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Introduction

3.1 Ensuring that all parts and all people of the UK achieve their full potential is an economic as well as a social imperative. The way the economy is changing means there is a risk that success will come only in some regions and localities. We cannot accept that.

3.2 Strong regions and communities are a vital component of a strong national economy and open up greater opportunity for individual entrepreneurs and existing businesses. A strong national economy cannot function to its full capacity and individuals cannot realise their full potential if regions and localities are under performing.

3.3 We need a new approach to regional policy designed to build the capability of regions and communities. The new approach will be based on putting greater emphasis on growth within all regions and strengthening the building blocks for economic success by boosting regional capacity for innovation, enterprise and skills development. We must establish a sustained strategy to expand the winners' circle. We will also tackle the regeneration of deprived communities as set out in our action plan "*A New Commitment to Neighbourhood Renewal*."

3.4 Regions where traditional manufacturing is important may be particularly exposed and we must help them to increase productivity and enable their businesses to move into higher value added products. The thrust of our new approach must be to enable more businesses, communities and individuals to anticipate and deal with change and restructuring and make the most of their talents and capabilities. We must also build on success and ensure that growth is not held back by infrastructure or skill constraints.

3.5 Government should not sit back and leave regional problems unthinkingly to the market. The causes of disparities between and within regions need to be addressed. Neither should it try to pick regional winners or subsidise failing businesses. Instead, Government must equip all regions and communities with the means to build on their own distinctive cultures, know-how and competitive advantages. This must be a bottom-up approach: the role of central Government must be to ensure that all regions and communities have the resources and capability to be winners. Strong regional policies have proved their worth in other European economies and in the USA.

3.6 The Government has already taken a number of important steps to address these issues in the regions. In particular the Regional Development Agencies have developed all embracing Regional Strategies for their regions. By covering employment, skills, innovation and regeneration, their strategies provide a coherent framework within which to decide how best to meet regional economic priorities. We have also focused Regional Selective Assistance in line with our new policy objectives, with around £250 million per year across Great Britain to lever in private

investment and local Learning and Skills Councils, which will be operational from April 2001, will be responsible, working with business, for driving up skill levels in their areas.

3.7 The Regional Strategies reflect the differences between and within regions but they have all identified the importance of developing the skills base, encouraging enterprise and building a stronger capacity for innovation and technology transfer. This chapter shows how the Government will play its part in strengthening regional capabilities. It will:

- establish top class university innovation centres and new technology institutes in the regions to boost the levels of research and development, innovation and technology transfer and to provide the regions with the skills in ICT and high technology they need. The innovation centres and technology institutes will be closely linked to form a major network to encourage further development of business clusters and business incubators in the regions. They will create new dynamic hubs for growth;
- boost the capacity for enterprise in all regions by launching a new £75 million incubator fund to support new business formation: taking steps to ensure that the right support is available at the right time for small businesses that are committed to substantial growth and developing new early growth funding to fill gaps in the availability of small amounts of risk capital for new and growing businesses and those with intangible assets;
- support businesses and individuals in dealing with change by establishing a new Manufacturing Advisory Service to give special support to manufacturing industry; and
- promote the growth of successful clusters by asking the Regional Development Agencies to develop strategies for success for their regions, building on existing strengths, with the assistance of the clusters map published alongside this White Paper;
- remove unnecessary constraints to growth by improving transport and planning; and
- raise skills levels in deprived areas and communities and target help on businesses and people affected by restructuring and seeking new employment.

Our Goal

3.8 We do not intend to hold back any region - we must ensure that all prosper. Our goal is to increase the rate of growth in all regions by addressing under-performance and building on success. There is no single solution that can be applied across the UK. The Regional Development Agencies, together with local Learning and Skills Councils and the work of Government Offices, provide a channel for flexible policies to meet the different needs of regions and communities and ensure equal opportunities for all. We will encourage regional partnerships to ensure policies and services for business are properly joined up.

Where the UK Stands

3.9 All parts of the UK are benefiting from the stable macroeconomic environment. 1.1 million more people are in work than in 1997. Unemployment is at its lowest rate since the mid-1970s.

3.10 However, there are large disparities between and within regions and in certain disadvantaged areas. Since 1990, the share of output in the UK has declined noticeably in the North East, West Midlands, Wales and Scotland and increased in

the Eastern Region, London and the South East.

3.11 There are also significant variations in the extent to which regions possess the key building blocks for economic success. In 1997, investment by manufacturing business in R&D represented 12 per cent of gross value added in the South East, compared with 1.8 per cent in Yorkshire and the Humber, 2.9 per cent in the North East and 4.7 per cent in the North West. In 1999, there were 66 new business registrations for every 10,000 adults in London and 45 in the South East, compared with 29 in Yorkshire and the Humber, and just 21 in the North East. In the North East and the West Midlands almost 20 per cent of the working age population had no qualifications compared to 11 per cent in the South East. The South East with 32 per cent of the population of VAT registered businesses has 46 per cent of England's venture capital backed companies, while the South West with 11 per cent of the population has 6 per cent.

3.12 The UK also has some very strong clusters of economic growth and innovation. Particularly successful examples are financial services in the South East, high technology industries in Cambridge and Oxford, a range of creative industries in London, and information technology along the M4 corridor. There are also important chemical industry clusters in a number of regions and significant embryonic clusters such as biomedical industries in the North West, leisure software in Yorkshire and the Humber and environmental industries in the West Midlands. However, some of these areas risk becoming victims of their own success by running up against constraints in terms of, for example, transport infrastructure, land use and skills shortages.

What the Government will do

Building Regional Capacity for Innovation, Skills and R&D

3.13 The role of our universities in the economy is crucial. They are powerful drivers of innovation and change in science and technology, the arts, humanities, design and other creative disciplines. They produce people with knowledge and skills; they generate new knowledge and import it from diverse sources; and they apply knowledge in a range of environments. They are also the seedbed for new industries, products and services and are at the hub of business networks and industrial clusters of the knowledge economy.

3.14 For businesses to grow and succeed, it is essential for them to have access to world class research and development and skills. We must transform their capacity to exploit the opportunities of new technology and sustain a diversified economic base. However, private sector R&D is low in some regions, there are gaps in the skills of the workforce and the potential of universities to act as hubs of growth is not fully realised. All the Regional Development Agencies recognise the importance of building effective links between universities and businesses in their regions.

3.15 Through imaginative partnerships between universities and business we can stimulate new investment in research and development and new high tech skills. We can also give a major boost to transferring technology to business. Through colleges we can ensure that the flow of skills and know-how reaches into the wider community, and through exploitation of intellectual property rights, ensure a reward for creativity.

We will establish university innovation centres. These will be top class, long term

research partnerships between major business interests and the university sector. They will create new dynamic links for growth. They will be at the heart of cluster development and support for new start-ups and businesses that are growing in business incubators. Through them, businesses will be able to make the most of the specialist knowledge that is available regionally.

We will also take decisive action to boost the supply of high tech skills including multi-media and link this with the transfer of expertise to local small businesses. We will establish new technology institutes based on partnerships between universities, colleges and local business. They will provide specialist ICT and other high tech learning programmes and will work closely with local companies to ensure they have the know-how to apply advanced technology practices. They will also help to cascade skills and know-how to the wider community.

3.16 The university innovation centres and technology institutes will form a major new network, based in every region, to boost the level of research and development, innovation and technology transfer and to provide regions with the skills in ICT and high technology they need. The network will be driven forward by a partnership involving DTI, the Higher Education Funding Council for England (HEFCE), the Learning and Skills Council, the Small Business Service and the Regional Development Agencies. They will all come together to lend their resources and expertise to ensuring the most effective networks and hubs of growth are established within and across regions. DTI will work together with DfEE, through the resources allocated to the HEFCE, to develop the network.

3.17 We are able to announce today the setting up of five university innovation centres. We will encourage the setting up of further university innovation centres from a range of funds including the Higher Education Innovation Fund, where an additional £80 million over the next three years was announced in the Spending Review to strengthen business/higher education partnerships. Loans from the European Investment Bank could also be used to help fund the centres. The Bank has decided to provide additional funds for investment in research and development by industry across the EU, of which £250 million is expected to be lent to UK companies over the next three years. The EIB is also considering a new £100 million loan facility for investment in universities. This is being discussed with HEFCE for implementation later this year.

3.18 An example of a new collaborative research venture is the partnership in information and communication technologies that has been established between BT and University College London, with support from Agilent, Corning Communications, Marconi, and Nortel. The centre for research and associated postgraduate training will be established with the collaboration of BTexaCT, BT's advanced communication technologies business, and based at its Adastral.Park site near Ipswich. It will support a community of around 50 researchers focusing on the technological development needs of industrial partners and fostering closer co-operation between academics and industry.



3.19 The five new regionally based projects announced today will build on this type of good practice. A total of £30 million will be available to support collaborative R&D and knowledge transfer activity. Each project is focused on a sector recognised as being of strategic importance to the region and will emphasise the importance of large companies as well as the small businesses in their supply chains collaborating

with academics for competitive advantage.

3.20 The five projects are:

- microsystems and nanotechnology in the North East, involving BAE SYSTEMS and Procter & Gamble, with the stated intention of using the research excellence of Durham and Newcastle universities in this field to give a technological lead to existing instrumentation and bioscience businesses, and to catalyse the growth of a new industrial cluster in the region;
- an organic chemicals project in the North West involving a number of international companies, including Astra Zeneca, Avecia, UCB Films and Unilever aimed at ensuring that university research, particularly in the collaborative Manchester Polymer Centre, is focused on improving the performance of the region's existing chemical industry and helping to establish new product lines in existing firms and spawn new startup companies;
- communications, computing and content technologies in the South West, centred on the University of Bristol and involving companies such as Hewlett Packard, STMicroelectronics and Broadcom and intended to unite key industrial and academic research capabilities to provide a competitive response to the convergence of these fields;
- business to business e-commerce in the West Midlands involving Marconi, Sun Microsystems and the Parametric Technology Corporation, recognising that e-business is radically changing how organisations communicate, co-operate and make decisions, and that it is essential to prepare businesses for this new environment; and
- aerospace manufacturing in Yorkshire, centred on a new Technology Park in Sheffield under the leadership of Sheffield University and involving the Boeing Company, the Hamble Group, Technicut and a number of other research organisations and companies from throughout the aerospace components supply chain.

3.21 All the projects are intended to serve as exemplars to inspire similar projects in other sectors and regions. Some, such as that in the West Midlands involving Marconi and the Warwick Manufacturing Group, extend existing collaborative relationships.



3.22 Our aim is to establish up to two new technology institutes in each region. They will involve universities working with local colleges and small groups of businesses. They will provide courses mainly at technician level but also including foundation, first and post graduate degree level. The institutes will bring together teaching and skills development with work to support the transfer of new technologies and business practices to companies. This will involve exchanges of staff between institutes, business work experience placements for students and training sessions delivered on site with companies. Universities and colleges, working in partnership with leading IT companies, will be invited to bid for funding for the new technology institutes. The funding will be administered jointly by the Higher Education Funding Council for England and the Learning and Skills Council



South Yorkshire Aerospace Cluster: led by the University of Sheffield and The Boeing Company

3.23 Reading College and School of Art and Design is a good example of the sort of collaboration we wish to develop through the new technology institutes. It provides the core of a regional partnership for e-learning through a virtual college providing online high technology and advanced IT skills to the SME sector. It works closely with Thames Valley University and Oxford Brookes University. Its Digital Academy brings together industry, further education and higher education on programmes ranging from web-page design, computer animation and multimedia technology to digital printing and electronic publishing.



Leeds College of Technology

Leeds College of Technology is at the leading edge of skills development for the print industry. Twenty per cent of the UK's printing industry is located in the North of England and the college aims to encourage young people to enter the industry by offering specially developed customised courses. The centre has secured over £2 million of private sponsorship from companies including Heidelberg, Komori, Xerox and Agfa. The Print Media Centre's membership scheme encourages companies and individuals with an interest in the print industry to participate in the centre's programmes. Employer feedback helps the college ensure that its provision keeps pace with digital and electronic advances in industry. The college is in partnership with two major universities in Leeds and will become a printing sector centre for **learnirect**, which complements its online training provision for the engineering manufacturing and motor vehicles industries.

Encouraging Enterprise - New Business Formation

3.24 Small businesses are a key engine of the economy. They provide about half of all employment and that proportion is growing. There is already work in progress across Government towards creating the right environment for encouraging enterprise. The Global Entrepreneurship Monitor 2000 identified that the

participation of women in entrepreneurship is critical to long term economic prosperity. Women currently start up only a third of businesses in the UK. There are many potential entrepreneurs amongst women and other under-represented groups and action will be taken to remove any particular barriers to starting up in business and in promoting enterprise to these groups through the provision of business support and incubator space. We need to ensure that all entrepreneurs are able to achieve their full potential. Not all new start-ups and small firms will want to grow substantially but it is vital that we do everything we can to help those that do. Business incubation where start-ups are able to work within a supportive environment during the early stages of their development, is a key regional priority for many of the Regional Development Agencies.

3.25 A supportive environment for new businesses offered by business incubators including flexible leases, good communications, mentoring and business advice has been shown to help start-ups survive and prosper. 80 per cent of businesses that start in such incubators are still in business after 5 years, compared with only 33 per cent which do not have such support. A number of incubators have been developed particularly for high tech start-ups and specialist clusters. For example, the East of England Development Agency is developing two new incubators - one specialising in telecommunications and another in North Sea oil and gas energy industries. And in the North West, the Regional Development Agency's Business Incubation Programme will establish eleven high tech startup businesses within the clusters identified in the Regional Strategy. However, supply is not meeting demand and there is a shortage of workspace providing incubation for those wanting to startup in their local community.

To encourage business formation and growth in all regions, we will launch a new £75 million incubator fund operated by the Small Business Service. Particular attention will be paid to meeting the needs of women and other under-represented groups.

3.26 The Small Business Service will fund, with other finance providers, the development of additional incubators within local communities to help ensure that all start-up companies likely to benefit from such facilities have the chance to do so, and to draw on their access to expertise appropriate to each business. The bidding process will be managed at regional level by the RDAs on behalf of the SBS. The aim is to develop around 75 incubators by 2004. We expect around 30 to 35 businesses to be helped by each incubator, enabling a total of around 2,500 companies to be helped at any one time.

3.27 The new fund will support the creation of incubator space, refurbishment of workspace to provide a more supportive environment and the linking of business support and workspace provision with other infrastructure such as broadband communications networks. The Small Business Service will work with Regional Development Agencies and local partners to ensure that a full range of incubation facilities is available in a region to assist in cluster development and regeneration. The European Investment Bank is considering a new facility of up to £75 million to support the incubator fund to be operated by the Small Business Service.

Wandsworth Youth Enterprise

Wandsworth Youth Enterprise business incubation programme provides intensive support specifically designed to help young people aged 17-30 start-up and

run a successful enterprise. A client-led counselling service is interlinked with business skills workshops, training courses and managed workspace provision with 25 subsidised business units. The average survival rate has been 85-90 per cent trading after two years. Over 3,000 young people have been helped under this scheme which was set up to tackle problems of unemployment, social exclusion and lack of opportunities for young people in an area of high unemployment and a diverse multicultural community.



Encouraging Enterprise - Support for Growth Businesses

3.28 Estimates suggest that about 12 per cent of small and medium sized businesses are committed to substantial growth as a key business objective. The aim is to network to help those companies access the support and advice they need from both the public and private sectors.

3.29 We need these businesses to grow, however identifying them can be difficult. But a number of Government organisations such as the Inland Revenue, Customs & Excise and the Employment Service are well placed to identify companies which are growing quickly, because they know when companies reach particular employee or turnover thresholds. The Small Business Service will therefore work with these bodies to ensure that growth companies are aware of the opportunity to work with Business Link operators in order to access the support they need. Business Links will stand ready to offer whatever support is needed and deliver this in a manner appropriate to the business needs. We will, for instance, ensure our support is marketed to all sectors including the creative industries which have, to date, been reluctant to use traditional business support mechanisms. While each firm's requirements will be different, the kind of support and advice likely to be available in the package of support will include:

- access to finance including risk capital, to ensure the firm has the resources it needs to grow;
- effective access to information and communication technologies to help widen their markets;
- advice on how to accelerate and continue product and process innovation development to help the firm go beyond being a single product/process company;
- information and advice on trading overseas; and
- advice on how to manage growth effectively since many small firms stutter as they go beyond owner-manager status.

3.30 Lack of management skills and expertise can often hold back growth companies. The local Learning and Skills Council will work closely with employers and their sector based National Training Organisations to identify skills needs and bring together like-minded employers, particularly in small firms, to share resources and develop joint action plans. Close links between the Learning and Skills Council and the Small Business Service will be important in delivering these improvements.

3.31 It is also highly desirable that larger companies play a role in the development of growing businesses. For example, the Small Business Service is currently

developing with BAE SYSTEMS a programme under which a number of their senior executives would serve as non-executive directors or mentors of growth orientated small companies. This would contribute to the personal development of those individuals by giving them a fresh perspective on the business issues facing smaller companies, while allowing the smaller companies to gain the benefit of external advice from potential "high-flyers" with BAE SYSTEMS. This is currently being developed as a pilot programme, but if it proves successful, the Small Business Service will seek to widen this initiative into a 'Business Buddies' scheme and involve more companies both large and small.

Encouraging Enterprise - Widening Access to Finance

3.32 Despite the growth of formal and informal venture capital, not all businesses with growth potential can get the risk capital they need. Venture capital investment in the UK in 1999 exceeded £6 billion, more than double the amount in 1997 and involving £4 billion in management buyouts. Between 1998 and 1999 investment in start-ups rose by 15 per cent and in early stage companies by 24 per cent, with the development of new seed funds (particularly in technology sectors) and a more active business angel market.

3.33 Nonetheless, a number of independent reports, including a recent IPPR report on this issue, have confirmed that it can still be difficult to raise small amounts of risk capital, particularly for investment in intangibles such as R&D and in the creative industries. Institutional investors tend to favour private equity over classic venture capital. So new knowledge companies, as well as more traditional forms, need a little extra help.

To encourage more start-ups and growth firms, we will develop with the Small Business Service and the private sector new early growth funding for start-ups and smaller growing businesses. This funding will help to meet the need for small amounts of risk capital. We will aim to help a minimum of 1,000 businesses over the next three years committing up to £50 million from the Enterprise Fund.

3.34 We will develop new funding streams to help plug the financing gap for start-ups and small growing firms. We will target businesses seeking to raise up to £50,000, including innovative and knowledge-intensive businesses, as well as businesses such as smaller manufacturers needing fresh investment to pursue new opportunities. We will consult with banks and the private finance industry in the first half of 2001 to design an effective new public/private partnership, consistent with rules on assistance to small firms. Funding will be stimulated through new guarantee or co-funding mechanisms and the costs will be met from the Enterprise Fund.

3.35 To ensure regional availability of finance, we are working with the European Investment Bank through the European Investment Fund to promote the accessibility of venture capital in all regions. Subject to EU approval and private co-investor support, we hope to have the first of the network of Regional Venture Capital Funds making investments later this year.

3.36 The Government has welcomed the Social Investment Task Force report, published in October 2000, which recommended a five-point action plan for increasing private investment in enterprises in disadvantaged areas. In response, the Government is:

- due to consult shortly on the proposed Community Investment Tax Credit;
- working closely with the venture capital industry to set up the first Community Development Venture Fund;
- encouraging banks to disclose their individual lending activities to firms in under-invested areas;
- due to issue guidance, through the Charities Commission, on how charities can invest in social enterprises, for example through "programme-related investment"; and
- encouraging the community development sector to form an effective trade association, and considering the proposal for a community development "champion".

3.37 The Government has also set up the £100m Phoenix Fund, which is run by the Small Business Service. This seeks to encourage enterprise among those who are less likely to participate, such as people living in disadvantaged neighbourhoods, women, people with disabilities, and ethnic minorities. The fund promotes the provision of good quality business support, including projects giving access to business funding for those who find this difficult to obtain from conventional sources. The first successful bidders, some 50 organisations involving projects worth £15m, were announced on 5th February 2001. Further rounds of bidding are scheduled later this year.

Dealing with Change - Manufacturing Excellence

3.38 An innovative, high value added manufacturing sector is a vital part of the economy. Manufacturing directly employs 4 million people and accounts for almost £150 billion of output per year. A further 2.5 million service sector jobs depend on manufacturing through supply chain linkages. Many of our most innovative businesses are manufacturers investing heavily in research and development. We need more world class manufacturers.

3.39 We need to encourage more manufacturers to follow the example of the best but some small manufacturers lack the resources to move their performance beyond the level needed for day to day survival. To help them adopt current best manufacturing practices they need a convenient, easily available and affordable source of advice on technology, manufacturing operations and training issues. The stress on the importance of manufacturing and the need to update the competitiveness of the manufacturing base is a key priority for many of the Regional Development Agencies. For example in the West Midlands the Regional Development Agency is building on the work of the Rover Task Force and has set out a wide range of linked, priority actions to deliver a step change in the region's economy.

To help such businesses we will establish a new Manufacturing Advisory Service in partnership with the Regional Development Agencies, to provide practical help with new manufacturing technology. DTI will provide £15 million over three years to complement funding from the Regional Development Agencies and the Welsh Development Agency.

3.40 The new service will be designed to work alongside other programmes, such as those developed in the West Midlands. It will be delivered in concert with the Small Business Service with initial access normally being via Business Links and draw on successful experience from the USA. It will comprise:

- regional centres for manufacturing excellence, which will provide practical advice and assistance on a wide range of manufacturing issues through teams of experts available to diagnose problems and provide tailored solutions for individual firms. The Regional Development Agencies and Welsh Development Agency will progressively establish regional centres from the second half of the year;
- a supporting national network to ensure manufacturers in all regions can have access to the best quality expertise. The first phase of the national network will be operational by summer 2001 and form part of the Business Link Information and Advice Service.

3.41 In addition, we are developing further partnerships to build on the successful SMMT Industry Forum Programme in the vehicle industry. The programme is delivering hard, measurable results including "right first time" quality increased by two thirds, productivity doubled and stock turns more than trebled. A further five partnerships have already been launched, covering aerospace, ceramics, chemicals, metals and oil and gas; one for textiles and clothing is being established: and we aim to extend support to four more sectoral partnerships. All these activities will contribute to the CBI-led Fit for the Future national best practice campaign to help more companies achieve world class performance.

3.42 The Government will also extend the programme of Faraday partnerships that link universities, independent research organisations and firms to bring new products and processes in key industrial sectors to market more quickly. Ten partnerships are already established in sectors such as new materials, sensors and food process engineering. They employ people who can interpret the findings of research for business and carry the needs of business back into the research communities. We will launch another eight partnerships in April 2001; and issue a call for proposals in May 2001 to expand the network to at least 24 partnerships by 2002. Whereas university innovation centres will focus on regional-scale links with a strategically important grouping of companies and build on the physical presence of a major research capability, the Faraday partnerships promote a broader base of many organisations working together in a nationally important sector.

3.43 We will continue to support LINK programmes which encourage businesses to work with the research base in universities and elsewhere. For example, the Foresight Vehicle programme is developing a growing network of 400 organisations and a research portfolio worth over £75 million to date. And the new LINK Bioremediation Programme will open for proposals from April to promote biotechnology for environmental clean up. The DTI is committing £2 million to this programme with over £5 million from other government sponsors including several research councils and the Environment Agency.

3.44 There is a growing demand in universities and research labs for people who can work at the interface between research and the commercial world, identifying technology that has commercial value and managing the exploitation process. The Government intends to work with interested bodies and universities to review how best to stimulate the provision of training in this field.

Clusters and Strategies for Success

3.45 The Government is working with the Regional Development Agencies to identify the distribution and nature of clusters in the UK. The Clusters Report "*UK Business Clusters: A First Assessment*" identifies over 150 manufacturing and service clusters around the UK. Some of these are highly successful, others

embryonic, while others may need to increase their rate of innovation and move into higher value added products if they are to play a major role in the knowledge economy. Examples of new clusters include environmental industries in the North East and Yorkshire and the Humber; Biomedical supplies in the North West and speciality chemicals in the North East and North West.

To remove constraints and highlight the potential for growth of successful clusters, the Government has asked Regional Development Agencies to produce strategies for success for their regions, drawing on their regional strategies and using information such as the clusters map to identify further potential centres of growth.

3.46 The Regional Development Agencies have produced Regional Economic Strategies and associated Innovation Strategies and are already working with local authorities and other key partners to support many of these clusters and identify opportunities for new development. The strategies will also provide a strong co-ordinating framework for the work of the local Learning and Skills Councils and will inform their plans for education and training at local level.

3.47 The clusters report provides a systematic basis for this work and identifies clusters of international and national as well as regional significance. An example is the work by Yorkshire Forward, the Regional Development Agency in Yorkshire and the Humber, which has already resulted in a number of centres of excellence being set up for chemicals, food, construction, printing, electronics, multimedia, textiles and medical equipment.

3.48 Other examples of Agency activity are in the East Midlands where the Regional Development Agency aims to identify emerging clusters around the region and recruit innovation champions to facilitate development of the clusters. Using a similar approach, the Agency in the North East aims to develop an information hub to encourage greater collaboration and sharing of best practice between clusters. In the North East current activity is focussed around existing clusters, including chemicals, electronics and automotive, and developing clusters, including speciality chemicals, nanotechnology, tourism and cultural industries. A range of activities are now being taken forward to support these existing and emerging clusters including the establishment of the Northern Film and Media Office to provide a platform for the focussed development of the multimedia and film industries in the region. And in the South West a number of initiatives are being taken forward including facilities for high tech businesses linked to an emerging biotechnology cluster around Porton Down and Exeter Innovation Centre. Further examples of Regional Development activity to support clusters are described in the box opposite.

3.49 Drawing on this material, the Agencies will now develop strategies for success. They will explore in more detail opportunities for reinforcing success and addressing growth pressures within their regions.

3.50 All the Agencies will also spread good practice and foster collaboration and connections between these networks and clusters. Under their new funding arrangements, they will have more flexibility in spending their overall budgets to address problems in growth areas.

Examples of Regional Development Agency Cluster Development Activity

Motorsport

The motorsport industry makes a major contribution to the UK economy in terms of GDP and is a source of international expertise as well as high tech employment. Around 70 per cent of the industry in the UK is located within the boundaries of the South East England Development Agency, East of England Development Agency, East Midlands Development Agency and Advantage West Midlands. The Agencies have been working together with the Motorsport Industry Association (MIA) to promote the sector and maintain its international expertise.

The Regional Development Agencies are working with the MIA to capitalise on supply chain linkages, to facilitate technology transfer and the diffusion of innovation in the fields of performance engineering and materials, and to exploit the commercial spin-offs achievable through greatly increased marketing, merchandising and tourism links. Plans for a national training network and advanced engineering centre are also well advanced.

Bionow

Biotechnology (particularly biomedicine) is an emerging cluster in the North West. It builds directly on the region's significant strengths in its universities, research institutes and teaching hospitals, a large and established pharmaceutical and chemicals sector, and a growing community of biotechnology companies.

Led by the North West Development Agency the initiative now involves more than 300 individuals and companies. It has organised two inward missions from the USA and attendance at BIO 2000 (Boston) and BioJapan 2000 (Tokyo). It has also started to provide strategic support for three particular projects relating to biomanufacture, bioinformatics and core technology development.

In the last year 18 new biotechnology companies have been established or moved into the region



Removing Barriers to Growth

3.51 In many areas of the country, growth is creating pressure on the local environment and infrastructure. Action is needed to build on success and remove barriers to growth, through improvements in infrastructure as well as assisting the development of innovative networks and clusters.

To help remove some of the constraints experienced by businesses in high growth localities we are making the planning system quicker and more efficient, and improving the regional and local transport infrastructure.

Improving Transport and Planning

3.52 Efficient transport is the backbone of the national and regional economy. We have announced the biggest programme of transport investment ever seen in "Transport 2010: The Ten Year Plan" which will modernise and improve this country's transport networks. We will be spending £180 billion over the next ten years including £60 billion on railways, £59 billion on local transport, £21 billion on the strategic road network, and £25 billion in London.

3.53 The first schemes under the Plan are now coming forward at local level and we have just announced the first instalment of our new capital investment in local transport. Local authorities will spend £8.4 billion over the next five years on measures contained within their strategic local transport plans. Studies are also under way to tackle the most severe of the congestion problems across England. The Government is committed under the Ten Year Transport Plan to fund the schemes which emerge from these studies. In London, the Mayor who has responsibility for transport will issue a transport strategy in July 2001.

3.54 The improvements delivered by the 10 Year Plan as a whole will increase productivity and cut business costs by making journeys quicker and more reliable, both for freight and passengers. With inputs from the new regional transport strategies, they will improve access for people and goods in all parts of the country, so that all regions can meet their full potential.

3.55 There is a lot business itself can do to also help tackle transport problems. Through our Sustainable Distribution Strategy, Government is helping industry ensure efficient supply chains, and at a local level we are facilitating businesses to implement, and gain the benefits from, more environmentally sustainable travel patterns for their employees.

3.56 As well as facilitating major infrastructure, we also need an efficient planning system which provides prompt decisions about proposed business investment. The record of local authorities in dealing quickly and efficiently with planning applications is variable and we will be using the local Government Best Value regime to tackle the poorest performing planning authorities so that they improve significantly their handling of planning applications.

3.57 We have set out our expectations of the planning system in a concordat with the Local Government Association (LGA). The Confederation of British Industry (CBI), other business bodies and the voluntary sector followed up with a "planning users" concordat. Separate agreements have been issued or are in preparation, including one prepared by the East Midlands Regional Development Agency. We shall be encouraging other regions to follow suit.

3.58 We are also promoting increased efficiency in the handling of planning applications. One way is by extending the use of electronic processing of planning cases within government. We are setting up a £3 million project to provide an Internet Planning Portal as a single access point to the planning service.

3.59 Regional planning bodies are working with the Regional Development Agencies and business to ensure an integrated approach to development at the regional level. This is where the Agencies' economic strategies come together with regional planning guidance and regional transport strategies. We want business to be better engaged with the preparation of these strategies and in development plans at local level.

3.60 The planning system needs to underpin development of business clusters. Guidance has already been issued to local authorities relating to planning for clusters at both regional and local level. An example is the new Regional Planning Guidance for East Anglia, which requires local planning authorities, working with the Regional Development Agency and other regional partners, to identify suitable locations for research and technology-based industries and their supportservices. The objective is to extend the clusters based around Cambridge to other parts of the region.

Overcoming The Skills Divide

3.61 Low skills are a real barrier to economic development. Low-skilled communities have high rates of unemployment, and of low-paid employment, and low skills discourage companies from locating and investing in communities. Conversely, where skill levels are high, and where vocational education and training provided by colleges and other institutions is flexible and meets the needs of potential employers, communities can attract and retain investment and have the resilience to adapt to the swift pace of change in the modern labour market.

3.62 With business people forming 40 per cent of the membership of its local councils, the Learning and Skills Council gives us an unprecedented opportunity to ensure that education and training meets the needs of local businesses. Working with Regional Development Agencies it will provide up to date intelligence on regional and local skill needs and will target areas with a low skills base and those with recruitment difficulties. The new specialist centres of vocational excellence, based in further education colleges, which will be co-ordinated by the Council will have a key role in meeting the skill pressures facing local firms.

3.63 Community Champions is a good example of an initiative which empowers local people to find sustainable solutions they know will work. It aims to help people build on skills they already have and encourage them to help others become more involved in community and regeneration activity. We are providing £3 million from the Active Community Fund to extend this scheme. We are also providing £13.5 million from this fund and matched funding from the Higher Education Funding Council for England to enable students and staff in higher education institutions to engage in volunteer work with their local communities.

3.64 The work of the Learning and Skills Council in raising skill levels in deprived communities fits closely with the development of skills under the New Deal. Later this year we will enhance the New Deal for those aged 25 and over. Extra help will be given to everyone who has been unemployed for more than 18 months and, for people between ages 25-50, we will make the New Deal compulsory. We will ensure that we are reaching the hardest to help and tackling skill shortages by making the New Deal more flexible and responsive to the needs of individuals and employers.

3.65 The Council has a clear remit to help in building the capacity of people living in deprived neighbourhoods and to promote equality and social inclusion. It will use the Local Initiatives Fund to develop a wider range of learning opportunities in these neighbourhoods. It will help provide training for community leaders and groups involved in self-help projects. In line with the Action Plan to implement the National Strategy for Neighbourhood Renewal the Council will help to bridge the gap between deprived communities and the rest of the country by helping to build the self-confidence of these communities and engaging the wider community in learning.

3.66 We will press ahead with action to bridge the digital divide. We are investing £252 million to establish UK Online centres in our most disadvantaged communities. We are also investing £10 million through the Wired Up Communities Initiative to test how making ICT available to people in our most disadvantaged communities enables them to develop skills, enhances work prospects and supports community regeneration. We will begin phase 2 projects under the Wired Up Communities Initiative in July this year and we will increase the number of UK Online centres to 6000 by 2004. Both these initiatives will drive forward our strategy to provide access to ICT and the Internet to all who want it.

3.67 The low skills base of many communities is partly a result of low attainment in formal education, and low rates of continuing education. Education Action Zones and the Excellence in Cities initiative are helping to combat underachievement in deprived communities. In addition Education Maintenance allowances are strengthening the incentives to young people to stay on in learning. Through the Excellence Challenge programme we will bring higher education and further education into both Education Action Zones and the Excellence in Cities partnerships to start working with able young people from age 13 from disadvantaged backgrounds. The programme will provide information and practical support for young people, their teachers and parents about the opportunities and benefits of higher education.

SEEDA Bursary Scheme

SEEDA, the Regional Development Agency in the South East, has launched a rolling programme funding postdoctoral fellows in South East higher education institutions to investigate skills shortages for the knowledge economy.

The scheme, managed by the South East Higher Education (HE) regional consortium, and supported by Skills Insight, the regional skills observatory and SEEDA sector groups, will develop a detailed understanding of future skills needs in specific sectors and ensure these are fully understood and acted upon by the region's HE research base.

The first three bursaries focus on the Media & Creative, Marine Technology and Tourism sectors, involving the Surrey Institute of Art & Design, Southampton Institute and the University of Brighton.

Further bursaries will follow so that a cadre of researchers and their supervisors will be built to act as an academic 'future think tank'. By working in the research environment they will be able to identify growth points for new industries and therefore anticipate future skills needs.



Dealing with Change - Major Restructuring

3.68 Relocations, rationalisations and redundancies happen as the economy

changes in response to globalisation, shifts in consumer preferences and new technology. These changes cannot be stopped or reversed, but people and communities need support from Government so they can anticipate change, adapt and move forward. Macroeconomic stability and a supportive business environment will foster the growth of new firms and new jobs throughout the economy. On occasions the pace and extent of change means communities need more focused support.

3.69 The kind of support needed will vary but could include fostering more business start-ups; facilitating the preparation and release of sites for new investment; help for supply chains; and advice on diversification and new markets.

3.70 Existing Government programmes are already available to help and the Regional Development Agencies and the Employment Service have the responsibility to co-ordinate resources at the regional level.

In addition, to enable communities and individuals affected by redundancy to find the right jobs more quickly, and growing companies to tackle skill shortages we are creating a new Job Transition Service building on the help already available through the Employment Service.

3.71 The new Job Transition Service is designed to not only help individuals and their families cope with job loss, but also to support employers who need help to recruit people with the right skills for their business. It will provide all those affected by a major redundancy with a personal adviser who will assess each individual's employability in the local labour market, focusing on transferable skills and those skills required by new employers. Personal advice on finance, self-employment, access to training courses and future career options will be offered to every individual who may need access to existing programmes or new funding in order to develop skills appropriate to the changing needs of the local labour market.

3.72 The new Service will:

- give people at local level power to decide the best approach for them and their community and help them to put it into practice;
- reduce the impact of redundancies on the whole community by more flexible and discretionary deployment of the current Rapid Response Fund. The help will extend to partners of those made redundant, as well as others in the community affected indirectly;
- be 'demand led', working with potential employers to analyse their skills needs and matching them against available recruits and running skill development programmes to close the gap; and
- ensure that the jobs people move into offer opportunities for progression, through structured training including support for apprentice-style programmes for those wishing to change their career.

3.73 The new service is being developed with the help of those on the ground who are dealing with recent major redundancies. Working with partners, we will ensure that the service reflects the needs of individuals and employers rather than the assumptions of central government.

3.74 To give further assistance to improving the recruitment of people into new jobs we are putting in place a new pilot scheme, called 'Recruit' in 12 areas, starting this Spring. It builds on our existing commitment to meet the needs of individuals and

small, local employers. It will offer special recruitment payments to small employers who give work to any person eligible for the New Deal for Young People or the New Deal 25+ in one of the 12 pilot areas covered by the Action Teams for Jobs.

3.75 The Learning and Skills Council and The Regional Development Agencies will play a key role in raising sustainable levels of employment in disadvantaged areas through local strategies for giving people the skills they need to get work. To ensure all those in search of work can match the recruitment needs of employers the Regional Development Agencies will draw up Employment Action Plans, based on local labour market information that identifies the need of individuals and employers. They will work closely with the Employment Service, local Learning and Skills Councils and other key regional and local partners. We want everyone involved in the community to feed into this process, helping to promote coherence and build stable local economies.

Scotland, Wales and Northern Ireland

Actions to improve regional performance are needed in all parts of the country to achieve the overall aim of strengthening the national economy. In Scotland, Wales and Northern Ireland the devolved administrations are putting in place the policies that will enable all parts of the UK to achieve success.

The Scottish Executive's major aims are to:

- build a pro-enterprise culture by supporting the uptake of e-business in SMEs and assisting high-growth start-ups, attracting inward investment to create or safeguard 7,000 jobs in 2000/1, taking action on better regulation, undertaking a review of small business rate relief, maximising the economic benefits of publicly funded science; introducing new credit schemes for women and increasing economic benefits from tourism;
- get every Scot ready for tomorrow's jobs by developing new approaches to understanding the labour market and better matching supply to demand, doubling the number of Modern Apprenticeships during the first Scottish Parliament; developing sector initiatives to strengthen employer linkages and help clients obtain jobs in sectors with high vacancy levels;
- make a reality of lifelong learning by investing in the quality and effectiveness of further and higher education, improving adult literacy and numeracy, and assisting students from low income families; delivering 100,000 Individual Learning Accounts by 2002.

Further information on the Scottish Executive's enterprise and lifelong learning policies and programmes can be found on <http://www.scotland.gov.uk/who/ellid/>

The Assembly for Wales and its partners are committed to:

- achieving an enterprise economy by improving training, assisting small businesses to grow, promoting stability, encouraging new technologies, particularly e-commerce; and minimising the burdens on businesses;
- ensuring that Wales exploits the full range of opportunities available through the granting of status for regeneration assistance within Europe. It

will continue to seek high quality inward investment and to strengthen the support given to overseas trade. Meanwhile, the Assembly remains committed to ensuring that economic growth is environmentally and socially sustainable.

These principles will underpin the Assembly's ambitious Economic Development Strategy to be published later this year. The key themes will be developing people and building the knowledge economy. The Assembly's ambition is to create an economic environment that will strengthen even further Wales' claim to be an excellent place to do business.

The Northern Ireland Executive's

Draft Programme includes commitments to:

- develop a Northern Ireland Regional Innovation Strategy, stimulate a further increase in private sector expenditure in R&D, sustain 50 high technology, value added new start-up companies each year;
- ensure Northern Ireland has a world class telecommunications infrastructure, review provision of venture and seed capital for small businesses, develop strategies for small business, sustainable business, start-ups and creative industries, prepare an energy market strategy for Northern Ireland;
- pilot a new training programme for adults with basic literacy and numeracy problems, develop an action plan for greater integration of entrepreneurship and education, initiate a pilot scheme for the development of Foundation Degrees, provide more for university research, improve information and communication technologies in further education colleges and create centres of excellence in important skill areas

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