

Clusters Policy

Scrutiny Enquiry 6

Acknowledgements

The Yorkshire and Humber Assembly would like to express thanks to all organisations and individuals that contributed to this scrutiny review, particularly the members of the Assembly and Yorkshire Forward panels and those who were interviewed and gave evidence at the stakeholder hearing.

Foreword by the Chair of the Panel

As Chair of the Scrutiny Panel investigating cluster policy in Yorkshire and Humber may I say that, for the YHA Panel and myself, this has been a fascinating topic to scrutinise. It has also been a challenging subject, but once you get beyond the theory and the jargon that surrounds clusters, the basics are straightforward - how do you build on existing regional strengths to create an environment within which businesses are most likely to succeed?

This policy area is fast moving and constantly changing; it will continue to grow, develop and change in an organic way. Therefore, any review can only provide a 'snapshot' of a particular moment in its development - indeed, since we started this review a number of key changes and initiatives have taken place which impact on cluster policy in our region.

Much of what we have seen and discussed as a panel has been very encouraging. Yorkshire Forward has worked hard to get this process moving quickly and to make sure that delivery is taking place 'on the ground'. We commend them for this.

There are specific recommendations at the end of each section, but our key findings relate to the need to produce clear and accessible action plans for each of the clusters and the need to improve the structures that are in place for evaluation and monitoring the effectiveness of this policy.

Finally, I would also like to take this opportunity to thank everyone who has worked hard to support this scrutiny enquiry; particularly my fellow panel members, members of Yorkshire Forward's panel, the appointed consultants, officers of the Assembly and Yorkshire Forward who have enabled this process and all those who submitted written evidence and attended stakeholder hearings.

A handwritten signature in black ink that reads "David Heather". The signature is written in a cursive, flowing style.

Cllr David Heather

Craven District Council, Chair of Scrutiny Panel

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1. Introduction

This is the final draft report of the Yorkshire and Humber Assembly (YHA) Scrutiny Panel into the extent to which cluster development initiatives across the region have contributed to achieving the aspirations that are set out in the Regional Economic Strategy (RES).

The aim of YHA's scrutiny process is to assess policy by collecting and reviewing evidence and drawing conclusions in order to offer Yorkshire Forward (YF) constructive recommendations for improving the development, implementation and evaluation of future economic development strategy.

1.1 Methodology

This report is the final product of a detailed and in-depth process. In carrying out this enquiry, the Panel has received evidence from a wide range of stakeholders, both in person and through the submission of written evidence. The task of the Panel is to receive this evidence and to come to a balanced view on the issues under investigation.

This is not a 'scientific' evaluation of cluster policy. The Panel is charged, on behalf of the region, with weighing the evidence and drawing conclusions from that evidence. In the text these conclusions are often 'illustrated' by the use of quotations received in evidence. The specific quotations used have been selected because they represent broad views and opinions that have emerged during the course of the review.

1.2 Scope of Enquiry

This scrutiny review has focused on the way that YF's cluster policy has been developed, delivered and reviewed to date.

The terms of reference of the scrutiny enquiry outlined particular areas for investigation, including:

- The process by which the target clusters were selected.
- How the business sector was involved in policy development and delivery?
- How were other sectors involved?
- How has the policy added value to other regeneration policies and strategies?
- How is this regional policy integrated with relevant sub-regional and local strategies and activities?
- How is the effectiveness/impact of this policy being monitored?

A copy of the brief for this scrutiny enquiry is attached as Appendix D.

1.3 The Scrutiny Panel

The work of a Scrutiny Panel is the main driver behind the scrutiny process. YHA agrees the purpose, membership, terms of reference and reporting timescale for each Panel. In this instance the Panel comprised the following people:

- Councillor David Heather, Chair of Overview and Scrutiny, Craven District Council (Panel Chair).
- Councillor Bob Tress, East Riding Borough Council (representing the four Humber authorities on YHA's Economy Commission)
- Councillor Allan Jones, Doncaster Metropolitan Borough Council (member of YHA's Quality of Life Commission)
- Councillor Iain St John, Chair of Lifelong Learning Scrutiny Panel, Rotherham Metropolitan Borough Council.
- Mike Pearson, Yorkshire Water (representing the utilities on YHA Regional Planning and Infrastructure Commission).

2. Setting the Scene - Clusters and Cluster Policy

2.1 Introduction

This review has considered a difficult, challenging and technical area of economic development. The relative merits of cluster theory itself are beyond the remit of this scrutiny enquiry and, throughout the review, the Panel has focussed on the impact of cluster policy on the ground rather than on academic debates about its value. However, in order to understand the specific recommendations that the Panel is making, it is useful to provide a small amount of background on the theory underpinning clusters.

2.2 Cluster Theory

Cluster theory is most closely associated with the work of Harvard Business School Professor Michael Porter. Porter, amongst others, has enthusiastically made the case for a new approach for both understanding and creating economic success in a global economy. Using case studies from around the world, Porter has argued that business clusters have a prominent role in national, regional and local competitiveness and are now the key source of jobs, income and export growth.

How best to define a 'business cluster' has been a matter of some debate, but most commentators emphasise two issues:

- A network of inter-connected businesses and institutions.
- Some degree of geographic proximity between these businesses.

Connections across firms and industries are the hallmark of cluster policy because they are viewed as being fundamental to increased competitiveness, to productivity and to the direction and pace of new business formation and innovation. Most cluster businesses are not direct competitors at all, but rather serve different segments of industries. These businesses share many common needs, opportunities, constraints and obstacles to productivity. The cluster provides a constructive and efficient forum for dialogue among related companies, their suppliers, government and other institutions.

By contrast, viewing the world in terms of narrow industries or sectors tends to overlook the inter-connectedness and mutual dependence many businesses regard as a necessity and reality of economic life.

A cluster might therefore best be regarded as a critical mass of businesses linked by commonalities and complementarities. Examples include suppliers of specialised inputs such as components, machinery, raw materials, and services as well as providers of specialised infrastructure. Foreign firms can be part of one or more clusters, but only if they make permanent investments in a significant local presence. Many clusters include governmental and other institutions (e.g. universities, innovation centres, standards-setting agencies, think-tanks, business and professional intermediaries),

which provide specialised training, education, information, research and technical support. Clusters also include business intermediaries such as Chambers, business clubs and trade associations which facilitate networking between business stakeholders.

The DTI has reviewed evidence to identify success factors for clusters.¹ The three 'critical' success factors it has identified are:

- The presence of functioning networks and partnerships.
- A strong innovation base with supporting R&D activities.
- The existence of a strong knowledge base.

Other 'contributory' factors seen to support successful clusters are:

- An adequate physical infrastructure.
- The presence of large companies.
- A strong entrepreneurial culture.
- Good access to sources of finance.

Conversely, poor networks, lack of high-level skills and low levels of R&D are recognised as important, although not exclusive, reasons for failure.

2.3 Policy Implications

Helping to support and grow successful clusters presents significant challenges to government and agencies involved in regional and local economic development. Traditional economic development policies have tended to focus on specific companies, industries or sectors, on the labour market, physical infrastructure, learning and skills, and so forth as discrete areas of activity with limited interconnectivity. Cluster policies, by contrast, attempt to be more holistic.

At a national level, the DTI played a key role in promoting the adoption and spread of cluster policy. Clusters were initially identified as an important strand of Government economic policy in the 1998 Competitiveness White Paper. At the end of 1999, a Clusters Policy Steering Group was established to investigate policy issues relating to clusters. A mapping of cluster activity in the UK followed and this was published in tandem with a new joint DTI - DfEE White Paper Opportunity for All in a World of Change. This explicitly recognised and promoted the key role clusters play in the regional economy and called on RDAs to focus attention and resources on identifying, analysing and supporting existing and embryonic clusters as part of their regional economic strategies. Essentially, this scrutiny review considers the way that YF responded to this challenge.

¹ *A Practical Guide to Cluster Development. DTI, 2004*

In 2000-2001, the DTI established a £15m Innovation Clusters Fund as a pioneer funding stream to RDAs to promote cluster development and business incubation. A further £35m (Regional Innovation Fund) of development funding came in 2001-02 to sustain this activity. From 2002-03, RIF has been subsumed within the Single Pot funding arrangements for the RDAs, increasing their flexibility to mix and match funds to promote clusters and other strands of regional economic development. Clusters and business incubation are expected to continue as a key component in RDA regional economic strategies for the foreseeable future.

YF began to investigate the cluster concept and approach to regional economic development in earnest from March 2000 onwards. The Panel has learned that the origins of a cluster-based approach in the region lie with the 'sector-focused' Regional Innovation Strategy (RIS). YF undertook mapping and research, commissioned a study from Cambridge Econometrics, investigated approaches elsewhere and hosted a major conference with a keynote address given by Professor Porter.

Consultations with a variety of regional stakeholders were also initiated regarding the proposed policy; in some instances RIS Boards being used as a mechanism for engagement. The changing patterns and reduced volumes of foreign direct investment into the region was a key underlying issue, which led to a refocusing on indigenous business formation. Cluster development was seen as being a key mechanism for achieving this while still supporting activities aimed at attracting and retaining foreign direct investment.

YF exercised considerable leadership in its decision to shift emphasis from sectors to clusters with proposals put before a YF Board meeting (March 2001) for funding cluster development in five key areas: Advanced Engineering and Metals; Chemicals; Biosciences; Food and Drink; and Digital industries. More recently two new clusters have been identified: Healthcare and Environmental Technologies. Clusters continue to feature prominently in the Regional Economic Strategy (RES) 2003-12 for Yorkshire and Humber.

As previously stated, it is not the purpose of this review to evaluate the merits of cluster theory. However, it is important to note that the cluster-based approach has not gone unchallenged. A recent report produced by the House of Commons Trade and Industry Committee reviewed the work of RDAs in promoting economic development (House of Commons Trade & Industry Committee, Support to Businesses from Regional Development Agencies, May 2004). The report acknowledges that clusters have taken on an increasingly influential role amongst all nine RDAs but they do express a number of reservations about the approach as a whole, namely:

- Although policy decisions can constrain the growth of clusters, it is difficult to generate or develop clusters simply through public policy initiatives.
- The precise mechanisms by which clusters grow and improve the competitiveness of firms within them are not clear and/ or agreed upon.
- Many attempts to establish clusters will have little chance of success in practice, not least because other RDAs are trying to develop the same or similar clusters. The danger is that by

approaching cluster development at a regional level, rather than nationally, resources are duplicated and potentially wasted.

- Clusters do not conveniently confine themselves to the administrative boundaries of the RDAs. But there seems to be little in the way of inter-regional co-ordination at the present time, and perhaps even some degree of competition.
- By focusing on geographically concentrated industries, an over-emphasis on a clusters approach risks neglecting those industries or sectors that are more dispersed but nevertheless of national importance e.g. printing, retail, transport and construction.

During the course of this review, the Panel has tried to investigate how some of these issues identified at a national level are reflected in our region.

Despite the reservations that were raised by the Trade and Industry Committee, it is important to remember that clusters remain a key part of national government policy. The Panel accepts that RDAs clearly need to work within the context set by national government in order to secure the resources that benefit everyone living and working in the region.

3. Findings and Recommendations from the Scrutiny

In line with the brief set by the Assembly for this enquiry, the key focus of this scrutiny review is not on the theoretical basis underpinning interventions to support and grow successful clusters. It is on the way in which this theory has been translated into practice in Yorkshire and Humber. The scrutiny brief asked the Panel to concentrate on the following three sections:

- The way that cluster policy was developed in the region
- How delivery of this policy has been organised by YF
- Plans for evaluating the effectiveness of this policy

Following each section there is a list of key recommendations that the Panel asks YF to consider and respond to.

4. Cluster Policy Development

4.1 Regional Policy Development

The Panel has found much to welcome in the way that YF has developed cluster policy in this region. The continuing importance of clusters and cluster policy to YF is clearly underlined by the emphasis it is given in the new Corporate Plan 2004-09. The three key policy areas identified are:

- Making businesses more competitive through cluster, innovation and enterprise programmes.
- Getting people into jobs through programmes to connect people to economic opportunity.
- Making towns and cities more attractive places to live and work in through urban and rural renaissance programmes.

The Plan indicates that the aim is to develop high quality projects and other interventions that address all three policy areas concurrently, moving away from policies being developed and implemented in silos.

The emphasis on the long term and on private sector engagement, the opportunity to target resources more effectively and the need to find new ways of addressing familiar problems are regarded as attractive and worthy features of the cluster approach. With more flexibility in funding arrangements and a favourable national policy context, YF has been able to realise its ambitions more quickly and more fully than might otherwise have been the case.

“What Yorkshire Forward is doing is formalising, in effect, that underground network that existed anyway. And bringing it to the forefront and allowing companies, not only in the region, to take advantage of clusters but internationally as well, and put this region on the global map” - Stakeholder hearing

“The clusters approach clearly identifies the benefits that can be derived from a concentration of firms in a confined area and it is right that RDAs should seek to maximise the benefits to the firms that are located there and to the region as a whole.” House of Commons Trade and Industry Committee

Although engagement has been effective in a number of areas, and many stakeholders are enthusiastically involved, there is still some scepticism about the ultimate impact and added value of this relatively new approach to economic development. Some of these consultees believe there is a risk that cluster policy may be the latest ‘policy fad’ which comes and goes as others have before.

The Panel recognise that YF has a genuine commitment to cluster development over the long-term, but it will need to provide convincing evidence that this strand of policy is still worth pursuing in 10 years time.

Businesses are primarily interested in having the business support services they need delivered in the right way and at the right time. Business engagement in the continuing evolution of cluster policy will be vital to success, however, and this will probably require engagement beyond the existing Cluster Steering Groups as well as effective communication of key messages in a clear and accessible way.

4.2 Strategy and Planning

The over-arching strategy for economic development and regeneration is the Regional Economic Strategy with clusters providing one important contribution to achieving RES objectives. Although a complementary cluster strategy may have supported long term planning and evaluation, the Panel acknowledge that YF's focus on action planning and delivery has been appropriate and in many respects very effective.

"Our line has been...all the way through that the regional economic strategy is the strategy, and anything that falls out of that needs to be very action orientated and needs to be effectively an action plan or a business plan to deliver the RES..." - YF Hearing (in response to a question on whether there should have been a clusters strategy).

The review of the RES will provide an opportunity for YF to review its broad approach to cluster development and, more specifically, to ensure that Cluster Action Plans are clearly aligned to the revised RES.

The Panel believe that YF should use the RES review to clarify their future intentions about if and when new clusters may be added, or existing ones 'managed down'. Without this clarity of intent, the Panel believe there is a danger that some stakeholders, who have a key role in delivery, will become distracted by debates around whether current resource will continue or reduce in future years.

A number of stakeholders raised issues around the way in which work to support clusters could cut across regional boundaries and link with neighbouring RDA's. Late in the drafting of this report the Panel was encouraged by the launch of The Northern Way, a growth strategy to boost prosperity across the North to close a £29bn productivity gap with the rest of the country.

The Panel believes that this initiative provides an exciting opportunity to extend collaborative working in a number of key clusters across the North as a whole. Although the three clusters to be initially targeted for pilot activities are all represented in Yorkshire and the Humber, there are proposals to include financial and business services in the next phase of work (2006-2008), which is not currently a priority cluster in this region. YF need to clarify how the cross-northern work supporting this 'cluster' will link to existing and future cluster strategy within our region.

The delivery of YF's major skills initiatives are tasked to an internal Learning and Skills Team who liaise directly with the Learning and Skills Council who manage relationships with the Regional Skill

Partnership. To add value to this, each of the cluster teams has an individual who is responsible for skills issues. With further and significant developments planned by Government [eg DfES 5 Year Strategy for Children and Learners] the need to 'latch together' national and regional agendas and assess their implications for clusters will remain an important requirement for cluster policy development.

4.3 Selection

Overall, the criteria used for the selection of the original five and subsequent two clusters are not uniformly understood or, in some cases, even known about.

"I'm not entirely sure exactly what the rules are about achieving cluster status. I don't know what turnover or growth potential or whatever [...] I don't think it's entirely transparent, which can lead to some problems in interpretation." - Stakeholder hearing

The Panel understands that RDA's are expected to exercise a leadership role in economic regeneration but consider that the selection of the key clusters to date could have been better communicated by YF. The RES review should provide an opportunity to improve communication around how the selection of future clusters will be managed.

Panel Recommendations: Cluster Policy Development

The Panel recommends:

1. YF should, as a matter of priority, ensure that the forthcoming review of the RES:
 - Takes full account of cluster activity and achievements to date.
 - Provides an opportunity for Cluster Managers and Steering Groups to revise their action plans in the light of new evidence.
 - Provides an opportunity to review key sustainability and inclusion issues that arise from cluster interventions.
2. YF should also seek to clarify, initially through the RES review process:
 - Whether it intends to select any more clusters.
 - How it proposes to do this, when and using what criteria and decision-making processes.

It would also be good practice to explain the reasons why some clusters were not selected, as well as simply explaining the rationale for those that were.

3. YF needs to ensure that the planned development of cluster-based activities within The Northern Way is compatible with its own over the years to come - specifically: clarifying how Financial and Business Services will be supported in the future and the means by which RDA Cluster Teams will interact with structures in other northern regions to ensure a co-ordinated and consistent approach.
4. Agreed skills priorities for each of the clusters should feature prominently in the cluster action plans. YF needs to demonstrate how it will work through the Regional Skills Partnership, to ensure that strategies and agencies dealing with skills in the region are better aligned to help deliver agreed learning and skills priorities relating to clusters.

5. Organisation and Delivery

The Panel believes that one of the key strengths of YF's approach to clusters has been the speed and effectiveness with which it has started to deliver significant and effective projects. This has increased the credibility of the process with some stakeholders and provides tangible evidence of the policy 'on the ground'.

"Instead of taking a long time to set up all sorts of accountable bodies and structures and boards, we just launched straight in and started to do things. The Board was pushing for us to be exceptionally action orientated, and to demonstrate added value to those businesses early on." - YF Hearing

Delivery to date has been considerable in terms of the number of projects and associated spend. There are some very interesting and innovative projects under development, including pilots that might have wider applications across the region and within other clusters (e.g. the Food Technology Advice Service, the CATCH project, AMP Technology Transfer). This underlines the need to ensure there is good cross-fertilisation of ideas and action between cluster teams and other agencies.

YF recently commissioned a report by Regeneris to help evaluate the effectiveness of its early cluster initiatives (Regeneris Consulting, Cluster Review, March 2004). The report identifies and summarises interventions supported via YF to date. Although different in some respects, there are four common themes: development of more collaborative networks; technology transfer or adoption into and by SMEs; supply chain development and opportunities; and the strengthening of cluster and higher education collaboration. A detailed listing and summary of projects supported are set out in that report.

Table 1 summarises interventions and funding across the key clusters as at March 2004.

Table 1				
Cluster	No. of Projects	Funding Total Cost £m	YF Funding Contribution £m	Comments
Advanced Engineering and Metals	14	59.084	28.68	One project - Inward Investment - had not identified funding requirements at that time.
Chemicals	13	12.285	4.966	
Biosciences	7	2.078	1.414	
Food and Drink	10	8.048	5.142	In the case of 4 projects - Regional Food Group; Seafood Cluster Development; Ethnic Food Group; Team Food we assume total cost equates with Yorkshire Forward funding at this stage
Digital		2153.808	23.437	Figures are not available for 3 projects - Design Industry; Inward Investment; Leeds EHQ
Totals	65	135.303	63.639	

Source: Cluster Review: Final Report. Regeneris Consulting. March 2004

Significant project activity has been supported across all five cluster areas, although inevitably more progress has been made in some cluster areas rather than others and for a variety of reasons.

"The food cluster work has had some impact around the A1 corridor and has assisted in raising the profile of that sector. It does not appear to have had the same level of support that some of the other clusters have received, partly due to the nature of the industry and the scattering of food producers across the District" - Written evidence, Hambleton District Council

"The food cluster has had some impact in supporting the development of specialist food units and the regional food group...However, the food sector has not seen perhaps the scale of impact that could be achieved in part because of its segmented nature, its geographical spread and also a view that important local specialisms such as meat processing do not meet the criteria of 'clusters'" - Written Evidence, York and North Yorkshire Partnership Unit

A detailed progress review has not been undertaken by the Panel but we did receive some feedback that the volume and scale of activity in the Food and Drink cluster appears to have been more modest compared to, say, digital or chemicals. The Panel accept, however, that the Food and Drink cluster is geographically dispersed and fragmented compared to other clusters and this may make a cluster approach to support more difficult to manage.

5.1 Communication and Engagement

On the issue of communication, YF have been consistent in their view that the majority of businesses do not need to understand the detailed thinking behind cluster policy. Much more importance has been attached to businesses being able to access the appropriate support at the appropriate time.

"The cluster approach is not the easiest to get across...so it was more about saying to businesses, how can we help you with your supply chains, how can we help you with your research and development on the ground?" - YF Hearing

"I see a cluster from the point of view of a company as an environment. You don't have to know that there is this cluster, what you want is to be in the right environment to do your business. You want a good supply of skilled staff, if you are a big company you want a supply chain. You need that environment." - YF Hearing

Active and fairly widespread business engagement in cluster policy development and delivery is widely acknowledged to be a key success factor, but it is also a long and often slow process. There is much good work to build on and we found evidence of excellent relationships which have developed between Cluster Teams and key industry bodies such as Humber Chemicals Focus.

Cluster policy is a mechanism for targeting resources on areas of industry with good growth potential. The intention is to ensure that businesses within each cluster benefit from customised projects and initiatives. The Panel acknowledge that YF also provides business support and products for high growth businesses outside key clusters but feel more needs to be done to ensure all such businesses are made aware of these services and encouraged to access them.

"There are significant dangers of putting all your resources into one particular basket and an approach which leaves a large number of businesses, many of them quality businesses, feeling as though they're on the outside with their nose pressed against the window" - Stakeholder hearing

In terms of communicating cluster initiatives to the business community, there could be real value in building upon, and strengthening, the relationships between Cluster Teams and chambers of commerce throughout the region. Accessing local business networks should ensure more SME engagement and allow more account to be taken of spatial and local policy matters.

"I think there is perhaps some scepticism amongst those business organisations and businesses that perhaps haven't themselves got involved...whether that's because they haven't made the effort to get involved or because they haven't been able to understand the issues, I'm not sure" - Stakeholder hearing

There was also some confusion in the region around the structures that YF has put into place for delivering cluster initiatives - with cluster steering groups, cluster managers, cluster teams, cluster brokers and cluster champions. YF needs to do more to clarify the respective roles and responsibilities of each part of these structures, and communicate this to key partners.

" In the case of our cluster, we didn't really understand his [the cluster champion's] role until we took the initiative and asked Yorkshire Forward to actually explain it and set up a meeting and so on. We saw colour photographs in the glossy magazines that came out, but it wasn't quite clear how he fitted in with the cluster teams, and it turns out he's actually not part of a cluster team. He reports to a separate department in Yorkshire Forward. Communication is not as good as it could be." - Stakeholder hearing

Local Authorities have a key role to play in establishing and supporting successful clusters in our region and this is acknowledged by YF.

"...there were Economic Development Departments of local authorities doing a lot of this stuff before the RDA even came along and we want them to do more of it, and, because at the end of the day we haven't got enough hands to the pump to do everything that's needed to be done..." - YF Hearing

"...some of the local authorities have taken good leads on, you know, Europark in North East Lincs, and Bio Science in York, and there were already some excellent initiatives that we could build upon and add some value to, and apply the new budgets that were available to the region, use them well." - YF Hearing

Engagement with local authorities across the region is not uniform, partly reflecting the fact that the priority clusters have more relevance in some areas than others. This means that while many local authorities clearly feel reasonably engaged in this agenda, others do not. Given the key role that the public sector has to play at local level in improving the framework conditions for business the Panel believe that YF must continue its efforts to effectively engage all local authorities. In this vein, the

Panel very much welcome the introduction of the new Clusters Course at Bradford School of management designed for senior local authority officers.

5.2 Cluster Action Plans

As discussed in the previous section, YF's rationale for not producing an overarching 'cluster strategy' is that the RES is the key strategy and everything beneath that is an action plan. Discussions with YF made it clear that cluster action plans are seen as key documents in delivering the objectives set out in the RES.

Clear action plans will be implemented to advance the region's five key clusters...These will include action on skills development, productivity and resource efficiency, ICT, inward investment, innovation, sites and premises, marketing and supply chain development. (RES, p. 22)

However, during the course of this review, YF was unable to provide the YHA Panel with action plans for each of the five clusters. Cluster Action Plans appear to have been developed late in the process and only relate to three of the five original clusters - digital and a joint action plan for chemicals and bioscience.

Moreover, the action plans that we have seen are of varying quality. The best of them is the Strategy [*sic*] for the Development of Yorkshire's Digital Industry 2005-10 (this was produced in July 2004, midway through the course of this review). This document sets out, very clearly, targets, activities undertaken, contracted projects and proposed new activities.

The Panel believes that effective planning of future actions and interventions is absolutely critical, and action plans are fundamental to effective management, delivery and evaluation of cluster policy. These plans need to be visible, regularly updated and used to monitor and review delivery over time. Each should also be subjected to a sustainability appraisal to ensure that economic, social and environmental considerations are properly balanced.

The Panel believe that the action plan for the Digital Cluster should be regarded as an example of good practice, and should act as a model [but not a 'blueprint'] for the production of action plans for other clusters.

5.3 Cross Cluster Co-ordination

The organisation and delivery of cluster policy calls for effective management arrangements to facilitate information sharing, decision-making and co-ordination. YF expressed confidence that they believe the matrix management arrangements in place are fit for purpose and work reasonably effectively in most cases.

This report has highlighted some confusion amongst stakeholders about the structures that YF has put into place for delivering cluster initiatives. A more important issue concerns the effectiveness of the rather complex, multi-layered management arrangements in place to guide and monitor cluster

activity across the RDA. Despite assurances from YF, the Panel shares the view of some stakeholders that there is a danger that the structures that have been put in place may lead to 'silo-working'.

"What steps are being taken to ensure that clusters themselves don't become silos and there are cross directives and synergies developed ?" - Stakeholder hearing

"Although it is intended to focus, there is a danger that it then compartmentalises. I think there's got to be a lot of effort to make sure that there is not what some call the 'silo mentality' "- Stakeholder hearing

These risks and tendencies are inevitable in these early stages of programme development. The Panel acknowledges that within YF steps have been taken to address these issues through regular meetings between Cluster Managers etc. We also understand that project-level activities between Cluster Team members are also improving in some areas.

The Panel believes that there is a degree of confusion about the exact role and added value of some Cluster Steering Groups, and specifically concerns about the changing 'membership' of these groups. The Panel believes that YF should review and clarify the role of the cluster Steering Groups.

"We have a cluster steering group chairmans' meeting on a regular basis. We bring together the chairs of each of the groups and they get together with some people from within the organisation and we use those opportunities to share best practice, what's going on in each of the different clusters that could be learned from and to create an awareness of initiatives that are going on in other clusters." - YF Hearing

"There has been some confusion about the role of Steering Group members - this is being interpreted differently. The extent to which members should be involved in decisions about projects has been unclear. Their ambassadorial role has not been realised..many members do not have the desire to take on such a role." - Regeneris, Cluster Review, page 8.

5.4 Sustainable Development

Sustainable development underpins Advancing Together, and the RES. Sustainable development is essentially about the region developing in a way that integrates economic, social and environmental factors. All projects and initiatives delivered as part of the RES should be informed by sustainable development principles.

However, the Panel is unclear how sustainable development principles were used to inform the selection and development of the selected clusters in our region. The forthcoming revision of the RES is an opportunity for YF to demonstrate the way that clusters are linked to a broader sustainability agenda, and how the cross-cutting themes identified in the RES are being delivered through cluster initiatives.

“Sustainable development is central to this Strategy, which aims to get the best long term outcome for people, businesses and the environment by improving economic performance, supporting social inclusion and quality of life and enhancing the environment”. [Regional Economic Strategy, para. 6, page 5].

*The sustainability agenda should bring together local produce, local purchasing, health and environmental issues as well as economic benefits - **Written evidence, Wakefield MDC***

The Panel believes that clusters have enormous potential to contribute towards a broader sustainable development agenda. For instance, if businesses are already benefiting from working as a cluster in economic terms, they could be encouraged to collaborate to address sustainable development issues. This would further enhance their competitiveness or at least prevent it from being undermined (e.g. cluster businesses could collaborate to develop energy efficient measures, share resources/equipment, reduce waste, protect the local environment and address issues of congestion or economic disadvantage).

The Action Plans to be developed for all clusters must reflect these concerns, and should each be subject to a sustainability appraisal. This is in line with the Regional Sustainable Development Framework (RSDF) commitment to the use of sustainability appraisals in our region, which YF is signed up to the delivery of.

5.5 Employment and Skills

The employment and skills effects of pursuing a cluster-based policy to regeneration also attracted attention. The impact of a successful cluster policy may not always be entirely positive - e.g. increased competitiveness within a particular sector may ultimately result in job losses. The Panel acknowledge that YF's Connecting People agenda and wider business support activity seek to address this issue.

A more specific point raised in written evidence to the Panel was that there appears to be no clear and detailed skills profile or analysis of the jobs which are becoming available through the cluster policy interventions in the medium to long term:

*“One of the main areas is not just thinking about today's workforce, but also about tomorrow's workforce and how are education policies across the region being aligned or encouraged or fostered to support the cluster development policy.” - **Stakeholder hearing***

*“What do we expect the economy to look like in 5 or 10 years time? You know, where do we think the impact of this is actually going to lead in terms of where jobs are, what industries are going to be around. Maybe it's looking at it a bit too simply, but I think with the people that we're trying to engage, its those kind of simple type questions that you do need to be asking” - **Stakeholder hearing***

The presumption that most, if not all, of the jobs created within clusters will be highly skilled is open to question with many direct and indirectly created jobs being at intermediate and lower skills levels. This suggests that more consideration needs to be given to access routes and transition into employment for a broader spectrum of the working population across the region.

As noted above, cluster policy needs to be aligned with strategies aimed at developing the region's skills base and addressing economic exclusion amongst vulnerable groups. The Panel appreciate the practical difficulties of aligning strategies around skills provision, but share YF's view that the creation of the RSP provides an opportunity to improve strategic linkages in this area.

Panel Recommendations: Organisation and Delivery

The Panel recommends:

1. YF should ensure that Action Plans are in place for all Clusters as a key priority. These plans must:
 - Be consistent with one another.
 - Link clearly to other strategies and plans (e.g. around learning and skills).
 - Emphasise the RES cross-cutting themes.
 - Include a summary of targets and proposed activities which can provide a key input into the investment planning process.
 - Each plan should also be subjected to a sustainability appraisal.
2. Building on recent improvements, YF's website should be extended further to provide a profile and contact details for each Cluster Team, the Action Plans and a section on FAQ's about clusters (this should also link to other relevant websites). Other mechanisms for improved clarity and understanding of YF's organisation arrangements supporting clusters might also be considered worthwhile.
3. A detailed review of all Cluster Steering Groups should be undertaken to examine their role, composition and effectiveness. The views and experiences of existing Steering Group members and Cluster Managers must feature prominently in the approach taken.
4. YF should consider further ways to ensure that staff involved in delivering the RES (both within YF and across other organisations) fully understand and 'own' cluster policy. For example, through encouraging inter-agency secondments between Cluster Teams and LSCs, local authorities etc and more effective sharing of intelligence.
5. YF should investigate whether the region's business support agencies could play a more developed role in the delivery of Cluster Action Plans building on existing good practice.

6. Performance Review and Evaluation

The Panel believe that monitoring and evaluation are key areas for improvement, although we acknowledge that YF did commission independent consultants to review its cluster activity earlier this year (Regeneris report, March 2004). In our view, this earlier report seems to provide a balanced analysis of achievements and shortcomings. It also provides a series of helpful recommendations several of which, we understood from the YF Hearing, are being acted upon.

The Regeneris evaluation report provides broad, mainly positive conclusions, about overall progress of YF's cluster "strategy" to date but suggests it is too early to draw any definitive conclusions about the impact of cluster activity. The Panel shares this view.

The report provides some observations about impact to date using available quantitative data, but alongside these it makes four important observations:

- All the project information focuses on output (activity) measures with little information about outcomes or impact. There is no systematic data on sales revenues, gross value added, output per employee etc.
- Many of the measures are not clearly defined and therefore open to interpretation and do not adequately illustrate the depth of interventions. It is therefore difficult to assess the value of these outputs.
- Monitoring and evaluation is not always complete or consistent across projects. This means that aggregation in the future could prove to be problematic.
- Most of the information available focuses on projects directly managed by Cluster Teams, not on the wider projects.

With regard to measuring cluster impact the Panel note that:

"there is no consistent approach to the clusters or indeed any sense in which evaluation and review is built into the cluster process (largely we assume because Cluster Teams have been simply too busy getting activity up and running). It is important, however, that a consistent approach is built across the clusters to assessing impact." - (Regeneris Report, p.35).

Measuring cluster success and assessing the effectiveness of cluster policy are acknowledged to be difficult tasks. Individual initiatives, delivered as part of a wider clusters policy, are often more capable of evaluation at project level rather than at the overall policy (strategic) level. The long-term goals of cluster strategy raise further issues about when, not just how, to evaluate their effectiveness.

The Panel acknowledge that YF's chief priority has been to stimulate activity on the ground and that a range of cluster-based projects and activities have been supported within a relatively short timescale. There is undoubtedly much good practice underway in the region as a result. As a consequence the RDA appears to have adopted a 'learning by doing' approach to project

development and although this 'bottom-up' approach is not without merit it is also subject to limitations.

Written evidence and consultations within and outside YF indicate a significant degree of concern over the monitoring and evaluation of the cluster policy as a whole. Higher level evaluation of cluster policy impact remains a challenging issue for all RDA's.

Within the broader monitoring framework set by government, YF has to meet Tier 1 targets (aspirational 10 year targets agreed by the region to communicate what the RES is trying to achieve); Tier 2 targets (regional outcome targets for 2005 agreed between government and regional agencies); and Tier 3 targets (which cover the specific outputs the RDA will deliver such as jobs created, business start ups, brownfield land developed etc). During this review, YF and others have expressed some concerns that the Tier 3 targets have limited relevance to cluster work:

"YF's systems are built around recording so-called Tier 3 outputs. These outputs are generally poor measures of the actual or potential success of many cluster projects, which could relate as much to improvement in productivity and sales as in employment." Regeneris Cluster Review [para. 5.10 Issue 9, page 41].

"When you get down to the level of Tier 3, which is where we are assessing the project activity that we are doing and ensuring it is delivering Tier 3 targets, then it starts to get very, very difficult" - YF Hearing

The Panel is not clear about the way in which YF propose to address the specific issues about monitoring and evaluation identified by Regeneris. There appears to be a patchy and disjointed approach at present, with some clusters [e.g. chemicals] appearing to be further along the path to a quantitative evidence-based approach to evaluation than others, but there is no overall evaluation framework. This is not helped by the absence of a clear strategic framework for YF's cluster policy as a whole.

Cluster policy is fundamentally a medium to long-term economic development policy initiative, and a rush to judgement over the effectiveness of the policy, or indeed its value for money, should be avoided. The Panel understand and accept this point, but they would like clarification as to when the right time will come and how the policy will be evaluated in practice.

Although a long-term approach, the cost-effectiveness of the policy must be evaluated at some stage and by some objective means. The 'value for money' of the investment in cluster initiatives will be very hard to evidence without appropriate monitoring systems being put into place:

Yorkshire Forward needs to be quite clear about what measurements you would take to say that this strategy has worked or not. And everyone needs to have the strength to sometimes say 'well maybe it hasn't delivered what we thought it would deliver' but not feel totally negative about it. - Stakeholder hearing

Panel Recommendations: Performance Review and Evaluation

The Panel recommends that:

1. YF develop and put in place a comprehensive higher-level evaluation framework for measuring the impact of its cluster strategy against reliable baselines.
2. YF should produce a brief annual progress report on delivery against each Cluster Action Plan area and place this review on their website.
3. The YHA should offer its full support to YF in its efforts to agree with Government appropriate Tier 3 targets as part of the current review process.

7. Final Conclusions

The Panel broadly welcomes the approach that YF has adopted to cluster policy in the region to date. We share YF's optimism that this policy will bring about real and lasting change in the region over the longer term and that evidence demonstrating its impact will emerge over time. Detailed findings are in each section, but in summary:

7.1 Policy Development

Development and planning for delivery of this policy, including the selection of clusters, was effective despite the tight timescales within which YF was working. However, there are areas where strategic planning could be improved, and the Panel believes that the forthcoming review of the RES provides a good opportunity to build in a greater degree of long term planning to ensure overall coherence of approach.

7.2 Organisation and Delivery

A key strength of YF's approach has been around delivery. YF has been very effective in ensuring that high-quality initiatives have been generated quickly. The focus on delivery has been very useful in gaining credibility for this area of work amongst key stakeholders. The Panel recognise and commend this aspect of YF's work.

7.3 Performance Review and Evaluation

Performance review and evaluation is the main area where the Panel believes significant improvements can be made, particularly in the area of evaluating the success of this policy through establishing mechanisms for reporting on the higher-level impact of cluster investment.

Yorkshire Forward Response to the Findings

Action Plan in Response to the Scrutiny Enquiry 6 - Clusters March 2005

Recommendations	Actions	Timescale
<p>Cluster Policy Development</p> <p>1. Yorkshire Forward should, as a matter of priority, ensure that the forthcoming review of the RES:</p> <ul style="list-style-type: none"> - Takes full account of cluster activity and achievements to date. - Provides an opportunity for Cluster Managers and Steering Groups to revise their action plans in the light of new evidence. - Provides an opportunity to review key sustainability and inclusion issues that arise from cluster interventions. 	<p>1. The forthcoming review of the RES will include a full account of the cluster activity and achievements to date and review available evidence to inform future clusters policy within the RES. Details of what will be included and its terms of reference will emerge in light of these recommendations and work already carried out by Regeneris consulting.</p> <p>Additionally, as part of the normal review process, cluster managers and, where appropriate, steering groups, have provisions incorporated into their plans to revisit the original mapping studies that were completed in 2001. These updated studies will be used to inform the development of all of the cluster action plans going forward and should also provide evidence of successful interventions so far. These will help to corroborate the findings of the RES review.</p> <p>Yorkshire Forward believes that the only way to achieve lasting growth is to create integrated, sustainable development. This includes ensuring that all opportunities to create wealth and jobs, provide opportunities for those that have been economically excluded and environmental benefits are taken. These cross cutting themes</p>	<p>January 2006</p> <p>Already underway as a part of a continuous refinement process</p> <p>Ongoing</p>

Recommendations	Actions	Timescale
<p>2. Yorkshire Forward should also seek to clarify, initially through the RES review process:</p> <ul style="list-style-type: none"> - Whether it intends to select any more clusters. - How it proposes to do this, when and using what criteria and decision-making processes. <p>It would also be good practice to explain the reasons why some clusters were not selected, as well as simply explaining the rationale for those that were.</p>	<p>underpin cluster activity and are at the heart of the RES. As such these concerns are fully taken into account during the development of all projects using YFs own robust, internal mechanisms, namely the seven stage Performance Management Framework (PMF).</p> <p>2. It is not the current intention of Yorkshire Forward to select any additional clusters during this review round. However, the whole of the cluster strategy is under a process of continual review and as such there will be a necessary monitoring of key existing, emerging and embryonic industry areas that may be exploited should they demonstrate growth due to political, economic, social and technological developments. Yorkshire Forward will continue to consult with partners - including the Yorkshire and Humber Assembly (YHA), Higher Education institutions and industry in particular, and Local Authorities, the LSC and other support organisations as appropriate, to identify any further clusters for priority intervention. This will be in conjunction with an ongoing analysis of all relevant econometric data.</p> <p>A detailed response to the selection criteria and as to why some industries do not exhibit characteristics of a cluster were fully covered in the evidence provided to the scrutiny panel. The RES will further detail the approach on the phasing and formal strategy of clusters development, backed by evidence.</p>	<p>January 2006</p>

Recommendations	Actions	Timescale
<p>3. Yorkshire Forward needs to ensure that the planned development of cluster-based activities within The Northern Way are compatible with its own over the years to come - specifically: clarifying how Financial and Business Services will be supported in the future and the means by which RDA Cluster Teams will interact with structures in other northern regions to ensure a co-ordinated and consistent approach.</p> <p>4. Agreed skills priorities for each of the clusters should feature prominently in the cluster action plans. YF needs to demonstrate how it will work through the Regional Skills Partnership, to ensure that strategies and agencies dealing with skills in the region are better aligned to help deliver agreed learning and skills priorities relating to clusters.</p>	<p>3. Yorkshire Forward is continuing to work actively with the Northern Way. Across the north, the RDAs are supporting efforts to strengthen key manufacturing and service clusters. The Northern Way has identified the following clusters as offering the greatest potential for joint working across the north:</p> <ul style="list-style-type: none"> - Chemicals - Food and Drink - Advanced Engineering <p>These clusters have already been identified by Yorkshire Forward as needing priority investment and as such the RDA's are now ensuring that each of their strategies are more closely aligned with the Northern Way.</p> <p>Each of the Yorkshire Forward Cluster Managers have made the appropriate connections with their counterparts within the other northern regions and, as suggested by the development of projects, work has started to maintain a clear and consistent 'northern' approach to the development of these industries.</p> <p>With regard to the specific points on Financial and Business Services, Yorkshire Forward will cover these in the RES Review.</p> <p>4. The cluster teams continue to work closely with the internal Yorkshire Forward skills team to ensure that the skills requirements of industry remain a priority. This area will be re-examined in detail in light of the recently published (March 2005) Skills White Paper "Getting on in Business, Getting on at Work".</p>	<p>First projects to come online 2005/2006</p> <p>January 2006</p> <p>Commencing Autumn 2005</p>

	Recommendations	Actions	Timescale
<p>Organisation and Delivery</p>	<p>1. Yorkshire Forward should ensure that Action Plans are in place for all Clusters as a key priority. These plans must:</p> <ul style="list-style-type: none"> a. Be consistent with one another. b. Link clearly to other strategies and plans (e.g. around learning and skills). c. Emphasise the RES cross-cutting themes. d. Include a summary of targets and proposed activities which can provide a key input into the investment planning process. e. Each plan should also be subjected to a sustainability appraisal. <p>2. Building on recent improvements, YF's website should be extended further to provide a profile and contact details for each Cluster Team, the Action Plans and a section on Frequently Asked Questions (FAQs) about clusters (this should also link to other relevant websites). Other mechanisms for improved clarity and understanding of YF's organisation arrangements supporting clusters might also be considered worthwhile.</p>	<p>To date, the cluster teams have worked with our skills team who, in turn, liaise with the Regional Skills Partnership (RSP), rather than there be any direct communication. However, connections with relevant individuals within the RSP and the cluster teams have now been made and strategies are being aligned where appropriate.</p> <p>1. Individual action plans for each of the clusters are being reviewed, based on work completed last year for some cluster areas. The cluster teams producing the action plans will take these suggestions on board where appropriate. There is a process to ensure that all of the cluster action plans take into account the cross-cutting themes and are fully consistent with other strategies (e.g. FRESA). Yorkshire Forward would like to reiterate that the 'over-arching' strategy for the economic development of the region is the RES. A summary of targets for cluster activity is reported as a part of Yorkshire Forward's corporate plan.</p> <p>2. The Yorkshire Forward website already contains links to information concerning each of the chosen clusters. This includes links to individual websites and the contact details of all team members. However, YF will ensure that all of the Action Plans for the clusters are also available publicly via the website alongside a section that covers FAQs.</p>	<p>Ongoing. Completion June 2005</p> <p>June 2005</p>

Recommendations	Actions	Timescale
<p>3. A detailed review of all Cluster Steering Groups should be undertaken to examine their role, composition and effectiveness. The views and experiences of existing Steering Group members and Cluster Managers must feature prominently in the approach taken.</p> <p>4. Yorkshire Forward should consider further ways to ensure that staff involved in delivering the RES (both within YF and across other organisations) fully understand and 'own' cluster policy. For example, through encouraging inter-agency secondments between Cluster Teams and LSCs, local authorities etc and more effective sharing of intelligence.</p>	<p>3. As Yorkshire Forward is moving into a new planning phase it is the intention of each of the cluster teams to re-evaluate the membership and role of each of the steering groups. It is the intention of Yorkshire Forward to commission a piece of work that will fully consider the approach to working with the steering groups and ensuring that they are utilised in the most appropriate way. This is particularly perceptive as the two new clusters, Healthcare Technologies and Environmental Technologies, move into their delivery phase.</p> <p>4. The delivery of cluster policy, and their understanding of it, by both internal and external staff is a top priority within the organisation.</p> <p>A course on introduction to economic development through clusters has been designed by Bradford School of Management, in conjunction with Harvard School of Management and Yorkshire Forward, and is targeted towards senior local authority staff. It is Yorkshire Forward's intention that all organisations involved in the delivery of cluster initiatives need to 'own' the policy and that this course will help to address those issues. This course has also been opened up to Yorkshire Forward staff that wish to broaden their knowledge of cluster strategy.</p> <p>Winter 2004/2005 saw each member of the business directorate undertake a secondment within local industry or support organisation. One of the key objectives of this was to ensure the dissemination of</p>	<p>Autumn 2005</p> <p>April 2005 and ongoing</p> <p>First course commences June 2005</p>

	Recommendations	Actions	Timescale
	<p>5. Yorkshire Forward should investigate whether the region's business support agencies could play a more developed role in the delivery of Cluster Action Plans building on existing good practice.</p>	<p>Yorkshire Forward's cluster policy to as wide an audience as possible. YF intends to continue with the business secondment programme as well as encouraging other public sector partners to introduce a similar scheme for their key business facing employees.</p> <p>5. The establishment of the Better Deal for Business Framework (BDfB) has driven much of the activity in this area. Principles developed and agreed in 2003 by Yorkshire Forward, the LSC and Business Link have been implemented in 2004 in publicly funded business support organisations throughout the region. The BDfB initiative is aimed at all businesses within the region, but this will necessarily have an impact on all of the clusters with the majority of business support activity for clusters being channelled through this mechanism. A close working relationship has been established by each of the cluster teams with the regional business support agencies and they have retained their status as the first point of contact for industry. This is in line with Yorkshire Forward policy for business support activities, and is being closely monitored by the Enterprise Team to ensure its suitability.</p>	<p>Ongoing</p>
<p>Performance Review And Evaluation</p>	<p>1. Yorkshire Forward develop and put in place a comprehensive higher-level evaluation framework for measuring the impact of its cluster strategy against reliable baselines.</p>	<p>1. There is no agreed way to evaluate cluster activity and Yorkshire Forward is working with world leading organisations to identify and develop a clear way forward. This includes work with the DTI and Harvard Business School among others, as well as devising metrics specific to individual clusters and</p>	<p>Agree by end of 2006</p>

Recommendations	Actions	Timescale
<p>2. Yorkshire Forward should produce a brief annual progress report on delivery against each Cluster Action Plan area and place this review on their website.</p> <p>3. The YHA should offer its full support to Yorkshire Forward in its efforts to agree with Government appropriate Tier 3 targets as part of the current review process.</p>	<p>regional variations. Together with the review of the RES and targets, this will provide an agreed methodology to measure cluster outcomes against. All project managers are responsible for monitoring the ongoing performance of projects, which includes regular meetings with delivery organisations to ensure objectives are being met. Finally, independent internal and external evaluations will provide a vital measure and learning mechanism to assess clusters programmes and projects. This will provide annual project learning and full evaluations at project end-points.</p> <p>2. All cluster initiatives are subject to a continual process of evaluation and progress will be reported in the Annual Progress Report on delivering the RES.</p> <p>3. The new targets have now been agreed between the RDAs and central government and have been adjusted to take into account the difficulties of monitoring the long-term impact of cluster strategy. The new RDA targetry framework which replaces the Tier 3 targets is detailed in Yorkshire Forward's Corporate Plan 2005-10. Yorkshire Forward is undertaking specific work as part of the RES review to ensure that the new framework is adapted appropriately to measure the impact of our activity.</p>	<p>January 2007 onwards</p> <p>January 2007 (RES Review to be finalised in January 2006)</p> <p>April 2005</p>

9. Appendices

Appendix A - Consultees

People who contributed written evidence to the Panel:

- Arts Council England - Malcolm Warrington, Creative Industries Officer
- City of York Council - Tony Bennett, Assistant Director, Economic Development
- Connexions South Yorkshire [on behalf of all four Connexions Partnerships] - Joyce Thacker, Chief Executive
- Doncaster Metropolitan Borough Council [in conjunction with the Doncaster Economic Partnership] - Doreen Watkinson, Policy Development Officer
- Hambleton District Council - Geoff Herbert, Economic Development Unit
- Hull City Council - Angela Blake, Cluster Development Manager
- Leeds Metropolitan University - Gaynor Taylor, Deputy Vice-Chancellor
- Jobcentre Plus - Neil Hickling, Head of Business Development
- Kirklees Media Centre - Toby Hyam, Chief Executive
- Mid-Yorkshire Chamber of Commerce and Industry - Janet Donald, Policy and Research Manager
- Scarborough Borough Council - Mark Kibblewhite, Project Development Officer
- Science City York [City of York Council & University of York] - Anna Rooke, Manager
- Sheffield City Council - Helen Williams, Corporate Policy Unit
- University of Huddersfield - Bede Mullen, Regional Director
- University of Hull [Research and Enterprise Office] - Adrian Allen, Commercial Manager
- University of Sheffield - Prof. Peter Fleming, Pro-Vice Chancellor External Affairs
- Wakefield MDC - Steve Stewart, Assistant Chief Executive

- York and North Yorkshire Partnership Unit - Jonathan French, Executive Director
- Yorkshire Culture - Rachel Chandler, Policy and Information Manager
- Leeds City Council [Leeds Partners] - Rob Norreys, Economic Policy and Information Manager
- Engineering Employers Federation [Yorkshire and the Humber] - Dave Wilson, Head of External Affairs
- Rotherham Investment and Development Office [Rotherham MBC] - David Edmonson and Helen Sleigh

People who were interviewed as part of the consultation process:

- Reza Zadeh, Les Newby, Simon Foy, Gary Marsh, Helen Thomson & Gill Browning [Yorkshire Forward]
- Neil Heavens [West Yorkshire Sub-Regional Co-ordinator]
- Martin Hathaway [YHCCI]
- Laurie Jackson & Graham Beltcher [SEMATA]
- Anna Rooke [Science City York]
- Dave Wilson [EEF]
- Paul Stephens [Leeds City Council]
- Jonathan French [North Yorkshire Partnership]
- Steve Napier [CIRCE]
- Steve Wragg [Business Link South Yorkshire]
- Peter Claydon [Yorkshire Enterprise Ltd]
- Mick King [Humber Forum]
- Glyn Hughes [Humber Chemicals Focus]
- David Hodges [Learning and Skills Council West Yorkshire]
- Les Pynn [Renaissance South Yorkshire - Advanced Manufacturing Park]
- Linda Broughton [New Technology Institute]

Appendix B - Panel Members

Members of the Stakeholder Panel:

- Anna Rooke [Science City York]
- Dr Ian Kelly [Hull and Humber Chamber of Commerce]
- Tony Newson and Julian White [SY Objective 1 Programme]
- Bill Macbeth [Textile Centre of Excellence]
- Les Pynn [Advanced Manufacturing Park]
- Ian Hughes [EEF]
- Laurie Jackson [SEMATA]
- Neil Hickling [Jobcentre Plus]

Members of the Yorkshire Forward Panel:

- Richard Gregory
- Professor Bob Boucher
- Susan Johnson
- Dr Chris King
- Tom Riordan

Appendix C - Abbreviations Used

AMP	Advanced Manufacturing Park
DfES	Department for Employment and Skills
DfEE	Department for Education and Employment
DTI	Department of Trade and Industry
LSC	Learning and Skills Council
R&D	Research and Development
RDA	Regional Development Agency
RES	Regional Economic Strategy
RIF	Regional Innovation Fund
RIS	Regional Innovation Strategy
RSDF	Regional Sustainable Development Framework
SME	Small and medium sized enterprises
YHA	Yorkshire and Humber Assembly
YF	Yorkshire Forward

Appendix D - Scrutiny Review: Clusters

1. This scrutiny review will consider the extent to which cluster development initiatives across the region have contributed to achieving the aspirations that are set out in the Regional Economic Strategy (RES).

Background

2. Objective 1 in the RES is to grow the region's businesses, focusing on key clusters, to create a radical improvement in the competitiveness, productivity and value they add to the region's wealth. The RES defines clusters as "a group of organisations in related industries that buy or sell from each other, and/or use the same infrastructure, technology, customers or skills base."

3. Deliverable A states:

Clear action plans will be implemented to advance the region's initial five key clusters: advanced engineering and metals; digital industries; food and drink (including agriculture); chemicals and bioscience. These will include action on skills development, productivity and resource efficiency, ICT, inward investment, innovation, sites and premises, marketing, and supply chain development.

The region will develop niche markets in environmental technologies and industries within all the key clusters. The region will identify the next three clusters for priority investment. The approach will take previous cluster experience into account, with selection criteria including presence in the region, potential long term benefits for jobs and business growth, scope and need for intervention, and sustainable development. All clusters will be developed and delivered in ways that connect with employment, skills and inclusion.

4. Within the RES, the region has agreed that there are 5 key clusters that will be supported. These are:

- Advanced engineering and metals
- Bioscience
- Chemicals
- Digital industries and
- Food and drink

Yorkshire Forward identified as having the lead on clusters.

5. The region is committed to identifying the next three clusters for priority investment by the end of 2004.
6. Being part of a cluster brings with it a range of support in relation to a number of key areas including skills, business support, investment, sites and premises and supply chain development.

Scope of this enquiry

7. This enquiry will consider the effectiveness of cluster development initiatives across the region and their contribution to achieving the aspirations that are set out in the RES. It will focus on two key areas - process and delivery:

- **Process** - the way in which clusters have been identified and developed in the region
- **Delivery** - the effectiveness of applying cluster policy in helping to achieve the aspirations that are set out in the RES.

Process

8. Cluster policy is underpinned by the way in which people and organisations work together, as much as what they ultimately 'produce'. Therefore, an appropriate area of investigation will be to consider the way in which this region's clusters were initially selected and supported.

Particular areas of investigation will be:

- The process by which clusters were initially selected - what factors influenced the selection of the first five clusters, and were these factors consistently applied across the five cluster areas?
- Ownership - How was the business sector involved in the selection of clusters and how has it been involved in their subsequent development?
- How have other sectors been involved in the development of clusters (e.g. higher education, the voluntary and community sector)?
- Does the region's implementation of cluster policy 'add value' to working relationships that already exist or does it seek to establish new networks where there are none?
- How do the five regionally identified clusters fit with those identified as needing support sub-regionally and locally?

Delivery

9. This scrutiny review acknowledges that cluster policy necessarily looks toward long term delivery and short term benefits or outcomes may be difficult to identify. However, given that the clusters have been a priority for investment, it is appropriate to consider the effectiveness of this policy in delivering the aims and objectives of the RES.

Particular areas of investigation will include:

- What actions have been most effective in stimulating or strengthening the development of clusters?
- How are the cross-cutting themes of the RES delivered through the five clusters?
- How does the strategic commitment to clusters within the RES translate into delivery on the ground?
- What systems are in place to monitor and evaluate the impact of cluster policy on achieving the aims and objectives of the RES?

Outcomes

10. The review will deliver improved understanding of the way in which cluster policy has been developed and delivered in Yorkshire and Humber and identify best practice in implementation. Additionally, by clarifying the criteria by which clusters have been selected in the past, it will also help with the development of transparent criteria that can influence the setting of future priorities.

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