

UNIVERSITY OF
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Regional Studies Association Conference

*Smart, Creative, Sustainable, Inclusive: Territorial
Development Strategies in the Age of Austerity*

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*Rescaling Economic Development
Strategies*

in an Era of Austerity:

Penny Pinching and Piecemeal ?

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PROPOSITION

- This paper argues that the rescaling of Economic Development Strategies in an era of austerity means that the outcomes of the project of rescaling economic governance are, as a result, ‘penny pinching’ and piecemeal.

.... is work in progress

RESCALING OF ECONOMIC GOVERNANCE IN ENGLAND

- Regional tier has gone: RDAs, the GORs
- Local Enterprise Partnerships set up
 - “joint local authority-business bodies brought forward by local authorities ... to promote local economic development” YET
- Economic Development functions centralised:
 - Inward investment; business support

...LOCALISM ???

The role and function of LEPs

Role	Governance	Geography
<ul style="list-style-type: none"> ▪ Provide strategic leadership; set out local economic priorities ▪ Help rebalance the economy towards the private sector; creating the right environment for business ▪ Tackle issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise, the transition to the low carbon economy and in some areas tourism 	<ul style="list-style-type: none"> ▪ Collaboration between business and civic leaders, normally including equal representation on the boards of these partnerships ▪ Work closely with universities and further education colleges ▪ A prominent business leader should chair the board ▪ Sufficiently robust governance structures ▪ Proper accountability for delivery by partnerships 	<ul style="list-style-type: none"> ▪ Better reflect the 'natural' economic geography; covering the 'real' functional economic and travel to work areas ▪ Expect partnerships would include groups of upper tier local authorities, which would not preclude that which matches existing regional boundaries

Source: Pugalys, L. (2011): 'Sub-national economic development: where do we go from here?', *Journal of Urban Regeneration and Renewal*, 4(3), 255-268.

1. THE FUNDING QUESTION: ECONOMIC DEVELOPMENT ON THE CHEAP?

RDA OUTTURN DATA (£M)

RDA	Outturn 2005-06	Outturn 2006-07	Outturn 2007-08	Outturn 2008-09	Outturn 2009-10	Budget 2010-11	Total
NWDA	383	402	390	383	393	234	2,185
ONE	245	273	276	240	247	186	1,467
YF	294	313	300	292	320	174	1,693
EMDA	161	160	170	160	161	95	907
AWM	289	282	291	296	296	163	1,617
EEDA	130	139	134	131	133	78	745
SWDA	151	171	156	169	156	115	918
SEEDA	167	172	162	160	166	96	923
LDA	396	416	386	346	376	275	2,195
TOTAL	2,216	2,328	2,265	2,177	2,248	1,416	12,650

RDA BUDGETS: SPEND 2002- 07

RDA	Spend	Jobs created	Cost per Job
NWDA	£2.4bn	97,000	£ 24,742
One North East	£1.6bn	43,000	£ 37,209
Yorkshire Forward	£2 bn	40,000	£ 50,000
EMDA	£1.12 bn	64,000	£ 17,500
Advantage West Mids	£1.84 bn	78,000	£ 23,590
EEDA	£580m	11,000	£ 52,727
SWDA	£942m	25,000	£ 37,680
SEEDA	£1bn	39,500	£ 25,316
LDA	£2.9bn	80,000	£ 36,250
TOTAL	£14.4bn	477,500	£ 30,119

RDAs were expensive...

1. The RDAs invested £17.6bn between 1999 & 2011
2. The average total budget for all nine RDAs was £2bn per annum in the period 2005/06 – 2010/11.
3. In March 2010, the eight RDAs owned £512m of land and property assets.
4. At the time of the closure announcement in June 2010, the eight RDAs were managing a total of 9,683 projects, with a £1.86bn gross expenditure.
5. By June 2010, the RDAs were participating in 110 corporate bodies.
6. At their peak, the RDAs employed 3,470 staff (2008/09).

...Closure Costs

- Closure costs were significantly below Spending Review Settlement – the October 2010 settlement provided up to £464m across the SR period to cover salaries, redundancies and other closure costs. Actual closure costs were anticipated at £100m below this.
- Redundancy costs for the eight RDAs located outside London were estimated to be £60.7m

...Closure Costs but....

- ❑ Redundancy costs - were a large part of closure costs
- ❑ RDAs' pension arrangements - were complex and time consuming to deal with liabilities to legacy schemes
- ❑ Properties had to be remarketed - the costs of unoccupied properties could be large.
- ❑ Exits from companies & partnerships where RDAs had an interest in a few cases was complex and time consuming.
- ❑ Accounting for transfers of projects, assets and liabilities to other bodies was complicated esp transfer of RDA land and property to HCA

..... LEPs are cheaper.

- The majority of dedicated funding streams that supports local economic development interventions comes from central government and goes to
 - the private sector directly or to
 - local authorities, and
 - Comes with strings attached...
- LEPs have no staff
- Have little direct funding

National funds allocated for local economic development

Enterprise Zones	Businesses get up to 100% discount on rates; tax breaks on capital investments; relaxed planning controls; and high speed broadband. Some LEP areas were granted an Enterprise Zone whereas others competed for Enterprise Zone status, and those successful had to put propose specific sites to be approved by central government.
Regional Growth Fund	£2.4bn to 2014 to support projects and programmes that lever private sector investment to create private sector jobs. LEPs largely perform an advisory role and were initially precluded from bidding for funds. Grants approved by ministers.
Growing Places Fund	A £770m revolving fund to kick start stalled infrastructure projects that can help facilitate economic growth. LEPs to submit proposals to central government on how they would use and distribute the loans. Allocated to LEPs by central government with local authorities acting as accountable body.
EU Structural Funds	€3.2bn of European Regional Development Funding available over the 2007-13 programme; managing agents are now the Department of Communities and Local Government's 'local' teams.

Funds LEPs can draw on, but via local authorities

Tax Increment Financing (TIF)	Enables borrowing against future increases in business rate but the government has yet to empower councils to do this.
Community Infrastructure Levy (CIL)	Enables funds to be raised through the statutory planning system to support the development of community infrastructure.
Local Sustainable Transport Funding	£560m is being made available to encourage the uptake of sustainable modes of transport.
Business Rates	Ability for councils to retain business rates uplift. Business rate discounts must be financed from local resources.
City Deals	A menu of new powers and freedoms is on offer to some cities and functional economic areas with the condition of providing strong and accountable leadership, improve efficiency and outcomes.

Funding delivered by the Private Sector

Business Growth Fund	Banks have set aside a fund of £2.5bn to invest in fast-growing UK businesses, as part of Project Merlin.
Green Investment Bank	Anticipated to be operational by 2015 with £3bn set aside to lend to 'green' businesses.
Big Society Bank/Big Society Capital Group	£600m identified for social investment intermediaries.

RDA ASSETS – WENT ELSEWHERE...

Land Assets	Some assets sold on the open-market with the remainder centralised; involving a transfer to the Homes and Communities Agency quango to provide a 'stewardship' role.
Venture Capital Loan Fund	Transferred to Capital for Enterprise.
Grants for Business investment and R&D Grants	Transferred to the Department for Business, Innovation and Skills, including the Technology Strategy Board subsidiary.
Business Link – Support for Businesses	Regional Offices closed; transferred to the Department for Business, Innovation and Skills; streamlined as a website and telephone service.

Funding directly available to LEPs

Funding directly available to LEPs	
Start up Fund	A one-off £5 million fund that each LEP had to bid for.
Capacity Fund	£4m fund over four years to be used to address gaps in intelligence on business needs and barriers to growth; to facilitate business engagement; or to enhance board capacity. LEPs precluded from using funds on staffing.

- And they have to bid for it
- NEW! Core Funding - 17th September 2012
 - LEPs to receive £250,000 each (Total £4.8m total)

Local Enterprise Partnerships receive boost

Total funds available to... 39 LEPs

FUND	CASH
RGF	£3.4bn
EZs	?
GPF	£770m
TIF/CIL	?
Transport	£540m
Rural Devt Fund	£3.7bn
City Deals	???
Start Up Fund	£5m
Capacity Fund	£4m
Core Funding	£4.8m

It doesn't add up to £2bn pa?

UPDATE

- Regional Growth Fund = now £3.4bn approx
 - If Round 1&2 delivers 41,000 jobs, the average cost per job = £33,000, compared to the £28,000 cost per job created by the RDAs
 - Of £1.4bn allocated only £60 million had reached front-line projects (PAC Rpt)...
- City Deals – is not hard cash but about putting funding streams together to secure economic development/business growth:
 - **Northern Growth Summit: funding options**

2. PIECEMEAL ?

To what extent can LEPs secure a strategic approach to development: one that accords with their needs?

Are their plans integrated and coherent?

Policy Integration?

Policy integration refers to the process of sewing together and coordinating policies, both over (horizontally) and across (vertically) levels of governance, modifying them appropriately to create an interlocking, hierarchical, loosely-coupled, multi-level, policy system that functions harmoniously in unity

It's collaboration, integration for coherence?

To avoid policy contradictions

TYPES OF POLICY INTEGRATION

- ❑ **Sectoral integration:** cross-sectoral and inter-agency
- ❑ **Territorial integration:**
 - vertical (*policy coherence across spatial scales*) and
 - horizontal (*policy coherence between neighbouring authorities*)
- ❑ **Organisational integration** = co-operation at
 - strategic level (alignment of strategies, programmes and initiatives); and
 - operational level (the alignment of related delivery mechanisms), and the
 - coupling of strategic and operational levels

- Policy integration creates synergy, efficiency and effectiveness in the delivery and fulfilment of policy objectives in multi-level complex policy delivery agencies.
- The output of such an integration process will be an integrated policy system aiming to achieve multiple complementarities and synergies among policies

(Briassoulis,2004)

Governance and meta-governance

Effective policy integration requires:

- proper hierarchically nested, governance systems, and
- the introduction of positive feedback mechanisms to reinforce beneficial and attenuate undesirable policy impacts, and managing path dependency and it implies
- integration among policies in terms of their objects, goals, actors, structures/ procedures and instruments.

(Collier, 1994)

LEPs STRATEGIC PLANS ?

- A plethora of initiatives...dictated by central government
- City Deals are addressed to cities; Rural Deals are needed
- Is Territorial integration addressed?: LEP areas are small; not based on supply chain relationships
- RGF awarded to companies; not to a sector/local industrial strategy
- Does this add up to a Strategic approach? ...
 - How far can LEPs address the problems that they face when government dictates what the initiatives should address eg Enterprise Zones

CONCLUSION - IMPLICATIONS

- Centre – local relations
 - From the targetry of top-down
 - To a localism that is conditional (Hildreth)
- Models of Economic Development
 - From Funded/ Strategic /Coherent
 - To funding packages / piecemeal/ pepperpot
- Role of the Private Sector
 - Can it deliver in face of demand deficiency /surplus value
- Role of LEPs / role of the state
 - Soft state space
 - Entrepreneurial... but can't correct market failure
 - = Dysfunctionality of neo-liberal state craft