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Dear Dermot

Thank you for sending through an advance copy of '*Regional Development Agencies: the facts*', which I read with interest.

In many respects your paper reflects RDA thinking – particularly in relation to evaluating the effectiveness and the efficiency of public sector interventions. However I have a couple of observations:

Review of functions and form

- You quite rightly point out that, for the size of our budgets and remit, the attention and public debate focused on RDAs is disproportionate. And whilst I agree that a zero-based efficiency review could identify savings and efficiency gains, to focus solely on RDA functions would be of limited benefit. A much broader debate about spending priorities at the national and regional level is needed – particularly given the scale of the national budget deficit and the constraints on public sector spending. This debate should include other government bodies who deliver or contribute to economic development/regeneration – many of which have much bigger budgets, more staff and, in some cases, similar functions to the RDAs. These bodies include the Homes and Communities Agency, Young Persons Learning Agency, Skills Funding Agency, Highways Agency, Government Offices for the regions and Job Centre Plus. The RDAs would be happy for this analysis to take place and for it to inform future public spending and policy decisions.

Impact Evaluation

- Regarding your concerns over the methodology and findings of the national PricewaterhouseCoopers (PwC) evaluation of RDA value for money, I acknowledge that evaluation – even under the onerous provisions of the Impact Evaluation Framework – remains part science, part art. I doubt that there will ever be a methodology devised that truly captures the precise value and nature of impact delivered by a given intervention. That said, the PwC evaluation is streets ahead of the historical practice of simply reporting raw outputs as a measure of effectiveness and value for money. A practice that many other Agencies are still using as key performance indicators. In fact we have found it almost impossible to find any similar benchmarks across Government to measure our impact performance against. Sir Rod

Eddington had the same problem when he produced his Transport report for Government – concluding that there were precious few benchmarks around but that a return of £5 for £1 invested was at the upper end of the investment return spectrum

- Additionally, as you mention in your paper, the PwC evaluation did not take account of any of the wider, strategic added value, social or environmental impacts generated by RDA interventions. This supports our belief that the PwC evaluation significantly understates at least some aspects of RDA impact. Your paper overlooks these factors and focuses instead on the issues of optimism bias and assumptions about persistence of benefits generated.
- A final point on this issue – you will no doubt be aware that each RDA is required to have their programmes independently evaluated at regular intervals. Consistent with my preceding comments, these have found returns higher than those in the PwC report as the quantum of evaluations increases. For example, Advantage West Midlands has independent verification demonstrating a rate of return of £7.45 per £1 invested, while for the East Midlands Development Agency, Ecotec have reported a return of £9 for every £1 invested.

The Business view

- There is growing evidence that businesses, the real generators of economic wealth, strongly support RDAs. Both nationally and regionally business organisations are coming off the fence in support of RDAs – in preference to local authority based models.
- Businesses don't recognise local authority, city region, regional or national boundaries. What they do recognise is the value of being able to work effectively with business led public bodies that can deliver locally while helping to shape and influence national and international policy. RDAs have consistently proved themselves to be resourceful and responsive, business like and business liked.
- Your paper doesn't address the business view.

Finally your paper takes something of an ideological leap in surmising that '*. . . City regions . . . would be better placed to carry out many of the interventions undertaken by RDAs*'. There is little hard evidence to confirm this view as fact. There is plenty however, to demonstrate that economic development/regeneration decisions should be based on evidence rather than politics or ideology.

The RDAs remain open and 'up for the debate' about the options for delivering economic development/regeneration in the future. I look forward to maintaining an honest and productive dialogue with you over the coming months.

Yours sincerely



Mick Lavery
Chair of RDA Chief Executive's
Chief Executive, Advantage West Midlands