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'Diverse Regions: Building Resilient Communities and Territories'

Can the Coalition Government's sub-regional structures in England deliver on economic development?

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Introduction

This paper utilizes material drawn from our latest book (Smith and Wistrich, 2014) in which we use historical and policy study, along with empirical material drawn from our study of regional and local elites (2010-2013), to investigate the development of decentralization policies in England up to the present day. This conference paper focuses on the present Coalition Government's policy of replacing previous regional structures for economic development with sub-regional bodies in the form of Local Enterprise Partnerships and City Regions and asks what issues this raises and what future developments are likely.

Abolition of Regional Structures

In abolishing the Regional Development Agencies and the Government Offices for the Regions in 2010, the stated intention of the Coalition Government was to devolve greater powers for economic growth to the newly formed Local Enterprise Partnerships (LEPs) and City Regions. These are the new sub-regional level in England. In some respects the Coalition's idea of localism reflects similar trends within the previous Labour Government which also played with the concept of City Regions although it was very slow to implement the policy. Also, through its Sub-National Review, Labour proposed the creation of Strategic Leaders Boards at the sub regional level though these were never properly implemented.

The Development of Local Enterprise Partnerships

The Coalition Government, which came to power in 2010, almost immediately announced that Regional Development Agencies were to be replaced with Local Enterprise Partnerships (LEPs) covering much smaller geographical areas but with even stronger emphasis upon business involvement than under the Labour Government's sub-structural proposals. The Local Enterprise Partnerships were to have at least 50% of business members and be chaired by a business person. One of our interviewees cheekily pointed out that the Board structure was not so very dissimilar from that of a Regional Development Agency Board. However, in practice, in some areas, it proved difficult to identify suitable business partners and it was reported to us that in some LEPs the business people recruited had little or no experience of economic development policy or implementation.

Most of the work involved in applying for Local Enterprise Partnership status was undertaken by Local Authority staff already in post. Resources were crucial, yet, to begin with, the only external funding was the Regional Growth Fund of only £1.4 billion spread over three years. Nevertheless, by September 2010 Eric Pickles, the responsible Minister, was able to announce that there had been 56 applications of which the Ministry initially approved 24, spread unevenly across the country. More were approved subsequently until as Pugalis and Shutt (2012) say, they filled all the ‘white spaces’ on the map (Pugalis and Shutt, 2012). The LEP network has now identified 39 in existence in England. In size they vary considerably. Some, like Hertfordshire, cover a single county authority, others are loose alliances spanning a number of local authorities and yet others, mostly deriving from earlier Multi-Area Agreements, are quite tightly organized. A number overlap one another.

LEPs and Resources

Although Local Enterprise Partnerships began with hardly any access to public funding, subsequently the Government recognised the need for resources and various schemes were developed including BIS Start-up funding, Capacity Funding and the Regional Growth Fund. However, it was not until the publication of the Heseltine Report (2012) that Local Enterprise Partnerships gained potential access to a Single Local Growth Fund of a further £1,400 million. Even then, this was through competitive bidding so funds were not guaranteed

The Local Government Association had been arguing for devolution of growth related powers and levers (Local Government Association, 2013) for some time and so supported these proposals in principle though it also expressed reservations. Some of its fears were confirmed when the word ‘Single’ was dropped from the title of the fund and different allocation processes were created for the different funding streams within it (Local Government Association, 2013). As a result Whitehall Ministries regained some of their control. The Ministry of Transport took responsibility for local transport funding through Local Transport Boards, the Skills Funding Agency was given responsibility for distributing European Social Fund, and the New Homes Bonus, which gave councils funding on the basis of number of homes built, was given £400 million to support Local Enterprise Partnership plans. What is more, although strategic economic plans were to be multi-year, Local Growth Fund resources were expected to be spent within the allocation year. So the initial idea of a single fund available to finance coherent local developments was being overtaken by the interests of Whitehall. One recent study found that central Ministry attitudes towards Local Enterprise Partnerships varied widely (CURDS (2013) Some Ministries allowed them significant discretion over national powers and resources but in others they are merely seen as local administration for centrally driven initiatives (CURDS, 2013).

Local Enterprise Partnerships are still negotiating their economic growth strategies. The Government assumes that they will involve influence over what are termed ‘growth-related levers’ and will be funded by a share in the Local Growth Fund. Our interviewees had mixed views about Local Enterprise Partnerships. Their feelings were that where

there already existed strong local partnerships based on trust, the LEPs could thrive. However, the bottom-up nature of their creation and the lack of a coherent national structure within which to operate could create inconsistencies. Furthermore, without significant guaranteed core funding some of the Local Enterprise Partnerships were expected inevitably to fail.

Organisational issues with Local Enterprise Partnerships

Additional interviews were carried out in Autumn 2013 with those of our panel of interviewees who had subsequently become involved with LEPs, either as Board members, members of sub-groups within them or advisers. Their responses appear to question the ability of at least some LEPs to deliver. The LEPs were originally set up from the bottom-up in accordance with the idea of Localism. There is no required formal structure but most seem to have become a company limited by guarantee or to have created a limited liability partnership. Since then their access to funding has considerably improved. Successful LEPs will have responsibility for substantial amounts of public money over the next few years. However, we found that questions were being raised about appropriate Governance. LEPs have no obligation to hold their meetings in public, nor to publish their discussions or even their decisions. So while the LEP Boards are responsible for overseeing the governance of the body, mechanisms are lacking for overseeing the Boards themselves.

The trend towards higher tier councils to become Unitary was ended by the Coalition Government and so many District councils remain in existence. Where this is the case they naturally have an interest in the LEPs yet their numbers prevent them from all participating in membership of LEP Boards. While LEPs can offer an opportunity for neighbouring local authorities to develop more co-operative relations with each other, they can also suffer from any antagonisms between the different local authorities involved. In principle they could also provide an opportunity to encourage better relations between local authorities and business— a sort of virtuous circle (Moore, 1995). However, that appears not always to be the case either. It depends upon the quality and experience of the business people concerned who numerically must dominate the Boards. Despite the Government's emphasis on business participation, business reactions were initially at best mixed and some respondents reported initial difficulties in attracting appropriate business people to join the Boards.

An essential requirement for a successful LEP is that it must be effectively chaired. Under their constitution, that Chair must have a business background. The initial reluctance over business involvement in some cases appears to be reflected in the quality of some Chairs. It is not an easy role. The Chair must be able to engage with the local authorities and their staff as well as represent appropriate business interests. Many local authorities already had effective economic development units and some concerns have been expressed about unhealthy inter-organisational competition, though, in practice, the economic planners within the LEPs typically come from a local authority background and many even continue to be paid by the local authorities. Nevertheless, the business Chair's role is crucial and their responsibilities are substantial, yet they are not paid for

conducting the role so it is perhaps not surprising that there have been a number of changes of Chairmanship in the short period in which they have existed. As one LEP adviser told us: 'it ain't a lot of fun'.

There are also issues surrounding staffing which seem to relate to the mission creep which has taken place. Local Enterprise Partnerships very much welcomed the government funding when it came. However, when they were originally set up and staffed it was not clear that they might become strategic bodies and some of the members of LEP Boards expressed doubts to us that the staff they have in post would be able to fulfill this new and bigger role. This was not a criticism of the staff per se but rather a consequence of the changing role. Others (CURDS, 2013) have found inconsistencies in how LEPs are viewed by their local authorities. Some are seen as owning local economic agendas while others are seen as purely advisory with the decisions made by the democratically-accountable local authorities (Marlow, 2013). This is perhaps a reflection both of trust and of the ability of the support staff involved.

There is a further danger of mission creep. Just like the old Regional Development Agencies, they could easily develop into delivery bodies for which they are definitely not equipped. Should this happen, the logical thing to do would be to use one or more local authorities within the LEP as the delivery bodies since they are more likely to have the appropriate experience.

So, we were told variously that: 'Being frank, the political view of the LEP is that it is dire. It is nothing at all. The private sector leadership is desperately weak ... There is also serious confusion as to their purpose;' 'They are just stumbling along;' 'Our LEP is nothing like local. It is too big an area. It doesn't have a lot of enterprise and it isn't a partnership!' Yet the Coalition government sees Local Enterprise Partnerships along with Cities as the main economic drivers of economic growth.

City Regions

City Regions were the other 'big idea' for developing local economic growth. Both Labour and the Coalition were keen on the idea in principle. The Core Cities group had been calling for their development since 1995 and City Regions have been identified throughout mainland Europe. Indeed, the idea of developing an integrated approach to infrastructural improvement based on natural economic relations at a sub-national level would appear to be obvious.

The key difference from the Labour approach was the rejection by the Coalition Government of 'a one-size-fits-all model' (Clegg and Clark, 2011). Instead, each city administration would negotiate its own 'City Deal' to devolve specific powers, resources and responsibilities (Clegg and Clark, 2011). Like Local Enterprise Partnerships, the shape of the responsible City body would also have to be negotiated on an individual basis, the only stipulation being that each city would have to hold a referendum on whether or not to have a directly elected City Mayor. As a result their formal structures vary. Greater Manchester already had a Combined City Authority (CCA) and both Leeds

and Sheffield were each to develop their own CCA. They were joined by Newcastle in August 2013 which is combining seven authorities. On the other hand, Liverpool decided without a referendum to have a directly elected mayor. Bristol was the only city in which the required referendum found in favour of a directly elected City Mayor and that on a very low electoral turnout.

The powers devolved to City Regions are also individually negotiable. Some, but not others, have been given limited taxation powers. Some, but not others, have been given authority over transport co-ordination and some are allowed joint private/public investment programmes for housing development and regeneration. In some cases there will also be opportunities for new arrangements on access to jobs, training, apprenticeships, volunteering or work experience and skills training.

With variations in organisational structure and in devolved powers it is hardly surprising that there are considerable variations in practice. The expectation among our interviewees was that where City Deals were based on already effective regional partnerships they should succeed but conflicts were anticipated between the major city and its hinterland, between it and other smaller cities and neighbouring adjacent local authorities. The insistence by the Government on competitive bidding for funds is likely to engender excessive competition between City Regions and make wider coherent planning more difficult.

Others have raised issues about the urban-rural divide. The Rural Services Network (2013)'s comparative data suggests that rural local authorities already suffer compared with their urban counterparts. Much of the blame for this is placed on the responsible Minister, Eric Pickles, (Derounian, 2013) for being too centralist. That complaint is echoed by our own interviewees.

A second tranche of bids for City Deals was launched in 2013 for what were described as the next size of cities and those which are fastest growing. Like the earlier round each must be individually negotiated. These deals were to have been announced before the end of last year but there have been complications and delays. The British Government website lists 16 City Deals now agreed (Cabinet Office, 2014). Others are awaited (Cabinet Office, 2014). Although they are described as 'City' deals, most, but not all, appear to involve the cities' associated Local Enterprise Partnerships to some degree or another. In addition to the complications of the LEPs described above, there are other potential sources of tension. Where one city dominates and is the focus of the LEP economy the aims of the City Deal and the economic growth plans of the LEP are likely to be compatible, but, where there are rival cities within the LEP, tensions are likely to develop between any 'City Deal' and the local economic growth plan of the LEP. Indeed, should one city within a LEP be offered a City Deal and another not, tensions are likely to be intense. There are even rumours about moves in future to realign cities and their hinterlands between LEPs.

All of the above is exacerbated by the Coalition's determination to shrink the size of the state and massively reduce government spending. While some City Regions have

been given limited control over some taxes, this has the consequence of concentrating increasingly limited funds on some urban growth areas at the expense of others. The disproportionate growth of jobs in the London and the South East is also a factor. The most recent City Deals (2013) which focus on somewhat smaller cities may go some small way towards reducing disparities, but large areas of England, especially rural England, will still not be included.

Conclusions

The Coalition government's rhetoric has been about empowering and permissive decentralisation. However in practice it seems that rather less power is being devolved and the process of decentralisation itself is raising problems of coherence. Our own findings on LEPs have raised questions about the adequacy of governance, quality of leadership and level of internal co-operation between local authorities and between the local government and business. If LEPs can overcome these set-up problems they could become key drivers of economic growth and should this happen it will be increasingly difficult for central government to resist more genuine devolution of powers. However, unless LEPs and City Regions are able to co-operate with each other, the economic development achieved is likely to be somewhat disjointed. Yet it seems that LEPs have not yet given much thought to collective capacity building (CURDS, 2013). The Government's insistence that they compete with each other for funds discourages co-operation rather than increases it. Whether LEPs are up to the task or whether central government ministries will allow them to become effective remains to be seen.

City Regions also have their limitations. They have been seen as a major policy driver for economic growth in Europe, though the evidence for their success is not entirely clear. The performance of City Regions in England from 1978 to 2010 was closely tied to national cyclical trends (Champion and Townsend, 2012) and research evidence across Europe is ambiguous (Martin, 2006).

Future possible developments

The present Government has been presented with a model for developing economic growth on a regional level in the form of the Heseltine report (Heseltine, 2012). This praised the work of the UK Regional Growth Fund and of regional and local Chambers of Commerce in France and Germany (Heseltine, 2012). The Government published a response (Treasury and BIS, 2013) promising to reverse excessive centralization and accepting in whole or part 81 of his 89 recommendations for developing regional growth. It was this initiative which led to the setting up of the initial Single Growth Fund. However, in practice, the Growth Fund has already been modified and much of the rest of the report appears to be being sidelined.

In the meantime, most of the latest set of City Deals are in the process of being announced and the LEPs continue to write their economic growth plans. We have outlined many of the potential and actual problems experienced by these bodies to date. It is clear that a major factor is resources but the present government's commitment to a

smaller state and its tendency to favour the central state over the local state in the distribution of what resources there are (Cockell et al, 2013), makes it unlikely that this situation will improve. Some will, of course, be successful but even this favourable scenario implies large differences in economic growth between different sub regions. Failure to deal with this position was precisely the reason given by the Coalition Government for the abolition of the Regional Development Agencies.

The opposition Labour Party has also been re-examining the regional level. It is being pushed by various sympathetic think tanks and pressure groups to devolve power ‘to our nations, regions, cities, localities and, where possible, directly to the people’ (Lawson et al 2014). For example, the Labour Party Small Business Task group has argued for the creation of a regional banking system reflecting the German *Sparkassen* in order to regenerate local Small and Medium Enterprises (Wintour, 2013). This has been reflected in recent speeches by the Labour Party leader and seems likely to become policy. The details are unclear but are likely to also include something like the German *Kredit für Wiederaufbau* (Credit for Reconstruction bank) (Tchouvakhira, 2014). Localism again! However, the rhetoric will need to overcome our reservations (above) about the coherence of the present sub regional structures and their institutional forms. Local Enterprise Partnerships will have developed economic growth plans for their areas. Will these be informed by banking activity or will bank lending reflect their plans? It isn’t clear who will dominate. In any case LEPs are likely to be too small in area to relate to any genuinely regional banking system. Any British Sparkassen would be likely to be dealing with SMEs across various LEPs.

Perhaps the most important policy developments for the Labour Party will come from an independent growth review by Andrew Adonis, launched in July 2013 and to report in full in Spring 2014 (Adonis 2014). Though not yet published some issues arising from it were identified by the Labour Leader, Ed Miliband, in a speech in Birmingham on 8th April 2014. In it Miliband argues that ‘Cities and towns that come together with local businesses will be given historic new powers over transport, housing, skills and economic development ... to make our great cities and towns the powerhouses for the creation of good jobs.’ (Miliband, 2014). Later on he refers to ‘city- and county-regions able to use their local knowledge to help get people back to work’ (ibid) with tax incentives shared from the proceeds of growth in the area.

This sounds like a regional growth strategy based on City regions. The idea of ‘County regions’ is also interesting, given that some of our interviewees were keen to see their counties treated on a par with large cities. Certainly a genuine devolution of funding from the centre to the region or locality would go some way to help. However, it is not clear how these developments would relate to LEPs. As Labour appears not inclined to abolish LEPs then the issues raised above about their relationship to City regions, their governance and their competence still need to be addressed. Whilst the shadow chancellor has been asked to write ‘to every local government leader, every Local Enterprise Partnership and every university asking them to work together and prepare for this devolution’ (Miliband, 2014) the mechanisms for how they will do so are not clear.

Whatever the result of the next election it seems likely that there will be some reassessment of the geography of both City Regions and LEPs. Heseltine (2012) recommends that LEPs reconsider their boundaries in the light of economic developments. There are already rumours that some LEPs are considering coming together into bigger units which would better facilitate wider economic planning. How easy this will be will depend upon the relevant local authorities but also the perspectives and competences of the LEP chairs. It may also depend on future government action. There remains no obvious mechanism by which the development policies of City Regions and LEPs can feed in or bring influence to bear upon wider nationally initiated planning developments. This is most obvious at present in housing where central government is calling for increases in housing particularly in the green belt without reference to local economic growth plans which would indicate local needs for priority housing and thus the most appropriate locations.

It seems possible that the idea that there is value in English sub-regional and regional economic initiatives may return to the political scene. One of the problems seems to be that the Coalition Government has stressed the value of competition between the various sub-regional bodies without considering the impact of this on how they might fruitfully co-operate to resolve wider issues. Our own interviewees were generally in favour of the idea of decentralisation of powers but deeply concerned that the structures being designed might not be able to constructively use them. The IPPR report (IPPR North, 2012) offers a potential though ambitious model for such co-operation through the creation of overarching regional bodies to co-ordinate and plan above the level of City Regions and LEPs. However, whether there will be genuine political take-up of such developments remains to be seen. Our interviewees believed that there were necessary functions which needed to be conducted at a level between sub-regional and national. Whether any future government will be prepared to create such a level remains an empirical question.

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