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Dear Dermot

Thank you for sending through your third comment piece entitled: "Regional Development Agencies: our position". As with the two preceding reports, it presents some interesting and quite challenging arguments. However, I do believe that a number of your assumptions and recommendations are driven more by ideology than evidence and would actually be detrimental to economic development and regeneration if put into practice. That said, I very much welcome the fact that this latest piece begins to broaden the debate to cover not only Regional Development Agencies but also all other regional instruments of government. As I have stated previously, RDAs would welcome a robust and honest review of the effectiveness and efficiency of public bodies involved in regional economic policy.

In the following paragraphs I summarise some key points made by the report and my response to them.

### **The economic rationale for regions remains unproven**

I would argue that the rationale for city regions is no more robust. Indeed, in the context of a global economy it could easily be argued that there is no such thing as a sub-regional, City Regional or Regional economy. For most economic units linkages are national and international and no single 'line on a map' will satisfactorily encompass all of the associated relationships all of the time.

I therefore believe it is more valuable to have a simple and universally-recognised spatial unit that remains relevant to its smallest constituent part while being able to link with other, like-minded units whenever it is rational and worthwhile to do so. This is what a regional approach offers.

For example, Advantage West Midlands often 'drills down' to address issues at a local or ward level. However we also deliver a range of regional programmes, including innovation, business support and the administration of European funding. Then again, we work collaboratively across regions - for example with the East Midlands on the development of business clusters and the national Manufacturing Technology Centre at Ansty, in Coventry. We work England-wide, for example on growth sectors and the Government's New Industry New Jobs Initiative. We are also working across national and international boundaries on areas of common interest and priority.

Clearly, there is no 'one-size-fits-all' solution. However, all of the aforementioned work is made easier because regional geography is 'standardised' across the UK and Europe and, in many ways, so too are the associated governance structures.

### **Regions are a barrier to the emergence of stronger City Regions**

I am not really persuaded by this argument. Mainly because I believe that a much more significant barrier to the emergence of stronger City Regions is caused by local authorities' difficulty in working openly and effectively with each other – particularly when it comes to making compromises and agreeing shared priorities and objectives. For example in this region, it has proved difficult for local authorities to build relationships and gain the consensus needed to move the City region agenda forward. You will no doubt be aware that this has recently manifested itself in both Coventry and Telford significantly withdrawing from the City Region group.

There are also further barriers caused by widespread concerns and reticence about the delay, cost and confusion inherent with redrawing boundaries, establishing new governance structures and operating a complex, multi-tiered system comprising City Regions alongside higher tier and lower tier local authorities.

### **City Region autonomy and allocation of resources**

I understand your desire for autonomy and control over devolved resources – not least because it is something that we as RDAs have had to fight long and hard for. However I do not think that the emergence of stronger City regions would necessarily lead to the Treasury and other Government departments releasing their grip on increasingly scarce public finances. Indeed, the more 'distant' governance structures are from Government the more likely it is for funding and decision-making powers to 'come with strings attached'.

### **There are too many regional bodies**

I suggest that the number of regional bodies is not necessarily an issue. However I strongly agree with your view that duplication of effort must be avoided. It's worth remembering that RDAs themselves were created initially by bringing together the regional offices of (then) English Partnerships, the Rural Development Commission and certain functions of the Government Offices in the regions. This process is continuing today, with regional LSC infrastructure being subsumed within RDAs to achieve greater alignment, efficiency and effectiveness of activity.

### **RDAs are undermined by their lack of democratic accountability**

This may be the view of local authorities and political commentators but it is not shared by businesses. They recognise that RDAs are responsive, resourceful and able to make tough decisions based on evidence rather than political expediency. I would also point out that:

- RDAs are accountable to Ministers through the sponsoring Department for Business, Innovation and Skills (BIS).
- Each RDA Chief Executive, as Accounting Officer, is accountable to Parliament for their budget.
- RDA activity is scrutinised regularly by Parliamentary Select Committees, Ministers for the regions and Regional Select and Grand Committees, which comprise regional MPs.
- The National Audit Office subjects the performance of RDAs to regular independent review and external audit.

### **Making the distinction between RDAs as institutions and the RDAs' programmes**

In arguing this point, you imply that RDAs simply deliver a given set of homogeneous programmes and that these could be transferred to another body and delivered equally effectively. In fact, each RDA fundamentally shapes the specification, targeting and delivery of its programmes in order to address specific regional challenges and opportunities.

This is because RDAs are more than just funding bodies. We provide strategic leadership – based on evidence of need and opportunity; and we use our influence with partners to determine priorities, agree respective roles and to align all our efforts and resources. It would not be practical to divide up or replicate these roles within a multitude of City Region and Local Authority governance structures. It would prove difficult, costly and most likely introduce duplication of effort, which your report quite rightly asserts should be avoided at all costs.

### **The reallocation of RDA programmes**

You make the point that your proposed reallocation is only indicative to stimulate debate, so I will not dwell too much on the detail. I would like to point out the following however:

- An independent report by consultants Arthur D Little concluded that RDA and UKTI activities are not duplicated but are in fact mutually reinforcing. We know from historical practice that regions outside the south east will lose out if inward investment promotion and delivery is centralized, nationally.
- We have substantial evidence and experience to suggest that innovation, skills, cluster development and strategic land and property developments are best planned and managed at the regional or supra-regional levels.
- I agree with the report's suggestion that transport requires regional or inter-regional co-ordination. However, I would go further than this and suggest that other economic infrastructure requires planning at these levels – for example IT/broadband capacity, waste, energy and low carbon.
- You suggest that programmes aimed at improving the public realm should be discontinued as they represent poor value for money. I fear that this generalization may underestimate the important contribution that some such developments have made towards creating more attractive, and therefore more prosperous, places in which to live, work and visit.

Finally I suggest that, in light of tightening public finances, any changes to existing structures and practices must achieve more efficient and effective delivery of front-line activity. RDAs have a strong track record of delivering more with less, as evidenced by:

- Independent evaluation by PricewaterhouseCoopers shows that for every £1 invested by RDAs we have, to date, generated £4.50 in return. This figure rises to £6.40 when future returns are included. This is recognised as being at the very top end of returns for public sector investment.
- Every RDA achieved a score of 3 or 4 out of 4 in the last National Audit Office round of Independent Performance Assessment.
- Analysis undertaken for the Government's Operational Efficiency Programme, launched by the Chief Secretary to the Treasury on 3rd July 2008, demonstrated that RDAs are lean organisations. We met or exceeded all our government - prescribed efficiency savings and performance targets.

No doubt the City Region/regional debate will continue to gather pace as we get closer to the General Election. I look forward to continuing our dialogue and contributing to the debate over the coming weeks and months. Meanwhile, I hope you find these comments useful and constructive. Naturally I would be happy to discuss them in more detail if you so wish.

Regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mick Lavery', written in a cursive style.

**Mick Lavery**  
**Chair of RDA Chief Executives and**  
**Chief Executive, Advantage West Midlands**

Copy: RDA Chief Executives  
RDA National Secretariat