

COMPREHENSIVE SPENDING REVIEW 2007 – ADVICE FROM THE YORKSHIRE AND HUMBER REGION

EXECUTIVE SUMMARY

Partners in Yorkshire and Humber welcome the opportunity to submit advice on regional priorities to inform the Comprehensive Spending Review 2007. This submission is based on joint working and ownership by Yorkshire Forward, the Yorkshire and Humber Assembly, Government Office Yorkshire and Humber and the partners they represent. Yorkshire Futures, the regional intelligence network have provided evidence to inform it.

Our proposals are framed loosely around the five drivers of productivity and 'Quality of place'. Outside the five drivers of productivity we have two proposals that we feel cut across the submission. These are: Extending the scope of the Regional Funding Allocations exercise to include skills funding and other transport funding; and Government to prioritise activity in line with the regional economic strategy.

Our other propositions are on:

Enterprise: in particular the continued simplification of public sector business support; education for enterprise and enterprise; and disadvantaged communities.

Innovation and Science: focusing on innovation and business support; hub and spoke innovation zones; and public sector research decisions

Inclusion and Employment: proposals on departmental and funding stream alignment; support for employment pilots; and help in moving people up the employment ladder

Skills: a focus on supporting level 2 qualifications within the education system; greater focus at a regional level on NVQ level 3 and 4; routing train to gain through the business link network; alignment of job centre plus and LSC activity; and further flexibility to tailor and direct skills funding towards regional goals.

Investment: proposals creating a stable investment climate; clarification of the sub-national structures for business; and greater potential for public and private development

Transport; in particular on considering TIF funding; support for the northern way submission; better bus provision; better transport connections between Leeds and Manchester; clarification on roles and responsibilities on the regional transport board; and alignment of single pot and DfT funding

Quality of Place: support for the planning gain supplement as proposed in the Barker Review; reinvestment of money from asset sales

Housing; focused on low demand; Arms length management organisations; and reinvestment of housing asset profit

We now have strong, integrated strategic arrangements at regional level. This is complementary of the regional strategic framework, expressed through Advancing Together, in which the key regional strategies – the Regional Spatial Strategy, the Regional Economic Strategy and the Regional Housing Strategy, sit. Taken together, these three strategies provide a powerful framework for public interventions into the region.

The Regional Executive Board is the place where the region's key players come together to secure the partnership to deliver our vision and priorities for a better, sustainable future for Yorkshire and Humber. Our new structures are designed to enhance and enable delivery. Yorkshire Forwards board maintains responsibility for the regional economic strategy. These governance arrangements are a tool to help us deliver the sort of change that the region needs.

SECTION 1: REGIONAL CONTEXT

Partners in Yorkshire and Humber welcome the opportunity to submit advice on regional priorities to inform the Comprehensive Spending Review 2007. This submission is based on joint working and ownership by Yorkshire Forward, the Yorkshire and Humber Assembly, Government Office Yorkshire and Humber and the partners they represent. Yorkshire Futures, the regional intelligence network have provided evidence to inform it.

It is set within the region's strategic framework – Advancing Together – co-ordinated by the Yorkshire and Humber Assembly and developed in partnership with the region's public, private and voluntary and community sectors. It sets the overall vision for the region and provides a framework to link national policy with key regional strategies. We are currently reviewing Advancing Together and the Regional Sustainable Development Framework with the aim of bringing them together into an Integrated Regional Framework document. This will reinforce regional priorities and fully align and integrate policies and funding so that they work collectively to deliver a sustainable future.

The region has made good progress in the last 10 years and its economy has performed well against key indicators in comparison to the South East. Despite this we are not closing the gap on a number of key indicators. Our vision is to enable the continuing growth of the region's economy and the key drivers that support it; ensuring that all the region's communities shares in that growth and that it is integrated and sustainable. This submission is based on the five drivers of productivity and on employment as an additional driver of growth. It focuses on the region's economic challenges, and the freedoms and flexibilities that we need to meet them. Furthermore, it builds on recent advice in early 2006 on Regional Funding Allocations (RFA) work and is consistent with evidence built up for the recent Regional Economic Strategy (RES) review and previous submissions.

Taking the region's economic, spatial, transport and housing strategies as its basis, our RFA submission was a clear example of the strength of partnership working in this region. It demonstrated our ability to prioritise what is needed to improve regional economic performance, to make hard decisions based on existing resources, and to deliver economic growth.

The background context for Yorkshire and Humber is available in the Yorkshire and Humber RES and Progress in the Region. In addition, some recent work that has since been undertaken by Yorkshire Forward that is not covered by these two documents shows that it has been estimated that the region could grow significantly over the next ten years. Should the level of project activity currently planned in our clusters, regeneration and regional business development regionally prove successful, the region would create roughly a further 240,000 jobs. This would move the region towards the national average on GVA per head and in terms of employment, skills provision and quality of life indicators. This growth is reliant on ensuring that the infrastructure and support for projects in place within our region.

Our aim is to maximise the contribution that the region can make to regional and national economic performance and to the REP PSA target. We need to ensure that we are not constrained in doing so by a lack of investment in transport, low levels of innovation and R&D investment and the need for higher levels of skills in the workforce.

Overview Points for Long Term Economic Performance

The RES is the framework for economic development in the region. It is the product of consultation and consensus in the region and is backed up by an agreed evidence base. It provides the regionally agreed and government approved blueprint for regional investment that all government departments should sign up to and implement. This approach would go a long way towards meeting the regional disparities PSA.

Key points where the region is not in a position to make detailed propositions in this document, but would like to support positive Government interventions are:

- **Cities and Towns:** Yorkshire and Humber, despite having geographically large rural areas, is an urban centric place. As a region, we have five of the top ten metropolitan areas (Leeds, Bradford, Kirklees, Wakefield and Sheffield). Four of these are within a 20 mile radius area. Bradford would be a regional capital in six of the nine English regions and Grimsby, one of our smaller towns would be the capital of the East of England. 95% of our population and GVA is focused in the 3 city-regions of Leeds, Sheffield and Hull and Humber Ports. As a region, we have great strength through our towns and cities and they drive our regional economy. It is important that Government recognise this and build on and with these important assets.
- **Preservation of our existing funding envelope** – Yorkshire and Humber benefits from a positive level of public investment, roughly in line with the UK average. As a region, we would be concerned if Government felt it necessary to significantly reduce this package, particularly on key areas like transport or innovation. We have shown through the RFA process that we can better utilise our funding and are willing to prioritise activity. We are a region that is confident that we can cope with a major reduction in EU funding and our culture has changed from one where we are celebrating losing Objective One status rather than gaining it. However, significant reductions in overall public spending in

Yorkshire and Humber would be both counterproductive in getting public sector organisations to work together and also have significant impact on our ability to deliver the regional economic growth;

- Climate change and energy – this region is more dependent than most on energy intensive industry and more at risk than most from flooding, which risks serious economic consequences in areas such as the Humber. Continued national investment in areas like flood defence and assistance to help regions improve energy efficiency and promote renewable energy will be important. Specifically, it is important within the region that emphasis is put upon and maintained on addressing flood risk from the Humber. It is important that existing funding allocated regionally to addressing this huge challenge, such as that of the Environment Agency, is maintained.
- Revenue and capital balances – the Yorkshire and Humber region is inhibited by the current constraints on revenue and capital balances given that a great deal of what we need to do to improve our economic base requires revenue funding;
- City Region and sub-national organisation – As a region, Yorkshire and Humber has a healthy mix of urban and rural communities and would want to sustain its focus on both in terms of development and sustainability. However, our productivity is very much driven by our cities and their accompanying city regions. With this in mind, as a region we would encourage Government to consider the requests currently coming forward from our largest cities on further freedoms and flexibilities, working with the regions to improve both efficiency and impact on the ground. This should not be seen as an alternative to regional development, strategy and delivery, but a complementary level that forms a key part of the regional and national delivery structure. We anticipate that the Local Government White paper will form the key event on this agenda;
- Rural development – the importance of a strong rural economy to the region cannot be underestimated. Government must also ensure we have effective policies in place to support the continued sustainable development of our rural communities.
- Demographic change – Like the rest of the country, Yorkshire and Humber is going to face a significant demographic shift in the next decade. Our population is ageing and is becoming increasingly diverse. These changes are going to require us to re-tailor interventions to suit, with a focus on our growing BAME communities, older people and continuing to address the gender gap. Many of these choices will be needed at a national level into the next period. We would ask Government to consider, however, that regions are properly considered as part of this process, as simple changes in national policy could have exacerbated effects for regions and for the North in particular;

Alongside these points made above, there are two specific issues which we feel cut across this document which need consideration by Government. These are:

1. Extend the scope of any form of future Regional Funding Allocation exercise

The Regional Funding Allocation exercise proved to be a valuable and constructive process for Yorkshire and the Humber. Broad agreement was reached within the region on what our priorities should be, where our investment should be focused and how we were to support the long term framework set out in the various regional strategies, most prominently the RSS and RES. There was a weakness with the process, however, in that it only looked at economic development funding, housing and some transport resource. If the region is to prioritise effectively, we would stress to Government the need to allow us to discuss a wider range of public sector funding.

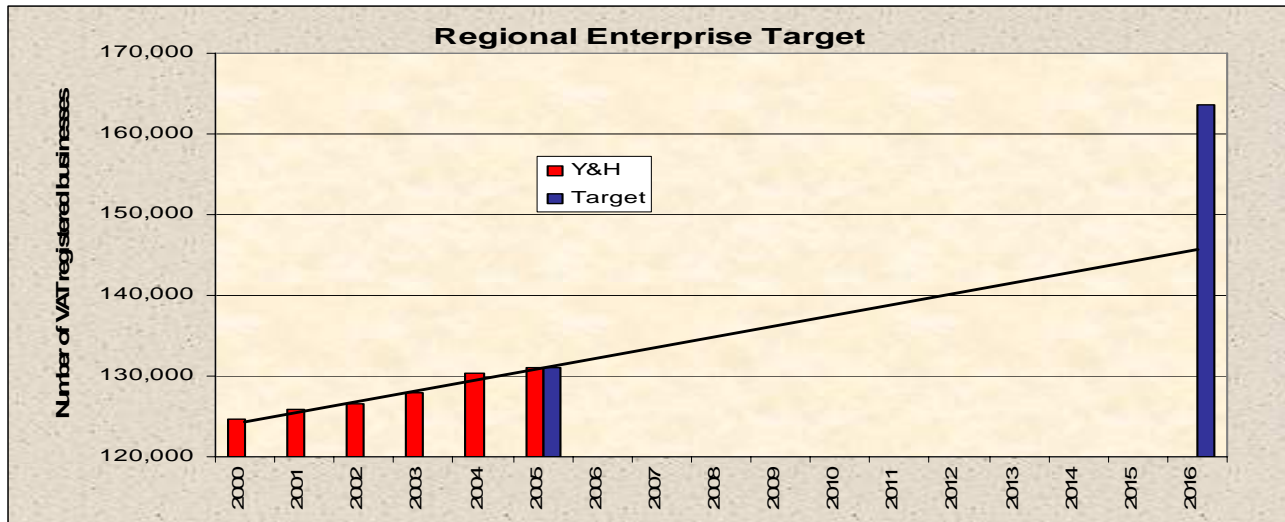
2. Government to prioritise activity in line with the Regional Strategic Framework

As part of our statutory role, Assemblies and RDAs have to produce the Regional Economic Strategy and Regional Spatial Strategy in full consultation with regional and local partners and set within the context of the regionally agreed Integrated Strategic Framework. Both documents set out a medium to long term framework for spatial and economic development in the region, where public sector funding should be spent, what activity should be prioritised and which organisations do what delivery. However, despite having these comprehensive plans, Departments do not always pay heed to our regional advice and the agreed frameworks signed off by ministers introduce new programmes and development schemes outside of the region's agreed priorities. This can undermine the joined up approach the region has agreed to take. Resources not aligned to the Regional Strategic Framework do not always address the issues identified at a regional level and undermine the region's ability to effectively utilise all its resource for maximum impact. We would therefore ask Government to ensure that policy and resource decisions made at the centre are in alignment with regional prioritisation, as the most efficient and effective way of addressing Yorkshire and Humber's long term challenges.

SECTION 2: EVIDENCE AND KEY PROPOSITIONS

1. Enterprise

Region's Enterprise Target set out in RES 2006-2015 is to: increase total business stock by 25% from 32 businesses per 1,000 adults in 2004 to 40 businesses per 1,000 adults by 2015 – based on VAT registered firms and equating to over 33,000 extra net businesses.



Source: Small Business Service, VAT Stock to 2005.

Black line represents likely forecast growth forwards, based on historical trends.

Healthy levels of enterprise are essential to achieving a strong and competitive economy. As a region we do not have enough businesses. In 2005, there were 130,950 VAT registered businesses within the region, equating to 8.4% of the England total. However, the region has 10% of the UK's working age population. To reach the national average, the region would need to create an additional 24,943 businesses.

The 2005-2016 RES sets an ambitious target to increase business stock by 25% by 2015, increasing business starts per 10,000 population to over 40. This would bring us into line with the English average, adding approximately £1.7 billion to the region's economy and moving GVA per head from 88.8% to 91.6% of the UK average. It would close 25% of the productivity gap between the region and national average – making a very substantial contribution to regional and national PSA targets.

Yorkshire and Humber has put significant energy and investment into promoting Enterprise over the last five years and this has led to some encouraging success. The business creation rate rose from 29 businesses per 10,000 residents in 1998 to 34 by 2003, whilst business survival rates have increased to above the national average. 6% of the region's population now say they are thinking of starting a business, equivalent to 127,000 households. This can be added to 93,000 households who are now self-employed which might consider growing their business in the future.

A mix of good national economic performance, renewed individual confidence and improvement of business support services have provided a positive context and a range of initiatives in the region have made a difference. In the case of business support, Yorkshire Forward, working with its regional partners, has undertaken a process of streamlining and aligning all business support activity through the region's Business Link network, as part of the 'Better Deal for Business' initiative. Business Link now acts as brokers for the huge range of business services available – including enterprise support initiatives. The goal has been to make access to services quicker, more efficient and less complicated for customers, with the ability to match provision and advice more effectively to clients. However businesses and entrepreneurs are still highlighting that red tape, problems with finance, confusion over services and lack of access to business support remain key barriers.

Through the Yorkshire Forward/CBI Survey of Regional Economic Trends, businesses have been asked every year for the last 5 years what the chief barriers to growth are. From 2001 through to 2004, the top answer each time was 'inadequate business support from Government', with over 50% of business agreeing. By March 2006 this had fallen to third place, with only 30% of businesses agreeing.

The barriers to business creation are wide ranging and include culture/peer influences, exposure to and knowledge of enterprise, and business support. These barriers tend to be higher in Yorkshire and Humber than in other regions – for instance, less people know an entrepreneur and are confident in their ability to start a business. Equally, the CBI/Yorkshire Forward survey found that the skill businesses found most lacking in school leaver recruits was ‘initiative’ which is closely linked to enterprise. Education that nurtures initiative is important to enabling subsequent success as an entrepreneur. The RES proposes action to tackle each of these, and projects to address them in the region over recent years have been evaluated. They have pointed to successful and complementary approaches including:

- High Growth business initiatives across the region – where companies with the potential to achieve a turnover of £1m within 3 years have been offered intensive support. We have invested over £10m in the region and for every £1m have created 76 new businesses and 337 jobs.
- Social Enterprise support in West Yorkshire has helped enterprises get off the ground through a variety of events, advice, promotion, networking and tailored business support linked to mainstream provision. The project has used investment of around £1.25m to create hard outputs. For every £1m spent, these equate to 71 new businesses, 278 jobs and 124 people with improved skills.
- Enterprise Shows have been held in big cities across the region each bringing together a wide array of organisations to help or advise a potential entrepreneur. In 2005 the shows attracted over 3,000 people of which 31% of attendees went on to start a business within six months. That amounts to 685 businesses per £1m spent.

These examples demonstrate how the region has developed understanding of what works and an ability to deliver value for money interventions that will make a real difference to enterprise rates and help close the business start up and productivity gaps with England averages. These initiatives show that a range of approaches are effective for different groups. The most effective approaches require more revenue rather than capital funding.

A further finding across project evaluations is that links between different parts of business support – such as skills, enterprise education and knowledge transfer - could be better joined up. For instance the separation of initiatives like ‘Train to Gain’ from the Business Link umbrella is likely to make things more confusing for customers and to reduce efficiency. So there is more that can be done through structures as well as investment.

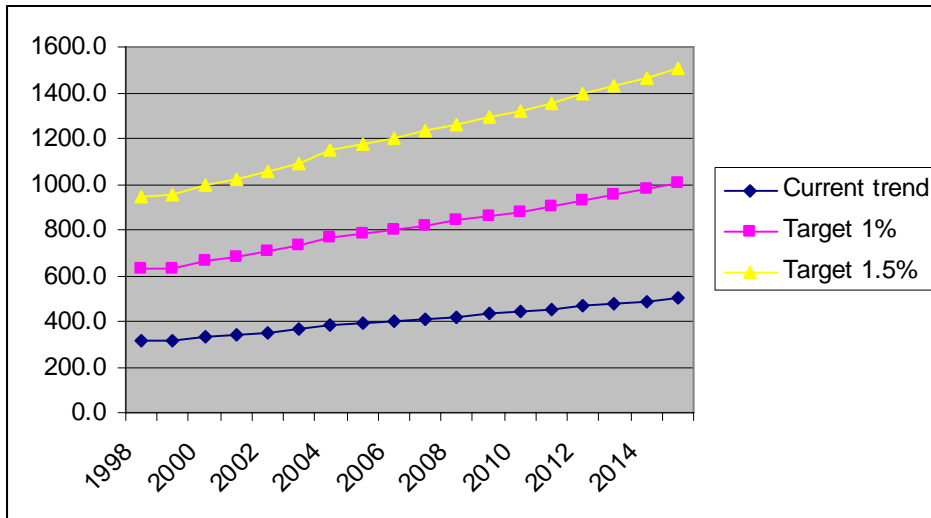
Whilst enterprise and survival rates have risen, the average increase in the business stock within Yorkshire and Humber has averaged 1% per annum since 1998. This is some way short of what is required to meet the enterprise target and to allow the region to make its full contribution to national growth. Applying the region’s knowledge about ‘what works’, continuing with longer term work on making culture and education more supportive of enterprise, and having the capacity and revenue resources to invest in key enterprise initiatives will be vital to addressing this challenge.

Enterprise Propositions

- **Business Support.** - We would like government to continue with the simplification of business support and continues to use Business Link as the primary access channel and brand for public sector business support.
- **Education for Enterprise** - This region and others are working hard to increase enterprise education within schools. Education and teaching methods could do more to foster self-confidence, creativity and initiative. Better understanding is needed of how best to do this so we propose that the Government commissions a review into how educational methods and content can better deliver school leavers who have good knowledge levels and these generic skills.
- **Enterprise and Disadvantage** - There is an opportunity in the region to make enterprise a key tool in our employability and inclusion challenge. Despite some progress, a link is still to be made between social enterprise activity and employability in some of our communities. In line with regional priorities, we would ask Government to run pilot activity at a local level in some of our most deprived communities on self employment.

2. Innovation and Science

The region's Innovation target set out in the RES 2006 – 2015 RES Innovation Target is to double business R&D expenditure from 0.5% of GVA to >1% of regional GVA.



Source: Experian Business Strategies 2006, Office for National Statistics R&D statistics 2003

Despite good progress over the last five years, innovation levels remain a critical challenge for Yorkshire and the Humber. The headline issue for the region is that it simply does not have enough innovative and competitive businesses. Whilst it is true that Yorkshire and Humber's economic transition continues to progress, areas of its economy are still over-reliant on low value traditional sectors, whose businesses focus on heavily utilised assets and inefficient processes. One reason for this productivity gap is a continued lack of investment in all types of innovation activity by the region's businesses. In an increasingly knowledge driven global economy, the region remains behind the UK average on levels of private sector investment into innovation and research, process investment and capital asset purchases. Research and development funding in the region currently makes up just 1.1% of regional GVA according to ONS figures, compared to 2.1% across the whole of the UK.

In the region, only around 40% of research and development activity is funded by the private sector, with 50% from higher education and 10% from Government. In the rest of the UK, 66% of activity is funded by the private sector, and 9% and 23% funded by Government and higher education respectively. With this in mind, Yorkshire and Humber has set a target in its 2006-2015 Regional Economic Strategy to double private sector R&D expenditure by 2015. This equates to securing an additional £600m of R&D investment into the region by 2015 to just meet the target, with the current gap to the UK average being roughly £500m. As a region, we recognise that we need to do more on innovation

Innovation is not just about company access to world class universities and the science base. It is about creating an innovative culture. We need to encourage companies and individuals from all sectors to generate, apply and exploit new ideas. We know that the key to innovation is encouraging creativity, excellence in design and exploitation of ideas. Although connections to a world class research-based university can be important to help with these types of innovation, it may not always be the most appropriate route. Many businesses, for instance, have closer links to the newer universities, HEIs or FE institutes who are more closely rooted in the business base and have traditionally had been more responsive and have had greater strength in the practical application of new ideas. Others put a premium on internally generated innovation. We believe there is a strong need to encourage any businesses or individual interested in innovation, be it in pure research or implementing non-technological changes in the service sector.

Key barriers to achieving this goal remain though. Evidence suggests, for instance, that the development of products and advice to help companies innovate is not tied closely enough to public sector business support. Business Support and innovation need to be inherently linked, with the success of future business development in the UK increasingly founded on a company's ability to utilise innovative practises and process. It is vital then that competing systems or programmes of innovation support, developed at a national level, are more closely linked to the general business support system. This does not mean that the Business Link should deliver all innovation products, but programme alignment needs consideration during the feasibility stage.

Whilst focusing on Business R&D and process development, we also recognise the need not to lose focus on the high quality innovation asset we already have. Yorkshire and Humber is home to nine research active universities, with world class research facilities and departments which are currently at the forefront of many of the country's research programmes.

The White Rose Consortium (The Universities of Leeds, Sheffield and York) is one of the few organisations whose combined R&D research spend is enough to challenge Oxford or Cambridge. Yorkshire and Humber's HE sector invests a higher share of university R&D expenditure per GVA pound than 6 out of the 9 English regions (including the South East), and is currently in line with the national average (at 0.5% of GVA in 2003, or £347m).

We have achieved some progress through utilising this advantage in recent years, with business taking increasing advantage of our university base. Each year since 2002, the CBI/Yorkshire Forward Survey of Regional Economic Trends has asked firms if they have any R&D links to a university and if they are part of a specialist network to assist innovation. During this period, the level of businesses which did have a university link has increased from 6% to 10% of the region's business stock. In the same period, the percentage of businesses who were involved in a specialist industrial network organisation has increased from 29% to 31% regionally, though this does trail behind 38% nationally.

A key tool in starting to improve our performance is the recently funded innovation activity, joining up our businesses to our high quality universities. One project which has proved successful here has been an £11 million programme of 12 Centres of Industrial Collaboration, providing a professional commercial environment in which the private sector can engage with the academic community. To date, this approach has generated in excess of £50 million in research income, created or safeguarded 1,000 high value jobs and led to over 1,400 collaboration between our universities and businesses.

We need to continue to drive forward these types of programmes and business/university collaborations. We recognise the assistance the Government has given the region in assisting Science City York, the regional centre of excellence for science. This approach alone though will not fill the knowledge economy gap in the longer term. We want to turn this 'pilot' into a programme, bringing forward a hub and spoke science network region-wide, creating 'innovation zones' with new incubation, knowledge transfer facilities, research centres and spin out companies. The region wants to build on the best ideas of the private sector through these, working through PPPs, private sector delivery companies and other innovative methods to make science and innovation an attractive business opportunity. The public sector alone cannot continue to drive innovation in the North.

We also cannot properly engage with the private sector without strong leadership and devolution on science prioritisation at a regional level. On this, we strongly feel there is a case for better utilisation of the Regional Science and Innovation Council, with more control over *all* public funding of science and innovation funding. There is also a need to undertake work to allow for a closer relationship to develop with local and sub-regional/city-regional partners within the region to take full advantage of European and other key funding sources coming forward in the near future. Strong leadership from an empowered RSC would be one method of achieving such alignment.

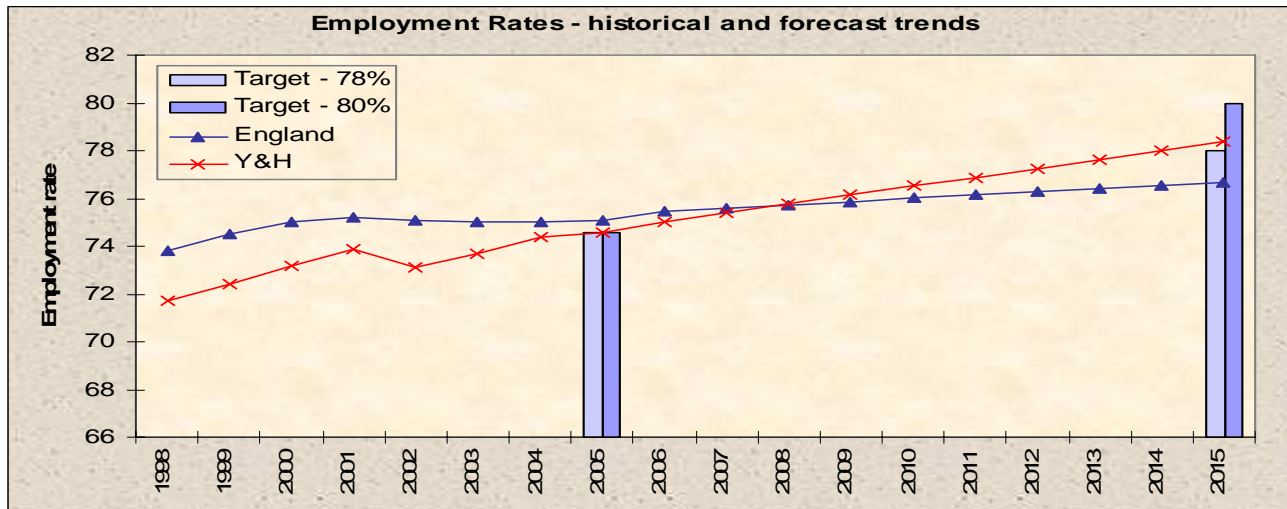
Finally, we have one final ask of Government, as already stated, science and innovation is critical to competing in the globalised economy. With this in mind, we feel that more could be done nationally with regard to siting public sector investment in science and R&D facilities. Whilst we agree that excellence should be a key factor in deciding where investments are placed, we are concerned that the current policy framework on innovation in the UK simply reinforces existing economic structures, with a focus on the South East. Such a focus however directly contradicts the REP PSA target and puts the North of England at a growing disadvantage. This is not a fair share issue but one where we are asking that Yorkshire and Humber's cost advantage, skills, expertise, existing strength of the Higher Education base and environment be used to grow the capacity of the UK as a whole for science and innovation. We are concerned that if these are not taken into consideration in the future, the productivity gap nationally will continue to grow and Departments will be unable to achieve their regional disparities target.

Innovation/Science Propositions

- We would like Government to make sure we have better joining up at a national and regional level between general business support and innovation and R&D support, with continued simplification of the business support environment within the region.
- The region aims to build on its successes through Science City and the CICs, with a wider urban centric, hub and spoke network of science, innovation and technology centres and programmes. We require the freedoms and flexibilities to take advantage of the best practise of the private sector through PPPs and other delivery tools. We also wish to see further empowerment of the regions, so that they can prioritise regional innovation activity and maximise funding impact.
- We would encourage DTI and other Departments to consider more strongly the REP PSA when making decisions about investment in research and science and development facilities. We would like a regional benefit test applied when there are projects of equal merit. One early project which may benefit from such an approach is in determining the location of our UK bid for the European Spallation Source.

3. Inclusion and Employment

Regional Employment Target set out in the RES 2006-2015 is to: Raise the ILO Employment rate from 74.4% in 2004 to 78-80% - equating to around 155,000 – 200,000 net extra jobs.



Source: Office for National Statistics, Quarterly Labour Force Survey, Employment rate to May 2005.

Inclusion is a key challenge and opportunity for Yorkshire and the Humber. Building inclusive and economically successful communities and places sits at the heart of much of all our regional activity. If we are able to create the sustainable communities that we want, our economic performance will improve and the welfare of all our people would be greatly enhanced.

As a region, deprivation and inclusion remain important issues. Our region still contains both rural and urban areas where crime, health, education and employment performance significantly lags the rest of the country. The effects of this economic and social disconnection is one of this regions' challenges and every partner from Government to local neighbourhoods are addressing this in some capacity. We have agreed as a region to put together a Regional Inclusion Plan in the newly revised RES. The plan will set out a framework to coherently address inclusion within the region and move forward on this deep rooted and long term challenge.

A key part of addressing inclusion regionally, however, will be to address employment. Getting more people into employment has been a success story for Yorkshire and Humber region over the last ten years. The average ILO employment rate within the region is currently 74.6%, compared to the 75.1% English average. Though still lower, the gap between our region and the rest of the country has closed over the last 6 to 8 years, from 1.9% in 1998 to 0.6% in 2004. The claimant count has dropped from 6% in 1999 to 2.2% in 2005. Though there have been some moderate increases in the last year, unemployment remains low in Yorkshire and the Humber overall.

This has meant that Yorkshire and Humber, like the rest of the UK, now faces a new range of challenges. With employment levels close to the national average and a much tighter labour market, these include improving the quality of employment and re-engaging those who remain economically inactive. As a region, we have set a RES target of increasing our ILO employment rate from 74.6% to between 78-80%. This would equate to creating between 150,000 and 200,000 new jobs.

The region has made a good start on this. 7 out of our 21 local authorities already have employment levels above 78% (York, Selby, Craven, Harrogate, Hambleton, Ryedale and Scarborough). Given recent history in Selby, which had a significant percentage of its workforce lose their jobs through local mine closures, we feel this is an important achievement all round, with 1 in 4 of the Selby miners now back in employment.

Gaps do remain. Employment levels in South Yorkshire, Bradford, Hull and North East Lincolnshire remain low. There are also pockets in the affluent centre of Leeds which remain behind the rest of the region. Regionally, 12.5% of households are workless, in many cases not due to unemployment, but to other barriers such as incapacity, childcare or transport issues. There also remain sizeable differences in employment levels with BAME communities and between women and men regionally. Employment levels, for instance, within our Pakistani and Bangladeshi communities stand at only 55.6% regionally.

We have had success in getting people into employment but we still have the challenges of working to address the high levels of deprivation that we still see in the region. More people live in areas characterised by multiple deprivation than the

UK average and this impacts on individual life chances, on our collective economic product and on the perceived attractiveness of the region as a place to live or invest. 'Getting it right' in terms of reducing levels of deprivation would have a great social and economic dividend for the region and the country.

National Government policy is helping us to meet this challenge through pulling more people out of poverty through initiatives such as working family tax credits and the minimum wage. However, there is still a persistent gap between the most and least affluent people in our region that makes it difficult to progress. Most notably, the numbers of people who live in workless households means that too much tax spend is going on benefits. Supporting these individuals back into the labour market will reduce inequalities in our region, increase tax revenue for Treasury and increase our productivity.

Although we have a success story to tell on employment in the region there are still too many individuals in low paid, low skilled jobs. Helping move people on to higher-level jobs will be very important to improving our economy. Though employment levels have significantly risen, average household income in the region is £25,061, as compared to £30,081 nationally. Average weekly gross earnings in 2004 were £392.90, which put the region 7th out of the 9 English regions. In illustration of this point, 8 of our districts have over 35% of their super output areas in the 25% most deprived nationally on income deprivation. We have the lowest percentage of medium and higher level skilled jobs within our labour market of any English region bar London, with declines forecast in the next decade in the level of science and teaching professionals.

The region is working to address many of these issues. For instance, a £1 million pilot currently being run by Jobcentre Plus, Yorkshire Forward and Hull City Council in the Hull area aims to assist 1,000 individuals back into work. It includes specific activity on transport, childcare and advice and support for those who are long term unemployed or on incapacity benefit who want to return to work. Additional pilot activity is also being rolled out within South Yorkshire and Bradford in the coming months. On creating quality employment, regional and local partners are working together to align skills, innovation, private sector investment and employment strategy and activity to ensure long term and sustainable improvements for both individuals and within the quality of the business base.

Working to help these individuals back into work or into better jobs currently falls across the remit of Learning and Skills Councils and Jobcentre Plus. Both of these organisations need to be much more responsive to regional priorities. The demography and industrial legacy that this region has means that nationally driven solutions will not always meet the needs of the region. Giving a regional body clear lead responsibility on this issue, with the authority to direct and align activity to meet regional priorities would allow a much more effective use of resources.

The region is also committed to identifying and supporting regional leadership. In the recently approved RES, all regional partners signed up to the principle that there needed to be a much more co-ordinated approach to inclusion in Yorkshire and Humber. This will use our new structures, as set out in the governance section, and build upon our history of partnership working to produce a framework which sets out where our key priorities lie, both in terms of geography (our poorest areas) and communities, (our poorest people how we are going to address them, who will be responsible for doing so and necessary resources. This is not a plea for additional resources; it is about using existing funding better. The level of funding, both from Government and Europe that has gone into some of our communities over the past 30 years has been significant. The impact of this investment has been a little less significant. A lack of co-ordination at a regional level, unclear outcomes and competing priorities have meant that the benefit has not always been felt as it should be. We are determined to address this.

The region is committed to this approach and is aware that in pursuing this route there will be difficult discussions and decisions about investment priorities. However, we have the maturity and the structures to make these decisions. Once the results on this work are clear, we would hope that Government will think carefully about how it can help us deliver on this agenda by increasing alignment between different funding streams coming into the region, and by increasing the amount of regional flexibility we have to meet identified regional priorities.

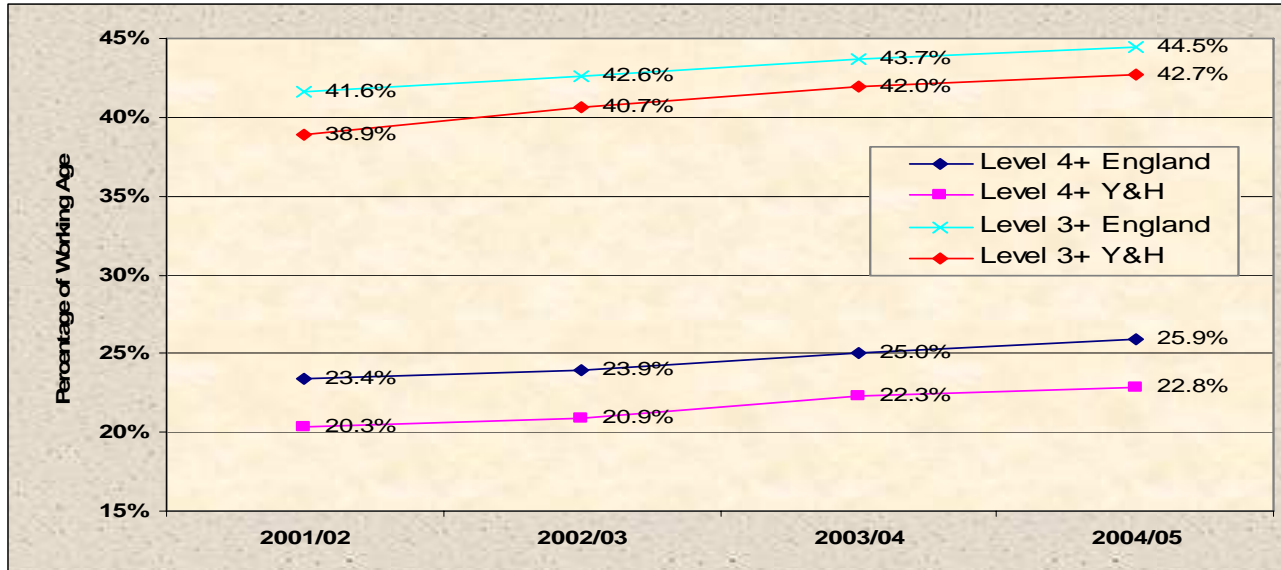
Inclusion and Employment Propositions

- Greater alignment between departments and funding streams at a national and regional level to help people get back into work and make progress up the employment ladder. Government can help Yorkshire and Humber by better taking into account regional priorities in employment and through ensuring at a national level that Departments connected to this agenda work together in a coherent way through a joint target approach. Specifically, alignment between DfES, DWP, DTI, DfT, DCMS and DCLG would be helpful, as each has a key role to play in getting people into work and creating jobs.
- Yorkshire and Humber would like to see support maintained for the current pilot programmes that are being undertaken on worklessness in our region. The development of these programmes into long term provision would have a sustained and positive impact on employment in Yorkshire and the Humber.
- We need further help to encourage people to move on from initial jobs once they are in employment, to encourage retraining and diversification. This will involve working with employer and employees, through alignment of business development, workforce development and employability schemes into single programmes. This also links into moving people on from Level 2 and creating a viable job escalator.

4. Skills

Regional Skills Target set out in RES 2006-2015 is to: Raise the percentage of people with an NVQ Level 2 or equivalent of higher to 80% (from 70% in 2004) and the proportion within this total with Level 4+ from 37% in 2004 to 45% (economically active adults).

Working age qualifications, Level 3+ and Level 4+



Source: DfES Analysis of Office for National Statistics, Labour Force Survey.

Improving the skills base of the region is especially important because it underpins the other drivers of sustainable economic growth. Yorkshire and the Humber has historically performed worse than other UK regions in terms of educational attainment and higher level skills, and has traditionally had a relatively large proportion of the adult population with few or no qualifications. Whilst the region has made absolute improvements in education and skills at all levels, a faster rate of change is needed.

We need people with the right skills and attributes that match employment opportunities. The skills, attitudes and abilities of people govern how much our businesses innovate, whether people access good jobs and how many people start a business. In a global market the knowledge economy will be even more important to the region. High level skills in particular appear to make a telling difference to business performance and productivity.

The region is making improvements on last year with the proportion of pupils gaining 5 good GCSEs now at 50.9%. Local authorities are working hard to drive up levels of participation in learning and qualifications. In Bradford for example, a Learning Partnership has been established and a Learning Plan developed. In South Yorkshire, Doncaster Education City is bringing new educational opportunity to the Borough. However the region remains at the foot of the league. A significant challenge remains to get the remaining 49% of pupils taking GCSEs up to the target of 5 good GCSEs. We support the continued focus on level 2 qualifications within the education system but more action is needed so tax payers don't pay twice for young people to attain level 2 qualifications. Our FE sector does very well as by the age of 19, 76.4% are qualified to NVQ2 but it could have a positive impact on the economy if FE was able to focus more strongly on level 3 and 4 skills that we know make a significant difference to the economy.

Qualifications at NVQ level 3 and above have improved with the region closing the gap to the national average. Progress is being made at NVQ level 4 and above (though this remains at 90% of the national average and the gap with the national average has increased since the baseline year). In addition, the number of adults with few or no qualifications has also fallen although it is still too high with over a third of the adult working population in the region having no or few qualifications.

Despite these improvements data continues to show the region has sizeable gaps to close to improve performance and meet the national average for a number of the targets.

A similar picture emerges on business perception of skills. In 2003, 21.1% of all vacancies advertised in the region were classed as Skills Shortage Vacancies by employers, this compares to the England average of 19.9%. Yorkshire and the Humber ranks third highest for employers quoting Skills Shortage Vacancies, in 2003 29% of employers said that they had experienced skills gaps in their existing workforce, the highest of all the English regions, and higher than the England

average of 22%. In the latest Yorkshire Forward/CBI survey, when businesses were asked which are the key factors inhibiting growth in the region, 20% said skills problems. To help address the issue, Yorkshire Forward, working with key partners, have made significant progress in creating a network of skills 'brokers' in the region's key clusters and sectors. Skills "brokers" have helped to facilitate the linkages between employer demand for skills and skills provision and to engage more employers in skills development. The success of the 'brokers' is due to their credibility with businesses and employers and has been central to delivering Train to Gain.

The region has also conducted a review of the Regional Skills Partnership to better position partners to further help to shape the skills offered by learning providers to help meet the future needs of the regional economy. This activity will be further strengthened by the roll out of Sector Skills Agreements.

Skills Propositions

- We support the focus on level 2 qualifications within the education system but more action is needed to ensure these are achieved at age 16 so tax payers don't pay twice for young people to attain level 2 qualifications. If this problem is addressed then the LSC and FE sector in this region would be freer to concentrate on level 3 qualifications which we know make a significant difference to the economy.
- We require greater decision making and planning of skills and workforce development at a regional level, especially in areas such as basic skills and NVQ level 3 and 4 via the We support the focus on level 2 qualifications within the education system but more action is needed to ensure these are achieved at age 16 so tax payers don't pay twice for young people to attain level 2 qualifications. If this problem is addressed then the LSC and FE sector in this region would be freer to concentrate on level 3 qualifications which we know make a significant difference to the economy.
- We would like Government to use our regionally agreed systems for their activities such as the brokerage system we have developed. We would like workforce development activity, in particular Train to Gain routing through the Business Link network.
- There needs to be further strengthening of the links between the Learning Skills Council and Jobcentre Plus, possibly through a shared target approach at a national level. At the regional level we ask for support for the ongoing joint production of a regional plan for workforce development and reducing worklessness. The plan is to be written in line with the RES and agreed by the Regional Skills Partnership, to ensure that funding from national bodies directly follows regionally set priorities. We endorse this but would want to strengthen this even further.
- Linked to the innovation agenda, we would like Government to consider a limited number of publicly funded NVQ level 4 qualifications as part of a coherent skills offer to the region. We would therefore ask Government to give us the flexibility to tailor and direct skills funding towards this regional goal. Strengthening the alignment between HEFCE funding for additional student numbers and regional priorities would also be appropriate.

5. Investment

Regional Investment Target set out in the RES 2006 – 2015 RES Investment Target on investment is: to raise total private sector manufacturing and services capital investment by 50% from £5.3 billion in 2002 to £8bn.

Investment is a mixed issue for Yorkshire and the Humber. On one hand, the region receives a healthy balance of both public investment and private expenditure overall. In 2005/06, for instance, the region received £34.4 billion of public expenditure across all departments. This equated to £6,829 per person per annum, or 98% of the UK average for a region. The region was fifth out of the nine English regions in terms of overall spending and fourth out of nine in terms of per capita expenditure (with each person in the region receiving 1% extra public funding over the English average).¹ It has been estimated in the 2006-2015 RES that the region is due to receive at least a further £105bn of public sector resources over the next five years (roughly £19bn per annum), based on recent trends. This would include £6.3bn on education and skills, £11.98bn for inclusion and community development, £1.64bn on business development and innovation and £38.9bn on health and law and order.

The region benefits from a significant level of private sector investment each year. In 2003/04, for instance, it was estimated that in the order of £11.7bn of capital and current funding was invested by the private sector in housing, construction, plant

¹ PESA 2005/06

and equipment, IT, research and development and training activity. An estimated £6.2bn of this was made up of capital spend, showing some movement over the last five years towards our RES target on investment, an 8% growth since 1998. In effect, Yorkshire and the Humber's share of private investment has risen from 6.6% of the national total to 7.1% during that period.

Challenges remain as there are gaps in investment in critical areas such as transport and research and development activity. Further investment (public and private) will be critical if we are to maintain recent levels of growth in Yorkshire and Humber, continue to effect positive social and physical regeneration and create a place which can operate effectively in a global economy.

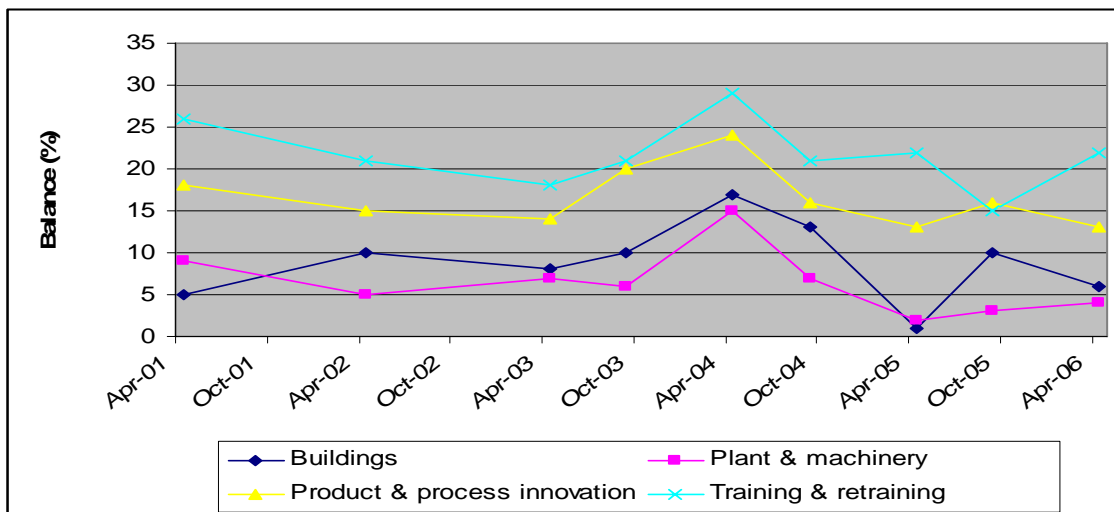
Even in areas where investment is readily available, more activity is still needed to align funding, maximising the impact both public and private sector resources have upon the region. The region has already done much to address this issue. The strategic sub-regional investment planning process has been aimed at aligning and prioritising activity. We would also draw attention to the success of the recent Regional Funding Allocation process, which saw regional organisations coming together to agree joint prioritisation for Government. All of these have made positive progress towards improving alignment and agreeing a shared set of priorities. More activity is required, both regionally and nationally, to maximise available resources.

Yorkshire and Humber accept that the above may mean that some difficult decisions will need to be made over investment, especially over prioritisation. We have already demonstrated through the RFA process though that we are willing to consider such issues. We would call on Government to assist us with our propositions on private sector and transport investment.

Private Sector Investment

Yorkshire Forward has done well in leveraging in £1.37bn private sector investment through its programmes. Despite this positive trend, we still have challenges to address. Foreign direct investment, for instance, continues to lag behind the English average. Only 12% of investment in 2003 was from foreign companies, below the national average of 17%. Productivity in the UK states that (FDI) can play an important role in stimulating economic performance in an area as an average foreign-owned firm has higher productivity levels then the similar domestically owned firm. They can also provide positive spillover benefits to firms located in the same area by introducing new technologies and working practises, as well intensifying competitive pressures. In 2005, the region only captured roughly 3% of total UK foreign direct investment.

Balance of firms intending to invest over the next twelve months 2001-2006



Source: Yorkshire Forward/CBI, Survey of Regional Economic Trends, 2001 – 2006

The graph clearly shows that regional investment is inherently linked to national economic fortunes, with an exacerbated effect on funding decisions during downturns. We remain reliant on national decisions to influence regional private sector investors, with evidence suggesting that a negative national environment has a much more pronounced effect on our regional economy then elsewhere in the UK.

Advice from businesses shows that they want certainty, trust, leadership and the ability to stick to a vision from the public sector. Business wants an environment in which it has a clear partner to work with and a clear agenda and long term view. Recent policy decisions such as Leeds Supertram undermine relationships with the private sector who took the investment risks.

Investment Propositions

- We need to create an investment climate which has stability and clarity at its heart at a regional level and provide certainty for businesses making investment decisions. In order to achieve this, we require new freedoms and flexibilities at a regional level to work with the private sector more effectively, capturing more investment and working smarter with those partners who want to invest but feel they cannot due to risk factors currently in place. More could be achieved through empowering delivery vehicles and agencies further with appropriate additional powers, resources, remit and time to deliver large scale and sustainable change.
- Linked to the sub national review of economic development and regeneration, we would ask government to make firm decisions on devolution. For business it does not matter if the solution is region, cities, sub regions or communities. They simply want clarity and stability for investment.
- There is potential for more innovative public-private joint ventures, where risk and reward are shared more fully. For instance, private property funds, expanded real estate investment trusts, public sector investment funds, city banks or alternative financing tools for a range of interventions.

Transport Investment

2006 – 2015 RES Investment Target on investment is: to achieve real terms increases in transport investment in the region as % of regional GVA from 0.9% in 2004/05 to over 1% of GVA

Transport investment is a critical issue for Yorkshire and the Humber. The region is one of the primary transport hubs for the UK, sitting at the centre of much of the UK transport network. We have two of the three busiest stretches of motorway in the country (the M62 and the M1), the East Coast mainline and the UK's busiest port facilities (by tonnes of cargo) in the Humber. The region also now has three airports, with air traffic having grown regionally (177%) since 1993. Much work has been done at a pan northern level on transport propositions through the Northern Way. This region supports the Northern Way transport propositions.

We have welcomed the introduction of the Regional Funding Allocation process which has demonstrated the region's ability to prioritise transport schemes against provisional resource. We also welcome the introduction of the Transport Innovation Fund (TIF) and the link to both congestion and productivity. An important issue for the region is the need to develop premier league city-region transport systems to ensure the international competitiveness of this region. We therefore support the Leeds City Region proposals for Congestion TIF and also the Productivity TIF business cases for the M62 and access to the Humber Ports which build on the work of Yorkshire Forward and the Northern Way.

Transport issues are a major challenge for the region now and for the future. Road traffic usage has grown 20.7% in the last ten years, 2.8% in one year alone (2003). This is already leading to congestion hotspots, including in and around Leeds, on the M62, M1, A1, A63 and the A64 between Leeds and York and other key regional and national routes. There is strong evidence that in future, productivity will be adversely affected by these trends, with journey times estimated to increase 30% by 2012 for cars or 40% for goods vehicles. Similar predictions have been made which suggest that journeys made in rush hour and peak periods may be 90% longer than today by 2012. (South and West Yorkshire Multi Modal Study, 2001)

Yorkshire and Humber has also seen significant growth in rail passenger numbers, 50% since 1996. However, our rail franchises and infrastructure are not currently able to continue to accommodate such growth for example in 2004 the Northern franchise was let on a no enhancement basis to 2013. The East Coast Mainline currently carries 500 to 800 trains per day, containing a potential 200,000 passengers and 200,000 tonnes of freight through the region. It contributes an estimated £100 million to the regional economy per annum and supports 11,000 jobs. The line though is now at capacity. Due to significant bottlenecks, the mixed speed of trains using the line, issues with gauge and unreliable overhead power supply, the main line is now in a position where there is no space for additional trains. A similar story can be told of the Transpennine rail corridor, which both links Leeds and Manchester and the ports of Liverpool and the Humber. There have been improvements made to the linkages between Leeds and Sheffield with Yorkshire Forward working with partners to co-fund capacity from regional sources. Further improvement is required to build on Sheffield's links to London, via the Midland Mainline, and improving connectivity to Manchester.

There are also pressing issues with bus provision. Within Yorkshire and the Humber, the total number of passenger journeys regionally has fallen by 100 million since 1986, from a high of 297 million journeys. Fares have also risen, over 30% in South Yorkshire alone between 1997 and 2003 and 2005 alone saw four fare increases in South Yorkshire resulting in the Passenger Transport Authority passing a motion of no confidence in the main operator. Whilst there have been some notable successes in the region, we believe the current method of bus procurement is not in the interests of sustainable

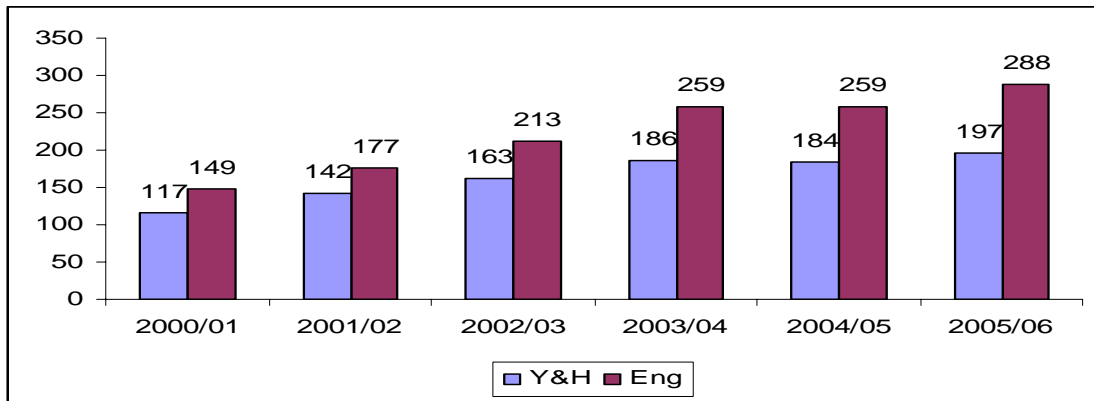
economic development. It tends to promote routes run for maximum profit rather than to encourage economic development and inclusion and dissuades integration between operators and between bus and other modes of transport. In addition the ability to support socially necessary services is severely limited. Evidence suggests that physical access to work remains one of the barriers to employment nationally. The current regime seems to lead to a market failure and inability to meet travel demand and a failure to support multi modal connectivity, and therefore leads to a transport offer that does not adequately support economic development. We would therefore ask that the government considers whether the regime for procurement of bus services is adequate.

In order to address the under-funding of transport in our region, a new target has been introduced into RES 2006-2015, which focuses on increasing investment into transport. As a region, we will be looking to achieve real term rises in transport investment within Yorkshire and the Humber from 0.9% to over 1% in the next decade. This will be achieved through a mixture of public and private investment, much of which is already being planned for. We would also like to make a further three proposals to Government on transport, which would assist us in meeting this target:

We feel there is a need to address transport improvement and investment. Yorkshire and Humber's RES 2006-2016 and the Regional Transport Strategy identifies a range of transport priorities for the region which need to be addressed to ensure effective economic activity, social prosperity and regional quality of life. These are fully consistent with the Regional Transport Strategy. They concentrate on linkages between Leeds and Manchester, to the Humber Ports, on our links to the North and South, on rail and bus linkages within the Leeds city-region and other urban concentrations and on supporting innovative solutions such as demand management. Recent work by GVA Grimley looking at Leeds, Birmingham and Manchester identified that investors see transport as a key issue in cities and perceive growing problems of congestion. Recent decisions such as the cancellation of the Leeds Supertram have caused uncertainty amongst those seeking to invest in the cities. We would strongly suggest that any future transport decisions bear in mind both cost benefit of the scheme and the effectiveness and wider catalytic effect.

As a region, Yorkshire and Humber currently receives the lowest level of investment per capita on transport infrastructure within England. Overall, Government expenditure on transport within the region in 2005/06 was £991million. Expressed as a spending per head this was £197, compared to an English average of £288. As the graph below shows, Yorkshire and Humber has traditionally received less spending on transport than the national average. The gap between the two figures has increased in the last five years from £32 per head to £91, and the gap between all English regions and London has increased considerably over the same period.

Central government expenditure on transport 2000/01 – 2005/06 (per head)



Source: HM Treasury, Public Expenditure Statistical Analysis 2006.

Transport Propositions

- Government should consider proposals coming forward from both Yorkshire and the Humber and the wider North for the Transport Innovation Fund. In particular, those projects which focus on congestion in the Leeds city region and other key urban centres as part of any submission are critical to the economic revival of the North as are those focused on productivity. It should also allow greater flexibility to consider the transport innovation fund in parallel with the Regional Funding Allocation for Transport.
- We support the Northern Way transport proposals and would like Government to consider the submission of the Northern Way initiative on Transport.
- Action is needed to better join up the current bus regime to economic needs and social inclusion. With this in mind, Government needs to reconsider the way that bus services are procured and run outside of London.

- The Leeds and Manchester city-regions act as the hubs of the Northern economy with a collective GVA of £94bn. We want quicker rail connections between the Leeds and Manchester city regions. We suggest that government re-examine rail linkages between the two cities and look at flexibility on the Northern franchise with a serious consideration given to new rolling stock as serious options, in partnership with both the private sector and local stakeholders. However, as a region we feel that transpennine connectivity shouldn't be developed at the expense of either our own existing transport budget or that of the North West.
- We will be looking to put in place effective, efficient and accountable management structures, primarily through a stronger Regional Transport Board. With membership by all key sub-regional and regional partners including the RDA, the board will build on the temporary board established for the RFA and take forward responsibility for prioritisation of transport activity within our region, working closely with the Northern Transport Compact. This regional will be looking to clarify issues around roles and responsibilities that have undermined regional effort in the past.
- Yorkshire Forward both directly and through the Northern Way, has demonstrated the value added role that RDAs can play in tackling transport issues that impact on regional economic growth. We value the increasing contact with DfT in relation to the delivery of the RES and the Government's increasing recognition of the linkages between transport and productivity, for example through the introduction of Productivity TIF. To develop these relationships further, DfT should consider investing through the RDA single pot and working with RDAs to define an output / outcome measure relating to transport and productivity growth.

6. Quality of Place and Housing

The term 'quality of place' sums up those factors that make an area an attractive place to live; such as culture, local environment and public realm, housing, community safety, access and health. Within Yorkshire and Humber, quality of place has been identified within the Regional Economic Strategy as a sixth underpinning driver of the regional economy.

Over the last five years, the region has made good progress on bringing forward its urban places and making them desirable places to work, live and visit. Our city centres are thriving, with billions of pounds of investment attracted in the last ten years. Sheffield, for instance, has seen significant activity in the last five years, with projects like the public/private 'Heart of the City' acting as a catalyst for the recent surge of construction and renewal within the city. Much of the credit for this development can be assigned to the Urban Regeneration Companies set up over the last 7 years. The three within our region (Hull, Bradford and Sheffield) have brought together parties of public and private interests and positioned them behind substantial and innovative masterplans for their cities.

It is not only our core city centres that have seen significant progress. The regional urban renaissance approach has also made great strides in renewing our towns, villages and rural places. Centres like Scunthorpe, Doncaster, Barnsley and Huddersfield have seen significant investment over the last five years, both into their centres and their wider communities. Each has put together a 25 year development plan which will see them transformed by 2030, incorporating projects that will create attractive business and retail environments within sub-regional centres, whilst focusing upon building on local culture, aspirations and quality of design. Likewise, the renaissance market town approach and the rural renaissance programme have focused on assisting local places to draw together funding and implement small development projects that make a significant difference to local places and communities.

More is still required though. Too many communities still struggle with deprivation regionally, not helped by being located in run down and unattractive places. The renaissance approach has started to bring partners together and set out our communities aspirations for their towns and cities, but more is needed to catalyse activity. For instance, communities and regional partners still lack many of the flexibilities required to attract initial funding into projects, and the ability to work with the private sector as fully as they might wish. These have been discussed through the investment propositions. They are also unable to take advantage of the profits made from development in the longer term.

Quality of Place Propositions

- We support the current proposition from government to implement a planning gain supplement nationally. This would allow us to capture the additional value added by the planning process and recycle the money effectively in to local activity and local resources.
- We would ask Government to consider allowing RDAs and other public bodies to reinvest money gained from asset sales, in particular those gained from capital receipts, back into regional activity. We would ask government to consider the benefits of allowing for local reutilisation of asset sale profits and maximising the value of public assets within regions.

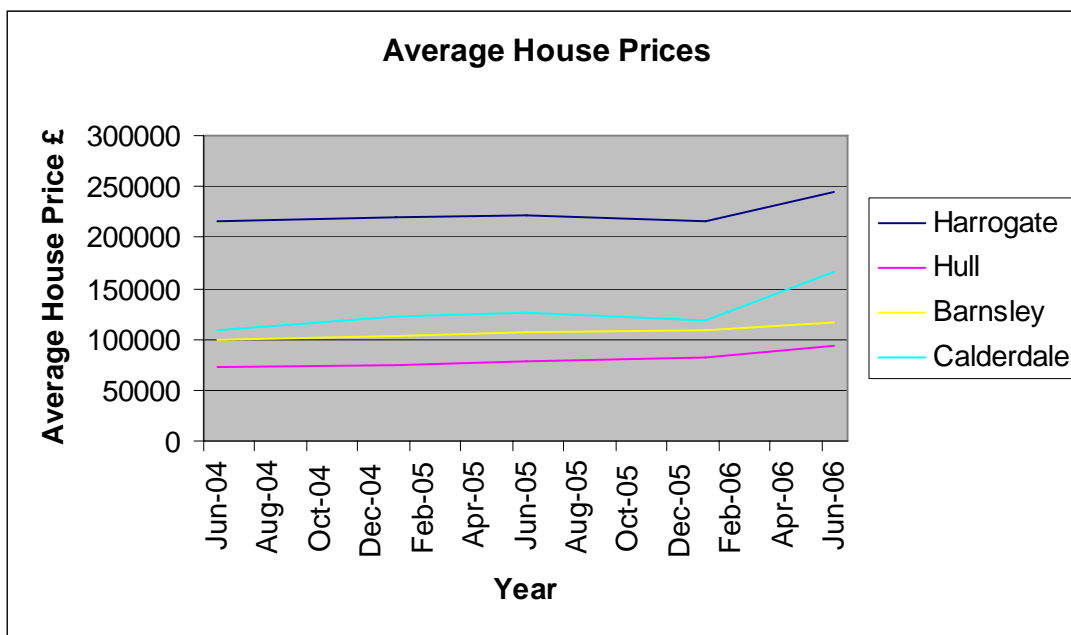
Housing

As part of any discussion over 'quality of place', the need for an attractive housing offer that provides a wide choice of affordable, attractive housing in good quality places that people want to live in is required. This will ensure that the region is able to meet the range of needs of all of its existing communities and enable a 'housing offer' likely to meet the aspirations of those key groups that the region needs to attract and retain to improve its economic competitiveness (e.g. graduates, families, workers in the knowledge economy etc). In order to deliver this, over the period of the next spending review the region needs to address the imbalance between different housing markets in the region.

In the past the focus has been on support for dysfunctional low-demand markets. This focus needs to continue, but there is also a growing recognition that the region also needs the resources and the flexibilities to address the needs of the region's 'high value' markets. These markets, especially in North Yorkshire, the western parts of Bradford and South Yorkshire, North Leeds, Harrogate and York, and parts of the East Riding – are "overheating" and becoming increasingly inaccessible to local people and key workers. By contrast, the decline of traditional industries has led to great changes in many inner urban areas, and to uncertainty about the need for, and function, of some historic settlements. This, coupled with increased household mobility and the new aspirations many people have for themselves and their communities, has created a complex web of contrasting high, low and changing demand patterns within sub regional markets.

The resource provided by Government has made a real difference in those areas supported to address low and changing demand. But it is only a start. Recent increases in house prices should not mask the fact that the residential offer remains the same; much of this housing is still a choice of last resort, and its contribution to economic competitiveness is negative, contributing to spatial and social polarisation within Yorkshire and Humber. Getting it right in these areas will be important to the region's future social and economic success.

Despite progress, we remain a region of contrasts. Even with the additional investment in low demand, there remains a **persistent and growing gap** between house prices in parts of our region. To illustrate this, it is helpful to look at different rates of growth in different parts of our region:



Although there have been increases in value in low demand areas, increases which would not have happened without additional investment, the gap between the most and least affordable parts of our region continues to grow. This means that the relative inequalities in our region also continue to grow, and the mobility of some sections of our community in the housing market is compromised.

The impact of this has been a dramatic rise in affordability problems. These problems go beyond those areas that have traditionally experienced high demand, (e.g. the rural areas within easy commuting distance of our cities). Within our cities too affordability is becoming a real issue – across the Leeds LA area, which includes some of the most deprived wards in the UK, average house price is £158,036 and there is an average income to price ratio of 1:7 – not dissimilar to parts of London and the South East. (Indeed, a recent YouGov survey showed that when earnings are taken into account as well as outgoings, Leeds has the highest cost of living in England with an average of 88% of people's incomes being used to pay essential bills). With all of the above in mind, we would make the following key propositions to Government for this CSR:

Housing Propositions

- Government is asked to remain committed to providing the region with the resources to tackle low demand, to deliver on the plans that we have made with the communities living in our most problematic areas.
- To give the region the resources, and the flexibility to focus our attention on the growing affordability problem that the region faces.
- ALMOS should be granted freedoms and flexibilities to allow them to operate on a level playing field with RSLs. In practice this will require that they are able to operate outside the HRA system to allow them to develop new properties for sale and rent.
- The asset wealth created by Decent Homes investment, and by neighbourhood improvements, should be available for reinvestment. Consideration should be given to making it easier to borrow against both income streams and assets.
- The use of public funding as grant means that the benefit is lost in the long term as values increase. Consideration should be given to using grant funding to secure an equity stake in developments, enabling funds to be recycled over time to secure future affordable homes.

SECTION 3: WORKING IN PARTNERSHIP, GOVERNANCE AND ACCOUNTABILITY

Current Regional Governance

Yorkshire and Humber has a history of innovation regarding governance and accountability. However all of our ambitions and strategies will not make a real difference in our region unless we have the right people and structures to deliver them in a way that carries authority, accountability and trust. We believe the strength of our structures, and our relationships, makes us ideally placed to deliver real change.

Following renewed advice from Government in November 2005, we responded by reshaping the structures of our Regional Assembly. These structures were developed with all partners to ensure that we had arrangements that were focused on core business, that recognised the importance of city-regions and, critically, that were able to make difficult decisions efficiently and with real authority for the region.

We now have strong, integrated strategic arrangements at regional level. This is complementary to the Regional Strategic Framework, expressed through Advancing Together, in which the key regional strategies – the Regional Spatial Strategy, the Regional Economic Strategy and the Regional Housing Strategy, sit. Taken together, these three strategies provide a powerful framework for public interventions into the region.

Within this structure, the Regional Executive Board is the place where the region's key players come together to secure the partnership to deliver our vision and priorities for a better, sustainable future for Yorkshire and Humber. Our new structures are designed to enhance and enable delivery. Yorkshire Forwards board maintains responsibility for the Regional Economic Strategy. These governance arrangements are a tool to help us deliver the sort of change that the region needs.

The Regional Executive Board was developed initially to deliver the Regional Funding Allocations advice. It played a key role in bringing together the key players to make difficult decisions about investment priorities. In this case, and with Yorkshire Forwards' Board by clearly identifying investment in transport at the region's top priority, even at the expense of housing and economic development investment, should this have been necessary.

The City-Region/Sub-region Debate

The region has adopted a pragmatic attitude to partnership working. Our focus is to remain flexible, to learn from what works and, most importantly, to concentrate on the outcomes we can achieve for the people of the region and nationally. This approach has informed the way that the region and its city-regions are working together to deliver the best outcomes for the people of Yorkshire and Humber.

Our city regions. Leeds, Sheffield and Hull are already an economic reality. They are identified as major economic building blocks in both the RES and the RSS and they also reflect the real lives of our people, where they live, work and how they spend their recreation time. The region has been proactive in responding to the growing awareness of the role that city regions can play in helping to create a successful and prosperous region. When putting our regional structures in place we have ensured there is a city-regional voice in regional decision-making, reflecting the growing importance of these city regions.

There are three key principles that underpin this approach.

- Firstly, the city region model is about driving economic growth.
- Secondly, our city regions will focus on identifying what needs to be done and what can be done better at a city region level. They will not duplicate the existing roles and responsibilities of public bodies.
- Thirdly, that any city region structures provide both visible and strong accountability arrangements.

City region representation now plays a highly influential role in our regional governance structures. We already see collaboration between regional bodies and the emerging City Region Partnerships. This collaboration recognises our complementary roles and ensures regional economic priorities are reflective of city region needs. The precise nature of this collaboration will be further clarified as part of the current regional review into the way that economic development is delivered in the region. This review will take account of current thinking on city regions alongside major policy changes including new European funding arrangements, the pending paper on local Government.

The approach the region has taken recognises the reality of the way we live and work in Yorkshire and Humber. It is a sound basis on which to plan for future economic success. We look to Government to support these partnership arrangements by providing flexibility of both policy and funding regimes particularly around skills and transport where the influence of the region is currently limited. We also look to Government to take a pragmatic approach to city-regions in the upcoming white paper, with a strong recognition that one size will not fit all.

Delivery at local level, particularly through the Local Area Agreement (LAA) mechanism, is aligned to regional strategies. The development of LAA Economy and Enterprise Blocks has provided a timely opportunity for Local Authorities and partners to strengthen and prioritise their local economic development activities in line with RES. Partners within the region are building on LAAs to develop more effective ways of working together to maximise resources. For example, Yorkshire

Forward is working with Local Authorities to strengthen alignment of the sub-regional investment planning process (which includes key regional funding partners) with Local Area Agreement targets and outcomes. This closer partnership within and beyond local authority boundaries will also support the development of city regions.

Accountability

All these arrangements require strong accountability mechanisms to both the region and to Government. Our views on regional accountability have been set out in detail in contributions to the Sub National Review of Economic Development and Regeneration (from the English Regions Network and the Regional Development Agencies). It is worthwhile however, re-emphasising two key points from these responses (and picked up elsewhere in this submission) that are critical to the way that we work and the delivery of all else set out in this paper.

Firstly we are convinced that Government should take a proactive approach to devolution. Government should trust and empower the regions to deliver against the actions set out in our regional strategies. There is ample evidence of the success of this approach, including the RDA Single Pot and the recent Regional Funding Allocations advice. On the latter there is obviously scope to extend this particularly in the areas of skills and transport including that of Network Rail and the Highways Agency. The framework for additional devolution could be an overarching PSA for which all relevant public agencies are held accountable from government departments to local government.

Secondly, we recognise that additional responsibility should be developed alongside appropriate approaches to accountability and scrutiny. The introduction of the IPA process for Regional Development Agencies and the current review of how Assemblies exercise their scrutiny role provides a clear opportunity to think about how accountability mechanisms are working. Current ideas include proposals for regional 'select committees', a Minister for each region, and a 'Grand Committee' of the regions. All these deserve further consideration in the context of building on the Assembly scrutiny role that is currently the only mechanism that provides clear democratic accountability back to the region ensuring that policies and plans are responsive to local need. There is also scope to extend this role further to other public agencies working in the regions.

SECTION 4: ANNEXES

Annex 1: Regional Funding Allocations – Advice to Government from Yorkshire and Humber

Regional Funding Allocations (RFA) sought advice from regions on priorities for economic development, housing and transport based on indicative funding allocations for each. A partnership of agencies including Yorkshire Forward, the Yorkshire and Humber Assembly, and Government Office, and supported by the Regional Housing and Transport Boards and Yorkshire Futures led on preparing advice on behalf of the region. The overall approach was to demonstrate strong and positive linkages between regional strategies for each strand, and to base the submission on realism and evidence. The final advice submitted demonstrated the strength of partnership working in the region and its impact on building consensus and making hard choices on regional priorities.

Economic Development

The 'Single Pot' was designated in RFA guidance as the source of funding for the economic development theme. As such the advice concentrates on how Yorkshire Forward's Corporate Objectives are directing spending priorities to support delivery of the Regional Economic Strategy (RES). Central, therefore, are objectives to deliver more and better businesses, connect people to skills and jobs, enhance and utilise infrastructure and the environment, and support the renaissance of our cities, towns and rural areas. The advice shows how indicative funding will be split across Corporate Objectives and details how Investment Planning will act as the mechanism for allocating funds.

Housing

The Regional Housing Strategy (RHS) 2005-2021 was used as the context for RFA housing advice. It has an overall investment priority of delivering choice and opportunity for all people to meet their housing aspirations and sets the strategic outlook for housing in the region based on three themes of Better Places, Better Homes, and Access to Housing. An accompanying Investment Framework guides public sector funded housing interventions, for the purpose of RFA focusing on the Regional Housing Pot and Housing Market Renewal Pathfinder and their ability to meet changing housing needs, support the economy and integrate with transport issues. The advice shows how allocations will be split between sub-regions and across the different themes, on the basis of the complex nature of housing markets across the region.

Transport

The Regional Transport Strategy (RTS) sets the priorities for transport investment and management across all modes. For the purposes of RFA the elements of this to be considered included local authority major schemes and Highways Agency major schemes on roads of regional importance. The region developed a prioritisation methodology to inform the identification of regional priorities for the RFA advice, and those schemes that are best placed to deliver wider regional goals. Transport emerged as the overriding regional priority and this is reflected in the advice. A response from Government has subsequently been received indicating which schemes will be funded.

Impact of an increase or decrease in funding

RFA challenged regions to identify how they would respond to a 10% increase or reduction in funding. Given the weight of importance placed on transport, our advice asks that a 10% increase in funding be directed wholly towards transport, to facilitate a small number of additional identified priority schemes, and to invest in flexible and imaginative ways that best allow major schemes to deliver key regional transport priorities – linked to those in the RES and RHS needs.

Acknowledging that any reduction in funding would have a highly negative impact on outputs and outcomes, including PSA targets, we would seek to shield transport priorities from the impact of any cuts, and look to transfer funds to transport from other budgets where essential and/or to increase the share of Single Pot resources expended on transport to compensate. Efficiencies are detailed and will be sought across all themes to maximise the benefit from public resources and to make the biggest possible impact in the region