

To inform the 2007 Comprehensive Spending Review (2007 CSR), the Government set out plans to refocus powers, responsibilities and accountabilities of the Regional Development Agencies (RDAs) in the *Review of sub-national economic development and regeneration* published in July 2007. In line with the key conclusions of this review, the 2007 CSR settlement for the RDAs:

- enhances the strategic role of the RDAs, and announces reforms to improve their capacity, efficiency and effectiveness. This enables an RDA settlement in line with the most ambitious departmental value for money programmes. **The RDAs' single programme budget will be £2.140 billion by 2010-11 from a base of £2.274 billion in 2007-08;**<sup>1</sup>
- significantly simplifies the RDAs' objectives, replacing the current tasking framework with a new outcomes framework defined by a single growth objective; and
- enhances RDAs' responsibility for coordinating the funding and procurement of business support, and brings together business support and skills into a single brokerage service managed by the RDAs from April 2009.

Underpinning this, the RDAs have also committed to an **ambitious value for money programme that will realise annual net cash-releasing savings of £349 million by 2010-11.**

**Achievements so far** **DI9.1** To drive economic growth in the English regions, the Government established eight Regional Development Agencies (RDAs) in 1999 and the London Development Agency (LDA) in 2000. These have been given unprecedented autonomy to respond to the particular challenges and opportunities of their regions. The Government has also devolved significant additional resources and responsibilities to the RDAs, including for the delivery of business support, the delivery of research and development grants and support for business-university collaboration.

**Responding to challenges ahead** **DI9.2** In Budget 2006, the Government announced a review of how to improve further the effectiveness and efficiency of sub-national governance, incentives and powers to improve regional economic performance and deliver regeneration and neighbourhood renewal. The *Review of sub-national economic development and regeneration* (SNR) was published in July 2007 and set out reforms to build on progress made since 1997 to devolve decision making to regional and local levels. The reforms are aimed at empowering Local Authorities, encouraging sub-regional collaboration, strengthening accountability, coordination and decision-making at the regional level and improving central government's interface with regions and localities. The SNR announced an enhanced strategic role for the RDAs, supported by increased freedoms and flexibilities and a simplified sponsorship framework.

## RESOURCES AND REFORM

**DI9.3** Increasing the freedoms and flexibilities of the RDAs and developing further their strategic role, enables the RDAs to deliver significant efficiency and value for money savings. Each of the nine RDAs has developed a robust and sustainable value for money plan, which will enable them to deliver savings in line with the most ambitious departmental value for money programmes over the CSR07 period. Consistent with these value for money plans, **the 2007 CSR announces that RDAs will make annual net cash-releasing savings of £349 million**

<sup>1</sup> The RDA single programme budget is made up from ring-fenced contributions from six departments.

per year by 2010-11. Single Pot funding for the RDAs means that they will continue to have significant flexibility in managing their own resources to meet their regions' priorities.

**DI9.4** The SNR recommended strengthening the local and regional tiers to ensure these are responsive to local economic conditions. The key recommendations for the regions include:

- introducing a single regional strategy in every region that merges the current Regional Economic Strategy and Regional Spatial Strategy;
- rationalising regional governance structures;
- better alignment of funding with strategy; and
- implementing a radically simplified sponsorship framework for performance managing the RDAs.

**A single regional strategy** **DI9.5** The Government is committed to introducing a single integrated regional strategy, which will bring together the economic, social and environmental objectives for each region. The regional strategy will set out how economic development interventions will deliver the regional growth objective and how spatial planning within each region will support delivery of the agreed increase in housing numbers. These objectives are currently set out separately in the Regional Economic Strategy and the Regional Spatial Strategy. The new single regional strategy will build the support of Local Authorities, businesses and other partners from within the region, as well as from central departments and agencies.

**Reforming regional governance** **DI9.6** The Government believes that regional institutions also need to be significantly reformed to ensure effective accountability and to drive more strategic decision-making at the regional level. The Government will bring forward proposals to give the Regional Development Agencies the executive responsibility for developing the single regional strategy, including designating them as the Regional Planning Body, working closely with Local Authorities and other partners. Regional Assemblies in their current form and function will not continue. Instead, Local Authorities in the regions will be responsible for agreeing the regional strategy with the RDAs. Local Authorities will also be responsible for effective scrutiny of RDA performance. The Government will consult further later this year on how to implement these reforms.

**Regional Funding Allocations** **DI9.7** Better alignment of strategy and funding is essential if the regional strategies are to be effective in prioritising resources across regions. The Government will seek to expand the Regional Funding Allocation process further to cover a wider range of funding relevant to economic growth, potentially including the European Regional Development Fund, other aspects of transport funding, and the regeneration activities of the Homes and Communities Agency. The Government will also explore the scope for extending Regional Funding Allocations to cover other budgets of importance to regional economic development, including with regard to skills, consistent with the Government's response to the Leitch Review.

**Improving RDA value for money and effectiveness** **DI9.8** The 2007 CSR announces a package of radically simplified performance management arrangements for the RDAs. This is aimed at building the capacity of the RDAs and improving further their value for money and effectiveness in supporting regional economic growth. The new performance management arrangements include the following key elements:

- improved clarity on the role, responsibilities and relationship between the RDAs and the Department for Business, Enterprise and Regulatory Reform;
- a significantly simplified outcomes framework, defined by a single overarching objective focused on regional economic performance;

- independent and professional assessments of each RDA, which reduce the overall audit burden on the RDAs, building on the 2006-07 Independent Performance Assessments, but enabling greater differentiation in assessment of RDA performance and value for money;
- a comprehensive, systematic and sustained evaluation of the added economic value of RDA programmes, delivered through a robust Impact Evaluation Framework; and
- reform of RDA appraisal and delegation limit procedures to enhance the value for money of RDA projects and reward good appraisal practice, particularly through increased RDA delegation limits.

## INCREASING FLEXIBILITY IN THE REGIONS

**DI9.9** The Government will also work with the RDAs to move to a programme-based approach to management of the RDA single programme budget, rather than a project-based approach. This will require the RDAs to be clear about overall strategy and give far greater autonomy to Local Authorities and sub-regions in the allocation and management of spending. This will give greater certainty for other partners as well as improving efficiency.

**Business support** **DI9.10** The RDAs will continue to have responsibility for managing Business Link and ensuring it is equipped to meet the needs of business in simplifying access to business support and providing a one-stop-shop for high quality diagnosis and brokerage services. The 2007 CSR settlement also enables the RDAs to take on responsibility for managing the response to industrial crises or natural disasters which have the potential to create substantial economic shocks and impact severely on business.

**Skills** **DI9.11** The Government will work with the RDAs and the Learning and Skills Council to ensure there is no duplication and overlap in skills provision. The Government considers that a single brokerage service is the simplest way for business to access government support on skills, and will fully integrate skills brokerage with Business Link to ensure a single brokerage service managed by the RDAs by April 2009. The 2007 CSR settlement increases the Department for Innovation, Universities and Skills' contribution to the RDA Single Pot by £24 million per year to enable the RDAs to take on this responsibility, consistent with the Government's reform agenda to make the skills system more responsive to the needs of employers and to raise their demand for training. Further details are set out in Chapter 4.

**Trade and investment** **DI9.12** To ensure the activities of the RDAs and UK Trade and Investment (UKTI) on overseas activity to promote inward investment are better aligned, the Government will work with the RDAs to ensure that the management and branding of overseas activity is brought together on a national basis and to improve alignment between UKTI's network of trade advisers in the regions and Business Link.

**Sainsbury Review** **DI9.13** The Sainsbury Review of science and innovation sets out recommendations for improving the RDAs' role in enhancing regional innovation performance. In response to the conclusions of the Sainsbury Review, the RDAs, Technology Strategy Board (TSB) and Science and Industry Councils have committed to collaborating to support innovation priorities that deliver the national technology strategy and Regional Strategies. Utilising the Single Pot and European Funds, each RDA has committed to ear-marking investment to match fund TSB programmes on a case by case basis or as part of a regional prospectus. This will lead to a total investment from the RDA network of £180 million over the three years starting in 2008, subject to appropriate projects being identified that benefit the regions.

**Northern Way DI9.14** In the North of England, the three northern RDAs have come together with local, regional and private sector partners to develop the Northern Way Growth Strategy. The Northern Way is focused on those economic policy areas where a pan-regional approach is likely to be more efficient and effective, rather than adding an additional tier to decision-making. The 2007 CSR enables the three northern RDAs to provide funding of £45 million over three years to support Northern Way collaborative programmes and transformational initiatives.

**Regional statistics DI9.15** In response to Christopher Allsopp's review of the regional information and statistical framework needed to support the Government's regional economic performance PSA target, the Office of National Statistics (ONS) and the RDAs worked in partnership to establish a full regional statistical presence in March 2007. The 2007 CSR enables the RDAs to continue to provide funding to sustain the ONS's regional presence. The ONS has also committed to deliver real regional Gross Value Added per head estimates to enable more accurate comparison of regional growth rates by 2009.

**European Structural Funds DI9.16** To align European Structural Funds more effectively with domestic regional development, the Government is transferring responsibility for management of the 2007-2013 European Regional Development Fund programme from the Government Offices to the RDAs. The Government is also introducing arrangements to ensure that use of the European Social Fund is aligned to priorities set out in Regional Strategies.

**Table D30: Regional Development Agencies<sup>1</sup> baseline and additions**

	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	1,167	-27	-29	-55
<i>of which near-cash</i>	1,110	-27	-29	-55
<i>of which administration</i>	239	-6	-11	-17
Capital DEL	1,106	-26	-53	-79
<b>Total DEL<sup>2</sup></b>	<b>2,274</b>	<b>-54</b>	<b>-83</b>	<b>-134</b>

<sup>1</sup> The RDA single programme budget is made up from ring-fenced contributions from six departments. The figures presented here are also included in the settlements of the six contributing departments.

<sup>2</sup> Full resource budgeting basis, net of depreciation.