fantastic public realm, with the promotion of new creative and value-added businesses and a rebalancing of the city's retail aspirations in the shadow of Meadowhall.

Then there is the growth of Leeds, symbolised by the development of Bridgewater Place as a confident statement of progress. The renaissance of the city also goes much deeper, with new housing in east and south-east Leeds, innovation in the Round Foundry and the success of the city's universities, for example.

And who would have predicted that Boeing would go to Rotherham to discover new materials technologies, or the creation of the Advanced Manufacturing Park?

The region deserves credit for the journey it has taken and the progress made. I would not like to picture what the Yorkshire & Humber landscape would look like now without the investment of the past 12 years. It has clearly made a substantial change for the good.

The current economic conditions are biting hard throughout the country and Yorkshire & Humber is no exception. The region's financial services sector has been particularly hard hit, but major job losses are continuing across the economy.

One of the biggest impacts threatens to be the widespread stalling of flagship physical regeneration projects across the region. These are the projects designed to make us proud of the places where we live and to showcase our aspirations to the wider world. Delays to high-profile projects across the region (such as in Bradford, Wakefield, Leeds and Sheffield) may be just that – delays – but the fear is that the rules of the game for major physical regeneration have changed for the foreseeable future.

The widespread stalling of major schemes serves to highlight the fragility of the renaissance in the North of England and the real danger that, despite the progress made in the past 12 years, large parts of Yorkshire & Humber could fall back – and fall back quickly – if nothing is done.

### **Maintaining momentum**

How does Yorkshire & Humber maintain its regeneration momentum during these difficult times? The fact is that there is a perfect storm affecting all aspects of the regeneration business model:

- Project economics are being hit hard – demand is down, values are down, yields have been hit.
- The private sector has less money to invest and is being more choosy about what it invests in.
- Public-sector resources are being stretched ever more thinly, and the reality is that the next phase of capital investment could be the most substantial for a generation, as public borrowing is tackled and EU funding, which has benefited many parts of the region, disappears.
- The government's own national regeneration agency, the Homes & Communities Agency, has been hit hard by a reduction in land sales receipts and house values that has damaged its capacity to support the market.

There are only limited ways in which Yorkshire & Humber can intervene to maintain momentum and protect against communities and places sliding backwards.

### **Focus on priorities**

Which are the projects that must be delivered and offer benefits and value beyond the direct investment itself? Some hard decisions will need to be made to identify the projects and interventions that are no longer critical or are fundamentally undermined by current economic conditions.

### **Join up investment**

In the current economic climate it is even more important that the public sector invests scarce resources in a joined-up manner. Local authorities, regional development agency Yorkshire Forward and others have a key role to play.

### **Innovate**

The world has changed, and the public sector needs to find new ways to support the improvement of our places. With the UK's crippling public-sector debt and substantial funding cuts expected, a return to old delivery approaches looks a long way off.

### **Innovation: the way forward?**

Over the past few years, before the sub-prime issues in the US in 2007 became the credit crunch in 2008 and the recession in 2009, there were calls for change: change in the way regeneration and renaissance is funded, change in ability to deliver locally, and change to regenerating places rather than assets.

Calls for changes in the way regeneration is funded have been persistent, and a number of new measures and policies have emerged. For example:

#### **Community infrastructure levy**

The aspiration to secure additional planning gain by broadening the range of developments that pay is logical, and in better times it will help. However, the reality is that planning gain has all but disappeared in the current market, and any delivery model that relies on substantial elements of public investment being funded by planning gain is broken.

#### **Business rate supplement**

Introduced in 2009, business rate supplement allows local authorities to raise an additional 2p levy on top of the uniform business rates. The supplement is intended to enable authorities to create a new income stream that may be used to service borrowing to pay for investment.

Much like community infrastructure levy, however, the supplement is unlikely to be levied in the current economic climate: asking business to pay more simply will not work if the money is not there. Even when good times return, business rate supplement faces a number of practical challenges if it is to be an effective funding tool. For example, if the levy is raised authority-wide, how is the investment it supports to be shared out in an equitable way?

#### **Asset-backed vehicles**

Regional development agencies and, increasingly, local authorities have looked to leverage their asset bases to attract additional private-sector resources – typically funding and expertise – and work together to generate and share in growth. In their simplest form, asset-backed vehicles are joint ventures between the public and private sectors that build investment and growth on the foundations of public-sector assets.

Asset-backed vehicles are therefore an option only for those with a suitable asset base. Moreover, in the current market conditions, the value that may be leveraged from that asset base will be a real issue in considering whether the time is right to invest now.

### Accelerated development zones

While these approaches are interesting, it would be a stretch to call asking businesses to pay more or councils to sell assets as innovative. The recent PricewaterhouseCoopers/Core Cities report on funding regeneration<sup>1</sup> concluded that these approaches are unlikely, in their own right, to support the amount and type of investment needed if our cities are to maximise their competitiveness.

PricewaterhouseCoopers' work with the Core Cities group did, however, identify that new ways are needed to address fundamental infrastructure deficits in the UK, if places such as Leeds and Sheffield are to be enabled to improve their competitiveness and punch their weight against international competition. One of the key recommendations was to give local authorities greater funding freedoms and, specifically, to allow them to be rewarded directly for supporting productive infrastructure investment.

The *Unlocking City Growth* report proposed the introduction of a new tax-based funding tool: the accelerated development zone or ADZ. The rationale and principles behind the system are simple:

- Although local authorities do have access to funding (such as through the public works loan board) they have very limited access to finance to repay such funding and therefore struggle to find the upfront investment needed to unlock many transformational projects.
- Local authorities keep very little of the tax collected in their area – a typical authority may keep around 10%, which has to cover increases in service demand caused by growth. This compares poorly with typical European cities, which on average control around 35% of tax revenues, or with the US, where cities can often access up to 85% of tax revenues.
- Should authorities be allowed to retain some of the growth in tax revenue that arises following investment, they would have the means to pay for that investment in the first place.

ADZs are therefore a simple mechanism to allow local authorities to participate in the growth dividend that arises from infrastructure investment, thereby enabling investment in the first place.

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<sup>1</sup> PricewaterhouseCoopers and Core Cities *Unlocking City Growth: Interim Findings on New Funding Mechanisms* (2008)

Having first been proposed in the UK by PricewaterhouseCoopers and the Core Cities group, ADZs have since gained much support, including from the Smith Institute, the British Property Federation, the Centre for Cities and the Homes & Communities Agency. The government announced in the 2009 Budget that it would consider this new approach to funding and committed to announcing its findings in the upcoming pre-Budget report. To date, the government has received 135 expressions of interest to use ADZs – evidence, in its own right, of the need for new approaches.

I sincerely hope that the government will see fit to pilot this new approach. It has the opportunity to set the rules and to create a competition for investment where pilots can be directed to investment that will bring the greatest improvement in UK competitiveness. At a time when the private sector needs all the support it can get and the public sector has an apparently ever-decreasing budget with which to tackle major enabling infrastructure, ADZ could really make a difference. It could be argued that the timing is ideal too. Short-term investment will act as a fiscal stimulus and enable ADZ pilot projects to be well positioned to capitalise when recovery takes hold.

### **ADZs in Yorkshire & Humber**

Here in the region, a number of local authorities have submitted expressions of interest to use ADZs. Leeds City Council and its partners in the city region have demonstrated real leadership and belief in the need for innovation by making ADZs a cornerstone of the successful city-region bid. Underpinning the bid was a detailed analysis of the challenges the region faces to unlock 400 hectares of growth potential in the south-east of the city –the Aire Valley.

The Aire Valley needs major infrastructure investment and, with Yorkshire Forward having already supported the link road needed to start the project, the Leeds city region has made a compelling case for the use of an ADZ approach there. If successful, an ADZ in the Aire Valley would underpin the creation of a new, sustainable area of the city region that would accommodate many uses, including high-quality light industrial, housing and sustainable energy.

The Leeds city region expects that it can in the next two years provide a boost to output of around 1.5%, create or safeguard 8,000 jobs and break ground on 3,000 new homes.

### **Lessons for the future**

The region has come a long way in the past 10-15 years. We have a diverse economy, with towns and cities that have worked extremely hard to reinvent themselves.

In the current climate there is a real danger that much of the good work could be lost, and lost all too quickly, if we do not find ways to keep the momentum going. There is no silver bullet. Leadership, prioritisation and collaborative working can take us only so far.

What we really need is new funding tools and approaches so that the long-term transformational investment needed is not delayed for another generation. Introduction of ADZs would be a great start to giving the public sector a new tool that could make a real difference. It would support funding of the investment needed to raise competitiveness, which in turn would increase the tax take for UK plc. In short, we need to invest for the future and can fund that investment from the future growth created.

If we fail to invest now, we fail to tackle an infrastructure deficit that is holding back competitiveness. Failure cannot be an option.



## Chapter 10

# Tackling worklessness

Stephen Houghton, Leader of Barnsley Metropolitan Council

## Tackling worklessness

The region of Yorkshire & Humber has witnessed a range of economic experiences over the past 20 years. The city of Leeds has grown substantially during that time and has led the way as a strong financial services alternative to London. The city of York has also grown, building upon its university and as a science and technology hub. Sheffield – thanks in no small way to an influx of European programmes – has also begun to grow, as have places such as Doncaster and parts of West Yorkshire.

However, as well as economic growth, we have seen parts of the region struggle to rebuild themselves following the collapse of traditional industries. Former mining, steel and fishing towns in particular have faced the challenge of not only reinventing their economic purpose but how to find employment for a population brought up in an economy very different from the one we now face. Indeed, even in parts of places such as Leeds there are large groups of the population not economically active and not connected to the prosperity that has been created.

In short, while prosperity has been created in our region, levels of deprivation and worklessness have been difficult to shift and have even grown in some places, such as former mining towns. Tackling worklessness has proved difficult, and it will require fresh approaches at all levels of government if it is to be tackled – indeed, if it is not to grow even further as a result of the recession.

“Worklessness” – or long-term absence from employment for large numbers of people – is a relatively new phrase and historically a relatively new concept. It underpins much of the deprivation that exists in many of our communities.

### Causes and context

Its causes and context are different from place to place and often from person to person. Solutions to the problem therefore require an understanding both of place and of those affected by it.

For example, in parts of London and the South East (until recently, at least) jobs were in abundance but large numbers of people remained economically inactive. The reasons for this are varied – ill health, low skills, a language barrier, ethnicity-related issues, and lack of mobility are all contributing factors. This means that tackling the problem requires a holistic and personal approach by a range of service providers, often even before employment can be considered.

In other places, particularly the former industrial towns of Yorkshire, the challenge is even greater. Not only do workless people face the problems just described, they face a far more competitive labour market in that job vacancies are at much lower levels. For example, in some areas the unemployed-to-job-vacancy rate is 9:1, compared with 5:1 elsewhere. In parts of our region the position is even worse.

This has led to worklessness becoming long-term for both people and places, and we are beginning to see some communities where second and third generations have not experienced employment.

### **Localised solutions**

This varied picture tells us three things:

- Firstly, one-size-fits-all solutions driven by central government have a limited impact – the number of workless people has remained stubbornly high for some time.
- Secondly, solutions require, as suggested earlier, a multi-agency/partnership approach.
- Thirdly, solutions need to be localised, even personalised.

Traditional economic theories have been found wanting in this environment, particularly around the notion of a mobile labour force being prepared or able to move for work. However, a new understanding is beginning to be developed based upon an improved knowledge of places and the people who inhabit them.

We need to build upon this work and create a new policy framework around it: one that is transparent and accountable to ensure taxpayers' money is being used effectively but that is devolved locally so that decisions and programmes reflect local context and personal needs more effectively.

To begin with, we all need to work smarter. The existing framework for helping both employers and the unemployed is too complex and lacks the data and information necessary to be fully effective. Local councils should be conducting worklessness assignments as part of their new economic duty. Understanding who can, cannot or will not work is essential to targeting the right actions and resources to the right people. It also means having a better analysis of local labour markets and how to help people into them. Such demand- and supply-side analyses also require good information gathering and sharing across agencies – something absent historically in the system.

Building upon this first step, local strategic partnerships and their councils should work closely with training providers, government and Jobcentre Plus to produce work and skills plans. These would identify the resources, services and actions to be taken to tackle the problem, and the outcomes to be achieved. These plans also should include funding streams, such as the Working Neighbourhoods Fund, mainstream council and partner funds, as well as those of central government itself. Wrap-around services such as health, benefits and community advice are just as important as direct training and employment services in bringing people back towards employment. Such an approach would allow better performance management and scrutiny of the system, and encourage co-commissioning of services between partners locally.

A third and ultimate step would be for central government to allow the pooling of resources locally by partners. Joint commissioning and locally set targets and outcomes would allow for a more personalised as well as localised approach and encourage local provision as well as regional and national action. However, the capacity to take such a step needs to be developed in many places, and so devolution will take time.

Of course the framework described may be better delivered cross-council or across the subregion or city region. Labour markets are not restricted by political boundaries, and multi-area agreements may be more appropriate. Indeed, this is something the Leeds city region with its new pathfinder status could take forward quickly.

### **Creating a culture of work**

In describing this new devolved framework, I have alluded to the fact that services should be geared not only towards individual communities but also towards individuals themselves, and in doing so the onus is for those services to be used to move towards or achieve employment for the recipients. If we are to tackle the culture of worklessness in our most deprived communities, we need to replace it with a culture of work. That means that all the services we deploy must have that end in mind, which may require reshaping their delivery and outcomes. That also means reforming the benefits system to that end: we have too many places where work does not have the value it should. Central and local government must encourage society to value all forms of work, not just those at the higher end of the market.

On a more practical level, there are things that local government and the public sector can do more of without any legislative or major policy changes. Historically, many of the areas now suffering from long-term unemployment had large public-sector industries that not only employed people but trained them for the wider economy, and they used their capacity to support local businesses. While I would not advocate any unaffordable or

permanent expansion of the public-sector workforce, local councils and their partners can do more. There is the capacity and opportunity to give training, apprenticeships or work experience to local people, particularly where the private sector is weak or small.

There is also the ability to review the procurement of goods and services to look at supporting local businesses and placing local people into work with contractors. Ironically, this – as well as employing people directly – is what many of the former publicly owned industries used to do, especially in places like South Yorkshire. Local government procures over £20 billion worth in goods and services every year. European procurement rules are often cited as a block to such moves, but in places like Liverpool, Wakefield and South Tyneside ways through this have been found, much to the benefit of those localities.

### **Generating demand for workers**

Thus far I have talked largely about labour supply and how we can deploy resources to bring people more effectively into work. Sadly, despite working better and smarter, there are those places in our region that still have insufficient job opportunities to meet local need. This was the case after 10 years of sustained economic growth. The position of such economies has become even more difficult as a result of the recession. So what can we do here?

A recent report from the Policy Exchange Group identified this as a particular problem for former industrial towns in the North, highlighting levels of unemployment and low vacancy rates in places like Bradford. Unfortunately, its preferred solution was for the unemployed in the North to move southwards to access more available job opportunities there. Such proposals failed to recognise the challenges faced by the long-term unemployed and the barriers to their mobility, let alone the potential impact on an already overheated Southern economy. Faced with underperforming economies and a relatively immobile labour force, what are we to do in our region?

The government's new duty on local authorities to undertake economic assessments is a start. Just as we need to understand worklessness, we have to understand places as local economies – in particular, their real growth potential and their role in the wider subregional and regional worlds. But these will require honesty. Experience in many places suggests that sustainable community strategies and economic development plans looked the same and failed to deliver. It is time for many places to review their strategies and look to what may be possible in the post-recession world. That is not to quell ambition, but to ensure it has real foundations.

For wider policy markers, the challenge of underperforming areas is just as great.

Investment in deprived areas in the late 1980s was replaced by investment in opportunity in the 1990s, with strategies to connect the hard-to-reach to areas of growth. Both approaches have had limited effect on the numbers of long-term unemployed, particularly in our region.

Both approaches also suffered from short-termism – something that has undermined employment and skills support as well – and this needs to be rectified. Longer-term support for underachieving economies is essential if we are to see growth restored. However, spending on overambitious capital or inward investment projects may not be the way forward.

More attention needs to be given to people-focused interventions, creating home-grown enterprise and increasing mobility, with a recognition that such initiatives will take time to bear fruit. Ultimately, some economies may have to accept that they cannot be what they once were. Yorkshire Forward has a crucial role here in creating an intelligence-based approach; so too has local political leadership in identifying new and real futures for places and driving them forward. Central government and regional development agencies need to identify those places that face these problems and work closely with them over the long term. In Yorkshire, the regional development agency's Renaissance Towns programme was a good example of both economic challenge and co-operation, from which others can learn.

However, Yorkshire Forward needs to build on that programme even further. The economy of each town and city in the region needs to be re-proofed against the new post-recession economy we are likely to face. As said earlier, if we could not create enough jobs over the last 10 years, the task will be even harder moving forward.

The regional development agency, working closely with councils, will be even more crucial in these circumstances. We also know that the type of employment required will be wide and varied. High-growth, added-value projects are essential in this global economy but they do not absorb large numbers of people – particularly the lower-skilled. We need more innovative thinking about the nature and type of employment needed in some of the communities in our region and how that can be valued as well as being a route to higher skills and rewards.

## **Conclusion**

In conclusion, the one message we all need to understand is that worklessness is not simply an issue for central government. The range of services and interventions needed to place the hardest-to-reach into work are wide and numerous. This means that for all

partners, but particularly local authorities, tackling worklessness is mainstream business. In saying that, the implications for central government are to allow devolution, decision making and delivery to flourish at that local level. But that delivery – the services and activities being provided – has to have at its heart the notion of moving people closer to and ultimately into employment.



## Chapter 11

# The Leeds city region – growth and cohesion

Paul Rogerson, Chief Executive of Leeds City Council and Chief Officer of Leeds City Region Partnership, and Rob Vincent, Chief Executive of Kirklees Council

## Part I: Economic growth and leadership in the Leeds city region

Paul Rogerson, Chief Executive of Leeds City Council and  
Chief Officer of Leeds City Region Partnership

### Economic profile

As a functional economic subregion, the Leeds city region extends across West, North and South Yorkshire, to include Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York.

With a population of close to 3 million, a resident workforce of 1.5 million, an employment rate of 74.3%, over 100,000 businesses (of which 70,000 are VAT registered) and an economy worth £46 billion a year, the city region has both diversity and scale.

Accounting for nearly two-thirds of the Yorkshire & Humber region's output, population and employment, the Leeds city region is the largest of the eight Northern Way city regions. Within a Northern context, therefore, the economic performance of the subregion is of critical importance, and in terms of the national economy the city region's output accounts for around 5% of national GVA.

In light of the above, it is perhaps unsurprising that the Leeds city region, with one of the leading core cities at its heart, has come to be recognised, together with Greater Manchester, as an economic subregion with the potential to play an important complementary role to that of London in driving the wider UK economy over the coming years.

Much of the recent growth in the city region can be attributed to the expansion of knowledge-based industries. Dubbed by some the "London of the North",<sup>1</sup> the Leeds city region has come to house the largest financial and business services sector outside the capital. A financial hub since the early 1900s, the city region has been at the centre of innovation in the industry for over 100 years.<sup>2</sup>

The city region has also developed a strong presence in advanced engineering and metals, chemicals, medical innovation and bioscience, digital media and creative industries, as well as in environmental science and technologies. Importantly, too, it has retained a nationally significant and increasingly knowledge-intensive manufacturing sector.<sup>3</sup>

1 See: *The Times*, 20 February 2006

2 Yorkshire Forward and Leeds Financial Services Initiative *The Future of the Financial Services Industry in the Leeds City Region* (Deloitte, 2009)

3 Leeds City Region Partnership *City Region Development Programme* (2006)

Finally, the city region is home to no fewer than eight higher-education institutions, producing more than 34,000 graduates each year. Moreover, within this grouping, the University of Leeds and the University of York are members of the White Rose Consortium (together with the University of Sheffield), the combined research power of which ranks alongside that of Oxford and Cambridge.<sup>4</sup>

### **Local leadership**

World economic conditions have made more difficult, but have rendered even more critical, the challenge of sustaining an environment in which enterprise can flourish and businesses can deliver the economic recovery that the country so desperately needs.

Well placed to respond to this leadership challenge locally has been the Leeds City Region Partnership, which for some five years now has been working to secure the alignment of key economic strategies, and the better integration of investment, across governmental and administrative boundaries that long since ceased to have any economic logic (if they ever did so).

Now constituted as a statutory joint committee, the Leeds City Region Leaders Board has brought together 11 local authority leaders with a single vision for the functional economic subregion – a vision that has enabled the partnership to take tough decisions on the prioritisation of funding and on the promotion of programmes designed to enhance the economic competitiveness of the city region as a whole. The partnership's proposals for the development of urban eco-settlements across the subregion, and the agreement of a single city-region submission under this year's regional funding allocation exercise, are two recent examples of the partnership's approach.<sup>5</sup>

Consistently with the above, Leeds city region's leaders have welcomed the greater scope that the arrangements being taken forward by the government under the subnational review of economic development and regeneration will afford to local authorities, working collaboratively with one another and in partnership with others, to shape the agenda for the economic success of their areas.

The government's readiness to promote multi-area agreements has also been welcomed. The Leeds City Region Partnership was among the first to negotiate such an agreement, under which a range of partners, economic departments and national and regional agencies agreed to work (unprecedentedly) together with a view to achieving a limited

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<sup>4</sup> Ibid

<sup>5</sup> Leeds City Region Partnership *Urban Eco Settlements: Completing the Leeds City Region New Growth Points Package, 2008-2017* (October 2008)

number of challenging objectives as part of a common – and what will yet, it is hoped, prove to be a purposeful – endeavour to promote the greater prosperity of the city region.

It is clear, however, that the country now faces its most serious economic (and therefore social) challenges for many a long year, and, against this backdrop, the Leeds City Region Partnership has had little hesitation in welcoming the government's most recent moves to strengthen and deepen its promotion of co-ordinated action at the level at which economic interventions in many other countries (in the EU and beyond) have been shown to have had their greatest impact. With businesses struggling to survive, and individuals and communities finding it increasingly difficult to cope, it is the city region's contention that the dynamic leadership of effective local partnerships working across functional economic subregions will be vital if the conditions in which businesses and communities can recover, and begin once again to grow and prosper, are to be created and sustained.

### **The road ahead**

The chancellor's Budget announcement in April 2009 that the Leeds city region, along with Greater Manchester, was being accorded forerunner status therefore received a warm reception from the city region's council leaders.

The leaders (and even some council chief executives) are, however, realists: they are fully aware that, at a time of economic difficulty and political uncertainty, the prize that has been promised could prove to be chimerical. With some peaks already in view and requiring to be scaled, the city-region expedition remains in the foothills. There is little doubt that, even at this point, much work will need to be done if strong and consistent cross-Whitehall support for a co-ordinated, functional subregion approach to economic analysis, planning and investment is to be secured.

Moreover, in taking on the challenge of achieving all that we have set out in our forerunner bid, we will be regularly reminding ourselves that we are in this for the long haul. We will be redoubling our efforts to ensure that our stakeholders across the city region are fully engaged in the agenda going forward. We will also be working hard to demonstrate to the prospective leaders of any new government that support for extended city-region collaboration makes eminent political and economic sense.

These challenges are not small, but enhanced prosperity and better governance are noble causes. They are also what local leadership is – and in truth always has been – about.

## **Part II: Diversity and cohesion in the Leeds city region**

Rob Vincent, Chief Executive of Kirklees Council

### **Diversity and stimulus**

Diverse communities provide the complex human interactions that stimulate economic growth. They allow the interplay of attitudes and experiences that stimulate innovation and ambition. They also expand markets and have the cultural flexibility to adapt successfully to new opportunities.

The historical evidence for this is overlaid by other factors, particularly technological advances and the exploitation of materials and peoples. But it is there to be found in the economic success of the cities that grew up as centres of trade routes. It is still evident in the vitality of the cosmopolitan cities and towns that drive growth in city regions across the world. Diversity deserves to sit alongside agglomeration and other key concepts as a condition for growth.

### **Diversity and tension**

Diverse communities can offer stimulating and rewarding human interactions, but they can also be tense and oppressive. Although we respond well to complex cultures around us when we feel confident and safe, we tend to reject strangers and turn inwards when we feel threatened. In such circumstances we seek the safety of strong identities shared with people whom we see as being like ourselves, and often defined in opposition to other parts of the community. It is this reaching for the strength of shared identity that is so evident in times of threat and crisis.

Sometimes the impact is focused and dramatic, as in the disturbances that affected Northern English towns in 2001. But more often it is chronic and insidious. It is found in the sense of separation of people growing up within different cultural communities: the sense shared by some young Muslims that they can only fully trust someone from the same community and must regard others as a threat; the anger of a struggling white family that feels it is losing in status and resents support to local ethnic-minority communities. The damage is not just to the quality of individual daily lives, which are unnecessarily narrow and fearful, but also to the prospects of economic strength and prosperity for the community as a whole.

### **Diversity and cohesion in the Leeds city region**

We have both "good" and "bad" diversity in our city region.

The gains from diversity are dominant. Our city and town centres, and many residential

areas, are lively, cosmopolitan and stimulating places. We have a conglomeration of universities that draw students and staff from all over the world into shared learning and research. We have networks of entrepreneurs with global connections. Leeds city region is predominantly a positive, confident and successful example of the advantages of diversity.

But for significant numbers of our residents the gains are muted by a day-to-day experience that undermines confidence and saps energy. The indicator sets that have been devised nationally as part of the post-2001 focus on cohesion show a high level of segregation (households with low levels of contact across a diverse community) in parts of the area, and low scores for good relations with neighbours in some places. It is often white communities that are most segregated and least comfortable with their neighbours. Behind the statistics are more compelling experiences of individuals wary of visiting some parts of their town or city, of taxi drivers suffering abuse, of tensions between groups of young people on the streets.

### **Creating the conditions for cohesion**

The challenge of releasing the strengths of diversity, while minimising the damaging impacts of separation, aggression and fear, is the challenge of creating cohesion. The label is recent, but the need to manage the context in which relationships between communities can flourish has always been there in complex urban areas. That will be evident to anyone who delves into the history of the towns of the Silk Road, or the cities of the Roman Empire, or the Muslim Caliphates.

What we know from experience, ancient and modern, is that cohesion cannot be created directly; no one can direct the attitudes of others. But the conditions in which cohesive societies can flourish can and must be attended to. The recent Darra Singh review of the factors required to ensure integration and cohesion identified six:

- *Shared sense of contribution to future by different individuals and communities*
- *Strong sense of individual's rights and responsibilities*
- *Those from different backgrounds have similar life opportunities and access to services*
- *Trust in fairness of institutions in arbitrating between interests*
- *Strong recognition of the contributions of newly arrived and long standing communities, with a focus on what they have in common*
- *Strong and positive relationships, in schools, workplaces, neighbourhoods<sup>6</sup>*

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6 Commission on Integration Et Cohesion *Our Shared Future* (June 2007)

Like good gardeners, we need to create the conditions in which these attributes can flourish.

### **The West Yorkshire approach**

The challenge of creating the conditions for cohesion affects all parts of the city region but has been most intense in Leeds, Bradford, Kirklees, Wakefield and Calderdale, the five parts of West Yorkshire. In each part of each community the actions have been very local, because it is an empathetic understanding of the realities of daily life that is fundamental to effective response. But the local responses have been in the context of a shared general approach.

The approach is based on four principles adopted by the five councils, in collaboration with community representatives and the West Yorkshire police:

#### **Rights and responsibilities of the individual**

All individuals have a right to be treated fairly and with respect by other individuals and by civic authorities. They, in turn, have a responsibility to respect others and to treat them fairly. All individuals also share a responsibility to develop mutual ground with others, whatever their beliefs and lifestyles, so that all can prosper and share a high quality of life.

#### **Collective responsibility and collaborative responses**

Democratic local government has particular responsibilities to provide leadership in achieving an integrated and cohesive community, but it can do so only with the collaboration of community and faith structures and other agencies.

#### **Listening and developing understanding**

Progress in developing integration and cohesion is dependent on a full understanding of the attitudes and concerns of individuals and groups. This means creating the circumstances where individuals feel able to express themselves freely, and where they are encouraged to listen to each other's perceptions. It is also important that those providing community leadership avoid making assumptions and using stereotypes. They need strong local engagement complemented by regularly updated research into opinions and attitudes.

#### **Focused actions**

The desired characteristics of integrated and cohesive communities will not be obtained unless there are sustained programmes of action. The actions must be focused on the circumstances where the barriers are most significant, must be properly resourced and sustained.

From these principles flow actions for partnership delivery. Although the balance differs between the five areas, most actions fall under six broad headings:

- providing strong community leadership, in expressing the sort of community relation sought in each area and in challenging barriers;
- taking action to reduce inequalities in health, education, housing and employment prospects;
- responding to unfairness, real and/or perceived, in the way in which resources and activities are focused on specific communities;
- creating circumstances in which individuals and communities can speak freely about their concerns, and be listened to with respect;
- working with young people to understand the contexts within which they are forming their sense of individual and group identity; and
- working intensely in those communities where poor community relations undermine the quality of life of residents and the confidence of the community as a whole.

### **Progress and feedback**

There are no breakthroughs in the cohesion agenda. Sometimes the knock-on effects of global conflict, or of responses to acts of terrorism, seem to put back hard-won progress. Currently the stresses on households arising from the recession threaten to intensify the community introversion and alienation that we must reduce over the long term.

But effective work can have overwhelmingly positive outcomes. It is possible to tap into a desire among individuals – often individuals with apparently hardened views – to escape from the depression of closed-down and aggressive attitudes to others and join the part of the community that is thriving in a cosmopolitan version of diversity.

Where that works on sufficient scale to release the positive feedback of cohesion, generating economic vitality and growth, and leading to greater confidence and enjoyment of diversity – that is where growth and cohesion will be most strongly entwined.

## Chapter 12

# Sheffield city region – growth and confidence

Martin Havenhand, Chair of Sheffield City Region Forum

## Sheffield city region – growth and confidence

The Sheffield city region covers the four South Yorkshire local authorities of Barnsley, Doncaster, Rotherham and Sheffield, and the East Midlands authorities of Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North East Derbyshire that are within Nottinghamshire and Derbyshire county councils. Covering some 3,500 square kilometres and containing 650 square kilometres of the Peak District national park, the area is two-and-a-quarter times larger than Greater London.

With a population of 1.75 million – the same as Northern Ireland – and a workforce of 770,000, the Sheffield city region has seen significant economic growth and regeneration in recent years. The economy of the Sheffield city region is worth over £26 billion, making it larger in output terms than Leeds, Bradford and Wakefield put together.

The original impetus for the Sheffield city region was provided by the regional development agency-led Northern Way agenda, which was designed to unlock the potential for faster economic growth and to bridge the £30 billion output gap between the North and the rest of the UK. The Northern Way reflected the government's recognition that the best way to overcome regional disparities in productivity and employment rates, and to improve the economic performance of all English regions, was to allow each region and locality the freedom, flexibility and funding to exploit their indigenous sources of growth.

The Sheffield city region is an area that has seen massive restructuring over the last 30 years. Collaborative working has ensured progress on the road to recovery from the economic and social devastation brought about by the rapid decline in the steel and coal industries that provided decades of economic stability in the past. In that restructuring, through partnership, we have built a more diverse and resilient economy that is not now undermined by the current inertia in the financial sector and puts the area in a prime position to contribute to longer-term recovery.

Since 2000, the city region has narrowed many of the economic gaps that were previously growing against the national average:

- Per capita GVA (output) grew from 79% to 83% of the UK average between 2000 and 2008.<sup>1</sup>
- By 2007 employment had grown 9.9% since 2000, compared with just 5.5% in Great Britain overall.

<sup>1</sup> Source: Experian, 2009

- The unemployment gap reduced from 1.2 points in January 2000 to just 0.5 points in January 2009.
- VAT stocks grew by 5,600 companies in the past seven years, which means the VAT gap with the rest of the UK narrowed from 26.3% to 25.3%.
- An improvement in skills showed 147,000 more people of working age with a qualification in 2007 than in 2000, an increase of 23.3%, compared with a 17.3% rise in Great Britain overall.
- Between 2000 and 2007 the deprivation ranking (on the Index of Multiple Deprivation) improved in seven of the nine Sheffield city region districts.

The area's economy has both diversified and modernised to be in the best shape for decades. Private-sector investment, alongside public-sector funding from the government, regional development agencies and Europe, has contributed to our recent success, and strong partnership working has helped make the best of this investment. An independent assessment of 13 city regions and their resilience to economic downturns has shown that the Sheffield city region improved from 10th to seventh in ranking between 1998 and 2008.

The new city-region economy has broadened its sector base, expanding the knowledge economy in, for example, key areas such as research and development, the medical instruments sector and the creative and digital industries. Significantly, South Yorkshire has been designated the first "digital region" in England and will shortly see the roll-out of a new-generation broadband network providing next-generation access to ensure that South Yorkshire is one of the best connected parts of the country. This network will not only stimulate business and economic growth but also provide the public sector with a means for delivering more efficient and more effective public services.

Furthermore, a thriving advanced-manufacturing sector remains a key part of the economy, with significant employment and an output contribution punching above its weight. No other UK city region can claim a name like "Made in Sheffield", which is a globally recognised brand synonymous with high-quality, technologically advanced manufacturing.

But we also have challenges, and the Sheffield city region must continue to improve in order to ensure not only that it manages recession but also that the area is well positioned to take advantage of the future upturn. Our approach addresses opportunities to strengthen underperforming areas of the Sheffield city region's economy and supporting infrastructure, while further exploiting established economic success. The challenges we face include a need to improve our skills base and create more high-value employment

opportunities, with a continuing sector shift, a larger business base, increasing technology focus and a programme of improving infrastructure investment.

In addition, the city region's can-do spirit means that we are keen to explore new ways of working, to become an exemplar of how things can succeed despite administrative complexities, for other areas of the country.

For these reasons, we applied to become one of the government's recent pilot Economic Prosperity Board areas. While we were not successful on this occasion, we continue to work towards improving our economy. We contend that the Sheffield city region is capable of yielding an additional £3.5 billion from the current baseline output position of £26.7 billion, an increase of 13% and a significant contribution to the £30 billion output gap identified in the Northern Way growth strategy.

### **Our approach**

Today, the overarching body responsible for setting the strategic direction for the city region is the Sheffield City Region Forum, comprising the leaders of nine local authorities along with Derbyshire and Nottinghamshire county councils and the Peak District National Park Authority. Both government offices and regional development agencies in the area are also involved and lend their support.

The forum is not a statutory body at this stage, but operates as an informal and voluntary partnership without any legal status. It works through partnership and political influence to make progress. The forum oversees the delivery of the Sheffield city region development plan, published in 2006, which aims to increase output and generate an additional 75,000 full-time-equivalent jobs in the city region. It provides effective and accountable leadership in the city region, driving decisions and overcoming blockages. Its remit is to agree the strategic direction of the city region by focusing on the following:

- developing an economic strategy for the city region;
- developing solutions to cross-boundary transport issues;
- encouraging investment in the city region;
- co-ordinating the skills and training agenda;
- addressing environmental and quality-of-life issues;
- improving the residential offer;
- promoting the city region as a destination; and
- building relationships with other city regions.

These aspirations are beginning to be realised through a developing programme of actions to:

- capitalise on the city region's pivotal position in relation to the economic hubs of Leeds, Manchester and Hull, the Humber ports, and south through the East Midlands to London;
- accelerate sustainable economic growth through a number of key economic drivers;
- re-establish the main city and towns as retail, commercial and business centres;
- address underlying weaknesses in enterprise, skills, participation, connectivity; and
- increase the provision of housing for growth and renewal.

Key economic drivers identified as having an impact over the next 10-15 years are:

### Growth centres

The city region benefits from a number of key locations for growth. The growth centres offer good transport connections and links to the strategic road and rail network, with easy access to both the North and the South of the country and to the Humber ports in the East. There is considerable investment potential for the development of sites within the growth centres, meeting the twin objectives of linking jobs and communities while providing companies with high-quality locations to suit their business needs. There is considerable scope to secure major high-quality logistics investment as well as further investment in manufacturing production.

### Key sectors

The city region retains a significant and highly competitive advanced-manufacturing sector, with forecast growth in output (in terms of GVA) over the next 10 years above the national average. The city region also has a fast-growing cultural, creative and digital industries base, with Sheffield being home to a number of independent media companies.

### Universities and innovation

In the longer term, for higher value-added sectors, competitiveness will be influenced by the degree of innovation and commercialisation. The city region benefits from the presence of two universities in Sheffield and a university centre in Barnsley, as well as a number of research and development institutes and trade associations, innovation centres and incubation facilities. These assets could be brought together to provide the best innovation service in the country, addressing all barriers to innovation and commercialisation. There is also considerable potential under the Department for Innovation, Universities & Skills' "University Challenge" for a new university to be located in the city region.

## Destination

The city region benefits from its accessibility to the Peak District National Park, 45% of which falls within the boundary of the city region, and has established itself as a destination for events as a result of investment in sports, music and drama facilities in Sheffield, as well as other attractions including the YES Project (the largest indoor leisure and tourism development in Europe) and the Magna science adventure centre. There is an opportunity to accelerate economic growth through more effective marketing and the further development of infrastructure such as hotels, visitor accommodation and the urban renaissance of towns and cities across the city region.

## Doncaster-Sheffield Airport

The growth potential for the airport is considerable, given its location near the national road and rail network. The economic benefits to the city region are considerable, and accelerating the growth of the airport, for example by improving its connection to the national motorway network, has the full support of all the stakeholders and has been agreed as a key priority for the city region.

## Our response to the economic downturn

Partners within the Sheffield city region have been quick to respond to the challenges brought about since the economy began to slow and the country entered recession. In general, our approach has been characterised by two key strategies: firstly, the design and implementation of short-term interventions to address the most destructive aspects of the downturn and attempt to relieve pressure at pinch points; and, secondly, reviewing, adjusting and where possible accelerating our longer-term aspirations to ensure that as the economic turmoil stabilises, and ultimately the economy starts to grow again, the Sheffield city region will be best placed to capitalise on its inherent economic strengths and spearhead rapid recovery at a subregional level.

Our approach is based on a sound and continually updated understanding of the potential impact of recession on the area. We recognise that although output will fall slightly this year, it is set to pick up in 2010 and then continue to grow. Employment levels are unlikely to begin to increase until 2012, but should then grow steadily, and we are clear about the sectors that are likely to be worst affected. Our core themes are consistent with this understanding and give Sheffield city region the best chance of maintaining and improving economic progress. We are in a substantially better position than at the beginning of the decade and our sector mix is both more diverse and more closely linked to the UK profile, particularly in the stronger sectors. This underpins our confidence about future prospects for economic recovery and our plans for rebuilding and reinventing the basis for a new economy in this part of the North of England.

To illustrate this, our recent bid to the government for forerunner city-region pilot status was based on three propositions:

- accelerated growth opportunities;
- a new governance model;
- a test-bed for government.

We are clear that a range of freedoms and flexibilities from central government would assist us in making rapid progress with our plans for a city-region-wide housing market, with augmented transport improvements and delivery of local initiatives to improve skills levels and to address a seemingly intractable problem of worklessness in the area. We set out a case for an Economic Prosperity Board to be created in the Sheffield city region in order to provide government with a basis for devolution of the powers and funding we are seeking. Despite Manchester and Leeds being announced as pilots in the recent budget, the leaders of Sheffield city region are still determined to carry on with our plans and our "asks" of government.

We contend that any government serious in intent to shift power to local levels could do well to explore what can be done in a functioning economic area such as ours, where people and businesses do not observe administrative lines on maps, in order to pool resources and powers to take decisions in different ways. We will continue with our ambitions for this area in the firm belief that the sum of the whole is far greater than the parts and that the Sheffield city region is a vital component in a triangle formed between Sheffield, Leeds and Manchester.

### **Conclusion**

As chair of the Sheffield City Region Forum, I am proud to have worked with the political leadership in this part of the world for the last two years. I have witnessed a growing confidence in the area and increasing sense of an identity that recognises the power of a strong city combined with a range of unique assets in the neighbouring towns and settlements, coupled with the offer of an attractive quality of life. Our recent bid to government is the start of a push to have that identity confirmed, recognised and utilised as an important contributor to the country's economy so that the "Made in Sheffield" brand also becomes synonymous with a new, vibrant economy in a bold, ambitious part of the world.



## Chapter 13

# Hull & Humber Ports city region – growth and skills

Stephen Parnaby OBE, Leader of East Riding of Yorkshire Council, and  
Kim Ryley, Chief Executive of Hull City Council

## Hull & Humber Ports city region – growth and skills

It is the clarity of our purpose in a rapidly changing world, the local economy of goods and products, and international trade, which shape the identity of the Hull & Humber Ports city region and defines our place in the global economy. Basic economic geography provides the (still) enduring narrative for the identity and purpose of the Hull & Humber Ports city region. The connectivity and natural resource provided by the Humber estuary and its extensive tributaries, together with the region's central UK position facing continental Europe (equidistant from London, Edinburgh and Rotterdam), has been and remains the most distinctive feature of the city region's economy.

The city region, which comprises the local authority areas of Kingston upon Hull, East Riding of Yorkshire, North Lincolnshire and North East Lincolnshire, has been described as "deeply rural in a spatial context. It has few concentrations of urban development outside of the three key centres of Hull, Grimsby/Immingham and Scunthorpe".<sup>1</sup> Kingston upon Hull is designated a regional city and is the commercial and cultural capital of the city region.

While the Hull & Humber Ports city region covers a great deal of land area (3,500 square kilometres), its population of 907,800 makes it one of the UK's two smallest emerging city regions (along with Tees Valley city region). Contrasts between the local authority areas in the Hull & Humber Ports city region can be large: thus, while East Riding has the greatest land area of any unitary or district authority in England, Hull is one of the most densely populated local authority areas in England.<sup>2</sup>

Indeed, two of the four local authority district areas making up the Hull & Humber Ports city region – East Riding of Yorkshire and North Lincolnshire – are members of the "sparse" special interest group of the Local Government Association, which has a membership criteria based on local authority areas having a population density of only two persons per hectare or less.<sup>3</sup>

### Changing the way economic development is delivered

A number of policy developments over the past few years, taking in the Lyons review,<sup>4</sup> the

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1 Humber Rural Delivery Pathfinder *Sub Regional Evidence Base* (Government Office for Yorkshire & Humber, 2005)

2 Certainly, population densities in Yorkshire & Humber's regional cities are revealing in terms of people per square kilometre – the figures are: Bradford 1,277, Leeds 1,297, Sheffield 1,395, York 667, and Hull 3,406.

3 This is a special interest grouping of the most rural local authorities in England.

4 Lyons, M *Place-shaping: A Shared Ambition for the Future of Local Government*, final report of the Lyons inquiry (HM Treasury, March 2007)

local government white paper,<sup>5</sup> amendments to the 2004 Town & Country Planning Act, and culminating in the subnational review<sup>6</sup> and the government's new regeneration framework,<sup>7</sup> are altering the way economic development (in its widest sense) is understood and delivered in the UK, with a greater emphasis on the different strengths and contributions of local economies.

The government's proposed regeneration framework, published in July 2008 as *Transforming Places; Changing Lives: A Framework for Regeneration*, bluntly acknowledged that, despite progress, "there are still too many places marred by concentrations of worklessness and, while the gap in outcomes between the poorest places and the rest has been closing, patterns of concentrated deprivation have remained largely the same". Overall, the Hull & Humber Ports city region is one of those places characterised by concentrations of worklessness and – the natural corollary and cause of this worklessness – by an underperforming economy, which in itself is a symptom of past structural economic change and an inadequate policy response.

The government intended that the new regeneration framework should "shift emphasis on to tackling the economic challenges that hold back deprived areas" and "transform rather than subsidise the lives of residents in the most deprived areas". In order to do this, the government believes that "the underlying economic challenges that cause concentrations of worklessness" need to be addressed by tackling "the place-specific economic barriers that prevent markets working".<sup>8</sup>

The theme that runs through the Planning & Compulsory Purchase Act, the subnational review and the regeneration framework is an emphasis on outcomes, rather than processes and outputs, and the shared presumption that "understanding the appropriate spatial level for investment is crucial". Indeed, the 2007 planning white paper went further and made plain the government's desire to incentivise joint working between local planning authorities on plan making, because "the geography of housing markets or functional economic areas are rarely confined to administrative boundaries".<sup>9</sup>

5 Department for Communities & Local Government *Strong & Prosperous Communities – The Local Government White Paper* (October 2006) ([http://www.communities.gov.uk/pub/98/StrongandProsperousCommunitiestheLocalGovernmentWhitePaperVol1\\_id1504098.pdf](http://www.communities.gov.uk/pub/98/StrongandProsperousCommunitiestheLocalGovernmentWhitePaperVol1_id1504098.pdf))

6 HM Treasury, Department for Business & Regulatory Reform and Department for Communities & Local Government *Review of Sub-national Economic Development & Regeneration* (2007) (July 2007)

7 Department for Communities & Local Government *Transforming Places; Changing Lives: A Framework for Regeneration* (July 2008) (<http://www.communities.gov.uk/documents/citiesandregions/pdf/896104.pdf>)

8 *Ibid*

9 DCLG *Planning for a Sustainable Future*, white paper (May 2007), p137, para 8.44 (<http://www.communities.gov.uk/documents/planningandbuilding/pdf/planningsustainablefuture.pdf>)

Both the Lyons inquiry into local government and the local government white paper emphasised the place-shaping and leadership role of local authorities. Sir Michael Lyons' advocacy of the need for local authorities to understand and execute their place-shaping role also called for the building of coalitions with neighbouring authorities and others, while the local government white paper drew attention to the lack of fit between, on the one hand, many district and regional boundaries and, on the other, the reality of community identity and "the natural economic boundaries of a city or town, making it harder to plan for growth".

The white paper added: "The economic reality of our towns, cities and rural areas frequently extends beyond the boundaries of individual local authority areas. It is only through collaboration across boundaries that places can realise their economic potential."<sup>10</sup> The strong leadership, collaboration, and joint approach between the local councils in developing the city region's shared economy shows that this is well understood locally.

Reiterating its long-term commitment to effective regeneration, the government has made it clear that "effective regeneration cannot happen without support from – and full engagement with – the people and communities involved". Rightly, in our opinion, national government has acknowledged that "local government is uniquely placed to ensure that the needs of local residents and businesses drive regeneration."<sup>11</sup>

However, this article is being written during a time of unprecedented global economic turbulence, which has not been experienced in living memory. The extraordinary "perfect storm" produced by first the "credit crunch" with a simultaneous energy costs spike, then the "economic downturn" which subsequently became a recession, has changed the world we live and work in, and will have fundamental implications for how we and future generations live our lives. While "the aims of the Government still hold true ... the amount of private investment available has shrunk drastically as the old model of rising land values driving investment has faltered."<sup>12</sup>

Nevertheless, of the many fronts on which it is responding to current economic conditions, the government continues to assert that "it is even more vital that we make sure regeneration investment is targeted in the right places."<sup>13</sup> Government clearly sees itself in a new relationship with local councils, as they are the main deliverers of the

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10 DCLG, op cit (October 2006)

11 DCLG *Transforming Places & Changing Lives: Taking Forward the Regeneration Framework* (May 2009)

12 Ibid

13 Ibid

necessary conditions for local economic growth. If this is not yet an equal partnership, then it is at least a relationship of common interest to face effectively the challenges of a rapidly changing UK economy.

So, where are these "right places" that are to be the beneficiaries of the "tough choices" which will have to be made about where to invest? They are the places with a clear sense of their economic purpose – which understand where they are, how they got there, and where they need to go to catch the next wave. Leading this trajectory out of the current recession entails thoroughly understanding: the level and nature of the legacy deprivation; the economic and social characteristics of the area; the dynamics of the area (whether things are getting better or worse); and the strength and potential for growth of the wider subregional economy in order effectively to tackle the particular underlying economic challenges that the city region faces.

### **Focusing investment**

Public and private investment in the Hull & Humber Ports city region, especially in the current economic climate, needs to be:

- focused on economic outcomes and worklessness;
- driven at the right spatial level; and
- targeted where it will have most impact.

When the recovery gathers momentum and confidence is restored, both to the policy makers and the markets, the UK economy will look and feel very different from that in the period up to 2008. It is reasonably safe to presume that it will no longer be driven by consumerism, equity withdrawal, and high levels of government spending.

The short-term monetary and fiscal measures undertaken by many of the world's governments to mitigate the worst of the acute recessionary forces washing around the globe in successive waves will stabilise the economy, albeit at a low level, leaving the private sector and the markets to pick up the growth baton just as the belt tightens in the public sector. The constrained public sector will see a very visible reduction in the current scale of government and public services in our society as a result, after next year.

Any growth we are likely to experience will be driven by enterprise and the underlying propensity of demand in key sectors. Focusing on and reinforcing this growth potential will be essential, as other negative factors are likely to play into our recovery, including energy costs based upon scarcity and security, together with the resurgent economies of the Far East, which are likely quickly to drive commodity prices up globally.

What does this mean for the Hull & Humber Ports city region? Our locational advantage is indisputable, facing major markets in the UK's main market and continental Europe; and with a relatively unrestricted hinterland, the city region will build up its position as the UK's largest intra-European ports complex.

While the recession has created some underutilised capacity in the Humber ports, this is likely to be taken up relatively quickly, early in the eventual economic upturn, and key capital investments will continue, particularly serving the energy sector and high-value logistics. The Humber offers a viable option over the ports of the South East of England, in terms of the cost, time and reliability equations managed by all logistics companies. Locally, such specialist knowledge is linked to driving productivity through the Institute of Logistics at the University of Hull.

Energy production, particularly renewables and clean coal, offer a real growth opportunity for the Hull & Humber Ports city region. Access to port facilities for feedstocks, available land, gas infrastructure in the southern North Sea which could be used for carbon sequestration, and a skills base highly developed by the chemicals and other continuous process industries locally all mean that the Humber will be at the forefront of UK energy provision in the coming years.<sup>14</sup> The Humber's broad skills base, which underpins the marine engineering and offshore and petrochemicals sector, is also positioned to capitalise on large-scale planned investments in wind farm provision. In addition, the University of Hull is exploring and piloting wave-generation technology.

The healthcare sector is a particularly strong competency base in Hull – the commercial capital of the city region – and this also has major growth potential in the newly emerging UK economy. Household names such as Reckitt Benkiser, Smith & Nephew and Seven Seas underpin the sector locally. The Hull-York Medical School and the Hull & East Yorkshire Hospitals NHS Health Trust provide a capital knowledge base for further development to meet the rapidly changing demographic demands of the UK's ageing population.

At a local level, the focused joint working between Hull City Council and NHS Hull (the primary care trust) is delivering improved medical facilities to complement the Hull Masterplan, which focuses effectively the city's current major investment programmes, including Building Schools for the Future and Housing Market Pathfinder Renewal, together with Hull Forward, England's first economic development company.

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14 In April 2009, the secretary of state for energy and climate change announced details of the government's strategy on the use of low-carbon technologies and mentioned the Humber as one of the four areas in the UK possibly suitable for further investigation of carbon-capture technology. (<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090423/debtext/90423-0006.htm#09042347000004>)

This masterplan approach has allowed us the opportunity to bid for significant amounts of funding from main funding bodies, such as the Homes & Communities Agency and our regional development agency, Yorkshire Forward. Our successes have been underpinned by a shared vision and understanding among local partners operating within the governance structures of One Hull, our local strategic partnership.

A further growth sector that we are also keen to reshape and drive forward is food. The city region, given its relationship with the sea and its rural hinterland, has been a centre for food value-added processes since the late Middle Ages. Today it is a centre for commodities, storage and processing, together with food marketing and production. The UK economy, post recession, brings this vital sector into sharp focus for concerted development. Food production is expected to become more localised, comparatively more expensive as global demand pressures exert themselves on prices, and more nutritious as the linkages with health issues become more embedded in our lifestyles.

Having a firm focus on the future growth potential of the Hull & Humber Ports city region in this way is essential in the period of great change we are experiencing, given the longer-term implications of the resulting economic realignment for the next generation.

The identified growth sectors of port logistics, healthcare, energy and food will maintain and expand our tradable economy (how we win wealth from beyond our region). At the same time, the curtailing of consumer-driven, transactional economic activity will have implications for how we use our urban centres, with changes being accelerated by the reductions in public-sector funding, which will demand more joining up of services between public bodies, delivering greater efficiencies and value for money and, above all, innovation in actively shaping and making more resilient our local communities as sustainable places to live and work.

The Hull & Humber Ports city region is well placed to help UK plc drive the upturn, by capturing early the next wave of change in our economy. With a little help in terms of investment in better infrastructure, and intense short-term assistance in overcoming the recent past legacy of high numbers of jobless or workless people in our communities, we can ensure that we tackle once and for all the fact that the benefits of high productivity are not being experienced by all local people. This will enable us to punch at our true weight in the new global marketplace.



## Chapter 14

# The York & North Yorkshire subregion – sustaining growth in a multifaceted economic area

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## The York & North Yorkshire subregion – sustaining growth in a multifaceted economic area

### Overview

York & North Yorkshire covers 54% of the spatial area of the Yorkshire & Humber region, yet has only 15% of the population. Population has increased for many years, growing by 5% between 2001 and 2007 – a figure above both the regional and national rates. During that time, growth within York itself was 6.6%.

Output in 2006, in terms of GVA per head, was 15% below that for England, and similar to the regional average. However, the city of York performed much better, with a GVA per head broadly equal to the national average. This implies that areas of the county of North Yorkshire – especially those that are more peripheral to city regions – are characterised by a much lower level of economic performance.

However, the subregion as a whole has been able to sustain a good level of employment growth, increasing jobs by nearly 15% in the decade prior to the recession, compared with 9% growth for both England as a whole and the Yorkshire & Humber region. The subregion sustained its manufacturing base at around 12% of employment, which is now above the English average. It even achieved a small amount of growth – unlike England, where manufacturing jobs fell by 30%.

York & North Yorkshire also witnessed a rise of nearly 50% in finance and business services jobs, a high growth rate compared with English and regional averages. However, the number of jobs in this sector, at around 17%, is still below the English figure of 23%. For the other critical industries, such as retailing and the visitor economy, growth has been above the regional and national averages, accounting for approximately 27% of jobs.

The subregion has a series of complex interfaces with the adjacent economies, and between the demands of different sectors within it.

It is a significant partner in the Leeds city region. However, the towns of Skipton, Harrogate, Selby and especially York are important independent economic centres as well as having significant connectivity with the Leeds and Bradford economies. The Leeds city region is perhaps the most polycentric of all the English city regions.

To the north lies the Tees Valley, but economic linkages to that area are less significant, in part because of the weakness of the local economy there. Connecting both city regions is the Vale of York, a key part of the A1 and the East Coast Mainline north/south rail route.

That community has seen important changes to the local economy, particularly in the growth of manufacturing and the service economy, including important investments in defence.

On either side of the Vale of York lie two upland areas based on the national parks of the Yorkshire Dales and the North Yorkshire Moors. They encapsulate the popular image of North Yorkshire, although accounting for only a small portion of its population and its economy.

These upland areas and also the coast suffer most from the effects of peripherality. The coastal economy, particularly in Scarborough, needs to move away from employment in traditional tourism to a more diversified economy, yet also has to address severe deprivation.

### **Aspire, achieve, enjoy**

The subregion adopted an investment plan in 2007 as a strategic response to these opportunities, adopting the strapline "Aspire, achieve, enjoy".

York & North Yorkshire does need to raise its game to sustain its particular economic mix, to respond to restructuring of its employment base and to address the problem of a low-skilled economy in the more rural and eastern parts of the area.

But it has also demonstrated significant achievements in securing investment and building high skills levels. Its cultural and environmental offer enables a strong visitor economy and also makes it an attractive place to live.

The subregion adopted five transformational themes in 2007:

- **Exploiting knowledge and innovation**

The subregion, especially York, has a significant opportunity to build on its science and knowledge base, expanding research but also developing new enterprises.

It aims to be the best and easiest place to locate science in the UK.

- **Stimulating and supporting enterprise and enterprising culture**

The subregion is characterised by a very large number of small firms and above-average numbers of self-employed people. Firm formation rates are high, especially in the rural areas, as are survival rates. This is a significant asset, as demonstrated in May 2009 when Scarborough won the award of the most enterprising place in Europe.

- **Developing a contemporary high-quality cultural and environmental offer**  
Quality is critical to the success of the visitor economy, to create a place where people want to live and for businesses to prosper. This, however, requires constant investment as well as careful management, and there is a need to ensure that the "product" is relevant to the needs of a modern and global market.
- **Attracting and developing knowledgeable and creative people**  
The subregion has excellent levels of educational attainment in most areas, and within the areas included in or connected to city regions there is a high level of skills and knowledge. This has been reinforced and supported by the growth of higher education, particularly in York.
- **Ensuring a connected subregion**  
Activity and the flow of information are critical for a modern economy, and this presents a particular challenge for such a wide spatial area as the York & North Yorkshire subregion. There has already been significant investment in broadband infrastructure.

## **Opportunities and challenges**

### **Higher education and the science base**

There is extensive academic literature<sup>1</sup> that stresses the economic interconnectedness of higher education, attracting talent into an area and thus enabling technologically based business development. Much of the recent success of the York economy has been building on these principles.

Significant investment in the city's two universities has already grown the local research and teaching base. The University of York has ambitious plans to double its size, and the initial phase for four new academic departments and a new hub building is under construction. The first phase is costing £66 million and benefits from a European Regional Development Fund grant of £20 million. York St John University has invested over £65 million in its facilities in the city.

Since 1998, a partnership between the City of York Council and the University of York, named Science City York, has provided a vehicle for achieving the area's business development objectives. It too has benefited from European Union funding. There are

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<sup>1</sup> For example: Florida, R *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community & Everyday Life* (Basic Books, 2002)

strong relationships with the Food & Environment Research Agency based near York, along with other private R&D facilities.

Maintaining momentum is critical but may be more challenging in a period of diminishing public-sector resources. There are also proposals to increase the impact and availability of higher education across a wider area, including the development of the University of Hull's campus at Scarborough and projects to facilitate greater penetration of higher-education provision into places such as Harrogate and the wider rural areas.

### **Low-carbon economy**

The subregion is well positioned to facilitate investment in the emerging low-carbon economy. Part of the science base at York has particular research strengths to facilitate the development of "green" industries and innovative agricultural products. Strong research connections have also been established with universities in Leeds and Sheffield.

Adjacent to this academic base is the area of Selby, which is a major energy supplier through its power stations of Drax and Eggborough as well as having an industrial base as a processor of agricultural products. It already has renewable energy plants under construction and can offer the appropriate infrastructure to accommodate demonstrator and full-sized plants in the future.

This part of the subregion could also benefit from investment from national and international sources in major carbon-capture schemes associated with the power industry.

### **Climate change and natural resources**

Climate change raises some critical issues for natural resource utilisation in the subregion, with growing and competing demands for the land base. A current debate is whether local agriculture is at the beginning of a trend of long-term revival based on the possible loss of agricultural capacity elsewhere in the world. This would reinforce the sector's importance to the York & North Yorkshire economy as an economic driver for a series of downstream industries.

As a consequence of climate change, there could also be competing demands for the utilisation of land. Besides growing food there is demand for biomass production, flood-prevention measures, carbon storage (in trees and peat), biodiversity and recreation. These competing demands are likely to increase. Much can be done in the subregion to promote integrated land management in the context of a strong national and European policy context.

### The visitor economy

The visitor economy has grown successfully in the subregion for many years, and this growth continues. Significant investments and promotions have broadened the product base. These include the development of outdoor adventure and specifically mountain biking, leading to the attraction of the Mountain Bike World Cup to the North Yorkshire Moors in 2010.

Agreement has been given for a £13 million development to create two new exhibition halls and improve the facilities at the Harrogate International Centre, which contributes an estimated £148 million to Harrogate's economy. Tourism investment in York may total £50 million over the next three years, aiming to raise employment in the sector by around 12.5% to 12,000.

Visitors are becoming an increasingly critical part of the local economy, especially in the rural and coastal areas. The market is, however, subject to significant competition and the industry needs to maintain its product mix and secure active marketing. The establishment of "Welcome to Yorkshire" has been a significant step forward. There is a long-term need for continued investment, and part of this is reliant on public-sector resources. This has not been a particularly high priority in the past for government and might be placed under an even greater strain in the future.

### Property investment

The subregional economy has long experienced significant amounts of housing investment. Currently this has reduced significantly, although there is an expectation of revival during next year and of a longer-term recovery.

However, the prognosis for commercial development, particularly for employment land and premises, is far less optimistic. A combination of the credit crunch and the overhang of supply may mean that it will be some time before confidence in the development industry and the financing behind it recovers. The availability of public money to support infrastructure is a critical part of that process, and this adds to the concern.

In York, the restructuring of the economy has released large amounts of brownfield land. A major site, known as York North West, is benefiting from eco-settlement resources. However, procuring development interest in continued development here, and on other sites, is going to be more challenging. This will be an issue across most of the subregion, and worsens the further one moves towards the periphery. In this context it might be that the nature of economic development activity changes, becoming less property-focused and concentrating more on the development of skills.

### Leeds city region

The opportunities presented by the Leeds city region are discussed in other essays in this collection. Five local authorities in the subregion – North Yorkshire County Council, the City of York Council and the districts of Craven, Harrogate and Selby – are all involved in its governance.

There are critical connections with the Leeds city region, for both businesses and residents. Finance and business services in particular are important employers in York, Harrogate and Skipton and have strong connections with the sector in Leeds and Bradford. There are a significant number of residents, particularly from Harrogate and Selby, who are employed in Leeds, and Skipton connects with the Bradford area. Harrogate's business tourism is an integral part of the city region's offer.

The subregion is committed to working on a functional economic area basis and wants to play its part in building the strengths of the Leeds city region. However, these objectives have to be delivered within established administrative arrangements (for instance, health, or 14-to-19 education) and also with economic linkages to the broader subregional area, especially around tourism and the visitor economy.

This is one of a number of examples where the subregion has to operate in a multifaceted environment.

### Aspirations and skills

The subregion achieves a high level of educational attainment but still contains areas (particularly towards the east) where there are concentrations of low skills. There is a two-tier economy in that the opportunities for graduates and those with high levels of knowledge have been quite buoyant, and yet for lower-skilled people opportunities are more scarce and exacerbated by low aspirations. It is expected that the downturn in the economy, while affecting all levels at the moment, will have its greatest impact in areas of low skills. Connecting those who might not go on to university to the job opportunities that are hoped to arise from investment is a clear challenge for the future.

The greatest concentration of deprivation is in key wards in Scarborough where, in some instances, half of the working population are on state benefits. A new employment and skills partnership has been established to address these issues, and a three-year action plan has been adopted. This involves close working relationships between agencies and private-sector employers, utilising additional resources made available from Yorkshire Forward and European funds.

Clearly, in the current economic downturn, the challenge for addressing and tackling long-term worklessness is made more difficult. Scarborough's issues have arisen partly from its peripherality to the main economic drivers in the region; this also applies to the more remote rural areas, which have had difficulty in diversifying their economic base, restricting the opportunities for local people.

Remote rural areas also have a less optimistic prognosis for agriculture, as the land is more marginal. It is expected that they will become increasingly reliant on the visitor economy. Remote rural areas also face the greatest challenge of housing affordability.

### **Enterprise and small businesses**

The area is characterised by a very large number of small businesses and disproportionately higher levels of self-employment. In the more remote rural areas, self-employment can account for 30% of all employment. This is almost three times the national average. This does create opportunities in that individuals become more flexible in terms of future avenues, as well as more enterprising.

There is also a degree of economic resilience. During the foot-and-mouth disease epidemic there was no observable increase of unemployment, and it was generally concluded that the main economic effect was a reduction of income for self-employed people and smaller businesses, some of these workers even going on to working families' tax credit, but that did not translate into unemployment.

Major industries such as culture, the visitor economy and agriculture have been built on the efforts of many individuals. This is a challenge for the delivery of skills and business support to such a wide-ranging and diverse business structure. Business support is generally targeted towards a smaller number of high-growth businesses, which is not necessarily appropriate for these sectors. There is a need for reorientation or balancing of business and skills support priorities to reflect that much broader business base.

Business sectors such as the visitor economy and agriculture also have a much stronger relationship with the public sector locally than might be applied to other business groupings. These characteristics will often require a different approach to common problems of economic growth and sustainability.

### **Conclusion**

This paper has set out to draw out the multifaceted and multilayered issues facing the York & North Yorkshire subregion. Many of these represent strong opportunities, but there are also a number of weaknesses that need to be addressed.

There is a need to build connectivity with city regions and also within the subregion. For example, York needs to connect to the Leeds city region in terms of finance and business services and the knowledge-based economy, but also with its hinterland for its labour supply, and even further afield to build its tourism offer. Challenges of this sort apply in varying degrees for all subregional partners.

The subregion has demonstrated considerable success in the past in terms of managing these diverse and diffused areas of operation and is positioning itself to be equally effective in the future.

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