progress in the regions:

five years of leading the RDAs

Edited by Tony Pilch

THE SMITH INSTITUTE

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Preface
Wilf Stevenson

The Smith Institute is an independent think tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

The regional development agencies (RDAs) were created in 1998 with the aim of ensuring full employment and higher-than-trend growth across England. The Smith Institute has worked closely with the RDAs and key Whitehall policy makers in recent years, by holding national and regional events that tracked the development of the RDAs as well as by helping to share best practice. We have also published a series of key pamphlets looking at the issues that affect the RDAs.

As part of this programme, we are delighted to be publishing *Progress in the Regions: Five Years of Leading the RDAs*. This pamphlet, which features contributions from all the current and former RDA chairs, alongside essays by key individuals who have been closely involved with the regional agenda since the creation of the RDAs, provides both a retrospective look at the achievements of the agencies and a consideration of the challenges that they face in the coming years.

The Smith Institute gratefully acknowledges the support of the RDAs towards this publication and the associated seminar.

Foreword

By Jacqui Smith MP, minister for industry and the regions and deputy minister for women and equality

There can be little argument that the overall prosperity of any country is dependent on strong economic performance at the regional and local levels. Sustainable improvements in the economic performance of all areas, particularly areas that are underperforming, should produce a significant improvement in the national economy as a whole. This is what underpins much of the government's current thinking about regional economies.

While national policy has a very important role to play in rectifying certain UK-wide problems, the government is clear that some regional problems require regional solutions. It is at the regional level that such problems can best be understood and the most effective solutions found. This is why the government has taken steps to devolve and decentralise policy making and why it created the nine regional development agencies in England.

By bringing strategic economic leadership to their regions, by forging closer partnerships with a range of partners in their own individual regions, and by working closely with each other and with the Department of Trade & Industry and others in central government, England's RDAs are strengthening regional economies. They are building an understanding of the different challenges that their regions face, and shaping the strategic response to those challenges. And they are delivering positive change.

At the DTI we recognise the importance of the regional dimension and how the RDAs are helping to deliver our ambition of prosperity for all. This is why we said, in the recently published DTI strategy, that regional thinking will play a bigger role in DTI policy formation, so that national and regional strategies reinforce and complement each other. And it is why business support will be delivered at a regional level to bring it closer to customers and will be tailored to reflect local circumstances.

In short, we will be considering regional impacts throughout our business planning process and we will be continuing to work with the regions, HM Treasury and the ODPM to develop a shared understanding of the issues affecting economic performance, based on robust evidence.

The task remains significant. There is a wider disparity in overall prosperity in the UK than in other European countries. England's RDAs have a key part to play in reducing the disparities that exist across and within regions. They may be relatively new entities, but they have achieved much. I welcome this opportunity to reflect and also to look ahead to what the next five years may have in store.

Introduction

By Bryan Gray, chair of the Northwest Development Agency

The idea for this pamphlet came out of a conversation between two of the original architects of the regional development agencies – John Prescott and Richard Caborn – with RDA chairs. By the end of 2004, all the founder chairs will have retired. We felt that the genesis of the RDAs should be recorded and that, at the same time, we should record achievements and difficulties and also look to the future.

It is now 40 years since Harold Wilson coined the phrase "A week is a long time in politics". The family of RDAs is approaching its fifth birthday: it is a tribute to all concerned that they are now synonymous with the nine English regions that they serve. In this pamphlet, you will read of the birth of the agencies, their growing-pains, their achievements, and their hopes for the future. And all this from a five-year-old!

There are many ways of describing the RDAs. Richard Caborn talks of them as "powerhouses for regional prosperity". John Healey and Ed Balls describe the RDAs as "strategic leaders for economic development". RDA chairs talk frequently of sustainable development: improving competitiveness, encouraging economic growth, using resources prudently, tackling the causes of social exclusion and recognising the needs and contribution of everyone in each region.

There is no doubt in my mind that the success so far – and I think we can, with modesty, claim success – is due in large part to two things. First, the commitment of so many people to make the RDAs work. I have already mentioned our "godfathers", John Prescott and Richard Caborn. Patricia Hewitt and her predecessors at the Department of Trade & Industry – our sponsor department – have supported us, as have her ministers and officials. We work closely with many people at the Treasury and are particularly grateful to John Healey and Ed Balls for their support and for their contribution to this pamphlet. Gordon Brown has given us the opportunity to contribute to budget preparations and the prime minister has allowed us to present to him our priorities for action. To these, and to everyone else who has supported us, we are grateful.

The second reason for our success is the strength of the RDA family. The nine RDAs form a network representing England from the regions up. Concerns were expressed initially that the RDAs would indulge in destructive competition. Nothing could have been wider of the mark. The strength of the network is its ability to present a national view built up

from a regional perspective. Sharing of best practice, the concept of the lead role – each RDA leads on a national policy area to simplify contact with government departments – and many joint actions all characterise the operation of the RDA family, co-ordinated by a small national secretarial team.

Ask any RDA chair about the future and they will talk of "delivery". Regional strategies are in place; we understand the terrain (the high ground and the potholes); our task now is to get things done.

On behalf of all England's RDAs, I hope that you will find this pamphlet informative and encouraging and I hope that it will stimulate you to work with us in the next stage of our lives.

Chapter 1

The political background

By Richard Caborn MP, former minister for the regions, regeneration and planning

The regional development agencies have now been with us for almost five years and, as this timely Smith Institute publication shows, they have come a long way in a relatively short time.

Growing up is never easy, and the RDAs have had their fair share of problems and frustrations to deal with. But looking back, I believe that the nine "powerhouses for regional prosperity" have been a success for the English regions, and a success for Labour.

Tracing the roots

It could have been a very different story had it not been for the political will and determination of people such as John Prescott, who throughout the turbulent years in opposition continued relentlessly to bang the drum for a strong regional policy and devolution for England. It was Prescott who wrote the *Alternative Regional Economic Strategy* back in the 1980s, which highlighted the growing regional divide and called for a new regional economic policy to raise the performance of the weakest regions.

Prescott pointed out that it was a Labour government that established the Welsh Development Agency and the Scottish Development Agency, later renamed Scottish Enterprise, and that something equivalent was required for the English regions. The Tories had set up the Northern Development Corporation (1985-94), and the regional government offices, and they continued to support the WDA, the SDA and the Northern Ireland Development Corporation, but they were generally sucking powers up rather than devolving them down. Moreover, despite the widening regional divide, they held firm to their laissez faire policies and cutbacks in regional aid.

For much of the 1980s and the early 1990s, English regionalism took a back seat, within the Labour movement, to the campaign for Scottish devolution and the national policy debate over boom and bust and the future of public services. However, the idea of a more strategic, bottom-up approach to regional economic development, with the emphasis on promoting indigenous growth rather than on "picking winners", was beginning to attract more attention – not least among northern constituencies in the business community and trade union movement.

The definitive case for RDAs and a new regional economic policy was made by the Regional Policy Commission, which was chaired by Bruce Millan, the former European commissioner for regional policy and secretary of state for Scotland. The commission, established by Prescott in 1995, concluded after a year of research that the regions were

underperforming relative to both their UK neighbours and their international competitors, and that:

Urgent action needs to be taken to address the underlying causes of economic failure. Current regional policy is not up to the task. It lacks a sense of strategic purpose, is centralised, prescriptive, piecemeal and inconsistent. It is dictated by remote ministers and pays scant regard to the relative needs of the different regions ... Every region should have an RDA to promote economic development in the region, within an accountable and strategic regional framework.[1]

The all-party trade and industry select committee report on regional policy (published in 1995) came to the same conclusion, although it was slightly more reserved about the creation of RDAs in all regions.

However, it was the Millan Commission that provided Labour with a blueprint for a new regional economic policy, led by the RDAs as economic powerhouses for regional prosperity. Millan's analysis showed a desperate need to tackle the causes of regional underperformance by focusing on skills, research and development, innovation, investment and enterprise, which was in tune with the party's macroeconomic and microeconomic policies, to achieve high and stable levels of growth and employment.

Making it happen

The 1997 manifesto pledge to establish RDAs in England was one of some 177 commitments. Doubts were cast as to how high a priority it was, and some argued that RDAs should wait until Labour bit the bullet on establishing elected regional assemblies.

Prescott would have none of it and insisted in cabinet, with the support of Gordon Brown, that RDAs were a top priority, and that his team at the new Department of Environment, Transport & the Regions was ready and able. (Prescott had set up the DETR with "Regions" in the title to demonstrate the significance of regional policy – this was the first time that "Regions" had appeared in the title of a state department.)

The timing was vital. Failure to gain a slot for an RDA bill in the first queen's speech could have meant prolonged delay. With the promise of legislation, it was all hands to the pumps. Within weeks of the election an RDA public consultation exercise was launched, and DETR ministers embarked on a series of regional meetings with all the major

1 Millan Commission report Renewing the Regions (1996)

stakeholders. It was crucial that we consulted widely and thoroughly, and carried people with us.

To translate the manifesto pledge into workable policy and meaningful clauses in a bill, we needed to understand the extent of regional differences and the appetite for a new partnership approach. In particular, as minister for the regions, regeneration and planning, I wanted to hear first-hand what the various actors in the regions thought was practicable and how far they agreed with the RDAs' five core objectives – economic development, business support/investment and competitiveness, enhancing skills, promoting employment, and sustainable development. I was also keen to impress on the regions that the RDAs would not be creatures of Whitehall and that we would seek to ensure that the legislation provided scope for additional powers to be added at a later date.

The consultations in the regions were backed up by a government "issues" paper, which attracted more than 1,500 responses – of which the overwhelming majority were positive about the RDAs. An RDA sounding board of main stakeholders was also set up to help prepare the RDAs white paper, *Building Partnerships for Prosperity* (December 1997). This melee of activity and interest helped to push RDAs up the political agenda and drowned out the voices of scepticism on the opposition benches.

The Tories were becoming agitated about RDAs creating more bureaucracy – Sir Norman Fowler, then Prescott's shadow, said in the House of Commons in 1997 that they "amounted to only more bureaucracy, less accountability, and duplication of effort, without any benefit for the regions". At the same time, senior Whitehall officials began to feel very uneasy about RDAs taking on powers and functions that were being carried out by central government departments, public bodies and the government offices in the regions. The tension increased when it was decided that the RDAs would be not only arm's-length organisations, but business led.

Whitehall became all the more nervous when the prime minister wrote the preface to the white paper, saying how enthusiastic he was about RDAs. Others came on board: the Civic Trust, the CBI, the TUC, the BCC, the National Council for Voluntary Organisations and the Council for the Protection of Rural England all gave their support to the proposals in the white paper. Nevertheless, submissions on the role of RDAs from senior civil servants continued, for some time, to advise against granting powers and resources to bodies outside central governmental control.

Powers and functions

The rush to prepare the RDAs bill left only a narrow window in which to negotiate the precise powers and functions with other government departments and ministers. Against the background of a tight spending settlement and some precious egos willing to die in the ditch rather than see powers wrested away from them, the final settlement on RDA powers and responsibilities had all the hallmarks of a Whitehall compromise. However, under the circumstances, it was better than many had believed possible. Indeed, the House of Commons library brief to MPs stated: "It is worth noting that the RDAs are being given more powers than some people had suggested."[2]

The immediate objective was to provide RDAs with enough critical mass in terms of power and resources to get them up and running as soon as we could. This view won support from cabinet ministers such as Gordon Brown and Peter Mandelson at the Department of Trade & Industry.

The final mix of functions and funding – including the administration of the single regeneration budget, the Rural Development Commission, parts of English Partnerships, inward investment and a leading role on EU structural funds – came mainly from the DETR, which was indicative of the resistance elsewhere in government to letting go, at least until the RDAs had been tried and tested.

The frustrations that DETR ministers had with other departments – particularly over the issue of skills training and subsuming the old training and enterprise councils into the RDAs – was offset by the compromise over the RDAs' special consultative and advisory role in respect of planning, transport, environment, skills and business support, and the granting of limited borrowing powers and land acquisition rights.

These powers – and the supplementary guidance that followed – were important, not least in enabling the RDAs to act as lead bodies at the regional level for co-ordinating economic development activity and pulling together a regional economic strategy.

Prescott was confident that the RDAs would grow over time, and that in the first year they should focus primarily on preparing their regional economic strategies. In retrospect, this proved correct. The production and publication of the nine regional economic strategies put the RDAs at the forefront of a renewed cross-government effort to tackle regional differentials, which was given added impetus following the Cabinet Office report in 1999,

2 RDA bill/ House of Commons research paper, 1998

Sharing the Nation's Prosperity. This documented the scale of inequalities not only between but also within regions. Against media headlines of a worsening north-south divide, the report showed that there were pockets of severe deprivation in all regions.

Although the emerging strategies were statements of intent and purpose rather than business plans, they did for the first time map out a coherent approach to regional wealth creation. Moreover, they gave the RDAs the authority and clout that they needed to put together a nuts-and-bolts delivery programme.

The strategies were living proof of the RDAs' ability to negotiate with myriad different public and private organisations and overcome barriers to partnership working. The fresh impetus that the RDAs gave to thinking strategically across the range of various players was a break from the past, and helped to improve their standing with the regional chambers, regional government offices and central government departments. It also proved crucial to the Treasury's thinking at the time about increasing the RDAs' budgets and moving towards a single funding pot.

Funding and the single pot

It would have been unrealistic to attempt to create RDAs, from day one, as fully fledged equivalents of Scottish Enterprise or the WDA. Evolution, not revolution, was the guiding principle. Conscious of the tight timetable for the RDAs bill and the fact that nothing engages Whitehall more than claims on departmental budgets, priority was given to making sure that the RDAs had enough capacity and capability to enable them to grow.

We also wanted to ensure that the creation of the RDAs would be revenue-neutral and that their core funding related to the needs and opportunities of the regions as well as existing activities. In addition, we wanted to enable the RDAs to have the maximum amount of freedom and flexibility over their allocation of funds, in line with their regional strategy.

Although the RDAs' initial combined budget of £1.2 billion provided a baseline that could increase over time, the first year was difficult: most of their budgeted funds were already accounted for and the three funding departments were financially locked into the commitments made in the first spending review settlement, which preceded the establishment of the RDAs. There was some room for manoeuvre – extra funding, for example, was given to Advantage West Midlands to help in tackling the problems at Longbridge Rover – but in the early days the RDAs' budgets were largely predetermined.

As Ed Balls and John Healey commented in 2000 in the influential Smith Institute paper *Towards a New Regional Policy*:

The government did not get it all right at the beginning. Many of the RDA chairs felt their ability to implement their strategies was hampered by restrictions on the size of their budgets and their ability to direct resources to meet economic priorities. Brown, whose continued support for the RDAs had been crucial to their success, was determined to meet these concerns. Indeed, the announcement by Brown and Prescott in July 2000 to increase the RDA budgets by 40% to £1.7 billion exceeded the expectations of the RDA chairs. Funding was increased again in 2001 and will rise to over £2 billion a year by 2005/06, with resources skewed towards the underperforming regions.

The increases in funding were widely applauded. However, enhancing the role of the RDAs was only part of the new era of regional economic policy. RDA funding was brought together over a two-year period (2001-02) in a single, cross-departmental budget. Not only did this give the RDAs greater autonomy and continuity of funding, but it also led to the consolidation of regeneration spending for each region and ended wasteful competitive bidding for individual projects.

The single pot gave RDAs greater flexibility to decide their own budget priorities without the usual command and control from the sponsor departments.

As Prescott said at the ministerial meeting with the RDAs on 9 March 2001:

The RDAs are the strategic drivers of economic development. You have made excellent progress so far, and as a result of our discussions we have decided to give the RDAs all the flexibility we can. Of course, you will still be required to use the money in ways which are within the chancellor's fiscal framework, and demonstrate best value for money with the highest standards of propriety. But, these normal arrangements aside, we will not be putting any unnecessary restrictions on the use of the single budget. In particular, we will not identify any separate programmes, ring-fence any money, maintain a separate administration budget or limit your ability to carry forward resources from one year to the next.

The quid pro quo for the new package of freedoms and flexibilities was a requirement for the RDAs to meet a series of challenging regional targets. These correlated to national departmental public service agreement targets on objectives relating to economic development, job creation, skill training and investment.

The debate about the merits and problems of meeting the targets continues to concentrate the minds of RDA board members, not least because how well they do has a bearing on their future powers and funding. Nevertheless, the setting of agreed targets made the RDAs central to fulfilling cross-departmental public service agreements – and therefore partners with government and key players in the process of negotiating future spending settlements.

Although the RDA budgets are still much smaller than those of their older brothers in Scotland and Wales, the steady increase in funding, new freedoms and flexibilities, and the introduction of a three-year block grant, has made them more effective as delivery agencies. It has also enhanced their influence inside government, as evidenced by the RDAs' input into the 2003 budget development process. Commenting in April 2003 on the contribution made by the RDAs, the chancellor said:

For the first time, the Treasury asked the RDAs to make a formal contribution to the budget. This strong regional input, together with ministerial visits to the regions, has ensured that the budget responds to the needs and priorities of the English regions. I look forward to the RDAs' response to the budget.

While the RDAs' influence and resources increased, so did their scope of responsibilities. Under the government's £22 billion sustainable communities plan in 2003, for example, the RDAs were given greater involvement in housing, planning and regeneration, including working with English Partnerships, the urban regeneration companies and other public and private organisations on tackling housing abandonment in the North and creating new communities in the Thames Gateway and the other designated growth areas in the South East and the south Midlands.

They will also work closely with the new regional housing boards on prioritising housing spending in the regions. This, along with their existing regeneration and economic development role, will enable a better dovetailing of the RDAs' economic strategies with regional housing and spatial planning – something that has been sorely lacking in previous governments' approach to large-scale housing development. RDAs have also been given responsibility for regional selective assistance at regional level, and for the strategic leadership and government funding for regional tourism bodies, increasing the range of their economic responsibilities and leverage.

Right to be heard

The right to be heard is arguably one of the most important powers that the RDAs have. Indeed, the credibility of the RDAs and their ability to get the various players working together and singing from the same hymn sheet depends in part on their ability to influence decision makers at local, regional and national level. Certainly, the influence that the RDAs brought to bear on central government was unique for a non-departmental public body.

The civil service remained cautious about the propriety of regular (and often combative) RDA contact with the government. Most ministers, however, actively encouraged the RDAs into the corridors of power and welcomed the new regional dimension that they were able to bring to policy formulation. There was (and, to some extent, still is) a dearth of information on regional issues, which made it difficult – without the input of the RDAs – to decentralise decision making and shape national policy solutions differently in different places.

In particular, the RDA regional strategies provided a benchmark and a guide for better and more co-ordinated delivery of mainstream programmes. They also played a key role in preparing the programme bids for EU funding, in the development of the 10-year coalfield communities recovery programme and in the establishment of the New Deal for Communities and the neighbourhood renewal fund. A process of gradual departmental engagement made easier, by the regionalisation of national policies, the expansion of government offices and the establishment of the Regional Co-ordination Unit.

The Treasury ministerial team were especially keen to open up a dialogue with the RDAs on how best to narrow the regional productivity gap, which accounts for around two-thirds of regional economic differences. The 2001 joint Treasury/DTI paper, *Productivity in the UK: The Regional Dimension*, concluded that:

In England, the RDAs are the key agents driving forward the new regional industrial policy. As strategic leaders in regional and local economic development, their regional strategies set out shared visions of the challenges each region faces ... The government is interested in regional input into the setting of national priorities. The RDAs and government offices are being asked to consider what they see as the key strategic priorities for their region to achieve increased productivity and economic development.

Rural worries

Not everyone gave the RDAs their vote of confidence. Right from the start, the rural lobby accused the RDAs of having an urban bias. Although one of the RDAs' five statutory purposes was "to contribute to the achievement of sustainable development in the UK" – the first time a development agency had been give such a remit – and at least one member of the board had to have experience of rural issues, there was, in the early period at least, growing concern about the RDAs' role in relation to rural communities.

However, the RDAs countered their critics by strengthening the activities they inherited from the Rural Development Commission and by rural-proofing their regional strategies. The work they undertook with the Countryside Agency – especially on the regeneration of market towns – was also significant. However, what finally won over the rural lobby was the way that the RDAs rose to the task of helping to tackle the outbreak of foot-and-mouth disease.

Indeed, the RDAs' willingness to grapple with difficult issues at short notice – for example, the London Development Agency's response to the potential relocation of Ford from Dagenham and the South East of England Development Agency initiative to establish the Hastings & Bexhill task force – has been widely applauded, not least by the regional stakeholders, who in the past had no option but to turn to central government for immediate assistance.

Joined-up delivery

The DTI became the parent department for RDAs after the break up of DETR in 2001, although most of their funding derived from the new Department for Transport, Local Government & the Regions (DTLR), now the ODPM. Concern at the time that this would weaken the RDAs proved unfounded. The new secretary of state at the DTI, Patricia Hewitt, was known to be a supporter of the RDAs and argued (with the support of Prescott and Brown) for a strengthening of their powers.

By this time, the RDAs had built up local and subregional support networks around their regional economic strategies and were taking new initiatives, such as setting up regional venture capital funds. Their ability to get things done and to engineer genuine "joined-up delivery" was, nevertheless, hampered by the lack of clarity and sensitivity within Whitehall over the RDAs' relationships with other government agencies, notably the learning and skills councils.

The 2002 spending review highlighted the importance of the regional strategies and stressed that the government wanted to see closer co-operation between the RDAs and other agencies. As a result, the RDAs were given a new role in promoting tourism, trade and manufacturing. A new arrangement was also put in place with the Small Business Service – with RDAs managing some business links – and funding for regional tourism was transferred from the tourist boards to the RDAs.

Perhaps most significantly, and after much huffing and puffing, the Department for Education & Skills agreed to a pilot scheme for the pooling of the learning and skills councils' post-19 funding at regional level, and co-management of their regional budgets with the RDAs.

This bridge-building between the RDAs and the learning and skills councils, which began with the decision to have an RDA chairman on the national LSC board, made operational sense in terms of joining up the RDA strategies with the new frameworks for regional employment and skills action.

The RDAs have shown that they can improve the links between skills training, higher education, research and industry and it is still a possibility that all or part of the learning and skills councils' responsibilities may be devolved to the RDAs before the next election. However, for the time being the RDAs have a big enough challenge ahead helping the learning and skills councils to deliver on the frameworks for regional employment and skills action.

Accountability

The initial RDA consultation exercise showed that there was some unease – particularly within the Labour Party – about establishing RDAs as public bodies accountable to ministers. This was understandable, given the persistent attacks we had made, when in opposition, against the Tory "quango state" and our promise to decentralise and to modernise government.

Thus, while emphasising our firm commitment to elected regional assemblies – to which RDAs would be directly accountable – we also wanted to ensure that the RDAs were distinctly different from any of their predecessors: different in form and function, and as accountable to and representative of the region as possible.

We decided to take a different approach from in the past and to set up the RDAs as non-departmental public bodies rather than as executive agencies, with multi-stakeholder

boards drawn from people with a range of different skills and experience from within the region. We wanted region-wide representation and a strong voice for local government, which was nervous at first that RDAs might suck powers up and compete with local regeneration activity.

For the first time, we set out in statute that the RDA boards must be inclusive and command the respect of people in the region. We wanted the boards to be business-minded, but with effective representation from all the regional partners – local authorities, the private sector, rural areas, trade unions, academia and civic society. Moreover, we wanted the RDAs themselves to feel that they could truly reflect the needs and aspirations of their region.

This marrying of different cultures has strengthened the RDAs, not just in terms of enhancing their credibility and promoting partnership working, but also in helping to build consensus within the region around the RDA regional strategies and programmes. The mix of board members also provided the RDAs with the capacity and legitimacy to negotiate between the various interests and to build lasting relationships with the local and regional players – a role that the regional government offices struggled to carry out, and which was impossible with various local agencies competing with each other.

The process of appointing seven chairs, more than 100 board members and a shadow board for London was a time-consuming and monumental task. It was, however, made easier by the high calibre of candidates and the appetite for RDAs in the regions.

Once in place, the chairs and boards of all the RDAs began to work together in a way that few had expected, with differences resolved at regular monthly meetings rather than taken before ministers and senior civil servants.

This spirit of co-operation has continued, with dedicated groups drawn from each of the RDAs championing different cross-cutting issues and pooling their knowledge and expertise. Rather than fighting for their turf, as some predicted, the RDAs have shown themselves to be adept at presenting a common front to the government and learning from others. This has enabled the RDAs to maximise their influence on government policy making.

Regional chambers

We wanted the RDAs to lead the way in opening up their work to public scrutiny and to be more accountable to the regions than existing agencies. The solution lay in building on

the development of local authority-led regional chambers, which were emerging in every region. The situation in London (where we decided to set up a shadow RDA until the election of the mayor and the Greater London Assembly) was different, but for the other eight regions our intention was to designate the regional chambers as voluntary bodies with powers to call the RDAs to account and to evaluate their performance. As I said to the House of Commons in 1998, during the debate on the RDA bill:

We intend that the regional chambers should provide a mechanism for meaningful consultation. The bill provides a framework within which the RDA will have regard to views expressed by the chamber in the formulation and review of its economic strategy, and it will allow the RDA to consult the chamber on the exercise of its other function, to provide information, to answer questions and to give an account of itself to the chamber. This, we believe, will give the chamber not only a powerful voice in the regions but influence over the work of the RDA itself. RDAs and their links with regional chambers, and our proposals for the reform of the regional planning system, are a first step in an evolutionary process, which will lead to the English regions being able to choose a greater measure of decentralisation.

I believe that the relationship between the regional chambers and the RDAs has worked well, although the level of co-operation and involvement of the various chamber members varies. An independent study carried out by Arup Economics in 2001 concluded that the RDAs had established close and positive joint working relationships with the regional chambers, and that "working together they are clearly making a difference". Since then, the regional chambers have received increased support from the government (they were awarded £15 million over the period 2001-04 to enhance their scrutiny role) and have been more active in helping the RDAs to carry forward their strategies.

The role of the regional chambers will also be enhanced as the new regional spatial planning process comes into effect. This will present a new opportunity for closer co-operation between the RDAs, the regional chambers and the regional government offices, and hopefully allow for much better integration between the RDA strategy and regional plans.

It is noteworthy that the chambers that are Tory-led, such as the South-East Regional Assembly, have been as proactive and as supportive of the RDAs as their counterparts in the North of England. Indeed, for Tory councillors, the regional chamber provides a valuable political voice and a degree of influence that they would otherwise not have.

However, as we move towards referendums for elected regional assemblies, there is some uncertainty surrounding the future of the regional chambers, especially in the northern regions. It may well turn out that if the RDAs are directly accountable to elected assemblies in the northern regions, the role of the chambers elsewhere might be enhanced.

Conclusion

The RDAs today are stronger, more confident and faster on their feet. They have built up support networks and partnerships in their regions, shown that they can make a difference and established themselves as central players to delivering national policy objectives.

So, the RDAs have achieved much, but there are still enormous challenges ahead. The regional divide is slowly narrowing and employment growth remains strong in all regions. Taking account of differences in living costs, living standards have already converged. However, the regional productivity gap remains a major challenge and will demand a step change in the way that regions develop their intellectual assets and skills base.

The RDAs have won widespread support, regionally and nationally. They now have the opportunity to be proactive and to develop long-term delivery plans. Sustained investment in all our regions is key and the RDAs will need to show that they are meeting their targets in order to secure a good settlement from the next three-year spending round.

The success of the RDAs is, in part, due to their willingness to work together and share best practice. Maintaining that unity of purpose will be important as the three northern regions prepare for regional referendums next autumn. A "Yes" vote would mean a transfer of RDAs to a new regional government structure within, perhaps, two to three years.

The London model has worked well, and there are positive lessons from the experience in Scotland and Wales. However, the RDAs, collectively, may have to prepare themselves for a new era, with perhaps four of the nine directly accountable to elected regional assemblies. I believe that the RDAs are capable of adjusting to a more variable political and administrative landscape, and that the emergence of regional government in England will strengthen the RDAs and benefit all the regions.

Chapter 2

Getting established

RDAs in England grew out of the work completed before the 1997 general election by the Regional Policy Commission, established by John Prescott and chaired by Bruce Millan, the former secretary of state for Scotland and European commissioner for regional policy.

The report of the commission stated that:

Every region should have a regional development agency to promote economic development in the region within an accountable and strategic regional framework. The RDAs should be responsible to the regional chambers, but operationally separate, acting as their executive arm in the area of economic development. The boards of the RDAs should be appointed by the regional chambers and should represent wide regional economic interests, including local authorities and business, co-operatives, banking and trade unions.

Legislation should provide all RDAs with the same potential powers, but it should be up to each region to select the powers most appropriate to that region. A plan should be drawn up in every region by the regional chamber as to the powers and functions of its RDA, after consultation within the region. The plan should be subject to the agreement of a minister with overall responsibility for regional issues. In anticipation of a Labour government, regional associations of local authorities should begin to prepare their plans so that the regions will be ready to establish RDAs without unnecessary delay when Labour comes to office.[3]

In its business manifesto for the 1997 general election, the Labour Party made a commitment to establish the RDAs in England:

We propose new regional development agencies in England and the strengthening of the development agencies in Scotland and Wales. They will work with local authorities and the DTI to encourage further inward investment and to improve access to European funds.[4]

The subsequent white paper, *Building Partnerships for Prosperity*, published in December 1997, set out the government's proposals for establishing the nine RDAs in England that we know today. One of the central threads that ran through the white paper was the belief that to improve the economic performance of the country as a whole it was vital to look at problems in regional terms as well as nationally.

3 Regional Policy Commission Renewing the Regions: Strategies for Regional Economic Development (1996)
4 Labour Party manifesto, 1997

According to John Bridge, chair of One NorthEast:

The line of thinking in the Treasury was that if you wanted to reduce the productivity gap between Britain and its main competitors on an international basis, then you had to do something about the contributions that the individual parts, the regions, of the UK made. You couldn't start to close this productivity gap if, in fact, eight out of your 12 regions were performing badly.

So, there was a lot of pressure, clearly. If you wanted to solve that particular issue, then you had to go back into the system and make it more efficient – so that's really where the interest came from, I think, as far as the Treasury was concerned. They produced a joint policy paper with the DTI in November 2001, which spelled this out. So, you could see there was this coalescence of interests. John Prescott was interested in getting more power into the regions. Gordon Brown was saying that if the UK as an economy wanted to do better, we had to provide regional performance.

Michael Lickiss, former chair of the South West of England Regional Development Agency, picks up the point about the importance of regional economic structures and the need to take a regional approach to policy issues:

Following a career as a chartered accountant in public practice, I spent some time working for the European Community in the early 1990s, on a part-time basis, and gained some appreciation of the benefits of regional economic structures. Regions were local enough without being parochial and at the same time had a significant critical mass; usually each had a population of 4 million to 6 million.

So when I was invited to lead the South West Development Agency in July 1998, the challenge and excitement was not diminished by starting in a small back-street office in Bristol, supported by a part-time secretary on loan from the Government Office for the South West. Regionalisation in terms of economic regeneration was an ingredient missing until this time from the structures within England, which had existed in Scotland and Wales for over two decades.

Chapter 3

Diversity across and within regions

Long before the nine RDAs were established it was clear that there were significant differences in the economic performances of the UK's regions, reflecting different regional profiles. Such differences still exist.

The South West is predominantly rural, with a small number of major urban nodes. Similar, but with an entirely different geographical configuration, is the East of England with its internationally renowned high-tech cluster around Cambridge, more market towns than any other region, and many new towns and cities such as Peterborough and Stevenage. Yorkshire and Humberside is predominantly urban, with significant rural hinterland. Diverse regional characteristics are reflected in significant differences in regional economic performance.

In 1999, the UK's poorest regions, Northern Ireland, Wales and the North East, had a GDP per capita of nearly £7,000 or 40% below that of London, the wealthiest. Both the size of the differentials and the relative ranking of regions have been very persistent, although London, the East and the South East have steadily improved their relative performance since the mid-1970s.

Historical data is patchy, but the available evidence suggests that the existing pattern of regional economic activity emerged during the 1920s. During this time, the decline of many traditional industries affected output and employment disproportionately in the northern regions. The differences that emerged then persisted for the rest of the century.

But just as important as the differences *between* regions are the huge differences *within* regional economies. In the South East, as inside London, the aggregate measures show high levels of GDP per head; but the indices of deprivation show that not all parts of the region are prosperous. Although average levels of real income are higher in London than elsewhere, London has a greater share of wards classified as multiply deprived and higher levels of child poverty than elsewhere.

As an example of subregional variations, productivity levels within the South East range from around 20% below the national average in Brighton and Hove to around 15% above the national average in Berkshire and Portsmouth. In the North East, all subregions have productivity levels below the national average, ranging from 80% of average UK productivity in Sunderland and Tyneside to South Teesside with productivity levels just under the national average.

Underlying these regional and subregional differentials are a number of key factors, including differences between regions in the provision of skills, investment, innovation, enterprise, and competition. In addition, regional differences in geography and history have left different industrial and cultural legacies in each region. The extent to which the difficulties they face are best tackled at the regional or local level will vary. This suggests that policy responses to these differences should be made outside Whitehall at the regional level.

Bryan Gray, chair of the Northwest Development Agency, emphasises this point by referring to the need for policy makers in Whitehall to work with RDAs to meet government objectives:

There is now a sense in Whitehall that RDAs are the key leaders in the region and they will help deliver central government policies. What we're now trying to say to government is: The sooner you involve us in the process of policy formation, the better we can help you roll it out and help deliver it in a way appropriate for the regions.

Delivering economic growth and prosperity in every part of the country requires a strong institutional framework for delivery and formulation of regional and local economic policy. Effective regional and local institutions are essential to building regions in which workers want to live and invest in their skills, and where successful businesses can flourish, generating high levels of growth and employment. Regional and local flexibility can help maximise the effectiveness of economic development policy by:

- allowing policies to draw on the expertise and knowledge of local and regional agents, including stakeholders from the local community, local businesses and non-profit organisations; and
- improving the ability of government to design locally differentiated solutions and better target policy delivery in every region and locality.

The capacity of RDAs to deliver local solutions to local problems has been greatly enhanced by the reforms to the way that RDAs are funded. Prior to 2002/03, the budget for each RDA was calculated by adding together the various regional funding streams for the specific programmes they had inherited from government departments.

The budgets were made up from Department for Environment, Food & Rural Affairs-funded regeneration programmes inherited from the old DETR and previously English Partnerships,

the government offices for the regions and the Rural Development Commission (now part of the Countryside Agency), together with money from the DTI for inward investment and competitiveness, and from the then DfES for skills development.

Later they also included English Partnerships' partnership investment programme and the RDAs' own administration costs. Working within the constraints of a wide range of funding streams, each with different objectives, was clearly not the most efficient way for RDAs to meet the needs of their region.

According to Vincent Watts, chair of the East of England Development Agency:

We had very little control over our finances. We were, in effect, a puppet with our strings being controlled by 11 different and unco-ordinated government departments. It was clear that we needed to work together to make a compelling and convincing case for flexibility to focus our funds, and our energies, on the economic priorities for each of our regions. In the East of England, that meant a specific focus on an employer-led skills strategy, encouraging innovation and striving for investment in essential infrastructure.

Crucially, the RDAs were given more flexibility during the 2001/02 financial year to switch resources between programmes and to transfer a proportion of their budgets to a new strategic programme. The deputy prime minister, the chancellor and the secretaries of state for education and skills and for trade and industry agreed that from 2002/03 the government would increase RDAs' budgetary flexibility further under a single, cross-departmental budget, known as the single pot.

According to Lord Thomas, former chair of the Northwest Development Agency:

The first major battle we won was the creation of the single pot. The civil service had never really worked like this before. They were used to running schemes as we used to run charities, on an income and expenditure basis.

The total amount of public money spent by the RDAs remains relatively small, both in total and as a fraction of spending within regions – about 1% of total annual public spending in Yorkshire and Humberside, for example. But RDAs are coming to realise that with new flexibilities over how that money is spent, they can have a more subtle, but key influencing role.

Nick Paul, chair of Advantage West Midlands, explains the importance of the establishment of the single funding pot:

The single pot was the breakthrough, because now what we're doing is actually meeting the needs of the region rather than the views of someone in Whitehall about what would be good for the region.

Of the most significant developments in the short life of RDAs so far, it is the establishment of the single pot that is perhaps the most important. It will enable RDAs to use resources flexibly, with funding being matched to the strategic needs of each region, decided by regional stakeholders. In addition, the 2002 spending review committed the government to increasing funding for the RDAs' single pot to £2 billion by 2005/06, an increase of £375 million or 23% compared with 2002/03.

This premium on flexibility at the regional and local level is at the heart of RDAs' core business. Acting as champions for their region, they carry out detailed analysis of the region's particular strengths, weaknesses and needs. The new and radical funding regimes have meant that the RDAs have been able to respond to this analysis by devising a strategy to meet the needs of their regions, in the form of regional economic strategies.

Chapter 4

Regional economic strategies

The government asked the RDAs to develop a new strategic vision for each of the English regions. It issued statutory and non-statutory guidance to the RDAs on the formulation of these strategies. The guidance encouraged the RDAs to formulate clear priorities for seeking to improve regional economic performance, and to identify strategies for achieving them. The aim was to help to ensure that regional opportunities be fully exploited, and that those responsible for economic decision taking work effectively together, with common goals and accepted priorities for regional development.

Following extensive consultation and working with and through regional partners, the RDAs (excluding London) presented their strategies to the government on 26 October 1999 (London's economic strategy was published in July 2001, reflecting the London Development Agency's later establishment). The government responded on 12 January 2000, giving a broad welcome to the strategies.

The chair of Yorkshire Forward, Sir Graham Hall, explains this strategic approach to economic development:

One of the RDAs' most important achievements has been the production of nine accepted regional strategies, which now form the basis for every step we take. All of the key stakeholders in the regions are signed up to the strategies, which for the first time properly integrate the wide range of different strategy documents at the regional level.

In my region, the first regional economic strategy took about a year to develop with our partners; and in 2003 we published a revised version, taking on board the emerging economic challenges and opportunities facing the region.

The strategies are about more than delivering central government policy at a regional level. We want them to drive central government thinking and policies in the future as part of the decentralisation agenda, and the introduction of the single pot demonstrates that the government is prepared to take this view to a practical level.

Each strategy has a real business-like approach; with real discipline into the way we deliver targets and objectives. We've spent the funds strategically and effectively and we've delivered on the key headline targets for each of our regions. RDAs are setting an example to government about how things can and should be done.

The fundamental purpose of each regional strategy is to improve economic performance and enhance regional competitiveness, addressing market failures that prevent sustainable economic development, regeneration and business growth in each region. The success and effectiveness of each agency's strategy has depended and will continue to depend in large measure on the degree of support that it commands in the region.

Wherever possible, RDAs have chosen to proceed through dialogue, working in an open and transparent way, so as to develop a strategy and agreed priorities for action. It has been important to ensure that those involved in developing and implementing the strategy fully represent economic, social and environmental interests within the region, that they cover rural as well as urban interests, and that they encompass all relevant economic, ethnic and social groups, including the voluntary and community sector.

It has been important to involve those operating at the subregional and local levels, as well as at the regional level. Local authorities are key partners because they represent their communities and play a major role at local level in many areas of the agency's business, ranging from economic development and regeneration to local agenda 21. Agencies have also worked closely with other regional interests, including chambers of commerce, business links, training and enterprise councils and the Employment Service.

In the view of George Barlow, former chair of the London Development Agency, working with local stakeholders has been key:

There was a general acceptance by the major stakeholders in London at the time, and also by Whitehall, that the LDA strategy and its first quarter plan were of the very best quality. It was also a highly inclusive arrangement we had. I was very pleased that at the launch of our first strategy in July 2001 we had 16 major stakeholders in London signing up to the strategy at that time, ranging from the universities to the business organisations, to the health service, to the trade unions.

It was an extraordinary coming together of stakeholder organisations saying: "We back the LDA and undertake to work with them to fulfil its priorities." In other words, what they were saying was that our priorities then became their priorities, so far as economic development and regeneration was concerned.

Despite the publication and success of regional economic strategies, RDAs have also had to demonstrate flexibility and responsiveness to events that strategy documents are

unable to account for. Unforeseen events have meant that RDAs have had to be quick on their feet, reacting to the devastation in, for example, Cumbria, Devon and Lancashire caused by the outbreak of foot-and-mouth disease.

In the Yorkshire region, while the foot-and-mouth crisis took its toll on individual businesses, more than 5,000 jobs were safeguarded or created and more than 900 businesses created or supported through Yorkshire Forward's interventions. Sir Graham Hall from Yorkshire Forward explains how:

Yorkshire Forward took a measured risk in tackling the crisis and this has delivered good returns. Speed of intervention was an important part of our success but the impact of the support offered was more significant than expected and has delivered longer-term economic benefits and built strong relationships with the rural community.

Key lessons to be learned include the RDA leadership role, relations with the government and removing red tape from our support schemes. The effectiveness of direct business development grants on long-term business viability, when awarded on sound business advice, and their ability to generate wider economic returns, is an important outcome to inform future RDA interventions.

Chapter 5

Achievements

In a very short space of time – approaching five years – RDAs have made considerable strides in addressing the weaknesses and exploiting the strengths of each region. Much of this work stands in contrast to the work of previous regeneration initiatives spanning the past 30 years.

Before RDAs were established, there was a tendency for regeneration projects and initiatives to focus on "hanging baskets" – projects offering an instant splash of colour, making everyone feel cheerful for a day. But RDAs soon realised that projects of this kind are not sustainable. RDAs now understand that they need to plan and develop strategies that will stand the test of time in their regions – in some cases, nothing short of the re-industrialisation of entire regions.

Although regional economic strategies will be judged in terms of the difference that they make to the productivity and competitiveness of regional economies, perhaps the real test of the strategies is whether they can join up the traditionally divergent competitiveness and regeneration agendas in genuinely sustainable and integrated development.

Just as central government has put in place measures to boost economic efficiency and promote social inclusion, so have RDAs. Indeed for many regions, transforming pockets of poverty into areas for opportunity is their core business. Equipping people with the skills and competence to take advantage of the opportunities that arise from the roll-out of regional economic strategies is equally important if RDAs are to succeed in promoting prosperity throughout the regions.

James Brathwaite, chair of the South East England Development Agency, explains the importance of social inclusion in his region:

While it is true that we have a very successful and productive economy in parts of the region, there are huge challenges of unrealised potential and real deprivation to be tackled. We may appear successful by UK standards, but international comparisons tell a different story, and action to underpin our success and deal with our areas of poor performance is essential.

Some very persuasive facts always make people think again. Around a million people in the South East lack the minimum required level of competency in literacy, numeracy or indeed both key skills. That's one in every eight people in the region. We also have a number of wards – 119 in total – that fall squarely within England's 20% most deprived wards.

These are concentrated in areas of low income, comparable to many other regions.

By making a difference to the poorest communities in the South East, as well as bringing tangible skills benefits to the region's residents, we will be laying the foundation for a fulfilled workforce, attractive areas to live and the right conditions for companies in the South East to prosper.

RDAs have been active in responding to the UK's historic productivity weaknesses by tackling the factors that underlie any economy's productivity. The five key drivers of growth were set out in *Productivity in the UK: The Evidence and the Government's Approach*, published alongside the 2000 pre-budget report, which describes the UK's productivity performance in a national context. They are:

- skills;
- investment;
- innovation;
- enterprise; and
- competition.

Differences in regional performance against each of these factors will have an impact on the regions' relative economic performance, and may give some indications of why certain regions may fall short of their productive potential. Although all regions are working to improve their performance against these indicators, this is not to say that all RDAs are taking the same approach in boosting each of these variables. Each RDA, having analysed the strengths and weaknesses of the region when compared against these key drivers, has responded in ways most suitable to the needs of each region.

In terms of skills, RDAs have been quick to realise that human capital is a key determinant of economic growth. Higher-skilled workers are essential to both introducing and operating advanced production techniques. They adapt faster to new innovations, play a key role in knowledge creation, and are more able and likely to receive training at work. An increasing proportion of jobs in the economy require a higher level of skills and the evidence suggests that this trend is likely to continue. Recent studies conclude that variations in the UK's skills composition are the major factor in explaining regional variations in productivity.

Regional development depends on people, their skills and their re-skilling. All regional development agencies have responded to the skills challenge with real energy over the past few years. Each RDA has a responsibility for co-ordinating regional stakeholders to put in place a collaborative, proactive approach to employment and skills, not least through their respective frameworks for regional employment and skills.

RDAs have tried to implement a demand-led approach to training, providing opportunities for training in areas demanded by local and regional businesses. There have also been occasions when RDAs have had to demonstrate flexibility in responding to local economic shocks, by providing workers who may have been made redundant with practical advice on new opportunities – as well as retraining and re-skilling – within the region.

Case study: Responding to economic change

When Rolls-Royce in Derby announced the loss of 2,000 jobs in autumn 2002, the East Midlands Development Agency (EMDA) stepped in to lead a special task force to help with the economic fall-out that was felt across the region. EMDA brought together local authorities, local MPs, trade unions, the employment service, the Government Office for the East Midlands, and learning and skills councils and spearheaded the rescue work needed to support those who had directly lost their jobs and companies that would be affected by the news.

The task force gave practical help to the workers and companies affected, which included helping people look for new jobs, a support package for businesses affected in the regional supply chain, identifying other economic opportunities for communities affected and focusing on developing the region's aerospace industry.

Investment in physical capital is another key factor underlying a region's economic growth performance. The UK as a whole has a relatively small capital stock compared with its major competitors. Furthermore, it is widely documented that people and firms in deprived communities often find it more difficult to gain access to finance in order to start to grow their businesses. RDAs are now at the forefront of attracting and co-ordinating investment within their regions, and providing support for local industries.

Analysing the need for investment, lobbying hard for public and private investment and then ensuring that investment decisions are allied to the strategic needs of the region has become a major area of RDA activity over the past few years.

Nick Paul, chair of Advantage West Midlands, explains how the RDA acted to co-ordinate investment in the West Midlands:

As an example of bringing people together to the benefit of this region, I should mention the international auto research centre, which is a £70 million initiative. It is exactly the sort of thing we should be doing; it is a co-operation between the Ford Premier Automotive Group, which is Jaguar, Land Rover and Aston Martin, and the Warwick manufacturing group at Warwick University. Roughly 250 graduates are being recruited to carry out research into every aspect of the design and build of luxury motor cars, and it will have a spin-on effect right through the SME network of suppliers to that industry sector.

We have helped to fund it, and the added value that came from AWM involvement is twofold. The first is that the project required serious legal advice in order that we did not contravene European legislation on support of industry. We have paid lawyers a serious amount of money because of the minefield created by Europe. We, AWM, have funded that.

The second is intellectual property rights, which is another minefield. Ideas generated within the research centre have got to reside somewhere. We have now found a methodology ensuring that this now happens. In other words, if we wanted a new research centre, it could be aerospace or medical or whatever, we know how to do it without contravening European laws, and also have a robust agreement on intellectual property rights.

Improvements in transport infrastructure have historically played a major role in enhancing economic performance. Investments in infrastructure have a direct economic effect by reducing transportation costs for firms, workers and consumers. This creates growth opportunities for successful companies and intensifies competition. RDAs have seized the mantle and have lobbied central government hard about the need to plan and invest in a transport system that will help improve the economic performance of England's regions.

Case study: Investing in infrastructure

The East of England suffers a historic lack of investment in infrastructure and the East of England Development Agency plays a crucial role in turning around this deficit, through lobbying and influencing decision makers about the economic case for infrastructure.

For example, EEDA responded to the South East & East of England Regional Air Services Study, the government consultation on air services and airports over the next 30 years. EEDA demonstrated its support for a second runway at Stansted and additional growth at Luton, Norwich and Southend airports because of the importance of air travel to economic development. Alongside partners, EEDA has put forward a strong case for investment in transport through a series of multimodal studies for London to Ipswich, London to South Midlands and Norwich to Peterborough.

And EEDA celebrated in summer 2003 when the government announced that more than half the £7 billion allocated for transport improvements would support priorities in the East of England – in particular the M1 and approaches in Bedfordshire and the A12 in Essex. EEDA continues to make the case for better east-west rail links – last year, a small victory was scored when Anglia Railways started its direct service between Norwich and Cambridge.

Soft infrastructure is just as important in the East of England's rural areas and market towns, where fast internet access for homes and businesses is simply not available to thousands of would-be customers.

Through EEDA's demand broadband campaign, 15,000 people have registered online for broadband and EEDA is working with suppliers to reduce thresholds for supply and encourage new technology suppliers into the market to service this demand.

EEDA's innovative approach to broadband is held up as best practice by the government, and the DTI's rural broadband unit is considering how to roll out a similar brokerage initiative elsewhere in the English regions.

Innovation – the invention and application of new technologies, products and production processes – is a further key driver of productivity growth and has accounted for around two-thirds of UK economic growth in the period since the Second World War. Studies

have shown that underperforming regions and localities have particular problems in absorbing new technologies, which is likely to be a key explanation for regional variations in their innovative performance. The North East of England has historically been characterised by low levels of innovation, but in recent years the RDA, One NorthEast, has started to turn this around through a new focus on entrepreneurship, scientific research and innovation.

Case study: Promoting innovation

As one of the flagship projects outlined in the regional economic strategy, the North East region is becoming a world leader in entrepreneurship, scientific research, and innovation through its "strategy for success", which is overseen by the Science and Industry Council chaired by Sir Ian Gibson.

This strategy aims to create wealth and international competitiveness through the effective exploitation of science, innovation and research and development. The main components of the strategy are five centres of excellence: new and renewable energy, nanotechnology, process industries, life sciences, and digital technology and media. These are concerned with transferring knowledge and technology from the research base to market. In addition, a regional exploitation company (NSTAR), will provide commercial and intellectual property management resources.

These have been identified on the basis of their potential to achieve world-class competitive excellence, by conditioning technology arising from the research base to a form whereby it can be utilised for commercial purposes. The success of the centres will be determined by the volume of buy-in from people around the globe. Attitudes are changing, and by people becoming involved with the strategy they will see just how innovative the North East really is.

Many of the achievements of RDAs can be attributed to a new, transparent partnership approach involving collaboration with key regional stakeholders. "Talking shop" is often used as a term of abuse but sometimes, to repeat a phrase, "it's good to talk". One of the RDAs' achievements has been to get people to sit down on a regular basis and tell one another what they are doing, before they commit money or make decisions.

In the South West, for example, the cities of Plymouth and Bristol now work together – thanks to the RDA – whereas five or six years ago local players barely knew one another. Towns only eight miles apart, which used to advertise competitively against each other, have come together in a joint promotional campaign.

The chair of the South West Regional Development Agency, Juliet Williams, explains the added value that can be provided by RDAs:

To look at just one good example from the South West – the Eden Project – unquestionably, the vision of Tim Smit and his "partners in passion", few people thought that his scheme to build some greenhouses in an old quarry had much chance of getting support. Fewer still would have thought that it would now be attracting 2 million visitors and have created 650 new jobs.

But the RDA was able to provide the right sort of support at the right time to help it all fall into place – £750,000 into the initial feasibility study and then around £10 million seed capital to help bring it to fruition. That was really good business value applying a business-like approach. Had the RDA not got involved in that way, we may not have seen those outputs from a truly fantastic project.

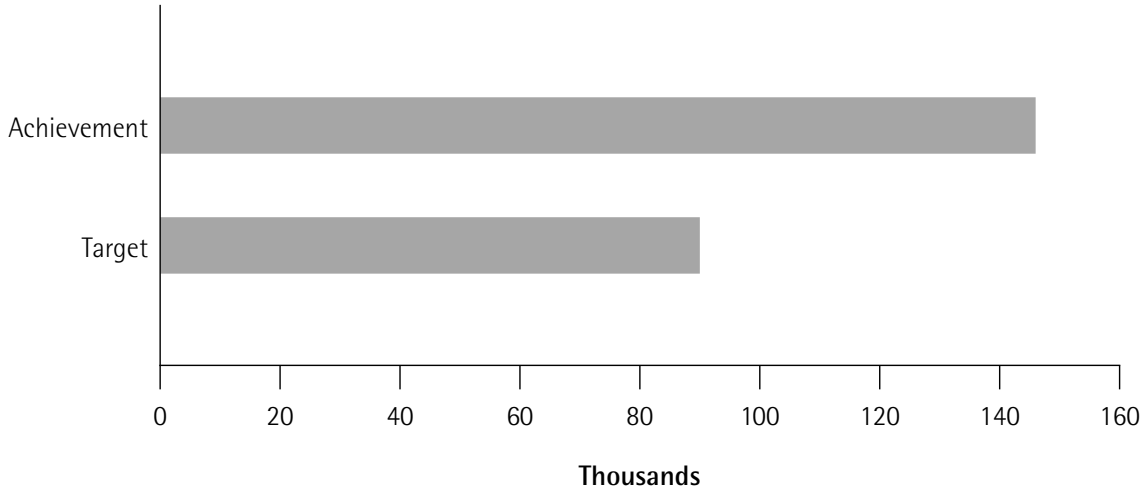
In April 2002, the DTI published new performance-monitoring framework guidance to RDAs setting out the targets to be delivered by them in exchange for greater flexibility under the single pot. The government has recognised that there are factors that will affect the performance of each region that are outside the direct control of the RDAs. Therefore, the performance of the RDAs will not be judged solely on quantitative performance data but will also be evaluated alongside qualitative evidence, agreed between the RDA and its government office to reflect this.

The targets are divided into three tiers. Tier 1 contains national objectives that provide an overall context for activities undertaken by the RDAs, tier 2 has high-level regional outcome targets that add measurability to the national objectives and tier 3 has milestones that are detailed output targets negotiated separately with each RDA.

It is clear that, given their brief, the RDAs have achieved a good deal in a very short period. At the very least, their creation has altered the landscape of English governance by bringing to the fore a regional dimension that seems unlikely to be easily reversed. But RDA achievements in terms of key outputs should not be ignored. Looking at tier

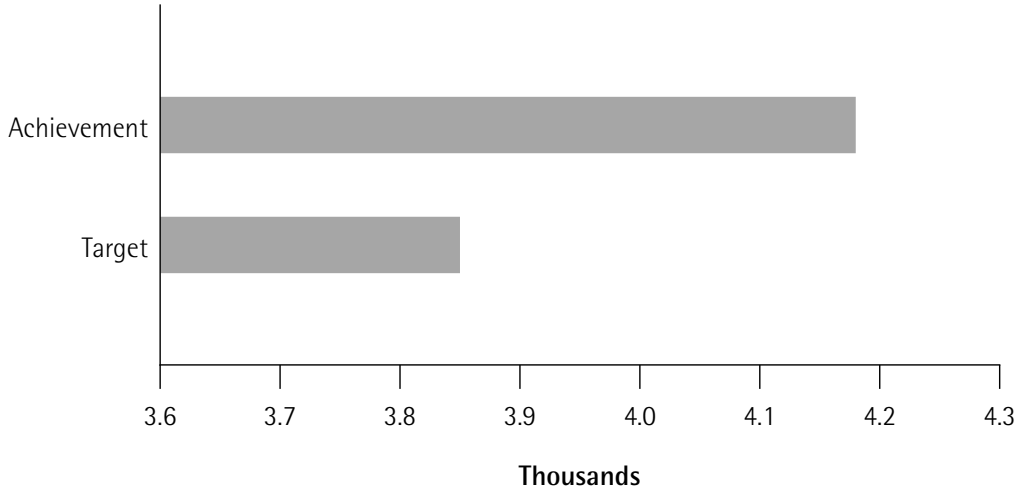
3 milestones – of employment opportunities, brownfield land, education and skills and business performance – RDAs have delivered. To take just two examples: education and skills, and business performance.

RDA achievements 2002-03: education and skills*



*Total number of employment opportunities directly attributable to RDA activity – taking new and safeguarded jobs together.

RDA achievements 2002-03: business performance*



* Total number of new businesses added to the regional economy as a direct result of RDA activities.

Case study: Joined-up regeneration

When the government turned down the Hastings bypass in July 2001, this was seen as the final nail in the coffin of Hastings & Bexhill's future. The local economy was in a tailspin and companies were leaving this peripheral seaside community. The South East England Development Agency established and led a task force bringing together the three local authorities, MPs and representation by key members of the public, private, voluntary and academic sectors to agree a five-point plan.

Introducing globally renowned masterplanner MBM from Barcelona and proactively using the local plan consultation process, the result is that, two years on, the prospects for the area have been revolutionised.

A new University Centre has been opened and is operational; key sites have been acquired to regenerate Hastings & Bexhill town centre; a millennium community and country park are in place; and the area now has broadband access and one of the highest take-up rates of broadband nationally. In addition, space for new businesses has been commissioned and the all-important access issues are being addressed – a link road has been agreed, improved train services are in operation and improvements to the A21 are under way.

Chapter 6

Tackling the challenges

Despite their successes over the past few years, RDAs still face considerable challenges in achieving their objectives. Across the regions, people recognise that some of the problems are likely to be transitional. They also see that the changes need to be set in a longer-term perspective and that some of the difficulties that are now seen as significant may not be seen in the same way when the RDAs are more firmly established.

The paucity of good-quality regional data remains a concern for some development agencies. Poor data presents problems not just for central and regional government in assessing the strategic challenges they face, but also for local service providers, many of which provide the bulk of RDA services.

Without access to accurate, relevant and timely data on key issues – such as productivity per capita and capital expenditure per capita – it will remain difficult for RDAs to deliver truly evidence-based policy. The difficulty is compounded in the context of central government public service agreement targets, which RDAs are now committed to meeting. The House of Commons ODPM select committee has also voiced concerns about the quality of data available to RDAs.

John Bridge, from One NorthEast, explains the difficulties of poor data:

If you look at data on productivity and use, as a proxy, GVA or GDP or whatever, then the latest data is from 1999 and that is based on sampling data which goes back – certainly in the sense of production – to 1996, so you're seven years adrift of where you started your base. The government could very quickly find itself on a hook it doesn't want to be on, because it doesn't really have the ammunition to defeat its critics.

Equally, we as RDAs are finding it very, very difficult to track and monitor the key components of our regional economies, whether it is business start-ups or capital investment or skills development or whatever. So, there is a mutual interest in getting the basic steps right, and I don't think we've got a lot of time, because, although the PSA2 target has a check period of 2012, it has an intermediate check period of 2006. So, there is some urgency about this.

Despite out-of-date, poor data, RDAs have been proactive in conducting their own research into the make-up, strengths and weaknesses of their regions, as explained by Honor Chapman, chair of the London Development Agency:

Some of the data that we're supposed to use is not really up to standard, so you've got to get out and do your own work; find out one way or another. Otherwise, you can't be as confident as perhaps you should be that you have the right intentions and are making the right decisions and providing the right amount of relative finance and resources.

So, you've got to really begin to get stuck in, and that has been one of the main characteristics of the job. It comes back to the business analogy; if you are going to compete, you've got to really understand the details you're dealing with in terms of the minutiae – how much it costs, what's going on and also what happens competitively; you've just got to be ahead of it.

As well as the need to improve the data available to RDAs, concern has been expressed about the way that services are delivered at the regional level. In part this is transitional, and emanates from the establishment of a whole range of government initiatives, structures and bodies at the regional level. The RDAs' capacity to succeed lies only partly in their own hands, in the amount of influence they can mobilise, in the efforts they make to bring local players together. Relationships between RDAs and newly formed regional/local delivery agents – such as learning and skills councils and JobCentre Plus – are still to be fully bedded down.

Bryan Gray, of the North West Development Agency, describes the importance of RDAs working with other stakeholders to meet the needs of the region:

The RDA has to act where it is appropriate in the regional economy, whether or not we actually have any accountability in our budget for it. It comes back to our role often being one of leadership, being a catalyst. A good example is skills. The learning and skills councils have a budget in the North West of £1.1 billion. This is more than twice my entire budget for anything else, so there is a huge amount of money going into LSCs. We've now got a pilot running nationally where we're working with LSCs and the small business service to look at how we can improve skills and business support.

One of the hardest tasks facing the RDAs has been breaking out of the "silos" in British central government. Departments in Whitehall push out policy and finance on their own terms, obeying their own targets, guarding their own pipelines. As the Cabinet Office have previously acknowledged, current Whitehall structures often inhibit the tackling of problems, particularly those that cross traditional departmental boundaries.

Often, there is little incentive or reward for organisations to work together at a central or regional level. Often, budgets and organisational structures are arranged around vertical, functional lines (such as education, health, defence) rather than horizontal, cross-cutting problems and issues (social exclusion, sustainable development and so on). This autarky raises big problems on the ground, when large-scale infrastructure projects such as the Thames Gateway touch on a variety of departmental and budgetary interests.

George Barlow, former chair of the LDA, explains the importance of central government taking a greater regional approach when delivering policy:

The rollout of so much that the national government wants to be doing needs to be re-profiled on a regional basis. At present, this is only happening in a limited way, and it would need a new type of financial planning, resource allocation, budgetary control and target setting for central government departments.

A related issue for RDAs is the extent to which central government consults with RDAs when it considers the delivery of policy at the regional level. Increasingly, Whitehall departments are having to think about delivering policy. RDAs are part of the delivery solution – provided they are also involved in policy formulation. If they are involved at an early stage, the chances of securing efficient and effective delivery will be greater, as Sir Graham Hall explains:

In a number of ways, I do think our role could be strengthened, but that doesn't necessarily mean that we need more resources. It could mean, for example, that when civil servants in Whitehall are thinking over a relevant national policy, they consider the regional economic impacts and engage the RDAs. This form of "regional-proofing" would ensure at an early stage that policies fit in with the regional economic strategies.

We have already seen some embryonic examples of this new form of joint working with government departments, such as our work with the Treasury for the 2003 budget, and extending this practice to relevant Whitehall departments would be a step forward in delivering our regional strategies.

We know our regions, we understand our regions, and we've got the best intelligence about our regions. So key decisions made in Whitehall about the regions would benefit from the unique insight we can provide. Providing the RDAs with some extra bite in this sensible way would not only assist us in delivering the regional economic strategies but

would, I believe, help the government to make better public policy for the country as a whole.

While we must always retain our key focus on our regional economies, we understand that there are a broad range of policies from across Whitehall in areas such as education, planning and transport – even crime and health – which are not directly in our remit but are significant factors for our regional economies. It is that sort of mentality that is required to deliver real change.

In addition to central government consulting with regional government to ensure objectives and strategies are aligned, Honor Chapman, chair of the LDA, feels that if central government departments were themselves fully joined up, their work with RDAs could be more effective:

One thing I think all the RDAs feel is that there could be greater co-ordination at central government level, ensuring that all the various parts are talking to each other as well as to the RDAs. It's particularly important that the various departmental objectives and targets are reflected in the targets that we are given, our performance framework, in a way that is internally consistent and coherent.

At the same time, there are many activities that are important for regional economic development that are not captured by our targets – marketing and promotion, to take one example. In time, it will be important that targets become more region-specific, reflecting priorities identified in the regional economic strategies.

Chapter 7

Looking to the future

In less than five years, RDAs have become the champions of economic development in their regions. They have exerted strategic influence over the type, scale and combination of services delivered in their regions. They have been extremely active in areas key to economic growth – employment, entrepreneurship, skills and regeneration – and have been responsible for drawing up strategies that aim to maximise the development and prosperity of their regions.

As EEDA's Vincent Watts explains:

RDAs have made a huge contribution to economic development. The first five years have been full of challenges – especially in areas like the East of England where the concept of regions was brand-new in 1999. We had a real job on our hands to persuade regional and local partners that we were about action, not discussion – especially in situations of crisis like foot-and-mouth and major redundancies. Five years on, we have developed strong and fruitful partnerships that ensure that the region's economy is at the heart of policy making at a regional and national level.

In this short space of time, against any indicators, RDAs have achieved a great deal. On a qualitative basis, some regions have been transformed, with regeneration initiatives bearing real fruit. The figures back this up. In terms of the creation of employment opportunities, offering support to businesses and providing education and skills, RDAs have put in place the building blocks for long-term regional competitiveness and prosperity. In delivering these achievements, RDAs have had to overcome significant challenges: some of them mere "teething troubles", others more fundamental.

So far, the government has strengthened the RDAs' ability to tackle these challenges through substantial increases and significantly increased flexibility over how they use these resources. Looking to the future, it is crucial that this partnership approach between central and regional government continues, not just in tackling common challenges, but also in rebuilding all of England's regions.

The danger is that, unless central and regional government continue to work together, RDAs will become yet another chapter in the long history of large-scale government programmes that have failed to have any long-term positive impact on England's regions.

The ultimate challenge for RDAs remains as to put in place strategies and policies that make a real difference to people's lives and the lives of regions. Regional economic

strategies, although very important, are only the start of this process. In many ways, the challenge has only just begun, with the premium now being on the delivery of policies and programmes that really make a difference. The inability of previous initiatives to reduce disparities between the regions is testament to the size of the challenge ahead.

Derek Mapp, chair of the East Midlands Development Agency, emphasises the need to focus on results:

Our mandate now is delivery – forget the strategising – the real test now is what we do and how that's going to happen. I think that's where the work is; there's a whole new episode, which I think challenges, in many ways, how the regional debate now needs to be turned into action.

The capacity to deliver sustainable improvements in each region will rest on a continuing partnership between central and regional government. Before RDAs were established, the history of area-based programmes was one of central government imposing regeneration programmes on regions without any real dialogue with regional stakeholders. RDAs have expressed concern about this, and in some cases it is clear that central government is listening.

Some departments realise that the top-down approach is not sustainable and have actively taken steps to ensure that the regions are consulted when major decisions are taken which impact on the regions. The Treasury is one department that has formally consulted with RDAs when making its budgetary decisions – with considerable financial benefits for each RDA.

Other government departments are now coming on board, as Juliet Williams explains:

We still have some way to go to engage some government departments, where the regional debate is far from over. Nevertheless, there are people coming to the party all the time – it's good to see the progress made by the DEFRA. However, it will take some time for the move to a regional agenda to be complete.

I do think that the regional agencies can grow in power and influence – as long as we grow in stature and in capacity. It must be about the quality of what we do and execute. If we do grow in stature, we have to make sure that we have the people who can and will grow with the agency, delivering to the ambitions of the next generation. If we are going

to meet those ambitions and our own aspirations, we must be prepared to address the commercial and professional governance issues that make an organisation successful. So, I believe that regional development agencies are here to stay, as custodians of the regional economies. I think they will have a wider remit and greater influence. They have the chance to make a real difference, but there are some really challenging barriers to dismantle on the way.

Effective partnerships between regional and national agencies are vital in order to maximise opportunities for the delivery of policies and programmes that make a lasting difference in the regions. The framework for policy making and delivery at the regional level is constantly evolving and will necessitate long-term joint working between RDAs and all government departments in the years to come.

Regional economic policy in the UK has been focused for far too long on subsidy and failure rather than tackling market failures and building upon the indigenous strengths of the UK's regions and countries. The result has been persistent economic differentials, across and within regions. The new regional economic policy, shaped by central government and delivered by regional government, is, by contrast, focused on policies to invest in tackling market failures and build on indigenous strengths at every geographic level, while providing strong and effective institutions needed to deliver these reforms.

Over the past five years, RDAs have come an extremely long way. Regional economic strategies are now leading to results on the ground and the long-term building blocks of productivity and prosperity are being established. But, in many ways, the challenges for RDAs are now just beginning. Turning strategies into sustainable results is and will remain the key challenge. Working together, local, regional and national stakeholders can ensure that this is their achievement.

Chapter 8

In conclusion

By Ed Balls, chief economic adviser to the Treasury, and John Healey MP, economic secretary to the Treasury

New regional policy

Labour's economic priority in government has been to establish new national frameworks for stability, growth and fairness. And we know that Britain cannot achieve full employment, improved competitiveness and long-term prosperity without more balanced economic gains in all UK regions.

John Bridge underlines this in his assertion that to improve the economic performance of the UK economy as a whole, it is essential that the "contributions of the individual parts, the regions" be enabled to realise their full potential. We agree. Furthermore, devolving real responsibility and power to the regions is vital in reducing the long-term and persistent gap in growth rates between regions.

In our 2000 Smith Institute pamphlet *Towards a New Regional Policy*, and again in our 2002 pamphlet *Age of Regions*, we argued that the old approaches to renewing economic activity in the regions have too often failed in the past. For a Labour government to be serious about both improving the economic performance of the UK economy as a whole and reducing regional disparities, we could not afford to return to the ambulance work of the 1930s, the top-down capital grants of the 1960s, or the laissez-faire approach of the 1980s. Instead, a new regional policy had to be pursued – one that would push responsibility closer to the front line of delivery and allow each region the flexibility to adapt continuously to change and to meet the distinctive challenges they face.

Today, it simply is not possible either to run economic policy or to deliver strong public services that meet public needs from the centre using the single-solution-suits-all approach of the past. Greater competition, new information technologies, a premium on skills and innovation, more demanding consumers and varying local needs all work to expose the contradictions of old-style centralised control of economic policy.

This demands that central government reinforce the drivers of productivity and long-term growth – innovation, investment, skills, development of enterprise and competition – by exploiting the indigenous strengths in each region and city. It demands that central government give greater freedom, flexibility and funding to local agencies, as well as to local government. And it demands that we give local business a decisive influence on such bodies and their decisions.

This is why the government's approach to regional economic policy has been, and continues to be, a bottom-up and not a top-down one, with national government

enabling autonomous regional and local institutions to work by providing the necessary flexibility and resources. The establishment of the regional development agencies in 1999 was the foundation stone of this new approach. The new approach was consolidated by the new public service agreeement target in 2002, which committed the government for the first time to improving the economic performance of all the regions, while reducing the gap in growth rates between the regions.

Getting the regional framework right

Setting up RDAs as strategic leaders for economic development in each of the English regions represented a bold departure from previous approaches to regional policy. Inevitably, the government did not get it all right from the outset. In the early days of the RDAs, many of their chairs justifiably complained that the RDAs' ability to implement their strategies had been impeded by restrictions on their capacity to direct resources. This was partly because of the plethora of existing programmes that the RDAs inherited and partly because departmental allocations were initially ring-fenced.

All this changed in the 2000 spending review with the "breakthrough" – as Nick Paul rightly describes it in chapter two – of the single funding pot, allowing the RDAs to direct their resources to meet the priorities and needs of their regions. This move was confirmed to the RDA chairs by Gordon Brown and John Prescott at a seminal summit in Middlesborough in March 2001.

Following the submission of regional priority documents, drawn up by the RDAs and government offices in each region, the 2002 spending review committed significant extra resources to the regions. By the end of the spending review period, the single pot will have risen to £2 billion. That represents an increase of, on average, 4.5% a year in real terms between now and 2006.

The single pot, with its full flexibility – including year-end flexibility – has meant genuine devolution of power in economic policy-making to the RDAs. It has, undoubtedly, marked a radical new direction for central government, since – to extend Vince Watts' metaphor – the puppet strings of government were cut. This has meant a cultural change across Whitehall from an approach that tended towards short-term micro-management to one that is increasingly longer term and strategic.

The significance of this change cannot be overestimated. For a central government used to controlling and delivering from the centre, there is always the temptation to give

greater freedom with one hand only to take it back, in effect, with the other by putting in new controls to mitigate the new flexibilities. The reality of devolution is that, once we have confirmed freedom and flexibility in the regions, central government must then recognise that responsibility, resources, delivery and accountability really have passed from Whitehall to the RDAs and must change its way of thinking to reflect this.

This approach established for the RDAs is being extended to the other government agencies that have an economic role. The last spending review further bolstered the funding and flexibility of the RDAs, and began a similar process with local learning and skills councils and with business links.

Not only were the resources for the RDAs significantly enhanced, but their responsibilities were increased too. The RDAs were given strengthened roles with regard to skills, business support, transport, tourism and housing. In the North West, the East Midlands and the West Midlands, the RDAs have piloted co-management of subregional business support services since April of this year. Similarly, in the North East, the East of England and the South East, the RDAs have begun piloting greater co-operation with local learning and skills councils on adult learning. These pilots, along with the many examples given in earlier chapters of this pamphlet, demonstrate how keenly the RDAs are bringing together people and organisations within their regions, and the benefits gained.

Challenges ahead for the RDAs

With this framework in place, Derek Mapp is right to assert that the RDAs' "mandate, now, is delivery". Over the past four years, the RDAs have enjoyed many significant success stories. Whether it be the redevelopment of an old leather factory site near Glastonbury, or helping to fund an international auto research centre in the West Midlands, the RDAs are demonstrating that they have the vision, the credibility and the means to deliver real changes to the economic infrastructure of their regions.

The RDAs have now reviewed and improved (or are finalising) their regional economic strategies with their key regional stakeholders, ensuring that the strategies enjoy common ownership across each region. Frameworks for regional employment and skills action (FRESAs), under the wing of the Department for Education and Skills. in 2001 but devised by the RDAs, and now drafted jointly between the RDAs and the learning and skills councils, have also been published. And following the launch of the government's national skills strategy in June 2003, the RDAs are now central to the new regional skills alliances.

We should not underestimate, however, the enormous challenge facing the RDAs in the years ahead. In order to have a real chance of both increasing the economic performance of the UK as a whole and reducing the gap in growth rates between regions, the RDAs need to move beyond drawing up strategies to demonstrating first-class leadership in their regions, so that they and other agencies whose efforts are aligned within the regional economic strategies deliver on their objectives.

That is not to say that strategy does not remain important – many regions are already improving their capacity to deliver, through ensuring that their regional economic strategies are aligned with their spatial, housing, and transport strategies – but the real challenge is to see that those strategies, and the resource allocation that accompanies them, produce enhanced economic outcomes in the regions.

To succeed with our regional growth agenda, the RDAs will need to focus even more rigorously on their priorities for the months and years ahead. On skills, for instance, the RDAs must concentrate their efforts on ensuring that the learning opportunities in their regions match their particular skills needs. Both in those regions where there are formal pilot schemes and those where there are not, the RDAs and the learning and skills councils should work closely together to break down the institutional barriers impeding the appropriate supply-side reform in their region.

Moreover, the RDAs should use the opportunity afforded by the new regional skills partnerships and the employer training pilots to drive constructive and creative joint working – with the learning and skills councils, the Small Business Service, the Skills for Business Network and Jobcentre Plus – in delivering the skills needed to raise productivity. In addition, there is growing recognition that RDAs are well placed to use their knowledge of the regional economy to exercise greater influence on the provision of services to small and medium-sized enterprises.

RDAs will need to deepen partnership working across the region, within the subregions and with the learning and skills councils, the Small Business Service, universities and local government. And they must make sure that all parts of the region, the weakest as well as the strongest, are helped to be part of a bottom-up strategy. In each area – skills, innovation and investment – the RDA needs to ask of the region's economic policy:

- Do we have the right priorities?
- Are we identifying the barriers to success?

- What needs to change?
- How can the RDA use its leverage to make that change happen?

In both skills and enterprise, as well as in other key policy areas, ensuring that the regions have the capacity to deliver, and the clout to ensure that others do so too, will be central to the RDAs' success. The RDAs should continue to identify and resolve duplications and inconsistencies in delivery, share best practice with each other and help central government to understand better the barriers to success in the regions.

To do this, it is important for the RDAs to ensure that all within their region feel that their views are properly recognised in the development of policy and in the delivery of objectives. This demands the contribution of all parts of the community – businesses, trade unions, universities and colleges, local authorities – the disadvantaged as well as the well-off.

For some regions, improving the framework for delivery will best be addressed through the establishment of elected regional assemblies. Following a wide-ranging soundings exercise, the deputy prime minister, John Prescott, announced in June of this year that the level of interest was sufficiently high in the three northern regions – the North East, the North West and Yorkshire and the Humber – to hold referendums on elected assemblies.

If these regions choose to adopt elected assemblies, the RDAs will become directly accountable to them – further strengthening the responsiveness of the RDAs to the needs of the people in their region and making it easier for the regions to take difficult decisions. Future assemblies would have responsibilities in areas including economic development, planning, housing, transport, culture, public health, rural policy, environment and crime reduction.

It is important, however, that RDAs do not lose their economic focus, both in those regions that adopt the elected assembly route and those that do not. The RDAs will remain key to ensuring that the new regional economic policy can support a regionally balanced approach to economic policy, growth and jobs. While the debate about regional government needs to take place, we must stay focused on regional economic policy.

Next steps in enabling regional delivery

Just as the RDAs need to focus on the challenges ahead, so both they and central government have more work to do to further improve the framework for policy making

and delivery at the regional level. Central government has as much responsibility as the regions for getting this right, and George Barlow's point, that much of what the government does needs to be re-profiled on a regional basis, is well made.

That is why the chancellor, Gordon Brown, announced a devolved decision-making review in the last, 2003 budget to examine "how best to achieve decentralised delivery and responsive local and regional services in a way that is consistent with equity and efficiency, against a clear framework of national standards". The review, which will feed into the 2004 spending review, will identify new ways – which are more responsive to the needs and aspirations of local communities – to improve service delivery outcomes at the regional and local level.

The devolved decision-making review is indicative of the government's determination to ensure that policy formation and delivery take place closer to the point of delivery.

This transformation in the way that the government organises itself and expects services to be delivered will also be helped by Sir Michael Lyons' independent review of the scope for relocation of civil servants and other public-sector workers from London and the South East to the regions. In the interim report of the review – published in September 2003 – Sir Michael made it clear that relocations should be based on sound business proposals worked up by departments and in the context of improved efficiency and better public service delivery.

In order better to understand the issues surrounding the links between businesses and universities, not least at the regional level, the government has asked Richard Lambert to examine how the long-term links between business and British universities can be strengthened to the benefit of the UK's economy. The review team has consulted widely with businesses, universities and the RDAs. Doing so identified several issues relating to the regional agenda and the potential for RDAs to promote business-university collaboration.

Improving the framework for delivery at the regional level is also – as many of the RDA chairs have pointed out in this pamphlet – about improving the quality of data available. John Bridge, justifiably, draws attention to the "paucity of good quality regional data". The Treasury/Department of Trade & Industry paper of 2001, *Productivity in the UK: 3 – The Regional Dimension* went some way in identifying the factors underlying the economic underperformance of the regions – focusing on the five key drivers of

productivity: skills, competitiveness, innovation, enterprise and investment. But there remains significant scope for improving our knowledge base and regional data set. To these ends, the government has commissioned two independent reviews.

Professor Iain McLean has recently published a study – commissioned by the ODPM, with support from the Treasury and the Department for the Environment, Food & Rural Affairs – aimed at improving the quality of the government's regional spending statistics. The study provides an important and challenging analysis of methodologies for producing regional breakdowns of out-turn expenditure information. The lessons of that work can be used in the future to inform the way that departments produce regional analyses of their spending plans.

Furthermore, earlier this year, Christopher Allsopp began an independent review of the regional information and statistical framework needed to support the government's objective of promoting economic growth in all the regions and reducing the persistent gap in growth rates between regions. He will report on progress and next steps at the time of the pre-budget report.

So, through reviewing the scope for devolved decision making and commissioning independent reports on the location of civil servants, regional spending statistics and other regional data needs, the government is continuing to think and act boldly in helping the regions to deliver on their own priorities and needs.

Spending review 2004

The 2004 spending review is a real opportunity for the government to make significant steps towards its objective of improving the economic performance of all the regions while reducing the gap in growth rates between regions. It is important, therefore, that the possible impact of all government policies and targets on the economic performance of the regions is given due weight during the spending review process.

Critical to this will be the input received from the RDAs and their regional partners. The government has recently asked the RDA, government office and regional chamber in each region to work together in producing regional emphasis documents. It is important that these regional emphasis documents can identify areas in which efficiency savings can be made, as well as the priorities for each region. Those documents that successfully achieve this balance will be most influential in the negotiations to be had between the Treasury and other government departments.

Conclusion

There is much to celebrate about the RDAs since their establishment in 1999. Real progress has been made in devolving power from the centre and changing Whitehall's mindset – the single pot has been crucial to this progress. The RDAs, through individual projects and through building a strategic regional partnership, have much to be proud of. But it is important that we do not lose sight of the challenges ahead. Central government must remain true to its commitment to greater devolution and decentralisation. That will ensure that the right framework is in place to deliver on regional economic performance. The RDAs must continue to focus on their objectives and build the capacity to deliver in their regions. Their ability to do so will be the real test of the new regional economy policy.

Appendix I

Serving and retired RDA chairs

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Appendix II

Map of regional boundaries

England's Regional Development Agencies