

Public Sector Investment and the Achievement of Regional Economy Strategy Objectives

Scrutiny
Enquiry 3

Acknowledgements

The Yorkshire and Humber Assembly would like to express their thanks to all organisations and individuals who contributed to the Public Sector Investment Scrutiny Enquiry, particularly the members of the Assembly and Yorkshire Forward panels and those who kindly agreed to be interviewed.



Scrutiny panel members and officers.

Foreword

This report follows on from the first two Scrutiny Enquiry reports into the Business Birth Rate Strategy and the Impact of the Regional Economic Strategy on Social Inclusion and we hope it builds on the high standards set by those two enquiry reports.

The subject of the Third YHA Scrutiny Enquiry is Public Sector Investment and the Achievement of Regional Economic Strategy Objectives.

The report seeks to explore the current range of opportunities to use public sector investment coming into the region to help achieve our wider regional economic aims. It also examines the range of barriers to alignment and actions being undertaken on alignment within the framework set by the updated Regional Economic Strategy (RES) by Yorkshire Forward and other regional organisations.

The report assesses how far these actions have progressed alignment in the 3 areas of health; post-16 education and skills and EU funding. It also identifies some further steps for Yorkshire Forward and regional partners working on maximising the use of public sector investment for the region.

We hope that all bodies operating at the regional level will learn from the enquiry findings, and that the findings will support the significant efforts already underway to implement RES alignment objectives.

Progress in responding to the reports findings will be monitored by the Yorkshire and Humber Assembly.

Finally I would like to thank my fellow panel members for all their consistent hard work and enthusiasm, and all those who submitted evidence to the scrutiny review. The scrutiny process highlights that we will only achieve our aspirations for the region if we work in partnership and recognise and support innovation and creativity in our efforts to maximise the use of public sector investment for the region. It is also clear that how we communicate is key to the delivery of those aspirations.

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Introduction

This is the report of the Yorkshire and Humber scrutiny review into public sector investment and the achievement of Regional Economic Strategy Objectives, as set out in the RES¹.

The report is divided into three parts:

Part One

This sets out the key issues and findings arising from research, interviews with Yorkshire Forward officers, regional and sub-regional partners and two enquiry hearings held in public.

Chapter One of the report gives an overview of public sector investment in Yorkshire and Humber and the report then goes on, in Chapters two, three and four, to investigate the areas of public sector investment the Scrutiny Panel chose to focus upon.

Chapter two reports on regional efforts to maximise the benefits of current health investment.

In Chapter three the alignment of post-16 education and skills with the RES is discussed and in Chapter four the report focuses on the alignment of the RES and EU resources.

The report asks Yorkshire Forward to consider the findings and identify ways to address the issues raised within an agreed timescale. In this way the review will support their work to implement the objectives and priority actions in the revised RES and improve alignment of public sector investment.

Part Two

This sets out the scrutiny enquiry conclusions, recommendations and points of wider regional learning.

Part Three

The third part of the report sets out the response of Yorkshire Forward to the enquiry summary and recommendations. It also says how the Yorkshire and Humber Assembly will take forward the opportunities for wider regional learning identified in the report.

¹Regional Economic Strategy, Ten Year Strategy for Yorkshire and the Humber, 2003-2012.

Summary and Recommendations

Part One

The revised Regional Economic Strategy published in 2003 has within its third objective a specific focus on utilising current public sector investment to grow the regions economy in line with the RES.

The scrutiny panel undertook an investigation into the scope of public sector investment coming into the region available for alignment and chose, for their enquiry, to focus down on three areas to investigate - health, post-16 education and skills, and EU funding which were more or less susceptible to being directed to contribute to RES objectives and priority actions. Some of these priority actions were used as a test to check for progress.

Part Two

Having considered the three selected areas of funding the panel considered the wider aspects of alignment, drew some conclusions from the work and made recommendations to Yorkshire Forward and others.

The main conclusions of the Panel's investigation were:

- That having specific objectives and priority actions relating to the alignment of public sector investment in the RES, is a significant step forward.
- There is evidence of a clear commitment and policy of seeking alignment and Yorkshire Forward has a senior and corporate sign up to this.
- There is a need to further develop understanding within Yorkshire Forward and amongst partners of the alignment priorities in the RES, and Yorkshire Forward need to find ways of cascading this corporate purpose to the whole organisation and to partners, at regional, sub-regional and local levels.
- There is a range of activity on alignment - it is extremely strong on Europe, strong on skills but weaker in relation to health.
- In relation to health, while opportunities increasingly are being recognised, urgency is needed due to the limited time span for investment and whilst some progress has been made, and there is more strategic alignment, Yorkshire Forward needs to be more proactive in developing and supporting projects and not miss opportunities
- In relation to post 16 education and skills, whilst the FRESA is aligned with the RES, Yorkshire Forward must do more to work with and communicate and involve the private sector and do more work to clearly demonstrate the added value of the FRESA, and there is an opportunity for Yorkshire Forward with the Assembly to continue to facilitate the co-operation of national bodies.
- In relation to EU programmes, Yorkshire Forward must continue to act with maximum flexibility, to

ensure the use of EU funds is maximised in the region and to allow for Single Pot support for wider alignment opportunities. That further preparatory work is undertaken on the post 2006 arrangements to bring together all key partners to develop preparedness to influence and respond promptly.

- The panel recognised that partners interests will not always coincide - there will be national or organisational drivers which will make alignment difficult in some cases. In relation to these national drivers there is a need for the YHA scrutiny process to influence these national barriers.
- There is a need to be alert to windows of opportunity - they exist in Europe, where Yorkshire Forward recognise timing is imperative, but also on health where Yorkshire Forward were less proactive.
- The commitment and mechanisms to jointly overcome barriers to alignment need to be developed operationally at the local level - this is especially acute in relation to health funding alignment and in engaging the business sector.
- There is a challenge to Yorkshire Forward's middle and lower operational processes in a range of areas to enable maximum engagement and to adequately support innovation in health investment alignment.

General Recommendations and Wider Learning

- Yorkshire Forward should demonstrate more clearly how it welcomes, nurtures, and encourages innovation at all levels in work to align public sector investment and seek to champion these efforts and ensure lessons learnt are taken on board in mainstream funding.
- Yorkshire Forward and its partners (especially health and YHA) should identify clearly how to more proactively progress the new third RES objective on alignment of public sector investment in relation to health investment.
- Work should be taken forward by Yorkshire Forward and GOYH to respectively identify a lobbying/intelligence feedback approach to Whitehall on the need for flexibilities of national funding to meet regional priorities

General Further Work

The Scrutiny Enquiry focused on maximising the USE of public sector investment in the region and ensuring alignment is achieved. A further area of study which may be of value is in maximising the AMOUNT of public sector investment coming into the region, which includes lobbying Whitehall and encouraging joined up approaches across various government departments.

Part Three

Part Three sets out Yorkshire Forward's response to the scrutiny enquiry report summary and recommendations.

Part One

Issues and Findings

Chapter 1. Headline Levels of Investment

1.1 Introduction

Public sector investment covers a wide and diverse range of activity, from transport to health, education, learning and skills to income support and other benefits to support individuals. Rules governing the expenditure within these funding streams vary considerably, and the regional players do not always have the ability to determine regional priorities within each of these areas of activity or the ability to vire resources between the areas.

This section seeks to highlight the scale of the public sector input into Yorkshire and the Humber, which is considerable, and to make some broad comparisons between regions. Although it is not within the power of the region to determine all of the spending priorities within funding streams, since many decisions are taken nationally or at the European level, there remains great scope to influence the funding and to ensure the resources that are available are used to the maximum benefit of the region.

Maximising the use of public sector resources for the benefit of the region requires Yorkshire Forward to use wisely the resources it controls directly, and also to influence mainstream resources wherever possible. This often involves co-ordinating and joining up these various funding streams so that funding, and organisations, are working in complementary ways for the good of the region.

The chapter sets the context for the further scrutiny of health, post-16 education and skills and EU funding in the following Chapters.

1.2 Overview of Public Investment in Yorkshire and Humber

Public investment in Yorkshire and Humber is significant. Although it is difficult to state the exact figure it is estimated to be between £14bn and £16bn per year. This represents around 20% of the region's GDP.

Deriving an accurate figure for the level of public investment is not straightforward. Many strands of public investment overlap, and many funding sources cover more than one area of activity. The range of public funding is extensive. Even if the Scrutiny enquiry was confined to our three selected areas (post-16 education and skills, health and European funding), there are numerous organisations with dedicated budgets, and involvement in the administration and implementation of those budgets.

Figure 1 overleaf, and the Table below, show the annual budgets for some headline public agencies. Although not the full resource input into the region, the resources identified nonetheless represent some £13bn in public sector input.

Job Centre Plus	£2,500m	1
Yorkshire Forward (Regional Development Agency)	£248m	
Connexions	£47m	2
European Funding (Objectives 1, 2, 3)	£1,200m	3
Learning and Skills Councils	£502m	4
New Deal for Communities	£29m	5
Sure Start	£36m	
Neighbourhood Renewal Fund	£6m	6
Lottery	£880m	
Health	£4,600m	7
Local Authorities	£2,769m	8

Source: Yorkshire Forward, JobCentre Plus, Local Authorities data provided by Yorkshire Forward; Health data supplied by NHS; Connexions, Learning and Skills Council, European Funding, New Deal for Communities, Neighbourhood Renewal, Lottery data provided by Government Office for Yorkshire and the Humber

1.3 Headline Comparator Analysis

Making comparisons between regions is complex. Some investment streams are governed by the size of the region in population terms, that is, loosely based on per capita assumptions, whilst others are determined in whole or in part by the scale of need in a region. Often it is a combination of both, and, in some cases, the region's share is based on competitive bids into national programmes.

There are also limits on many of the funding streams as to the extent of the discretion within the funding stream because much of the spending is determined centrally and is non-negotiable. Much of the funding through the Learning and Skills Council and the NHS is for centrally determined statutory obligations, rather than for region-specific activity. However, the large scale of resources available to these organisations means that even a modest bend of mainstream resources here can have a considerable positive effect on local areas.

1 National total operating cost (01/02)

2 Connexions Partnerships budgets in Yorkshire and the Humber for 2003/04

3 European Funding is for seven year Programmes 2000-2006; excludes Community Initiatives such as URBAN, LEADER

4 Based on 4 Local Learning and Skills Councils, excludes spending on compulsory education

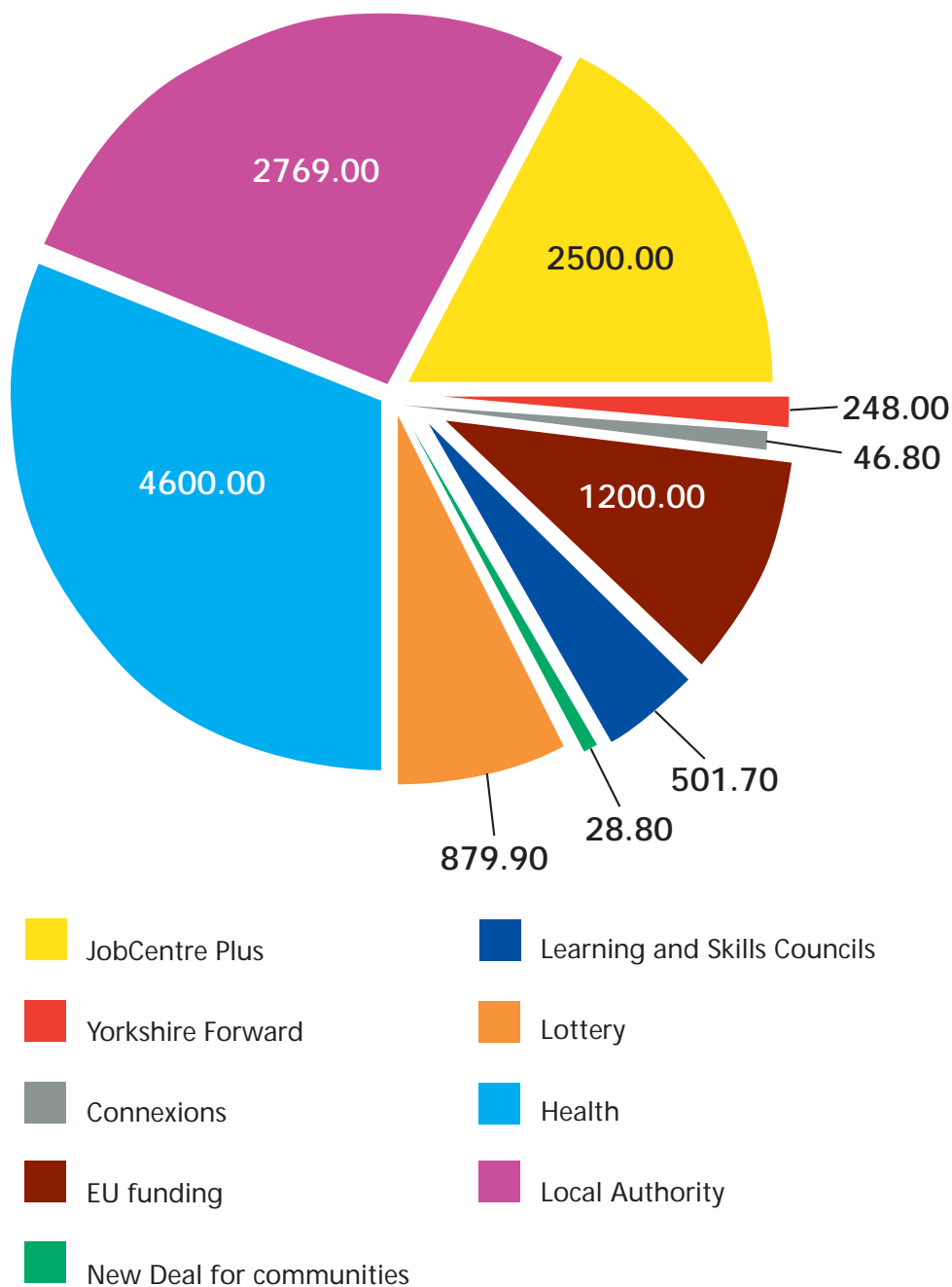
5 Contribution to 4 NDC Partnerships 2002/2003, towards a lifetime (10 year) total of £209m

6 Based on proposed spend for 2003-2004, out of £135m to over 4 years

7 Based on circa 40 Primary Care Trusts in Yorkshire and the Humber

8 This is based on the total education element of the regions' 22 local authorities, although no figures were available for North East Lincs and North Yorks County Council.

Figure 1: Public Investment in the Yorkshire and Humber Region through Principal Organisations (£m)



Funding Stream	Total PSI (£)	Public Sector Investment Available for Alignment
JobCentre Plus	£2,500m	Limited discretionary funding available but important partner in initiatives to help unemployed to take up work/training Covers benefits paid and salaries of Jobcentre Plus staff; determined by UK Government based on the number in receipt of benefit; pilots operating to boost JobCentre Plus involvement in workforce development
Yorkshire Forward	£248m	Largely discretionary Overall allocation determined by UK Government; includes some commitments to previous activities and commitments to deliver UK-wide activities/national targets. Regional priorities agreed through RES jointly prepared with partners
Connexions	£47m	Largely discretionary Although responsibilities to deliver advice/guidance against national targets, partnerships can achieve this in own way
EU funding	£1,200m	Discretionary Allocation based on EU calculation of need, thereafter entirely determined by regional/local priorities. Some restrictions on types of activity supported.
Learning and Skills Councils	£502m	Limited discretionary funding, although can use its resources to lever in additional funds for certain activities eg European Social Fund
Lottery	£880m	Largely discretionary, distributed to regional priorities, although absolute levels coming into the region variable
Health	£4,600m	Limited discretionary funding, although size of budgets means even limited discretionary spending can have wide impact. Uses its resources to lever in additional funds for certain activities
Local Authority	£2,800m	Limited discretionary funding, although its first and primary commitment is to deliver services for residents

Source: EKOS Consulting, based on data supplied for figure 1

The following Table indicates that key resource inputs vary from one region to another.

Investment Lines against Selected Comparators

	Pop'n (2001 census)	Lottery	LSC	RDA	EU	Health
Y&H	4,936,100	£880m	£502m	£248m	£1,200m	£4,600m
£ Per Head	178	102	50	243	932	178
North East	2,587,000	£630m	£353m	£160m ¹	£488m	£2,400m
£ Per Head	244	136	62	189	928	244
North West	6,843,000	£1,900m	£864m	£277m ²	£1,500m	£6,700m
£ Per Head	278	126	40	219	979	278
East Midlands	4,011,400	£615m	£458m	£95.2m ³	£270m	£2,300m
£ Per Head	153	114	24	67	573	153

The headline comparator analysis suggests, at the macro-level, that the region is receiving a level of public sector investment broadly commensurate with its size and scale of need, when compared to neighbouring regions. Perhaps the greatest anomaly is the Lottery funding, where the region receives a lower per capita allocation than the North West or the North East, and it may be that this needs to be the focus of further investigation.

There are limitations on the ability of a region to influence the levels of public sector investment flowing into a region. A report into *Monitoring the English Regions* for the Economic and Social Research Council (ESRC) identified science and transport as two areas of particular difficulty, a view echoed by Yorkshire Forward during the Scrutiny Enquiry. The report quoted Tom Riordan, executive director of Yorkshire Forward, speaking to MPs, stating:

*“there should be an instinctive reaction in Whitehall to boost the north”.*⁴

The Report suggested that more should be done to reduce regional disparities between north and south.

Determining ‘the scale of need’ is difficult and subject to varying methodologies which differ according to the type of activity or need examined. Furthermore, there is considerable debate as to whether opportunity, rather than need, should determine the level and location of investment:

¹ One NE Action Plan and Budget 2000-2001

² NWDA

³ EEDA Business Plan 2002

⁴ *Monitoring the English Regions: Report No 11, May 2003, Centre for Urban and Regional Development Services, University of Newcastle-upon-Tyne, for ESRC, pp8.*

should public sector investment vary purely on the basis of need, even where it may be argued, that no level of investment can bring about change?

There are many in England that would argue that greater variation in funding per region is required in order to bridge the gap in prosperity between regions. This is a crucial and interesting area of study, but it is not the focus of this Scrutiny enquiry; this Scrutiny is not concerned with the ability of the region to maximise the *amount* of public sector investment, which focuses on the effectiveness of the region to lobby for more resources, rather it is concerned with the ability of the region to make maximum use of public resources in the region to meet the regions economic objectives in the RES i.e. the ability of the region to align public sector investment with the RES.

1.4 Regional Approaches

The RDAs have considerable control over the use of their resources in their region, and have the ability to influence a wide range of regional players in the use of theirs. Regional approaches to the priorities for spend vary. This extends to the approach to public investment. The comparison below indicates that the Yorkshire and the Humber region has taken a very positive stance on public investment.

Regional Approaches to Public Sector Investment ¹

Approach	
Y&H	Explicitly identified as one of the 6 key objectives; explicit priority to maximise health and education to the benefit of the region
The North East	Maximising Public Sector Investment in the region is not specifically identified as one of the 6 priorities for the region and is not referred to within each of these 6 priorities
The North West	Maximising benefits of public sector investment not explicit objective; rather it is 'an issue' that impacts on each of the 5 identified priorities
East Midlands	Public Sector Investment is not specifically identified as part of the strategy leading to 2010

It appears that Yorkshire Forwards' approach to public sector investment alignment as a means to maximising benefits to the region is a very positive one. This is despite the fact that there are clearly issues about the way public sector investment is allocated to the regions and centrally imposed constraints on discretion to spend according to regional priorities. In the next three chapters we consider how well this positive approach is being translated into real activity in Yorkshire and the Humber.

¹ *One North East - Unlocking our Potential*
Yorkshire Forward - RES - 2003-2010
East Midlands - Destination 2010
North West - England's North West - A Strategy Towards 2020

Chapter 2: Maximising the Benefits of Health Investment

2.1 Health Investment in the Region

Health is a major area of public investment; in the UK in 1998, total health spending is estimated to have been 6.8% of national income. This comprises 5.7% of national income spent publicly and 1.1% spent privately¹. Figure 1 page 10 shows that the total budget for Strategic Health Authorities and for Primary Care Trusts in Yorkshire and Humber is £4.6bn (see map 1 below). It is also growing. Spending is set to rise to 9.4% of national income by 2008.

As the previous Chapter indicated, there is a limit to how much of this spend can be targeted on region-specific issues, but harnessing even a modest amount of this funding could be of considerable benefit to the region.

The view is recognised by the UK Government. Their cross-cutting review *“Tackling Health Inequalities”* (2002) recognised the potential of the NHS as very significant local employers, including employers of entry-level positions with career progression opportunities, and as major procurers of supplies (both of which can help deliver RES objectives). The review recognised that health inequalities are both unacceptable in themselves and have a negative impact on economies and communities as well as on individuals.

Map 1: Strategic Health Authorities



Within the region (see map above) are: 11 Social Work Programmes, 3 Workforce Development Confederations, 4 Strategic Health Authorities, 34 Primary Care Trusts, 27 NHS Trusts and 1 Mental Health Trust.

¹ IFS -How much would it cost to increase UK health spending to the European average. 2001

2.2 Health and Regional Economic Strategy Objectives

The Regional Economic Strategy (RES) lists the top ten priority actions to improve the region's economy between 2003-06. Two of these have particular significance for the alignment of health investment. They are:

- (e) Treat the new investment in health and education as we would foreign investment, helping to attract the best doctors, nurses and teachers to the region and ensuring that local firms and people benefit from supply chains.'
- (f) Connect 10,000 young people from deprived communities into jobs and education through stronger links between local businesses and educational institutions, higher graduate retention and more local people attending university.'

Within RES objective three to 'attract and obtain more public and private investment in the region', a specific action is identified to 'Capitalise on NHS Investment in the Region'. This states that:

Key action (C) CAPITALISE ON NHS INVESTMENT IN THE REGION. 60.

The region will utilise additional investment in the NHS of almost £2billion to bring economic benefits and contribute to employment, skills, quality of life and the attractiveness of the regional product. There is huge scope to benefit the economies and health of deprived areas through **employment and training opportunities** and provision of health and care facilities in locations well served by public transport. Research will inform a programme of changes in **NHS procurement**, making links to the region's clusters, supply chains and sustainability goals. Similar principles will be applied to so that it supports delivery of the RES as well as Regional Planning Guidance and the Regional Sustainable Development Framework.

The scrutiny review recognised there would only be limited progress against these actions, given that they have only recently been articulated in the revised RES published in February 2003. At the time of the revision both the health sector and Yorkshire Forward recognised the potential of the health sector both as a large employer and in relation to its spending power in the region.

The proposed increases in NHS funding present major opportunities for jobs and skills development in the NHS, as well as in related sectors like construction, and in the 'supply chain', such as medical supplies and care services. This level of health investment was not anticipated in the earlier version of the RES and therefore provides a useful test of how quickly and effectively alignment of public sector funding can take place.

2.3 Progress to Align Health Spending - Evidence from the Health Sector

The commitment

The Health Service is committed to increasing its local procurement in the region by 1%. This would be at least £10 million per annum, although there are currently no in-region spend baseline data and no targets by areas of supply or types of enterprise. The NHS is further committed to developing

access pathways into NHS employment for disadvantaged communities and to provide skill escalators for employees. These actions have the potential to make a positive impact on the scope for local firms to become part of a significant supply chain, and enable disadvantaged individuals both to gain employment and progress within it.

Evidence of progress

Evidence was provided by the South Yorkshire Strategic Health Authority, who are leading regional action on NHS procurement. They highlighted some of the difficulties that are being encountered in developing the proposals to deliver the 1% increase in local procurement. These include:

- Incomplete information about where current procurement was sourced;
- NHS governance and tendering rules which could be a barrier to contracting with newly established small businesses and social enterprises; and
- Concerns amongst businesses in the region about engaging with what was seen as the 'complex bureaucracy' of the NHS.

As proposed in the RES a project has been developed to identify the barriers to local sourcing of supplies and services and to provide the necessary support to overcome these barriers (see 2.4 opposite). Through this mechanism Yorkshire Forward Single Pot funding is to be used to draw in and align increased NHS investment in the region. It is hoped that specific activities arising out of this work will also attract European Funds

The evidence highlighted some delays in progressing this project. However by the time this review was completed approval had been obtained from Yorkshire Forward. The evidence suggested that Yorkshire Forward could have taken a more leading role in enabling the project to proceed quickly. The evidence from the Health witness (Brigid Kane) indicated that the situation is not helped by the perceived difficulties in accessing, or bending, mainstream NHS resources.

Despite this progress at regional level some concern was expressed that the contribution that health could make to the delivery of economic development objectives at all levels (local, sub regional and regional) was not always recognised. It was acknowledged that links between Yorkshire Forward and the South Yorkshire sub region were good but there was more work to be done in other sub-regions. The success of the South Yorkshire example owed much to the proactive efforts of the Strategic Health Authority in that sub-region.

Concern was raised as to whether alignment could be achieved at the local level, at the level of the Primary Care Trust (PCT) (there are around 40 in the region), which has the closest links to local communities. Whilst this is clearly an advantage in addressing needs of local people and disadvantaged communities, concern was expressed over whether the PCT could be a building block for alignment with Yorkshire Forward, given its distance from regional decision-making.

2.4 Progress to Align Health Spending - Evidence from Yorkshire Forward

The commitment

Evidence from Yorkshire Forward emphasised that the revised Regional Economic Strategy highlighted the role of the health sector in supporting activity in the fields of procurement, skills and capital investment and provided a *“strategic agreement that allowed”*...the Health Service and Yorkshire Forward... *“to hit the ground running”*.

Despite this optimism however Yorkshire Forward believes that it will still be difficult to align health spending to support RES objectives since many of the drivers for NHS improvements come from national targets. Given the massive scale of health service investment (perhaps £1 billion over three years, and well over £2bn+ over the lifetime of the RES) there was agreement that it was essential to try.

They believed there were three levels where actions could be taken:

- Regionally - where there was a dialogue in process through the Health and Regeneration Forum;
- Sub-regionally-where there was scope to involve the Strategic Health Authorities in sub-regional action planning; and
- Locally where Local Strategic Partnerships and Primary Care Trusts could work together.

Evidence of progress

Yorkshire Forward gave examples of three projects where progress was being made:

1. Growing the region's businesses with NHS investment

Supporting and enabling the NHS in the region to target its procurement budgets on key clusters, local suppliers and social enterprises and assisting those businesses to effectively compete for NHS contracts. This will include initial scoping and feasibility studies to facilitate the establishment of an NHS Procurement Unit. (Note this is the same example provided by the South Yorkshire Strategic Health Authority described at paragraph 2.3). Whilst the South Yorkshire Strategic Health Authority is leading on this project, the intention is to regionalise the Unit in time.

2. NHS Regional Employability

Aimed at optimising the benefit to the region's economy of NHS investment by targeting recruitment and skills development into areas of highest unemployment and greatest need. Activity will take place through a series of employability pilots regionally, building on the good practice of 2 NHS employability pilots in Leeds and South Humber (the latter funded by Yorkshire Forward see overleaf) that have demonstrated the effectiveness of training and development opportunities within the health sector offered to the long term unemployed.

3. South Humber Employability

Providing a series of three-month training placements in the NHS to up to 200 unemployed people in deprived communities. The project includes a £131,000 contribution from Yorkshire Forward and seeks to promote social inclusion and increases the NHS' contribution to economic inclusion and health improvement.

Despite this progress Yorkshire Forward acknowledged that it sometimes took time to process projects but felt that it was better to spend extra time in the planning stage *"to get something right"* if results were to be maximised. The Scrutiny panel felt that the added value of the extra time spent in developing and assessing projects was not always evident.

Yorkshire Forward also indicated that they are developing policies in project appraisal and management. Working more closely with partners, commissioning as against open bidding, developing projects coming through the action planning process, and the attachment of a project manager to each project, would all help to generate effective working in this area.

The perceived difficulty of working with the NHS as a whole was also apparent. Yorkshire Forward stated that it was necessary to be realistic, that health was only one sector in the economy, and that it is simply not possible *"to influence the whole health sector to align with the RES"*.

Case Study: Harehills, Leeds

Harehills is one of the most disadvantaged areas in Leeds. In the heart of Harehills is a very large hospital development, St James Hospital, with a current £200m investment in the re-provision of Cancer Treatment to serve the Leeds and the wider region. As a whole, the Leeds Teaching Hospitals Trust spends £0.5bn per annum. The St James Hospital development, financed through a Private Finance Initiative, has the potential to have a significant positive impact on the local area which suffers from higher than average unemployment, higher benefit dependency, lower skills, as well as poorer health.

The Teaching Hospitals Trust is seeking to be more outward-facing and to play a more active role in the regeneration of the local area, acknowledging that the NHS has been traditionally focused on providing health services for individuals. Partly in view of this, the Trust has a full time secondee from Leeds City Council to focus on local regeneration issues.

The Trust is seeking to do more to maximise the benefits of the investment, and is seeking to learn from the experience of Birmingham University Hospital that has developed a host of initiatives in conjunction with the Regional Development Agency, Advantage West Midlands. These initiatives focus on social inclusion, such as diversity in local employment initiatives and the hospital extending its services to advising on benefits, to supply chain initiatives, such as local sourcing of surgical supplies, to maximising research and patents within the regional economy.

Current joined up working in relation to the Leeds health investment is minimal. There are many opportunities for organisations, including Yorkshire Forward, to work together on the Harehills development to harness the benefits of the investment for the region.

2.5 Conclusion and Learning Points

The panel found that even though there was only limited evidence in relation to health spending some important issues emerged:

1. The increased investment in Health Services in the region is only guaranteed to 2005 and there was willingness from all partners to try and maximise the benefits from this additional funding to deliver RES objectives. This is positive, especially given that it is not immediately obvious how to align health and economic objectives.
2. Because the level of investment is new, there is a relatively small 'window of opportunity' to align this funding effectively. Despite the inclusion of headline activities aimed at exploiting this opportunity in the RES, the process of project approval within Yorkshire Forward has resulted in some delays in progressing action, and lessons should be learnt for future health projects.
3. That now that maximising health investment is identified in the RES, Yorkshire Forward could take a more active role, in conjunction with partners, in enabling more projects to come forward, and to work creatively and innovatively to achieve the practical delivery of projects.
4. Despite a clear willingness from the Health Sector to support the delivery of regional economic targets their main driver continues to be national government targets. In addition the sheer scale of NHS 'mainstream' activities, does not make it easy for the Health Service to mobilise its resources and focus them more regionally.
5. There is a role for Yorkshire Forward in lobbying the UK Government for greater flexibilities in the use of NHS resources at a regional level, but also a role for Yorkshire Forward in working with the NHS in the region, with partners, to achieve the mobilisation of resources.
6. The lack of understanding about current NHS spending activity within the region and the timescales to which Yorkshire Forward operate make it difficult to exploit the potential opportunities arising from the increased level of health investment.
7. Progress to align funding at the regional level had been helped by the inclusion of specific objectives in the revised RES. Despite Yorkshire Forwards view that actions should be taking place at all levels (regional, sub-regional and local) the evidence from the health sector highlighted concerns that Yorkshire Forward lacked sufficient understanding about the contribution health could make at sub-regional and local level to turn this view into reality.

Chapter 3: The RES and Post-16 Education and Skills

3.1 Post 16 Education and Skills Investment in the Region

The national Learning and Skills Council (LSC), through the Department for Education and Skills, is responsible for funding and planning education and training for over 16-year-olds in England other than in higher education. Since taking on this responsibility in 2001 many targets have been established to improve education and skill levels across England. With a budget of £5,382million nationally for 2000-2002 the LSC has a significant amount of public investment for each region in England, distributed through local Learning and Skills Councils (see map 2 below), of which there are four in the Yorkshire and Humber (Humberside, West, South and North Yorkshire). The table at 1.2 shows the four LSCs in the region have a budget of around £502m.

Map 2: Annual LSC Funding



Area	Allocation £m	Area	Allocation £m
North East	353	North Yorkshire	61.6
North West	864	West Yorkshire	234.5
East Midlands	458	South Yorkshire	88.1
		Humber	117.5
			501.7

3.2 Post 16 Education and Skills and RES Objectives

The area of post 16 education and skills is one where the enquiry expected to see alignment as this area involves funds led by Yorkshire Forward and RDA's have a strategic role for overseeing the production, monitoring and implementation of the FRESA (Framework for Regional Employment and Skills Action) along with other key partners.

Skills and learning is a central feature of the RES. Skills and learning is relevant to a number of the 6 over-arching objectives, including skills for cluster development, but it is the fourth of the six objectives of the RES that seeks specifically to:

Radically improve the development and application of education, learning and skills, particularly high quality vocational skills

This importance of learning and skills is translated into several of the 10 priority actions. The Scrutiny Enquiry focuses on two of these:

- (f) Connect 10,000 young people from deprived communities into jobs and education through stronger links between local businesses and educational institutions, higher graduate retention and more local people attending university.'
- (g) Increase employers' influence over the supply of jobs and skills through an employment and skills action plan, with early action to meet the skill needs of businesses, particularly on construction and key clusters¹.

Further, the RES states a commitment to developing the FRESA. Yorkshire Forward, as with all the Regional Development Agencies, has been charged with the task of leading the production of the FRESA on behalf of the region. The FRESA is prepared to a common template and is, uniquely for learning and skills, driven by the three UK Government departments: The Department for Trade and Industry, the Department for Education and Skills and the Department for Work and Pensions. The FRESA has been prepared and endorsed through wide partnership, described in Figure 2, with all the principal organisations with an interest in learning and skills represented.

3.3 Post 16 Education and Skills Spending - Evidence from the Sector

The commitment

The FRESA represents a commitment from the region to action on employment and skills in Yorkshire and the Humber. The Regional Employment Skills Forum has the role, within the region and under the auspices of the Assembly, to monitor the implementation of the FRESA. The FRESA has no direct resources attached to it, rather partner organisations have signed up to spend the money available to them to meet the jointly agreed objectives of the FRESA, where their decision-making allows.

Evidence of progress

Evidence from the West Yorkshire Learning and Skills Council (LSC) acknowledged Yorkshire Forwards

¹ The Clusters identified in the RES are "advanced engineering and metals, bioscience, chemicals, digital industries and food and drink (including agriculture)".

understanding that skills issues were key to the development of a prosperous economy in the Region. The LSC West Yorkshire witness felt that there had been significant progress in partnership working since the local LSCs were established. Following some initial confusion between Yorkshire Forward and the local LSCs about the demarcation between roles, the LSCs found that the position was now much clearer.

The evidence suggests that Yorkshire Forward is now putting significant sums through LSCs for work on regional skills. The LSC witness pointed out that much of their budget (which amount to £502m) is tied to specific activity derived from national LSC targets, such as percentage of 19 year olds at NVO Levels 2 and 3. The local LSCs believe that Yorkshire Forward has much greater ability than the LSC's to deploy their funding in non-prescribed and flexible ways. This has presented significant opportunities for Yorkshire Forward to combine with local LSC discretionary funds to enable LSCs funding to "punch above its weight".

Evidence was received in relation to the positive role that Yorkshire Forward had played with regard to Further Education Colleges through the Single Regeneration Budget². One of the LSC witnesses welcomed this move, seeing it as a positive example of bringing funders together to provide capital investment for premises which are multi-use. More generally, Yorkshire Forward was seen by both the LSC and the Training Provider witnesses as now being in an appropriate position to lobby Government on behalf of the region and to act as a broker, both with central Government and with regional partners on sectoral needs and flexibilities.

Case Study - the FRESA

The LSC witnesses saw the establishment of the FRESA as an excellent success story for partnership working. However, its delivery needed to take a closer account of the notoriously difficult task of engaging employers.

We asked: whether the existence of the FRESA would be a cause of regional players using their own money in different ways to those in which they would without the FRESA?

The Panel received a slightly mixed answer. The LSC witnesses said that they had already been clear about their remit, prior to the FRESA, and their use of funding was driven by their local LSC mission statement. In this sense the LSC's contribution to the skills agenda has not changed. On the other hand the LSC felt that the existence of the FRESA had made a range of partners much more aware of each others work and thus increased the scope for recognising opportunities and avoiding confusion and duplication.

The FRESA mechanism was identified as contributing to success in establishing Centres of Vocational Education (CoVEs), which are sector-specific, vocational, skills-based centres of learning. The FRESA has allowed these Centres to be created in line with the Regional Economic Strategy's business cluster strategy. This was cited as a clear example of the way that partners' agendas could be aligned with the RES. The work LSC West Yorkshire was carrying out with JobCentre Plus on a Centre of Excellence in Plumbing in Leeds was a good example of this.

The Training Provider witness had formed the opinion, partly through his membership of the

² The Single Regeneration Budget is one of the 'legacy' funding streams inherited by the Regional Development Agencies

Regional Employment and Skills Forum which developed the FRESA, that the mapping and understanding gained through the FRESA was of great value to providers, since it set out a clear picture of what was needed and what (training) was likely to be purchased as a result.

However, there were concerns about process. It was felt that stages of moving from agreement on broad needs through to specific commissioning were lengthy. This difficult process was compounded by the need to compress the process towards the end of a year to fit in with particular financial year cycles. In his experience, this could lead to providers having to bid to very short timescales and mobilise quickly.

The Training Provider witness felt that there was scope for better alignment of planning and bidding cycles, especially since bidding opportunities are often dictated by Yorkshire Forward’s planning cycle. The decision on requirements to be in place and operational from 1st April were not completed till the very end of the previous financial year (i.e. a matter of weeks before). If the planning cycle could be advanced and better communicated to regional partners, this could enable Yorkshire Forward to carry out procurement in a more measured and effective way.

Figure 2



The role of the emerging Sector Skills Councils, who are replacing the former National Training Organisations, with a far greater emphasis on employer engagement was also noted. The Sector Skills Councils, under the auspices of the Sector Skills Development Agency, will have an important bearing on the implementation of the FRESA. The Sector Skills Councils have a national role, but clearly some sectors will have a greater relevance to the regional economy than others. The basis of the engagement between Sector Skills Councils and Yorkshire Forward (i.e. should it be on a selective basis, and how the selections would be made) is under consideration and the Panel concluded that it would not be timely for us to review the activity at this early stage. Nonetheless, it will be important that the conclusions are fed back into the membership of the Regional Employment and Skills Forum.

3.4 Post 16 Education and Skills Spending - Evidence from Yorkshire Forward

The commitment

Yorkshire Forward is committed to developing post-16 education and learning, in particular through its commitment to the implementation of the FRESA, but also taking into account national developments, such as the Summer of 2003 National Skills Strategy. Yorkshire Forward has established contracts with the local Learning and Skills Councils to ensure that clients, eg people seeking employment, have a single point of delivery. In addition, the FRESA priorities are the RES priorities.

Evidence of progress

Prior to the public hearing of Yorkshire Forward witnesses we asked for any evidence of projects which could be cited as being in support of the key priority actions identified in the FRESA. Many project examples were given. The following projects relate to:

- (g) Increase employers' influence over the supply of jobs and skills through an employment and skills action plan, with early action to meet the skills needs of businesses, particularly on construction and key clusters.¹

What support covers:

- generic skills, common to all of the clusters, include strategic management and management development, graduate retention, entrepreneurship, creativity, ICT, basic skills and STEM (science, technology, engineering and maths); and
- Specific skills needs for each cluster. These have been identified through mapping and bespoke cluster research. For example ICT vendor skills in the digital industries cluster; and AGRI foods and International Food Skills Academy projects in the food and drink cluster.

Specific examples include:

1 STEM (science, technology, engineering and maths)

¹ *Regional Economic Strategy for Y&H; clusters defined as "advanced engineering and metals, bioscience, chemicals, digital industries and food and drink (including agriculture)".*

The initiative involves supporting SETPOINTS² to improve the qualifications and employability of labour market entrants by bringing innovative teaching and learning approaches to STEM and thereby increasing the supply of young people with these skills. The project also includes the 'Lets Twist' initiative to promote and facilitate the participation of women in science. The project also includes work with primary school teachers and promotional activity to improve perceptions of STEM.

2 Graduate Retention

There are a number of initiatives to retain more of the 25,000 graduates from Yorkshire and Humber Universities within the region, even where their home of origin is outside the region. This helps retain skills and intellectual capital in the region, but requires sufficient quality jobs and infrastructure to make the region the preferred place to live and work. Activities include a special web portal, recruitment fairs, linking local jobs to local graduates and broadening participation in HE amongst minority ethnic communities.

3 Education for Sustainable Development

Funding to audit and map relevant activity across the region with the aim of producing specific modules on sustainable development for inclusion within initial teacher training courses.

Other initiatives include:

- the **Regional Language Network**, to improve the language skills of the region's workforce;
- **Skills for Life**, a response to the Government agenda to improve adult literacy, numeracy and language skills. This will be achieved primarily by increasing the region's basic skills delivery capacity through a co-ordinated approach to the training and development of basic skills professionals;
- **Call ICT**, raising the level of ICT skills in the region; and
- bespoke packages of skills, for example for the Advanced Manufacturing Park in South Yorkshire.

Yorkshire Forward acknowledged that the task of improving employer engagement was not an easy one and much more needed to be done. They believed that the process of constructing the FRESA with its wide consultation had helped to engage employers, and that Yorkshire Forward had attempted to "*speak their language*" and make sure that the priorities for employers were articulated by them rather than based on assumptions by Yorkshire Forward.

Yorkshire Forward also stated that it was essential that their actions demonstrated that they were "*putting our pounds where our mouth is*". Yorkshire Forward witnesses cited the £74 million allocated to skills and learning initiatives and specifically money allocated to the clusters (around 25% of the budget) were agreed as key to the prosperity of the Region. But they also said more needed to be done, and many businesses in need of help were too busy dealing with immediate problems to have time to identify and access the help that they needed.

² SETPOINTS are centres set up in the UK as a focus for teachers, business and industry to obtain information about resources, schemes and initiatives concerned with science, engineering, technology and mathematics as part of the Government initiative SETNET (the Science Engineering Technology Mathematics Network)

The following evidence is in response to action point (f).

- (f) Connect 10,000 young people from deprived communities into jobs and education through stronger links between local businesses and educational institutions, higher graduate retention and more local people attending university.'

In questioning Yorkshire Forward about action point (f) we recognised that this was a new activity and sought views on how success would be measured. This question also focussed on the issue of additionality.

Yorkshire Forward accepted that many of the activities to deliver this target would be carried out by a range of players, many of whom would be using their own funding, and who would be active in this area in any event. Yorkshire Forward said that the 10,000 young people to be targeted in action point (f) would receive more integrated support, rather than *"different silos hitting the same people"*. This would allow the move to a single entry point for young people and more focus on progression routes, rather than different incidences of un-connected support.

Measuring integration was accepted as being more problematic. Yorkshire Forward stated that this would be achieved through effective evaluation but that the issue of cause and effect *"was the million dollar question"* and that *"its very difficult to demonstrate the real difference"*. Whilst Yorkshire Forward stressed their commitment to effective evaluation, they admitted that the RES would only be one factor in bringing about change.

3.5 Learning Point and Conclusion

There is clearly evidence of alignment between Yorkshire Forward and the skills agenda, primarily through the Framework for Regional Employment and Skills Action, the FRESA. This has allowed Yorkshire Forward to align its resources with the major learning and skills partner, the Learning and Skills Councils. Evidence from the Scrutiny Enquiry indicated that the FRESA had allowed more partners to become aware of the learning and skills aims in the region. Yorkshire Forward reminded the Panel that the Single Pot allowed skills to be integrated across a range of activities, rather than the Skills Development Fund, which was a single funding stream worth £2m in its final year.

The Panel found that despite the evidence of alignment two principal issues remained:

- To what extent does the FRESA represent additional activity, over and above what other partners were doing without the FRESA. It was felt that the evidence did not sufficiently demonstrate how additional mainstream resources were being directed into the FRESA, for what, and for whom, and that this could be made clearer and/or more explicit. The focus should go beyond co-ordination and rationalisation to focus now on added value of actions; and
- Engaging and involving businesses remains a difficult issue and, although there is evidence that Yorkshire Forward are taking this role seriously, more could still be done to systematically engage businesses; to demonstrate the benefits of engagement to them. For instance, by providing a clearer, less bureaucratic and more timely Single Pot planning-bidding cycle for employers to get involved.

Chapter 4: Aligning the RES and EU Resources

4.1 EU Funding Investment in the Region

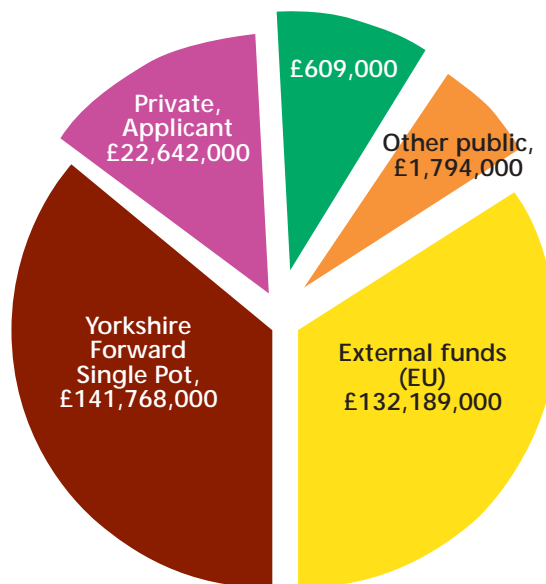
European Structural Funds are an important source of funds where spend is dictated by local and regional priorities.

Yorkshire and the Humber will receive an overall amount of £1.2billion for the Programme period 2000-2006.

The amounts allocated to Yorkshire and the Humber for 2000-2006 are:

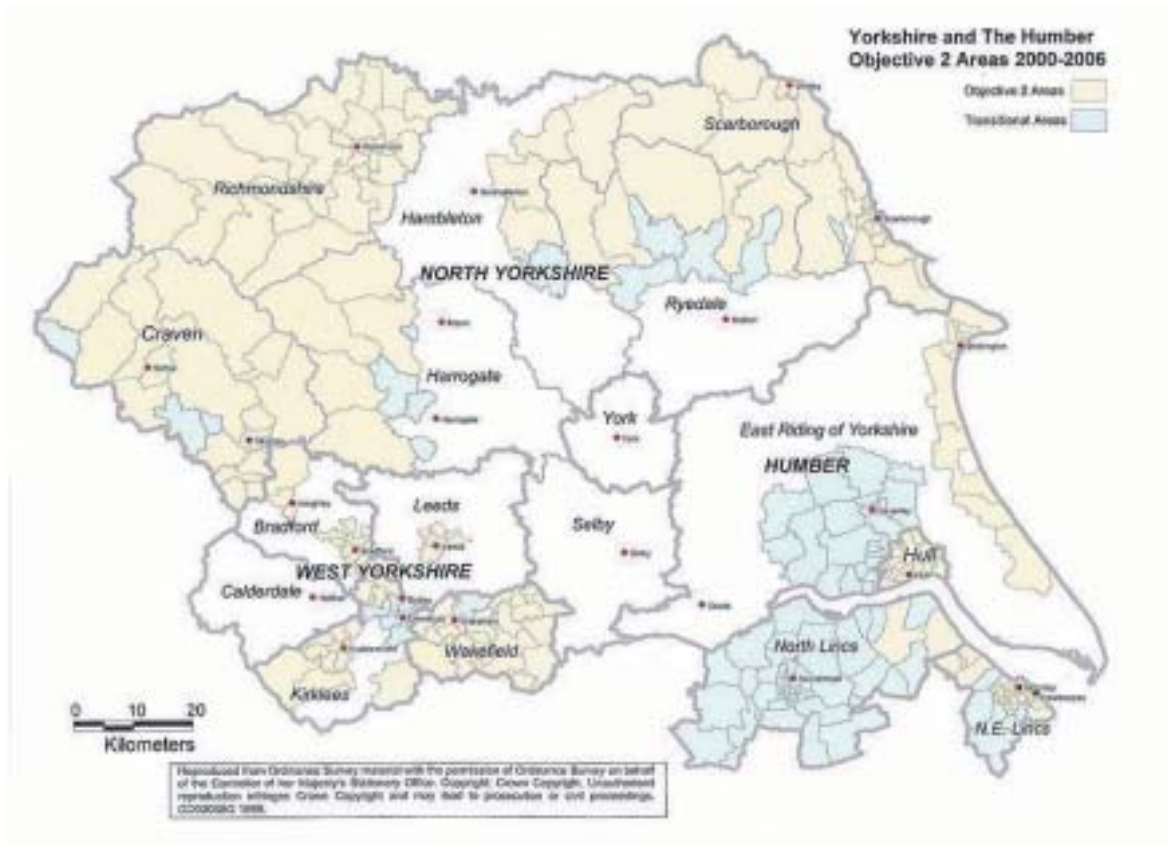
- Objective 1 (£706m), for areas with average GDP per head less than 75% of the EU average, which applies to South Yorkshire;
- Objective 2 (£311m) which is for areas of industrial decline and more deprived rural and coastal areas not covered by Objective 1 (see Map 3 overleaf); and the
- Objective 3 Programme (£154m) which is for learning and skills and which is channelled through the European Social Fund

European monies 2000 - 2006 £m



In Yorkshire and Humber, the funding plans allocate £150m each year in EU support, which is “matched” by over £177m of other UK public sector support and over £69m of direct private sector support (based on the agreed financial profile agreed with the European Commission for the EU Programmes). To put this in context the EU funding per annum is equivalent in size to 60% of Yorkshire Forward’s budget.

Map 3: Objective II Areas



4.2 EU Funding and RES Objectives

It would be expected that there is a strong correspondence between the RES and the EU Programmes. All of the three major EU programmes in the region have overall objectives to increase wealth and prosperity for all in the region, in common with the RES, and ideally, EU programmes would be a sub-set of the RES, where EU funds are used to deliver RES objectives.

Different historical backgrounds to the development of the EU Programmes and the RES (EU versus national and regional approaches, differences in ways of administering funds, the timing of plan development) have meant that this alignment has not always been straightforward in practice.

Although there should be an extremely strong alignment between the RES and EU Programmes, aligning the strategies is complicated by their chronology. The EU Objective 1 Programme in the South Yorkshire was developed ahead of the RES. The Objective 2 Programme (covering large parts of the remainder of the region) achieved greater alignment since it was developed later and in parallel with the RES. Objective 3, skills and learning activity outside South Yorkshire, also followed EU guidelines ahead of the RES. There is considerable opportunity for European Regional Development Fund (ERDF) funded activity to be aligned with the RES, and the mid-term evaluation of the EU Programme 1 and Programme 2 is an opportunity to achieve this alignment.

At the project level, proposals that seek to utilise Yorkshire Forward funding are progressed through the Yorkshire Forward regional and sub-regional action planning process. This makes it clear that all

proposals must contribute to the RES to access Single Pot funding. Once action plans have been agreed in outline, and projects within them seeking single pot resources are earmarked for progression, the projects are then worked up and appraised through Yorkshire Forward's Performance Management Framework. This includes a Strategic Assessment and detailed appraisal of projects which again ensures that only projects that contribute to the RES go forward

4.3 EU Funding - Evidence from those administering and accessing EU Programmes

Commitment

The priorities for EU programmes in the regions are determined by local and regional partners. There is stringent examination of EU Programmes by the European Commission prior to their ratification, and requirements include full partnership support and wide consultation. As such, all partners are signed up to the EU programmes. The performance of the Programmes is monitored by a partnership-driven Programme Monitoring Committee, and so, in theory, all partners in the region are signed up to delivering each of the EU Programmes for investment.

Evidence of progress

We took evidence at a public hearing from a private sector witness, an applicant to the South Yorkshire Objective One Programme, and from a witness from the North Yorkshire Partnership Unit, which works closely with the Yorkshire and the Humber Objective Two Programme.

The first focused on the role of the private sector in European Programmes, the second focused on the role of EU programmes in assisting disadvantaged communities.

In Relation to The Private Sector

The private sector witness explained that, as a developer, he was involved in physical infrastructure projects which involved funding other than EU funding. He felt that EU funding needed to be seen as a *contributor* to regional activity, but it was not the only source of funding. He recognised that the requirements on reporting and appraisal placed on the Objective One Programme by Brussels were onerous, and that it was inevitable that some of this burden would be passed on to applicants.

The private sector witness believed that, because the processes were very cumbersome, both the Objective One administrators, and Yorkshire Forward needed to be clear on the key factors determining approval or non-approval.

The witness also felt that whilst there was evidence of alignment between EU and RES objectives, and that some town developments were clearly benefiting from this, the alignment of the Yorkshire Forward and EU funding streams had some way to go in achieving full alignment.

It was suggested that whilst there was good awareness amongst the business community of the RES and RES objectives, it was not a *driver* for businesses. This could cause a more general difficulty in how Yorkshire Forward interfaces with the private sector, but this should not prevent Yorkshire Forward being innovative and creative in seeking to provide the momentum for businesses.

In Relation to Disadvantaged Communities

The witness from the Partnership unit speaking in relation to disadvantaged communities, felt the community sector was not being involved in the discussions in the post 2006 scenario when the current major European Programmes will not continue in their current form. The EU Programmes are likely to be replaced with new arrangements. It was felt that there is a danger of their interests being ignored.

The witness also felt that changes in the processes for European Social Fund (particularly co-financing) might be 'smoothing the process' of delivery of standard training activity, but, at the same time, this was 'dampening innovation'. Research into co-financing in operation suggests that smaller organisation may be finding it more difficult to access funds under the new arrangements.

Whilst the witness recognised the positive role Yorkshire Forward were playing in relation to business support activities in the Objective Two programme, largely via strategic commissioning and matching EU resources at source for a range of activities, he felt that Yorkshire Forward were far less involved in the support for the community activity in Priority 3. However, this would require Yorkshire Forward to become far more involved at the sub-regional level, a route Yorkshire Forward did not appear to be following outside South Yorkshire.

The witnesses provided some partial stakeholder insights which however required to be supplemented by research evidence.

4.4 Progress to align EU Resources spending - evidence from Yorkshire Forward

Commitment

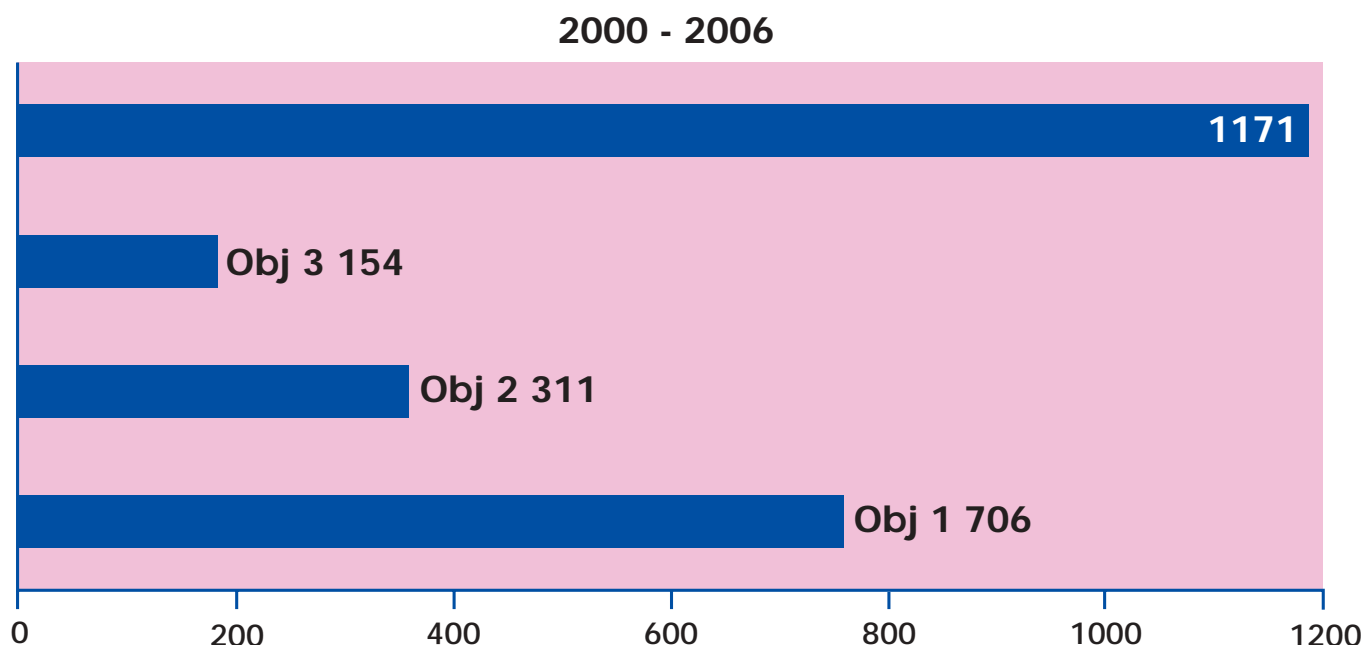
It is evident that where there is non-alignment, considerable efforts are being made to increase the alignment, in particular to increase the operational and delivery arrangements to enable funded activities to achieve similar goals, for example through more closely related appraisal processes.

Despite problems identified at 4.2 there is considerable alignment of spend. The pie chart overleaf shows the distribution of funding for projects in the Yorkshire and the Humber region. In total there are 26 projects running, with total project costs of £320m, using Yorkshire Forward and European monies. The pie chart shows that the vast majority of the match funding for these comes from Yorkshire Forward.

Yorkshire Forward is a significant contributor of match-funding for EU programmes, either directly, or through old programmes such as the Single Regeneration Budget. For example, Yorkshire Forward have promised match funding of at least £100 million for Business Support activities in Objective 2.

The following Figure indicates the level of Yorkshire Forward match-funding to the total of 26 approved European projects in the Objective 2 Programme for which there had been some element of YF match-funding (at the time evidence was sought). In these projects, YF was by far the largest match-funder of projects.

European and match funding for Projects in the Y&H



Source: Yorkshire Forward

Evidence of progress

At a strategic level, Yorkshire Forward have a lead strategic role within the region on the use of European Funding in four areas: co-ordination, programme performance, as an applicant and as a partner in evaluation. They are represented on the Programme Monitoring Committees (which monitor the EU Programmes), and their Chief Executive chairs both the Objective One Programme Management Board and the Objective Two Programme Management Group. The close working relationship between Yorkshire Forward and the EU Programmes at the senior level is key to increasing alignment.

At an operational level, and in their administration of the Single Programme funding pot, there is a determination by Yorkshire Forward to encourage matching with European funding whenever this is feasible and they would expect eligible applicants to have explored the possibility of EU funds for projects before Single Pot approval. The panel felt however that unless some flexibility was built in here, opportunities for using Single Pot monies for wider alignment priorities could be lost - if Single Pot approval was bound to EU eligibility.

Evidence was provided that alignment between Yorkshire Forward and EU project appraisal systems has been improved, particularly with 'joint appraisal' of projects which seek both EU and Single Pot funding. This is a logical and sensible step, which ought to reduce confusion for applicants. If it works well this will reduce the time taken for a decision on funding to be made.

Yorkshire Forward also work with project managers to make the project happen, which should further aid the successful delivery of projects. Yorkshire Forward's evidence suggested that the known under-spend on the European Programmes could not all be attributed to process issues, *"We've been short of good projects-its been hard work"*. However, process and programme management issues needed to be overcome *"This is where the barriers are"*.

We pressed Yorkshire Forward on how they thought that these problems could be resolved and were told that there was a danger of pretending that there were easy solutions. They were *"going through a storming phase"* with local partners to reach understanding on key priorities and trying to move away from a *"treadmill of rushing to get the Programme out"*. But Yorkshire Forward were determined to get out to people on the ground *"we are a regional body but our funding influence should be local"*.

The success stories that were cited:

Barnsley: a new vision for the Town: Yorkshire Forward has worked with the Barnsley partners, and through wide community consultation, to secure a strategic vision for the town. Utilising a range of funding, including Objective One, achieving the Vision is underway.

Grimsby Dock Area: Yorkshire Forward is working in partnership with the dock community, the private sector and the Local Strategic Partnership.

Renaissance South Yorkshire: Yorkshire Forward have worked with the Objective One Programme and the four Local Authorities in the Objective One area to establish Renaissance South Yorkshire which will ensure greater alignment of funds to support strategic investment in sites and premises, urban centres and to attract and stimulate inward investment.

This provides a good example of where greater alignment between EU and Yorkshire Forward is sought. The section below expands on Renaissance South Yorkshire. This is an excellent example of 'joined up working' and, although in its infancy, Renaissance South Yorkshire represents an opportunity for the Objective 1 Partnership, together with and supported by Yorkshire Forward, to drive forward major capital investments in South Yorkshire. Making the best use of staff, as well as budgets, should help Renaissance South Yorkshire to really make things happen.

Case Study: Renaissance South Yorkshire

Renaissance South Yorkshire (RSY) is an organisation constructed in May 2003 to take control of large parts of the European Objective 1 Programme for South Yorkshire. It is a partnership between Yorkshire Forward, the Objective 1 Programme for South Yorkshire, and the four Local Authorities (Barnsley, Doncaster, Rotherham, and Sheffield). The group will be operating independently, reporting to a board chaired by Yorkshire Forward's chief executive Martin Havenhand.

RSY have control of the delivery of projects which fall into the categories below:

- Develop key property site within the Strategic Economic Zones of the M1, M18 and Dearne Valley;

- Attract and manage inward investment for South Yorkshire;
- Stimulate the growth of the priority business clusters including advanced environmental and energy technologies; business, financial and professional services and food;
- Develop the urban centres of South Yorkshire and
- Regenerate the former coalfield sites.

This involves a large proportion of the £1.8bn available for South Yorkshire under the Objective 1 Programme, and will attempt to attract bioscience, digital and creative industries to the area along with advanced manufacturing and metals businesses. Other main areas of focus will be environmental and energy technologies, along with financial and professional services and the food industry.

Yorkshire Forward have also chaired the mid-term evaluation panel and the interim reports suggest there is a broad strategic fit between the RES and EU priorities, and that the EU Programmes can make a useful contribution to achieving regional goals. The broad structure of the EU strategies and resource allocations to priorities, the reports suggest, generally allow their stated objectives to be met. *“The strategy has got consensus”*. Rather, the focus is on the practical, operational difficulties of achieving better alignment.

We questioned Yorkshire Forward about the post 2006 situation when the current European arrangements will have ended. They saw this as a potentially difficult time, which needed careful planning¹. The RDAs collectively were in discussion with the TUC and CBI about the Chancellor’s consultation paper² on the post 2006 arrangements.

4.5 Learning Point and Conclusion

European monies provide an important opportunity to align ‘additional’ resources into the region with the region’s identified objectives through the RES.

The region has established a very strong relationship between YF and EU Programmes at the strategic level. Further, independent assessments indicate that the EU Programmes are broadly aligned with the RES.

The main conclusions drawn by the Panel are:

1. What is important, for those administering Yorkshire Forward funds and EU resources ‘on the ground’, is that there is a clear understanding of this strategic alignment, so that faster and more efficient delivery of resources can be delivered to those that matter.
2. There are areas, where alignment is still not easy, but these tend to relate to specific requirements, or nuances, of Yorkshire Forward or EU Programmes. It is difficult to achieve alignment between

¹ It should be noted that since the Scrutiny Panel, YF and the YH Assembly have made a joint submission regarding the region’s post-2006 position.

² A Modern Regional Policy for the United Kingdom - March 2003, DTI

Yorkshire Forward and three different EU Programmes, each with different coverage and eligibility requirements. Regional projects, and theme-based projects which cover the region, for example in relation to integrating regional sustainability, are particularly difficult to align.

3. Yorkshire Forward must continue to act with maximum flexibility, for example in the synchronisation of timetables, for use of EU funds to be maximised in the region. This must happen now, so that opportunities (and monies) are not lost to the region indefinitely. Progress should continue to be monitored closely by Yorkshire Forward and the Government Office through the EU Programme Monitoring Committees.
4. Flexibility should be built into matching Single Pot and EU eligibility to ensure other alignment opportunities and priorities are not squeezed out of the option of Single Pot support.
5. That further preparatory work is undertaken on the post 2006 arrangements, and efforts should build towards this, including consideration of the implication of the CAP reforms.

Part Two

Conclusions, Recommendations and Wider Learning

General Conclusions

The three previous chapters focus on the alignment of funding in specific areas. In this final chapter we also consider the wider aspects of alignment, draw some conclusions from our work overall and make recommendations.

Chapter Two sets out some information about the flows of public money into the region. Clearly much of this is not currently susceptible to re-alignment, but there is a very substantial investment and we do not dispute Yorkshire Forward's broad assessment that there is a flow of between £10-15bn into the region, where alignment may be sought.

In relation to the focus of our enquiry - how the region is maximising the alignment of public sector investment to fulfil RES objectives - Yorkshire Forward believe that there has been substantial progress in recent years in seeking alignment of public investment across all areas, and that partners have moved closer.

The panel felt that having specific objectives and priority actions relating to the alignment of public sector investment in the new RES, is a significant step forward. The Scrutiny Enquiry in focusing on the three selected areas more or less conducive to alignment found evidence of progress and also of a range of issues and actions for further attention by Yorkshire Forward, Whitehall, YHA and regional partners.

Conclusions on Selected Areas

The following conclusions come from the detailed review of the three areas of Health, post-16 education and skills, and EU funding. We found there is a range of activity on alignment - it is extremely strong on Europe, strong on skills but in relation to health, while opportunities increasingly are being recognised, urgency is needed due to the limited time span for investment.

Health

Whilst some progress has been made, and there is more strategic alignment, Yorkshire Forward needs to be more proactive in developing and supporting projects and not miss opportunities. This involves developing approaches, seeking out partners, finding innovative solutions and being aware of the time limited 'window of opportunity'.

We believe Yorkshire Forward should have an educative role in identifying opportunities for alignment to mainstream health sectors, current and potential supply chain providers. Barriers to health alignment are often set at national level and we call on GOYH/Whitehall to examine and support flexibility and regional innovation.

Post 16 Education and Skills

Whilst the FRESA is aligned with the RES, Yorkshire Forward must do more to work with and communicate and involve the private sector. Whilst this is a traditionally difficult role for the public sector, renewed efforts should be made to harness the benefits of engaging the private sector.

The added value of the FRESA should be clearly demonstrated - showing that increased activity would not have happened without the FRESA.

EU Programmes

Yorkshire Forward must continue to act with maximum flexibility, for example in the synchronisation of timetables, to ensure the use of EU funds is maximised in the region. This must happen now, so that opportunities (and monies) are not lost to the region. Progress should be monitored closely.

That further preparatory work is undertaken on the post 2006 arrangements to bring together all key partners to develop preparedness to influence and respond promptly.

That flexibility should be built into matching Single Pot and EU eligibility to ensure other alignment opportunities and priorities are not squeezed out of the option of Single Pot support.

General Conclusions and Recommendations

- There is evidence of a clear commitment and policy of seeking alignment and Yorkshire Forward has a senior and corporate sign up to this.
- There is a need to further development understanding within Yorkshire Forward and amongst partners of the alignment priorities in the RES, and Yorkshire Forward need to find ways of cascading this corporate purpose to the whole organisation and to partners, at regional, sub-regional and local levels.
- The panel recognised that to deliver RES priorities Yorkshire Forward worked through others (lead partners eg health partners, sub-regional and local partnerships and delivery agencies) but felt that Yorkshire Forward had an important role in relation to these delivery organisations to lead, promote and monitor progress in achieving RES priorities
- The panel recognised that partners interests will not always coincide - there will be national or organisational drivers which will make alignment difficult in some cases. However, this should not stop all partners continuing to work to make it happen.
- There is a need to be alert to windows of opportunity - they exist in Europe, where Yorkshire Forward recognise timing is imperative, but also on health where Yorkshire Forward were less proactive.
- The commitment and mechanisms to jointly overcome barriers to alignment need to be developed - this is especially acute in relation to health funding alignment and in engaging the business sector.

- There is a challenge to Yorkshire Forwards operational processes in a range of areas to enable maximum engagement (FRESA members, business involvement with EU funds) and to support adequately innovation in health investment alignment.

General Recommendations and Wider Learning

- Yorkshire Forward should demonstrate more clearly how it welcomes, nurtures, and encourages innovation at all levels in work to align public sector investment and seek to champion these efforts and ensure lessons learnt are taken on board in mainstream funding.
- Yorkshire Forward and its partners (especially health and YHA) should identify clearly how to more proactively progress the new third RES objective on alignment of public sector investment in relation to health investment.
- Work should be taken forward by Yorkshire Forward and GOYH/YHA to respectively identify a lobbying/intelligence feedback approach to Whitehall on the need for flexibilities of national funding to meet regional priorities

Further Work

The Scrutiny Enquiry focused on maximising the USE of public sector investment in the region and ensuring alignment is achieved. A further area of study which may be of value is in maximising the AMOUNT of public sector investment coming into the region, which includes lobbying Whitehall and encouraging joined up approaches across various government departments.

Part Three

Yorkshire Forward Response to the Findings

Action Plan in Response to the 3rd Scrutiny Enquiry - Public Sector Investment and Delivery of the RES, November 2003

	Recommendations	Actions	Timescale
Commitment to alignment	<ul style="list-style-type: none"> There is evidence of a clear commitment and policy of seeking alignment and Yorkshire Forward has a senior and corporate sign up to this. 	<ul style="list-style-type: none"> Maintain commitment through senior level endorsement of key policies and approaches that will secure alignment within key work areas, particularly Investment Planning. 	<ul style="list-style-type: none"> Ongoing good practice.
Communicating and tracking RES priorities	<ul style="list-style-type: none"> There is a need to further development understanding within Yorkshire Forward and amongst partners of the alignment priorities in the RES, and Yorkshire Forward need to find ways of cascading this corporate purpose to the whole organisation and to partners, at regional, sub-regional and local levels. The panel recognised that to deliver RES priorities Yorkshire Forward worked through others (lead partners eg health partners, sub-regional and local partnerships and delivery agencies) but felt that Yorkshire Forward had an important role in relation to these delivery organisations to lead, promote and monitor progress in achieving RES priorities 	<ul style="list-style-type: none"> Continue and complete work to reinforce and track delivery of RES and ensure alignment through meetings with all external lead partners and relevant internal Yorkshire Forward teams. Produce and widely disseminate a 'RES 1 year on progress report'. 	<ul style="list-style-type: none"> Meetings and tracking work during 2003 Production of progress report Feb 2004.

Recommendations	Actions	Timescale
<p>Alignment processes and practicalities</p> <ul style="list-style-type: none"> ● The panel recognised that partners' interests will not always coincide - there will be national or organisational drivers which will make alignment difficult in some cases. However, this should not stop all partners continuing to work to make it happen. ● There is a need to be alert to windows of opportunity - they exist in Europe, where Yorkshire Forward recognise timing is imperative, but also on health where Yorkshire Forward were less proactive. ● The commitment and mechanisms to jointly overcome barriers to alignment need to be developed - this is especially acute in relation to health funding alignment and in engaging the business sector. ● There is a challenge to Yorkshire Forward's operational processes in a range of areas to enable maximum engagement (FRESA members, business involvement with EU funds) and to support adequately innovation in health investment alignment. ● Yorkshire Forward should demonstrate more clearly how it welcomes, nurtures, and encourages innovation at all levels in work to align public sector investment and seek to champion these efforts and ensure lessons learnt are taken on board in mainstream funding. 	<ul style="list-style-type: none"> - Review operation of action planning processes and develop an investment planning approach that engages with key partners in all sectors and sub-regions and ensures good alignment of public investment in delivering the RES. - Build on work to align EU Objective 1 and 2 project appraisal processes with Yorkshire Forward Performance Management Framework by refining operation, making European alignment central to Investment Planning, and seeking to extend alignment to cover monitoring and evaluation. - Whilst we do not accept that Yorkshire Forward have been less pro-active on health we will reinforce roles and responsibilities on health projects to deliver the RES ensuring they are clear by RES tracking work for current projects and investment planning for future ones. (The specific project around which issues were raised under Scrutiny is progressing and review of Performance Monitoring Framework in relation to it pointed to project specific rather than general issues). - Further develop evaluation and learning processes and ensure these cover alignment issues. - Yorkshire Forward will continue to work through the Regional Health Partnership and closely with health partners to implement the three RES priorities for NHS investment of procurement, capital investment and skills. 	<ul style="list-style-type: none"> - Investment Planning under initial development to June 2003. - Review of EU/PMF alignment processes and future development by end 2003 - Specific issues addressed. To be further covered in work on RES delivery and investment planning. - consider future project evaluation approach in winter 2003/4

Recommendations	Actions	Timescale
<p>Lobbying and intelligence</p>	<ul style="list-style-type: none"> ● Yorkshire Forward and its partners (especially health and YHA) should identify clearly how to more proactively progress the new third RES objective on alignment of public sector investment in relation to health investment. ● Work should be taken forward by Yorkshire Forward and GOYH/YHA to respectively identify a lobbying/intelligence feedback approach to Whitehall on the need for flexibilities of national funding to meet regional priorities. 	<ul style="list-style-type: none"> - Yorkshire Forward to work with GOYH and YHA to ensure submissions to Government on PSA target delivery and Regional Emphasis Documents raise key points on flexibilities and integration. - by end 2003

Additional Information:

Public Sector Investment Scrutiny Review -
Terms of Reference

Methodology

Scrutiny Investigation

Research Sources

Scrutiny Review - Terms of Reference

Public Sector Investment and the Achievement of Regional Economic Strategy Objectives

Aim

1. This scrutiny review will consider the nature and scope of public sector investment in Yorkshire and Humber and the extent to which this investment supports the achievement of the objectives in the Regional Economic Strategy.

Background

2. Objective 3 of the RES is:

To attract and retain more private and public sector investment in the region by providing the right product for investors and more effective marketing of the region.

It notes that there is great potential to take advantage of Government investment in health, education, housing and transport, and that this will require actions addressing skills and recruitment needs and making links with relevant cluster activity.

3. Since the Regional Economic Strategy is the region's agreed vision for how the economy should develop, the aim is that appropriate public sector investment should be deployed in such a way that it support the achievements of the RES objectives and the RES should in turn attract and retain more public sector investment in the region.
4. There is a very wide range of public sector investment in the region. Funding sources include:
 - Yorkshire Forward's Single Pot
 - Lottery distributors
 - Regeneration Funding (Neighbourhood Renewal, New Deal for Communities etc Agency)
 - Learning and Skills Councils
 - Business Links and Small Business Service
 - English Partnerships
 - Local authority spending
 - Crime and disorder spending (Police etc)
 - European structural funds
 - European subsidies to agriculture sector
 - Research and Development funding
 - Transport (local authority, rail, Highways)
 - Infrastructure investment
 - Health Sector
 - Housing Corporation
 - Education funding (direct for government and via L.E.A.'s Universities etc)

The enquiry will:

- a) Seek to identify and quantify all the appropriate sources of public sector investment in the region, and how this compares to investment in the other English regions, Scotland and Wales.

- b) Evaluate the extent to which the relationship between public sector investment and the RES is mutually supportive, that is that spending supports the region in achieving its economic objectives and targets, as laid out in the RES, and that the RES supports the attraction and retention of more public sector investment in the region.

Regional Learning and Added Value

5. The general learning point that will be considered in this review is:
To find out how well public sector spending supports regional priorities and to identify, if necessary, ways in which this funding can be brought more in line with those priorities.

Methodology

The scrutiny panel was selected from the 'approved list' of scrutineers established by the Assembly. Members of the 'approved list' had all completed scrutiny training

The scrutiny panel were:

Tony Cherry (Chair of the Panel)	Yorkshire and Humber Policy Chair, Federation of Small Businesses, YHA Executive and Economy Commission Member
Adrian Booth	Director of Policy and Planning East Leeds Primary Care Trust, YHA Sustainability Commission Member
Sarah Daniel	External Development Manager Network Rail, YHA Planning and Infrastructure Commission Member
Cllr Ted Joce	Yorkshire Rural Community Council, YHA Economy Commission Member
Cllr Terry Sharman	Deputy Leader Rotherham Metropolitan Borough Council

In carrying out their investigation the panel were supported by:

Hibou Drusden	Local Government Policy Manager Yorkshire and Humber Assembly
James Paton	Development Manager Yorkshire and Humber Assembly

EKOS Consulting was commissioned as advisers to the panel and undertook research to support the enquiry including interviews with Yorkshire Forward and regional partners. They were:

Pete Dean	Director EKOS Consulting
Richard Whitcomb	Senior Consultant EKOS Consulting

Research documentation and Yorkshire Forward interviews were co-ordinated by:

Simon Holyoake	Scrutiny Manager, Yorkshire Forward acting as Gateway Officer for the purposes of the Scrutiny Enquiry.
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Scrutiny Investigation

The panel carried out a detailed investigation covering scoping out the range of public sector investment currently available to the region and efforts within the region to maximise it's use for wider RES objectives.

Health, post 16 education and skills and EU funding were selected by the panel to test out a range of funding sources more or less susceptible to being bent to align with RES objectives.

The panel also choose to focus their check for alignment on the RES third objective and 3 priority actions e, f and g as providing some obvious and relevant areas in which to look for regional work on alignment

So the enquiry looked in the areas of education and skills, health and European funding to identify to what extent regional organisations are working in partnership to utilise these funds to meet these three priority actions; to what extent they have been successful and what else might be needed.

Case studies were used to illustrate how regional partnership work on alignment is progressing.

The views of Yorkshire Forward and other partners were collated through the following methodology;

- Desk research to identify public sector funding available and key strategies
- Calling for and the analysis of evidence on the topic of the Scrutiny Enquiry from regional stakeholders;

Evidence given by;

South Yorkshire Objective 1 Programme 2000-2006
Yorkshire Forward
Bradford MBC
Barnsley MBC
Yorkshire Water Services Ltd
South Yorkshire SHA
West Yorkshire SHA
Engineering Employers Federation in Yorkshire and the Humber
The Environment Agency
English Nature (North and East Yorkshire Team)
Churches Regional Commission
Leeds City Council
Government Office for Yorkshire and the Humber
JobCentre Plus (Yorkshire and Humber office)
West Yorkshire Police
Doncaster MBC
Yorkshire Cultural Consortium
York and North Yorkshire Partnership Unit

- Interviews with Yorkshire Forward Officers and Directors to find out the RDA views

- Interviews with regional partners to gain their perspective on their role in assisting the alignment of public sector investment. These included;

Ginny Walker	Head of Europe - Yorkshire Forward
Brigid Kane	South Yorkshire Health Authority
Louise Davies	Yorkshire Forward
Gill Browning	Framework for Regional Employment and Skills Action - Yorkshire Forward
Simon Foy	Yorkshire Forward
Karen Hill	Yorkshire and Humber Assembly

Scrutiny Enquiry Public Hearings

Two Scrutiny Enquiry hearings were held in public. At the first regional organisations with a role in aligning health, education and skills and EU funding attended and were interviewed.

Witnesses at the first Scrutiny Enquiry hearing were:

Brigid Kane, South Yorkshire Strategic Health Authority
Lee Adams, East Leeds Primary Care Trust
Mel Burrell, St. Paul's Development Care Trust
Jonathan French, York and North Yorkshire Partnership Unit
David Hodges, West Yorkshire Learning and Skills Council
Mike Lowe, West Yorkshire Learning and Skills Council
Roger Worth, Worth Training

At the second hearing Yorkshire Forward representatives answered questions put to them by the Assembly Scrutiny Panel about their approach to aligning public sector investment.

The Yorkshire Forward representatives were:

Cllr Muriel Barker CBE, YF Board Member	- Panel Member
Paul Jagger MBE, YF Board Member	- Panel Member
Martin Havenhand, YF Chief Executive	- Panel Member
Tom Riordan, YF Executive Director, Strategy and Policy	- Panel Member
Trevor Shaw, YF Executive Director, Finance	- Panel Member

Research Sources

List of source documents:

East Midlands Development Agency, Business Plan 2002
East Midlands Regional Economic Strategy
Framework for Employment Skills Action (FRESA) in Yorkshire and the Humber
Maximising the Impact of EU Funding in Yorkshire and the Humber, EKOS Consulting, for Yorkshire Forward
Monitoring the English Regions: Report No 11, May 2003, Centre for Urban and Regional Development Services, University of Newcastle-upon-Tyne, for ESRC, pp8

National LSC Corporate Plan 2000-2002
Objective 3 Programme for Yorkshire and the Humber, Government Office for Yorkshire and the Humber
OneNorthEast Action Plan and Budget, 2000-2001
OneNorthEast Regional Economic Strategy
Regional Economic Strategy - Ten Year Strategy for Yorkshire and the Humber 2003-2012, Yorkshire Forward
South Yorkshire Objective 1 Programme and Programme Complement, South Yorkshire Objective 1 Programme Directorate
Tackling Health Inequalities, Department for Health, 2002
Yorkshire and the Humber Objective 2 Programme and Programme Complement, Government Office for Yorkshire and the Humber

Other Sources include:

Census 2001 for regional population statistics
National Health Service web-site for regional Health Statistics
North West Development Agency web-site for annual budget information
1 Regional Economic Strategy, Ten Year Strategy for Yorkshire and the Humber, 2003-2012
1 National total operating cost (01/02)
2 Connexions Partnerships budgets in Yorkshire and the Humber for 2003/04
3 European Funding is for seven year Programmes 2000-2006; excludes Community Initiatives such as URBAN, LEADER
4 Based on 4 Local Learning and Skills Councils, excludes spending on compulsory education
5 Contribution to 4 NDC Partnerships 2002/2003, towards a lifetime (10 year) total of £209m
6 Based on proposed spend for 2003-2004, out of £135m to over 4 years
7 Based on circa 40 Primary Care Trusts in Yorkshire and the Humber
8 This is based on the total education element of the regions' 22 local authorities, although no figures were available for North East Lincs and North Yorks County Council
1 One NE Action Plan and Budget 2000-2001
2 NWDA
3 EEDA Business Plan 2002
4 Monitoring the English Regions: Report No 11, May 2003, Centre for Urban and Regional Development Services, University of Newcastle-upon-Tyne, for ESRC, pp8
1 One North East - Unlocking our Potential
Yorkshire Forward - RES - 2003-2010
East Midlands - Destination 2010
North West - England's North West - A Strategy Towards 2020
1 IFS - 'How much would it cost to increase UK health spending to the European average. 2001
1 The Clusters identified in the RES are "advanced engineering and metals, bioscience, chemicals, digital industries and food and drink (including agriculture)".
2 The Single Regeneration Budget is one of the 'legacy' funding streams inherited by the Regional Development Agencies
1 Regional Economic Strategy for Y&H; clusters defined as "advanced engineering and metals, bioscience, chemicals, digital industries and food and drink (including agriculture)".
2 SETPOINTS are centres set up in the UK as a focus for teachers, business and industry to obtain information about resources, schemes and initiatives concerned with science, engineering,

technology and mathematics as part of the Government initiative SETNET(the Science Engineering Technology Mathematics Network)

1 It should be noted that since the Scrutiny Panel, YF and the YH Assembly have made a joint submission regarding the region's post-2006 position.

2 A Modern Regional Policy for the United Kingdom - March 2003, DTI
Yorkshire and Humber Assembly 3rd Scrutiny Report - Final Draft

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