4th Cohesion Report Questions

Yorkshire Forward’s Response

1. What lessons can be drawn from the experience of preparing the 2007-2013 programmes?

Given the significant reductions in funding for the new programme, project prioritisation for the Yorkshire & Humber region is fundamental to achieve targets established in the new Operational Programmes. As a region we have to work effectively in partnership with regional stakeholders and partners. Effective partnership is critical for the success of the Programme to ensure agreed prioritisation.

The Programme needs to:

- Demonstrate Added value
- Prioritise projects
- Consist of good partnership working with key regional stakeholders.
- Engage with all disadvantaged sectors within the region, throughout the programme and through all public consultations.

Key lessons have included the importance of embedding cross cutting themes within the programme; learning good practice from the 2000-2006 programme, specifically AIR, mid-term evaluation etc

1.1 How can the regions react to restructuring pressures from dynamic competitors in low medium tech sectors?

The best opportunity for sustaining and growing Yorkshire & Humber’s performance in the low-medium tech sectors, and for that matter any other sector is to be flexible, fast and creative in applying our home grown competitive advantages, plus those we share with other UK regions, to create a platform for innovative, high quality and high skilled businesses in our region to compete with the best world economy can offer.

1.2 Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?

Evidence suggests that, over the next 25 years, Yorkshire and Humber’s population is due to change significantly, most noticeably in terms of ethnicity, age, population concentration and household size. It has been estimated that the population will grow by 500,000 through to 2030, with 6 LADs maintaining and increasing their current populations of over 300,000.

However, within this population growth, there will be some changes to the make up of the region. Most significantly, it has been estimated that the population of the region over 60 will grow 67%, with a decline in the number of those under 60 of 2%. There will also be a 50% increase in the level of the population born outside of the UK, rising from 8% at present to 12% by 2030. At the same time, it has been estimated that average household size will fall from 2.3 people per household to 2.1.
What will this mean for the region and social cohesion? Primarily, there will be new key challenges to meet as the population changes. As the population ages, for instance, industry will be forced to adapt to a retirement of skills and employing old workers, service provision by local authorities will be put under more strains and require further provision at the top end and young people may find themselves bearing the brunt of a higher tax burden required to pay for an older population (particularly if the current pension crisis goes unresolved).

There will also be a key role in ensuring that as the population diversifies (both in terms of age, demography and religion), that community and social cohesion is a key ongoing priority. As recent migration from Eastern Europe has demonstrated, there is a significant challenge still to be overcome in integrating new communities into existing localities. Study work carried out within the region, particularly after the Bradford riots, demonstrated the value of having strong and successful social cohesion policies and interventions (and the economic cost of not having such a successful approach).

There is therefore a vital role for cohesion policy, with further challenges now occurring in an increasingly diverse population. Policies will need to be engineered towards ensuring that communities are linked into economic opportunities, are integrated into wider district, regional and national culture and that programmes are designed to maximise the added values diversity and difference can bring, both to the UK economy and as a place to live.

1.3 To what extent is climate change a challenge for cohesion policy?
Climate change is key challenge for cohesion policy and is likely to have a big impact in two ways. It is likely to increasingly lead to policies and market and taxation shifts that reduce polluting emissions from transport and favour environmentally and energy efficient technologies (the so-called low carbon economy) The impacts of climate change could also be far reaching, including heightened flood risks (recent floods of the summer of 2007) or even loss of land to the sea, related hikes in insurance premiums, tourism prospects borne of warmer (or even wetter) summers and shifts in agricultural patterns. Yorkshire and Humber is the only English region to have set targets against reducing greenhouse gas emissions. By 2010 we aim to reduce GHG emissions by 20% in the region.

There is a need to assist business to reduce emissions. Given our geography, the region is well placed to benefit from a move towards renewable energy. With good wind, water, biomass and solar resources. With consistent rises in fuel prices, these technologies will become increasingly competitive and regional business could create competitive advantage.

Protecting, enhancing and utilising the environment and natural resources is a vital strand of sustainable economic development in the region. On one hand, it provides the base for daily life, with the natural resources and geography around which we have built and live. On the other, it is a key economic asset which draws in tourists and business to the dramatic and unique countryside. Threats to the sustainability of our environment are therefore a serious danger to long term economic progress.

2. How can cohesion policy further develop an integrated and more flexible approach to development/growth and jobs in this new context?
Cohesion policy needs to reflect the changing needs of regions, the best way to overcome regional disparities in productivity and employment rates is allow each region and locality the freedom, flexibility and funding to exploit indigenous sources
of growth. The UK Government has strengthened the role and influence of the regions, particularly in economic development, through creating nine Regional Development Agencies (RDAs) in England. The RDAs are responsible for developing, with their partner organisations, Regional Economic Strategies that provide an analysis of the economic strengths and weaknesses of each region. These establish broad frameworks for economic development interventions within each region. The three northern RDAs with their partner organisations have developed a pan-regional growth strategy for the North of England, the Northern Way.

2.1. How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?

By working within the guidelines set out in the NSRF (National Strategic Reference Framework), this policy framework for the preparation of future Structural Funds Operational Programmes provides us with the ability to develop regional programmes, which address regional needs but also reflect and contribute fully to European Union and domestic economic priorities for regional development.

We have also learnt invaluable lessons from previous structural funds programmes through programme objectives and priorities which were both thematic and geographical, taking into account varying sector specific aspects of our regional economy.

2.2 What are the impacts of the challenges identifies in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?

Yes, further efforts are needed to anticipate and counteract the impacts of the challenges identified in the report. A thorough understanding of the demographics and impact on each regional economy, for example within the skills sector the effect of an ageing population and economic migrancy.

2.3 What are the key future skills that are essential for our citizens in facing new challenges?

People with a ‘can do/will do’ attitude are vital if we are to have a ‘first-class’ economy. Also we need the right skills to meet the demands of modern employers.

Responding to the needs of employers and making sure that we are able to provide appropriate skills training and career progression routes will continue to be a European priority. We must remedy skills shortages and gaps identified by employers – particularly, although not exclusively, those in our key clusters and sectors - as they affect productivity.

Europe must work with the private sector in delivering skills that businesses need in the way that they need them. We must also work to demonstrate to business the value of investing in their workforce and to tell us their skill needs.
Capturing the potential of people with higher level skills is important for improving the productivity of Europe both now and in the future. We need to improve both the numbers of people within Europe and the demand for higher level skills from employers. Improving people’s access to higher education will be key to this.

In all cases, making sure we have the right evidence and information to guide our actions and interventions is integral to delivering actions on skills.

2.4 What are the critical competencies that should be developed at the regional level to make regions globally competitive?

In December 2005, the UK Treasury published the report ‘Globalisation and the UK: Strength and Opportunity to meet the Economic Challenge’. The report attempts to set out Government’s national approach to fully meeting the ongoing demands and opportunities of Globalisation. Key factors include:

- **Meeting the Changing Skills Need:** If the UK is to remain globally competitive, it is vital that it has the skilled human resources to meet ongoing demand. At present, the UK has a comparative advantage in its university and educational provision overall. However, it also has significant gaps in its basic skill and lower level (level 2) attainment. In an increasingly knowledge driven economy, addressing this shortfall will be a key challenge for the future.

- **Strengthening Science and Innovation:** As a nation, the UK has a disproportionate strength in science, with 4.5% of the world’s research and 10% of the world’s science prizes given to a country with 1% of the world’s population. However, there is of course always room for continued improvement, with China, India and other developing states increasing both their provision and investment into science and research.

- **Promoting Enterprise and Entrepreneurial Behaviour:** Evidence suggests that the most successful economies have both the highest level of enterprise and business creation activity, and the most entrepreneurial workforce. The UK, at present, remains significantly behind the US and many of its European neighbours on this key indicator.

- **Reducing the Regulatory Burden:** The UK has a flexible and open market, with the regulatory burden having been independently judged as being one of the most competitive in the world. However, recent surveys have found long standing disquiet over levels of red tape and burden continues to be considered the number one barrier to competitiveness by business.

- **Adapting Flexible Planning:** Key to being competitive is the ability to be flexible in the international marketplace and with international business. However, the UK’s planning system is at present unfit for purpose, with long lead in times and high levels of bureaucracy attached.

- **Having a Competitive Transport Network:** As everyone is aware, some significant gaps in provision remain within the transport network. Roads are congested, public transport networks are in places underdeveloped and airports need to continue to build capacity to remain competitive and support the UK’s business economy.
With regards to Yorkshire and the Humber, all of the above are relevant. In fact, for the vast majority, the region is actually an exacerbated micro version of the UK. On skills for instance, the region faces many of the challenges of the wider economy, but also has underlying weakness in higher level skills provision and retention of skilled individuals. On Innovation and Enterprise, our traditional reliance on heavy industry and single town employers has meant that there is a more significant cultural challenge to overcome, both within our business community and in creating the next generation of entrepreneurs. On planning, transport and regulatory burden, the region is broadly consistent with the issues which affect the rest of the UK.

3.1 Given the need for efficient management of cohesion policy programmes, what is the optimum, allocation of responsibility between the Community, national and regional levels within a multi-level governance system?

To obtain the optimum allocation of responsibility between local, regional and national levels within a multi-level governance system, regions and localities need greater flexibilities, powers and incentives to respond to economic change.

The UK government has recently undertaken a 'sub national review of economic development and regeneration' which has examined the effectiveness of decision making at a local and regional level.

The review describes an ever increasing need for regions to build on their indigenous assets so that they can respond quickly to changing economic circumstances if they are to increase prosperity. The conclusions of the Government’s review build on reforms made since 1997 in the UK and are based on the following principles:

1. Managing policy at the right spatial levels:
   - There should be a devolved approach, giving local authorities and regions the powers to respond to local challenges and improve economic outcomes;
   - Responsibilities should be allocated in line with economic impacts, based on a bottom-up approach to collaboration between areas;

2. Ensuring clarity of roles
   - Objectives need to be clear, with a strong focus on economic development measures and opportunities for sustainable growth;
   - Decision making should be as streamlined as possible and bureaucracy must be minimised;
   - Strategies, policies and funding stream must be rationalised and coordinated effectively;

3. Enabling places to reach their potential
   - Clear accountability and public scrutiny arrangements must be in place to allow for devolution of powers and responsibilities, including at the regional level, with an inclusive approach to development of regional strategies;
   - Places must have incentives to promote economic growth and tackle the problems of deprived neighbourhoods; and
   - The public sector must have the capacity to work effectively with the private sector.

3.2. How can cohesion policy become more effective in supporting public policies in Member States and regions? What mechanisms of delivery could make the policy more performance-based and more user-friendly?
The fact the ERFD 2007-2013 Programme has been regionally determined and has been a good opportunity to determine regional priorities

It would have been useful if ESF Programme could have been regionalised within the UK.

Whilst it is recognised that regions are crucial for delivery of European strategy & policy, a number of funds are still not regionalised. It would be useful if the EC could look at this in the future, to simplify funds and funding mechanisms to align them with regional strategies and priorities.

To ensure the cohesion policy is more user-friendly would be to ensure a reduction in bureaucracy is applied for example a simplified application process, streamlined monitoring process, akin to actions which are to be used during the new 2007-2013 Programme, but continually reviewed etc

To ensure a more performance-based policy, the EC should look to the alignment of European outcomes or outputs with national outputs, whilst ensuring added value is demonstrated.

3.3 How can we further strengthen the relationship between cohesion policy and other national and Community policies to achieve more and better synergies and complementarities?

Better alignment with regional policies (where permissible) and better integration of Lisbon agenda targets when considering regional/national targets.

From our experience of developing the regional ERDF programme for 2007-2013 it is clear the European Commission does not understand Regional Economic Strategies and the work of the RDAs. The RDAs are a key pillar of regional economic development in the UK and make a significant contribution to the European Union’s goal of increasing growth and creating more and better jobs. The RESs’ are partner documents, which are aspirational documents that European funding can contribute to the achievement of.

The sub-national review of economic development has now reported. It has refined and strengthened the role of RDAs, notably in giving them responsibility for preparing a new Integrated Regional Strategy in each region. This will bring together existing, previously separate regional strategies for the economy, spatial planning and housing. It will set out economic, social and environmental objectives for each region; and will set a single overarching growth objective - to increase regional GVA per head - towards which regions will be tasked with achieving. Here lies an excellent opportunity to align European cohesion policy with the UK’s regional strategies for sustainable growth.

3.4 What are the new opportunities for co-operation between regions, both within and outside the EU?

Within the EU, opportunities exist through trans-national cooperation/cross border cooperation; through funding instruments such as Interreg/Progress/Daphne/Youth etc. A useful starting point for many regions would be to become members of networks in order to build relationships and contacts with other regions which have similar economic agendas, to share best-practice and experiences of what economic priorities work well and what does not.