

Regional Development Agencies: the politics

Kieran Larkin, December 2009

The Regional Development Agencies (RDAs) have become a dividing line between the political parties in the run up to the General Election. For those interested in urban policy what happens to the RDAs is of major interest.

The RDAs' future has been brought into question for two main reasons – a groundswell of opinion in support of localism and the need for a spending squeeze as a result of the recession. The agencies lack democratic accountability and are seen as an area where potential savings could be made.

In the first of these RDA comment pieces, we set out the facts from the PricewaterhouseCoopers (PwC) evaluation and called for a zero-based efficiency review and spatial assessment of the RDAs' programmes. In this second comment piece, we outline what the three main political parties think of the agencies and where their visions lack clarity. A final comment piece will conclude with what we think should happen to the regional tier of government and the programmes the RDAs control.

What do the parties think?

Labour

The Labour Party is deeply wedded to the RDAs and remains the only party committed to their continued existence. To understand Labour's position it's worth briefly reviewing the RDAs' history.

The RDAs were created in 1999, as business-led bodies, tasked with building up the competitiveness of the English regions. But they were always part of a grander plan to achieve greater administrative devolution, as a balance to the Scottish and Welsh settlement. This plan was stopped short by the 'no' vote in the 2004 North East referendum, when 78 percent of voters voted against the establishment of an elected regional assembly.¹ This left regional government with a democratic deficit.

Since then the regional tier has been in flux. The *Review of sub-national economic development and regeneration* (SNR) (2007) aimed to achieve a more streamlined regional layer.² It advocated replacing Regional Assemblies with Local Authority Leaders Boards – transferring their regional planning powers to the RDAs – and devolving powers from RDAs to City Regions. At the same time Gordon Brown's *Governance of Britain* Green Paper seemed to push policy in the other direction, with new mechanisms to strengthen the democratic legitimacy of the regions, including Regional Ministers and regional select committees.³

1. BBC (2004) 'North East votes 'no' to assembly', BBC News online, published November 2004
2. HM Treasury (2007) *Review of sub-national economic development and regeneration*, London: HM Treasury
3. HM Government (2007) *The Governance of Britain*, Norwich: The Stationery Office

The transfer of planning powers to unelected RDAs attracted criticism for further removing democratic accountability from the preparation of regional spatial plans. The wording of the SNR also meant that elements of its implementation were subject to interpretation. Behind closed doors a period of negotiation ensued, between Treasury, RDAs and local authorities, on what the document meant for day-to-day activities. For example, on funding streams, the RDAs were quick to re-cast 'devolution to city-regions' to the lesser 'delegation to city-regions', implying a continued supervisory role for the RDAs.

More recently, RDAs have received a boost from the return of Peter Mandelson. His leadership of the Department for Business, Innovation and Skills (BIS) has greatly strengthened the RDAs' position. Due to his personal political influence and his new 'industrial activism' policy direction, the RDAs have been given a new lease of life – for now.

Overall, Labour's approach to regional and sub-regional policy reform has been overly technical and has further complicated the regional tier. There are still too many regional bodies and there hasn't been much improvement in the RDAs' democratic legitimacy.

Conservatives

In contrast, the Conservatives have been very critical of the RDAs and have frequently called for their abolition. The RDAs have been a candidate for cutting in the Conservatives' criticism of the bureaucratic, unelected quango state. However, their position has been inconsistent. Between now and the election the party needs to clarify where it stands on RDAs.

Three key issues lie at the heart of the Conservatives' position on RDAs. Firstly, they are unhappy with the regional planning tier, which they believe has imposed housing targets on local authorities. The Conservatives are clear that planning powers should be reassigned to local government. Secondly, RDAs are one of the Conservatives' exemplars of the undemocratic quango state. And finally, the critique of the RDAs is political. As a remnant of New Labour's regional project, the assault on the RDAs is very popular with the broader party faithful. Promises to scrap the RDAs and other quangos go down very well at the Conservative Party conference.

Control Shift, the Conservatives' local government Green Paper, released in February 2009, stated that the party's position was to:

*"Refocus the Regional Development Agencies on economic development, stripping them of their powers over planning; and give local governments the power to establish their own local enterprise partnerships."*⁴

The Conservatives' proposals do not apply to the London Development Agency (LDA), which is accountable to the London Mayor.

But frequently Shadow Ministers have strayed from the party line, confusing businesses and councils as to the actual intentions of the party for the agencies' future. There are almost three Conservative positions, though with considerable overlap. Some Shadow Ministers have said that some of the RDAs would stay, whereas others have suggested that Local Enterprise Partnerships would take over from RDAs and at times it has been indicated that the RDAs would be scrapped from "day one of a Tory government."⁵

In 2009, at the Conservative Party conference, Caroline Spelman said: "Regionalism was John Prescott's vanity project and if we're elected it'll go – lock, stock and barrel."⁶

4. Conservative Party (2009) *Control Shift: returning power to local communities*, London: Conservatives

5. Hayman A (2008) 'Tories to set out RDA plans this year', *Regeneration and Renewal*, published 15 August 2008

6. Spelman C (2009) 'Local taxpayers deserve real accountability,' speech to Conservative Party Conference, 5 October 2009

A little over six weeks later, she finessed the argument saying that she saw RDAs ‘evolving into Local Enterprise Partnerships’.⁷ However, it is not completely clear how such an evolution would take place and which powers would be left.

The Conservatives have also suggested that councils would be able to decide whether they wanted to keep their RDA.⁸ Yet how such a ‘vote’ might work in practice is unclear. Given the political balance of the country it seems almost certain that many regions would choose to get rid of their RDA on political grounds. Only the North East, and perhaps Yorkshire and Humber, look like they would vote to keep their RDA (Table 1).

Table 1: Political control of councils by region (2009)

Region	Conservatives	Labour	Liberal Democrats	Independent	No overall Control
South East	82%	1%	7%	1%	8%
East of England	73%	4%	10%	0%	13%
West Midlands	70%	3%	0%	0%	27%
East Midlands	67%	11%	9%	4%	9%
South West	56%	0%	5%	5%	34%
London	42%	21%	9%	0%	27%
North West	32%	20%	12%	0%	37%
Yorkshire & the Humber	18%	18%	9%	0%	55%
North East	8%	50%	8%	0%	33%
England	59%	10%	8%	1%	23%

Source: Local Government Association statistics– author’s calculations

David Cameron has tended to stick more firmly to the party line than many of his Shadow Ministers, calling for a re-tasking of the RDAs and an end to some, but not all, of them. If this is the Conservatives’ position they should restate it clearly to avoid any confusion, outlining how a decision would be made on the future of each of the agencies.

Liberal Democrats

The Liberal Democrats’ position is similarly unclear and low on detail. Their stated party policy is to:

“Reform Regional Development Agencies to devolve power to local authorities and focus support on where it is most needed.”⁹

Yet at times they have also gone further. While not official party policy, in a Reform pamphlet, Vince Cable, Lib Dem Shadow Chancellor, said that he would abolish the bodies completely.¹⁰ This was part of a programme of cuts to tackle the fiscal crisis.

In his speech to the 2009 party conference Cable targeted the “industrial welfare state”, labelling the RDAs as one of many “quangos of questionable relevance”.¹¹ While stopping short of singling out the RDAs, he did say that the Lib Dems would scrap “the command and control quangos.”

And what do the Lib Dems think would replace the RDAs? The Reform pamphlet stated that removing RDAs would result in allocating ‘some funds to local authorities’, however, the implied saving of £2.3 billion a year suggests that RDAs and all their programmes would be scrapped.

7. Spelman C (2009) ‘Greater transparency, accountability and efficiency in local government’, speech to the New Local Government Network, 16 November 2009

8. Hayman A (2009) ‘Tories move to clarify RDA plans’, *Regeneration and Renewal*, published 7 December 2009

9. Liberal Democrats (2009) *Lib Dem Policy – Business*, London: Liberal Democrats

10. Cable V (2009) *Tackling the Fiscal Crisis: A recovery plan for the UK*, London: Reform

11. Cable V (2009) ‘Vince Cable’s speech to Liberal Democrat Conference’, speech to the Liberal Democrat Conference, 21 September 2009

Since the party conference season, Vince Cable has spoken out again on the RDAs – this time taking a more pragmatic position. The pragmatic Cable/Lib Dem position is that they are sceptical about RDAs' value for money, but would take a case-by-case approach to whether the agencies should continue. It appears that the Lib Dems are still undecided on RDAs.

Businesses worry about a post-RDA world

Business groups have already declared that they are worried about the demise of the RDAs,¹² which is proving a headache for the Conservatives. They fear that their views will be ignored under the Conservatives' proposed arrangements. The main reason for this is a lack of trust between businesses and local authorities.

This is a false understanding of the options. The choice isn't just between the regional and the very local - business has overlooked the potential of City Regions. This is partly due to an unwillingness of both the Government and the Conservatives to raise the profile of city-regional governance.

And businesses' critique of local authorities isn't completely fair – local government has changed. Local authorities are now far more pro-business and understand the need to encourage economic growth. This is especially the case in our largest City Regions. For example, the Leeds City Region, has integrated business views into their new governance arrangements through a Business Leadership Group.

Towards the General Election

As the General Election approaches each party needs to decide what it wants to do with RDAs and their programme funding – at the moment only the Labour Party seems sure and it has the benefit of having created the agencies. We don't think the current situation is satisfactory, but are keen to move away from the simplistic 'scrap them vs keep them' debate. It is fine for the parties to refine their positions and for their positions to be nuanced, but they do need to be clear. We will be setting out our views in the final comment piece on the future of RDAs, shortly.

12. Tighe C et al (2009) 'Business fears loss of development agencies', *Financial Times*, published 23 November 2009



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