



2005 Guidance to RDAs on Regional Strategies

FOREWORD

In the last Spending Review, the Deputy Prime Minister, the Chancellor and I committed our three departments to a public service agreement to:

"Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006"

We have been working together to ensure that all our policies contribute towards the achievement of this aim. We have also been collaborating with all the other Government departments whose policies impact on regional economic performance. However, we are clear that action by central government alone cannot ensure sustainable economic performance throughout the regions of England and that this goal cannot be achieved without the contribution of the RDAs and their partners. It is they who will provide the leadership that will take their regions forward.

The Regional Economic Strategies are a key part of this process. The role of the Regional Economic Strategy is to provide a shared vision for the development of the region's economy, to improve economic performance and enhance the region's competitiveness. The Strategies identify measures that will lead to an improvement in economic performance, whether the region is already successful or seeking to improve its performance. These measures could be targeted at a regional or sub-regional level, or inter-regionally, as in the case of the Northern Way Initiative.

The RDAs are charged with drawing up the Regional Economic Strategies and keeping them under review, but the aim is that the strategy is owned by the whole region and draws on the resources of all the major partners in the region. It needs to provide a strategic vision for the region, backed by a firm evidence base which will help ensure its influence on other regional strategies, and that these are mutually reinforcing, and on national and regional policies. It needs to ensure that delivery is effective at all levels. And it needs to identify priorities and ensure that common goals are adopted.

Since the RDAs were established, we have given them greater resources, more responsibility and wider flexibility. They have responded by developing ambitious but practical Regional Economic Strategies, and by ensuring that these are taken forward. This work is now moving into its next phase, and we are confident that the RDAs will again rise to the challenge and help us to advance the prosperity of all the regions of England, and of the nation as a whole.

Patricia Hewitt

(Secretary of State for Trade and Industry)

INTRODUCTION

1. Section 7(1) of the Regional Development Agencies Act 1998 ("the Act") requires a Regional Development Agency (RDA) to formulate and keep under review a strategy in relation to its purposes and to have regard to the strategy in exercising its functions. Section 7 (2) of the Act enables the Secretary of State to give guidance and direction to an Agency in relation to the exercise of its functions under subsection (1)^[1] to which an Agency must have regard. This document constitutes guidance under Section 7 (2) of the Act.

2. The RDAs drew up the first strategies for development of the English regional economies in

1999. Since then these strategies have become known as Regional Economic Strategies (RES). This title reflects their purpose and their distinctive role among the suite of strategies drawn up in the regions and which, together, provide a framework for the sustainable development of the English regions. The role of the RES is to provide a shared vision for the development of the region's economy. The RDA is charged with drawing up the RES and keeping it under review. However, the aim should be to formulate a strategy that is owned by the region and commands wide support, and which draws on the support and resources of all the major partners in the region.

3. The RES must have a clear focus on economic development, and both it and actions to implement it must be based on sustainable development principles set out in the March 2005 Sustainable Development Strategy. The RES should help advance the shared priorities for UK action set out in the strategy - Sustainable Consumption and Production, Climate Change and Energy, Natural Resource Protection and Environmental Enhancement, and Sustainable Communities - in terms that reflect regional distinctiveness. In developing the RES a full sustainability appraisal should be carried out in order to identify how the RDA and its partners will contribute to sustainable development. The appraisal should be informed by the Regional Sustainable Development Framework or the equivalent in the region, and should be published alongside the RES.

PURPOSE OF THE RES

4. The fundamental purpose of the RES is to improve economic performance and enhance the region's competitiveness, addressing market failures that prevent sustainable economic development, regeneration and business growth in the region. The RES should take an integrated and cohesive approach to improving regional economic performance, addressing business competitiveness and the need to increase productivity. This will include building capacity in the region to improve performance on the drivers of productivity - innovation and knowledge transfer, skills, enterprise, investment and competition - which will embed the capacity for growth. Underlying problems such as unemployment, skills shortages, inequalities, social exclusion and access to services and physical decay should be addressed in the strategy where they are of importance to the region.

5. The RES should concentrate on the key economic issues for the region and, in doing so, have regard to regional priorities agreed by the partners in all sectors in the region. The RES should focus primarily on those areas that justify action at the regional level while also providing the context for sub regional and local activity contributing to economic development (see below on the spatial dimension of the RES).

6. Underpinned by a sound evidence base, the RES should set out a vision for the regional economy which will ensure better strategic focus for and co-ordination of activity in the region whether by the agency or by other regional, sub-regional or local organisations. The RES should address economic, social and environmental issues that contribute to the development of the region's economy in a way that recognises regional distinctiveness. Where appropriate, the RES should complement and help deliver national strategies and policies. Particular regard should also be paid to the reform of the Structural and Cohesion Funds post 2006 and the potential for the RES to provide the strategic framework for the future Funds.

7. The Government regards the RES as a major tool for policy dialogue with the region and will give RESs proper weight in its own policy making. RESs provide a long-term framework for economic development in the regions. Whilst their ambition is to influence the development of resources by a wide range of public bodies, they have been linked explicitly only to the resources expected to be available to the RDA in each region (through its Corporate Plan for each 3 year Spending Review settlement); and indirectly to Business Support resources, and the workforce development funds of the Learning and Skills Council. However, alongside the 2004 Pre-Budget Report, the Government published for consultation proposals to provide clearer funding assumptions - including providing regional transport allocations for the first time and planning guidelines for the longer term - to provide a better basis for regions to plan over the long term. Under these proposals, where regions decide to

take account in their RES of expected long-term RDA, housing and transport resources and align the recommendations supporting implementation of the RES with those in the RSS and RHS, they will have a stronger voice in the next Spending Review. They can also expect a closer link between the vision set out by the RES and their ability to influence its delivery.

LINKS WITH OTHER REGIONAL STRATEGIES

8. Regional Chambers, more commonly known as Regional Assemblies, have been designated under section 8 of the RDAs Act to provide regional accountability for the work of the RDAs. In developing and reviewing the RES the RDA should have regard to the views expressed by the Regional Assembly. This is especially important given the Assembly's role in ensuring alignment of the various regional strategies.

9. Regional priorities for sustainable development are set out in the Regional Sustainable Development Framework (RSDF) or its equivalent that underpins and thus helps join up all the other regional strategies. It is an important starting point for developing the RES to ensure that sustainable development is at its heart and it contributes to the UK sustainable development priorities. [2]. The RSDF can also have an important role in identifying and resolving any conflicts or tensions between the RES and other regional strategies.

10. The RES, the Regional Spatial Strategy (RSS), which includes the Regional Transport Strategy (RTS), and the Regional Housing Strategy (RHS), are major regional strategies and each have implications for the economic development of the region. They should be mutually reinforcing. These strategies should take account of each other and other regional strategies so that, as far as possible, the evidence, objectives and priorities of each are consistent. The RSS and RHS should take account of the economic ambitions and needs of the region, and put in place spatial planning, transport and housing priorities that will support and enable the aspirations of the RES to be met. Similarly, the RES should take account of the spatial and transport priorities of the RSS and the housing objectives of the RHS. The three strategies (RES, RHS and RSS) will need to be aligned if they are to secure the management of change in a coherent and sustainable way.

11. Both the RES and the RSS are subject to European Directive 2001/42/EC on strategic environmental assessment (SEA) (transposed by the Environmental Assessment of Plans and Programmes Regulations 2004). For the RSS, the Directive's requirements are covered by mandatory Sustainability Appraisal under the Planning Act 2004. RDAs should refer to the ODPM consultation publications "A Draft Practical Guide to the SEA Directive" and "SA of RSSs and Local Development Frameworks: Consultation Paper" (www.odpm.gov.uk). The latter shows planning bodies how to assess the full range of social, environmental and economic effects of plans against criteria of sustainability.

DEVELOPMENT

Links Between RESs and National PSA Targets and Policies

12. The RES should aim to address the particular needs of the region, while supporting, enhancing and delivering national policies. In formulating the RES, the RDA should therefore have regard to all relevant national Public Service Agreement targets, in particular those covered by the RDA Tasking Framework, as well as other relevant statements of Government policy and separate guidance that might be issued under the RDA Act 1998. Where the RES is under review, the process of developing the RDA Corporate Plan will inform aspects of the RES review that are relevant to the Corporate Plan. Government (either through central government departments or the Government Office for the Region) will advise on the national policy context and its impact on the RES. Government departments will aim to work closely with the RDAs, involving them in the formation and delivery of national and regional policies and delivery which will have an impact on regional economic development. This will also help RDAs shape the RES in the light of national policies.

Partnership Working

13. The success and effectiveness of the RES will depend in large measure on the degree of support it commands in the region. This in turn will depend on the way in which the contribution of all partners, both national and regional, is best harnessed. The aim should therefore be wherever possible to proceed through dialogue, working in an open and inclusive way, so as to develop a strategy and agreed priorities for action that recognise the principle of subsidiarity. Working with the organisations responsible for developing other regional and local strategies (both statutory and non-statutory) will be particularly important in this regard. This will reduce the scope for duplication of effort and ensure that the region as a whole secures value for money from the resources available to it.

14. It will be for the RDA to consider how best to foster and maintain regional and national partnership and co-operation, in both public, private and voluntary and community sectors, developing an approach which best suits the needs and characteristics of the region but which should include the following elements:

Inclusivity - the RDA should ensure that those involved in developing and implementing the RES fully represent economic, social and environmental interests within the region; that they cover rural as well as urban interests; and encompass relevant economic, ethnic and social groups, including the voluntary and community sector.

Working with the Regional Assembly, other relevant regional partners and stakeholders - The Assembly and other regional partners should be involved in the development of the RES at an early stage. The RDA will also need to work closely with other strategic bodies that make policy decisions on issues relevant to the RES and with stakeholder organisations in the region. The Government Office is a key partner providing advice on the national policy context and with responsibilities for delivery in a wide range of policy areas relevant to the RES. Such close working should not only help identify priorities for the RES but also help action to deliver the RES join up with other priorities, such as tackling health inequalities.

Engaging with sub-regional partners - the RDA should involve those operating at the sub-regional and local levels as well as at the regional level. These will include sub-regional partnerships and Local Strategic Partnerships. Local authorities are key partners because they represent their communities and play a major role at local level in many areas of the RDA's business. In rural areas National Park Authorities and Area of Outstanding Natural Beauty Conservation Boards will also be key.

Engaging with partners in other regions - given the increased emphasis on cross-regional working and the emergence of inter-regional strategies, RDAs are encouraged, where preparing the RES, to share their experiences and good practice and, as appropriate, take into account RESs in other regions.

Ensuring equality and diversity issues are addressed - RDAs need to understand the demographic, equality and diversity issues that are particular to their regions in order to deliver on objectives relating to economic growth and productivity. The RES should demonstrate good practice in partnership working which will underpin this understanding and the achievement of relevant objectives in the RES

In working with national partners, agencies should aim to work closely not only with relevant central government departments but also with other Government agencies and NDPBs whose work is relevant to the RES. An important aspect of this is making effective use of relevant national resources and sources of evidence.

Consultation

15. In formulating the RES, the agency should consult widely within the region, with RDAs in neighbouring regions and with Government and other interests nationally, ensuring that they

meet the SEA Directive's requirements on consulting the public. In developing their approach to consultation the RDAs should refer to the Government's Code of Practice on Consultation, and to "Working Together: Co-operation between Government and Faith Communities", published by the Home Office. These documents are available on the Cabinet Office and Home Office websites. For the voluntary and community sector, the process of developing a regional Compact should inform consultation. The RES should include a statement on the arrangements made for consultation, including a list of those consulted and, where appropriate, of those who have agreed to be associated with its proposals.

16. It is particularly important that the RDAs take steps to share learning from past RES consultation exercises, that good practice is applied as far as possible. And that where things worked less well, the reasons for this are be widely understood.

Cross-regional working

17. The strengths and weaknesses of a region will in many respects be exclusively the region's, but there will also be issues and opportunities which are of interest to more than one of the agencies. RDAs should work closely together in addressing issues of common interest, both to inform the strategies they adopt and to ensure that action plans are complementary. In some cases, RDAs may wish to work together to develop a cross-boundary strategy or action plan to address a particular issue. Where inter-regional strategies have been established between RDAs, these must be adequately reflected in each region's RES. RDAs should also consider developing appropriate links with their counterpart organisations in Scotland, Wales and Northern Ireland. Each RES and any inter-regional strategies, should contribute to the aim of raising the economic performance of the United Kingdom as a whole. RESs should not, therefore, be directed at the expense of or in competition with other regions and should be based upon co-operation between RDAs and development agencies elsewhere in the United Kingdom.

Resources

18. The RES provides a shared view of what needs to be done to enable the region's economy to perform to its full potential. The objectives of the RES should be stretching but should also be realistic. As a strategic document, the RES will not identify specific financial resources for the RDAs and other partners to commit to individual projects. However, the priorities set out in the RES should be informed by the level of overall funding likely to be available to the region, both public and private. The long term funding guidelines on economic development, housing and transport on which the Government is consulting may assist in the development of the RES.

Evidence

19. It is important that a comprehensive and shared evidence base be agreed through consultation for the RES and that it is presented in a clear and persuasive way, both for reasons of transparency and to strengthen the ability of the RES to feed into and influence other key regional strategies, and national and regional policies. HMT, DTI and ODPM have published a series of documents setting out the strategic approach to evidence-based economic policy making (e.g. *Productivity in the UK No1*, *DTI Strategy: Analysis and DTI Economics Paper No.7*, *Competing in the Global Economy*). RDAs should have regard to these documents and the DTI's Chief Economic Advisor will act as a focal point for RDAs seeking advice from central Government in developing their evidence base.

20. The RES should be based on a high quality assessment of the economic, social and environmental characteristics of the region, including in relation to equality and diversity, which inhibit the achievement of key objectives, as well as its particular strengths. The RES should include an analysis of the performance of their regions and sub-regions against the key drivers of productivity and employment. This should allow the choices and priorities of the strategy to be understood in terms of the particular market failures, which are to be

addressed through cost effective policy interventions. The HMT document *Policy Appraisal in Central government* – the ‘Green Book’ – provides more detailed guidance on these issues.

21. The approach to identifying the cost effectiveness of these policies should be described, including sufficient information about other options to demonstrate that decisions about policy priorities have been taken in accordance with the principle of securing value for money. This section should present the results of evaluation research that has been undertaken into the activities of the RDA and/or other agencies, as this will form an increasingly important part of the evidence about the effectiveness of policy options in the region, given its specific circumstances. Where appropriate, evidence should be placed in a national, European or international context.

22. ODPM will be issuing guidance on the economic evidence base for Regional Spatial Strategies. In preparing the RES, in order to align regional evidence and recommendations as set out in paragraph 7, RDAs should have regard to this guidance.

23. It is envisaged that the majority of this material will be presented in a separate document on which RDAs should consult, if possible in advance of consultation of the RES itself.

24. The Regional Assemblies have an important scrutiny role in relation to the activities of the RDAs in their regions. RDAs should consider how the Assemblies’ findings should inform their activities and feed into development and implementation of the RES.

Content / Coverage of the RES

25. The RES should set out for the medium to long term (at least 5-10 years) the region’s policies, aims and objectives for the regional economy, making clear any links that exist between different policy areas, for example between the business development and skills agendas. It should consider links with other areas such as environment, transport, housing, tourism, culture, sport and health where these have an economic impact on the region or areas within it.

26. The RES should identify key strategic issues for the region, with clear priorities. It should identify who will be responsible for delivering particular elements of the strategy and over what timeframe. The RES should describe how far the objectives of earlier versions of the RES have been achieved, what changes are needed to those set out previously and why.

The spatial dimension of the RES

27. The RES should reflect the distinctiveness of the different parts of the region (including rural and urban areas), identifying challenges and opportunities for these geographic areas. This might include, where appropriate, different policies for different locations of particular importance to economic development.

28. In making their assessment of opportunities and risks facing particular sub-regions or conurbations, agencies should consider the range of relevant area-based initiatives within those areas. RDAs should ensure that the RES complements such programmes, so that they are mutually reinforcing and deliver the economic, social and environmental improvements essential for the delivery of sustainable communities.

29. The RES should also identify areas or communities with significant problems such as deprivation, inequalities and social exclusion and identify the main social, environmental and economic factors which underlie these issues. This should include identification of sections of the community that offer particular opportunities to contribute to the region’s economic development by correcting current imbalances, and may also include strategies to deal with these issues.

30. In addition to the coverage set out above, the RES should identify geographical or sectoral

clusters of businesses and knowledge based organisations that are, or have the potential to be, of regional economic importance, and explain how these can be nurtured. In doing so RDAs should ensure that cluster policy, as for other policies, is not developed in isolation from national or other regional perspectives.

Monitoring and Evaluation of the RES

31. The RES should set out how the RDA will monitor its implementation and impact. It is for the RDAs in conjunction with Regional Assemblies and other regional partners to decide how to judge the success of their RES, but use should be made wherever possible of specific and quantifiable indicators. The RES should make clear how the impact of the RES will be evaluated, including how policy interventions will be evaluated and the results used to inform the subsequent revisions of the RES.

32. RDAs should ensure monitoring and evaluation of the RES is carried out as transparently as possible. Cabinet Office guidance "Non Departmental Public Bodies – a Guide for Departments", available on the Cabinet Office website, includes best practice principles for transparency in NDPBs in the document "Policy – Openness and Accountability". Guidance on evaluation can also be found on the Cabinet Office website (www.policyhub.gov.uk/evalpolicy/magenta/guidance-notes.asp).

Review

33. RDAs will wish to develop the RES for its region over time to reflect changing circumstances but should aim to review the RES in full every three years. In carrying out reviews, RDAs should pay full regard to guidance on the evidence base set out above.

FURTHER GUIDANCE

34. Departments may from time to time give RDAs additional non-statutory guidance and supplementary advice on matters of Government policy relevant to the RES. Such supplementary guidance on the RES will be available on the DTI regional website alongside this Statutory Guidance.

ANNEX

Legal Background to the Guidance

Purposes of a Regional Development Agency

Section 4 of the RDAs Act 1998 (the Act) sets out the purposes of an agency which are:

- (a) to further the economic development and regeneration of its area,
- (b) to promote business efficiency, investment and competitiveness in its area,
- (c) to promote employment in its area,
- (d) to enhance the development and application of skills relevant to employment in its area, and
- (e) to contribute to the achievement of sustainable development in the United Kingdom where it is relevant to its area to do so.

The Act states explicitly that a regional development agency's purposes apply as much in relation to the rural parts of its area as in relation to the non-rural parts of its area.

The Secretary of State's powers to give guidance and direction

Section 7(2) of the Act enables the Secretary of State to give guidance and directions to an agency in relation to the exercise of its functions under subsection (1), in particular, with respect to:

- (a) the matters to be covered by the strategy,
- (b) the issues to be taken into account in formulating the strategy,
- (c) the strategy to be adopted in relation to any matter, and
- (d) the updating of the strategy.

Section 7(3) provides that the issues mentioned in section 7(2)(b) include issues relating to any one or more of the following:

- (a) the agency's area,
- (b) the area of any other regional development agency, and
- (c) any part of the United Kingdom outside England.

The Secretary of State also has a general power under section 27 of the Act to give guidance and directions to an agency in relation to the exercise of its functions.

Under section 28 of the Act, guidance can only be issued after consultation with the RDA concerned. Such guidance must be published by the Secretary of State in a manner which he considers appropriate.

[1] The RDAs' purposes and the scope of the Secretary of State's power of guidance are set out in an Annex to this document.

[2] The Government is producing up-dated guidance on Regional Sustainable Development Frameworks (rsdfs) to ensure regional sustainable development priorities reflect UK priorities.

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