

## The Future for Regional Governance

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### Background

Last summer's Sub-National Economic Development and Regeneration Review (SNR) proposed major changes in the structure of regional government in England, generating in turn major consequences for local government. With the follow-up document, *Prosperous Places*, currently out for consultation, this paper examines the structures and record of regional government.

The sub-national review gives a central, and expanded role for Regional Development Agencies (RDAs). They are non-departmental government bodies with responsibility for integrating regional economic development alongside all other aspects of development into a single regional strategy. This new form of regional governance was established in 1998, and it follows on from a long but patchy history of the regional tier in the UK. There are currently three strands of regional governance: i) Government Offices for the regions, which were brought in during the Major Government and have expanded under Labour ii) Regional Assemblies (RAs), which were introduced in 1998 and were seen - by John Prescott at least - as a way station towards elected regional governance, and iii) RDAs. The power balance between RAs and RDAs has changed since 1998. For example, under the 2004 Planning and Compulsory Purchase Act, strategic planning powers were moved from upper-tier local authorities to the Regional Assemblies. Under the SNR proposals, by 2010, these powers will have shifted to RDAs. There are currently 9 RDAs in England.

**Responsibilities** - RDAs were originally set up to improve the economic development in all regions and to alleviate regional disparities. There are 5 statutory purposes, which are:

- To further economic development and regeneration
- To promote business efficiency, investment and competitiveness
- To promote employment
- To enhance development and application of skills relevant to employment
- To contribute to sustainable development

Regional Development Agency board members are unelected representatives selected from a broad range of disciplines. The RDAs are currently responsible for the delivery of research and development grants, rural socio-economic objectives, elements of the integrated rural development programme, the Business Link Service and significant physical investment. They are accountable to the Department for Business and Regulatory Reform (DBERR), and currently come under some scrutiny from the partially-elected Regional Assemblies. Their performance is assessed by the National Audit Office (NAO), and they represent a growth in regional governance despite having no popular support<sup>1</sup>.

**New proposals** – The SNR has committed to devolving power to 'the most appropriate spatial level' and fully supports local authorities working together at the sub-regional level.

There is also a commitment to strengthen the regional level, and to reform the government's relationship with the regions and local authorities. The new proposals may be summarised as follows:

**Local.** Reform local authority (LA) schemes such as Local Area Business Growth Incentives (LABGI) and Business Improvement Districts (BIDs) to make them more effective. Move education for 14-19 year olds to local authority control. Encourage more multi-area agreements (MAAs). Create a statutory economic development duty for LAs. RDAs expected to devolve more economic development activity in the future to LAs, sub-regions and perhaps others.

**Regional.** Create a single regional strategy to reduce contradiction and confusion. Simplify RDA funding into a 'single pot', and delegate funds to LAs. Disband Regional Assemblies and give their powers to RDAs by 2010. Appoint Ministers for the Regions.

**National.** Simplify business support by reducing the number of products offered to less than 100. Reduce Government Office staff in the regions by 33%.

**Housing/planning.** Planning powers to be taken away from Regional Assemblies and given to RDAs. New 'Homes and Communities' Agency to be set up. Local authorities will be represented at the regional level by a 'leaders' forum'.

**Cities.** City development companies to simplify economic development in cities. Give further powers to major cities to increase their capacity

Although the SNR report aims to devolve power as far as possible, for all the main policy areas<sup>ii</sup> there seems to be a conflict between local needs and national economies of scale. Thus, RDAs are seen as a means by which to enhance local delivery whilst maintaining national efficiency. Is this necessary, or even possible?

### **Do We Need a Regional Tier?**

It could be argued that over the history of the regional tier, there have been four main arguments for their existence. i) The first relates simply to reducing the economic disparities between different areas. This is one of the main arguments set out in the SNR report, and is subject to considerable controversy. ii) Secondly, there may have been a belief in Government that the regionalisation of England was a corollary to the Scottish and Welsh devolution, and a way of dealing with the West Lothian question. However, the powers proposed for elected regional assemblies were never sufficient to resolve this issue; in any case, the 2004 North East referendum put an end to this possibility. iii) Thirdly, it allows a more efficient flow of information between different areas. This argument holds some considerable weight, but is not predominant in the current system iv) And finally, it is suggested that there are some issues which cannot neatly fit into local authority boundaries. This holds some validity, though there are some questions over whether the regional tier is the most effective way to deal with these issues.

***The Government's Case for RDAs.*** The Sub-National Review (SNR) suggests that RDAs could potentially help to 'minimise economically inhibitive government action' so as to achieve economic convergence between different areas. However, it also recognises that even if central government's failures are overcome, the idiosyncratic economic histories of individual places become entrenched and greatly hinder the chances of reducing inter and intra-regional disparity.

As a result, one would expect RDAs to reflect their regional idiosyncrasies so as to tackle the differing underlying problems. Yet according to one report, RDAs make 'scant allowance for regional specificities as they have all produced strategies that reveal a remarkable generic resemblance'. For example, all use 'clusters' as their preferred mode of economic development, even though there is a growing body of evidence which demonstrates that this approach increases economic divergence<sup>iii</sup>. Therefore, the RDA approach to increasing economic convergence is a nonsense.



The SNR also suggests that tackling poor housing and the environment, the weak economic base and poor services is the key role for the RDAs: the traditional preserve of local authorities. According to the SNR report, the justification for this is that 'functional areas over which key economic markets operate are typically much larger than local authorities, sub regions or city regions' and therefore 'local authorities are often under-bounded and too small to tackle many economic challenges effectively'. But according to the LGA, 'the economic significance of the administrative regional boundaries is hard to identify'<sup>iv</sup>. Sub-regional arrangements are also, according to the SNR, 'fragmented and confused'. But do RDAs solve the problems associated with local authorities?

**A look at the evidence.** There has undoubtedly been some economic progress made nationally since 1998, especially with regards to job creation, brown-field development, business creation and basic education. To what extent this can be directly attributed to RDAs is unclear. Despite the progress, there remain fundamental and unchanging problems with the regional tier.

**Regional Disparities.** A Government progress report demonstrated that there has been a nominal reduction in inter-regional disparity, due largely to the higher rates of employment and the slight increase in level 2 qualifications in the poorer performing regions. However, regional productivity, innovation and level 4 educational differences have changed very little. The economic output of the poorest performing region (North East) is still 40% below that of London.

**Sub-Regional Disparities.** Economic growth within sub-regions has varied massively. For example, the GVA per head in Greater Manchester South grew by 76% between 1995 and 2004, while in Manchester North it only grew by 31%. Claimant rates in the worst 10 wards in the UK are 16 percentage points higher than the national average; and, all but two of the best performing cities are in the south, whilst urban deprivation has become increasingly concentrated.

**Confusion, Contradiction and Repetition.** The SNR report is peppered with contradictions as to the precise role of local government and RDAs. The contradiction is largely driven by the Government's attempts to put a smoke-screen over their central growth targets and RDAs lack of democratic accountability. There is no better example of this than in their plans to move planning powers from LAs and Assemblies to RDAs. On the one hand they are taking democratic powers away from the local level, and on the other, they want to be seen to be giving them greater autonomy over their area. This is a highly cynical approach to governance. But the problems are not just in the SNR proposals for the future, they are also felt on the ground, now.

People do not know who or what RDAs are. For example, one recent study found that only 14% of small and medium sized businesses had any knowledge of the functions of RDAs<sup>v</sup>. There is also a great deal of confusion over the overlapping and ill-defined roles between the numerous regional strategies and bodies. There are, on average, 20 strategies for each region, each using different evidence as the basis for their policy recommendations. There are also very few joined-up directives for transport, business support and regeneration to name but a few. For example, there are twelve organisations in Newcastle alone which deal with transport. Funding for all schemes comes from several sources, and it is not clear why this is necessary. At every spatial level there are a plethora of schemes which overlap and compete with each other. On top of this, the Government's targets and performance culture often provide disincentives for LAs to carry out their statutory requirements.

These are, of course, the arguments that are used to justify streamlining the regional tier. However, the price of this is an unacceptable loss of democratic accountability over housing and planning. In any case, the SNR never really makes the case for these activities to be co-ordinated at a regional rather than sub-regional level. This contradiction – another of the striking tensions within the SNR – reflects the debate between regionalism and sub-regions (especially city regions) that has run through government in recent years.

## **Fairness through the Regions**

The SNR report pledges to devolve power 'to the most appropriate spatial level'. Yet within its haze of pledges, reforms, legislation and regulation it is difficult to see where and how the myriad of good intentions come together to form a coherent vision for the future of Britain's governance. There are a number of reasons for this.

**Firstly**, the government does not present a strong case for RDAs at all. Their case for RDAs is based more on central prescription rather than enhancing a progressive and adaptive localist system. The current system has not dented the numerous disparities in this country, and its network approach is unlikely to do so. Tackling 'market failures at the spatial level at which they occur' does not require regional governance; it requires better communication (especially along the lines that many local authorities are now achieving through sub-regional partnerships), and the empowerment of communities themselves. Rather than the generic strategies of RDAs, it is by the recognition of local difference that progress in tackling disparities is likely to be made.

**Secondly**, RDAs add another level of unsustainable complexity. This is due in part to the schizophrenic way that the regional tier has evolved. The implication of having too many governing variables is that it promotes contradiction, confusion, unpredictability and potentially, economic instability.

**Thirdly**, the current and proposed structure of RDAs is fundamentally flawed. Removing accountability through election is an unsustainable approach, especially in politically sensitive areas covered by the planning powers that are proposed for RDAs.

## **Conclusion**

Within the framework of the SNR consultation, there are a number of steps that can at least mitigate the effects of the proposed changes. The recommendation of the South East County Leaders – that half the RDA's Board be elected councillors – seeks to tackle the issue of democratic legitimacy, even if it conflicts with government's insistence that the RDAs should be 'business-led'. It is also important that the approach taken to local authorities' activities avoids being over-prescriptive. For example, the consultation sets out different ways in which the upper-tier LA's responsibility for an economic assessment should be discharged: Option 2, which confirms the existence of this duty but indicates that less detailed direction would be given as to how LAs should discharge it, is clearly preferable. However, we believe that many of the presuppositions of the SNR are unjustified and that policy should take a more radical turn:

- **Reverse the regionalisation of planning.** The drive towards RDA control of housing and planning should be stopped, and the earlier transfer of strategic planning powers to the Regional Assemblies (under the 2004 Act) should be overturned. These powers should be returned to elected upper tier authorities. In some cases, groups of authorities have already moved towards 'sub-regional' plans; this should be maintained where it is desired (and in a number of cases County and Unitary Councils had presented combined Structure Plans), but as part of a more bottom-up system.
- **A presumption towards devolution of activity.** The consultation makes clear that RDA functions will only be delegated to LAs or sub-regions when the RDA has convinced itself that capacity exists. The burden of proof should be reversed, with a presumption in favour of devolution. This is likely to mean the drastic scaling back, or complete abolition of the RDAs. A similar approach should be taken to other areas (currently operating via national quangos, or through regional assemblies) in which local authorities or sub-regions might bid to draw down powers, such as skills, housing, transport and worklessness, as well as to Regional Funding Allocations.
- **Link to a wider decentralisation programme.** In addition from devolving from regions to LAs and sub-regions, the role of national agencies should be examined. The 'duty to co-operate' in LAAs enshrined in the 2007 Local Government and Public Involvement in Health Act is a useful step forward, but there needs to be both an examination of whether some functions could be fully returned to LAs, and internal

decentralisation of national agencies. This would enable better co-operation with LAs and sub-regions or MAAs. It is important that the latter should remain voluntary, bottom-up activities and not be drawn into the bureaucratic embrace that has enveloped LAAs. The government's intermittent enthusiasm for sub-regions – seen, for example, in the current *Raising Expectations* consultation paper – should not become another source of prescription.

- **What remaining role for the regions?** This is likely to be very limited. There may still be some role for government offices in the regions, and some economic functions that really are best carried out a regional level could rest with slimmed-down RDAs (or regional offices of BERR). Local government is likely to wish to organise itself on a voluntary basis to examine issues of regional significance, as was the case before 1998. The remaining regional infrastructure may also have a useful role in sharing best-practice between LAs.

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i North East referendum on regional governance 2004

ii Local transport and planning, physical regeneration, business support, skills and employment and neighbourhood renewal

iii Hadjimichalis and Hudson, 2006, Networks, Regional development and RDAs, International journal of urban and regional research, 858-72

iv LGA, Prosperous Communities II, p8

v Empowering Medium Enterprises: A guide for policy makers, M Institute, October 2006. Cited in SNR.