



House of Commons
Committee of Public Accounts

Success in the regions

**Fifty-first Report of
Session 2003–04**

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Leslie Young (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

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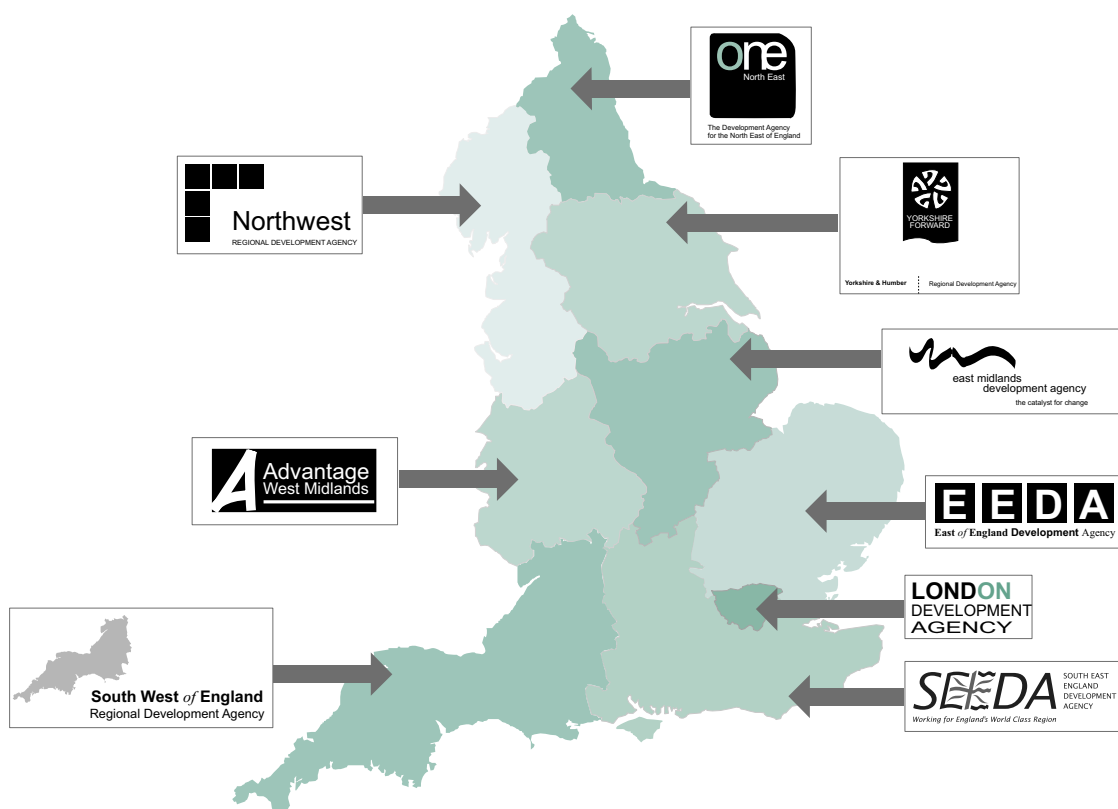
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Summary

Introduction

The nine Regional Development Agencies (RDAs) were set up to promote economic development in the regions, co-ordinating development and regeneration initiatives and enabling the regions to improve their relative competitiveness and reduce the imbalance that exists within and among regions.

Figure 1: The Regional Development Agencies



Source: *Regional Development Agencies*

Six departments fund the RDAs,¹ with the majority of this funding coming from the Office of the Deputy Prime Minister (ODPM). The RDAs' combined budget is rising steadily from £1.1 billion in 2000–01 to £2.3 billion by 2007–08.² The Department of Trade and Industry (DTI) oversees the RDAs. The RDAs work with other bodies in the regions such as Learning and Skills Councils to help achieve their objectives.

1 Office of the Deputy Prime Minister, Department of Trade and Industry, Department for Education and Skills, Department for Environment Food and Rural Affairs, UK Trade and Investment, Department for Culture Media and Sport

2 C&AG's Report, *Success in the Regions* (HC 1268, Session 2002–03) Figure 1; 2004 Spending Review

There is a tension between the RDAs' need to respond flexibly and promptly to regional issues, determining and addressing their own priorities, and the demands and constraints that government departments place on RDAs in helping to deliver and implement national policies. On the basis of a Report from the Comptroller and Auditor General, we took evidence from the DTI, ODPM and the RDAs about making departments more responsive to regional issues and co-ordinating regional development initiatives.

Conclusions and recommendations

1. **Problems in relationships with government departments that hampered the RDAs' early years provide a poor precedent for the potentially more complex relationships if any elected regional assembly were established.** Targets developed by the DTI with RDAs led to conflicts between regional priorities and national policies while departments' delays in approving RDAs' projects damaged relationships with regional stakeholders. ODPM should take the lead in spelling out clearly the different roles, responsibilities and authority of RDAs, departments and any elected regional assembly.
2. **Current RDA targets concentrate too much on short-term contributions to Whitehall objectives and too little on longer-term regional impact.** Existing targets give RDAs too little freedom to develop regional solutions to regional issues, to plan for the long-term or to act strategically. Longer-term measures of regional economic performance, which require improved data collection, would provide a better match with RDAs' overall objectives and with departments' Public Service Agreement targets.
3. **The DTI should measure RDAs' impact on regional economic performance by means of improved regional data recommended by the Allsopp review of statistics for economic policymaking.** The DTI, RDAs and the Office of National Statistics need to work closely together to improve the availability and timeliness of regional economic performance data. A key issue will be to ensure regional data are comparable, particularly if they are not collected or collated centrally, so they can be used to measure the relative impact of the RDAs.
4. **RDAs have too little influence over public expenditure on skills and transport, even though these activities are vital components of regional economic development.** The DTI, as RDAs' advocate within Whitehall, and ODPM's Regional Co-ordination Unit, which has a role in ensuring departments' actions properly take account of the implications for other departments, have been unable so far to secure adequate influence for the RDAs in these two key areas. The DTI and ODPM should pursue vigorously the 2004 Spending Review commitments about improving the regional integration of skills and transport funding streams with RDAs' activity.
5. **ODPM should further streamline the array of funding sources available to support regional development.** South East England Development Agency had to devise an initiative to help applicants deal with problems created by over 40 different relevant funding streams with separate monitoring and evaluation criteria. ODPM agreed with us that there are still far too many individual funding streams. The need to make repeated applications and to satisfy a range of monitoring regimes, often with different requirements, creates a bureaucratic burden on applicants and is highly wasteful.
6. **The DTI, ODPM and RDAs should expand their work in developing single application and monitoring arrangements where multiple funding sources persist.** Applicants seeking funds for development activities should be able to submit the same information and forms to different funding providers. Shared appraisal and

monitoring arrangements should be put in place to allow recipients of funds to complete a single return for each supported activity to satisfy the needs of all funding sources.

7. **The DTI should specify which organisations are empowered to decide when there are disagreements among local, regional and national bodies.** Local authorities have on occasions received the impression that previous funding decisions might be overturned if regional bodies and national bodies disagree. Such lack of clarity strains relationships between organisations that need to work together.
8. **ODPM should adopt a presumption against establishing new organisations unless its policy objectives are not achievable through existing bodies.** In the Thames Gateway strategic area, three RDAs have to work with two new urban development corporations as well as partnerships of local authorities, three Government Offices and the Ministerial Committee on Housing Growth and Sustainable Communities. Where it is essential to establish new organisations, ODPM should define the respective responsibilities of the new and relevant existing bodies and oversee the establishment of joined-up arrangements for co-ordination and decision taking.

1 Making departments more responsive to regional issues

1. ODPM's predecessor, the Department for the Environment Transport and the Regions, established the RDAs at arms-length from Westminster to bring business expertise and local knowledge to bear upon regional issues. RDAs' boards include representatives of regional interests, most with recent or current business experience, and their Chairs are all drawn from the business sector. The DTI, which now oversees the RDAs, has to achieve a balance in enabling RDAs to respond flexibly to regional priorities while ensuring that RDAs contribute appropriately to the objectives of the departments that fund them.

2. The DTI's objectives for RDAs are closely linked to the regional economic performance Public Service Agreement target that it shares with the Treasury and ODPM, to "make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth between regions, demonstrating progress by 2006".³ The RDAs, responding to a recommendation by the Comptroller and Auditor General, have developed a mission statement: "England's Regional Development Agencies – transforming England's regions through sustainable economic development." The target and mission statement show that, in principle, regional and national priorities are complementary.

3. In practice, there can be tensions between RDAs' regional duties and their need to satisfy the departments that fund them. The extent of departments' control over RDAs has, rightly, developed over time as RDAs have matured as organisations. Examples of a lessening of bureaucracy from departments include performance monitoring reducing from four times a year to twice a year, a "single pot" funding arrangement that allows RDAs more flexibility in allocating funds to address regional priorities and an increase in the spending limit above which RDAs have to seek departments' approval from £5 million to £10 million.⁴ The DTI accepted, in particular, that its past methods for gaining assurance about corporate governance had been heavy-handed and that it would never repeat them.⁵

4. Every RDA has a statutory duty to formulate and keep under review a Regional Economic Strategy, reflecting regional priorities and drawn up in consultation with regional stakeholders. The RDAs see the Regional Economic Strategies as the most important determinants of their activities.⁶ RDAs also have to agree targets annually with government departments. Some targets span several years while others cover a single year. The DTI publicises RDAs' results against short-term targets on its website. Regional Economic Strategies and targets agreed with departments need to be mutually consistent in order not to undermine RDAs' work.

5. There are problems with the framework of targets defined for RDAs (**Figure 2**). A continuing emphasis on short-term targets leaves too much control with departments and

3 2004 Spending Review

4 Qq 8–11, 14–15; C&AG's Report, para 3.4

5 Qq 12–13

6 C&AG's Report, para 1.6

makes it difficult for RDAs to plan for the long-term and act strategically.⁷ The short-term targets also fail to link RDAs' activities to departments' Public Service Agreement targets or to Regional Economic Strategies.⁸ The DTI is bringing in a new framework by April 2005 that will enable RDAs to agree targets that support long-term strategic goals and Regional Economic Strategies.⁹

Figure 2: The need for targets that support long-term objectives

There are problems with the current framework of targets defined for RDAs. The framework comprises three tiers.

- Tier one simply replicates statutory purposes but is not measured: it confuses partners.
- Tier two is an awkward mix of legacy programmes and Public Service Agreement targets. Tier two targets reflect national priorities rather than regional objectives and are not well aligned with other major public programmes, such as those of local learning and skills councils, local strategic partnerships and the Neighbourhood Renewal Fund, so partners are often working to different targets.
- Tier three targets are intended to measure RDAs' direct activity, but two (for jobs and businesses) are the result of wider work by many partners. Only one (a new fifth target) measures strategic value added. Other results do not feature, even though they contribute to sustainable economic development and the RDAs can control them. Undue emphasis on tier three targets in public performance reporting makes them perverse decision drivers, encouraging the RDAs to place a premium on projects that maximise contributions to them.

Source: C&AG's Report, case example 4

6. Each RDA must also produce a 3 year Corporate Plan and gain Ministerial approval of it in order to draw down funds. The Corporate Plan must follow strict guidance issued by the DTI, including targets set within the current three tier target framework. It cost the South East England Development Agency (SEEDA) £500,000 to produce its Corporate Plan. This included the costs of running public consultations, economic analysis and special events. SEEDA found that keeping to DTI guidance meant that the Corporate Plan did not match regional priorities or the needs of regional partners. Because of this, SEEDA had to produce a second plan for its own purposes.

7. Departments have been slow to respond to concerns raised by the RDAs. It has taken over four years' experience in overseeing RDAs and a report from the Comptroller and Auditor General to make departments realise they must give RDAs a proper framework to define their work.¹⁰ This lack of urgency is also reflected in departments' failure to take seriously the RDAs' concerns about delays in granting approval to proceed with projects, illustrated by their markedly differing perceptions of the significance of problems (**Figure 3**).

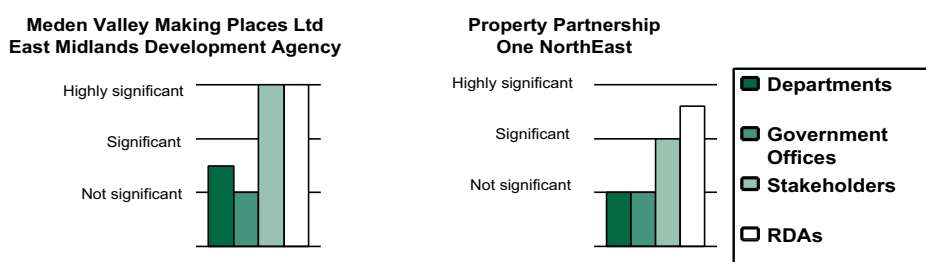
7 Qq 16–18, 35, 92, 95

8 C&AG's Report, paras 2.11–2.17

9 Q 9

10 Qq 37, 40, 49–56, 96

Figure 3: Different perceptions of the significance of delays in project approval



Source: C&AG's Report, case examples 5 and 7

8. The DTI and RDAs acknowledge that regional economic performance data are currently inadequate to measure RDAs' impact properly.¹¹ The Government intends to implement the recommendations of the recent Allsopp review into regional performance information.¹² The DTI needs to work with others including the Office for National Statistics to ensure data more relevant to RDAs' work are available as soon as possible.

9. Increased regional prosperity depends in part on people having the skills to enter high-value employment and on appropriate transport and communications infrastructure. RDAs do not have sufficient influence over funds for transport, education and skills, which are vital in economic development.¹³ It is a serious limitation that RDAs are currently unable to cover these issues adequately (Figure 4).

Figure 4: Inadequate influence over higher education

One NorthEast developed a regional strategy to advance science, engineering and technology by working closely with partners. The Strategy for Success establishes five centres of excellence and will also help with intellectual property management. Although the Agency launched the Strategy successfully, the initiative could have made even more progress if there had been greater scope to influence other regional organisations, such as universities, funded by bodies that do not take account of regional priorities. One NorthEast recommends extending the government's partnership approach in developing a national strategy for nanotechnology to give a greater regional dimension to all national policy in science, engineering and technology.

Source: C&AG's Report, case example 13

10. The 2004 Spending Review made commitments about better regional integration of transport and skills with regional economic development issues. The government has said it will "consider favourably" a joint approach to managing the adult skills budget in any region where the RDA and the Learning and Skills Council desire it. The government has also said it is "examining ways to integrate regional transport, spatial and economic strategies in a framework of indicative regional budgets" to be published alongside Budget 2005. It is too early to say whether these commitments will crystallise into arrangements that give RDAs the influence they need.

11 Qq 4, 76–77

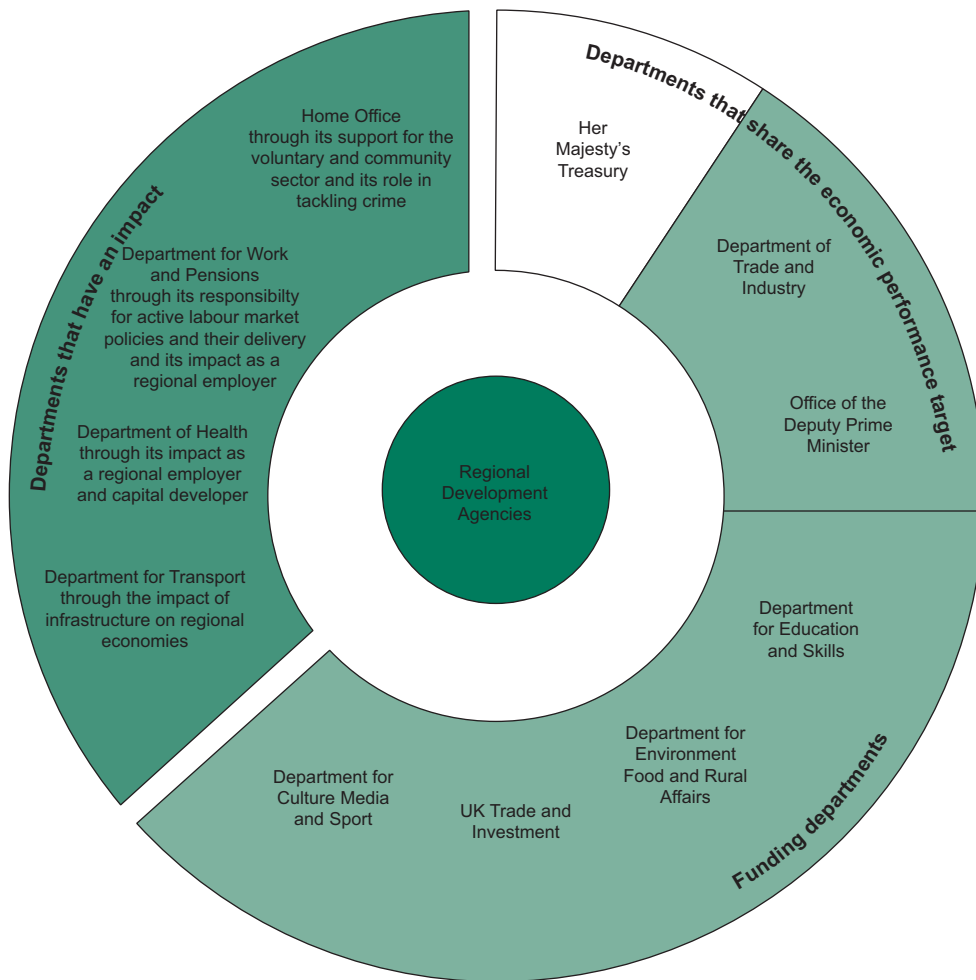
12 *Review of statistics for economic policymaking*, Final Report to the Chancellor of the Exchequer, the Bank of England and the National Statistician, Christopher Allsopp, March 2004

13 Qq 71, 79–80, 103

11. ODPM plans to hold a referendum in the North East of England in November 2004 to determine whether to establish an elected regional assembly. It published in July 2004 a Draft Regional Assemblies Bill to define how such an assembly, together with any other assemblies that might be established later in other regions, will operate. Wherever an elected regional assembly is established, the assembly will take over most of the DTI's responsibilities for overseeing the relevant RDA. The DTI will remain responsible for determining how departments' activities are delegated to RDAs, including setting conditions such as the associated framework of targets.

12. RDAs' relationships with departments are already complex (**Figure 5**). They are likely to become more so where any elected regional assembly is established.¹⁴ The need for clarity about the different roles, responsibilities and authority of RDAs, other regional organisations and departments will become even greater in those circumstances.

Figure 5: Departments that affect the RDAs



Source: C&AG's Report, Figure 7

2 Co-ordinating regional development initiatives

13. The RDAs have responsibilities to a wide range of national and regional organisations. The RDAs have to submit proposals for expenditure above £10 million to the DTI for review by the funding departments.¹⁵ In addition to the six funding departments, five other departments have an impact on the RDAs' work.¹⁶ The Government Office in each region works with the corresponding RDA on regional issues, is responsible for the mechanics of paying funds to the RDA and reports to the DTI on the RDA's performance.¹⁷ Each region outside London has an appointed assembly (known legally as a regional chamber) with a statutory role in scrutinising the RDA.¹⁸ The elected Greater London Authority scrutinises the London Development Agency. ODPM has announced a referendum in the North East region for an elected assembly through which government funding for One NorthEast would pass. The elected assembly would take over many of the oversight functions currently exercised by the DTI.

14. The RDAs work in collaboration with many regional and local organisations. Activities funded by the RDAs are frequently relevant to other government initiatives and draw on associated additional sources of support. RDAs have the challenge of helping organisations find their way through confusing funding procedures and of ensuring different providers of public funds act consistently and at the same time. RDAs have to present this coherent interface with regional and local partners while, at the same time, facing uncertainty about when and how government departments will respond to proposals for RDAs' own expenditure. Lack of clarity about which national, regional and local organisations have the power to take or veto decisions can strain relationships between organisations that need to work together.¹⁹ Local authorities, in particular, have received the impression that previous funding decisions might be overturned if regional bodies and national bodies disagree.²⁰

15. ODPM recognises there are still far too many "area-based initiatives" that are potential sources of funds for regeneration and development activities despite its work to reduce their number.²¹ The need to apply for multiple funds has been a source of waste and delay for projects involving the RDAs (**Figure 6**).

15 C&AG's Report, para 3.4

16 *ibid*, Figure 7: Her Majesty's Treasury, Home Office, Department for Work and Pensions, Department of Health, Department for Transport

17 C&AG's Report, para 1.10

18 *ibid*, para 1.11

19 Qq 67-69

20 Qq 42-48

21 Qq 90, 101-102

Figure 6: Problems caused by the complexity of funding arrangements

The National Biomanufacturing Centre in Speke aims to increase access to biomanufacture, bioprocess and bioanalytical services to assist the rapidly developing UK biomanufacturing sector. Funds come from the DTI, the Government Office and the Northwest Development Agency. The complexity of this arrangement contributed to delays of nearly two years in approving funding, which harmed relationships with stakeholders. A lack of written confirmation delaying matched funding and changes to appraisal procedures, along with personnel changes at the Government Office, all exacerbated the problem.

Multiply funded projects supported by Yorkshire Forward include the South Yorkshire Inward Investment Programme, Centres of Industrial Collaboration and Advanced Engineering Metals Supply Chain Development. Approval for such projects is often delayed by repeated appraisals for different funding sources. Yorkshire Forward and the Government Office are working to enable identical submissions to go to a single joint appraisal panel, presenting consistency to partners. Yorkshire Forward proposes that public sector organisations should be able routinely to rely on each other's appraisals.

Source: C&AG's Report, case examples 6 and 10

16. Problems caused by multiple funding sources continue when successful applicants have to report progress in different ways to different funding providers. South East England Development Agency has developed a partial solution to problems caused by the existence of over 40 different funding sources (**Figure 7**).

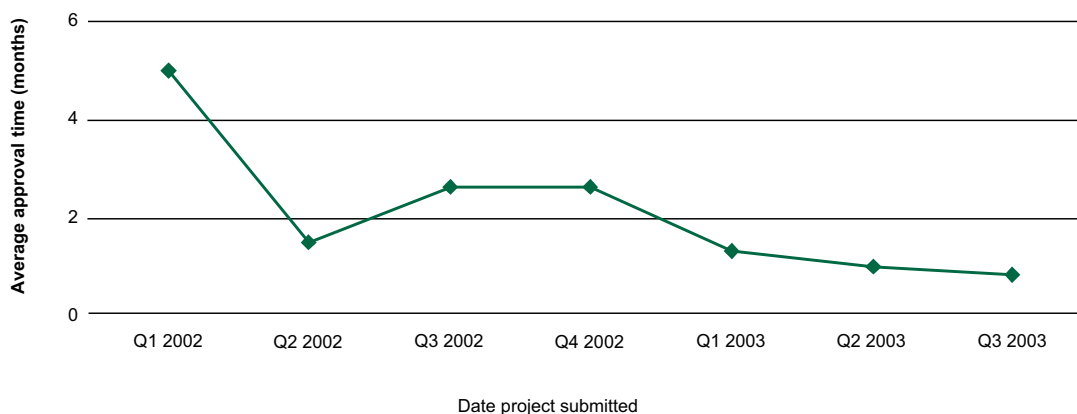
Figure 7: Wasteful repetition in reporting progress to multiple funders

South East England Development Agency has developed a system to streamline funding sources. Hastings is a severely deprived area attracting substantial regeneration and renewal funds from many sources. The Hastings Single Local Management Centre is central to a series of proposals to improve the effectiveness of Area Based Initiatives by tackling problems where over 40 different funding streams have separate monitoring and evaluation criteria. The Agency's capacity to deliver has been limited by such problems. The pilot scheme consolidates monitoring across selected programmes within a single management team and is investigating the potential for monitoring each project against a single set of targets.

Source: C&AG's Report, case example 11

17. Departments have taken as long as 4 months to review and approve many RDA projects. A small minority of projects have taken much longer, even being delayed by more than a year. Although the average time for approval has fallen to less than one month (**Figure 8**), there could have been more urgency about improving departments processes and removing the burden of needless delay from the RDAs.

Figure 8: The extent of departments' delays in approving projects



Source: C&AG's Report, Figure 15

18. Delays in receiving project approval damage RDAs relationships with key regional stakeholders whose goodwill and co-operation are crucial to successful economic development (**Figure 9**). Delays can therefore jeopardise the delivery of the outcomes for which the RDAs were established.

Figure 9: Problems caused by delays in approving projects

The process of gaining departments' approval delayed the establishment of Meden Valley Making Places Ltd by five months, damaging East Midlands Development Agency's relationships with key stakeholders. The project involved plans to acquire derelict properties across eleven statutorily unfit settlements and renew the areas through demolition, refurbishment and improving public spaces.

The Northwest Development Agency suffered delays of seven months in gaining approval from government departments to set up the Cumbria Rural Regeneration Company. The aim of the Public Private Partnership was to implement a rural recovery strategy after foot and mouth disease. The delays caused cynicism among partners and resulted in a loss of momentum.

Source: C&AG's Report, case examples 5 and 9

19. Faced with seeming limitations in existing organisations' ability to implement new policy objectives, ODPM has responded by establishing new structures. An example is the Thames Gateway strategic area, which includes three RDAs, three Government Offices, strategic partnerships of local authorities, urban development corporations and a Cabinet sub-committee.²² The risk of this approach is the scope for increased confusion and delay by adding more layers of bureaucracy.

Formal minutes

Monday 8 November 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Brian Jenkins

Jim Sheridan

Mr Gerry Steinberg

Jon Trickett

Mr Alan Williams

The Committee deliberated.

Draft Report (Success in the regions), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifty-first Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned until Wednesday 10 November at 3.30 pm]

Witnesses

Monday 10 May 2004

Page

Sir Robin Young KCB, Department of Trade and Industry, **Dame Mavis McDonald DCB**, **Mr Rob Smith**, Office of the Deputy Prime Minister, **Mr Steven Broomhead**, Northwest Development Agency, and **Mr Martin Briggs**, East Midlands Development Agency

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Third Report	The Sheep Annual Premium Scheme	HC 64 (<i>Cm 6136</i>)
Fourth Report	Improving service delivery: the Forensic Science Service	HC 137 (<i>Cm 6155</i>)
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Fourteenth Report	Inland Revenue: Tax Credits	HC 89 (<i>Cm 6244</i>)
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Sixteenth Report	Progress in improving the medical assessment of incapacity and disability benefits	HC 120 (<i>Cm 6191</i>)
Seventeenth Report	Hip replacements: an update	HC 40 (<i>Cm 6271</i>)
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Nineteenth Report	Making a difference: Performance of maintained secondary schools in England	HC 104 (<i>Cm 6244</i>)
Twentieth Report	Improving service delivery: the Veterans Agency	HC 551 (<i>Cm 6271</i>)
Twenty-first Report	Housing the homeless	HC 559 (<i>Cm 6283</i>)
Twenty-second Report	Excess Votes (Northern Ireland) 2002–03	HC 560 (<i>N/A</i>)
Twenty-third Report	Government Communications Headquarters (GCHQ): New Accommodation Programme	HC 65 (<i>Cm 6302</i>)
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Twenty-fifth Report	Managing resources to deliver better public services	HC 181
Twenty-sixth Report	Difficult forms: how government departments interact with citizens	HC 255 (<i>Cm 6302</i>)
Twenty-seventh Report	Identifying and tracking livestock in England	HC 326 (<i>Cm 6332</i>)
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The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 10 May 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mrs Angela Browning
Jon Cruddas
Mr Frank Field

Mr Brian Jenkins
Mr Gerry Steinberg
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, further examined.

Mr Brian Glicksman, Treasury Officer of Accounts, HM Treasury, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

English Regions: Success in the regions (HC 1268)

Witnesses: **Sir Robin Young KCB**, Permanent Secretary, Department of Trade and Industry, **Dame Mavis McDonald DCB**, Permanent Secretary, **Mr Rob Smith**, Director-General, Regional Development Group, Office of the Deputy Prime Minister, **Mr Steven Broomhead**, Chief Executive, Northwest Development Agency, and **Mr Martin Briggs**, Chief Executive, East Midlands Development Agency, examined.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts, where we are considering a report by the Comptroller & Auditor general on Success in the Regions. We welcome to the Committee Sir Robin Young, Dame Mavis McDonald, Mr Steven Broomhead, Mr Martin Briggs and Mr Rob Smith. Perhaps, Sir Robin, you could detail the different functions that your colleagues all have.

Sir Robin Young: Certainly. Starting with the RDA colleagues, Steven Broomhead, on my left, is the current lead RDA chief executive. They rotate leadership *à la* European Union. He is the current lead, and he has just taken over from Martin Briggs, who is the chief executive of the East Midlands Development Agency, but was previously the lead RDA chief executive. So we have brought along two lead RDA chief executives rather than representatives of their particular region. I think you know Mavis. Rob Smith is Director-General, Regional Development Group in ODPM, and is responsible amongst other things for the Government Offices.

Q2 Chairman: Thank you very much, Sir Robin. Could you start our hearing this afternoon by looking at page 27, case example 4. Could you please explain to me why you forced the South East England Development Agency to prepare a Corporate Plan that apparently cost £500,000 and was of no use to them?

Sir Robin Young: I too asked that question when I first saw the draft of the report. I think what it actually draws out is that various development agencies took into account different sorts of expenditure in answering the question “What did

it cost to produce your report?” Some people produced the figure for the printing and publication, a small figure; others produced large figures, SEEDA being the largest, and they added up everything which they had done—analysis, public consultations, special events—and that came to the cost of half a million. They then decided they wanted to do something else for their own purposes and did that as well, but in fact, what we discovered, looking back at this—and my colleagues can add to this if you wish—was that RDAs took different interpretations of the question “What did it cost to produce your regional economic strategy?”

Q3 Chairman: It is all part of a pattern of imposing correspondence, and work, on these bodies that perhaps they could do without, work which is diverting them from their proper role.

Sir Robin Young: I agree, obviously, that we should not divert them from their proper role. I think that producing good, regional economic strategies is absolutely central to their proper role.

Q4 Chairman: Obviously, information is vital to you too. If you look at the previous page, page 26, paragraph 2.16, you will see that there are concerns about the timeliness and accuracy of data. “There is often no baseline data and information on some measures is not available at all.” It is very difficult, is it not, for you to know whether RDAs are making a difference when, apparently, you do not have accurate and up-to-date information?

Sir Robin Young: It is true that the information at regional level is poor. There is no getting around it. The Government has produced the Allsopp

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Review, which is mentioned elsewhere in the report, which makes several important recommendations about the provision of statistics at regional level, and it has made a number of recommendations for the Office of National Statistics, so we hope in future to have far better regional statistics on which to base our policies.

Q5 Chairman: Would you now look, please, at page 34 of the report, and look at case example 6, which deals with the National Biomanufacturing Centre in Speke. Apparently, Sir Robin, you held this up for two years from the time the Northwest Development Agency first put in a bid for it. Why did you do that?

Sir Robin Young: I think it is not quite right that we held it up. I had better take issue with that. It took two years between when the idea was first produced by the development agency and the final approval being achieved.

Q6 Chairman: It says here that “Delays of nearly two years from initial funding commitment to Review Group and Treasury approval created difficulties with stakeholders. A lack of written confirmation” etc. So if it was not you, who was it?

Sir Robin Young: It was the RDA Board and others who were involved in the funding. As with many of these things, it is rather more complex than just one proposal going to one committee and then taking two years to approve. It was not like that. The development agency finally committed their project for approval on 11 September 2002 and were given consent on 28 January, after four and a half months. Even that is a longer delay than of course we hope to achieve, and indeed that we are now achieving, but some of these projects are extremely complicated, involving lots of different partners and different funding streams, as the report very fairly points out.

Q7 Chairman: Dame Mavis, thank you for coming this afternoon. We know that you were double-booked with the Prime Minister or somebody else very important, and we are grateful to you. Could you please refer to case example number 11 on page 38, which deals with Hastings, a severely deprived area. It tells us that it had to waste money trying to get funding for regional projects from over 40 different sources. Is that right, and why is it?

Dame Mavis McDonald: I think Hastings provides an example of an area where a local authority or a local partnership can access different streams of funding, not solely from government but from other sources such as the National Lottery, as the report points out. In Hastings we have tried to address this problem in two ways. One is that it has been identified as a Millennium Community by the Office of the Deputy Prime Minister, which means we, through English Partnerships, can give help to the local authority in pulling together the number of funding streams that are there. We have also adopted the Single Local Management Centre approach to the area, which involves partnership

working by local stakeholders to achieve, better grouping and co-ordination and ground rules for the expenditure of government programmes. This is part of the ongoing programme of trying both to reduce the number of area-based initiatives and to introduce common administrative rules which will make them easier to manage on the ground.

Q8 Chairman: Can I now look at your customers, Dame Mavis and Sir Robin, and ask Mr Broomhead and Mr Briggs to look at paragraph 2.12 on page 25. You will see that the regional stakeholders do not feel they have ownership of the targets. What I want to ask you is more of a general question: what do you think, from your perspective, departments can do to reduce the bureaucratic burden so that you can get on with the job of trying to relieve poverty in the regions, which is what you are supposed to be about?

Mr Briggs: Perhaps I should come in first there. I think this report reflects an unfolding story in that respect. The original economic strategies appeared for the first time five years ago, and I think that they set the context for the discussion about how to advance the economic ambition of each region very differently. What they then came up against was a whole series of specified programmes and funding schemes. The first stage of reconciling the two was the introduction of the single pot in 2001, which brought together 13 funding streams. From the point of view of our own stakeholders, they, of course, do not want to know much about the wiring behind the scenes in terms of the national regional relationship. They are very anxious indeed that the priorities that the regional economic strategy sets should be fully reflected in the outputs and outcomes we specify in each region. The trick is to do that in a way that is also reconciled to the Public Service Agreements and the targets that the variety of departments with which we work also wish to address. It is connecting the two up. That is what causes the frustration.

Q9 Chairman: That is all very well. Let me now try again with Mr Broomhead. Perhaps you could try and respond to the specific question that I put to your colleague: what more could the Government do to reduce the bureaucratic burdens placed on you? This is your opportunity to speak for your colleagues around the country.

Mr Broomhead: There has been considerable change since this report has been published in terms of the recommendations. The framework for setting targets has been reduced and simplified, and we will now have a new set of arrangements in place by April 2005.

Q10 Chairman: Can I just stop you there? That is very important. You say you think there has been progress since this report was published. Have you noticed any lightening of the heavy-handed government on the coal face?

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Mr Broomhead: Yes, certainly.

Q11 Chairman: Tell us what has been going on.

Mr Broomhead: Yes, certainly. In terms of performance monitoring, it is now twice per year not four times per year. In fact, we now have greater development of trust, performance and achievement between the RDAs and the Government, and there has been a lessening of bureaucracy from government departments, particularly through the single-pot arrangement. So I think there has been a considerable improvement in the period since this report was published.

Q12 Mrs Browning: The pattern here seems to be this top-down interference or lack of urgency when the RDAs take decisions. I wonder if I could ask you this, Sir Robin. I am particularly concerned about the involvement of the DTI, where we saw on page 42, case example 17, the reluctance on the part of the DTI to use alternative informed sources, which had clearly caused a problem for the South West of England RDA. (I must declare an interest; I represent a seat in that area, so I was particularly focused on that.) What actually have you done to address that problem?

Sir Robin Young: It was a difficult case. Before I go to that, the report, I think, is exactly right on page 41, when it describes the role of the DTI, and it says tellingly in paragraph 4.8, "Too tight control by departments would lead to lost opportunities by denying the agencies flexibility, while too loose oversight would prevent departments from fulfilling their responsibilities to Parliament." What actually happened in the South West case was that, following on a report from the National Audit Office into Teesside Development Corporation, the details of which do not need to detain us, where the NAO, I think backed by this Committee, said that departments must take very much more trouble to inspect and assure themselves about the internal procedures and processes within quangos, DTI wrote round to all of them saying, "Read this rather damaging NAO and PAC report, and please assure us that you have checked internally to see that your house is in order." That is what happened. It was a rather heavy-handed response, but it was the Department responding quickly to what were criticisms of another quango. The DTI took it upon themselves to do that. We would never do that again. Because, after four years, we now know the agencies much better, we have ongoing relationships with them, we are sharing best practice in all sorts of ways, we know all about their internal systems, there is no question of such a heavy-handed response in the future. But at that time, in the agencies' childhood, and in the light of the very damaging report from Sir John, we thought a heavy-handed response from us was necessary.

Q13 Mrs Browning: So you do not envisage such a thing ever happening again? All is sweetness and light and it is all sorted out?

Sir Robin Young: It is a developing, evolving relationship, but it is a lot closer now, and in fact is even closer, as Mr Broomhead said, six months after this report was written, as we all get to know each other better, as the RDAs constantly improve their performance, and as the departments also improve their performance, which the report is good enough to acknowledge. I would not say it is all sweetness and light, but I would say we would never make the heavy-handed intervention which case example 17 shows.

Q14 Mrs Browning: Mr Broomhead, if I had to ask you to identify one area still left to be resolved, where the heavy-handed central government messes up your day-to-day intentions, what would it be?

Mr Broomhead: I cannot think of one.

Q15 Mrs Browning: It is perfect then?

Mr Briggs: I would not say it is perfect, but the sort of relationship we now have with the DTI and the ODPM is a very positive one. That is facilitated through the Government Office who have the day-to-day performance management arrangements for RDAs, and of course, there are issues from time to time about creative tension, but there is nothing that I see as heavy-handed interference.

Q16 Mrs Browning: Is it the case now that, for example, your regional priorities and targets are totally compatible with the targets set by central government?

Mr Broomhead: There is a positive and active dialogue going on with each government department about the setting of targets to make sure there is a proper alignment between central government targets and those of the RDAs, and that process is ongoing through the tasking of the RDAs' process and the establishment of new, simplified targets by April 2005.

Q17 Mrs Browning: Could you explain to me, Mr Briggs, how that process works in practice? You, as a regional development agency, set your targets and priorities, and then you submit them to central government, or does central government send down to you a list of their targets and priorities, and you look at what you need regionally and try and adjust your targets to what central government says are the key issues?

Mr Briggs: There is a little bit of both in the process, in that there are a series of core targets, which are incorporated in each RDA corporate plan. There are five of those, but then RDA boards, in consultation with their partners—the Assembly, the local authorities, businesses and others—set other targets which reflect the priorities of individual regional economic strategies. So, for example, in East Midlands, we have some 15 targets in all, which we monitor and publish. Five of those are the core targets which government requires us to report on.

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Q18 Mrs Browning: How do you in these regions identify what your targets are? You take soundings from your stakeholders, presumably. How do you draw those targets up?

Mr Briggs: They are also a reflection of the analysis that regional economic strategies themselves provide. The regional economic strategies are the prior document, in a sense, because they set the context for the corporate planning for RDAs and those regional economic strategies will identify both an ambition for the region—in the East Midlands we aim to become a top 20 region in Europe by 2010—and then a series of drivers of that change—enterprise, innovation, and so on. Against each of those major drivers, the corporate plan sets out what the RDA will contribute, but also sets out a way of measuring the impact that we expect to see over a three-year period of the corporate plan. With all that, I would stress that it does not come simply out of the RDA boards. There is discussion within the regions, lively at every stage, about whether we have the right targets, whether they reflect the economic strategy priorities, but there is an important constraint on that process, which Sir Robin has already referred to, which is the availability of data at regional level. There are sometimes things, for example, the improvement in innovation in a given region, that you would like to be able to measure more effectively than you sometimes can.

Q19 Mrs Browning: What I am trying to do, Mr Briggs, is convince myself that you actually have the free hand to decide regionally what is right for your region, and that you are not hampered by over-zealous central government interference and control. Let me give you an example: you now have responsibility in terms of the overall strategy, I believe, looking at housing requirements within your region. Is that correct?

Mr Briggs: No, that is not correct. That is the Regional Housing Board.

Q20 Mrs Browning: But do they not consult you in terms of what is economically required within a region? If you are looking at economic development, you will be looking at the availability of housing for the people who are going to work in these regenerated areas. Is that not part of the interaction?

Mr Briggs: Yes, indeed. We are members of the Regional Housing Board, specifically to make the link to the economic strategy, so we are an important input to that process.

Q21 Mrs Browning: How free would you feel in those discussions in deciding what was needed in terms of economic regeneration of the housing needs if, for example, the Government accepts the Barker Report in terms of the number of new houses that will need to be built, possibly on areas of land that previously have not been open to

development? Would you have a completely free hand, or would the Government's national target be part of your thinking in those negotiations?

Mr Briggs: That dialogue has taken place at a number of levels, right through to sub-regional and local, for example, growth zones. One of those, Milton Keynes, South Midlands, is partly in the East Midlands. The truth is that the regional economic strategy sets a certain view of what the numbers should be, but, as we say in relation to housing, in relation to transport and planning for that matter, the aims of economics are not the only criteria to be considered in striking the balance. So we believe we have a free hand to contribute in terms of what the housing implications of the economic strategy are, but we accept that the final agreement about that, whether regionally or sub-regionally, has to be influenced by factors other than purely the economic strategy.

Q22 Mrs Browning: Do you feel that that has changed in recent years?

Mr Briggs: I think there has been a substantial shift. Personally, one of the reasons I was so keen to get involved in the work of the regional development agencies is that I think at the very least at a regional level it has brought into much sharper focus the economic consequences of housing and other regulatory decisions, transport decisions. I think previously it had been often all too difficult to see what the economic consequences of those decisions were, whereas now there is a clear mechanism for discussing those before they are taken.

Q23 Mrs Browning: Things like housing, economic regeneration, transport infrastructure, obviously have a read across into neighbouring RDAs, and we read in the report that in the past difficulties have been identified because different RDAs do not have compatible targets; there is not a synergy between the RDAs. How is that being addressed?

Mr Briggs: There are two levels at which we need to mention the issues to the Committee. First of all, in all of these policy areas, the RDAs work collectively as nine on genuine national issues, for example transport. We have a collective discussion with the Department of Transport about how properly to reflect the economic consequences of transport decision-making. In addition to that, each RDA works hard, though, as Steve said earlier on, we would be the last people to say we have got it completely right in drawing up our own regional economic strategy to look at the implications of what other regions have said or are planning to do. So for me, what the East of England, what the South East, what the West Midlands, what Yorkshire propose to do are things that, rather like the county structure planning process, have to be taken into account in forming the regional economic strategy. We do not do it as neatly as we might, but there are important examples, for example, the work being done by the RDAs in

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relation to the motor sports industry, where I think we have shown an ability to collaborate very effectively.

Mrs Browning: I am delighted to hear that there is collaboration now, and that you are getting this synergy between yourself and other surrounding RDAs, but that is not quite how we read it in this report. I am afraid my time is up so I am not able to ask you further on that, but thank you very much.

Q24 Mr Williams: In administrative terms, these are the most shabby looking mongrels I think I have ever seen. Back in 1967 I went to the Department of Economic Affairs, and we at that stage set up economic planning councils throughout the country. None of the lessons seem to have been learned from that at all. Who decided the role of these agencies?

Sir Robin Young: The Government, then in the shape of the DETR.

Q25 Mr Williams: Are you able to shed any light on it, Dame Mavis?

Dame Mavis McDonald: It was a manifesto commitment of the incoming Labour Government in 1997.

Q26 Mr Williams: Yes, but the advice came from departments on how to do this. You could not have set up an organisation that more securely ensures that Whitehall stays in control, could you? I doubt if they can buy a staple without having to apply to one of the departments. How on earth was this organisation cobbled together?

Sir Robin Young: The report sets out well the evolution of them, and by accepting all 10 of the recommendations in the first half of the report, from pages 10–12, we are doing our level best to keep it on an even keel and to ensure partnership, not “Whitehall knows best.” It is not even a challenge; that is what we are doing.

Q27 Mr Williams: It is a long time since they were set up, is it not? If you look at paragraph 1.3, there is no need to ask why there is so much confusion. The agencies’ role is to take a strategic lead in driving economic performance in each region—strategic—and it has got to be with business efficiency, investment, competitiveness, employment, development, skills relative to employment, sustainable development, statutory role in regeneration and they have to be regional catalysts. In between this, they get on with their job. It is an unbelievable mish-mash, is it not? You already had the experience of regional development agencies at the DEA and at the end of DEA. We never went back to that format, but what then happened was that you had the Welsh Development Agency and the Scottish Development Agency. They were very effective, and the envy of every English region. So why on earth did you create this variegated mongrel instead of replicating the

Welsh Development Agency and the Scottish Development Agency, with far more defined powers? Why ignore that success?

Sir Robin Young: Surely because the government structure within England is importantly different from that in Scotland and Wales, and I would argue that by evolving the RDAs’ functions and arrangements, as this report says—and this report says that the agencies have performed well in their first four years and that government departments have improved the process themselves. We are now going into a new structure, building on the announcement that came out at the same time as the Budget, called “Devolving Decision Making,” so I would argue that we are learning from experience of the first four years and moving on to a new phase. Indeed, if we are to get this right, I think it will become more and more like the Welsh and Scottish models.

Q28 Mr Williams: But it cannot, without the appropriate integration at the administrative level. Ten years later, I ended up minister in charge of regions, amongst other things, and again, I put forward a proposition that the regional offices of the departments should be merged along the line of the Welsh Office and Scottish Office, and they should be supported by development agencies, and at the time the Prime Minister of the day showed great interest in it. It was sunk by the Department of the Environment. They vetoed it and said they wanted absolutely nothing to do with it, and it died, and in effect, you made sure these died, did you not, or whoever was responsible when they were first being devised? They are unworkable.

Sir Robin Young: With respect, that is just not what the report says, and it is not what any of us believe.

Q29 Mr Williams: It is what I believe and I am the one who is asking the question.

Sir Robin Young: That is true. At least I am allowed to pray in aid the evidence of the report, where it says they have performed well in their first four years. Sir John did say they performed well in their first four years, and we are saying that it is an evolving picture and as they get better and better and more trusted, and as Whitehall becomes more joined up, the new set of processes and procedures which we are launching, which fit in precisely with the ten recommendations in the report, will make the thing work even better. The Government Offices in the regions were, of course, set up after your time. I was myself one of the first set of regional directors.

Q30 Mr Williams: Answer this question then: how does the Development Agency for the North East of England compare in the resources it has available to it with, say, the Welsh Development Agency or the Scottish Development Agency?

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Sir Robin Young: I do not have those figures.¹ It is bound to be less. Of course, we can easily give you the annual figures for each English development agency and compare it with Scotland and Wales. Your point is bound to show that the Scottish figure certainly is higher.

Q31 Mr Williams: But are they proportionate or diminutive by comparison?

Sir Robin Young: I just do not know the answer to that question. I am sorry. I can easily find out.

Q32 Mr Williams: I would have thought you would know these things. If you wanted to set up agencies that were going to do a proper job, I would have thought you would (a) look at the models available and (b) look at the resources that the working models indicated were required, but you seem absolutely ignorant of either background. Which was the lead department at the time they were set up?

Sir Robin Young: DETR at the time.

Q33 Mr Williams: That is in essence now your department, is it not, Dame Mavis?

Dame Mavis McDonald: Yes. The Office has responsibilities which were part of that former department. It is my recollection that at the time there were collective ministerial decisions about the functions of the RDAs and how they were going to be funded within the Spending Review baseline which was available across government at the time at which the legislation was taken through the House to set up the bodies.

Q34 Mr Williams: With a structure where everything has to be appealed back to the centre at Whitehall, it inevitably leads to either chaos or enormous delays, does it not? That is what comes through all through the report. You do not even have the information. You have admitted to the Chairman that you do not even have the information you require to make meaningful decisions at the centre in assessing how successful they have been. How are you able to judge how wrong they are or where their faults are?

Dame Mavis McDonald: If I could respond to that, if Sir Robin is happy, the report itself does say this has evolved over time. The thing that has enabled the greater flexibility for the RDAs is, as their original resources that were put in by the individual departments have rolled out, and the single pot has been set up as existing programmes have begun to wind down, so there is more resource available on which to take flexible decisions. That flexibility has been handed from Whitehall to the regional development agencies, and I think the report recognises that. Over time there is still more flexibility to come through as one or two of the long-term programmes are being run down.

Q35 Mr Williams: We have this marvellous diagram with Tier 1 objectives, Tier 2 objectives and Tier 3 objectives, and lo and behold, the only objectives which seem to be being in any way met are Tier 3, and the complaint is made in the report in paragraph 2.3 and 2.13, and again in case example 4, that in fact what is happening is that far from being strategic, which they were meant to be, their focus is short-term. Is that not inevitable because the short-term targets under Tier 3 have to be agreed annually and reported on annually to the Department? That is a fact, is it not?

Sir Robin Young: That was the fact, but that is why we are changing it, for the very reason that you are implying. So the evolution that we are trying to describe to you, Mr Williams, is that these agencies, when they were first set up, had a lot of hypothecated funding with which they were charged to deliver specific targets.

Q36 Mr Williams: How long ago were they set up?

Sir Robin Young: In 1999.

Q37 Mr Williams: So they are in their fifth year, and you are only beginning to unscramble the unbelievable mess that was created at the beginning. You have had six months since this report came out to get where you are. You are still living in the short term.

Sir Robin Young: If I may, that is not fair. In April 2002 we provided a form of single pot, which meant that all of a sudden, at one stroke, we got rid of the hypothecation between various ring-fenced grants, which was so inefficient, and which this Committee habitually criticises, and made the RDAs responsible for a single pot of money with which to hit their targets. We have tracked their targets, and if you look at the agency results for 2002–03 on page 23, you will see that the agencies have achieved almost three out of their four targets. Building on that success, we are trusting them more and more, by giving them more funding, and as their hypothecated funding runs out—SRB and so on—they then get additions to the single pot, so they have more and more unhypothecated funding with which to hit the objectives, newly formulated, in their ever-improving economic strategies.

Q38 Mr Williams: That answer would have done credit to a well-known television programme.

Sir Robin Young: Your questioning is just not about what the report says. I am quoting what the report says, which usually is quite a good thing to quote in this Committee.

Mr Williams: It was a very good filibuster, but the reality is the summation I make of this is Whitehall one, regions nil. You are still winning.

Q39 Mr Field: Mr Broomhead, can I put my first question to you, please? Here we have a report with some wonderful photographs in it. There are two photographs relating to Merseyside, and this is a report on an agency which has been in existence since 1999. Both of those photographs relate to

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buildings begun before the First World War. If you were choosing the photographs to show what work your agency had succeeded in, what would the two photographs be in Merseyside?

Mr Broomhead: I would probably choose a picture of the Marconi site, which was acquired by the agency last year, following the demise of Marconi, and that will be brought back to life, generating significant new jobs. I would also choose a photograph of the Wirral waterfront, which is being regenerated by the agency as an example of how to restore buildings which were built before the First World War and turn them to productive use.

Q40 Mr Field: I will come back to the waterfront in a moment, if I may, but Sir Robin, could I put a question to you, but maybe gallantry will suggest that you deflect it to Dame Mavis. On page 1 in the summary it says an aim should be simplifying targets and making them more relevant to what the agencies are trying to do. If you then turn to page 36, the Northwest said it would just help them if there were a central unit within the DTI covering all aspects of agency work to reduce delays. This presents me a different model to the one that my colleague Mr Williams has been presenting. This would suggest that the centre does not seem to have the power or the idea or the know-how to drive this policy, and might even have difficulties in running a wheel stall. Why is it that, five years on, the most elementary recommendations are being made to you, such as, if you are setting a target, please set a target which helps us achieve our objectives?

Sir Robin Young: I will not deflect that, whether gallant or not. We are evolving targets all the time. The new set of targets which we have announced are designed to merge effectively the Government's central PSA targets with the RDAs' targets emerging from their regional economic assessments. It is meant to merge. The criticism in here, which is based on the inheritance of RDAs, which is right, says that the targets we had for them were based on the projects and programmes they inherited. So they kept those targets from the mish-mash of funds that were given to the RDAs. We are saying, as the RDAs have got stronger, as their economic assessments have got better, as their stakeholder confidence has become stronger, and as we in government have got joined up, we are giving them much more devolved power to take those decisions. We have doubled the delegated amount from £5 million to £10 million, so they do not have to seek our approval up to £10 million, which is a further upset to Mr Williams. Before they had to come to us with everything above £5 million; now they do not need approval from Whitehall for anything below £10 million.

Q41 Mr Field: But Sir Robin, on page 36, it suggests that when they do have to come to you for permission, they do not know who to go to.

Sir Robin Young: Yes, exactly, and that of course has been changed. The arrangements now between us for the joint RDA and government departments' assessment has been updated and greatly speeded up since this report was written. Indeed, I can tell the Committee that if you look on page 32, where the average time taken for project proposals to receive approval was coming down from five months to one month, that improvement has continued and we are now averaging around two weeks. So the whole thing has become slicker, government departments have become more joined up, RDAs have become more effective, and the process has improved out of all recognition.

Dame Mavis McDonald: It sounds when you ask the questions as if we just get together in very formal stratified discussions. There are fora which are ongoing at all levels, from ministers right down to official level, and we are continually discussing the changing context in which we are working. We are currently talking to our lead RDAs at the moment about what our proposed PSA targets are, the changes to current PSA targets for our SR 2004, and actually discussing with them how they would work and feed through to the strategies, so that when we get to April 2005 we have worked together on what the forward-looking targets are going to be. So the whole process is an ongoing dialogue, not just a formal submission of particular projects or pieces of paper. At the moment, for example, with the Office of the Deputy Prime Minister, the chairs of the three northern regions are working actively on proposals for growth right across the whole of the northern area, across the interface and the boundaries, following the publication of our Sustainable Communities Plan document on The Northern Way.

Q42 Mr Field: Mr Broomhead, when the Government gives Wirral some taxpayers' money for investment, and it has done that for a long period of time under urban regeneration, there has been a relationship between the Government and the local authority. What happens now? Does all the taxpayers' money now have to be approved by you, even though the Government would like us to spend it?

Mr Broomhead: Not at all. There is always a very strong dialogue between my development agency and Wirral Borough Council about the very strategic nature of regeneration in the Wirral.

Q43 Mr Field: Could you veto proposals?

Mr Broomhead: No. We would not veto proposals, but we would like there to be an active dialogue to make sure we get value for money in terms of our investment and the investment provided directly by government through the local authority in, let us say, housing renewal, because there is a Pathfinder in the Wirral.

Q44 Mr Field: So you have a vigorous discussion. Suppose you still disagree. What happens then? Can the local authority go ahead?

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Mr Broomhead: We would like to think that there could be agreement between us. I do not think there has been a vigorous discussion. It is an issue about strategic priorities, but at the end of the day, the agency could not and would not want to veto that form of investment by the local authority. Once we talk about regions, localism is very important, and local authorities will have, through their community leadership functions, to carry out the functions for which they were elected, which the development agencies wish to support.

Q45 Mr Field: What say do you have over Objective 1 expenditure?

Mr Broomhead: We do have an influence over Objective 1 expenditure. In my region at the moment, one of the key issues that we are working on is to make sure there is a clear interface in Wirral and making sure there is an appropriate remit between the agency spend and investment in the region, and investments of organisations such as English Partnerships and that of European funding, to make sure we have added value between those areas' funding streams. There is a very strong relationship with the Government Office now to make sure we maximise the levels of investment coming to the region.

Q46 Mr Field: We were recently thrown into trauma because it appeared that you had over-estimated your budget for the projects you were giving approval to. Is that not right? The suggestion was that somehow there were going to be cuts and that you were going to implement them.

Mr Broomhead: No. The situation was, I arrived at the agency on 1 September as the accounting officer, and I clearly needed to look at the number of high quality projects that the agency had generated from partners around the North West in relation to the amount of resources that were available over the next three years from government into my agency. That sum of money is £1.4 billion.

Q47 Mr Field: So if the local authorities put up to you plans to spend to the maximum of Objective 1, you will actually be approving those, and see, if necessary there is matching funding available?

Mr Broomhead: The agency's priorities are in line in the main with the priorities that come from Objective 1, and there is a strong dialogue to make sure we have got a match between them. It is not always possible to work together because there are different priorities but in the main we will ensure that the European funding which is in Merseyside is properly discharged so there is no de-commitment problem, and also that we ensure we are getting investment in the sorts of projects that help our region.

Q48 Mr Field: Dame Mavis, this relates to what Alan Williams was saying. In Merseyside we feel that we have done badly compared with the performance of the Welsh Development Agency,

and I was slightly disturbed when you were saying that one of the functions of Mr Smith was to help people trace different sources of funding. Our view was that there we were, skidaddling around trying to find out where these sources of funds might be, with all sorts of help from other people as well, but the Welsh Development Agency never had this problem. Just as there was a call here from the Northwest agency for there to be a unit in the Department, it went to you for approval. We lost investment projects to North Wales in particular, but that channel of command was a very effective way of getting inward investment, and I still do not sense that we get that with Northwest agency nor from what you have said.

Dame Mavis McDonald: My answer related to a particular place, where there were different streams of funding coming in, not all of which are from central government or from a single development agency. There is a one-stop shop in the DTI, as Sir Robin said, which is designed to be that central channel, and all the component departments who contribute to the RDAs work through that mechanism and that funding stream. The Government Offices can help on the ground working with the RDAs to facilitate dialogue between different players, and in particular one of the areas that the Government Offices have worked on is the European funding streams, and they are actively working to try and simplify the rules and get them much more assimilated to the ground rules that the RDAs work with on the basis of the Treasury systems. But we are not completely free agents in this respect.

Q49 Mr Steinberg: Clearly, we are wasting our time this afternoon, are we not, because after four years of absolute chaos, interference from central government, ineptitude in the regions, suddenly, six months later, after the NAO report, everything is perfect. Is that right?

Sir Robin Young: No, I do not think we have been saying that. This is one of the reports we worked with the NAO on. I thought this Committee was encouraging us to work positively and practically with the NAO. That is exactly what we have been doing.

Q50 Mr Steinberg: What were you doing for the four years previously, Sir Robin?

Sir Robin Young: I have tried to set out before that for the first two years, the RDAs were merely administering hypothecated amounts which previously were administered by other people. They did not have any new freedoms, broadly speaking, though they had some new freedoms. After two years, we gave them a single pot and asked them to improve their regional economic strategies. We also started joining up better within the government, so that government departments worked more closely together. After four years, with our encouragement, we have worked with the

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NAO in producing all these recommendations, all of which we are implementing. So we should not be criticised, I hope.

Q51 Mr Steinberg: You should be criticised. You have wasted four years.

Sir Robin Young: I think you would be the ones to criticise us if we had given RDAs the current arrangements in year one.

Q52 Mr Steinberg: How would you have answered my question if this report had come out in November and we had had the meeting on November 20th?

Sir Robin Young: This is not one of these ones where we have been found guilty of maladministration.

Q53 Mr Steinberg: You just told us this afternoon that after receiving this report, you implemented the recommendations in the last six months.

Sir Robin Young: These recommendations came jointly from us, with us. They were not plonked on us by surprise. We had a very proactive and friendly, non-critical, non-finger-pointing relationship with the NAO, which I thought was the new way of doing these things, and we came up with joint recommendations. It is not as if maladministration has been found. It is not like that.

Q54 Mr Steinberg: Sir John, how long did it take you to prepare the report? Four years?

Sir John Bourn: Perhaps I could explain the background to the report. I am the external auditor of the RDAs. During the course of our financial audit work, the RDAs expressed a concern that their opportunity to promote the economic and social development of their regions was limited. I had a discussion with the chairs of all the RDAs, and they said "We are hampered and can do less than we could." We then got down to analysing the reasons for this in detail and, as Sir Robin has said, as we did this, productive relationships were developed between the NAO and the DTI and the Office of the Deputy Prime Minister. So as we came to complete the report, there was agreement, and as the C&AG, I am glad that the departments say these are recommendations that they can adopt. But the reason for doing the Report was concern on the part of the RDAs that they were hampered. That is why we did the report.

Q55 Mr Steinberg: How long did it take?

Sir John Bourn: The report would have taken altogether seven months, and that was in discussion, of course, with all the RDAs.

Q56 Mr Steinberg: I am not at all criticising you—I would never dare—but the answer proves my point that they were sitting on their backsides, doing nothing, until you came in. If it had not been for the NAO coming in, we would still have been going on in the same old way as before. This report

is frightening, because we supposedly have regional government coming in very shortly, in terms of elected regional government. This report terrifies me. I have never been in favour of and I have not been very supportive of regional government, but if this is the alternative, then the quicker we get regional government the better, frankly, because if your interference, the way it was over the first four years, is anything to go by, no wonder the regions are all wanting extra resources. They need a kick up the backside, to be quite honest. It seems it is not their fault; it is the DTI's fault. You only have to look at some of the cases to see that. If we get regional government, what will your role be, Sir Robin? Will you still have the same influence as your department has now, and you, Dame Mavis?

Sir Robin Young: No, no. In areas which choose elected regional assemblies, the RDAs will be responsible to those assemblies.

Q57 Mr Steinberg: They will be responsible to the elected regional assemblies, which means you will not have any responsibility?

Sir Robin Young: Yes, in relation to the RDAs.

Q58 Mr Steinberg: I do not mean that personally; I would not be so rude as to mean it personally. But your department and central government will not have any influence. You will not be able to hold up projects for two years, for example. It says in this report—case 5, page 33, if I remember correctly—that your department held up a project in the East Midlands for two years.

Sir Robin Young: Yes, and in answer to the previous questioner, I said that four and a half months of that two years was the period between when formal approval was sought and when formal approval was given. Normally speaking, when I come before this Committee I am criticised for allowing agencies too free a hand, for wasting their money, for having inappropriate ways of stopping them wasting taxpayers' money.

Q59 Mr Steinberg: You cannot have it both ways.

Sir Robin Young: With respect, nor can the Committee.

Q60 Mr Steinberg: We can have it as many ways as we like.

Sir Robin Young: I withdraw my comment.

Q61 Mr Steinberg: The fact is that if we are going to have regional government and regional assemblies, they have to make a pig's ear of it, not you. Your interference has given them a bad reputation. You say it did not take two years in case 5. Why is it, Mr Treasurer, that in case 7, for example, when the North East wanted to have a project and they called a meeting, your department could not even be bothered to turn up?

Mr Glicksman: I am not sure I would phrase it like that. The Treasury was not represented there.

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Q62 Mr Steinberg: That is the same as not turning up, is it not?

Mr Glicksman: I think we do agree, and we have now changed the arrangements so that we are represented on the Committee.

Q63 Mr Steinberg: The point I am making is that here we are, in the regions, supposedly working to targets and to projects, to rekindle economic development, and your department does not even turn up to the meetings. Your department stopped a project for over two years. That has to be great for the regions, has it not?

Mr Broomhead: Can I just say, as a relative newcomer to this, Mr Steinberg, it seems to me what we now have is a genuine partnership between the DTI and the ODPM and other government departments, based on achievement, maturity and trust, and certainly, from my point of view, having come from local government, there seems to be less interference than big stick and carrot coming from the departments about the way in which my particular development agency invests its money, reports its performance and deals with its achievements now. I think that is part and parcel of that developing evolutionary approach. You asked a question about what would happen if there were elected regional assemblies in the parts of the region. We would become the economic development arm of the elected regional assembly, but we would still be asked to produce a regional economic strategy, which obviously would take account of the wishes of the electorate, but also have to contribute to the wider policies and targets of UK plc. We would not be declaring independence from the rest of the country.

Q64 Mr Steinberg: How long have you been chief executive?

Mr Broomhead: I have been the accounting officer, Mr Steinberg, since 1 September last year.

Q65 Mr Steinberg: And you were in local government before that?

Mr Broomhead: I was.

Q66 Mr Steinberg: So you have been there six or seven months, six or seven months, since the NAO came in and did their report?

Mr Broomhead: One of the first documents to cross my desk was this one.

Q67 Mr Steinberg: Let us just change tack a little. When it comes to regional government, if we get it, presumably there will be national priorities, presumably there will also be regional priorities. Which ones will take priority?

Dame Mavis McDonald: We expect that the dialogue would continue. There will be some national priorities.

Q68 Mr Steinberg: If you have 30 people or whatever it is, who have been elected to a regional assembly, you can have as much dialogue as you want, but they will make the decisions.

Dame Mavis McDonald: They will be free to make the decisions.

Q69 Mr Steinberg: Even if it is against national policy, for ideological reasons?

Dame Mavis McDonald: The government will introduce legislation which will set out what the functions of the elected regional assemblies are, the way in which they are going to be funded, and the choices of what they then do with that funding will be for the elected regional assemblies to make. The proposal is that there will be a single pot of money to fund all their responsibilities and they will be able to take the decisions about how they prioritise between the different areas of responsibility, which will include housing and spatial planning as well as economic regeneration and activity through the regional development strategies. That will be their choice. But it does not mean there will not be continuous dialogue between national and regional level about what national government is seeking to achieve.

Mr Steinberg: As we say in the North East, "neither nowt nor summat." That is what we have at the moment, is it not, to be quite honest? We have either got to move towards regional government from the way this report tells us, or we have to scrap the whole idea and let central government get on with it.

Q70 Jon Cruddas: I should declare I am a nominee of the London Development Agency and the Centre for Engineering and Manufacturing Excellence in my constituency, as well as being on the Board of London Riverside, which administers SRB in London. From where we sit in Dagenham, in terms of the economic infrastructure and land decontamination, we have seen profound changes over the last few years, but the bigger problem we have is trying to see how that agenda plugs into the strategies deployed by other departments. I have a couple of questions about how the strategies fit in. Do you feel, for example, Dame Mavis, that the Government Offices have sufficient clout to ensure that other departments actually follow the strategies they are developing in accordance with their own planning regimes?

Dame Mavis McDonald: Could I just say something else first and then come back to that specific point? In Gateway, of course, the development agencies, all three of the development agencies, have been round the table with the relevant local authorities and the Office and all three Government Offices for quite some time, so the current propositions that have emerged in the plans for the Gateway emerged as a consensus of debate over a 3–4 year period. In terms of the Government Offices' capacity to pull other players round the table, we now have ten government departments working through the Government Offices for the regions, all of which

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have a capacity to organise themselves to work as they think best fits the region that they are operating from. I think we are beginning to see that that interface is being well received by the RDAs and other stakeholders in the regions.

Mr Smith: I would only add that what we have seen as the number of departments has built up is that individual departments are very keen to have a dialogue with the regions about the priorities in that region and to take account of what they are hearing about the experience of those policies, how they work in the region, in their central planning. Therefore there is the beginning of a genuine two-way dialogue.

Q71 Jon Cruddas: Is this not the point, Dame Mavis: you mentioned earlier setting up groups to consider regeneration outside of the specific boundaries of some of the RDAs—take the Thames Gateway or the northern sustainable communities. Is that not symptomatic of the problem for the RDAs themselves, and you are building these structures because of the limitations of the system that currently exists to handle some of the bigger strategic issues, which was touched on by Alan Williams earlier? Because of the earlier preoccupations with specific outcomes in terms of training opportunities, land decontamination, or business start-ups, you are building now layer upon layer because of the limitations in the way it was set up from the beginning.

Dame Mavis McDonald: I think one of the sets of positions behind the regional governance agenda is to reduce the number of layers, the number of separate bodies, operating at both regional and national level, but I think that some of the issues we are dealing with in the Office agenda, as Mrs Browning pointed out, are not susceptible to just administrative boundaries. Geographical boundaries of housing markets do not necessarily fit administrative boundaries and also similarly in the way in which they do not always fit local authority boundaries. I can see our continuing in some way to work across boundaries to achieve outcomes which are about improving either markets or regenerating areas, so I do not think that is something that is particularly relevant just to the regional level. It is equally relevant at neighbourhood and local level too.

Mr Briggs: Can I just add a point of how what you describe looks from the RDAs' perspective. I think there have been three stages. Unlike Steve, I have been there since day one, so I have seen quite a lot of evolution. There is first of all the question of regional economic strategies. They were introduced for the first time after a 20-year gap. Were they going to be credible? There was a degree of doubt and suspicion about what sort of documents they would be. As confidence built up, freedoms and the evolution we have been talking about this afternoon over the streams of funding that RDAs themselves are responsible for, I think that has been

uniformly welcomed by the RDAs and we very much endorse what Sir Robin and Dame Mavis have said about the steps we have taken, but there has been a third strand to the Committee's discussions this afternoon which is about, are you actually in a position with that strategic influencing role to influence all of those things that are taking place outside of the remit of your own stream funding. I think it is fair to say that, from the regional perspective, there are important streams of public funding, learning and skills for example, transport for example where the RDAs and their business-led boards will almost certainly argue that they do not think they have strong enough levers. So, that is a part of the philosophical discussion.

Q72 Jon Cruddas: But you would also accept that that can look very different from a different point of study, namely that it looks like, as the strategy is being booting up, you are getting more and more layers on top of the RDAs to compensate because of the way in which they were initially sort of charged. I give the example in the Thames Gateway strategic area where you have three regional development agencies, you have three strategic partnerships of the boroughs, you have a Cabinet subcommittee set up and you have urban development corporations being developed on top of it. You take my point that there seems to be a pretty not impenetrable but quite a confusing series of layers that are going right to the top of Government including the Prime Minister that are all being developed quite recently because it is now a national priority. Where the RDAs as initially envisaged fit into that seems to me can appear quite confusing

Mr Briggs: I think, to follow what I said just now, we would have been advocating RDA boards that they should have a more extensive influence to reflect the economic strategies at the regional level. I think there is a second question about what then you need to be doing sub-regionally or across regional boundaries and, in practice—and it is mentioned in the report—one of the things that all RDAs have been doing is working to develop sub-regional partnerships to deliver at the local level on original strategies.

Q73 Jon Cruddas: This is a slightly different point. You have been set up now—urban development corporations within RDA boundaries. Is that symptomatic of the problem in the ability of RDAs to deliver that strategic objective as identified by the Government in terms of economic development?

Dame Mavis McDonald: The proposals for urban development corporations in Thurrock and in London emerged from the discussions between the partners and, in the case of the London Urban Development Corporation, were a way of bringing bodies together and speeding up the process of getting the development off the ground. So, it was not an imposition in that sense, it was a request for use of the additional powers that the UDC have

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across a wider area than even a borough boundary and is done with the total agreement of all the players.

Q74 Jon Cruddas: I do not mean this from a critical point of view because I started off by stating the quite profound effect that the regimes are having even since I became an MP in 2001. Do the RDA National Secretariat sit on all of the appropriate strategic discussions, for example the Cabinet sub-committees considering some of these across RDA boundary issues?

Dame Mavis McDonald: No, they do not. This is an internal to Government sub-committee.

Q75 Jon Cruddas: So, we would have Cabinet sub-committees dealing with the strategy regarding economic regeneration, strategic economic growth, productivity improvements and infrastructure developments but the RDAs would not be at the table on those strategic discussions?

Dame Mavis McDonald: It is largely ministers at the table with the Cabinet Office secretariat supporting them.

Mr Broomhead: The way in which the RDAs are actually structured is that each one of us has a lead role, a lead policy role. ONE North East for instance, lead on the Office of the Deputy Prime Minister, my own agency, the DfES and the DWP. We make sure that we provide the correct type of input from a policy point of view for discussion. So, the RDA agenda is put forward appropriately in front of ministers. That is in addition to the Chairs meeting regularly with Government Ministers to ensure that we have a joined-up approach across the agenda.

Q76 Jon Cruddas: But you can see what I am saying in terms of the question that I asked. Can I just ask one question in terms of the Allsopp analysis of statistics. Is the objective to develop specific growth and productivity targets for each of the RDA groups by 2005? I could not quite get my head around what statistics you were aiming to establish for the RDAs in terms of their targets.

Sir Robin Young: The relevant PSA target which Mavis's department and my department share with the Treasury is described on page 18 at table 6 which has two legs which are quite important, "Make sustainable improvements in economic performance of all English regions" that is the first leg "and over the long term reduce the persistent gap in growth between regions . . ." is the second leg. So, we need to get—and Allsopp's report will help us, if his recommendations are accepted—the information which allows us to track the delivery of both legs of that target.

Q77 Jon Cruddas: So, despite these being notoriously difficult things to quantify, the objective is to try and provide those strategic indicators rather than the indicators we talked about earlier in terms of education opportunities?

Sir Robin Young: And the Allsopp report makes lots of recommendations primarily to the Office of National Statistics which will greatly improve our statistical basis.

Q78 Mr Jenkins: I normally start off by asking what you thought of the report but you have already told us the fact that the report was a godsend to you and your department and now you have managed to get the situation much better sorted out, so I can take that as a given. On 1 May, we had ten new countries come into the European Union, some of them quite small, smaller than our regions. How many of these 10 beat a path our way to look at our regional development agencies to see how they could go about regenerating and creating wealth?

Sir Robin Young: I visited the eight mainland of the ten new ones and all of them, without fail, have asked to continue discussion with us about our regional tier because what they are finding is that they cannot get European funding because they do not have the regional infrastructure to get regional partnerships and regional match funding between sectors and between different parts of the economy which we managed to achieve here. So, what they have been told by the Commission amongst others is to come and have a look at Great Britain's RDAs because that is, in the Commission's view, a useful way of getting hold of the money which should come to the way of Accession Countries when they join.

Mr Briggs: Can I just add to that by saying that we had and have active relationships with agencies in Poland, in the Czech Republic and in Hungary, all of whom have visited us and we have taken the mission quite recently to the Czech Republic. In addition, we are using our office in Brussels as an important link point with the Accession States and plan a major event with them later in the year and I think other RDAs will tell similar stories.

Q79 Mr Jenkins: Last week, I was listening to a person from a different government, from Ireland, saying that they are now sending consultants across to some of these countries because they quite like the Irish approach and it has been a very successful approach. You are fully aware that Ireland have had a different approach insofar as they have spent a lot of time and a lot of effort on people and developing skills, educational qualifications in their people, and they have indicated that they have figures to show that if you spend money on people, there is a greater return and a greater wealth generation than if you spend it on bricks and mortar or putting roads in. Maybe that is one of the groups we should be looking at. Having said that people are a good thing and let us develop them and let us develop people, our RDAs have a task to develop people. Mr Broomhead, who is the person in charge of all this skills development in your region?

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Mr Broomhead: The person in charge of the skills development in my region are the Learning and Skills Council which does not cover all skills development but the majority of it and it is the new regional director that has been appointed by the Learning Skills Council—recently they have moved to a more regional structure. In terms of strategic development and overall influence, the RDAs were asked as part of the Skills White Paper to lead the development of regional skills partnerships, so the strategic responsibility now rests jointly between the Learning and Skills Councils, the RDAs, a Government office and the Department of Work and Pensions and we are developing a coherent demand-led skills strategy for our region and that is the same for other RDAs.

Q80 Mr Jenkins: So, there are four different individuals or four different groups responsible. So, when it does not succeed, who gets the blame?

Mr Broomhead: I think what we now have is a greater degree of coherence through the regional skills partnerships than we have seen before. The responsibility for the regional skills partnerships rests with the Department for Education and Skills and they are working very, very closely with the RDAs to make sure that it is a man-led agenda, so that skills is about individual development as well as increasing the productivity in the region through schools in a more productive way than perhaps it has done in the past.

Q81 Mr Jenkins: Which region has the lowest skills profile?

Mr Broomhead: The North East, I believe.

Q82 Mr Jenkins: I thought it was the West Midlands. I shall check that. Sir Robin, we still have at the back of our mind the attitude that London knows best. Do you think that is an image or reality?

Sir Robin Young: It is obviously a discussion that we are constantly having as to whether we are over-centralised or insufficiently decentralised. I am in favour strongly of partnership with the regions. That is why we are supporting all these recommendations; that is why we strongly backed the devolved decision-making document which we produced at the time of the Budget which shifts responsibility away from Whitehall to the regions.

Q83 Mr Jenkins: Excellent! On page 29, it says at paragraph 3.4 towards the bottom that, if there is over £20 million to be spent, it comes before the Committee. “A senior official from the DTI chairs the Review Group, with most other members coming from the Office of the Deputy Prime Minister and the Treasury.” It says “most other members”; how many of most of the other members are on that review Committee? Is it five out of six or nine out of 10?

Sir Robin Young: I will need help with that answer. That is over £20 million, which is a large national project. What we have done now is produced that, from £5 million to £10 million, the RDA can decide

by itself. So, again Whitehall does not know best or think it does because, up until now, everything above £5 million has had to come to us and now we are saying that anything below £10 million the RDA can do just by itself. So, I would pray that in aid as another example of where we are decentralising decision taking.

Q84 Mr Jenkins: If we have allocated the money to them, we still have to okay it if it is £20 million?

Sir Robin Young: Yes and indeed over £10 million you do at the moment but, in the past, it was over £5 million. That is what I am saying. We are trying to take off the Whitehall control.

Q85 Mr Jenkins: I do not want to talk about pounds—I am not interested in pounds, I am interested in principle because it is the principle that we are concerned with. If they know within a region what is right for their region, why does it have to come to be London to be ratified by once again top-level civil servants in London?

Sir Robin Young: It is the ministerial decision on the level of confidence and delegation to give. What we are doing now is that we have doubled it from £5 million to £10 million—I hope and believe that is an escalator which will carry on continuing. Just to answer your first question now I have had a little assistance. Other members of the committee are the RDA applicant, the Government office in the region and other funders, English Partnerships, if it is they, or others, or the Lottery people if it is the Lottery. So, it is the RDA applicant, the Government office, any other funders concerned and the Treasury, DTI and ODPM. That is above £20 million and, so far, ministers, you are right, are holding it to themselves to approve projects over £20 million.

Q86 Mr Jenkins: Are their views taken on board or do they have a vote in this Committee or is it by consensus or what, or is the final say left with the Treasury member or the DTI member?

Sir Robin Young: The Treasury member will tend to be a strong participant.

Q87 Mr Jenkins: I bet your life that it is a strong participant.

Sir Robin Young: It is a collective decision. There will be ground rules which the applicant has to play. They are not coming in out of the blue. They have to prove various things and, if they can, they will get approval and, if they cannot, they will not.

Q88 Mr Jenkins: I understand that, it is just that, somewhere in the back of my mind is that, if the region has the temerity to come forward with a project of £25 million, we then have someone in London saying, “No, you can’t have it.”

Sir Robin Young: The statute requires that DTI approve projects. We have to get Treasury approval for projects over £20 million and this Committee you are referring to here is our way of satisfying that.

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That amount can be raised but currently projects over £20 million have to get Treasury approval and we get Treasury approval via this Committee.

Q89 Mr Jenkins: So, it is an agency that is running at arm's length from the Treasury.

Sir Robin Young: Most agency projects are now within the delegation—far and away the most, it is very exceptional to have one over £20 million. We are now saying that everything below £10 million, which is the mass of projects, is the RDA's sole responsibility.

Q90 Mr Jenkins: Dame Mavis, you have tried to answer this question a couple of times and I just want to pursue the point on multiple applicants and when people have to spend a lot of time and a lot of effort and a lot of money putting applications in for amounts of money out of various pots. When do we see sense and start to put this money into a central pot and stop all this multiple applications for these funds which are needed?

Dame Mavis McDonald: I am not talking now about the RDAs' single pot but the other kinds of funding streams which might complement the RDA activity for a particular project or particular place. We—work has been led by Rob and the Government offices—have worked to reduce the number of different area-based initiatives across Government and have managed to reduce them by half over time. We also have a gateway process whereby people come and say, "We want to fund money this way" and we ask them whether there is any other way of doing it. We still acknowledge that there are far too many individual strings of funding. For the ones that come through Government, we have two things going on at the moment. One is that we have something called a single local management centre which is an attempt to work with the main player on the ground, quite frequently a local authority, to see if we can work on pooling the way in which the programmes are administered in order that there is one simple process for all the funding streams going in, but we have some internal discussions going on which I think I mentioned last time I appeared before the Committee in the context of the New Deal for Communities programme about whether there is another approach to funding of local government building on something called the local public service agreement process that we have now been running successfully for two rounds with local government and we have been talking to the LGA and to colleagues across Whitehall about that but that is work in process. We do acknowledge that this is an issue and that more work needs to be done on it.

Q91 Mr Jenkins: Mr Broomhead, just one final question about transferring information across authorities. I know that it is quite difficult, I know they can be competitive, but I am a great believer in transferring not only a good practice but also generating a culture of failure. By this, I mean that, when something has gone wrong, you do not keep quiet about it, you pass it on to your colleagues, you

pass it on to anybody else who can benefit from it and when I see such things as you have not properly monitored your project or how to achieve your aims, I get worried because, if you cannot measure and quantify what you have done, you have no chance of passing that on and it seems to me that it is a waste of taxpayers' money as that mistake gets repeated time and time again down the chain. So, when we are going to start quantification of the actual outcomes on all our projects?

Mr Broomhead: I think the document here is a demonstration of an agenda of improvement and of progress and, certainly in terms of the targets that the agencies have been set, having met them over the years—there is reference here to that—through the family that exists within the RDA and which is supported by the National Secretariat, there is a very good sharing of best practice. Best practice does not always mean that we have it right as well. We have a structure where we have nine Chief Executives and nine Chairs who regularly share best practice. That includes sometimes areas where we can improve because we do not want a culture of complacency within the agencies.

Q92 Mr Williams: Dame Mavis, can I come back to this one because the more I have listened to this, the more convinced I have become. Whitehall post year one devolution was terrified at the power that was slipping away from Whitehall. Read this report and look at paragraph 2.3, "Current reporting covers only the third tier . . . There are no quantified targets in the first tier." The third tier are what you have described as short term. The first tier is aims of the development agencies. No targets at all there. "Each Agency agrees its annual tier three targets with the DTI while preparing its Corporate Plan." So, a structure was developed which ensured that these organisations can never get out of the morass of short-term targets that Whitehall laid there to trap their feet and ensure they did not run with any speed along the same route as Scotland and Wales. What do you say to that as a possible scenario, Dame Mavis? Is it rubbish or is it conceivable? You were not there at the time, that is why I am asking you.

Dame Mavis McDonald: I must say that I was there in the DETR when the original discussions were going on with ministers up to 1997 about how the Act should be structured and the way in which the RDAs should be set up and taken forward. I think the report recognises and we recognise that there were some complications in the process because of the way the funding was allocated out to the RDAs in the first instance. The way it was done was putting various programmes that were ongoing into the RDA programmes and they took the responsibilities for the continuation of those programmes with them and that meant that there were a lot of existing remit outcomes, the SRB tracking for example which is a long-term programme which we have been evaluating. The RDAs were required to keep all that going. As that money became freer, there was much more flexibility available.

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Q93 Mr Williams: With respect, Dame Mavis, I am not sure what this has to do at all with the question I actually asked you.

Dame Mavis McDonald: Whitehall did not have a view as such that was separate from public announcements.

Q94 Mr Williams: How would you know? You were not there.

Dame Mavis McDonald: I was there in 1997 when the original discussions were taking place about how the RDAs might be set up and the collective discussions were taking place between ministers that led to the legislation. I then was not involved in the detail of setting them up having moved on. So, there was not a preconception that we must keep control other than that these are NDPBs and, like all NDPBs, we must work within the framework of formal accountability for the expenditure of public money and the basic framework is that which applies to lots of NDPBs. The debate seems to be about the degree of detailed management and the flow back of information from the RDAs to the centre and I think we have all agreed that, over time, we have wanted to and are now beginning to achieve a much less hands-on detailed regime, but I think, with respect to the Committee, you would expect us to know over time what outcomes were being achieved by the public funding that is going in there and so we shall have to achieve a balance between the information flows that we have, which is not necessarily the same as making the decisions that the RDAs want to make.

Q95 Mr Williams: I have enjoyed the conversation but I am still awaiting an answer. Look at paragraph 2.13—and I finish on this—“The Agencies find that aiming for tier three targets does not necessarily promote Regional Economic Strategies but can instead encourage short-term activity at the expense of longer-term work.” No one could have devised a better system to meet ministerial requirements while at the same time, in terms of policy, general policy proclamations, ensuring it could never work. This is unworkable in the form in which it was drawn up and in which it was being operated still over four years after it was set up until Sir John came and disturbed your reveries.

Dame Mavis McDonald: The recommendations in the report which we have all worked on together and are now implementing, are designed to move us away from that and several of the other big changes like the single pot and the increased delegation and the more cohesive central working have also been designed to make changes which move us away from that starting point and I think all of us on this side of the table do feel that real progress has been made.

Q96 Mrs Browning: We are told that the RDAs have expressed concern that their ability to ensure sustained success is hampered by overzealous central government and control. Had the National Audit Office not produced this document which you have assured us repeatedly this afternoon has produced

such a sea change in six months in the way the RDAs are managed and will be managed in the future. What I find rather strange about that, Sir Robin, is that you told my colleague Mr Jenkins that, when the new Accession Countries came into the EU recently, the Commission pointed to the model example of all that we have read in this document as being the way to do it. I think you have given the game away this afternoon, have you not? These RDAs were set up not for all the very laudable reasons we have discussed this afternoon but to meet the requirements of people to get their hands on EU dosh. Is that not really what it is and is that not why, so long as it met that criteria, all these other things we have been asking about this afternoon were secondary until the National Audit Office started to make people look at things like targets, accountability and long-term planning rather than short termism? Have you not just given the game away?

Sir Robin Young: Perhaps I could respond to two aspects of that question. The first is that I do not accept that we have said we have been doing nothing for four years and suddenly changed everything in the last six months. Rather the opposite. We have all four of us been saying and the NAO report has reconfirmed that this is an evolution. These things were set up new in 1999. I hope this Committee would have been the first to criticise us if we had tried with no underlying economic assessment, no existing economic strategy and with no existing staff. If we had given them all these sums of money without keeping any controls back to the centre, I hope and believe that we would have deserved your criticism and I hope and believe you would have given it to us. I am fairly confident that you would have given it to us. I think that what we are seeing is an evolution. The first two years is a continuation of the existing grant schemes which they were administering, then we gave them a single pot and now we are giving them a whole new target regime with massive more delegation of decision taking. The reason—and to put up Mr Jenkins’s point again about the Accession Countries—we are flooded with requests for consultants to help the Accession States and they always ask for representatives of RDAs in England and members of Government Offices and, when I go round Accession States—and I have been to the eight mainland ones—in all cases, we have bid for British twinners, which mean people from Government offices and RDAs, to help Accession States get the partnerships together to deliver good projects and to raise the economic performance of their countries. I do not know if that is giving the game away or not but what it means is that they, like this report, think that the system we are setting up is an effective and efficient one to enhance the regional economies in England and therefore they want to learn lessons from us in enhancing their regional economies. I do not think that is giving any game away, it is just that we have a high reputation for effective regional economic strategies in this country and these Accession Countries. Normally we are in partnership with

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Ireland incidentally, so, in Hungary and the Czech Republic, I met joint twinning teams which were the UK and Eire. So, there is nothing between us on that to pick up another of Mr Jenkins's points. I do not think that is giving the game away, it just means that others think we have a higher reputation in this area than some on this Committee.

Q97 Mrs Browning: I do hope this document is part of the pack that you hand them as you depart.

Sir Robin Young: I will make sure that it is.

Q98 Mr Field: Sir Robin, you have been very laid back this afternoon in presenting that you are anxious that these bodies thrive and take powers from the centre. If we, in our report, suggest that the next big step for them would be to be modelled on the Welsh Development Agency, would we know that you, behind the scenes, would be lobbying hard for that proposal to be put into practice?

Sir Robin Young: I am not familiar enough to know the relationship between the Welsh Development Agency and the Assembly. As we discussed before, if there were to be regional elected assemblies—

Q99 Mr Field: It was in existence long before the assemblies.

Sir Robin Young: Yes, but what I mean is the size of the English economy and population is rather different from that in Wales and Scotland. In a previous incarnation, I was looking at local government reform in Wales and Scotland and whereas we imposed, at that time a previous Government, a unitary local government in Scotland and Wales because of the relative size, we did not do so in England. So, I would say there are lots and lots of differences to do with scale and the different economic circumstances of the regions.

Q100 Mr Field: Is that a "yes" or a "no"?

Sir Robin Young: If you are asking whether I personally and my department are in favour of greater regional delegation and decision taking, the answer is certainly "yes".

Q101 Mr Field: Dame Mavis, could I follow up one point you made I think to Brian Jenkins when you were speaking of the numbers of pots of funds you had managed to halve for regeneration, so it is a simpler process of applying for funds.

Dame Mavis McDonald: It is not just regeneration, it was area-based initiatives across Central Government.

Q102 Mr Field: I asked the library to prepare me a note on all the different sources of funding for regeneration that might affect my constituency and, on the third page, I could not remember what the first page had said and I am really interested in it! Is it possible for you to actually push in an even more determined fashion so that one has general gateways through which people come? You may then have a list of priorities after that but my guess is that the local authorities have to spend a great deal of their

time trying to find out which hoops through which they should jump if they are to get funds. Would it not be better to have a big hoop and for you then, once they are through to say, "This is the form of help we might be able to give you"?

Dame Mavis McDonald: Can I ask Robert to answer that because he has done a lot of the detailed work on it.

Mr Smith: I think it is right to say in the first place that when originally the Regional Co-Ordination Unit looked at the existing area-based initiatives which was two to three years ago, they looked at the then major 50 ABIs and brought in recommendations to reduce those to by about half including bringing together some of the warden schemes and some of the other schemes that were then being developed. They also put in a system whereby if departments wanted to start new schemes, they came to discuss with the Government Office and with the RCU how those schemes could be best developed to go with existing partnerships and existing application arrangements. Certainly, when we look at somewhere like Derby, which we have recently, you will see that there are over 40 different funding streams of all sorts still there in terms of applications and in terms of money going into that area. We have had some success on the single applications, for example, for the voluntary sector who have found all of this particularly difficult to get to grips with, and we have had some success on things like bringing together activities for young people and having a bigger pot for that, and indeed the single local management initiative is designed to try and take this even further, as you say, towards having fewer bigger pots.

Q103 Mr Jenkins: Mr Smith, do you think that, within the regional development work, we have omitted things because people and skills and training and education are so vital? Do you not think that we suffer by not having one person/one office being the leader in that region for skills and development?

Mr Smith: It is absolutely essential that the work on skills is as well integrated into the other investment programmes as is humanly possible and I think we all welcome the development of learning and skills councils having appointed regional directors in order that they can work hugely closely with the RDAs and with the Government offices in getting the strategies right and making sure that their very significant regional investment is properly aligned with the other pots.

Q104 Chairman: Sir Robin, you will recall that you promised—if you did not promise, I am sure that you now will—Mr Williams that you would produce a comparison between the amount of money rated to populations available to the Scottish and Wales development agencies and Northern Ireland.²

Sir Robin Young: Yes.

² Ev 26 *Note by witness:* There is no information currently available for Northern Ireland.

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Chairman: Lady and Gentlemen, thank you very much for appearing before us. You will appreciate our concerns as we have addressed most forcefully this afternoon because we believe that many of the laudable aims of these bodies have been frittered away in over-targeting and over-zealousness on the part of Central Government. The central case you appear to have made this afternoon is that if indeed that were true, which I am sure you would not admit publicly in front of this Committee, huge progress has been made in the context of this progress report that you sent to the Committee. I have to say that I deprecate the habit of departments issuing progress reports because the strength of this Committee is that we base our questioning on an agreed report by the National Audit Office. However, in this case, it was not entirely your fault because there was a six month period between the publication of the National Audit Office report and this hearing and I

think that shows that we must work together with the National Audit Office to ensure that our hearings follow on as quickly as possible from the publication of the report, so that this sort of sharp practice does not become a common feature, Sir Robin. I forgive you on this occasion because there was this long gap but you will appreciate that it makes our work far more difficult if departments can go behind the report in front of us. I have to say that one of the difficulties we face—and this is quite a complex document—is that, for instance, if you look on page 7 at 6(f), it deals with standardising appraisals but it seems to me having read this that the response has been little more than to produce a list of bodies to consult, but it is difficult for us to ask questions on this if it is not in the main body of the report. However, it has been a very interesting hearing and we look forward to publishing our report. Thank you very much.

Memorandum submitted by the Department of Trade and Industry

SUCCESS IN THE REGIONS: PROGRESS IN IMPLEMENTING THE NAO'S RECOMMENDATIONS

NB: Progress is monitored by DTI and reported to the RDA Strategic Management Cross-Whitehall Group (SMCG). SMCG comprises a representative group of Agency Chief Executives and senior representatives of all interested departments. It meets to prepare for every meeting of Ministers and Chairs and to discuss other issues.

RDAs	England's Regional Development Agencies	DTI	Department of Trade and Industry
RDA NatSec	England's Regional Development Agencies National Secretariat	HMT	HM Treasury
OffPAT	Office of Project Appraisal Training. OffPAT was set up by the RDAs, English Partnerships and their sponsoring Departments to support their joint effort on developing and disseminating best practice in project appraisal, delivery and evaluation in the context of the DTI's SPAG. OffPAT reports, via APG, to ASG	ODPM	Office of the Deputy Prime Minister
GOs	Government Offices	RCU	Regional Co-ordination Unit, ODPM
PSA	Public Service Agreement	SR	Spending Review
SPAG	Single Programme Appraisal Guidance	APG	Appraisal Practitioners Group, chaired by Ian Piper of SWRDA
AAN	(OffPAT) Appraisal Advice Note. AANs are produced for best practice advice and general guidance	ASG	Appraisal Steering Group, chaired by an RDA Chief Executive, currently Pam Alexander of SEEDA

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
Targets				
1. Simplify the RDAs' target framework and align it more closely with Regional Economic Strategies and relevant PSA targets (page 10)	<p>A. The RDAs should agree a common overarching mission statement in consultation with departments</p> <p>B. Departments and the RDAs should publicise this agreed mission statement clearly starting by placing it prominently on websites.</p> <p>C. The RDAs should use this opportunity to strengthen further their engagement with all their stakeholders</p> <p>D. Departments, working alongside GOs, should consult the RDAs when formulating national PSA targets for Spending Reviews, starting with targets being developed for Spending Review 2004</p> <p>E. Once national PSA targets are agreed, DTI should consult RDAs and other departments to define a minimum streamlined core set applying to all RDAs</p> <p>F. Departments should not add unnecessarily to the administrative burden on the RDAs by demanding information outside the agreed target framework</p>	<p>RDA NatSec</p> <p>DTI/RDA NatSec</p> <p>RDA NatSec</p> <p>DTI</p> <p>DTI</p> <p>DTI</p> <p>DTI</p>	<p>By January 2004</p> <p>By January 2004; ongoing</p> <p>During Spending Review process and completion by summer 2004</p> <p>During Spending Review process and completion by summer 2004</p> <p>During Spending Review process and completion by summer 2004</p> <p>Continuing</p>	<p><i>Met</i>—"Transforming England's regions through sustainable economic development"</p> <p><i>Met</i>—Changes made to DTI and RDA websites DTI will incorporate the RDAs' Mission Statement in all future DTI publications, including publicity for RDA Board appointment opportunities</p> <p>Detailed partnership work and strategic dialogue in progress between lead RDAs and Departments</p> <p>RDAs and Departments are in discussion about particular PSA Targets as part of the process of implementing the new approach to tasking the RDAs. (See Annex)</p> <p>This is the first phase of the process of implementing the new approach to tasking the RDAs. (See Annex)</p> <p>DTI is making this clear to Departments throughout the process of implementing the new framework for tasking the RDAs, which will determine what outputs each RDA will be working to deliver from April 2005. DTI will reiterate the point when RDA Corporate Plans are approved and circulated to Departments for information early in 2005. (See Annex)</p>

NAO Recommendations	Specific actions recommended by NAO	Lead responsibility	Target implementation date/Milestones	Current position [Proposed Action]
2. Include the means for measuring annual progress within a revised target framework (page 10)	<p>G. DTI will need to ensure a smooth transition to any new target framework</p> <p>Every RDA should agree sequential annual milestones towards each of its long-term targets, to give early warning of risks to success and to allow timely corrective action. As far as possible, the RDAs should identify the contribution each regional stakeholder will make in achieving the milestones</p>	DTI	Late 2004	As part of the implementation of the new approach to tasking the RDAs, each department with PSA Targets among the core set will be agreeing with each RDA the nature and, as appropriate, number of region-specific deliverables that it will deliver in support of the delivery of each relevant PSA Target in line with the region's Regional Economic Strategy. These will be set out in each RDA's Corporate Plan for 2005–08, which will be approved by DTI Ministers and published in early 2005. (See Annex)
3. Ensure public reporting of results gives the RDAs the right incentives to work towards long-term goals (page 10)	<p>A. Targets subject to frequent public progress reporting should capture the breadth of the RDAs' activities without generating unnecessary administration and should be designed to contribute clearly to longer-term targets</p> <p>B. Public reporting should take place every six months</p> <p>C. GOs should make their private reports to DTI on the same timetable</p>	DTI	By July 2004	<p>As part of the implementation of the new approach to tasking the RDAs, each department with PSA Targets among the core set will be agreeing with each RDA the nature and, as appropriate, number of region-specific deliverables that it will deliver in support of the delivery of each relevant PSA Target in line with the region's Regional Economic Strategy. These will be set out in each RDA's Corporate Plan for 2005–08, which will be approved by DTI Ministers and published in early 2005. (See Annex)</p> <p>DTI will review the frequency and substance of published information on performance in the further review of the RDA Performance Monitoring Framework that will take place in 2004–05 and take account of the implementation of the new approach to tasking the RDAs</p> <p><i>Met</i>, with effect from 2003–04</p> <p><i>Met</i>; six-monthly reporting has been introduced from 1 April 2005. This was among the conclusions of a review of the RDA Performance Monitoring Framework involving GOs, RDAs and Departments</p>

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
4. Improve the quality and timeliness of information about the RDAs' broader impact (page 11)	<p>A. DTI should press the case to the Allsopp Review for better and more timely regional statistics to measure the RDAs' effectiveness as strategic bodies</p> <p>B. In the meantime, DTI should work with other departments to improve existing indicators</p> <p>C. DTI should repeat its national stakeholder survey every three years to provide supporting information on progress, encouraging the RDAs to carry out their own surveys in intervening years</p> <p>D. The RDAs should commission economic evaluations when they review Regional Economic Strategies to assess the impact of their actions and gain a better understanding of the relationship between cause and effect</p> <p>E. The RDAs should arrange for their reported results against targets to be independently validated</p>	<p>DTI</p> <p>DTI</p> <p>DTI</p> <p>RDA NatSec</p> <p>RDA NatSec</p>	<p>Timetable for implementation of the Allsopp Reports</p> <p>Continuing</p> <p>2005-06</p> <p>To be set</p> <p>To be set</p>	<p><i>Met.</i> REG provided specific points to Allsopp team in response to the "First Report" published in December 2003. The final report was published on 31 March 2004</p> <p><i>Met.</i> REG have a representative on a number of key data steering groups. This work will continue during 2004</p> <p><i>Met;</i> agreed by Ministers in early 2004</p> <p>RDAs will review the scope and practical response to this recommendation later in 2004</p> <p>The Devolved Decision Making Review, published in March 2004, noted that "working with the RDAs, HMG is committed to simplifying and strengthening [the] framework of accountabilities and performance incentives, which could include collecting together some of these roles (ie monitoring, scrutiny and audit) into a single performance monitoring framework." Working with the RDAs, GOs and Departments, DTI will consider options in a further review of the RDA Performance Monitoring Framework that will take place in 2004-05 and take account of the implementation of the new approach to tasking the RDAs</p>

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
Project appraisal				
5. Share information of successes and failures to inform the decisions of other agencies and promote the build-up of good practice (page 11)	<p>A. In order to increase the efficiency of project appraisal, DTI and the RDAs, assisted by OffPAT, should share information on emerging lessons about what makes a project effective</p> <p>B. Departments should add value by co-ordinating approval processes and helping the Agencies to pool learning</p>	DTI/OffPAT	To be set	As agreed by ASG, OffPAT is commissioning research on the characteristics of effective projects, for which the Terms of Reference (TOR) will be agreed with NAO and approved by APG. The RDAs will be invited to provide examples of projects across their range of activities for inclusion in the study
6. Implement good appraisal, monitoring and evaluation, regardless of the level of spend but with due regard to the level of risk (page 11)	<p>A. The RDAs should undertake effective monitoring and evaluation to learn and share lessons to make future projects more effective</p> <p>B. Internal and external audit can aid the process, so DTI should place increasing reliance on these functions for assurance that appropriate appraisal, monitoring and evaluation take place</p> <p>C. Departments should ensure that their different approval processes are integrated</p>	OffPAT	By October 2004; ongoing	<p>As agreed by APG, OffPAT is mapping approval processes affecting RDAs. DTI will review the outcome of this work and, working with the RDAs, GOs and Departments, identify scope for further streamlining and rationalisation</p> <p>AAN 11 <i>Project Delivery</i> (which includes monitoring) was published in February 2004. APG is working to produce an AAN on evaluation. OffPAT will include these additional AANs in the training it makes available to RDAs</p> <p>(Subject to approval by RDA Finance Directors) RDA auditors will report annually to GOs on compliance with SPAG, the conditions attached to the increase in delegations, the extent to which AANs have been applied and any significant internal audit reports and action taken as a result. As necessary, DTI will use these reports to discuss with APG areas where further work might be required to improve the process</p> <p>As agreed by APG, OffPAT is mapping approval processes affecting RDAs. DTI will review this and identify scope for further streamlining and rationalisation, for discussion with Treasury and OGDs</p>

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
	D. Departments should ensure that ... a service level agreement is published for the [Central Projects] Review Group	DTI/RDAs	By July 2004	DTI and RDA Finance Directors are in the process of agreeing an SLA covering the Secretary of State's powers under Section 5
	E. DTI and the RDAs should each specify a single point of contact for all approval issues, including company formation	DTI/RDAs	By April 2004	<i>Met.</i> All RDAs now have a single point of contact for projects outwith RDAs' delegation DTI has a single point of contact for all RDA Act approvals (Tony Medawar) but for speed and convenience applications are sent direct to the relevant supporting official: Lynn Goodbourn (Section 5(2)(a) applications); Christine John (Section 5(2)(b) & (c) applications)
	F. DTI and HMT should consult other UK public bodies involved in shared projects with the RDAs to understand how their needs from appraisals differ and to define how they will standardise formats and maximise mutual use of each others' processes	DTI	By April 2004 and ongoing	In March OFPAT produced a first map of public bodies co-financing projects with the RDAs which is being reviewed by APG. DTI will discuss with Treasury how to encourage other public sector funders to rely on SPAG and/or SPAG-lite appraisals when contributing funding directly to projects also supported by the Single Programme DTI will ensure that when any new funding is passed to the RDAs for spending on programmes additional to or ring-fenced within the Single Programme the additional spend is appraised within the existing SPAG/SPAG-Lite procedures

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
7. Streamline funding mechanisms to reduce bureaucracy and encourage appropriate applications (page 11)	<p>A. RCU, GOs and the RDAs should work closely together to expand existing good practice in streamlining funding mechanisms to reduce duplication and waste, ensuring consistency in appraisal and performance monitoring as far as possible</p> <p>B. DTI and HMT should support the RDAs in this, in particular by working with them towards a presumption that other public sector organisations will rely on the RDAs' appraisal and monitoring processes, or operate a single appraisal and monitoring process with the RDAs, removing the need to duplicate them</p>	DTI/ODPM/GOs/RDAs/OfPAT	By June 2004 and ongoing	<p>See 6.F above</p> <p>A project involving GOYH and Yorkshire Forward and aimed at aligning appraisal processes for match-funded projects involving ESFs, will be discussed at the 21 May meeting of the European Managing Authorities Group (EMAG) in Sheffield.</p> <p>APG, advised by OfPAT and working with DTI/ODPM, will draw the lessons together from this and other examples of RDA co-financing and joint appraisal agreements with the aim of establishing common principles to underpin joint appraisal by all GOs and RDAs</p> <p>See 6.F above</p>
Working with Departments				
8. Place Regional Economic Strategies at the heart of considerations on regional and national economic initiatives (page 12)	<p>A. DTI, with HMT assistance, should be the RDAs' advocate across central government in order to promote smoother interactions</p>	DTI	By July 2004	DTI will draft an interdepartmental concordat to spells out roles and responsibilities flowing from the Accounting Officers Agreement

NAO Recommendations	Specific actions recommended by NAO	Lead responsibility	Target implementation date/Milestones	Current position [Proposed Action]
B.	<p>HMT, DTI, ODPM and GOs should use their role in relation to the regional economic performance PSA target to encourage departments to consider Regional Economic Strategies in their planning and to discuss with the RDAs any proposals likely to have regional impacts</p>	DTI/HMT/ODPM	During Spending Review process and ongoing	<p><i>Met.</i> In October 2003, to assist in meeting this commitment Regional Emphasis Documents (REDs) were commissioned from GOs, RDAs and regional assemblies and refected, among other matters, the RES for each region. Treasury Guidance on SR04 encouraged Departments to use emerging evidence from the REDs as evidence to inform the content of the work programmes agreed between spending teams and departments and, as necessary, to revisit the regional content of work programmes following submission of the REDs. Departments were required, where reasonably possible, to include an assessment of the expected regional impact of their spending proposals, including for Scotland, Wales and Northern Ireland in reserved UK-wide areas of spending and, where appropriate, explain how they have taken the REDs into account in their proposals. Departments were also encouraged to consult stakeholders, including regional bodies, during preparation of their Submissions, including on the regional impact of their PSA targets. In a follow-up to the REDs, HMG has also asked the regions for their views on each department's PSA Targets as additional input to the Spending Review</p>
C.	<p>DTI, ODPM, HMT and RDAs should develop and disseminate guidance to departments about how to engage actively in consultation on Regional Economic Strategies and how to use them in their own planning</p>	DTI/RDA Nat Sec	By April 2004	<p><i>Met.</i> DTI/RDA NatSec have developed <i>A Guide for Departments to working in partnership with England's RDAs</i>, to be made available on-line for Departments. This includes generic guidance on engaging with RESs and how to use them in planning</p>
D.	<p>HMT and other departments should invite the RDAs' input to SR2004</p>	HMT	By January 2004	<p><i>Met.</i> See 8 B above</p>

<i>NAO Recommendations</i>	<i>Specific actions recommended by NAO</i>	<i>Lead responsibility</i>	<i>Target implementation date/Milestones</i>	<i>Current position [Proposed Action]</i>
9. Manage what departments require from the RDAs (page 12)	<p>A. DTI should exercise its statutory role more vigorously in overseeing departments' requirements of the RDAs, controlling the complexity of the RDAs' involvement with departments and facilitating better communication between departments</p> <p>B. The Corporate Planning process should be used to provide the opportunity for departments to explain and agree their requirements</p>	DTI	Ongoing	See 1.D above The need for DTI to exercise its role in this way should reduce significantly with implementation of the proposed new approach to tasking the RDAs
		DTI	Late 2004	As part of the implementation of the new approach to tasking the RDAs, each department with PSA Targets among the core set will be agreeing with each RDA the nature and, as appropriate, number of region-specific deliverables that it will deliver in support of the delivery of each relevant PSA Target in line with the region's Regional Economic Strategy. These will be set out in each RDA's Corporate Plan for 2005-08, which will be approved by DTI Ministers and published in early 2005. (See Annex)
	C. The RDAs should make full use of their newly strengthened Secretariat to further enhance their communications with departments	RDA NatSec	By February 2004	<i>Met</i> : RDAs have a national communications strategy in place
	D. DTI should encourage departments to give proper support, for example in matching future programme transfers with adequate information	DTI/HMT	During Spending Review process and ongoing	The immediate priorities arise out of the Spending Review, including the decision, announced in the Devolved Decision Making Review in March 2004, to devolve regional and local Business Link services to the RDAs with a framework for setting national standards and services to be developed with the Small Business Service, the RDAs and other departments funding business support
10. Use perceived risk as an indicator of the level of oversight necessary (page 12)	In its oversight of the RDAs, DTI should take more account of the risk inherent in any activity, drawing on a range of informed sources such as GOs and external auditors	APG/OFFPAT	By July 2004	AAN 10 <i>Risk Assessment—Assessing Project Risk against the OGC Criteria</i> was published in February 2004 APG is to produce an AAN on project risk at the RDA level

Annex

The stages in implementing the new approach to tasking to come into effect from April 2005 are as follows:

- RDAs and Departments are agreeing which PSA Targets are central to the RDAs' mission ("*Transforming England's Regions through sustainable development*"). Discussions are continuing in the context of the Spending Review;
- RDAs and Departments will be agreeing a menu of deliverables (outcomes/outputs at the regional level) for each core PSA Target. Some will be common to all RDAs; others will be optional;
- Working with GOs and other regional partners, each RDA will identify what it will contribute to the delivery of each core PSA Target (ie the common deliverables and its choice from the optional ones on the menu) in light of the region's Regional Economic Strategy and agree them with the Department; and
- Each RDA will set out the agreed deliverables in its Corporate Plan together with details of its other planned activities, outside the formal tasking framework. Plans will be approved by Ministers and published.

Supplementary memorandum submitted by the Department of Trade and Industry

Question 30 (Mr Williams): How does the Development Agency for the North East of England compare in the resources it has available to it with, say, the Welsh Development Agency or the Scottish Development Agency?

The resource figures in the table below are taken from the annual reports of each development agency for 2002–03. The population figures are obtained from the Office of National Statistics.

<i>2002–03</i>	<i>ONE North East RDA¹</i>	<i>Welsh Development Agency²</i>	<i>Scottish Enterprise³</i>	<i>Highlands and Islands Enterprise⁴</i>
Grant in aid	£179.8 million	£245.3 million	£426.4 million	£78.8 million
Receipts	£41.6 million	£99.5 million	£75.4 million	£23.8 million
Subtotals	—	—	£501.8 million	£102.6 million
Total	£221.4 million	£344.8 million	£604.4 million	
Population 2002 ⁵	2,513,274	2,918,723	5,054,800	
Total per head of population	£88.09	£118.13	£119.57	

¹ ONE North East Annual Report 2002–03

² Welsh Development Agency Annual Report 2002–03

³ Scottish Enterprise Annual Report 2002–03

⁴ Highlands & Islands Enterprise Annual Report 2002–03

⁵ Office of National Statistics resident population in 2002