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'Local development companies – from extinction to reinvention'

In economic development, the first year of the coalition government will be remembered for, effectively, the destruction of Regional Development Agencies (RDAs). Whatever the concerns about the RDA 'model' - they brought some capacity, capability, and commitment to delivering sustainable growth and development.

Locally there has been a corresponding loss. Urban Regeneration Companies (URCs), Economic Development Companies (EDCs) and other 'arms-length bodies' (ALBs) have announced closure as funding has dried up. The HCA/CLG website on URCs/EDCs lists 27 English Companies of which 17 have either been absorbed within local authorities, closed, or are likely to do so imminently. Similarly, many other ALBs (including Luton Gateway which I chaired until December 2010), Renaissance Partnerships and the three Urban Development Corporations (UDCs) are in the process of being wound up.

This picture of a dramatic collapse in regional and local, strategic and operational development capacity is both profound and accurate. However, it is not universal. Although the 'URC model' is effectively dead; and the UDC-model is following rapidly; EDCs and new bespoke arms-length arrangements will be players in future arrangements for growth and development in key locations.

Economic Development Companies had tended to become the 'arms-length body of choice' even prior to the 'bonfire of the quangoes'. Unlike the URC or UDC there is no single EDC model or 'brand'. They are able to define the mix of development and regeneration activity appropriate for their particular area – potentially focusing on services, enterprise and innovation, skills etc., in addition to, or even instead of, physical regeneration. EDC-variants are set to continue in several 'core cities' – 1NG, Creative Sheffield, East Manchester, Liverpool Vision – and in some other areas – e.g. Cornwall, (Fylde) Coast, Swindon, Peterborough.

The rationale for retaining some form of arms-length arrangement is varied – branding and positioning in the market; mobilising private sector involvement, leadership and delivery capabilities; tackling issues in a coherent economic geography that requires cross-boundary working; completing specific funded programmes or services; taking on functions previously led by the RDA (or other bodies).

In Peterborough, for instance, the EDC is focusing on functions being renationalised with the demise of the RDA – business support, innovation, inward investment. It is also developing a 'Greater Peterborough' (GP) perspective across local and regional boundaries to ensure that GP's economic needs are articulated coherently, and recognised both nationally and within its new Local Enterprise Partnership (LEP). Each of the other 'EDCs' mentioned above would have their own specific role and functional analysis.

The continuation of a significant, dedicated local economic development player is likely to give those economies an 'edge' over neighbouring areas; capacity and profile in the market; and potentially prominence within their LEPs and with government.

One distinctive synergy across remaining EDCs, however, is that they are all now effectively local authority-'owned' and core-funded. This has major implications for the relationships with planning and regeneration functions of the councils concerned. Whereas, previously, ALBs could act as an 'honest broker' between the development industry, investors, and the council; and could even on occasions play the 'critical friend' and constructive challenger role, this independence is now more problematic. It will be interesting to see how far councils empower private and community sector involvement; and whether business and the community continue to invest their energies and enthusiasm in these bodies.

One suspects, though, this is far from the final word on arms-length development bodies. Public austerity will spawn innovation. Asset-backed vehicles, shared services models, and special purpose vehicles (co-funded by new development instruments like TIF and CIL) are being considered. Expect some EDCs to evolve in these directions, and for new players in other geographies to enter the development landscape.

In retrospect, a major ALB weakness was that URCs and EDCs were arms-length and capable enough to challenge Council statutory planning processes and performance; but not well-resourced or supported enough to resolve any significant stand-off that such a challenge entailed. UDCs merely replaced Council statutory planning processes and therefore suffered from a lack of local legitimacy.

If the next generation of ALBs learn these lessons; and if they are underpinned by asset and/or 'value capture' resourcing; then, paradoxically, they may deliver a stronger dynamic in public/ private collaboration than URCs; together with a local legitimacy that UDCs never achieved.

The development sector, like many others, has struggled with Cameron's 'Big Society' mantra. It would be premature to label the remaining EDCs as the 'big society' of the development industry – but for those places that retain them and, indeed, begin to modernise and adapt them, they can be a prominent part of development's 'big society'.

The next generation ALB is likely to be very place-specific. However, for Local Authorities with confident leaders, committed to growth and development, willing to empower partners, and leverage the market, they can deliver a significant development dividend for their area.

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