

■ Eight RDAs outside London to lose 20 per cent of combined budget as part of Treasury cuts

Southern RDAs prepare to bear brunt of £270m cuts

By Jamie Carpenter

Regional development agencies in the South of England are likely to bear the brunt of nearly £300 million of cuts imposed on the quangos by new chancellor George Osborne last week, *Regeneration & Renewal* has been told.

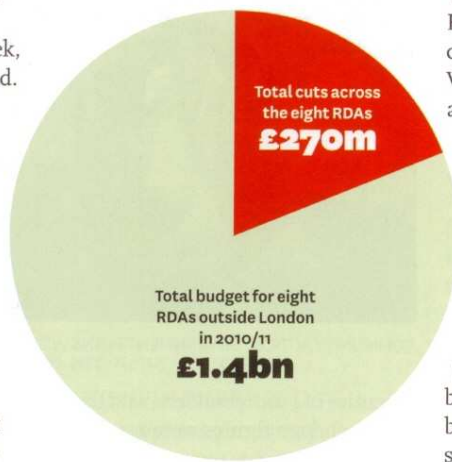
As part of the £6.25 billion package of cuts set out by the Treasury, the eight RDAs outside London have been told to save £270 million in the current financial year, by ending "lower value spending". The cut amounts to nearly 20 per cent of the eight RDAs' combined budget of just over £1.4 billion in 2010/11.

In addition, the agencies – including the London Development Agency, which is not affected by the £270 million of cuts – have been told to reduce their administration budgets by ten per cent in this financial year, which amounts to a further saving of £23 million across the network of nine agencies.

The savings are the second round of cuts to be imposed on the agencies' budgets for the 2010/11 financial year.

DATA

RDA budget cuts in 2010/11



In 2008, the former government announced that the RDAs would have £300 million taken from their 2009-11 budgets to pay for measures to stimulate housebuilding.

Details on how the new tranche of cuts would be split across the agencies

had not been made public as *Regeneration & Renewal* went to press. But comments made in advance of the announcement by business secretary Vince Cable suggested the northern RDAs could escape the worst of the cuts. He told an audience in the North-West that "there seems to be a broad agreement with local businesses" that RDAs in the North "are doing a good job". But he added: "It is very difficult to see the justification for RDAs in the South-East and East [as they are] prosperous regions with a large private sector."

A source at the Department for Business, Innovation and Skills (Bis) said it was likely that the budgets of the northern RDAs would be "relatively protected". The source said: "My feeling is that is probably the way it will go, but there are still a lot of discussions to be had."

However, Jane Henderson, chief executive of the South-West Regional Development Agency (Swerda) and lead chief executive of England's network of RDAs, said that the agencies had been working on the assumption that the cuts would be



TREASURY: TOLD THE EIGHT REGIONAL DEVELOP

Town halls plan response to £1.2bn drop in grants

By Hannah Jordan

Local authority regeneration chiefs are preparing contingency plans to soften the anticipated blow caused by a £1.2 billion cut in grants to town halls in the current financial year.

Grants to councils from Whitehall departments will be reduced by £1.2 billion in 2010/11 as part of the £6.25 billion savings plan announced by chancellor George Osborne last week.

The Department for Communities and Local Government said that the general formula grant for local authorities would not be affected by

the savings, but that specific grants as well as funding streams within the Area Based Grant – a collection of grants for town halls – could face cuts.

An analysis by think-tank the New Local Government Network (NLGN) found councils could face a 15 per cent cut in the funding they were expecting to get from these sources.

The NLGN said that grants for neighbourhood policing and extended schools were among those not protected from cuts, as well as the Youth Opportunity Fund, which pays for activities for young people.

Council regeneration bosses told

Regeneration & Renewal they were preparing for significant reductions.

Stephen Boyle, chief regeneration officer at Leeds City Council, said that, although the council had not frozen any regeneration projects, it would have to "reduce the scale of the work" it was doing. Boyle said he was preparing for a potential 20 to 30 per cent reduction in his department's workforce. "The only serious alternatives at this stage are leveraging assets, Tax Increment Financing and an awful lot of ingenuity," he added.

At Bradford City Council, Mike Cowlam, assistant director of

regeneration, forecast 20 per cent staff cuts in the regeneration department, but said that this could reach 60 per cent. "We hope we will be able to move people and funds around, but it is clear that a number of frontline regeneration services will be significantly affected," he added.

Commenting on the removal of ring-fencing from £1.7 billion of council grants, announced as part of the savings package, Cowlam said: "I hope we might see some money being ploughed into regeneration that mitigates the loss of the external funding, but I can't be sure."



The BNP lost seats in the local elections in many of the areas receiving cohesion funding

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calculated based on the “long-standing” formula used to allocate RDA funding. “We understand that all RDAs are going to take cuts,” she said. “We’ll be talking to Bis over the coming days to discuss with them how they see the priorities.”

Henderson said that, because the current financial year was already underway, most of the agencies would have committed nearly all of their budgets for the year. In some cases, she said, this might be “not far short of 90 per cent”.

The RDAs would be forced to make “difficult decisions” about how to achieve the required savings, Henderson said. “In some cases, it may be possible to renegotiate contracts or delay them,” she said.

Henderson added that it would be “very challenging” for the agencies to deal with the ten per cent reduction in their administration budget. She said it would be “very difficult to make a cut of that order” without reducing staff numbers. “All RDAs have already been drawing in their belts,” she said. “We [at Swerda] have not been filling vacancies for a year.”

She also confirmed that the chancellor’s announcement of £120 million of savings from freezing recruitment across government departments and agencies would apply to the RDAs.

Tim Johnson, director of development consulting at real estate adviser DTZ, said that the RDAs would now have to prioritise spending. “There’s a need to identify where the money that remains available is best targeted,” he said.

Andrew Finney, chair of economic development coalition South-East Diamonds for Investment and Growth, warned that any move to focus cuts on the southern RDAs could hit the UK’s return to growth. “The South-East is the powerhouse of the economy,” he said. “I hope that a lack of investment doesn’t starve the UK engine of fuel.”

He added that the growth of new green technologies in the South-East “may not happen without a body such as the South-East England Development Agency providing the capital and investment that makes that happen”.

AGENCIES OUTSIDE LONDON TO CUT £270 MILLION FROM THEIR SPENDING THIS FINANCIAL YEAR

DATA CHECK DEPARTMENTS TAKING THE BIGGEST HITS IN THE CUTS ANNOUNCEMENT

The Department for Communities and Local Government is the Whitehall department facing the biggest cut to its budget in the £6.25 billion savings package announced by chancellor George Osborne.

The DCLG has been asked to make £1.18 billion of savings from its budget in 2010/11. The saving works out at 3.2 per cent of the department’s total budget for this financial year.

The Department for Business, Innovation and Skills, which has been told to make £836 million of savings this financial year, faces the second biggest reduction. The saving amounts to 3.9 per cent of the department’s 2010/11 budget.

The Department for Transport, which has been told to save £683 million in 2010/11, takes the third biggest hit. The saving represents 5.1 per cent of its total budget for this financial year.

Communities and Local Government



Business, Innovation and Skills



Transport



Education



Work and Pensions

