

where next for Local Enterprise Partnerships?

Edited by Michael Ward and Sally Hardy



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Against the backdrop of low growth and prolonged austerity the LEPs face a formidable challenge, especially in places where structural unemployment is already a problem. However, as the perspectives in this monograph demonstrate the 39 LEPs, although arguably still in their infancy, are working hard to find local solutions which draw in extra investment and utilise local skills and expertise. It is perhaps still too early to judge whether economic development is better served by more localised partnerships working to local strategies, but making a difference will in any circumstance demand planning for the long term with resources to match. We hope this publication will help take forward the policy debate on the future of the LEPs and open up a wider discussion on their role in delivering jobs and growth.

The Smith Institute is grateful to Michael Ward and Sally Harding for editing this publication, and would like to thank all the contributors. We would also like to thank the Regional Studies Association and the Centre for Urban and Regional Development Studies at Newcastle University for all their support.

Paul Hackett, Director, The Smith Institute

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Introduction

Michael Ward, Research Fellow at the Smith Institute and Sally Hardy, Chief Executive of the Regional Studies Association

In the spring of 2012, the Regional Studies Association and the Smith Institute joined forces to review the early stages of the Coalition government's drive to replace the nine English regional development agencies (RDAs) with 39 local enterprise partnerships (LEPs). Two contributors to that report wrote that the government was "fiddling with economic governance while the economy burns".

A year later, with economic growth still flat-lining and a new package of austerity measures in preparation, this collection of essays brings the story up to date. The government is committed to localism: specifically, to the greater empowerment of local authorities and of neighbourhoods within them, and to the elimination of intermediary institutions between central and local government. Planning at the regional level has gone; planning at the neighbourhood level is being encouraged.

The trouble, however, with the messy world of work, business and enterprise is that it obstinately refuses to acknowledge municipal boundaries. People cross council boundaries on their way to work: businesses are not bounded by the horizons of their local council when hiring staff or setting up new operations.

So economic development (or, at least, important aspects of it) can only sensibly be undertaken on a scale greater than that of most individual local authorities. District councils (especially districts in the two-tier shire county system) are too small. So policy makers define wider geographies: travel-to-work-areas, regions, or – now – functional local economies. Having defined the wider units, they create structures to match – the latest example being the LEPs.

Last year's report identified a number of key issues arising from the early experience of the LEPs. These continue to raise concern:

- governance;
- capacity;
- resources;
- relationship with the planning system; and
- business engagement.

Governance

In this volume, Matthew Jackson, Neil McInroy and Adrian Nolan from the Centre for Local Economic Strategies examine the relationship between the LEPs and local government. They argue in favour of Lord Heseltine's recommendation that councils should have a statutory economic development duty (a recommendation sidelined by the government). They propose a progressive "whole place" economic development agenda, "with local government at its heart and LEPs playing a key strategic role".

Paul Hildreth and David Bailey suggest that there is a "missing space" between the local and the national, which present policy for economic development in England does not fully address. A team led by Newcastle University's Centre for Urban & Regional Development Studies, who conducted a comprehensive baseline assessment of the LEPs (David Marlow, Anja McCarthy, Peter O'Brien, Andy Pike and John Tomaney), found that the accountability of the LEPs was confused:

The survey results suggested tensions between genuinely not knowing, accountability to a LA leaders' board (or mayor in London), accountability to "business", or even a suggestion of accountability to government and secretaries of state.

Capacity

Hildreth and Bailey link the question of the capacity of the LEPs to more deep-seated problems, noting "institutional and capacity failure at the national level in England through the lack of resources to design industrial policy interventions". They suggest that the capacity constraints under which many LEPs operate will perpetuate this, emphasising the need for some structures at an intermediate level.

The CURDS team point out: "Many LEP staff are 'two-hatted' – working for an LEP and a leaders' board and/or pre-existing partnership arrangement". They also found "little systematic and collective thought has been given to long-term institutional development needs."

Resources

Several commentators pinpointed the lack of money, whether for running costs or for projects, as a key weakness in the original LEP proposals. Government responded by providing a flat-rate £250,000 grant to each LEP, regardless of the size of its area or the issues with which it was concerned. In his contribution to this collection, David Frost of the LEP Network comments:

It soon became clear that the pendulum had swung too far from the funding of RDAs.

LEPs had nothing and were either reliant on goodwill from business or importantly the public sector, if they were to get anything done.

In April 2013, as this report was being finalised, the House of Commons' business, innovation and skills select committee produced its own report on the LEPs. This drew attention to the lack of long-term funding security:

The BIS Department has promised core funding for LEPs for the next two financial years. What is less clear, however, is the longer-term financial commitment to LEPs from Government. We have heard that certainty is essential for regional economic investment and this is currently lacking. We therefore recommend that the Government commits to core funding LEPs for the five years following 2015.

Nigel Wilcock of the Institute of Economic Development reviewed a number of possible funding strategies for LEPs, and concluded that the most promising way forward was for them to seek a partner contribution from each of the constituent local authorities. Once this had been achieved, LEPs could then apply, on a competitive basis, to the Department for Business, Innovation & Skills for further funding. Some LEPs might also develop membership structures or offer commercial services.

It seems unlikely, however, that after the 2013 spending review councils will be able to make a significant long-term contribution to the LEP Network.

Relationship with the planning system

One of the issues that sealed the fate of the RDAs was the attempt, in the closing phase of the Labour government, to merge the separate regional economic and spatial strategies into single, integrated, regional strategies, drawn up and approved by the RDAs. Transferring even limited control over the land use planning system away from elected local government was deeply unpopular.

But the business-led, business-chaired LEPs face exactly the same issue. Mark Tewdwr-Jones of Newcastle University's Global Urban Research Unit warns of the "irreconcilable tension: planning for growth *and* neighbourhoods". He says:

The consequence of rolling back the state architecture of proper regulatory planning and replacing it with a doubly devolved free-for-all (localism for neighbourhoods/ growth opportunities for businesses) might be ideologically appealing to "Red Tories" and fits on paper, but its market consequences – in which the powerful property owners of middle England dictate an almost complete halt on development in parts of

the country where demand is greatest, and by reflection, where land and house prices are highest – will result in an outcome likely to be wholly unacceptable to everyone: to neighbourhoods resistant to change, to developers unable to implement schemes, and to a Conservative-led government desperate to patch up a sclerotic economy sinking in debt.

In an Orwellian turn of phrase, secretary of state Eric Pickles has referred to the possibility of local planning authorities being overruled in the interests of growth as "muscular localism".

Business engagement

An early concern was that the commitment by business to the nascent LEPs would diminish over time. This remains an important issue. The select committee heard that some LEPs had struggled to find appropriate representation. Nye Cominetti, Lizzie Crowley and Neil Lee of the Work Foundation, who surveyed LEP board members before the Heseltine report appeared, reported that:

... many LEP members were frustrated by the lack of finance, powers and progress made by LEPs. Businesses were growing impatient. Unless LEPs are quickly given new powers and finance, businesses are likely to walk away.

Europe and innovation

While many of the original concerns raised at the beginning of the transition from RDAs to LEPs remain important, John Goddard, Louise Kempton and David Marlow warn of new problems and challenges in the delivery of EU funded programmes for innovation – the new S3 "smart specialisation strategies". While they point out that the record of the RDAs in this area had some shortcomings, they suggest that building up a national programme for European funds from 39 local LEP programmes will be "hugely problematic":

... the 39 LEPs are infant institutions covering varying geographies, of differing characters, capacities and capabilities. Their boundaries do not match the NUTS2 areas that will be utilised by the EC. They have little (if any) direct expertise in EU programme formulation and implementation and limited access at the moment to any major sources of national or local match funding on which to anchor an EU investment strategy.

They argue that it is now time for universities to make a much more significant contribution to the leadership and delivery of local innovation: "In these challenging

times, it is increasingly incumbent on universities to show not just what they are good at, but also what they are good for."

What next?

The move from regional development agencies to local enterprise partnerships has not been easy or smooth. The fact that it has taken place at a time of low growth and weak labour market performance, with sustained high levels of unemployment in traditional industrial areas, means that those communities have only had a limited capacity to respond to the challenges they have faced. McNroy et al refer to "voodoo economic development", described as "assuming economic growth just happened in the absence of anything happening".

Hildreth and Bailey suggest that Whitehall has a built-in tendency towards addressing economic issues in a "place-less" or "space-blind" context.

At the end of their survey of the LEPs, the CURDS team ask whether the verdict on the LEPs in 2015 will be that they are "the only show in town" or "facing closure after mixed reviews"?

Lee Pugalis and Gill Bentley place the LEPs in the context of a long line of attempts to create intermediate economic development structures, bringing together local government, business and a constantly shifting cast of other partners. They point out: "The subnational economic development landscape is full of institutional corpses."

These corpses, or "adjourned" agencies, include urban development corporations, City Challenge partnerships, training and enterprise councils and, more recently, multi-area agreement partnerships.

Martin Jones of Aberystwyth University, too, draws attention to the constant restructuring, and suggests that, like the TECs, LEPs may before long seek mergers with local chambers of commerce.

It is already clear that there is little appetite for another wholesale reorganisation of the economic development infrastructure. Shadow Treasury minister Rachel Reeves MP has said:

We won't waste time on a costly reorganisation, we will get on with delivering real improvements and change. The next Labour government will inherit a "patchwork quilt" of regional, sub-regional and local structures of economic governance – uneven

and inconsistent, threadbare in some places and multi-layered in others. We are not interested in tearing it up, but in finding ways of strengthening and extending partnerships between businesses, communities, and elected leaders within and across areas.

And shadow business secretary Chuka Umunna confirmed: "We will work to improve LEPs not abolish them if elected." One way in which the LEPs could be improved would be by widening their geographical coverage. The present 39 areas are arbitrary and self-selected; an incoming government should encourage mergers to create more viable units, bringing core cities together with their wider hinterland.

Following the Heseltine review, and the recent report of the business, innovation and skills select committee, there is an emerging consensus around resources: if LEPs are to function effectively, they need the money to do the job. Expecting the resources to come from increasingly cash-strapped local authorities, or from businesses, is unrealistic. LEPs need both assured revenue funding to meet their running costs, and access to capital or project funding to support major schemes.

This is linked to the issue of capacity: only with long-term funding can LEPs begin to build their teams of skilled and knowledgeable staff, able to devise effective strategies for local growth and appraise projects.

Inevitably, councils will still have a major part to play. While some authorities in more prosperous areas may benefit from the government's partial relocalisation of business rates, all local government needs a reformed local government finance system, with the ability to raise sufficient revenue for economic development and other activities. Councils will also be the main players in the spatial planning system.

In the longer run, as Heseltine saw, there is a case for a proper review of local government. Heseltine argued for a move to a universal system of unitary authorities, but in order to address some of the major, difficult land use planning issues there is also a case for restoring some form of strategic spatial planning under democratic control.

But that is for the future. Here and now, as hard-pressed local economies struggle to emerge from recession, we need LEPs with larger areas, proper funding for running costs, experienced staff, and access to capital.

Chapter 1

Business involvement and the LEPs

Nye Cominetti, Research Assistant at the Work Foundation, Lizzie Crowley, Senior Researcher at the Work Foundation and Dr Neil Lee, Head of the Socio-economic Centre at the Work Foundation

Business involvement and the LEPs

Local Enterprise Partnerships are fundamental to the growth agenda. We believe that local people and local business leaders know best what works in their area.

David Cameron, 7 March 2011

Local communities will benefit from the knowledge and expertise of the private sector and the opportunities that growth brings.

Mark Prisk, 10 February 2011

The regional development agencies were seen as public-sector bodies, distributing public-sector money according to public preferences. In the new climate of austerity and public-sector retrenchment, any new initiatives had to have business at the forefront. So local enterprise partnerships were given criteria for private-sector involvement – they had to show they had the support of local businesses, and had to form a board chaired by a business person and at least half comprised of business people. In contrast to the old model of public-sector-led regeneration, LEPs were supposed to be driven by the private sector.

Yet involving business in LEPs raises some important questions. There are issues of motive: why do businesses want to get involved? Practical issues of implementation: how is business engagement is working? And big questions about accountability and the role of business in steering public spending. In discussion of the new institutions, the role business might play was often overlooked and these questions went unanswered.

This chapter considers these questions and their implications for Coalition policy and the future of LEPs. It is based on the results of a report by the Work Foundation, *The Business of Cities*, which involved in-depth interviews with 15 LEP business board members across three partnership areas (we do not mention which LEPs we have spoken to, for obvious reasons). The findings were generally positive about the role of business, but raised some important concerns.

The businesses we spoke to were positive about LEPs. They thought LEPs were an improvement on the RDAs, which they had found difficult to engage with. Businesses were also motivated by a broader desire to help steer their local economies and by the prestige of doing so, rather than other, less altruistic reasons. The businesses we interviewed were a self-selecting sample, but these findings were reassuring for government policy.

However, some of our other findings raised concerns. Our interviews, which were conducted before the Heseltine review, showed that many LEP members were frustrated by the lack of finance, powers and progress made by LEPs. Businesses were growing impatient. Unless LEPs are quickly given new powers and finance, businesses are likely to walk away.

The businesses engaging with LEPs were not representative of the business community – leading to concerns about representation. A survey of LEP members suggested that larger companies were overrepresented, and new measures were needed to engage smaller firms. These results suggest troubling future issues about accountability, particularly if LEPs are given greater powers and finance. The government faces a challenge: ensuring LEPs have the powers to continue to engage business, but ensuring these new powers are not held by an unaccountable and unrepresentative body.

In the remainder of this chapter we consider the nature of business involvement in LEPs, how it has been justified and how businesses feel their engagement has progressed. We conclude with implications for government policy going forward.

The context

One of the first actions of the Coalition government was to overhaul the institutions of economic development in England. The RDAs were abolished and a network of smaller, "business-led" LEPs were created in their place, charged with stimulating local private-sector growth.

LEPs were created in direct response to the – perceived – failings of the RDAs. RDAs were seen as bloated and bureaucratic, so LEPs were designed to be small and agile. As RDAs were viewed as costly and inefficient, LEPs were given only limited funds and would instead bid competitively for centrally controlled funding. Where RDAs spent across arbitrary, centrally defined geographies, LEPs were meant to operate across "functional economic areas". And, crucially, LEPs were to be business-led: they were to be chaired by a business representative and at least half of their members were to be from the business community.

The rationale for business leadership was given in the local growth white paper of 2010,¹ which argued that "local communities and businesses are in the best position to understand and respond to the opportunities and needs of their own economies". Underpinning this is the idea that businesses know how to stimulate private-sector

1 DBIS *Local Growth: Realising Every Place's Potential*, Cm 7961 (2010)

growth, so should guide local economic strategies and lead the design of policies to support local growth.

The idea that “businesses knows best” is not new. The emphasis on harnessing private-sector expertise was clear in the urban development corporations of the 1980s: vehicles designed to regenerate particular areas by bringing land and buildings back into use and encouraging the development of existing business. Since then, involving business has become the orthodoxy in economic development, at least rhetorically.

The evidence on past efforts at business involvement comes to some conclusions:

- For public-private partnerships to succeed, business engagement must be sustained. Yet many past initiatives struggled to achieve business engagement over the long term.
- Larger businesses are more easily engaged than smaller businesses – the cost associated with the absence of a high-level employee is, in many cases, prohibitive for small firms.²
- Self-interest was the main motivation behind businesses engagement in many previous initiatives such as City Challenge³ or business improvement districts.⁴ While the government view is of enlightened business leaders steering local growth, businesses had often only been involved for their own self-interest.
- Yet the reasons businesses engage vary between companies. In particular, businesses in different sectors participate for different reasons. For example, property-related businesses stand to benefit most from physical regeneration projects and are more likely to be involved.⁵

Past evidence also highlights problems with private-sector involvement. In particular, businesses are not always accountable – a criticism levied at many previous business-led initiatives. But the problem of accountability varies according to the design of the partnership, the levels of power exercised and the mechanisms in place.

2 Syrett, S and Bertotti, M “Reconsidering Private-sector Engagement in Sub-national Economic Governance” in *Environment & Planning A* vol 44, no 10 (2012)

3 Ibid

4 Cook, IR “Private-sector Involvement in Urban Governance: The Case of Business Improvement Districts and Town-Centre Management Partnerships in England” in *Geoforum* vol 40, no 5 (2009)

5 Bertotti, M “Economic Competitiveness & Governance in Areas of Urban Deprivation: The Case of Two City Growth Strategies” in *London* (Middlesex University, 2008)

Business improvement districts are an example of where, in some instances, public-private partnerships have moved beyond their remit:⁶

- In South Africa BIDs have employed private contractors to improve security, encroaching on the powers of the police.
- In Kent, in the UK, a BID was condemned by a judge for attempting to ban an individual from entering the BID area.

These blunt examples of accountability problems are unlikely to apply to LEPs in their current form, since they are strategic, not executive bodies. If the Heseltine review is implemented, and LEPs are given more powers, accountability will become a more pressing concern.

Are LEPs ready for business?

Past research has highlighted the problems of business involvement in economic development and regeneration – but there is little evidence about LEPs. To investigate how business involvement was working in the new bodies, we conducted 15 in-depth interviews with business board members across three LEPs. We asked these businesses about their experience of working on the LEP board, how they had come to be involved in the LEP, what they actually did for the board and what they thought the future held for their LEP.

Most businesses engage for the good of the area

The motivation of businesses involved is important. First, because many LEPs are relatively informal structures they are potentially vulnerable to businesses seeking to misuse the LEP for personal gain. Second, businesses motivated by self-interest will contribute only while they feel they are benefiting from doing so. This limits their contribution, and puts their continued participation at risk – as was found to be the case with some businesses involved in the City Growth Strategy (2001-06).

The businesses we interviewed wanted to do good for their area. All the businesses we interviewed were motivated by public service – either to the people living in the area or (more often) to the local business community. They used phrases such as "giving something back" to express the duty they felt to get involved with their LEP's work.

⁶ Hoyt, L "The Business Improvement District Model: A Balanced Review of Contemporary Debates" in *Geography Compass* vol 1, no 4 (2007)

But a secondary motivation was often prestige. Business people wanted the status attached to a seat at the top table, for both the individual and the business they worked for. None of the businesses expected to benefit materially. Although some acknowledged that access to LEP information might be helpful, the driving motivation was not financial, at least according to the businesses themselves.

Business involvement can help local decision making

Our second key positive finding was that businesses can play an important role in the decision-making process. In particular, businesses were seen to have helped local politicians make decisions based on the best choice for the whole LEP area, rather than their particular local authority. For example, in one LEP two local authority leaders were deadlocked about where an enterprise zone should be located, with each wanting it in their local authority. It took business members of the LEP board to force the board to reach a decision. Yet even this positive finding raises concerns about accountability, with democratically elected leaders overruled by businesses.

Small businesses are underrepresented on LEP boards

However, we found that the businesses on LEP boards were not representative. We counted all the business members on LEPs across the country, and found that 63% were large businesses – employing over 250 staff. There are benefits to having large businesses represented on LEP boards. They are often anchor institutions that have a large influence over an area's economy (by employing many people and by maintaining large supply chains). Such businesses can also have cultural and historical associations with an area.

However, LEP decisions need to reflect the needs of the broader business demography, and the most businesses in any area are small or medium-sized. The low engagement of smaller businesses probably reflects the greater time pressures on small business owners. This underrepresentation is probably reflected in other areas, such as sector, and raises concerns about who is taking decisions.

LEPs have struggled to engage new businesses

We also found that the businesses on LEP boards were often familiar faces. Most had previous experience of working on public partnership boards and had often worked with their fellow board members before. While it is important to continue engaging experienced businesses, efforts to widen the pool of business members had been limited. LEPs that draw their board members from too narrow a pool of businesses risk becoming closed shops – especially if their processes for appointing board members lack transparency. The dominance of familiar faces leads to concerns about a lack of fresh ideas. And it suggests that government rhetoric about private-sector leadership has not been matched by

engagement with new businesses.

Frustration with lack of progress

Our most alarming finding was the level of frustration among business people. Many businesses were impatient at the progress made by their LEP and were ready to walk away if the situation did not improve. The business people we spoke to were committed to investing their time and efforts to working with the LEPs. They did not feel that the government had matched their commitment: businesses felt the government had not backed the organisations it had created. In contrast to the hype surrounding their establishment, many were surprised at the impotence of the LEPs.

What next for business involvement in LEPs?

Since our research, the government has made some progress towards giving LEPs more powers. The Heseltine review suggested several significant changes. The most important was the recommendation of a single pot of growth funding, to be devolved to LEPs which would develop their economic plans and bid for funding from the pot. This would include money from the skills, infrastructure, employment support, housing, regeneration and business support budgets. The government accepted this recommendation, though it has indicated the pot will be in the "low billions" – much smaller than the £59 billion over five years Heseltine wanted.

Heseltine also highlighted a need for more private-sector representation on LEP boards, which he argued were still dominated by the public sector. However, the review said very little about ensuring accountability – the only suggestions made related to the bids into the 2015 funding pot, which must demonstrate that local people and businesses have been consulted, and that accountability will rest with local authorities for delivery in their areas.

What will these recommendations mean for business involvement in LEPs? Measures to strengthen LEPs will surely be welcomed, particularly given the concerns expressed in the interviews. However, the single funding pot will not exist until April 2015, and its size will not be decided until the spending review.

Yet giving LEPs more powers, finance and autonomy also exacerbates the problems we identified of accountability and representation. Accountability to central government is achieved via reporting checks on the funding it awards. However, accountability to local residents and businesses is weaker – and relies on local authority LEP board members holding their LEP colleagues to account.

The government faces an important challenge: to engage businesses and help drive local

economic growth, LEPs need new powers and resources, yet it needs to ensure that any new powers are not held by an unaccountable and unrepresentative body. While there is progress towards giving LEPs greater resources, there has been too little movement towards ensuring greater accountability and wider representation. Without action on this front as well, LEPs may still deliver on the growth agenda but risk losing legitimacy in the eyes of the electorate.

Chapter 2

Learning from each other – developing the LEP Network

David Frost, Chair of the LEP Network

Learning from each other – developing the LEP Network

It was only in June 2010 that the secretaries of state at the Department for Business, Innovation & Skills and the Department for Communities & Local Government wrote to business and local authority leaders across England proposing that they work with government to help strengthen local economies.

The period since then – only three years – has seen a dramatic change in both the scope of local enterprise partnerships and the tasks that they are being charged with. This has had, and continues to have, significant implications for the LEPs and the LEP Network.

In 2010, the government simply invited local groups of councils and business leaders to form local enterprise partnerships. The functions of regional development agencies, which were in the process of being scrapped, were being reviewed. The government laid out that some of these functions were best led nationally, such as inward investment and responsibility for business support. Overall, the government wanted an orderly transition from RDAs, working to a clear timetable.

Early vision for LEPs

The government then saw the role of a LEP as providing clear strategic leadership in local areas to set out local economic priorities. There needed to be a clear vision underpinned by a need to rebalance the economy towards the private sector. It was clear that there was to be no return to RDAs, which were seen as being lacking in focus, overly bureaucratic, and soaking up significant sums in overhead costs. It was against this background that LEPs and the LEP Network were formed. The changing dynamics of LEPs over the last two years needs to be set against this early vision.

The government went on to lay out how it saw the governance arrangements, with a vital need for the private and public sectors to work together but with a prominent business leader chairing the board, with variants if, for example, an elected mayor was in place. Again, in a reaction to the RDAs, it wanted LEPs to reflect functional economic areas. The timetable was tight and the DBIS and DCLG wanted to see outline proposals within 12 weeks.

This timetable coincided with the latter period of my role as director general of the British Chambers of Commerce. On the ground, chambers of commerce had a critical role in many parts of the country in getting LEPs established. What I saw was a huge amount of enthusiasm from the business community for the concept of LEPs. There

was not universal support for the scrapping of RDAs, and opinions on this showed a clear North-South divide; those in the North being far more appreciative of the work that they had done, and in their eyes, continued to do.

However, the business community saw the possibilities and rose to the challenge. What was promising was that many high-quality individuals from major companies were attracted to the LEPs. Many of them were new people who had not been associated with RDAs or chambers of commerce, and who had not been subject to life in the world of economic development partnerships.

They were attracted by the idea of being involved with a body that could set a vision and strategy for an area and deal with the real, on-the-ground practical issues that were causing large-scale frustration to business – planning, poor infrastructure, housing shortages and a mismatch in skills between the needs of business and what was being turned out by the education sector. The business community grasped this and also was clever enough to understand that they could not do this themselves, but needed the active co-operation of local authorities.

Business leaders were attracted by the strategic challenge. They understood they could see the problems that were restricting growth and, importantly, felt that they had the solutions.

Formation of the network

In March 2011, the prime minister and deputy prime minister came to Coventry to launch the LEPs and said that they wanted to see a "national network" of LEPs. I felt the British Chambers of Commerce was an ideal body to take on this role and we worked with the DBIS and DCLG to establish such a network. This was launched in April 2011, and the role was both tight and limited. At that stage, it was absolutely clear that the LEPs did not want a top-down organisation that was either speaking on their behalf or instructing them what to do or, importantly, acting as a filter between themselves and government.

At the heart of the network was the concept of a forum for local business leaders to share ideas, solve problems and get the latest data they needed to promote economic growth. It was to be inclusive, involving other business organisations. As I had announced that I was to leave the British Chambers of Commerce in the autumn, it was felt that I would be an ideal chair, bringing together a knowledge of business, partnership working and government relations. Importantly, I was not going to be too tied to one specific business body.

In launching this, I said: "The new network would give business leaders the opportunity to share experiences, solve problem that come out of new ways of working... The network would only succeed if it provides a supportive forum to exchange ideas." Altogether, a pretty limited ambition, but one that we managed well by organising summits, workshops and information events. We produced a newsheet and a website.

It soon became clear that the pendulum had swung too far from the funding of RDAs. LEPs had nothing and were reliant on goodwill from either business or the public sector if they were to get anything done. The LEP Network pushed hard for some core funding – outside its original brief, but vital if the LEPs were to have any chance of success. We were successful in getting £250,000 per LEP.

The next few months saw LEPs becoming involved in the Regional Growth Fund and enterprise zones. The LEP Network continued to organise summits with ministers and senior civil servants, and I kept informed by travelling the country talking to LEP boards.

LEPs were viewed as interesting, but not too much attention was being paid to them by those outside the immediate circle.

'No Stone Unturned'

Then came Lord Heseltine's review, and the world changed. The publication of *No Stone Unturned*, which placed LEPs centre stage, had a dramatic impact. Suddenly everyone wanted to talk to the LEPs and the LEP Network.

This was further reinforced in December 2012, when the chancellor announced, as part of his Autumn Statement, a number of measures that highlighted that government had bought into Lord Heseltine's recommendations. Specifically, this included tasking LEPs with leading the development of strategic plans for growth; devolving a greater proportion of growth-related funding; aligning the EU Common Strategic Framework priorities with LEP plans; and giving LEPs a new role in setting skills strategies. To support the LEPs, another £250,000 of funding each was allocated to develop these plans.

So in a period of little over two years, the remit of LEPs had been expanded dramatically.

This was a very different role from when they were first established. The demands on the boards, and particularly the chairs, have become ever greater. Rather than having spent much time and energy in launching the LEP and then expecting some respite, chairs continued to report that they could spend virtually the whole of their working

week on LEP matters, which was putting pressure on their business life.

Equally, staffing had taken on a much more critical role, with the need to get some high-quality staff, accountable to the board, in place.

The Autumn Statement was followed up only three months later by the 2013 Budget. Here announcements saw the creation of a single growth fund from 2015, and a requirement for the LEPs to develop a multi-year strategic plan.

All of this change has profound implications for the LEPs and the LEP Network. LEPs have been asked to move from strategic partnership bodies to lead on economic development, bid for government funds and take on the critical role of overseeing EU funding. A very big change.

What has continued to impress me is the commitment by LEP boards to work to promote economic development, to make their area the best place to do business. They take the view that they know the solutions to the area's problems, and if given the tools they can improve the economic performance of their particular economy.

Well, they are increasingly being given those tools. The question is, what difference will they make?

Much focus has been on the transfer of powers and monies from the centre to communities across the country. However, with power comes responsibility, and LEPs need to be clear what the real difference is that they can make. LEPs will need to show that they can increasingly work together across boundaries in areas such as transport, inward investment and EU programmes. They will form clusters, both geographic and sectoral.

LEPs will need to show real added value, to prove their legitimacy through transparency and to highlight and publicise their success.

A critical relationship will be between them and both local and central government. Central government relations will be critical over the next two years as we move towards a single growth fund and multi-year strategic plans. The LEP will need individual discussions with government, but there will be the need to have national discussions, for example on the development of the growth fund and EU funding. Increasingly, the government will want to have negotiations at a national level. The LEP Network will need to reflect this.

There will need to be negotiation to force clarity on what powers and funding the government will devolve; negotiation on exactly what the relationship between central government and the LEPs will be.

Challenges for the LEP Network

So the LEP Network itself, as currently configured, faces challenges. It will need to play the existing role of sharing best practice and information. It will need to build up its knowledge base. This is what it was set up for. However, the demands will become greater. There will be a need to build capacity within boards and within staff.

As LEPs are given greater powers and funding, there will be a need for accountability at both a local and a national level. They will need a network that is not only negotiating at a national level but also acting as a collective voice. There will be democratic accountability through parliament and the select committees, and there will be a need to speak to the media on behalf of the network.

The LEPs need to take real ownership of their own collective future. As I have pointed out, the LEP of 2015 will be very different from the concept of an LEP conceived in 2010. In order to meet the changed nature of the LEPs, the network itself will have to change.

There will be a need to work with all political parties to ensure that LEPs are not simply consigned to the dustbin if there is a different administration in power in 2015. One of the most dispiriting aspects of economic development in the UK is the way that powerful initiatives are never allowed to flourish, but are simply brushed aside and replaced by bodies with new acronyms but with little shared collective history. It may be hoping for too much, but the LEPs have to work to ensure their long-term survival based on an evolutionary approach to economic development. This approach should be that things will go wrong, but rather than a reaction being to replace them with yet another new agency, their shortcomings are made good and they are fine-tuned.

So we face a very different future. The focus over the coming years will be on growth. No matter what government is in power, the relentless focus will be on stimulating growth in large parts of the country. LEPs are centre stage at present, and one can only hope that they will remain there. To do this they will have to show that they can deliver growth in a way that central government alone cannot. They will have to show that they are accountable to both their local communities and the taxpayer. Thirty-nine independent LEPs will need to show this, both individually and collectively. A LEP Network representing and fighting for their interests will be critical to this, but it will be a very different network than now exists.

Chapter 3

LEPs and local government – forging a new era of progressive economic development?

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LEPs and local government – forging a new era of progressive economic development?

This chapter examines the role of local government in local enterprise partnerships. In particular it explores how we can forge an effective and socially progressive economic engine for economic development at the subnational level. This is something which is clearly lacking in much of the thinking and contemporary operation of LEPs.

LEPs are experimental and operating in unprecedented circumstances. England is enduring its worst recovery from recession in modern times and faces huge social and economic inequalities, with many areas very far from economic growth. Subnational and local economic development in this context has a vital role. We need subnational bodies and activity that are locally, not nationally, accountable. They must have devolved powers and resources at hand and on tap. They must be able to develop the economy and create an economic destiny that is in tune with local place-based advantages and can create a better quality of life for all. At the same time a new national economic and social framework is required, working to support local and subnational activity and serving to heal a nation with growing and deepening divides.

We believe that LEPs could provide the strategic and progressive direction required for our subnational and local economies. However, local government must be given the powers and the capacity to create the environment for business growth, social growth and place success. Local government must be at the heart of a “whole place” LEP strategic framework.

Ending 30 years of ambiguity?

For the good part of 30 years, the responsibilities and powers for subnational economic development have been split between national and local government, agencies and various regional institutions. Subsequently, governance has remained at best ambiguous, and at worst opaque and confused. The Manpower Services Commission (1976-88), training and enterprise councils (1989-2001), regional development agencies (1998-2010) and learning and skills councils (2000-10) have all come and gone. And whilst having successes, all eventually succumbed to problems around effectiveness, bureaucracy, scale or accountability.

So are LEPs offering an end to this ambiguity? They're off to a poor start. The first two-and-a-half years of LEPs and the government's subnational economic policy have been

characterised by a hiatus in local economic thinking, policy and strategy,¹ with much confusion.² Indeed, in October 2010, the late Sir Simon Milton, then deputy mayor of London, said "the government has still not been entirely clear what problems LEPs are the solution to".

Furthermore, prior to the Heseltine review³ and the government's response to it,⁴ there was an implicit suggestion from government that you could do local economic development with inadequate resources, fragmented plans and patchy connectivity and collaboration. Thus LEPs seemed to be empty policy, as opposed to a key strategic and well-engineered institution for driving economic growth. Furthermore, LEPs were often stubborn in their approach to local government, buoyed by a context in which the public sector was seen as being "in the way". This was a voodoo economic development⁵ approach, assuming that economic growth just happened in the absence of anything else.

Form must follow function. In its haste to abolish RDAs, the government created a form, but without any clarity over the intended function of the new LEPs. Whilst many city regions and local authorities which had advanced the previous government's multi-area agreement partnership approach⁶ had a better start, the outcome for many other areas has been the lack of any clear relationship between these new LEPs on the one hand and wider place stewardship, democratic accountability other public services and civil society on the other.

It is no surprise therefore that there has been much concern over the extent to which LEPs have the ability to be effective economic development entities.⁷ It is perhaps fair to say that the function of local economic development has become very varied and is a bit of an institutional and functional mess.

In a context of public-sector cuts and unprecedented and dire economic conditions,

1 Neil McInroy "Local Economies in Peril" on *Local Government Chronicle* blog, 9 March 2011 (<http://www/lgcplus.com/blogs/local-economies-in-peril/5026521>)

2 Tomaney, J, Pike, A and McCarthy, A "The Governance of Economic Development in England" in Ward, M and Hardy, S *Changing Gear: Is Localism the New Regionalism?* (Smith Institute/Regional Studies Association, 2012)

3 Heseltine, M *No Stone Unturned: In Pursuit of Growth* (DBIS, 2012)

4 HM Treasury and DBIS *Government's Response to Heseltine Review* (The Stationary Office, 2013)

5 McInroy, N "Voodoo Economic Development Part 2" in *NewStart Magazine*, July 2011 (<http://www.cles.org.uk/yourblogs/voodoo-economic-development-part-ii/>)

6 DCLG *Research into Multi-area Agreements: Long-term Evaluation of LAAs and LSPs* (2010)

7 All-Party Parliamentary Group on Local Growth, *Local Enterprise Partnerships and Enterprise Zones Where Next for LEPs? Report of an Inquiry into the Effectiveness to Date of Local Enterprise Partnerships* (2012); Pugalis, L "Look Before you LEP" in *Journal of Urban Regeneration & Renewal* vol 5, no 1 (2011); Ward and Hardy, op cit

many LEPs will need to do something dramatic if they are not to succumb ingloriously to the fate of the long line of previous institutions filling the economic development role.

However, we must work with what we have and give LEPs a chance to tackle the systemic national, subnational and local economic problems, and to build more inclusive and just economies. So that is why, after decades of ambiguity, we need a progressive economic development approach, with local government at the heart of a LEP strategic framework.

A progressive economic development approach for LEPs

LEPs, with a fair wind, are shaping up to be traditional economic development vehicles with a singular focus on growth, competitiveness and investment. But if that is the case, it is still not good enough. Progressive economic development is about developing an economy which is not loosely aware of social life, public services, democracy and places, but intrinsically connected to it. Progressive economic development is not just about how a rising economic tide will lift all boats – or reliance on trickle-down – but is about more actively securing an improvement in the fortunes of citizens and businesses. In this, economic success is about policies that support local economies, business growth and private gain, but simultaneously strengthen local economic infrastructure, build enduring social and civic institutions for the future and help in the aim of providing a decent standard of living for all. Local economic and business success must go hand-in-hand with social growth. We can have both. They are not mutually exclusive.

For this to happen, we need a strong convergence of powers, responsibility and governance. The LEPs that will have a better chance of success are those operating as a strategic body, working for business but where powers, responsibilities and the everyday engine of activity are placed with local government. All LEPs should become true strategic subnational economic development bodies, with local government becoming a real engine within.

However, for this to occur, the context needs to be right. Therefore, LEPs would need to be framed within a national industrial strategy and plan, which partly steers the economic geography of England. The DBIS is at present consulting with sectors on an industrial strategy and developing sector-focused policies.⁸ This is welcome, but

⁸ Vince Cable "Using Industrial Strategy to Help the UK Economy and Business Compete and Grow", speech at Imperial College London in September 2012 (<https://www.gov.uk/government/speeches/industrial-strategy-cable-outlines-vision-for-future-of-british-industry>)

it needs to be strategic, not bitty. It needs to be sensitive to the needs of place. We cannot continue with ad hoc policies. It also needs to recognise that cluttering economic development is of use neither to economic growth aspirations nor to social justice considerations.

At the moment there is too much uncertainty and some competition between LEP areas. Subnational economies need to develop more bespoke comparative advantages, and for that we require a stronger national and industrial planning context. It may seem paradoxical that subnational economic development needs this centralism, but we are in an economic landscape which has severe systemic problems and variations. These can only be solved by national intervention, creating the effective context to a progressive subnational economic future. Otherwise, we are setting up some subnational economies to fail, broken by a systemic economic legacy characterised by decades of underinvestment and spatially flawed national economic industrial strategies.

Strengthening the role of local government in progressive economic development

The previous elements of this paper have outlined a process and function of economic development which is splintered, opaque and ultimately not working effectively in terms of improving our places. Our vision at the Centre for Local Economic Strategies is of a progressive economic development approach, with real joined-up functionality, where various institutions work collaboratively and where the focus is upon effectively marrying economic growth with issues of social and environmental concern.

Central to this joined-up function is local government. To date, the form of LEPs has largely continued a splintered approach to economic development; not fully, we believe, taking a wider place-based approach or taking advantage of the skills, knowledge and experience of local government. If LEPs, and indeed places, are to improve, economic development needs to become more co-ordinated, more embedded in whole-place principles, and with an enhanced role for local government as economic stewards of place. We see the following key aspects.

Economic AND social growth

We require greater focus on converging economic and social growth. Economic growth is important, and this is the main remit given to LEPs – create jobs and increase economic output. This is fine in itself but it does not go far enough. Ensuring that social concerns are a key part of economic planning is vital for the future prosperity of places, but without the drive and input of local government into LEPs, this will not happen. As leaders of place, councils have historically been concerned with social

outcomes. This is not something that will be automatically associated with private-sector representatives. Therefore local government will be central to ensuring the right kind of growth. It is evident from the recent fairness⁹ and poverty commissions¹⁰ and work in local authorities around social inclusion¹¹ that there is a need to match economic development with social growth.

A statutory duty or function around economic development

Historically, one of the challenges for local government in responding to the government's aspirations around growth and development has been the lack of a statutory duty or function of economic development. The Heseltine review therefore recommended that local authorities should have a legal duty in regard to economic development. This has been rejected by government; it is a significant missed opportunity and weakens the strategic heft of economic development and the engine of economic development. A progressive "whole place" economic development approach needs this duty, and an accompanying revenue resource – which at present is directed to LEPs – to support it.

Unitaries

According to the Heseltine review, businesses prefer to deal with a single local authority because it will have a clear set of objectives, which results in faster decision making. Therefore, the Heseltine review proposed that all two-tier local authorities move to a single-tier system, with the belief that council services can be delivered more cost-effectively at this scale. This has also been rejected by government, to the detriment of clarity in local governance structures and accountability.

Stop the horse-trading and process: devolve!

Growth dislikes uncertainty. And many LEPs are doing very little to alleviate it. However, through the opacity of the last three years, it has gradually become clear that LEPs and local government are in a negotiated process. The Coalition's permissive culture of decentralisation to localities suggests more local autonomy, albeit through a "guided localism". However, this promise is wrapped up in the extent to which the Treasury will relax its grip on central departments and how they in turn will devolve budgets and competencies to localities and LEPs. This is expected, but the playing out of this permissive culture and the inevitable wrestle between LEPs, local authorities, cities and

9 Liverpool Fairness Commission *Come Together: The Report of the Liverpool Fairness Commission* (2012); Newby, L and Denison, L *A Better York for Everyone: an Independent Report by the York Fairness Commission to the City of York* (2012)

10 Poverty Commission *Recommendations Report* (2013); Centre for Local Economic Strategies *Greater Manchester Poverty Commission: Research Report* (December 2012) (<http://www.manchester.anglican.org/upload/userfiles/file/pdf/Church%20&%20Society/GMPC%20Evidence%20Report.pdf>)

11 Birmingham City Council *Making Birmingham an Inclusive City: White Paper* (2013)

central departments has only just begun.

Furthermore, Heseltine proposed and the government accepted the idea of the single local growth fund. However, the government says we must wait until 2015. Why wait? We need a clear a priori position on what is and what is not going to be devolved, and to get on with it. We must end the opaque horse-trading between Whitehall, LEPs and the town hall.

New combinations of local authorities

Heseltine did recommend that formal collaborations between local authorities across functional economic markets on matters of economic development, regeneration and transport should be encouraged, provided that they align with the functional economic geography of the existing LEAs. It is suggested that these adopt the structures of combined authorities already evident in Greater Manchester and Greater Leeds. This has potential and is correct for many city regions. However, it is simple thinking to believe the vast and varied political cultures of England can easily slot into a combined authority model forged in city regions. We need plural types of effective combinations for economic development, not rigid and potentially brittle models, when deployed across counties and rural/urban councils. Ultimately, local authorities collectively in LEA areas and those that straddle LEA territories should decide what these accountable cross-local authority groupings should be. Not Whitehall.

Elected members as key place leaders, not just representatives of councils

Local authorities are the only stakeholders within LEA areas with a democratic mandate, so elected members have a remit to address the concerns of their electorate, whether economic, social or environmental. Elected members effectively have a stewardship role when it comes to economic development, influencing priorities, engaging with strategists, and fostering and scrutinising delivery activities. There is therefore a key democratic accountability role for local elected members when it comes to the LEAs. This also could be strengthened via a resourced statutory duty for local economic development.

Building up economic development skills and intelligence

LEAs in many cases have simply not had the resources or the skills base to move beyond being a partnership for economic success. Local government across departments has a host of skills that are relevant to the function of LEAs. This includes knowledge and understanding of the state of the local economy; relationships with local business and other public-sector partners; and experience of addressing legislative challenges around the planning and procurement processes.

Local authorities have historically provided the economic intelligence and skills needed to inform the development of policy to support local economies. Reliable, evidence-based economic and labour market intelligence plays a crucial role in shaping future policy decisions. Without a consistent and timely evidence base, the critical role of providing strategic direction for the local economy will be undermined.

However, cuts to local government have significantly thinned local economic knowledge and capacity. Key staff have left; local strategic partnerships have closed. Some local authorities have much-reduced policy teams, as money is diverted away from them in favour of protecting front-line and statutory services. This loss of capacity has also reduced the effectiveness of the vital networks and strategic links at various scales between economic, social and cultural services and policies. Revenue resource for this capacity needs to be directed towards those in local government who are already working in this field and who have the wider corporate heft to make the wider "whole place" connections that are required.

Co-ordinate strategic policy

The policy environment around economic development delivery is complex. LEPs are responsible for growth and investment strategy. Private-sector contractors are responsible for the delivery of the work programme. Economic development agencies are responsible for the delivery of European programmes. And local government is responsible for initiatives such as city deals. Local government should have a key role, and indeed duty, to co-ordinate economic development activity within a place, feeding into the priorities of the LEP, but co-ordinating this disparate nature of the economic development function.

Conclusion

This chapter makes the outline case for a progressive "whole place" economic development agenda, with local government at its heart and LEPs playing a key strategic role. We already see this in areas where cross-local-authority working has been going for many years and where the lessons from multi-area agreement partnerships have been built upon. This chapter has also sought to unpick what needs to happen at the subnational and local level, as well as to make clear what needs to happen nationally. If many LEPs are not to succumb to ambiguity and confusion, as has been the case with their subnational predecessors, it is vital that they forge true progressive strategic partnerships that are infused with business savvy and acumen.

In this, democratically elected local government and its wider place concerns must seek an augmented role, where it is the accountable engine, doing the things necessary

for wider place success. Without this, government economic growth objectives and the progressive social outcomes of growth we hint at here will be unrealised. Indeed, without this, many of our local economies will remain bedevilled by the problems that have plagued them for a generation.

Chapter 4

LEPs – forming, storming, norming, performing, adjourning

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LEPs – forming, storming, norming, performing, adjourning

The literature on local enterprise partnerships is burgeoning. It variously investigates their potential roles in a diverse range of policy fields, from economic development through to civic engagement, from infrastructure delivery through to enhancing workforce skills, and from planning and strategising to destination promotion and inward investment. Nevertheless, this literature base often far outweighs the LEPs' actually existing capabilities and locally derived programmes of delivery.

What the interest in LEPs does demonstrate is that subnational forms of economic development policy and institutions matter. This is a point of broader international relevance, reflected in the on-going rescaling of states, including the rise and demise of metropolitan governance arrangements, regional governments and cross-border partnerships. Yet the exceptional English circumstance, whereby the country is bereft of a subnational democratic economic development settlement¹ – notwithstanding some notable exceptions such as the Greater London Authority and the Greater Manchester Combined Authority – brings the issue to the forefront of policy debates.

In 2012 we published a series of works that posed the question: are LEPs living up to the hype?² Our assessment led us to conclude then with an unequivocal answer – which we contend remains true – of “not yet”. This was qualified by stating that central government had been unrealistic in its expectation that unincorporated, loose partnership configurations (lacking a statutory footing, policy tools and specific resources) could make any more than a symbolic difference to the growth and regeneration of subnational territories. We have critiqued the rhetoric of central government’s LEP policy purporting to be radically different from what has gone before by drawing attention to the extent of policy continuity and have drawn attention to the centralising tendencies of the Coalition government, masquerading under a

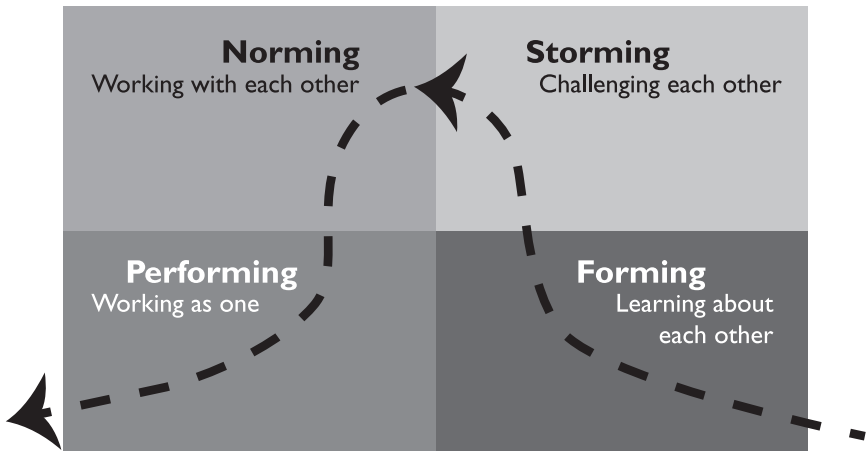
1 Pugalis, L and Townsend, AR “Rebalancing England: Subnational Development (Once Again) at the Crossroads” in *Urban Research & Practice* 5 no 1 (2012); Pugalis, L and Townsend, AR “Rescaling of Planning and Its Interface with Economic Development” in *Planning Practice & Research* vol 28, no 1 (2013)

2 Shutt, J, Pugalis, L and Bentley, G, “LEPs – Living Up to the Hype? The Changing Framework for Regional Economic Development and Localism in the UK” in Ward, M and Hardy, S (eds) *Changing Gear – Is Localism the New Regionalism?* (Smith Institute/Regional Studies Association, 2012); Pugalis, L, Shutt, J and Bentley, G “Local Enterprise Partnerships: Living Up to the Hype?” in *Critical Issues* 4 (2012); Pugalis, L and Shutt, J, “After Regions: What Next for Local Enterprise Partnerships?” in *Regions* vol 286, no 2 (2012); Pugalis, L, Gibbons, L and Bentley, G “Local Enterprise Partnerships – Entering Adolescence?” in *Town & Country Planning* (2012); Pugalis, L “The Governance of Economic Regeneration in England: Emerging Practice and Issues” in *Journal of Urban Regeneration & Renewal* vol 5, no 3 (2012)

discourse of localism.³

Examining the role of LEPs after only their first birthday, we were concerned not to pass judgment too soon. Instead, we called for a new deal for LEPs as a means of rectifying some of the most serious institutional deficiencies secreted in their policy design. Without such a direct devolutionary deal between Whitehall and each LEP, we argued that “the hope, along with business input, will dissipate and the hype will vanish, leaving LEPs susceptible to institutional oblivion”. In light of the majority of the 39 LEPs reaching their second birthday by April 2013 (the final six LEPs were approved by government between May and December 2011), there is merit in considering what advances have been made in the intervening period and how they might evolve over future years, including analysing whether they may survive institutional oblivion beyond the next general election. This is particularly crucial in respect of the evolving policy framework, influenced by Lord Heseltine’s “growth review” among other developments.⁴ We utilise the “forming-storming-norming-performing-adjourning” model of development as a frame for our analysis.

Figure 1: The forming-storming-norming-performing-adjourning model



3 Bentley, G and Pugalis, L “New Directions in Economic Development: Localist Policy Discourses Et the Localism Act” in *Local Economy* 1 March 2013 (doi: 10.1177/0269094212473940); Pugalis, L “Look Before You LEP” in *Journal of Urban Regeneration & Renewal* vol 5, no 1 (2011); Bentley, G, Bailey, D and Shutt, J “From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire” in *Local Economy* vol 25, no 7 (2010)

4 Heseltine, M *No Stone Unturned in Pursuit of Growth* (DBIS, 2012)

In the 1960s, Bruce Tuckman devised a model of group development that distinguished between a series of critical phases through which teams must pass if they are to influence positive change and outcomes – forming, storming, norming and performing.⁵ In the late 1970s, Tuckman (together with his colleague Mary Ann Jensen) refined the original model, which principally involved the inclusion of an additional phase: adjourning. The Tuckman model of group development is summarised in table 1.

Applying the Tuckman model to the development trajectory of LEPs

As informal partnerships, predominantly composed of a core of business interests and local authorities, LEPs can be understood as a group of disparate actors that come together to try to positively affect local growth priorities. LEPs are thus consistent with Tuckman's model of group development outlined above. We shall now look at each phase of the Tuckman model in turn to help examine the development trajectory of LEPs. At what pace are LEPs progressing? Are some regressing? Nevertheless, it is important to note that the Tuckman model is cyclical and iterative rather than a linear process.

Forming

Some 62 bids were made to government in September 2010 by groups wishing to establish an LEP. What was quite unique was the lack of Whitehall prescription – interested parties were given only limited instructions, a situation that was not changed by the eagerly awaited Localism Act 2011, which still did not specify what LEPs should do. Hence there was a lot of uncertainty about the roles of LEPs, their primary functions, constituent members and partners, geographical remits, legislative basis, sources of funding and legitimacy. The lack of clear incentives for economic development hindered the process, as did the lack of a statutory framework.

The bidding groups also involved actors less familiar with economic development policy and governance landscape. Nevertheless, the participants had to quickly get to know one another and to learn about the opportunities and challenges in order to make a bid for an LEP in a short time. Group organisation differed and some bids were local authority-led whereas others were led by the private sector, some with an extrovert "mover and shaker" taking the lead. Some LEPs took several months to pass through this stage – as evidenced by gradual government formal approval of the LEPs, culminating in the current map of 39 approved LEPs by the end of 2011 (although some LEP boards were not endorsed by government until much more recently).

⁵ Tuckman, BW "Developmental Sequence in Small Groups" in *Psychological Bulletin* no 63 (1965)

Table 1: The Tuckman model of group development⁶

Phase	Features
Forming	<p>An infant stage in which a group is just coming together and the members getting to know each other. It is often characterised by uncertainty. Extrovert members may rapidly assume some kind of leadership. Maintenance concerns predominate such as team organisation, who does what, when to meet.</p> <p>Participants are also gathering information and impressions – about each other, and about the scope of the task and how to approach it.</p> <p>The group meets and learns about the opportunities and challenges, and then agrees on goals and begins to tackle the tasks. Team members may be motivated but are usually relatively uninformed of the issues and objectives of the team.</p>
Storming	<p>The storming stage is necessary to the growth of the team. An adolescent phase, as arguments ensue as the group addresses issues such as what problems they are really supposed to solve, how they will function independently and together and what leadership model they will accept. It can disagree on goals, and question the wisdom of those who selected the project and appointed the members of the team.</p> <p>If group members resolve their differences, members will be able to interact with one another more comfortably and to share their opinions and views. Some, however, will never develop past this stage.</p>
Norming	<p>Growing up, the group manages to have one goal and come to a mutual plan for the team at this stage.</p> <p>Some may have to give up their own ideas and agree with others in order to make the team function.</p> <p>In this stage, all group members take the responsibility and have the ambition to work for the success of the team's goals (forming a clear strategy).</p>
Performing	<p>Groups will reach the performing stage, a mature phase. By this time, the team has settled its relationships and expectations. It can begin performing by diagnosing, problem solving, and implementing changes and can get the job done smoothly and effectively without inappropriate conflict. It is now an effective, cohesive unit as a lot of work is getting done. It can respond to changing circumstances but this ushers in a return to an earlier stage in a constructive way; for example, a change in leadership may cause the team to revert to storming as the new people challenge the existing norms and dynamics of the team.</p>
Adjourning	<p>Preoccupied with winding down activities, "completing" the task, succession planning and dismantling the group.</p>

6 Adapted from Tuckman, op cit

Storming

As LEPs entered adolescence, it was clear that in the formation of the membership of the LEPs, boundary disputes reflected disagreements over defining interpretations of functional economic geographies. Old "turf wars" underlay the formation of extremely small LEPs around the country. On Humberside, for example, rival bids were submitted from each side of the river reflecting long-standing political disputes, which cast doubt on how groups would work with one another within the LEP and work with neighbouring and other LEPs.

Some LEP propositions, however, were in effect refashioned existing partnerships. Those supra-local entities that had been collaborating under the auspices of a multi-area agreement partnership, city-region and/or combined authority, for example, were quickly identified as frontrunners and approved by the government as part of the first wave of 24 LEPs in October 2010. Leeds City-region LEP fits into this category (albeit with some boundary modifications), as does the Black Country LEP, with its pre-existing partnership of local authorities that could carry out work for the LEP. Thus, metamorphosis from a Labour-endorsed economic partnership entity to a Coalition-approved LEP was straightforward for some. Arguably, in these instances, some phases were passed through quickly. Indeed, places such as Tees Valley and Greater Manchester have viewed the LEP experimenting as a rebranding exercise, and thus continued *performing*.

Yet such a situation belied differences of opinion within other LEPs as partners challenged one another. For example, in the Coventry & Warwickshire LEP a row was reported to have broken out between the public and private sectors over transport policy and was behind the unexpected resignation of the chair. Even for some Labour-endorsed economic partnership entities, the official invitation from government to establish "new" partnerships was used as a legitimate means for *adjourning* and (*re*) *forming* (for example, the transition from the Tyne & Wear City Partnership to the formation of the North East LEP).

What these processes and decisions help to elucidate is the non-linearity of Tuckman's model of group development: a group of partners (especially those that are unincorporated entities) can very easily adjourn and may not necessarily always be superseded by a new institutional formation. According to Tuckman, some groups will never develop beyond the *storming* phase. Our fieldwork suggests that some LEPs remain embroiled in this phase, but the majority of LEPs, including many that made media headlines owing to internecine feuding during the earliest period of LEP formation, have since passed through to the *norming* phase. Adopting locally tailored and distinct leadership styles has proved to be helpful in many of these cases.

Those LEPs that remain in the quagmire of *storming* may suffer inhibited performance, reputation and outcomes. Indeed, in an era of competitive localism there have been few signs to date that Whitehall will offer a helping hand. It is these LEPs that are most susceptible to unravelling and adjourning. Over the coming years the credibility of these LEPs will be increasingly tested, especially if their territory is covered by a better resourced economic development entity such as a city deal. At a minimum, individual partners and especially non-local authority board members will walk, or wait for their escape when their two-year term is up for renewal. Moreover, those LEPs without enterprise zones, Regional Growth Fund supported programmes and city deals, or with city deals that do not tessellate with their geography, are at a distinct disadvantage. This could also hinder some LEPs from passing through to the *norming* phase.

Norming

Many LEPs are passing through the *norming* phase as they begin to take on a distinct institutional identity and become comfortable with internal systems and ways of working. Typical of LEPs that are *norming* is having considered various different options, prioritised interventions and published a business plan. "One goal" and a "mutual plan" typify this strategising phase, bolstered by the government's announcement that LEPs would be resourced to prepare local growth plans. It is at this phase that individual group members learn how to operate with other partners, and how members work together as a collective entity. An example of this is when the majority of an LEP's members follow the same script, in the sense that they have bought into the central mission.

Familiarity with decision-making processes is distinct from the appearance of partnership working when an assortment of individuals meet every so often to discuss matters, rubber-stamp items and then return to their "proper job" until the next meeting. Refreshingly, our research suggests that many LEP members, especially those running their own enterprises, are dedicating a significant amount of time, energy and creativity to their respective LEPs. A key danger, however, is the length of time that individuals will be prepared to devote to LEPs if they struggle to perform.

Performing

Some LEPs now have a strategy (of sorts) in place reflecting progress to a mature and cohesive phase; have been through a process of diagnosing the problems of their economies, problem solving, and implementing changes in institutional structures; and are settled in the expectations of and relationships between the partners. There are indications that roles have been assigned – for example, it is fairly typical of LEPs to have a named private-sector board member leading on a particular agenda or policy

area. In the case of the minority of LEPs that are in this phase, public-private-civic relations have developed to an extent beyond a "them and us" scenario. Relationships and responsibilities may well have been mapped out against agreed priorities, action plans devised, activities costed, timescales agreed and implementation set well under way. This phase is characterised by minimal conflict, but it is worth stressing that a shock to the system (such as a change in LEP leadership, national and local elections, or major company closure) can disrupt what may appear to be a linear path.

Our earlier concerns about the LEP experiment being able to address local priorities has to some extent been assuaged, as it is clear that some LEPs are undertaking collaborative, innovative approaches to addressing the economic problems in their locality. These LEPs are eager to take on new responsibilities (but also extremely clear what these additional responsibilities would help them achieve) and are being proactive rather than waiting to see what roles government may devolve to the LEPs. Some LEPs that have their houses in order are publicly and privately making greater demands of government, challenging the Coalition's devolution and localist rhetoric. LEPs are also operating as a collective voice to challenge the government's lack of financial support, echoing our own critique in evidence presented to the House of Commons business, innovation and skills committee, and the all-party parliamentary group inquiry into local growth, local enterprise partnerships and enterprise zones.

Concerted lobbying has resulted in a policy shift from government, which announced in September 2012 that it would provide LEPs with some core funding, as well as its intent to launch a new single local growth fund from 2015, making a local growth deal with every LEP,⁷ albeit much watered down from that proposed by Lord Heseltine. The Greater Birmingham & Solihull LEP and the Humberside LEP will serve as pilots for this approach.

Adjourning

Although the task of stimulating local growth and regenerating places is unlikely ever to be complete, at some stage in future, politics are expected to influence the desire for an alternative policy and institutional solution to the "wicked" (cross-departmental) issues of subnational economic development. From a quick glance at the history of subnational economic development in England, it is clear that a long line of institutions have been remorselessly abandoned by politicians. Therefore, it is not yet apparent whether the single local growth fund (the third "single" fund since 1994) will survive many years beyond the next election.

⁷ HM Treasury and DBIS *Government's Response to the Heseltine Review* (2013)

Conclusion and future directions

LEPs viewed as subnational economic development institutions are the latest policy fix in a complex lineage of “adjourned” agencies, partnerships and networks, such as urban development corporations, City Challenge partnerships, training and enterprise councils and more recently multi-area agreement partnerships.⁸ The subnational economic development landscape is full of institutional corpses. However, traits from previous experiments feature prominently in newer institutional fixes. It is in this respect that any official adjournment of LEPs may not necessarily mean the end of established ways of working (evidenced by the metamorphosis from a “Labour-endorsed economic partnership entity” to a “Coalition-approved LEP”).

Indeed, the freedom afforded to LEPs by way of the majority of the 39 partnerships that lack a legal personality could be a significant advantage when facing the next round of institutional restructuring. Conversely, as some partnerships seek more formal institutional arrangements – such as legally, through the formation of companies, or statutorily, through mechanisms such as economic prosperity boards – their “fleet of foot” agility would dissipate.⁹ As LEPs receive more tangible responsibilities and resources over the coming years (such as transport, skills, or their role in managing EU structural funds), one would expect more formal arrangements to be a prerequisite (unless local authority accountable body status will suffice for Whitehall and the EU). This suggests that some LEPs and/or groupings of local authorities, such as combined authorities, intend to establish economic development agencies not too dissimilar in terms of function to the regional development agencies that were so ruthlessly dismissed.

As each LEP passes through the phases of the Tuckman model, some will get mired in the *forming* and *norming* phases, and others may reluctantly return to these fledgling phases. Thus it is likely to be such partnership configurations (currently operating under the LEP brand) that will remain “susceptible to institutional oblivion”. Those LEPs that have already passed through the *norming* and *performing* phases, or are likely to over the next couple of years, will be in an enviable position to benefit from the next subnational economic development experiment, whether this remains an LEP branded policy or not. It is for this reason that there are some well-known examples of supra-local networks of partners that have got their acts together (the so-called trailblazers) and those that repeatedly make the headlines owing to their internecine political disputes (the so-called laggards).

⁸ Pugalis, L and Townsend, AR “Place-based Economic Strategy Trends: England’s Fixation with ‘Fleet-of-Foot’ Partnerships” in *Local Economy* (2013)

⁹ Pugalis and Townsend, op cit (2013); Bentley and Pugalis, op cit; Pugalis, op cit (2011); Bentley, Bailey and Shutt, op cit

Chapter 5

LEPs and planning – more than mechanisms of convenience

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LEPs and planning – more than mechanisms of convenience

Local enterprise partnerships were announced by the Coalition government in October 2010. LEPs, joint local authority and business bodies initiated by local authorities to support local economic development and foster regional growth, possess no statutory planning functions. The LEPs have no formal planning responsibility but they do possess an indirect role. As the local growth white paper of 2010 stated:

*Local Enterprise Partnerships will provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area. We particularly encourage partnership working in respect to transport, housing and planning as part of an integrated approach to growth and infrastructure delivery. This will be a major step forward in fostering a strong environment for business growth.*¹

So although LEPs were never intended to adopt their own development plans or determine applications for planning permission, as is the case with local authorities, they can and will have an influence on planning activity in subregional areas of England. With 39 partnerships now existing, and with their duties being gradually expanded to cover infrastructure funding, LEPs are starting to adopt strategic growth plans and act as a catalyst to delivering development across local authority areas. By implication, therefore, the LEPs' relationship to planning is potentially significant. In this regard, they are very similar to their predecessors, the regional development agencies.

The RDAs also had no formal planning duties but there had been intense debate, on their establishment in 1998, about whether they should do so. In the event, they were awarded strategic policy and funding powers, but statutory planning activities remained in the hands of both the then regional assemblies, through the regional spatial strategies, and the local authorities, through their development plans and development management, both becoming key to the delivery of projects on the ground. Over the RDAs' 12 years of existence, the agencies gradually accumulated additional responsibilities and strayed further into planning territory, with contests over prioritising visions between the RDA economic strategies and the regional spatial strategies for the same areas. It eventually led to New Labour abolishing both sets of strategies and legislating for integrated strategies to be prepared by the RDAs. These were never enacted, as a consequence of Labour losing the 2010 general election.

With so much at stake at present on unlocking the potential for economic growth,

¹ DBIS Local Growth: Realising Every Place's Potential, Cm 7961 (2010)

and with government expecting to see progress on the delivery of job-creating developments, new infrastructure projects, and new housing, it is not surprising that planning is constantly preoccupying the minds of both ministers and the private sector. In evidence to the recent House of Commons business, innovation and skills select committee report on LEPs, the LEP Network identified land use planning as a barrier to growth.² Recent legislative reforms to planning have skewed the objectives and national priorities in favour of economic growth over all other matters, but there remains concern as to whether local people and other parts of the localism-themed planning changes will conspire to act as an impediment rather than incentive to growth, particularly in the South of England.

Two scenarios seem possible: Is there a chance of LEPs slipping into a routine of mediating between national pro-development objectives and local anti-development reactions? Or will LEPs gradually become more embroiled in planning matters simply because they are a convenient governance mechanism, a halfway house between government departments and local authorities?

One brief glance at institutional history in the planning system will reveal strong parallels with previous attempts to introduce specific subnational governance and policy arrangements. But there are also, by contrast, clear opportunities to ensure a more proactive role for LEPs in planning and ensure that the formal planning agencies utilise LEPs effectively to ensure development delivery.

Adaptive planning

Planning is an activity of both the public and private sectors but the different aspects of planning occur at different geographical scales and are formulated, regulated or implemented by different governance actors. Planning has long been an activity of the state in its various guises and has been determined, for most of its life, by statute, by the conferment of rights and responsibilities legally, and by their application to defined geographically fixed administrative or government units. This has been regarded as necessary to pin down space, to fix it, in order to understand change but also to deal with it politically to enable intervention. What started as an activity of the central state in the early years of the 20th century soon became an activity of multiple levels of government, shared between the central state and the local state. As the decades passed, so the governing framework of planning changed and adapted to suit political ideological preferences. This continues to be a hallmark of UK planning.

² House of Commons Business, Innovation & Skills Committee *Local Enterprise Partnerships*, ninth report of session 2012/13, HC 598 (2013)

The UK has flirted with these changing scales and forms of governance (and therefore with planning) throughout the last 100 years, as different governments prioritised different scales of policy and decision making. Since 1945, Britain, like nation states across the globe, has relied upon and sometimes experimented with centralisation, localisation, regionalisation, city-regionalisation, decentralisation, Europeanisation, spatialisation and devolution; not in a linear way but often moving forward then doubling back to previous older forms and recognisable governing structures, depending on global economic changes, which political party was in office and the needs of nations and regions.³

The UK has also relied upon the market and the neo-liberalisation of public services and government to a greater extent over the last 30 years, with the private sector playing as dominant a role in planning as the public sector. So what sometimes might be regarded as a national planning issue or as a matter of national and regional significance has been clouded by successive reforms of the governing framework around planning, with historical roles of some governing scales retaining a legacy for newly emerging forms of planning tiers.

The provision of new infrastructure such as high-speed railway lines, energy installations or airport expansion might be regarded as classic examples of politically contentious land use developments, which often unleash conflicts between different groups and across scales of government. The questions are then often posed: can spatial change be fixed in such a standard way? Who has the responsibility for dealing with planning matters, who benefits from policies and decisions, and which tier of government has legitimacy to act in matters of resolving planning expectations and conflicts? The establishment of LEPs, the most recently imposed form of governance sitting between the national and the local levels, has to be seen within this broader institutional and planning history context.

For those who think planning is nothing more than the provision of kitchen extensions, it is worth reminding ourselves of the tumultuous changes that have happened to planning in recent decades. Land use planning after 1997 was broadened in scope beyond its regulatory role into three tasks, as:

- a facilitator and regulator on a host of measures;
- a co-ordinating or choreographic tool for regional and local public bodies; and
- an access point for wider stakeholders to get involved in not only planning but also local and regional governance and strategy making.

3 Tewdwr-Jones, M *Spatial Planning and Governance: Understanding UK Planning* (Palgrave Macmillan, 2012)

For the past three decades, successive governments have repeated the assertions that planning is a barrier to growth, that it is top-down and exclusionary, and embroiled in red tape. No doubt some of this is correct, but if the same assertions are being made after 10 years of planning reform and five pieces of legislation, the question needs to be asked: why is there a perception that planning remains a significant impediment to growth and why has little changed?

Constant legislative reform has attempted to "do something" about planning. And yet, perhaps perversely, those same governments have actually enhanced and extended the role and duties of planning over the same period. Whitehall realised some time ago that planning was actually quite a useful process through which to mediate different vested interests and seemingly irreconcilable competing policy concerns. Planning has always attempted to balance economic growth with environmental protection, to meet national needs against local desires, to deliver private-sector plans and allow local people a significant voice in the process, and to address long-term challenges with short-term gains. In short, planning has become useful within government as the administrative means to overcome policy and agency fragmentation, an integrating and facilitating mechanism of governance between different tiers of policy, arms of the state and competing voices, bringing together the private and public sectors with a democratic mandate to allow the public a say in the process.⁴

After the 2010 election and the establishment of the Coalition government, a very different agenda for planning quickly emerged, reflecting the ideological shift between different governments and their policy preferences. In England, the regional level of planning – regional spatial strategies and other aspects of the institutional framework – was abolished. The ethos was now on "localism", but this was not about simply removing the middle tier of planning between central government and local authorities and focusing attention on local development plans and local authority decision making. The new agenda involved transferring some policy and decision-making powers from the local authorities to local neighbourhoods in a democratic shift. New neighbourhood plans would be established with neighbourhood forums, increased use of referendums to determine projects, and the use of incentives and other fiscal instruments to enable proposals to be realised.

As planners and elected local politicians started to weigh up the implications of the change, practically and academically, in 2011 the Coalition announced further changes as the localism changes were being debated in parliament, and these tended to focus

⁴ Allmendinger, P *New Labour and Planning* (Routledge, 2010)

less on local democracy and neighbourhoods and more on economic growth and job creation. With the UK still unable to emerge from the effects of recession, the government decided that a stimulus was required in the form of planning deregulation. Enterprise zones returned to the national policy agenda after a 25-year gap and a new policy "presumption in favour of sustainable development" was announced, where sustainable development was defined politically as job creation and economic growth. Businesses were given the powers to prepare their own local and neighbourhood plans for the first time, and the government announced the extension of LEPs.

In 2012-13, further planning reform was announced to remove impediments to economic growth in planning. The latest piece of legislation to reform planning in England is the Growth & Infrastructure Act 2013. This reform, the fifth legislative change to planning in nine years, promises to unlock the potential for growth and to reduce red tape. Coming just a year after the implementation of the Localism Act and a new National Planning Policy Framework, the government's determination to "do something" about the planning system seems remarkably familiar, if not rhetorical.

The irreconcilable tension: planning for growth and neighbourhoods

Eric Pickles, as secretary of state for communities, reset the tone of planning following his appointment: all references to spatial planning were expunged from government publications and all existing national planning policies were removed from the official website. As had been the case with the first New Labour administration, these changes to the policy discourse were symbolic: an attempt to create an impression of embarkation on a new project that would be radically different from that which it was designed to replace. In narrating this transition from spatial planning to what was to be the next new system, Pickles was keen to paint the micromanagement and top-down imposition of such issues as housing development targets as redolent of, and consistent with, the politics of the old Left, or, as he put it more starkly: "the last bastion of communism and sheer bloodymindedness".

The Coalition's thinking on planning, until recently, has been to reify the "local" as the scale at which planning should take place. The intellectual case for this position is bound up with the Conservative idea of a "big society", understood from within government as a renewal of civic duty, philanthropy and voluntarism. As Pickles himself has stated: "Communities will no longer have to endure the previous government's failed Soviet tractor-style top-down planning targets... I promised to get rid of them and today I'm revoking regional plans with immediate effect – hammering another nail in the coffin of unwanted and an unaccountable regional bureaucracy. They were a national disaster that robbed local people of their democratic voice, alienating them and entrenching

opposition against new development."

Ironically the most vehement opposition to greater business involvement in planning decisions over the last three years has emanated from the right-wing press and Conservative voting communities, giving voice to the concerns of middle England that a national planning framework modelled along these neoliberal lines is likely to result in property developers casting an acquisitive eye over the most lucrative markets in the South East of England; in characteristically euphemistic language, a process where, according to the DCLG: "Business neighbourhood frontrunners work with local councils and community groups to prepare the planning and development framework to bring *the right kind of development to their area*" (emphasis added). The result is likely to be a bitter tug of war between newly empowered residents in wealthy rural/urban fringe areas desperate to prevent development and a development industry hungry for valuable sites in the economically buoyant South East. Such a conflict is itself indicative of the well-documented contradiction at the heart of planning and, equally, at the heart of the economic system of which it is a reflection.⁵

That contradiction is irreconcilable. The consequence of rolling back the state architecture of proper regulatory planning and replacing it with a doubly devolved free-for-all (localism for neighbourhoods/growth opportunities for businesses) might be ideologically appealing to "Red Tories", and fits on paper, but its market consequences – in which the powerful property owners of Middle England dictate an almost complete halt on development in parts of the country where demand is greatest, and by reflection, where land and house prices are highest – will result in an outcome likely to be wholly unacceptable to everyone: to neighbourhoods resistant to change, to developers unable to implement schemes, and to a Conservative-led government desperate to patch up a sclerotic economy sinking in debt.

The latest (September 2012) announcement on reform was accompanied by a commitment by the prime minister to "get the planners off our backs". Eric Pickles in the House of Commons also called on local planning authorities to find innovative ways to use green-belt land (the wording was carefully constructed) and additionally raised the prospect of stripping powers from those local planning authorities that failed to approve development schemes and implementing "special measures". Responding to an accusation that this was in effect the very reverse of the Coalition's newly found commitment to neighbourhood planning, Pickles referred to the prospect of special measures as "muscular localism".

⁵ Lord, *A The Planning Game: An Information Economics Approach to Understanding Urban and Environmental Management* (Routledge, 2011)

Finding a proactive role

All this posturing suggests that there is a real danger of LEPs becoming a mechanism of convenience in mediating between pro-development interests in government and businesses, and local authorities and neighbourhoods, unless more proactive ways are found to strengthen their role in facilitating development in local areas through intelligence, the recognition of unique assets and by fiscal incentives.

In these observations perhaps lies the answer to the question of why planning has proven such an intractable problem for successive administrations. In short, markets need planning. Constant reforms to planning do not deliver the sort of growth the Coalition government expects. Why? Because the impediments to delivery relate more to attitudes and perceptions, local democracy, landownership and a preservationist zeal to stop anything being built. There are three core issues of concern here, which link to the potential of LEPs: Does the Treasury lack a firm understanding of spatial needs and assets in different parts of the country? Is it looking at the right sort of sectors to inform growth possibilities in the long term? And is it underestimating the extent to which neighbourhoods are becoming ferociously more determined to resist change unless it really benefits local desires? There are several possibilities here:

1. LEPs, businesses and local authorities need to start to come together to look at the unique assets in subregions and places. These assets are not only related to knowledge and skills, training, research and development, and existing employment sectors, but also might include environmental and social assets that could form a basis of future investment. In short, this is a planning task that has all but disappeared.
2. Agencies need to practise much more long-term thinking – considering what the future employment sectors are, and whether we can hazard a guess at where the new sectors might come from. One sector not being given sufficient attention is undoubtedly environmental and ecosystem services. There are economic assets associated with these but it means thinking of economic development in a completely new way. One of planning's functions is to attempt to bring together different sectors and consider tipping points.
3. With so much investment going into infrastructure, it is worth thinking of these as sunk costs – they can serve as future growth nodes. Airports, ports and electrified rail lines are but three examples that can open up further opportunities. Planning strategies of cities, towns and the private sector can use these as starting points for investment opportunities.

4. In an era when strategic thinking has almost become a lost art form, it is worth taking a long-term perspective. It is not necessary to reinvent regional planning, but we can think of scenario development for subregions, identifying relationships between policy sector interventions, and identifying regional assets to inform new choices. Again, these are planning skills.

5. Whatever the developers may think of localism and neighbourhood planning, and whatever the Treasury's frustration with local opposition to development schemes, there is one undeniable fact: people are getting more interested in the future of their local areas and are more willing to get involved in the planning process than ever before. That means changing the way we interact with them. Telling neighbourhoods that development is good for them is archaic and frankly arrogant; equally, total resistance to change is not going to help the UK's economy get on its feet again. So we need to mediate our way through new processes, where the community's assets are protected and the private-sector actors are willing to go out of their way to acknowledge those and to support community services financially in a more prominent way. That might also mean developers engaging with communities directly and bypassing local planners. Planning can serve as both a mediator and a repository of intelligence on these matters.

These are by no means the solutions to all the ills we are currently facing. But at least they start to address possibilities in a more creative way. With 91% of all planning applications in England being approved, the rhetoric of planning as a barrier is starting to look like a dodgy dossier. And entrenched positions are not likely to deliver what we need. But with infrastructure investment and city deals going in, the slow road to recovery could start here. The challenge is whether planners and developers on the ground are prepared to seize the opportunity, recognise their assets, and think of growth differently, as part of a new contractual relationship with communities.

Chapter 6

LEPs, universities and Europe – opportunities and challenges for supporting subnational innovation in England

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LEPs, universities and Europe – opportunities and challenges for supporting subnational innovation in England

In its response to the Heseltine review, the government has announced: “Most of the money in the Structural & Investment Funds Growth Programme will be notionally allocated to local enterprise partnership areas, with local enterprise partnerships themselves working with local partners to set the direction of the Structural & Investment Fund Growth Programme in an investment strategy.” These strategies will have to address the key EU funding priorities, of which a major one is innovation, through the lens of an EU-wide approach to “smart specialisation”. This approach ascribes a key role to universities as actors in local innovation ecosystems connecting global and local knowledge domains, and arguably gives far more prominence to universities than has been the case in previous structural funding programmes.¹

Meanwhile in England, the landscape of subnational economic development has changed radically since 2010. Regional development agencies and government offices for the regions have been abolished and local authorities (especially in the places that have traditionally been the biggest beneficiaries of structural funds) have had their budgets significantly cut. Universities are also grappling with the impacts of radical new policies which have seen student tuition fees almost treble and teaching grants (especially in the arts and humanities) slashed, while a new focus on “non-academic impact” in assessing research quality is being introduced.

Even in the days of relative plenty, when the RDAs provided funding and capacity to help universities engage with local partners, significant challenges still remained. For the nascent, heterogeneous and often under-resourced LEPs, anchoring universities into the local development landscape and harnessing their knowledge to support the “smart specialisation” demanded by the European Commission in order to unlock much-needed funding will be a challenging task. This paper argues that policy makers nationally and locally have yet to appreciate just how challenging this task will be, and success will be elusive unless steps are taken to ensure that there is sufficient capacity and motivation locally for effective partnerships to be built that can address these challenges. In short, to what extent will a focus on smart specialisation create opportunities for new ways of working to deliver local innovation and growth?

Smart specialisation strategies (S3)

S3 will be a key underpinning concept governing European structural fund

¹ European Commission *Supporting Growth and Jobs – An Agenda for Modernisation of Europe’s Higher Education System*, COM 567 (CEC, 2011)

investments in research and innovation in the 2014-20 programming period. It is defined by the European Commission's S3 Platform (hosted by the Joint Research Centre/ Institute for Prospective Technological Studies in Seville) as "a strategic approach to economic development through targeted support to research and innovation".²

Innovation Union, one of the three flagship initiatives for "smart" growth underpinning Europe 2020 (the European Commission's 10-year strategy for "smart, sustainable, inclusive growth" launched in 2010) sets out self-assessment tools for national and regional³ research and innovation systems. Taking an S3 approach to innovation is regarded by the EC as one of the 10 conditions for well-performing places. Furthermore it is a proposed ex ante conditionality for the use of the European regional development funds for 2014-20; this means it is an approach that is being increasingly adopted across Europe.

The move to the processes of S3 will not be simple. The method in its purest form proposes a new and more leading involvement of different actors in an "entrepreneurial discovery process", described as a "bottom-up" learning process aimed at identifying areas for future specialism that build on a region's existing assets. It demands a level of global awareness and partnerships beyond regional boundaries. It also introduces the concepts of embeddedness, connectedness and relatedness across functional economic areas. It calls for evidence-based identification of competitive advantages around which inputs of regional stakeholders and resources can be concentrated. On top of this, it asks for measures to strengthen regional innovation systems in order to maximise knowledge flows and spread the benefits of innovation throughout the entire regional economy.

The central role of universities in S3

The main focus on promoting the active engagement of universities in regions has traditionally been in terms of their contribution to the knowledge base in the regional innovation systems (RIS). This has gained a new salience in the context of the advancement of the notion of S3 as a future focus for European regional policy. According to McCann and Ortega-Argilés, S3:

... envisages that the identification of the knowledge-intensive areas for potential growth and development are related to the role of certain classes of players

² European Commission *Guide to Research and Innovation Strategies for Smart Specialisation (RIS3)* (CEC, 2012)

³ Throughout this chapter the terms "local", "regional" and "subnational" are used interchangeably; this is unavoidable, given the different economic geographies for policy making employed by the European Commission and UK governments past and present, as well as the self-defined local areas of operation of LEPs, universities and other actors.

(researchers, suppliers, manufacturers and service providers, entrepreneurs, users) and the public research and industry/science links. The players are regarded as being the agents who use the knowledge acquisition facilities and resources (human capital, ideas, academic and research collaborations) to scan the available local economic and market opportunities, to identify technological and market niches for exploitation, and thereby act as the catalyst for driving the emerging transformation of the economy.⁴

Universities can therefore be expected to play a key role in defining a regional S3 strategy by contributing to a rigorous assessment of the region's knowledge assets, capabilities and competencies, including those embedded in the university's own departments as well as local businesses.

Universities can contribute to the regional entrepreneurial discovery process by bringing global awareness and partnerships across regional borders into the frame through evidence-based identification of competitive advantage around which regional strategies and resources can be concentrated. This does not mean a university's research strengths should match the economic profile of the region – indeed, the diversity of a university's research base in conjunction with the opportunity arising from public funding to explore risky forms of research should be seen as the distinctive value of universities in regional innovation systems, as this can rarely be emulated in the private sector. This type of slack can add to the long-term adaptability of a regional economy that prevents lock-in to ageing technologies and a failure to support on-going innovation. Universities, through involvement in the development of platform technologies, can also facilitate cross-sector diversification.⁵

Furthermore, in meeting major societal challenges that have both global and local dimensions, such as how to move towards a low-carbon economy or to meet the needs and realise the opportunities of an ageing population, universities can contribute to local knowledge creation and its translation into innovative products and public and private services. In addressing such challenges, universities can engage the creative arts and social sciences as well as scientists and technologists. This role in S3 has been highlighted in the agenda adopted by the EC in September 2011 for the modernisation of Europe's higher education systems.⁶

4 McCann, P and Ortega-Argilés, R "Smart Specialisation, Regional Growth and Applications to EU Cohesion Policy" in *Economic Geography Working Paper 2011: Faculty of Spatial Sciences* (University of Groningen, 2011)

5 Goddard, J, Kempton, L and Vallance, P "Universities and Smart Specialisation: Challenges, Tensions, and Opportunities for the Innovation Strategies of European Regions" in *Ekonomiaz* (forthcoming)

6 European Commission *Connecting Universities to Regional Growth* (CEC, 2011)

Delivering S3 on the ground in England

It is estimated that the total value of innovation actions funded under the European regional development fund component of the structural funds in England for the 2006-13 period was in the region of €850 million. It is not yet known how much LEPs and their partners will choose to allocate to innovation-type actions after 2013; however, it is clear that the EC sees innovation as remaining a priority for the UK (as recently expressed in an open letter). England will have access to a European regional development funding pot worth around €3 billion between 2014 and 2020, with the stipulation that in transition and developed regions (meaning most of England), 60% of the fund (in the former category) or 80% (in the latter) will have to be spent on three or four priority areas, including actions focused on innovation and R&D.

This is a challenge. In the previous programming period, RDAs created regional science and industry councils with research and business representatives to help them prioritise regional investment in science and technology and downstream innovation; these councils mediated between the regions and national initiatives supported by the Technology Strategy Board and the research councils. Through their block grant funding, the RDAs were able to match European regional funds to support such interventions as the establishment of technology and innovation centres of both regional and national significance.⁷ As well as physical investments in innovation hubs, through their business support measures and influence over the skills agenda RDAs were able to stimulate regional innovation in the round. In short, RDAs were able to use a variety of funding mechanisms to embed business, universities and local authorities into regional innovation systems.

This regime was not without its shortcomings when viewed from the perspective of S3. First, there were far too many copycat strategies that were not based on an analysis of regional assets. Second, because there was little interregional collaboration, interventions often failed to build critical mass of capacity in both the knowledge demand and supply sides. Third, in terms of the structural funds there were 10 separate European regional development fund operational programmes in England. Finally, from a national perspective, knowledge supply was being enhanced in regions where there was limited current absorptive capacity in business and no overarching strategy to develop the demand side in innovation-thin regions; more specifically, key innovation players representing universities, research councils and other national organisations were not formally engaged in the shaping of a national innovation system with a territorial dimension.

⁷ See, for example: Goddard, J, Robertson, D and Vallance, P "Universities, Technology and Innovation Centres, and Regional Development: The Case of the North East of England" in *Cambridge Journal of Economics* vol 36, no 3 (2012), pp609-627

Government has now developed and consulted widely on national priorities for the next programming period, of which the major priorities are innovation R&D, low carbon, SMEs, ICT, skills and social inclusion. Recently (in its response to the Heseltine review) government set out a high-level approach to programme management for the 2014-20 EU structural and investment funds. This suggests that local enterprise partnerships will lead the formulation of investment strategies for the structural funds against notional allocations. Cumulatively, these 39 strategies become the building blocks of the national programme.

Bringing this approach to fruition across England will be hugely problematic. As discussed in other chapters, the 39 LEPs are infant institutions covering varying geographies, of differing characters, capacities and capabilities. Their boundaries do not match the NUTS2 areas that will be utilised by the European Commission. They have little (if any) direct expertise in EU programme formulation and implementation, and limited access at the moment to any major sources of national or local match funding on which to anchor an EU investment strategy. For innovation this challenge is even more acute, given government's response to the Heseltine review. This suggests that innovation funding (and commissioning) will remain principally national, and will not be a component of the new single local growth fund it intends to establish from April 2015 (which will presumably be a principal source of LEP match for EU structural fund programmes).

Research that we have undertaken suggests that central government agencies largely consider the 2011 national innovation and research strategy for growth overseen by the science minister to be already "smart" and therefore compliant with the ex ante conditionality.⁸ The strategy focuses on research and technology development and the commercialisation of the knowledge base in universities, with no explicit subnational dimension. A large number of agencies are involved in the implementation of the strategy, including the Technology Strategy Board, the Higher Education Funding Council for England and the UK research councils, but there are no formal mechanisms through which these bodies can come together. Among officials there is concern as to how well the innovation strand in the structural funds can be aligned with national programmes, particularly those that are competitive in design. National agencies will therefore need to invest considerable resources in lateral and vertical co-ordination if they are to work together and engage effectively with the variable capacities and capabilities of the 39 LEPs and their local partners.

8 DBIS *Innovation and Research Strategy for Growth*, Cm 8239 (2011)

The research has revealed something of a need/desire paradox on the part of both national and local actors. There is consensus about the lack of capacity but little appetite for new structures – especially any which would have a governance and/or gatekeeping role on either national or local prioritisation of the use of structural funds, a process which is supposed to be at the heart of the S3 approach. While a majority of respondents to a survey we have undertaken believe LEPs should be playing a prominent role in local leadership for innovation, few felt this was the case. At the same time, LEPs saw their role as much more behind the scenes, facilitating leadership rather than directly delivering it. So as well as the considerable structural challenges local areas will face in drawing down EU funding after 2013, there is also a possible mismatch in expectations among local and central actors over each other's roles and responsibilities in the process.

Universities as actors in local economic development and innovation

Universities as globally engaged institutions can bridge the gap between national and local approaches to economic development. At the most basic level, universities can be anchor institutions in local economies as major employers across a wide range of occupations, purchasers of local goods and services, and contributors to cultural life and the built environment of towns and cities. Local investment in the infrastructure of a university to support its core business of research and teaching can therefore have a significant passive regional multiplier effect, even if the university is not actively supporting regional development.⁹

But what of the more active contributions that universities can make? This can be broken down into four areas: business innovation, which is closely, although not exclusively, linked to the research function of the university; human capital development, linked to the teaching function; community development, linked to the public service role; and the contribution of the university to the institutional capacity of the local area through engagement of its management, staff and students in local civil society. Where these four domains are integrated, the university can be seen to be occupying a proactive role in the regional development process.¹⁰

Universities in the round therefore have a potentially pivotal role to play in the social and economic development of their localities. They are a critical asset of the area – even more so in localities where the private sector may be weak or relatively small, with low levels of research and development activity. In such situations mobilisation

9 Goddard, J and Vallance, P *The University and the City* (Routledge, 2013)

10 OECD *Higher Education and Regions: Globally Competitive, Locally Engaged* (2007)

of the resources of the university can have a disproportionately positive effect on the local economy and achievement of comprehensive strategies for growth.

There are a range of mechanisms available to support the engagement of universities in local economic development, many of which are being employed within England and elsewhere in Europe. However, as the *EU Guide Connecting Universities to Regional Growth* points out, it is the strategic co-ordination of these mechanisms within a wider policy framework that will yield the maximum impact. To achieve this, universities and their local partners, with the support of national funders, need to address the many barriers that can get in the way of strategic collaboration.

The nature of the challenges

On the knowledge supply side, one of the greatest challenges is that higher education policy in the UK, as in many other countries, does not have an explicit territorial dimension. Academics and their universities are rewarded on the basis of the scientific excellence of their research, and where they collaborate with business there are strong incentives for this to be with leading companies in the field, regardless of their location. While university technology transfer offices are dedicated to the commercialisation of research, including spin-outs, they are generally not resourced to explicitly contribute to local economic development, where the outcomes such as job generation may be outside the remit of higher education. The consequence is that the national and international rankings of universities are by and large correlated with the hierarchy of locations (in other words, the "best" universities tend to be found in the most dynamic cities and regions).

On the local demand side, while an area might possess a strong university or universities, there may be limited absorptive capacity in local enterprises, especially SMEs and the branches of multinational companies with no local in-house R&D. On the institutional side, local governments may be fragmented and unable to act beyond their immediate boundaries. The local entrepreneurial environment, including venture capital funding, may be inimical to university spin-outs. In such circumstances the bundling together of demand for university services will be challenging.

Another challenge is the nature of the funding regulations. Universities are familiar with and organised to meet the requirements of national and international competitions for research grants. In comparison, European structural funds can be seen as a high-risk proposition, owing to an emphasis on outputs and results (such as job creation) that are not linked to the core mission of universities; moreover,

intervention rates are considerably lower than "traditional" sources of research funding, such as the Framework programmes and the forthcoming Horizon 2020. Funding for research through these programmes can be more attractive as it (currently) has an intervention rate of up to 75%, with some activities even eligible for 100% funding. In addition, the application process is more in tune with academic practices such as peer review.

Conclusions

European funding in the 2014-20 period provides a huge opportunity, in a time of austerity, to double the impact of local and national investments aimed at driving economic development and growth, particularly in those places where the economic conditions are the most challenging. However, there is a gap at the subnational level left by the departure of the RDAs. LEPs are of widely differing size, scale, coherence (both geographically and in terms of partnership maturity), ambitions and capability. Some LEPs have the capacity to drive forward their proposals for local innovation strategies and plans, while others have not yet reached that stage of development.

Universities are clearly being assigned a more prominent role in the delivery of European-funded programmes, particularly in the context of the S3 agenda. In an era of radical institutional changes at the subnational level in England, universities' role as anchor institutions in their local economies is increasingly important. This has been recognised by the government, in the recent announcement of an independent review of university partnerships with localities to be chaired by Sir Andrew Witty, chief executive of GlaxoSmithKline and chancellor of Nottingham University. The review will need to recognise that both universities and local authorities are operating in a more turbulent environment than when partnerships were forged. Universities are working through the implications of a fundamental reform of their funding regime. The increased significance of graduate employability and the greater weight given to research impact in future funding may stimulate more engagement with local employers. On the other hand, the growing marketisation of higher education may lead some institutions to withdraw from public good activities that do not directly contribute to the bottom line. For their parts, LEPs and local authorities may look to contract out a range of economic development functions to universities in their area. The technical assistance budget line in the structural funds might make this possible.

In summary, the challenge for policy makers both locally and nationally is how to address the often competing pressures of achieving national and international standards of excellence in innovation with closing a widening gap in prosperity

between different places. Furthermore, the heterogeneity of structures for local economic development means that a more tailored and nuanced approach will need to be invested in by national agencies seeking to engage locally. Finally, as one of the few consistent local actors – and being comparatively unscathed financially compared with public-sector bodies – universities could be expected to make a much more significant contribution to leadership and delivery of local innovation. In these challenging times, it is increasingly incumbent on universities to show not just what they are good at, but also what they are good for.

Chapter 7

The state of the LEPs – a national survey

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The state of the LEPs – a national survey

In the summer of 2012, the Centre for Urban & Regional Development Studies at Newcastle University considered that a comprehensive baseline assessment of LEP progress was needed. Two years on from the decision to abolish regional development agencies, and the subsequent letter from ministers Vince Cable and Eric Pickles to “civic and business leaders” inviting them to establish local enterprise partnerships, a new landscape of economic development governance has emerged. England now has universal, designated (by government) coverage from 39 LEPs.

However, the perception of LEPs has been somewhat mixed and, in some quarters, downright sceptical. Reports variously described business disenchantment, an acute shortage of resourcing and real doubts as to LEPs’ longevity, especially in the face of mixed messages from different government departments and seeming alternative developments such as city deals.¹ The all-party parliamentary group report on LEP effectiveness² did not address the question of how effective the LEPs were and instead focused on recommendations, principally to government, on preconditions for making them viable and sustainable.

As part of its research within the Spatial Economics Research Centre – funded by the Economic & Social Research Council, the Department for Business, Innovation & Skills and the Welsh Assembly – and in collaboration with the Bartlett School of Planning at University College London, the CURDS team resolved to test the emergent anecdotal and partial impressions with the first comprehensive national survey focused explicitly on the institutional development of LEPs. The research has proved timely. While we were agreeing the parameters of the study with the LEP Network³ and receiving input from the BIS and the Department for Communities & Local Government, the government announced LEP core funding and Lord Heseltine’s *No Stone Unturned* review⁴ recommended greatly enhanced roles, responsibilities and enhanced and integrated finances for LEPs. As the fieldwork commenced, Heseltine’s recommendations were

1 See, for example: Centre for Cities *Cause Célèbre or Cause for Concern? Local Enterprise Partnerships One Year On* (2011); Centre for Cities and Work Foundation *The Business of Cities: The Private Sector, Local Enterprise Partnerships and Growth* (2012)

2 All-Party Parliamentary Group on Local Growth, *Local Enterprise Partnerships and Enterprise Zones Where Next for LEPs? Report of an Inquiry into Effectiveness to Date of Local Enterprise Partnerships* (House of Commons, 2012)

3 The LEP Network is a gateway to news and information that enables LEPs to come together to discuss issues of shared importance, engage with government, and share knowledge and good practice. The LEP Network is facilitated by the British Chambers of Commerce and resourced through a combination of in-kind contributions from the BCC and its partners and grant funding from the DCLG.

4 Heseltine, M *No Stone Unturned in Pursuit of Growth* (DBIS, 2012)

endorsed in principle by the chancellor in his autumn statement in December 2012 and a more formal response from government has since been published.⁵

Now covering both baseline institutional data and capacity-building needs for the future, this chapter presents the principal findings of the survey and makes some observations on how these results might be used over the remainder of this parliamentary term (that is, to 2015). It then concludes with some preliminary comments on the future for LEPs and for subnational leadership of growth in the period post-2015.

Research design and method

The survey fieldwork comprised the preparation of a qualitative questionnaire and quantitative financial and staffing annexes, which guided interviews with all 39 LEPs at either chair and/or chief executive/director level over the period November 2012 to February 2013. The questionnaire covered five major topic areas: strategy and priorities; organisation and governance; resourcing; innovation; and capacity-building needs. In the event, of the 39 interviews, 13 were conducted face to face, with the remainder by telephone. The interviews were supplemented by systematic interrogation of individual LEP websites and written material, and an in-depth review of other reports.⁶ On completion of the fieldwork, results were presented and discussed at a preliminary seminar in Newcastle in March 2013. A final report will be produced and disseminated in 2013.

Findings

While it has become something of a cliché to characterise LEPs as 39 individual institutions of huge diversity and variability, the survey produced a much finer-grained description of what this means in practice, and indeed where there are significant similarities in character and perspectives across the LEP "family". Taking each of the survey sections in turn, the headline findings are as follows:

Strategy and priorities

LEP strategies and priorities, as at December 2012, tended to be of four differing types (although there are a small number of multi-type hybrids), dependent on the genesis and character of the LEP. The typology is based on whether the strategy is for the area as an economic geography or for the LEP as an institution, and whether it is based on rolling forward an existing strategy or is a new formulation exercise.

5 HM Treasury and DBIS *Government's Response to the Heseltine Review* (2013)

6 Including, for example: DBIS *Local Growth: Realising Every Place's Potential*, Cm 7961 (2010); Odgers Berndtson *LEPs: A Chair's Perspective* (2012); Walker *Local Authorities, Local Enterprise Partnerships and the Growth Agenda*, first report of joint research project (CEDOS/ADEPT, 2010)

Approximately 50% of LEPs inherited their strategy – either implicitly or explicitly and to a greater or lesser degree – from previous area-based economic strategies framed by an RDA subregional partnership or local authority local economic assessment basis. In this case, the strategy and priorities tended to be put to and discussed with LEP boards prior to adoption. Where new strategies have been developed and adopted, these tended to be commissioned as part of an external consultant-led process, or occasionally pulled together by an executive, with board workshop deliberations. Use of evidence bases and formulation (including consultation) processes has been inconsistent.

The other key difference in the character of strategies and priorities is whether they are about the area or about the LEP's contribution to an area (which is more akin to an organisation business strategy or corporate plan). In general, where a LEP is intended to be an instrument of the local authorities (again either explicitly or implicitly), the strategy and priorities have been about defining how the LEP can add value. Interestingly, the LEP-based business plan approach spans both seemingly well-resourced LEPs in, for instance, some core city regions, and much more streamlined, often county-based LEPs.

Evaluation and monitoring among the LEPs is a work in progress but a vital issue for demonstrating worth and contribution to local and national growth. The current picture is mixed across the 39 LEPs, with a handful having a performance management framework, several having published annual progress reviews and others identifying measures of success and progress in deliverables and outcomes.

In terms of strategic prioritisation, LEPs have either adopted a sector focus (typically four to six sectors, but in some cases into double figures!), a thematic focus (such as skills, inward investment or connectivity) or both. Interestingly, very few are focused upon housing, despite the government's emphasis on this as a means of kickstarting growth. When the strategy has been explicitly about the organisation, there has been greater prominence given to identification of "big-ticket" LEP activities (such as enterprise zones) or support for specific projects, and some differentiation between modes of LEP role (with "rowing, steering, cheering", for example, being quite popular in some Southern LEPs).

All LEPs, however, recognise that their first strategic and prioritisation exercises will need to be refreshed in 2013/14 to meet the new challenges being set for them by government. It will be important to consider how prescriptive both the content and process are for the formulation of guidance for LEP growth plans. Early signs suggest

inconsistency in treatment and timing from government.

Organisation and governance

As with strategy and priorities, while there is no universal LEP model of organisation and governance, there are not 39 different models, and all LEPs are reviewing second-generation (or, in a small number of cases, third-generation) arrangements in the light of government's response to Heseltine. Almost all have sub-board structures of board member lead roles, standing subgroups, "task and finish" working groups, and preferred/assumed delivery partners. Almost all have either a single or multiple local authorities as the "accountable body" for stewardship of public money.

The key differentiators around organisation and governance are as follows:

- About 50% of LEPs have adopted some form of legal incorporation, with the remainder as voluntary partnerships or part of wider local authority-based governance arrangements.
- The role of the chair is crucial for the character and focus of the LEP. The quality of the leadership provided is seen as fundamental to defining what the LEP is about and articulating its strategy and priorities. Some areas seek a high-profile "name" to represent the LEP externally, and particularly to unlock doors with government. Others have sought a "convenor" of the board and consensus-builder for local inter- and intra-public/business relations. There is also a major division in terms of the time commitment expected. Most chairs make a major time commitment to their role, but this obviously varies depending on, for instance, how demanding their "day jobs" are, and whether they are in major substantive business roles (such as a chair or chief executive) or are pursuing a portfolio career after formal "retirement".
- The size of board varies, from over 40 in the case of the South East LEP to under 10 in Worcestershire, and board representatives per capita from over 1:700,000 in London and 1:200,000 in D2N2 and Greater Manchester to under 1:50,000 in over a quarter of LEPs.
- The relationship with local authority-based structures is crucial. LEPs such as London and Greater Manchester are explicitly a subset of mayoral and combined authority governance respectively, with the new entities absorbed into existing arrangements which are seen as having greater accountability and legitimacy. A number of LEPs are de facto a business-led arm/"daughter" of a local authority

leaders' board. Others are "finding their way" and can legitimately sit alongside often newly formed local authority leadership structures. As combined authorities become the preferred form of governance, how LEPs relate to such emergent structures will be critical.

- The relationship with business (and business representative organisations) is also evolving – often largely dependent on the genesis of the LEP. In some LEPs, the chamber of commerce has had an important role, and is even providing the LEP secretariat, while in some LEPs the desire for business members potentially puts them in competition with business representative organisations. Some LEPs explicitly claim to be the local "business voice", while most claim to be either "a" voice for business or a mediator of business voices.

Organisation and governance is undoubtedly extremely unsettled, and will change significantly over the coming 12-24 months. Beyond the formal differentiators outlined above (legal form, chair, board composition, local authority and business relations), there is real unease over accountabilities and culture.

To whom is a LEP really accountable? The survey results suggested tensions between genuinely not knowing, accountability to a local authority leaders' board (or mayor in London), accountability to "business", or even a suggestion of accountability to government and secretaries of state. On culture, the major concern is how to stay agile and entrepreneurial in the face of a predictable bureaucratisation as LEPs assume increasing responsibilities for public policy and resources.

This unease was explored in the CURDS March 2013 seminar⁷ under the broad question of "What is the LEP?" Is it the board? Is it the organisations represented on the board? Is it a loose local coalition of public-, private- and third-sector players with contributions to make to local growth? And does government have specific expectations of what an LEP should be in order to assume the level of responsibilities earmarked for LEPs that were announced in the autumn statement (and subsequently Budget 2013)? The current conjuncture is a huge distance from the voluntary "invitation" set out in the June 2010 Cable/Pickles letter.

Resourcing

While the survey gathered a huge amount of data, it was difficult to establish a clear and full understanding of individual LEP resourcing, and this is surely an issue that will

⁷ A blog post and slides from the CURDS seminar are available at: <http://www.ncl.ac.uk/curds/news/item/curds-seminar-the-state-of-the-leps>

need further clarification as government core funding and local matching requirements commence (effectively from April 2013). The issue is not only one of huge variability, but perhaps more importantly one of transparency versus opacity.

Taken at face value, some LEPs claim to have up to 60 staff (for instance, Liverpool City Region), around a third have five to nine staff and a further third just one to four. Similarly, some LEPs have access to enterprise zone, Regional Growth Fund and other programme funding, some independent sources of local revenue (or "rich parents") in addition to government core funding streams and the Growing Places Fund allocations. This can amount to a resources footprint of well over £10 million a year for the next three years. Some LEPs are restricted effectively to government core (including earlier capacity building and start-up) and Growing Places Fund sources.

However, even more well-endowed LEPs face complications. Many LEP staff are "two-hatted" –working for a LEP and a leader's board and/or pre-existing partnership arrangement. Similarly, the character of funding is not always clear-cut. There are considerable in-kind contributions (especially from the private sector and/or board members) and institutional ownership issues, where either accountable body arrangements are directive or the LEP merely acts as a gateway/postbox to a delivery organisation.

Moving forward, the concern is the pace of change from start-up, embryonic organisations to bidders and delivery managers for multibillion-pound local single growth pot and EU programmes. Concerns are evident among LEPs that this precludes their organic growth and development as institutions. Will LEPs require sophisticated resource, delivery and performance management arrangements – at scale and levels of transparency that means they will have to run before they have learned to walk?

Innovation

A striking feature was the level of innovation delivered by LEPs in their first two years. Initiatives ranged from adaptive innovation in traditional local growth areas (business support hubs/portals, managing Growing Places Fund issues) to formative work (on topics such as retail, ageing, water, and coastal management). The issue moving forward is how strategic, sustainable and transferable LEP innovation is – especially given the competing demands of new purposes and the need for stronger information and knowledge sharing among the LEPs, tempered by their sometimes competitive interrelations.

Capacity building

Finally, the fieldwork explored issues of future capacity building. Perhaps what is most

striking about the findings is how little systematic and collective thought has been given to long-term institutional development needs. Many LEPs have had to hit the ground running and operate on a tactical basis at breakneck speed without having time to consider and reflect upon their future trajectory. LEPs are particularly protective of their individuality, often actively embracing a "competitive" game to progress their ambitions (vis-à-vis other LEPs), and are instinctively sceptical of most national processes (including in some cases even the LEP Network). There is a growing sense of the step change they need to make to deliver government agendas to 2015. There has also been some recognition of shared concerns on a case-by-case basis (such as VAT) or "good neighbour" basis (such as strategic transport corridors).

The March 2013 seminar at CURDS generated a discussion of wider issues where collaboration makes sense – such as learning what works and not reinventing wheels, functional issues like EU programmes or dealing with local transport or skills boards. There is also the question of whether LEPs need a collective voice on major policies (for example, the future of city deals or the parameters of the local single growth pot) for deliberation with government, local authorities or other role-players (universities, government agencies and so on).

Conclusions and recommendations

The CURDS survey provides a depth and breadth of national evidence from across the LEP family that has not previously been collected and analysed systematically. It certainly raises further questions for interrogation about the future(s) of these still-infant organisations.

The major concerns at this stage are twofold. First, will the breadth of ambition for and expectation of LEPs, stimulated by government's response to Heseltine, crowd out and distort their organic growth as private-sector-led, robust, viable, locally owned/valued and sustainable institutions? Second, will the variability of and competitiveness between LEPs be their Achilles heel? With Heseltine, government and most commentators regularly reinforcing the "variable capacity and effectiveness" cliché, the implications are that LEP sceptics will discredit the whole family, that the collective will move at the pace of the slowest, or that variable paces of development will be determined more by shallow perceptions of LEP institutional capacity rather than by either objective economic need or opportunity. Any of these outcomes will surely be less than ideal for both local and national growth.

Our conclusions are of course a snapshot in time, and based on a limited, particular survey cohort (chairs and chief executives or executive directors). The key additional

work we recommend for LEPs and their partners and future research is focused on understanding and building relationships.

- LEPs, in their relations with government, need to address issues of mutual expectations, of decentralisation and multi-tier governance (national, LEP, local) and of how differing national priorities and approaches can be pulled together for subnational economic geographies. The unevenness and inconsistency with which central government is dealing with each LEP needs to be ironed out.
- As importantly, LEPs need to understand and reach local settlements of their role in local economies – with local authorities, with instruments like city deals, and in terms of policy and funding responsibilities (such as planning or EU/local growth fund programmes). With government's offer of enhanced decentralisation seemingly dependent on strong, publicly accountable multi-local-authority governance (in, for instance, combined authorities), real (as opposed to "on paper") LEP powers and resources are far from assured.
- LEPs need to understand and build relationships with each other. With significant shared agendas at many levels, LEPs cannot make strong progress through 39 diverse conversations with each of their partners on each issue. There may well be a variable geography of collaboration by issue and area but it needs to be much more systematic than hitherto. If they are not satisfied with the first-generation LEP network, LEPs collectively need to own and shape a second-generation instrument – not leave it to others to determine.

LEPs beyond 2015 – the only show in town or facing closure after mixed reviews?

Our capacity- and relationship-building recommendations to 2015 will take time and resources that many LEPs will be reluctant to expend against a continued background of troubled economic waters and in the face of mounting responsibilities, including EU structural fund prospectuses, local growth plans and funding bids, progressing enterprise zones, Growing Places Fund, Regional Growth Fund and other programmes. However, if LEPs are to endure and prosper after 2015, we will argue that this longer-term investment is vital.

In early 2013, in the aftermath of the autumn statement and the Budget, LEPs were sometimes lauded as "the only show in town". We can anticipate that government post-2015, of whatever colour(s), may seek to replace or develop "deficit reduction", "localism", "rebalancing", "big society" and other Coalition themes with a fresh language for the remainder of the decade. If LEPs want to slow down the historic pendulum

swinging between regional and local forms of economic development governance in England, and earn a run to the end of the decade and beyond, however, they will need to be part of new post-2015 narratives. As a way of organising the institutional arrangements for economic development, the LEPs in England look small and seriously underpowered for the task in an international context.

In the period to May 2015, LEPs need to demonstrate that they have learned valuable insights into how to deliver local economic growth and demonstrate what this contributes towards national growth. And they need to show they can adapt those lessons for a new context. There will need to be a compelling LEP narrative about subnational development 2015-20, or at the least, a small number of coherent LEP propositions. If we go into the next election with 39 individual stories about the past and the future, then we can be fairly certain that a number of LEPs, if not all of them, will end up facing closure after mixed reviews.

Chapter 8

Funding of LEPs

Nigel Wilcock MIED, Non-Executive Director of the Institute of Economic Development

Funding of LEPs

A troubled birth

It was perhaps inevitable that in 2010 the economic development community expected local enterprise partnerships to gain significant resources and funding. This was the same economic development community that had seen the collective budgets of the regional development agencies balloon to almost £2.3 billion by 2007/08 and secure an ever wider remit within their regions.

Perhaps as a result of this funding anticipation, a total of 56 LEP bids had been assembled by local areas by the autumn of 2010. The funding anticipation was perhaps further heightened because the Department for Business, Innovation & Skills had made it clear that they would then undertake a role evaluating LEP bids and determining which areas would be awarded LEP status.

By the end of 2010, however, it was clear that the funding model of LEPs was closer to the Big Society model of community involvement and self-determination than a simple reallocation of some of the previous funds expended on the RDAs. The incredulity from some quarters regarding the lack of funding resulted in a troubled birth for LEPs, with the *Local Government Chronicle* observing that the successful LEP bids of October 2010 resembled "22 bald men fighting over a comb". Others asked whether localism without funding would in fact lead to centralism.

It is unclear whether the original DBIS-devised LEP model had envisaged local communities creating their own local funding model – and if that was the case, then it remains unclear why LEPs needed central ordination to establish their function. A more charitable interpretation is that the DBIS had always intended an approach that allowed LEPs to become established and for local relationships to be embedded before considering the addition of functions and resources.

By 2011 the DBIS was relying on LEP approval/endorsement to help evaluate some subregional policy initiatives and local funding bids. Through these changes a structure was slowly established whereby the authority of the LEPs gained greater recognition. In some areas this recognition was matched by local funding, but in other areas the funding model remained unclear. Central funding did not appear to be an agenda item at this point.

Make do and mend

Nor did every LEP area start from a zero base. In a number of the metropolitan areas,

previous initiatives such as multi-area agreements had already created cross-border structures. In these areas, established relationships and delegation of specific functions to different organisations resulted in organisations that were immediately in a good position to take forward LEP-wide initiatives and show leadership. In these metropolitan areas some evolution took place within existing structures to ensure that LEPs could immediately make some impact across their defined boundaries.

In other areas, however, a difficulty in organisations establishing an agreed LEP geography or organisations trying to working as a combined unit for the first time resulted in the need for structural revolution, while at the same time agreed roles, relationships and trust needed to be established before any effective work could be undertaken.

In a number of cases the staffing resource that could be called upon by the newly formed LEP boards was drawn from local authorities, with some economic development staff members suddenly having two roles and, perhaps more importantly, being responsible to two organisations. These staff needed to determine whether borrowed resources prioritised the wishes of their elected councillors or their new LEP board members.

Conflicts of this nature are more likely to emerge where two LEPs cover the same area (a curious anomaly that was allowed to become established despite the the DBIS ordination process). The potential for resource conflicts became increasingly apparent as organisations with non-LEP boundary areas started gaining "city deals" and in some instances became better funded than the LEPs themselves.

Wrapped into existing structures

There is little doubt, therefore, that those LEPs that made the most headway and set the economic agenda most quickly were those that were wrapped into existing structures. Not only did these LEPs manage to identify staff resources that could concentrate entirely on the priorities of the organisation, but they were also well placed to identify and bring forward projects that were ready for implementation.

The second point, about the identification of future projects, was to become extremely important a year after the LEPs were established. The first steps towards the provision of funding on an LEP geography were taken by the announcement of the Growing Places Fund at the Liberal Democrat party conference in 2011. This fund (and to some extent Regional Growth Fund funding) started to open opportunities for LEPs to allocate programme money and create economic development interventions (albeit with no funding for the LEPs themselves). These steps increased the influence and importance

of LEPs. They also, however, started to illustrate the differences between those LEPs that had been wrapped into existing structures and could effectively allocate the resources and put in place the correct governance measures, and those that were still establishing their working relationships.

The Coalition government had recognised a need for greater local intervention to unlock growth in areas of opportunity; and as a result the government was beginning to free up (albeit modest) resources to achieve its policy aims. At the same time it was becoming clear across government that the new structures of local delivery were in many cases too immature, and basically too denuded of resource, to use the funding effectively and make the required difference.

Governance – the issue for the future

It is clear that programme funding opportunities are likely to continue as government tries to unlock opportunities and create local growth. There is also a likelihood that LEPs will play a significant, although yet to be determined, role in the subregional allocation of central resource under the newly announced and apparently wide-ranging local growth fund and allocation of European funding. The policy and resource allocation remit of the LEPs is therefore likely to be expanded.

The lessons learned in the early attempts to spread programme money effectively between areas of need, rather than across those LEPs most able to create effective bids, have now resulted in the announcement of some limited capacity funding for LEPs. This is a welcome, and in some areas essential, departure from the early days of LEP development.

The funding question is not likely to go away any time soon. The economic development community has long since recognised that despite much media commentary, LEPs are not RDA replacements and will never even come close to achieving RDA levels of funding. Nevertheless, if LEPs – and, importantly, LEP boards – are to be expected to develop strategies, work up projects, evaluate priorities, undertake bids and then deliver good governance on the programme spend, it is unrealistic to expect this to be undertaken with little or no resource.

Most LEP areas have now realised that they need to work effectively together and provide their LEPs with some local funding to make credible requests for central government programme spend, but at the same time government is recognising that if local intervention is to work, some resource needs to be provided to the LEPs to allow them to undertake their function.

As the new landscape develops, it will be interesting to see whether the LEP boards remain stable and committed. The boards remain voluntary and were established at the outset to determine local priorities and drive local strategy. It is likely that as more policy and governance issues are placed on the LEP the workload, the level of scrutiny, and the overall responsibility placed on these unpaid boards will increase. Retention of strong boards may be the next challenge in LEP evolution, especially if the call for additional capacity funding does not materialise and boards cannot call upon increased officer support.

What funding models for the future?

It is perhaps inevitable that having been saddled with the erroneous descriptor “replacements for the RDAs”, funding for LEPs can be seen as being derisory. It can also be seen, however, that if LEPs are to be an appropriate funnel for economic development and regeneration resources to allow government to influence growth in all areas of England, they will require some resource. As ever, there is little point criticising an existing model without some indication of how the landscape could work more effectively.

How to fund economic development is a debate that has been undertaken many times before with regard to different regeneration and economic development initiatives. We have learned many things from all these previous initiatives. The different funding options appear to be as follows:

- voluntary approach;
- local levy;
- membership;
- charging models;
- programme administration charge; and
- national funding.

It is worthwhile considering each of these possible approaches for funding, but it would be unwise to attempt this before consideration is given to exactly what LEPs require funding to achieve.

What is funding for?

The primary role of LEPs under the localism agenda should be to understand the needs of local areas and the actions that are required to deal with those needs. There are many agencies that can then deal with the actions that are identified, so in the best-performing LEP areas a multi-agency approach will be co-ordinated by the LEP to deal

with those key issues holding back economic development. There will be many different areas of focus, each unique for a given area. In some areas the primary focus will be on infrastructure; in others the key issue may be skills and the aspirations of young people; in other areas it may be access to employment. There should be no prescribed list. Whatever the required actions, there is no suggestion that the LEP is just another body charged with undertaking the work. The actual work should be undertaken by the delivery agencies within the area. The LEP has a wider role.

There should always be hesitation before the word "strategic" is introduced into the description of an organisation. Far too often in economic development the word "strategic" has been interchangeable with "talking but no action". The LEP's role in determining need and commissioning work could be described as strategic but in this instance it may be more appropriate to view LEPs as having an understanding and co-ordinating role.

Perhaps in the early days of the LEPs, as has been discussed, there was a seductive idea that by understanding an area, the co-ordination activity could be undertaken free of charge by a board of local business leaders and local authority leaders who were looking to "put something back" into their local community. Given that economic growth is proving difficult to achieve and local interventions are requiring new programme expenditure, the limitations of the voluntary arrangement are likely to become increasingly apparent.

The work that is likely to be required as the new environment develops will include economic research, business planning, bid writing, programme governance, partner engagement and evaluation. Activity of this nature does not necessarily require LEPs to create a heavily resourced structure, but if this work is to be undertaken properly it is likely that LEPs will require some staff as well as outsourcing some activity.

With a remit of the type discussed, it is easy to imagine LEPs becoming organisations of five to 10 people. The hope is that the LEPs will then be given some autonomy by local partners to undertake their activities without interminable partner discussion and consensus building. Surely the idea of local determination was intended to allow like-minded organisations to pursue common goals through an empowered local group. In many places the initial signs are not, however, that encouraging – and as local authorities change leadership and politics shift, there is a risk that the original agreements that formed the LEPs will turn into local tensions. Too often local economic development progress has been stuck in the mire of stakeholder discussion.

The new funding model and establishment of a working protocol for each LEP is a pressing concern, or in some areas the LEP model may start to fracture as programme opportunities are missed and changes in the original sponsoring organisations start to undermine the legitimacy of the LEP.

Funding model 1 – voluntary approach

This would be a continuation of the current approach, where a voluntary board assumes all responsibility for the activities of the LEP, including strategy, programme funding decisions and governance. Support to undertake these functions would be borrowed from local authorities or other local economic development agencies.

This paper has already described the limitations of this approach. The borrowed workers are likely to be subject to conflict between work required by their ultimate employers and the LEP board, and boards will be heavily stretched in undertaking programme expenditure decisions, with limited ability to inform their decisions through independent analysis of funding requests. This model is likely, in many cases, to result eventually in poor funding allocation and fund mismanagement because of the limited resources in place for governance and evaluation.

A conclusion that could be drawn is that under increasing pressure, the original board of philanthropic intent evolves into boards of self-interest. Already it can be seen that large local landowners are very often on the LEP boards, with the resultant care required over conflicts of interest.

Funding model 2 – local levy

A local levy approach is likely to require the contribution of the local authority areas that originally formed the LEP. The argument for this approach is persuasive because the levy will ensure the continued interest in and commitment to the LEP by those local bodies. The work undertaken will therefore at least in part reflect the wishes of the elected local authorities.

Beyond the superficial attractiveness of the funding model, an essential question is why this approach would work better than the local authority spending the money directly, perhaps informed by a panel of local business leaders – the “strategic economic partnership” model adopted by many local authorities. Essentially the question would be: “What does a LEP bring us that we don’t already have?”

The approach would test whether those areas that rushed blindly towards LEP status back in 2010 in the expectation of cash and political favour would still recognise the

merit of working with their neighbours. Without external cash, the local authorities and other bodies on whom a levy was charged would need to genuinely believe that the LEP area status conferred opportunities that were bigger than the sum of their original parts. This would not be a bad thing, but might lead to the dissolution of some LEPs as local authorities took the view that they could achieve more alone.

Funding model 3 – membership

This is a model that is already in place in some LEPs and many other subregional economic development bodies. The membership model does, however, chip away at the independence that is important if LEP strategy is to be seen as being focused on the most important aspects of local area development.

A membership model requires some sort of benefit to be conferred on the members and this does not sit well alongside an organisation that is supposed to be neutral and an arbiter of local strategy, even if the issue is only one of perception. A second issue with a membership model is that gaining members and administering the function is in itself time-consuming and requires resource. Membership may therefore play a part in some LEPs but it cannot be regarded as a self-sustaining model that can resource their entire activity.

Funding model 4 – charging

Given what has been said about the likely role of LEPs in economic research, business planning, bid writing, programme governance, and partner engagement and evaluation, there does not seem to be a tremendous opportunity to raise fee income directly from these activities.

There may, however, be opportunities to charge fees for some services linked to (or independent of) these activities and use the fee income to cross-subsidise the broader activity of the LEP. For instance, evaluation work could be offered to other public and private bodies as well as carrying out the work for the programmes that the LEP has administered – a similar model could be envisaged for economic research, business planning, bid writing and programme governance. This is a model that some LEPs may effectively adopt but there is unlikely to be market opportunity for each LEP to raise funds in this way – a more likely scenario is that a handful of entrepreneurial LEPs pursue such an approach. There is also the issue of whether such activity crowds out private-sector activity in this area.

Funding model 5 – programme administration charge

One funding model that has been adopted by a number of public/private bodies is

based on taking a percentage of programme expenditure as an administration charge. The activity has perhaps become established because of the possibility of charging an administrative component to European programmes (a possibility becoming more common in UK government programme funding). Often public bodies prefer to outsource some of the work to avoid resourcing for fixed-term work.

If good governance is to be ensured in programme expenditure, one component of the future programmes should be to ensure that programme funds are provided with the ability for the LEPs to levy an administration fee. This is likely to form part of some core LEP funding.

Caution should, however, be exercised. If such a funding model is to be adopted, it will be important to ensure that the primary objective of the LEP remains clear and that programme bids focus on local priorities. The risk is that LEPs start to chase programmes because of the administrative fees that they allow to be charged. Where such programme chasing starts to occur, the integrity of the work of the LEP as the arbiter of local economic need would be undermined. Programme administration funding has helped determine the strategy of several organisations – some chambers of commerce represent good examples of organisations where members' interests represent a lower financial priority than securing programme funds.

Funding model 6 – national funding

A straightforward national cash grant is in some ways the most seductive of all the possible funding approaches. It is also something that should be considered if LEPs are to survive in their current form, since the DBIS was the original judge of whether LEPs could be allowed to form, and without some national patronage it is difficult to see how the DBIS has any legitimate role in assessing the form, structure, activity and accountability of LEPs.

A purely national funding role would, however, also be a mistake. LEPs are supposed to be representative of local areas and if they cannot gain sufficient local credence to secure some local funding, they should be allowed to fail.

Conclusion

A funding model that could be adopted would be for LEPs to seek a partner contribution from each of the constituent local authorities. This should be a prerequisite of being able to claim to be representative of the local area. Once this funding is raised, bids for further funding could be submitted to BIS and evaluated on the basis of how they address need, create impact and offer value, and how they would be controlled. BIS

would then provide funding for the better bids.

Some LEPs may then choose to supplement this core activity through membership, programme administration charges, or in some cases offering commercial services. It is suggested that to maintain the structural integrity of the LEP this additional income must be capped at less than the sum of the other parts.

If such an approach is followed, England can gain organisations that have a clear focus, can benefit from local support, and can help become the vehicles for the delivery of national objectives. LEPs would unlock those issues that are the hurdles to progress in the local area. The previous largesse of the RDAs could be avoided and good governance would be maintained.

At the time of writing, some thoughts are emerging about the proposed local growth fund suggesting the relinquishing of some national powers in favour of local control over expenditure. The suggestion is that LEPs will bid on the basis of need and with a clear plan of action. If the devolution of this spending is to take place, the issues raised here about local accountability, sufficient funding and good governance will become even more important.

Chapter 9

'It's like deja vu, all over again'

Professor Martin Jones of the Institute of Geography and Earth Sciences and Pro-Vice-Chancellor for Research, Enterprise and Engagement at Aberystwyth University

'It's like deja vu, all over again'

The clock is ticking for local enterprise partnerships – businesses' patience is strained, and unless LEPs receive proper funding and powers there is a genuine risk that businesses will walk away. If LEPs are to drive economic growth across the country, the government needs to match rhetoric with finance, and finance with accountability. Having overhauled the old system of economic development at great cost and with much disruption caused, the Government must now back the new system it has created in its place.¹

The title of this chapter comes from Yoggi Berra – not the family cartoon character, but the baseball manager and long-time player for the New York Yankees. Berra is well known for his pithy comments and witticisms, known as Yogiisms, which often take the form of either an apparently obvious tautology, or a paradoxical contradiction. Economic development in England fits this!

The title seemed appropriate for this chapter, which suggests that some of the emerging problems with local enterprise partnerships uncannily resemble the problems with the training and enterprise councils of the late 1980s and early 1990s. Deja vu, all over again... That was the new localism last time, under the Thatcher and then Major regimes; this is the new-new localism of the Coalition government. They are similar.² Both are business-led and locally based (in rhetoric), involve drawing new boundaries across the local state, have been fired with an all-singing and all-dancing can-do bravado of the enterprise revolution and business knows best, but then experience (strangely enough) a reality of political fiat and central government diktat (experienced on the ground as limited government funding), create a national co-ordinating body to talk to central government and keep things out of the press, have limited powers to raise income from the private sector, blurred accountability and issues of stakeholder involvement.

To cut a long story short, there are increasing whimper noises after big-bang launches. Training and enterprise councils were trumpeted as "serious business", "big business", not a "quick fix" but a "network that must stand the test of time".³ TECs failed. LEPs

1 Cominetti, N, Crowley, L and Lee, N *The Business of Cities: The Private Sector, Local Enterprise Partnerships and Growth* (Work Foundation, 2012), p31

2 Compare: Peck, J "The Trouble with TECs ... A Critique of the Training and Enterprise Council Initiative" in *Policy and Politics* no 21 (1993), pp289-305; Peck, J "Geographies of Governance: TECs and the Neo-liberalisation of 'Local Interests'" in *Space and Polity* no 2 (1998), pp5-31; Pugalis, L and Townsend, AR "Rebalancing England: Sub-national Development (Once Again) at the Crossroads" in *Urban Research and Practice* no 5 (2012), pp157-174

3 Employment Department "Norman Fowler Launches Training and Enterprise Councils", press release 61/89, 10 March 1989, p1

have been described by Lord Heseltine as "the Government's chosen engine of local growth"⁴ and by the Department for Business, Innovation & Skills as "a real power shift away from central Government and quangos and towards local communities and local businesses who really understand the barriers to growth in their areas".⁵ Will they also fail?

As part of an on-going project on trying to understand the limits to spatial governance and economic development, which Jones⁶ has neatly summarised as one of uncovering the "symptoms of compulsive re-organisation" whereby economic development is a battlefield of the "wholesale sweeping away and re-creation of organisations and an endless tinkering and meddling with what currently exists", the chapter explores the shortcoming of LEPs, goes back to the problem of TECs, then goes forward to the LEPs to predict what could happen next.

The trouble with LEPs ...

The LEP story is familiar by now, and the other contributors have covered this in detail. LEPs have been represented to us as those institutions set to fill the spaces blown open by the "abolition of regional government".⁷ As part of a "local growth" agenda, in 2010 the Coalition government announced that regional development agencies would be abolished and regional economic development would be delivered through new local enterprise partnerships. In contrast to what had come before – "a century of centralisation" with "anti-localist measures", expense, bureaucracy and the erosion of local voice – initiatives such as LEPs represent "control shifts" in the devolution of power and responsibility from the central state to local communities.⁸ Or do they? LEPs accordingly would offer a "clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area".⁹ There are now 39 LEPs covering England geographically. Twenty-four LEPs were approved in October 2010, three more followed in December 2010, and the map was complete by the end of 2011. According to the government, LEPs are "innovative and ambitious" through the involvement of 11 LEP areas to shape enterprise zones, retain the business rates therein for local objectives, and make localities "attractive places to do business".¹⁰

4 House of Commons Business, Innovation and Skills Committee *Local Enterprise Partnerships: Ninth Report of Session 2012–13*, HC 598 (2013), pp9–10

5 *Ibid*, Ev 39

6 Jones, A "Here We Go Again: The Pathology of Compulsive Re-organisation" in *Local Economy* no 25 (2010), p374

7 Sandford, M *The Abolition of Regional Government*, SN/PC/05842 (House of Commons Library, 2013)

8 Conservative Party *Control Shift: Returning Power to Local Communities*, policy green paper no 9 (Conservative Central Office, 2009), p4

9 HM Government *Local Growth: Realising Every Place's Potential* (2010)

10 House of Commons Business, Innovation and Skills Committee, *op cit*, Ev 42

Noted to still be "in their infancy" at birthday number two, it is appropriate to take stock and listen to some noise. It is too early to make definitive judgments, but in the words of the state: "We agree that national growth relies on strong regional growth and that LEPs are key drivers in that respect. For that reason we believe that constant monitoring of LEPs (and all elements of the Government's *Plan for Growth*, for that matter) is essential".¹¹ The excellent House of Commons business, innovation and skills committee report on LEPs, based on three evidence panels and submitted material over a sixth-month window, offers a salient monitoring critique of these vanguards of the new-new localist revolution.

Funding and resource issues run deep. The government has provided limited core funding, of at least £250,000 per annum, for the next two financial years. This pump-primes business engagement activities and allows for the employment of core staff. Outside this, LEPs are expected to use their powers of business influence and coercion to raise funds from the private sector and public sector to make things happen. This is proving to be problematic. LEPs have responsibility over local business and local communities but are without power. Some critics are arguing for revenue-raising powers, with the government response being that this could potentially damage their reputation and standing within the business community.¹² The deeper Centre for Local Economic Strategies critique points to the lack of legal and statutory foundations, the inability to procure contracts, and an ability to manage programmes properly due to limited running costs.

*They need more policy levers over key barriers to growth such as transport and skills, together with wider implementation of the city deals beyond the core cities – using innovative structures as a template for smaller scale local development elsewhere. Without increased resource and enhanced policy levers then LEPs are increasingly likely to fail in delivering their objectives and businesses will become disengaged.*¹³

LEPs are bound up in a multi-scalar game of relationship jockeying, which is bringing with it concerns of responsibilities and representation. On one upward level this relates to relationships with Whitehall government departments. On a downward level, it touches on issues of board membership and accountability. The DBIS and the Department for Communities & Local Government are the core partners, with a fifty-fifty funding split, and there is an opportunity to gain further influence through the

11 Ibid, p10

12 Ibid, p14

13 Ibid, Ev 65

Regional Growth Fund and city deals. Lobbying is prevalent for increased local flexibility, given the need to hit government targets for the funding streams, and also to be seen to be doing interesting things locally. A LEP Network comprising the chairs of the 39 LEPs has been created to have a dialogue with government. According to Buckingham Thames Valley LEP, though, there are too many unco-ordinated initiatives from the centre, "which tie LEPs up in bureaucracy". The "blancmange of government and lack of joined up-ness in Whitehall makes attaining and maintaining sustainable business leadership a real challenge for LEPs".¹⁴ Co-ordination of government activities is argued to be the way forward, where "Team Whitehall" comes together as one and supports LEPs in an independent capacity. Lord Heseltine's single pot, without internal ring fences, appears to be buying interest within government.

Accountability is critical to the embedding of LEPs within their new localities. As with many developments in local economic development over the past 25 years, though,¹⁵ there are deep frustrations over the lack of "any actual mechanism by which LEPs could be held to account".¹⁶ LEPs are accountable to themselves in terms of being able to formulate their own priorities and implement these. As noted above, though, being dependent on state funding with little additionality from the private sector means that overcoming barriers to growth and working with partners to address them is going to be difficult. This requires some accountability to local communities. According to the minister:

*I think we have to get away from thinking these things are agencies of Government, as small bits of a Department, or something that Ministers simply issue orders to. The whole point of LEPs is that they are local; they will differ from each other; they will have a different view of the world; and, in the end, they are responsible and accountable to their own communities.*¹⁷

There is an obvious tension between this statement and the need to be also accountable to central government, which provides the core funding to LEPs; with public funding, mechanisms of (financial) accountability invariably dominate. Five LEP senior representatives captured this tension during the oral evidence of the DBIS LEP committee:¹⁸

14 Ibid, Ev 55

15 Bentley, G and Pugalis, L "New Direction in Economic Development: Localist Policy Discourses and the Localism Act" in *Local Economy* (2013) (online, DOI: 10.1177/0269094212473940)

16 House of Commons Business, Innovation and Skills Committee, op cit, p23

17 Ibid, p25

18 Ibid, Ev 12

Chair: I need to conclude fairly quickly but I just have a couple of questions to finish with on accountability. Very briefly, who do you feel you are accountable to as a LEP?

Linda Edworthy: local business and local residents.

Mark Reeve: both public and private sector within the LEP.

James Newman: To a certain extent to the Ministers who appoint us as well, in terms of their expectations of us – very much so.

Adrian Shooter: I would add to that to the people who we are supposed to be finding jobs for, which is why we are there.

David Frost: There is a wide range, but of course we are also accountable, where there are funding streams, to those Departments that are providing it.

Collectively, then, this partnership involves multiple relationships with different branches of the state and "[d]espite the move to localism, Central Government remains a key partner for LEPs".

LEPs are deeply geographical concerns, as they involve redrawing the boundaries of the local state. When LEPs were established in 2010, the geographical boundaries were proposed by the partnerships and then agreed to formally by ministers. The boundaries were assessed using the criteria of local functioning economic areas – with a balance to be struck between administrative local authority boundaries and the nature of economic geographical flows (the spatial relationship of firms within their regions and the commuting patterns of locality inhabitants). Politics appears to have trumped economics. In the words of Alex Pratt, chair of Buckingham Thames Valley LEP, when commenting on the "dash to transition from the RDAs to the LEPs":¹⁹

The LEP boundaries and sizes seemed sometimes to be politically driven under the camouflage of functional economics – insufficient strategic consideration was given to the LEP coverage of the Country; and little serious consideration seemed given to the confusing impact of allowing overlapping LEP areas. This has resulted in an overcomplicated network of massively different LEPs based more on political geographies, rather than sub-regional economic areas. Localism is an interesting concept but if applied to my car, if all four wheels were allowed to be different sizes, shapes and positions, it wouldn't aid the car much in its progress [emphasis added]²⁰

Government has suggested that where it is natural that as the economy evolves, so then should the boundaries of LEPs, so geographical boundaries can be amended (with the support of local authorities and other stakeholders).

19 House of Commons Business, Innovation and Skills Committee, op cit, p15

20 Ibid, Ev 55

All this does make you wonder what is going on and whether LEPs are about creating the atmosphere for new localities based on renewed enterprise and business-led growth and development, and where business needs are met by local planning and infrastructure investment. Alex Pratt has noted that key "growth programmes and policies seem focused more on social re-engineering than growth, designed to rebalance the north-south divide, rather than genuinely focus on a hard headed assessment of growth opportunities across the Country".²¹

The trouble with TECs ...

Rewind 25 years and hear the same concerns...

Training and enterprise councils were proposed in the *Employment for the 1990s* white paper. In the period 1990-91, some 82 TECs were launched in England and Wales and 22 local enterprise companies or LECs in Scotland. TECs subsumed the local functions of the Manpower Services Commission, which operated training programmes for the unemployed and grants for small firms. LECs, their Scottish equivalent, had the expanded remit of economic development, as they took over the Scottish Development Agency (an RDA last time around...). Like the LEPs, TECs had deep inherited institutional legacies and were always going to be better than previous moments of institutional change. *Focus on Growth*, a promotional document on the TECs and LECs of Great Britain, made the claim that:

*Public sector conceived agencies have sought to tackle the issues of economic change. The outcome, in many respects, was unsatisfactory. They failed. This has now changed in a radical way by the creation of TECs, a radical shake-up, with clear, coherent and high quality business services, bringing a much needed professionalism to local economic development.*²²

Ideologically, TECs combined the localist strand of Thatcherism with its neoliberal element of flexibility and cost-saving concerns – themes borrowed from North America. Localism was combined with a deep sense of privatisation, as TECs were locally based, privatised, and business-led concerns,²³ though operating within the constraints of contracts laid down by central government, concerned with providing market-relevant training and enterprise services for the unemployed. This market system was ideologically perceived to restore, through supply-side measures, the dynamism and competitiveness of local economies.²⁴ Sound familiar?

21 Ibid, Ev 56

22 North Nottinghamshire TEC *Focus on Growth: TECs and LECs of Great Britain* (1994), p2

23 Stratton, CN "TECs and PICs: The Key Issues which Lie Ahead" in *Regional Studies* no 24 (1990), pp71-74

24 Peck, op cit (1993)

In their organisational structure, policy priorities, and economic discourse, TECs were a leading example of the Thatcherite antipathies towards elected government, trade unions and corporatist planners. Like LEPs, they were an example of a new institutional form of governance being forced to fulfil two roles. TECs were first a customer of government and, second, saw their communities as clients. This dual role was reflected in how the TECs were perceived to be accountable. When TECs were launched, accountability took two routes. First, that connected to an annual operating agreement and therefore seen as financial accountability. Second, and less formally, accountability to the community rested on the composition and substructures of the TEC board, which consisted of unpaid non-executive directors, two-thirds of whom had to be drawn from among private-sector chief executives and chairman, "calibre ... acknowledged leaders willing to put their reputation on the line".²⁵

TECs, then, like LEPs, were unaccountable by design. Board directors were appointed as individuals and were not representative of any organisation that could remove or replace them. In practice, few TEC boards reflected the composition of the community, with little representation from women, ethnic minorities, and the voluntary sector.²⁶ This design of governance limited local democracy and, more importantly, sought to secure a market-based hegemony of neoliberalism by preventing exterior interference.

TEC boundaries, as for LEPs, were not centrally prescribed. This did not, however, hide the fact that TECs were, like LEPs, explicitly central government creations. Rhetorically linking this to a notion of organically grown community institutions,²⁷ TECs were best described as centrally orchestrated, bottom-up organisations.²⁸ The TEC prospectus, similar to the LEP discourse, noted that it was for the prospective TEC to determine its geographical coverage, in consultation with the regional director of the Training Agency (the civil service funding department). A mixture of existing administrative boundary versus relational stretched-out economic geographies followed, with the same frustrations noted above on LEPs running through the history of TECs. The story of North Nottingham TEC, an artificial territorial creation cutting across several local authority boundaries, is a good example of this.²⁹

25 Training Agency *Training and Enterprise Councils: A Prospectus for the 1990s* (1989), p11

26 Houghton, G, Peck, J and Strange, I "Turf Wars: The Battle for Control over English Economic Development" in *Local Government Studies* no 23 (1997), pp88-106

27 Stratton, op cit

28 Peck, op cit (1993, 1998)

29 Jones, M "Realism, Discourse Analysis, Concrete Research" in Joseph, J and Roberts, M (eds) *Realism Discourse and Deconstruction* (Routledge, 2004)

Conclusion: LEPs ... the next three years

What happened to the training and enterprise councils in many ways does chart what could happen to local enterprise partnerships.

Given their advocacy of business leaderships and market-based policies – not to mention their persistent criticisms of civil service interference and government red tape – the TECs ended up fulfilling the less than glamorous role of a subcontractor to central government. They were hardly vanguards of market forces and were better understood as what Martin³⁰ has called “central government localism”. TECs talked about the “training market”, but this was based, like LEP initiatives, on central government funds, public funds, in which the parameters and the incentives for action were determined by central government.

So, just as the TECs epitomised the Thatcherite deregulation culture, they also internalised many of its contradictions. They sought to promote training in the private sector, but had not real financial resources to achieve this goal, save those they could drain away from publicly funded provisions for the unemployed. They had a brief to raise overall training levels within a deregulated labour market, but were unable to tackle the structural problems of “free riding”, so labour poaching went unchecked, while would-be trainers responded to this insecurity by curtailing their own training efforts. They sought to tailor provision to local needs, but eschewed the ideology of labour-market planning and remained obliged, by contract, to deliver nationally conceived programmes for the unemployed. The early indications are that LEPs are on the same page.³¹

But while TECs, like LEPs, operated within a highly centralised system – one that exerts a strong, if not completely deterministic, influence on the board shape of their priorities and practices – it would be wrong too to assume from this that both institutional experiments in local economic development are no more than “cloned” output of Whitehall central government. There is on-the-ground variability, albeit within centrally defined parameters. Like TECs, LEPs will evolve in a range of geographically distinctive forms, both in terms of their internal features (organisational structures, local policy styles and priorities, board-executive relations) and in terms of their external relations – patterns of partnership formation, consultative procedures, local stakeholder relationships with local authorities, business organisations, trade union and community interests.

30 Martin, M “The Political Economy of Britain’s North-South Divide” in Lewis, J and Townsend, A (eds) *The North-South Divide: Regional Change in 1980s* (Paul Chapman, 1989)

31 Cominetti, op cit; House of Commons Business, Innovation and Skills Committee, op cit

The key question, though, is whether any of this *new localities geography* will address the market failures in those areas of enterprise and economic development that the LEPs have been launched to address. Like the TECs, I would predict that LEPs within three years start to undertake a series of mergers with chambers of commerce. This will be driven by funding crises and a lack of effective engagement with the business community. TECs did this to form CCTEs – chambers of commerce, training and enterprise. Milton Keynes went first. This ran alongside the one-stop-shop principle of Business Links, with all three structures in some instances being co-located in one institutional site. The return of Lord Heseltine and the agenda for growth through chamber-led business support is the return of this argument once again.³² It didn't work last time!

Failing to deliver on both the skills revolution and the enterprise revolution, and getting caught up in the politics of the local quango state, the inappropriate use of programme surpluses, and bankruptcies,³³ TECs were abolished in April 2001 under the Learning & Skills Act 2000. In England, their functions, along with those of the Further Education Funding Council, were taken over by the Learning & Skills Council, which operated locally through 47 local learning and skills councils or LLSCs. On 17 March 2008 the abolition of the LSC, though, was announced; funding responsibilities for 16- to 19-year-old learners were to transfer to local education authorities and the new Skills Funding Agency. The machinery of government announcement heralded the end of the LSC, to make way for the Young People's Learning Agency and the Skills Funding Agency, reporting to the Department for Children, Schools & Families and the DBIS respectively.

Under the Education Act 2011, though, the YPLA ceased to exist on 31 March 2012, with some statutory responsibilities falling to the secretary of state. Many of the YPLA's functions transferred to the newly created Education Funding Agency, with the lack of a local presence for the YPLA being an on-going frustration for the LEPs.³⁴ Perhaps Mulgan is right when he suggests that a "British vice of perpetual restructuring" is eating at local economic development in England, where "the whole system is paralysed by uncertainty about who will be left standing when the game of musical chairs comes to an end".³⁵

32 Heseltine, M *No Stone Unturned in the Pursuit of Growth* (DBIS, March 2013)

33 See: Jones, M *New Institutional Spaces: TECs and the Remaking of Economic Governance* (Routledge, 1999)

34 House of Commons Business, Innovation and Skills Committee, op cit

35 Mulgan, G "RDA Demise" in *Regeneration and Renewal*, 12 July 2010, p1

Chapter 10

'Place-based' economic development strategy – what does this mean for English local growth?

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'Place-based' economic development strategy – what does this mean for English local growth?

Given that "the 'place-based' approach is the 'new paradigm' of regional policy",¹ this chapter addresses the question: what does a "place-based" strategy mean for the Local Growth agenda in England? The chapter draws on the international literature² to introduce a "place-based" understanding of the role of "institutions" and "knowledge", before going on to show why there is an important "missing space" in local growth between the national and the local. In so doing it discusses how that space might be filled through appropriate institutions and policy responses.

Before exploring what a "place-based" approach might mean in the English context, it should be recognised that the distinction between "people-based" and "place-based" approaches is not really centred on choices between investing in people or places. Both approaches are actually concerned with both people and place. What distinguishes the "place-based" approach is that it puts greater emphasis on arguing that "the well-being of each person ... also depends on the context in which he/she lives".³ At the risk of oversimplification, the core of the argument around "place-based" approaches essentially boils down to two key hypotheses concerning the role of "knowledge" and "local (and national) elites" in institutions that arise out of the significance of the impact of geography, history, culture and institutions to development, as Barca⁴ highlights:

The "place-based" approach argues that no actor knows in advance "what should be done". It posits that sensible and reasonable decisions can emerge as the innovative result of a process of interaction and even conflict between endogenous and exogenous forces i.e. between the knowledge embedded in a place and external knowledge. ... it also stresses the role played in producing under-development by the failure of the part of local elites ... and their innate tendency to seek rents from public interventions. For these two reasons, the place-based approach ... assigns a much greater role of exogenous institutions – their knowledge, preferences and values – and therefore

1 Barca, F "Alternative Approaches to Development Policy: Intersections and Divergences" in OECD Regional Outlook 2011 (OECD, 2011), p225

2 Barca, F *An Agenda for a Reformed Cohesion Policy: A Place Based Approach to Meeting European Union Challenges and Expectations* (DG Regio, 2009); OECD *How Regions Grow: Trends and Analysis* (2009); OECD *Regions Matter: Economic Recovery, Innovation and Sustainable Growth* (2009); OECD *Promoting Growth in All Regions* (2012); Barca, F, McCann, P and Rodriguez, P "The Case for Regional Development Intervention: Place-based Versus Place-neutral Approaches" in *Journal of Regional Science* vol 52, no 1 (2012), pp134-152

3 Barca, op cit (2011), p221

4 Barca, op cit (2011), p223

advocates multi-level governance.

These two key issues of "institutions" and "knowledge" are explored next in the English context.

The national and the local: the role of institutions

A "place-based" framework identifies two potential institutional weaknesses in the national government (the "national") as it conducts subnational economic policy. The first is that the "national" has a tendency to lack both an understanding and knowledge of local places – it lacks a sense of community. It is argued that the "national" has a consequent weakness in its capacity both to adapt its approach towards local places and mediate local consensus and trust between local actors as well as to mobilise local resources effectively.⁵ The second argument is that the "national" is also prone to the influence of "capital city" elites in policy making, favouring infrastructure, innovation and sectoral investment for the capital city over other subnational places.⁶ As a result, national policy decisions may divert resources to promote unnatural agglomerations, as well as supporting natural ones.

In the English context, for example, it appears that there are reasons why, as Lord Heseltine⁷ points out, Whitehall might have a built-in tendency towards addressing economic issues in a "place-less" or "space-blind" context, despite its use of "place-based" language. There are a number of reasons for this. First, there is a long-standing culture of centralism;⁸ despite the government's rhetoric of localism, very little has changed in the distribution of powers between the "national" and "local" under the Coalition. Second, there is an entrenched culture of "conditional localism".⁹ Arguably, England has shifted from a "conditional" model enforced through top-down inspection and performance regimes put upon the "local" by Whitehall under Labour, to one enforced through increasing austerity in local resources.¹⁰

Third, Whitehall lacks a holistic perspective of "place".¹¹ Whitehall is organised around themed policy departments, which in turn are shaped around functions and largely

5 Rodriguez-Pose, A and Storper, M "Better Rules or Stronger Communities? On the Social Foundations of Institutional Change and Its Economic Effects" in *Economic Geography* vol 82, no 1 (2006), pp1-25

6 Barca et al, op cit

7 Heseltine, M *No Stone Unturned in the Pursuit of Growth* (DBIS, 2012)

8 Ibid

9 Hildreth, P "What is Localism, and What Implications Do Different Models Have for Managing the Local Economy?" in *Local Economy* vol 26, no 8 (2011), pp702-714

10 Featherstone, D, Ince, A, Mackinnon, D, Strauss, K and Cumbers, A "Progressive Localism and the Construction of Political Alternatives" in *Transactions of the Institute of British Geographers* vol 37, no 2 (2012), pp177-182

11 Heseltine, op cit

"space-blind" initiatives that focus on policy specifics. Fourth, Whitehall operates around short-term policy cycles, geared around short-term electoral cycles of up to five years. For example, the current Coalition government swept away regional institutions with little regard for how institutional learning, knowledge and experience in regions had been developed and how it might be retained.

Fifth, institutional memory is absent in Whitehall, which puts particular value on general policy-making expertise in response to the immediate political requirements of the governing administration, with frequent movement between roles. This may have adverse impacts in Whitehall, undervaluing why it is critically important in a local context. Sixth, a longer-term process of hollowing-out of the "national" is now reinforced by continuing austerity cuts on departments. Yet proposals to reform the civil service fail to address how the "national" might engage more strategically with subnational places with more limited resources or devolve responsibilities to the "local".¹² Seventh, the "national" economic framework is largely non-spatial, with the long-standing neoclassical economic framework reinforcing the dominance of a "space-neutral" perspective that is veiled in an apparently "place-based" rhetoric.¹³

Eighth, London (and the Greater South East) and its banking and financial sector is given undue influence in policy and resource allocation. London is prioritised at all costs, against other places and sectors, with London provided with a unique model of government in England not on offer elsewhere. As a result, statements regarding the spatial and sectoral "rebalancing" of the economy become empty rhetoric.¹⁴ For these reasons, the reform of the "national" is therefore a key to a "place-based" approach being developed in England.

However, this needs to go alongside changes in the "local". As noted, "place-based" approaches highlight the possibility of "under-development traps" occurring that may inhibit the growth potential of regions and localities or perpetuate the presence of social exclusion.¹⁵ These may be caused by a failure by "local elites" to act effectively or due to local institutional weaknesses.¹⁶ Some of these weaknesses relate to place in the

12 HM Government *The Civil Service Reform Plan* (Civil Service, 2012)

13 Hildreth, PA "Understanding 'New Regional Policy': What is Behind the Government's Sub-national Economic and Regeneration Policy for England?" in *Journal of Urban Regeneration & Renewal* vol 2, no 4 (2009), pp318-336; Hildreth, P and Bailey, D "The Economics Behind the Move to 'Localism' in England" in *Cambridge Journal of Regions, Economy & Society* (2013, forthcoming)

14 Froud, J, Johal, S, Law, J Leaver, A and Williams, K *Rebalancing the Economy (or Buyer's Remorse)*, CRESC working paper no 87 (CRESC, Manchester University, 2011)

15 Barca, op cit (2009); Barca et al, op cit

16 Barca, op cit (2009)

sense of "how we are governed" as administered by the (city or town) local authority. Indeed, this concept of "place" has particular significance within the Coalition's localism agenda in England.¹⁷

Yet there may be limits on the effectiveness of local elites (local authorities and their partners) both within "places" and across neighbouring "places" to enable effective change. For example, there may be a lack of trust linked to long-standing historical rivalries between "places" that lie within the same "natural economy" that are acted out by political leaders through lack of effective co-operation across boundaries. In addition, where a city is seriously under-bounded in relation to its physical footprint, this may constrain its capacity to act strategically in relation to its economic area, particularly if there is an absence of trust between neighbouring authorities. A few English city local authorities are so well bounded to capture part of their economic area, beyond the physical footprint of the city. Leeds is one example. However, many are well under-bounded, such as Nottingham. Finally, in the context of a dominant culture of "conditional localism", there is constant pressure on the "local" to conform to the demands and priorities of the centre over local needs and priorities. This may stifle local innovation and lead to an inappropriate allocation of local resources in relation to local development needs.¹⁸

Furthermore, some of these weaknesses relate to an economic understanding of "place", which is defined by "how we live and work". It might be referred to as the "natural economic area",¹⁹ or subregion or, in appropriate cases, city-region. Yet there are different ways of understanding a "natural economic area"²⁰ and in most cases the concept of an LEP in England has been interpreted more narrowly rather than broadly. A total of 39 LEPs have been created, some based on limited subregional geographies, sometimes influenced by with whom partners do or don't get on, rather than any systematic economic analysis of spatial economies (for example, Greater Birmingham and Solihull). Also, the idea of a "natural economy" based on labour markets anyway has limitations outside the bigger city agglomerations. For gateway cities like Hull, and industrial cities like Blackburn and Burnley,²¹ the geography of their labour markets is contained within a limited space and their economies isolated in relation to other places.²² This undermines the value of a "natural economy", as a loosely used concept.

17 Hildreth, op cit (2011)

18 Ibid

19 DBIS *Local Growth: Realising Every Place's Potential*, Cm 7961 (2010)

20 Ibid

21 Hildreth, PA "Understanding Medium-sized Cities" in *Town & Country Planning* vol 76, no 5 (2007a), pp163–167

22 See, for example: Work Foundation, SURF and Centre for Cities *City Relationships: Economic Linkages in Northern City Regions* (Work Foundation, 2009 and 2010)

The consequential outcome is likely to be a widening institutional capacity gap between places in responding to the challenges of their local economies. Leeds and its partners have been building city-regional capacity since the early 2000s and were able to absorb the "best" features of the new LEP (such as gaining the input of able private-sector leaders new to working with the public sector) to develop further. Contrast this with the North East LEP area, where local authority partners found it difficult to continuously maintain progress due to lack of trust, particularly, but not wholly, between Newcastle and Sunderland.

So under a "place-based" perspective, institutional weaknesses might be identified in both the "national" and the "local", which potentially act as barriers to the successful realisation of the potential of different places. Part of the answer in a "place-based" framework is to develop a multi-level governance framework to bridge the "national" and the "local". The significance of such a multi-level governance approach is not that it is just public-to-public, but rather different that actors – public and private – interdependently contribute towards the success of the subnational economy.

The 'missing space'

As a result there is a "missing space" between the "national" and the "local" which present policy in England fails to address. This "missing space" occurs for at least three reasons, particularly outside the larger city-regions (such as Manchester and Leeds). First, because the "local" (including the LEP), often lacks sufficient scope, depth and capacity to be effective. Linked to this, there is the risk that local elites may capture policy and funding for their own benefit, so exogenous challenge is required. Second, outside the larger city-regions, LEPs commonly lack appropriate geography.²³ Third,²⁴ there remains the absence of effective multi-level governance. Few might argue for going back to the top-down administrative geography of regional development agencies, but given the fragmentation and significant capacity variation in the subsequent LEPs created in a bottom-up way, a critical question arises: is there a "missing space" that present policy does not fill and does it matter?

Under a "space-neutral" framework none of this would seem to matter, as such industrial and regional policy interventions are of limited value. Rather, under a "space-neutral" approach, key elements of policy should instead focus on: supporting disadvantaged people to achieve better individual outcomes through education, skills and welfare policy, regardless of where they live; enabling greater geographic mobility

23 Hildreth and Bailey, *op cit*; Heseltine, *op cit*

24 Overman, HG and Gibbons, S "Unequal Britain: How Real are Regional Disparities?" in *CentrePiece*, vol 16, no 2 (2011), pp23-25

to make it easier for people to move to growing areas; and reducing the barriers to the expansion of economically successful places. The basic argument is that left to themselves, markets will adjust if the barriers preventing them doing so are addressed. Hence it is more important to focus on universal, spatially blind institutional solutions, rather than seeking to fill a "missing space" with institutionally based or related solutions. However, giving local authorities greater local discretion is supported to some extent, because it facilitates experimentalism and innovation.

A "place-based" approach sees things differently. In part this is because knowledge is seen as critical for effective policy development,²⁵ and such knowledge is not already known either by the state, firms or local stakeholders. As a result there is a positive role for policy in aiming to stimulate new knowledge and ideas through interactions between local groups (endogenously) and external actors (exogenously).²⁶ Linked to this, the "smart specialisation" approach has been closely linked with place-based approaches to regional development policy, at least in Europe.²⁷ In regional policy terms it has emphasised the need to exploit related variety, build regional embeddedness and enable strategic diversification.²⁸ In so doing, it stresses the need for regional actors (government, firms, universities, research institutions) to collaborate, recognising the current starting point for the region in terms of skills, technologies and institutional governance and then to build on these capabilities rather than trying to start from scratch.²⁹

This place-based smart specialisation approach has parallels with perspectives on industrial policy as a process of discovery requiring strategic collaboration between the private sector and state in unlocking growth opportunities,³⁰ but set within a multi-level governance framework. So industrial and regional policies that facilitate this process of discovery through strategic collaboration are seen as relevant and require appropriate institutions to engender this. But in this regard, there is a noted institutional and capacity failure at the national level in England through the lack of resources to design industrial policy interventions.³¹ Given the capacity constraints

25 Barca et al, op cit; Barca, op cit (2011)

26 Ibid

27 Barca, op cit (2009); European Commission *Proposal for a Regulation of the European Parliament and of the Council*. (2011)

28 McCann and Ortega-Argilés, "Smart Specialisation, Regional Growth and Applications to EU Cohesion Policy" Economic Geography Working Paper (2011)

29 Barca et al, op cit

30 See: Rodrik, D *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton University Press, 2008)

31 See: Froud, J, Johal, S, Law, J Leaver, A and Williams, K *Knowing What to Do? How Not to Build Trains, CRESC research report* (CRESC, Manchester University, 2011), p20

of many LEPs outside major cities, there would therefore appear to be a role for an intermediate tier in terms of industrial and regional policy development.³²

An interesting question here is to what extent Whitehall has responded to the recommendations of the Heseltine report³³ and is prepared to change so as to allow this "missing space" to be filled. While the government announced that it is "accepting in full or in part 81 of Heseltine's 89 recommendations", the reality is less encouraging, as a detailed examination of Annex A of the government response³⁴ indicates. Marlow,³⁵ for example shows that of the 15 Heseltine proposals relating to "local growth deals", the government accepts just nine of them.

Summary: what does this mean for local growth in England?

Using this analysis adds value to the policy debate in the English context as it highlights that in a "place-based" framework, institutional weaknesses can be identified in both the "national" and the "local", which potentially act as barriers to the successful realisation of the potential of different places. Indeed, part of the policy solution in a "place-based" framework is to develop a multi-level governance framework to bridge the "national" and the "local". For the "national" it is about recognising its weaknesses – in particular its inability to make sound judgments appropriate to local context and having limited ability to foster the engagement of local stakeholders (public or private) to drive economic development. Yet it also has an important role to foster trust between the "national" and "local", in the design of the devolution of responsibilities and resources to maximum effect, and to incentivise collaborative behaviours. For the "local" it is about seeking an exogenous input to support locally based collaboration to enable the targeting of places with appropriate bundles of public good investments and overcoming issues of "trust". The significance of the multi-level governance approach is not that it is just public to public, but rather that in a "place-based" framework different actors – public and private – interdependently contribute towards the success of the subnational economy. In that context, much of the action and collaboration may take place in what we perceive as the "missing space", between the "national" and the "local" which present policy (in England at least) does not fully address.

Filling this "missing space" requires regionally based industrial development strategies which recognise (i) the need to bring together different but related activities in a

32 See: IPPR and Northern Economic Futures Commission *Northern Prosperity is National Prosperity: A Strategy for Revitalising the UK Economy* (Institute for Public Policy Research, 2012)

33 Heseltine, op cit

34 HM Treasury *Government's Response to the Heseltine Review* (2013)

35 Marlow, D "Is There a Big Hole in the Innovation 'Stone' in the Government's Response to Heseltine?" in *Regeneration & Renewal*, 25 March 2013

region and (ii) the differing potentials of regions to diversify, due to different industrial, knowledge and institutional structures arising out of specific regional histories. Such an approach also recognises that knowledge is not already known either by the state, firms or local stakeholders, so there is a positive role for regional and industrial policies in aiming to "discover" or stimulate new knowledge and ideas through interactions between local groups (endogenously) and external actors (exogenously). Rather than starting from scratch or applying one-size-fits-all policies, regional industrial strategies require tailor-made policy actions embedded in, and linked to the specific needs and available resources of regions, starting with the existing knowledge and institutional base in that region. These need to capitalise on region-specific assets, rather than attempting to apply policies that may have worked in quite different places. Moreover, such "place-based" institutions and interventions need to overcome potential weaknesses that operate at and between the "national" and "local". This, we argue, has yet to be realised in the English context.

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