

Spare the axe hanging over Regional Development Agencies

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New research has found that the reorganization of Whitehall departments is costly and usually poorly managed, but what about changes at sub-departmental levels? As Vince Cable toys with the idea of abolishing Regional Development Agencies, LSE's [Anne Page](#) considers how reorganization could hurt the regions.



Recent influential research from Anne White, Patrick Dunleavy and the Institute for Government (IFG) on machinery of government changes painted a picture of hasty, politically-motivated changes in central departments resulting in substantial costs and losses in productivity. The report, [Making and Breaking Whitehall Departments](#), showed that there was a major peak of activity under both Gordon Brown and Tony Blair. Partly in response, David Cameron and Nick Clegg have not made any major changes in the architecture of Whitehall when the new government took office. Some constitutional functions have moved across from the Ministry of Justice to Nick Clegg's Deputy PM's office, and the Ministry of Education label has been resurrected; but that is all so far. Some ministers (such as Caroline Spellman) reportedly briefed their new civil servants, specifically mentioning the LSE-IFG report as the basis for not making any changes of departments.

I would argue that the same inefficiencies and expense apply just as much to changes of government agencies, regional and local bodies, as they do to central government departments. Just before the election in May the National Audit Office published a not much noticed report on ['Reorganising Central Government'](#). They found that between May 2005 and June 2009 there were over 90 reorganisations of central government departments and their arm's length bodies – that is, the executive agencies, non-departmental public bodies, and regional bodies that make up each 'departmental group'. Taken together these 90 changes cost the country just under £200 million a year, every year.

So what are the implications of these parallel findings for the coalition government's apparent intentions to start rearranging other important bodies just beyond Whitehall itself? Most attention has focused on Regional Development Agencies (RDAs). The [Richard report](#), commissioned by the Conservatives in opposition, was used by the party to slam the RDAs for high administrative costs. In fact, administrative costs only accounted for around 8 per cent of revenues – which is low for transfer agencies supporting innovation and industrial growth, where levels around 20 per cent are more common. A March 2010 [NAO report](#) found that a large sample of RDA projects analysed across many regions generated £3,300 in benefits per £1,000 costs, plus physical and other improvements that hard to cost, and with a likely eventual benefit of around £8,000 per £1,000 spent.

Vince Cable, the Coalition's new Business Secretary told a Commons [debate](#) on 3 June that his department may well be abolishing some Regional Development Agencies, though he said something similar will probably emerge in their place. According to Cable the Government intends to 'replace RDAs with local enterprise partnerships and to bring together business and local authorities to establish local accountability.' In some areas, local government officials have been critical of RDAs, seeing them as usurping some of their powers. However, the evidence is that RDAs have become useful across the country, and not just in the 'especially vulnerable' areas that Cable mentioned. For instance, here in East Anglia, the RDA is the only body with the clout and cash to promote better



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broadband in rural areas, which BT, to its shame, will not touch. Yet East Anglia is not usually considered as “especially vulnerable” to anything by central government (including coastal erosion, an issue that the RDA has picked up as well).

The region has plenty of small scale entrepreneurs in innovative and creative areas of work – such as green technology and the arts – who need decent internet connectivity but do not enjoy it now. They also need help linking with higher education institutions and clients or suppliers abroad.

Similarly, the South East’s economy is bigger than that of many member states of the United Nations and it needs concentration and fostering. It should not simply to be treated as a milch-cow for the rest of the country on the assumption that the South-East will always win out and so needs no care and attention as a region.

What Cable’s so-called partnerships mean, however, is that even more demands will be placed on the time of unpaid business people and elected local government officials. The full range of necessary work will simply not get done. Over time people will see the need to form a small support team, and then sooner or later there will be calls for something that looks just like an RDA again.

Meanwhile, productivity will lapse as staff begin to worry about their next job, their pension entitlement, whether they can take early retirement, still get another job, or be rehired as a “consultant”. Huge sums of money will be paid out to those moving on. Office leases will go to waste. Expertise, experience and memory, both geographical and institutional, will be lost.

Regional economic development bodies, local government and local police forces are not “broken” and don’t need fixing. Nor are they expensive. By and large they are responsive, and people want them to carry on doing what they already do in fostering economic growth. What people cannot limitlessly do at local level is give their time for free to run the state apparatus which is actually required, even if Vince Cable now thinks the best thing government can do is stand aside.

So before scrapping the RDAs the Coalition should examine the historically high costs of sub-departmental reorganizations as well, and more importantly, the economic costs of letting good work immediately useful for economic recovery fall by the wayside. The March 2010 NAO report suggested ways in which RDAs’ activities could be strengthened and co-ordination with programmes run by the Department for Communities and Local Government could be strengthened. This could be a more productive way to implement changes and achieve improvements.