

changing gear – is localism the new regionalism?

Edited by Michael Ward and Sally Hardy



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Foreword: The elephant in the room has broken loose and is rearranging the deckchairs on the Titanic

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

As the British economy slides gracefully beneath the waves, with the band playing a series of Coalition anthems (the *Welfare Scroungers' March*; *Eurosceptic Medley*, and that old music hall favourite *Look at the Mess Labour Left Us*), there is frenetic activity among the stewards on deck as they reconfigure the deckchairs. Out goes the predetermined, target-driven, one-size-fits all layout: in its place a new, locally chosen, functional arrangement.

Heley and Jones write here of "fiddling with spatial governance while the economy burns": in the Welsh context, at least, new structures have not provided the means for economic growth.

With the fall of the Labour government in May 2010, and its replacement by the Conservative/Liberal Democrat Coalition, England's 13-year experiment with a regional tier was brought to a quick and inglorious end. In this timely collection of essays, the authors describe the UK Coalition's moves to replace Labour's nine English regional development agencies (RDAs) with a network of local enterprise partnerships (LEPs).

While this process has been under way, however, a more serious change has been taking place. The commitment by successive British governments to use the resources of the central state, backed by national taxation, to invest in disadvantaged places, to compensate for the ravages of industrial and economic change, and to improve poor living conditions, is being reversed. The new institutions for subnational economic development will not have anything like the budgets of their predecessors.

In their contribution, McCarthy, Pike and Tomaney suggest that the governance of economic development in England has been subject to "permanent revolution". Harrison, too, draws attention to the "dramatic policy swings that can come about following national elections", and points to the Coalition's "shock and awe tactics" in attempting to revoke the regional spatial strategies ahead of legislation.

The Coalition critique of New Labour's regional development agencies, more pronounced and more fully developed within the Conservative Party than in the Liberal Democrats, emerged during the years of opposition. It emphasised the remote and arbitrary boundaries of the regions, and their lack of local democratic accountability.

New Labour's move, in the last years of its final term, to transfer responsibility for regional spatial strategies away from local government to the RDAs, was particularly unpopular. This transfer gave responsibility for setting targets for new house building – especially resented in the Greater South East – to the RDAs.

The authors themselves attempt a preliminary evaluation of the RDA experiment. Danson, looking at lessons from Scotland, suggests that to build the RDAs as New Labour did, using as a model Scottish Enterprise/the Scottish Development Agency, was mistaken from the start, in that it failed to take account of the experience of 20 years of deindustrialisation since the establishment of the Scottish Development Agency in the 1970s. Others point to the failed attempt to create regional assemblies as a factor eroding the legitimacy of the regional experiment. McCarthy, Pike and Tomaney cite the official evaluation of the RDAs, undertaken by PwC for the Labour government in 2009, which found credible evidence that the RDAs generated benefits that exceeded their costs. But any future government seeking to re-establish a regional tier will need to consider the lessons to be learned from the 1997-2010 experiment.

Gordon, writing about the Greater South East (comprising the old government office regions of London, the East of England and the South East), points out that in this corner of the country, "implementation of regionalism is particularly difficult". It accounts, after all, for 30% of England's electorate, and 40% of its national output and tax-generating capacity. He concludes that "it is quite unrealistic to expect any central government to allow substantial functional autonomy to what would constitute a very credible European nation".

Hayman shows, however, in his contribution, that whatever the shortcomings of the RDAs, their abolition has been both precipitate and costly. Local authorities that had fondly expected to inherit the assets and revenue budgets of the RDAs were disappointed to see current expenditure axed, while assets and liabilities went to central government. Government had to accept £1.4 billion in RDA liabilities – which the Department for Communities & Local Government has had to find from within its own budget. The redundancy costs for more than 2,000 RDA staff have been estimated at over £100 million.

The contributors trace the revival of interest in the concept of localism across the political spectrum in the first 10 years of this century. The Smith Institute itself published two collections of papers – *Double Devolution*, edited by Geoff Mulgan and Fran Bury in 2006, and *Real Localism*, edited by David Walker in 2007 – with contributions from both left and right. Houghton reminds the reader that "New Labour

did much to try and carve out its own vision of localism, albeit a troubled one that was strong on rhetoric and limited on delivery".

But are the new local enterprise partnerships really localist? They bring together local government and business with a private-sector chair – but so did the RDAs. Haughton refers back to the establishment of training and enterprise councils, under the previous Conservative administration in the 1990s, identifying a "tendency to give preferential treatment and resources to bodies other than local government". Local authorities were encouraged to come together themselves, around "functional local economies", to form LEPs – but it was for central government to approve or otherwise the results. In October 2010, the late Sir Simon Milton, then deputy mayor of London, said: "The government has still not been entirely clear what problem LEPs are the solution to."

The thread that links the New Labour period both with the previous Conservative government and with the subsequent Coalition is an increasingly strained and uneasy link between local governance and local development. The training and enterprise councils and the LEPs are inherently similar public-private hybrids, not themselves part of local government, but aspiring to influence some of its activities. Townsend, in his contribution, points out that the Coalition's "localism agenda was to rely on the 292 lower-tier districts outside London". They are reluctant to see the creation of *political* institutions above the level of the district – "no" to regions, certainly, but also, and emphatically, "no" to elected mayors for city regions. But district councils – even large, unitary districts – are too small for economic development, and indeed for many land-use strategic planning functions. So instead more hybrid bodies are created. Townsend goes on to point out that there is a quite remarkable match between the geography of the newly established LEPs and the map of county authorities after the last major reorganisation of local government in 1974. Bizarrely, only in London, the most prosperous of the old nine standard regions, does a strategic planning framework survive.

Just as the LEPs will inherit neither the budgets nor the assets of the RDAs, so they will lack the capacity of their predecessors. They have no legal personality, no statutory foundation: they can neither procure contracts nor manage programmes. They will have to rely on "accountable bodies" – presumably in most cases local authorities – to carry out these functions. No resources have been made available to cover their running costs; most are unlikely to employ staff. Late in the day, very limited start-up funds were provided – but that is all.

As McCarthy, Pike and Tomaney point out, the UK is marked by persistent spatial

inequalities that are exceptionally wide by international standards. There is an old, unresolved tension in economic development policies: do you invest in the areas of the greatest need? Or the greatest opportunity? The former approach prioritises the areas with the highest scores on the Index of Multiple Deprivation, the coalfields, and the inner ring of older cities, and uses policy instruments such as the New Deal for Communities projects. The latter approach would direct resources to places like Cambridge or Milton Keynes, the centres and the university areas of cities like Leeds and Manchester, and to the growth areas of the Greater South East.

The RDAs were expected to do both. Government established RDAs for all nine regions, charging each with the development of their own regional economies. Within regions, each RDA had to make its own choices and set its own priorities. Inevitably, the choices they made were not always popular. The effect of the changes set in train by the Coalition, however, was to prioritise opportunity over need. McCarthy, Pike and Tomaney quote the Bagehot column in *The Economist* for 26 November 2011: "Close allies, Conservative MPs and sympathetic think-tanks advise [the prime minister] that the quest for economic growth must trump all other considerations... There are calls to postpone dreams of 'rebalancing' the economy away from the finance-oriented City of London and the south-east of England: this is a moment for helping the strongest first."

Shutt, Pugalis and Bentley look in detail at the approaches being developed by the new LEPs, and conclude that their precise function remains ambiguous.

Hildreth and Bailey draw attention to the volume of policy reports and analysis generated by the 13 years of regional experimentation, and the comparative paucity, so far at least, of documentary evidence to explain what is behind Coalition policy. Nevertheless, they and others draw attention to the influence of the body of analysis known as the New Economic Geography, which they characterise as seeing "the world as essentially 'spiky', explaining unevenness in economic activity between places through agglomeration economies that are largely related to city size".

Hildreth and Bailey suggest, however, that in practice there may be just one spike, situated in London and the South East: "This suggests a picture of England as one significant 'spike', with the rest of the country being relatively flat in comparison. It is rather like moving from a nine-region model of England under Labour to a two-region model under the Coalition."

Despite the abrupt style and unpredictable outcome of the changes in economic

development and strategic planning now under way, there have been few attempts to defend what went before: Haughton comments that “those promoting Labour’s planning policies, politicians, the planning profession and some in planning academia have spectacularly failed to provide a counter-narrative with which to defend the previous 10-20 years of planning reform, including the rise of regional planning since the early 1990s”. It may be too early for a definitive verdict on the regional experiment; it would certainly be premature to judge the brave new world of the LEPS.

Nevertheless, it remains the case that district councils – especially the shire district councils – represent very limited spatial units for the planning of new jobs and homes, and major infrastructure. This is what has driven governments of all political complexions to look for other solutions: loose associations before 1997 and after 2010, unelected regions between those dates. Neither arrangement has been wholly satisfactory: the TECs and LEPS too weak, the RDAs insufficiently accountable.

It is not necessary to wait for a full evaluation of the RDA years to acknowledge that transferring any part of the spatial planning system away from democratically elected authorities, to ministerially appointed ones, was a mistake which contributed to the easy downfall of the RDAs. Regional strategic planning survives in London, answerable to an elected mayor: what is good enough for London is surely good enough for the rest of England. It is, after all, extraordinary that from 1986 to 2000 London was the only English region *without* a strategic plan, while now it is the only region *with* one.

One of the key problems with the institutions of local economic development has been the separation of governance from development. There has been no comprehensive reform of local government since 1974; in the 1970s and before, the growth of local economies was not as central to the work of local authorities as it has since become. It is time for a comprehensive review of subnational government in England, based on three principles:

- the strengthening of democratic control;
- the ability to undertake strategic planning and economic development at an appropriate spatial level; and
- an understanding of the changes brought about by devolution in Scotland, Wales and Northern Ireland, and the need to establish a parallel measure of devolution within England.

This might lead to the restoration of the nine English regions (or the seven Anglo Saxon heptarchical kingdoms, or the nine Cromwellian major generals). But the boundaries

of the nine standard regions were not engraved on stone tablets. The last major inquiry into local government, the Redcliffe Maud Royal Commission in the 1960s, recommended a structure based on city regions, unitary authorities and provincial councils, responsible for strategic planning. Maud's provinces (whose councils would have been indirectly elected) were surprisingly similar to the nine regions. Whatever the boundaries, there cannot be a strategic tier without democratic accountability.

Both New Labour in 1997 and the Coalition in 2010 were concerned to act quickly to create their new structures; both, perhaps, acted hastily. Maybe both were haunted by the experience of the Wilson and Heath governments in reforming local government in the 1960s and 1970s. Labour concluded that a major reform of local government was needed – not least, to deliver their aspirations for the English regions. They set up the Redcliffe Maud Royal Commission – but by the time it reported in June 1969, they were within a year of losing office. It fell to their Conservative successors to legislate more limited reforms before they in turn were defeated in 1974.

To avoid this trap, and perhaps to create institutions with deeper popular roots, politicians need to learn from experience in Scotland, where the blueprint for devolution was drawn up by an independent constitutional convention, drawing on the institutions of civil society, including the voluntary and community sector, churches and trades unions.

Chapter 1

LEPs – living up to the hype? The changing framework for regional economic development and localism in the UK

Professor John Shutt, Director at the Harris Research Partnership and Visiting Professor at Newcastle University, Dr Lee Pugalis, Senior Lecturer in Urban Theory and Practice at Northumbria University, and Dr Gill Bentley, Lecturer at the Department of Management at the University of Birmingham

LEPs – living up to the hype? The changing framework for regional economic development and localism in the UK

From when the idea of local enterprise partnerships was first floated in the run-up to the May 2010 general election, there has been fervent discussion and steadfast work by the Coalition government to replace the nine regional development agencies of England with the new LEPS. Vince Cable MP called the decision to abolish the RDAs the Coalition's "Maoist moment".¹

Thirteen years of work to establish a comprehensive system of regional development for England has since been abolished and abandoned.² The philosophy and rationale for the establishment of the RDAs was set out in the 1997 white paper *Building Partnerships for Prosperity: Sustainability, Growth, Competitiveness and Employment in the English Regions*. Their main promoter was John Prescott MP, then deputy prime minister under the Blair government.

RDAs in England 1999–2010

Labour felt that the RDAs should be based on regional structures of partnership, policy integration of effort, and clearer leadership in the regions in economic development and in spatial planning. The nine RDAs eventually established by the 1998 Regional Development Agencies Act started operating in April 1999 and began with a wide remit, which was extended by successive Labour administrations throughout their life. The RDAs were developed initially with five statutory purposes:

- to further the economic development of their area;
- to promote business efficiency, investment and competitiveness in their area;
- to promote employment in their area;
- to contribute to the achievement of sustainable development in their area; and
- to enhance the development and application of skills relevant to employment in their area.

RDAs developed comprehensive systems for regional economic strategies and regional spatial strategies, and for 10 years worked to integrate and shape economic development and planning and environmental frameworks for the English regions. They were emasculated by the incoming Coalition government in 2010 within a year of its arrival in Westminster and Whitehall, producing only a whimper of protest from

¹ *The Guardian*, 12 November 2010

² For the history of RDAs and their development, see, for example: Bentley, G and Gibney, J *Regional Development Agencies and Business* (2000)

local government and the business sector, with final abolition scheduled for the end of March 2012.³

What we now need is a longer period of research and reflection on the achievements of the RDAs and their limitations, and to understand why regional partners and stakeholders found the RDAs too remote and mechanistic. A frequent objection from local government was that they were too driven from the centre and too top-down, but what has replaced the RDAs is a new, looser framework of agencies with neither the resources nor the capacity to intervene logically and consistently in our local and subregional economies.

The Coalition government and the new LEP structures 2010–12

This has been amplified by the avowed “permissive” approach of the Coalition government, which in lay terms can be seen as equating to central government relinquishing control (but not necessarily of the crucial financial levers of power). The administration’s intention is to provide more room for manoeuvre locally by reducing guidance and bureaucracy, helped along with the new, incentivised mechanisms and programmes of the Regional Growth Fund, enterprise zones and now the Growing Places Fund.

Since business secretary Vince Cable and communities secretary Eric Pickles invited proposals for the establishment of LEPs in June 2010, and following the government’s ratification of LEPs from October 2010 onwards, LEPs have been expected to cover a lot of ground in a relatively short space of time.⁴ Most LEPs are moving forward to discuss their priorities and developing business plans. As a way of supporting LEPs and facilitating mutual learning, the government is now financially supporting a National LEP Network, which is managed by the British Chambers of Commerce, and a new LEP network bulletin is being produced.⁵

However, the 39 LEPs appear to be considerably lacking in both resources and momentum, and are insufficiently embedded within government. In addition, there is much confusion in terms of policies for city regions, spatial planning and infrastructure, and engagement with the new programmes for economic development. For the Regional Growth Fund and the European Regional Development Funds for 2007–13 and 2014–20, for example, spending on existing programmes has been much delayed because of the considerable policy turbulence.⁶

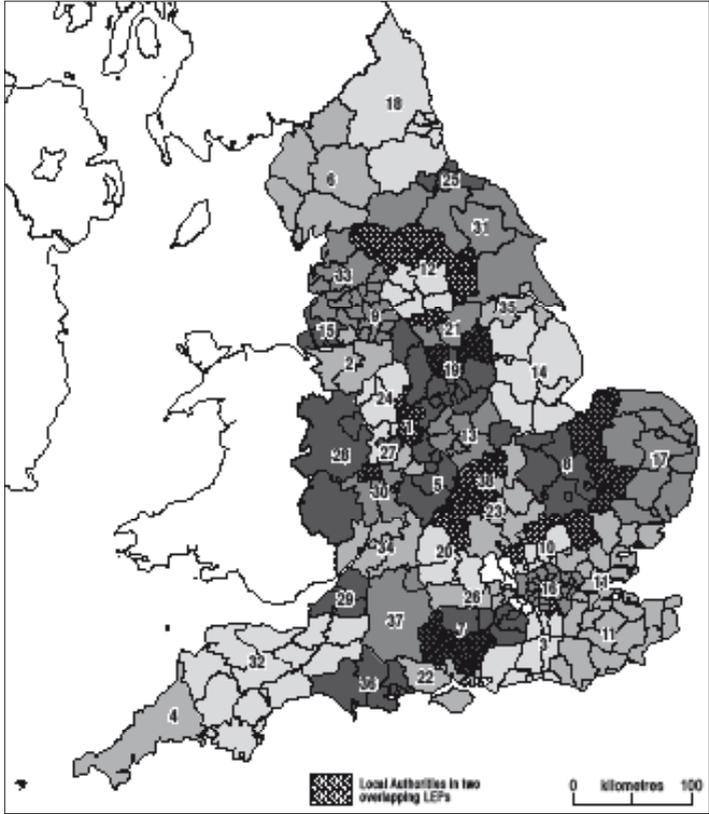
3 HM Government *Coalition Agreement* (2010)

4 HM Government *Local Growth: Realising Every Place’s Potential* (2010)

5 www.lepnetwork.org.uk

6 For details of new EU policy frameworks for 2014–20, see: European Commission *EU Cohesion Policy 2014–2020: Legislative Proposals* (2012); “Growth and Jobs: Next Steps”, presentation of JM Barroso, president of the European Commission, to the Informal European Council on Europe2020 on 30 January 2012

Map 1: The LEPS in the UK, end-2011



List of local enterprise partnerships:		
1. Birmingham and Solihull with East Staffordshire, Lichfield and Tamworth	12. Leeds City Region	26. Thames Valley and Berkshire
2. Cheshire and Warrington	13. Leicester and Leicestershire	27. The Black Country
3. Coast to Capital	14. Lincolnshire	28. The Marches Enterprise Partnership
4. Cornwall and the Isles of Scilly	15. Liverpool City Region	29. West of England
5. Coventry and Warwickshire	16. pan London	30. Worcestershire
6. Cumbria	17. New Anglia	31. York and North Yorkshire
7. Enterprise M3	18. North Eastern Partnership	32. Heart of the South West
8. Greater Cambridge and Greater Peterborough	19. Derby, Derbyshire, Nottingham and Nottinghamshire	33. Lancashire
9. Greater Manchester	20. Oxfordshire City Region	34. Gloucestershire
10. Hertfordshire	21. Sheffield City Region	35. Humber
11. Kent, Greater Essex and East Sussex	22. Solent	36. Dorset
	23. South East Midlands	37. Swindon & Wiltshire
	24. Stoke-on-Trent and Staffordshire	38. Northamptonshire
	25. Tees Valley	

The Coalition puts much emphasis on economic growth and localism, and sets out its approach to LEPs in the *Local Growth* white paper.⁷ It argues that with the country facing a record budget deficit and less money available for investment in regeneration than under the RDAs, a new approach is needed to ensure that:

*... local economies prosper: that parts of the country previously over-reliant on public funding see a resurgence in private sector enterprise and employment; and that everyone gets to share in the resulting growth.*⁸

The Coalition's new approach is localist – putting civic local authority leaders in the driving seat along with local businesses and civic society organisations, to drive local regeneration and growth with new powers, flexibilities and incentives. The Coalition states that it is not for government to drive regeneration, define what it should look like, or decide what measures should be used to implement it, but rather for the new LEPs.

LEPs are to bring forward growth plans for their areas and respond to the deepening recession and economic malaise by rebalancing their local economies, building up the private sector (including new manufacturing), and addressing the demise of public-sector employment by helping develop new growth sectors such as green, low-carbon and renewable energy.

Government and stakeholder ambitions

LEPs have been set a considerable challenge – uniting business, public and community interests in a way that enables the economic regeneration and growth of local places. In this respect, on the surface the primary role of LEPs is perhaps not too dissimilar to the RDAs they have replaced and the training and enterprise councils that preceded them. A major difference is the negligible budgets of LEPs, the limited delivery powers at their disposal, the global financial crisis and the scale of action that is required to rebalance the British economy. Indeed, unlike RDAs, LEPs are not defined in legislation and do not have a statutory role.

Collectively, a lack of resources, delivery powers and statutory responsibilities has raised persistent concerns leading to accusations that LEPs will be “toothless tigers” and “talking shops”. Moreover, this is compounded by the lack of arrangements for

⁷ HM Government *Local Growth: Realising Every Place's Potential* (2010); Department for Business, Innovation & Skills *Local Enterprise Partnerships* (2011) (bis.gov.uk/policies/leps)

⁸ Department for Communities & Local Government *Regeneration to Enable Growth: A Toolkit Supporting Community-led Regeneration* (2012)

transparency and corporate public-sector governance, uneven as this is. On the flip side, LEPs potentially have much more flexibility than their predecessors to focus, implement and enable what local partners consider best for their subregional territory, and they may bring businesses and councils together across new functional spaces, which would otherwise work apart (see table 1).

Table 1: The role of LEPs

Form	Functions	Priorities
<ul style="list-style-type: none"> • Collaboration between business and civic leaders, normally including equal representation on the boards of these partnerships • Proper accountability for delivery by partnerships • The emergent form tends to be either an informal partnership arrangement, often supported by a local authority acting as accountable body, or an entity with a legal personality, such as a company limited by guarantee 	<ul style="list-style-type: none"> • Provide strategic leadership; set out local economic priorities • Help rebalance the economy towards the private sector; create the right environment for business • Various roles engaged in different policy fields, 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"> • Many LEPs are using the government's language of "rebalancing the economy" to frame their priorities, including: <ul style="list-style-type: none"> - sector support - enterprise enablement - business growth - knowledge economy - innovation hubs

Government expects LEPs to "rebalance the economy", but considers it unnecessary to prescribe how they should go about this. Therefore the form, functions, priorities and ambitions of LEPs are diverse. For example, some have formed or are considering forming companies that will enable them to trade and hold assets, whereas others have opted for more informal partnership arrangements. Some are focused on strategic functions, while others are managing and delivering programmes such as enterprise zones. Priorities and the scale of ambition also differ across LEPs, although there are some commonalities.

The dilemma of a permissive approach whereby LEPs are free to intervene in the economy as they see fit – so long as they have the necessary resources – is that they strive to appear to be all things to all people. Following the demise of many of the economic regeneration institutions developed under the previous Labour government, LEPs are one of the few remaining entities that *may* be able to facilitate economic regeneration in the decade ahead. As a result, a gamut of different interests and organisations are asking what LEPs can do for them – contributing to ever lengthier wish lists.

In an age of austerity, perhaps the fundamental questions should be about priorities, about developing strong local economic partnerships, and about how to mobilise key programmes and projects that will make a *real* difference over the next 10 years. Vince Cable's "Maoist moment" in abolishing the RDAs has been conducted, arguably, with too little scrutiny of the new arrangements, and in the next year more needs to be done to strengthen the capacity of LEPs. It may be that more sharing of resources is required between the LEPs and their constituent partners, but lack of transparency for the new bodies can hinder effective joint working and collaboration.

Resourcing the new LEPs

Central government funding for LEPs through the Start-up Fund and the Capacity Fund, equating to an average of approximately £237,000 per LEP over a four-year period,⁹ is clearly insufficient. Income streams from the 24 enterprise zones will take time to generate funds even on an optimistic scenario, and contracting directly with government will help some LEPs in particular instances, but dedicated government funding is required, including for staff costs.

LEPs will try to benefit from investment made by nationally determined spending streams, which now include:

- *Regional Growth Fund*
This is worth £1.4 billion. However, in the first round there was a fundamental disconnect between those proposals that received financial backing and subnational strategic development priorities. Indeed, the lack of alignment with European funds is also now apparent. The RGF needs better integration with LEP priorities, and there should be more consideration of the role of LEPs in endorsing bids for RGF funding. Some clearer thought is also required with regard to the LEP role in the new 2014–20 EU programmes, and in many respects LEPs need to increase their European awareness and capabilities with the EU growth strategy for the decade, Europe 2020.
- *Growing Places Fund*
Some £500 million is being made available to LEPs through this, in the form of a revolving fund to address infrastructure constraints to economic growth and the delivery of jobs and houses. LEPs can determine priorities, but the funding is channelled through a local authority as the accountable body. Once again, this raises questions of transparency and accountability.

⁹ £5 million one-off Start-up Fund and £4 million over four years in the form of a Capacity Fund

- *Homes & Communities Agency*
The HCA has inherited RDA assets and is becoming a bigger player in regeneration, providing support and assistance to deliver LEP and local ambitions and in particular connecting housing plans to economic development.
- *Get Britain Building*
This £420 million investment fund will support building firms in need of development finance, unblocking stalled sites.
- *Rural growth programme*
A rural growth programme has been announced, providing £165 million to help rural LEPs and rural communities, including developing rural growth networks and rural broadband initiatives.

All in all, however, the announcement of minuscule funds and a range of diverging programmes do not bode well for the LEPs, given their limitations – including in delivery capacity – and in the context of the planning and infrastructure policy changes. The LEPs will find it increasingly difficult to agree priorities across their areas, and this could cause considerable resentment at a time when the Coalition government aspires to a future in which:

... local communities, councils, business and social enterprises come together to agree priorities for their area, and work in partnership to drive forward their plans for regeneration – thinking creatively, corraling resources, and working collaboratively with local service providers to improve the lives and opportunities of local people and unlock growth.¹⁰

It is also true to say that LEPS are going to be very reliant on local authorities for their funding and capacity.¹¹

The development paths taken

The 39 LEPs approved by government – with constituent members including all but one local authority – are each taking a different path of development. These locally contingent journeys, with multi-speed and multidirectional LEPs, are likely to continue, notwithstanding nudges and steering from the centre.

10 Department for Communities & Local Government, op cit (2012)

11 See: Shutt, J, Jassi, S and Mbanzamihiyo, H *From Regionalism to Localism: Local Authorities Unlocking Future Economic Growth in Yorkshire and the Humber* (Local Government Yorkshire & Humber/Leeds Metropolitan University, 2010)

The first wave of 24 LEPs approved alongside the October 2010 *Local Growth* white paper were considered the strongest of the 62 initial bids. Many of these approved bids were refashioned economic arrangements that had operated under Labour, such as city regions with multi-area agreements. Others encompassed geographical patches with a history of co-operation and/or cross-boundary working. The unsuccessful bids were instructed by government to have a rethink and return with revised proposals, often after territorial disputes or other concerns had been addressed. Among these were the Humber LEP, which instead of splitting into two separate partnerships now sees its mission as creating a new wind-renewable super-cluster, seeing it as "the Aberdeen of the North".

Some economic partnerships have utilised the LEP policy experiment as a platform to increase their profile and generate more momentum, while largely continuing what they were already doing. Nevertheless, even these LEPs, such as the Liverpool City Region, have had to do so with a much reduced financial wherewithal. The metamorphosis from a Labour-endorsed economic partnership entity to a Coalition-approved LEP has tended to involve an internal reconsideration of governance arrangements, specifically private-sector board representation, and the introduction of new ways of working, such as interfacing with business. These LEPs can be viewed as "refashioned existing partnerships".

Alternatively, many prospective LEPs viewed the government's invitation as an opportunity to operate at a different territorial scale, with a different combination of interests and/or guided by different priorities. These can be viewed as "new partnerships".

The "new" and "refashioned" partnerships each present opportunities as well as limitations. For example, "new" LEPs may be more open to fresh ways of working, whereas "refashioned" LEPs may find this harder to do. However, "new" LEPs face the need to develop a plethora of new processes, systems and relations, whereas "refashioned" LEPs already have a platform on which to build and so can hope to deliver more quickly.

The different roles, shapes and development trajectories of LEPs reflects the Coalition administration's policy preference for localism, but also aligns with its preference of enabling policies that better support those "who help themselves" (in other words, a mentality of backing winners). The question is how this maps onto the unfolding impact of the economic recession, with many areas suffering rising youth unemployment, continued manufacturing closures, and financial and retail redundancies. In many

localities where LEPs are potentially at their weakest (or at least in their infancy), repercussions from the financial crisis and the recession are taking a heavy toll and there is insufficient attention given to regeneration priorities (in other words, backing those in need).

In the time that has elapsed since the first LEPs took their place in the new economic regeneration landscape, many have focused on board recruitment, governance aspects, reporting systems, support structures, business engagement mechanisms and communication methods. This is to be expected during the formative stage; nonetheless, form follows function. It is the precise function of LEPs that remains in an ambiguous state. While the vast majority of LEPs have a reasonable to excellent appreciation of the primary challenges their territories face and, to a lesser degree, an understanding of key spatial opportunities, the role of LEPs in implementing the resulting *shoulds* and *must dos* is far from clear.

As strategic entities operating at the public-private national-local interface, the precise functions of many individual LEPs are yet to be determined. The *Local Growth* white paper is littered with vague roles that LEPs "could" perform, but more than a year after the majority of LEPs were endorsed by government, many of these potential roles have failed to materialise into any tangible functions. Fortunately, there are some notable exceptions and glimpses suggesting that if Whitehall can resist the urge to prescribe functions and will commit some resources to realise subnational ambitions, then the LEP policy experiment may begin to deliver. (See table 2 for a glimpse of some of the more interesting and innovative practices.)

Leeds City Region LEP is one of the larger "refashioned" partnerships, which is leading the way with its focus on business planning and engagement. Some 700 people met in September 2011 in the Royal Armouries to discuss LEP priorities, a remarkable show of interest in the future of local economic development. The chair, Neil McLean, has a tough job co-ordinating 12 local authorities but sees the lack of structure as a real opportunity; he is setting an aggressive and demanding agenda, while making the case that LEPs need more power and decentralised funding. Leeds LEP has set out four strategic priorities: unlocking the growth potential of business and enterprise, enabling a flexible, skilled workforce, facilitating a low-carbon economy, and creating a new environment for growth. In addition, joint work between the Yorkshire LEPs on skills strategy and sectors is being commissioned on growth areas.¹²

¹² Leeds City Region's 2011 LEP summit, held at the Royal Armouries on 9 September 2011 (leedscityregion.gov.uk)

Table 2: Innovative practice

LEP	Innovative practice
Greater Birmingham & Solihull	Identified the chief issues in relation to local regulation via a survey of businesses and focus groups throughout the area, and held a workshop between businesses and local and national regulators to identify key areas where a number of "quick wins" could be made by changing the approach to regulatory enforcement
Coventry & Warwickshire	The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A delivery board has been set up and an "LEP Access to Finance Group" is facilitating interactions between businesses and financiers
Humber	A group of 16 businesses have joined with the University of Hull, Hull & Humber Chamber of Commerce, Humber Chemical Focus, and four local authorities to pledge £2,500 each to help the new body get up and running
Leeds City Region	Use of social media as a communication tool including a YouTube video, and an excellent website and approach to networking
Greater Manchester	Manchester's inward investment agency, MIDAS, acting on behalf of the LEP, has signed a memorandum of understanding with UK Trade & Investment, linked to the new national inward investment contract. Other LEPs have since signed similar memorandums
York, North Yorkshire & East Riding	Collaborating with local banks and the British Banking Association to develop a certificate in business growth

One of the most interesting developments has also been the bringing together of the Leeds, Sheffield, Manchester and North Eastern LEPs to organise for a strategic role in the North, focusing on high-speed rail, the low-carbon economy, skills and innovation. The Yorkshire LEPs have agreed to co-ordinate also on regional intelligence. However, the key issues remain how business interests and local government leaders interact, and how the voluntary or third sector and the universities sit in the framework.

While plenty of large companies and small businesses are wondering how to engage

with the LEPs, many from the third sector feel more than a little marginalised. Boards often have only a token understanding of localism, where social enterprise has the potential to perform a crucial role. Consequently, in some instances social enterprises are looking instead towards local authorities to help them develop the capacity to deliver, in what may be perhaps an early indication that they have already dismissed the role of LEPs. If LEPs are to be radically different from what has gone before, then they should look to harness the creative energy and expertise of a much more diverse cast of characters than a narrow business "elite" and to put together new project partnerships.

Living up to the hype?

Behind the transparency issues, however, are the much bigger issues of galvanising England's urban and rural areas for economic growth and whether or not the Coalition will back a larger-than-local-authority mayoral model to give real democratic teeth to LEPs. Many, particularly in the metropolitan areas, would welcome the adoption of a mayoral figurehead on the London model elected to lead the new partnerships with greater legitimacy, whereas others argue that this is completely against the grain of the English way. Manchester LEP recently rejected the mayoral model, but it remains to be seen what the referendums will bring in 2012.¹³

Labour seemed to commit itself to re-establishing the RDAs as an alternative to the LEPs at its conference in Liverpool, but with the departure of Labour communities secretary John Denham and the passage of time this may require further reassessment for the conditions to be faced in 2015–20. LEPs are likely to be with us now at least for the next three years – up until the next general election.

There has been much interest and enthusiasm since the landscape of LEPs began to emerge. The discourse of a new "localism" promising to usher in a wave of radical change needs to be qualified with reference to the degree of policy continuity, which is arguably greater than that of espoused change. Certainly, the impact on the ground at the moment is more to do with reduced regeneration resources, public expenditure cuts and broader fiscal restraint than with the urban policy experiments in Whitehall and subnational territories. Indeed, many LEPs can be viewed as refashioned existing partnerships. This is certainly not a bad thing, but it does call into question how radically new and different LEPs actually are. Across some LEPs there is little evidence of much new thinking and working practices, although it is premature to pass conclusive judgment.

¹³ *Manchester Evening News*, 4 January 2012

Conclusions

So are LEPs living up to the hype? Our unequivocal answer is: not yet. However, we contend that the challenge that LEPs have been set is unrealistic, given their lack of genuine policy and delivery clout (in terms of legislation, powers and resources). The RDAs were much maligned (despite some favourable evaluations such as that by PwC)¹⁴ for their inability to influence the development of regional economies: they had too little traction with other organisations and their budgets equated to less than 1% of regional development spend. Given that the RDAs' collective annual budget was £2.3 billion in 2007/08 and just over £1.4 billion in 2010/11, they had land and property assets with a book value of over £500 million in 2010, and possessed some quite significant legislative instruments and powers, the scope for LEPs to make a tangible difference in the English regions appears at present limited.¹⁵

If these challenges are to be met then a "new deal" for LEPs may be the mechanism for future city-region and local economic development. Our concluding initial assessment is that without a better direct deal between government and LEPs then the hope, along with business input, will dissipate and the hype will vanish, leaving LEPs susceptible to institutional oblivion. How many now remember the fate of the training and enterprise councils? The losers once again will be the subnational territories of England that need intervention the most, as the divide widens between places of prosperity and places of need as part of the latest phase of global and national economic restructuring.

14 PwC *The Impact of RDA Spending – National Report – Volume 1 – Main Report* (Department for Business, Enterprise & Regulatory Reform, March 2009)

15 Pugalis, L "Look Before You LEP" in *Journal of Urban Regeneration & Renewal* vol 5, no 1 (July–September 2011); Bentley, G "From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire" in *Local Economy* vol 25, no 7 (2010), pp535–557

Chapter 2

What are the economics behind the move to LEPs?

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What are the economics behind the move to LEPs?

The stated aim of the Coalition is to implement a new framework for achieving *local growth*¹ by enabling private-sector-led growth that in turn leads to greater economic balance across England and diversity between industries.

The abolition of the English regional development agencies outside London and their effective replacement by local enterprise partnerships was at the heart of this new approach. But in doing this, the precise role of LEPs was relatively undefined, and it could be argued that many of the functions of the former RDAs were, initially at least, recentralised. Meanwhile, questions remain as to whether the new LEPs really match "functional economic geographies" in towns and cities – a key criticism made of the old RDAs – and quite how they will be incentivised to co-operate.

In analysing recent developments, considering the conceptual base *behind* policy is important for two key reasons. First, there is a limited value in debating local growth without understanding the thinking behind it. Second, it is important to understand what really is going on in Whitehall, since within the time period of a government administration, it works hard to maintain a consistent narrative to protect its corporate memory and manage the inevitable policy tensions across departments.

Labour's "new regional policy" left an extensive audit trail in HM Treasury papers, as well as other writings to which both the Smith Institute and the Regional Studies Association made important contributions. In contrast, the documentary evidence to explain what is behind Coalition policy is so far limited, given that it is early days and that key documents are just beginning to appear. We are left looking for clues, of which two may be important.

The first is that the big ideas or paradigms that underpin national economic and public policy management change remarkably infrequently. In the economic sphere a neo-classical paradigm has been dominant (with variations) since the late 1970s and remains highly influential today, with its accompanying "space-neutral" policy implications. This has shaped the travel of certain policy developments, especially with regard to the planning framework, which is focused on removing supply-side constraints and bottlenecks in the South East especially. The second is the growing influence – on some other areas of policy, at least – of the New Economic Geography.

¹ HM Government *Local Growth: Realising Every Place's Potential* (2010); HM Government *Unlocking Growth in Cities* (2011) (<http://www.communities.gov.uk/publications/regeneration/growthcities>)

This, along with recent thinking such as that in the influential 2007 Barca report,² which has emphasised place-based approaches, can be seen as stimulating debate over designing institutions and policies at the urban/regional level at the "right geographical scale". Both these ideas are explored to show how they have influenced the agenda of local growth.

Going back to the 1980s?

Labour adopted a variation of neo-liberal economics in its framework. In so doing, the government emphasised the contribution of appropriately designed institutions operating at the regional level, such as RDAs, in investing in regional and local growth and in correcting supply-side market failures. The Coalition appears to have gone back to an earlier variation of the neo-classical framework, in so doing removing Labour's emphasis on regional institutions (like RDAs) as well as the "drivers of growth" framework within which every HM Treasury publication on the regional issue under Labour was framed.

On the face of it, this takes us back into the world inhabited by the Thatcher government in the early to mid 1980s, with its emphasis on reducing the state, cutting regulation and increasing competitiveness. The argument is that this creates space for private-sector growth through self-correcting market adjustments in prices, wages and capital, leading in turn to spatial adjustment in the movement of people and firms between places, creating greater economic balance. The impact of this thinking can be seen in the draft National Planning Policy Framework,³ which can be seen as attempting to remove supply-side constraints and bottlenecks, in the South East especially.⁴

An example: enterprise zones

The neo-liberal perspective has also shaped the re-emergence of enterprise zones as a flagship policy of local growth. This is despite the reality of past experience with EZs from the 1980s, which is at best ambiguous and at worst somewhat disappointing. Firms locating in one of the 23 new EZs will get relief on business rates (worth up to £275,000 over five years) and, among other things, the prospect of a faster planning process. The latter will come through the use of orders allowing councils to drop the need for planning permission for certain types of development. There is also the option

2 Barca, F *An Agenda for a Reformed Cohesion Policy: A Place Based Approach to Meeting European Union Challenges and Expectations* (DG Regio, 2009) (http://ec.europa.eu/regional_policy/archive/policy/future/pdf/report_barca_v0306.pdf)

3 Department for Communities & Local Government *Draft National Planning Policy Framework* (2011)

4 Although there is reference to "sustainable development" in the draft framework (paras 9-18), along with an attempt to apply the Bruntland definition, there is no legal definition used to actually underpin policy.

of improved capital allowances for a handful of EZs, of use where the EZ concerned is pulling in a large investor, as may be used with the new Jaguar Land Rover engine plant in the Black Country EZ near Wolverhampton.

All growth in business rates income in the zone for at least 25 years will be shared and retained to support economic priorities. This could provide some useful and much-needed funding for LEPs, and may actually be a key differentiating factor across LEPs: those with EZs may in effect be able to securitise a future flow of rateable income – a sort of tax-increment-financing type of scheme. Those without EZs get no such access to resources – so far at least – and in effect a double tier of LEPs may emerge.

While such EZs may well be good news for the particular places that get them (and bring revenue raising, as noted above, for the LEP), they risk coming at the expense of neighbouring areas, as firms shift across borders to benefit from tax breaks. Indeed, back in the 1980s, around £300 million was spent on 11 zones where some 4,300 firms employed some 63,000 workers. But the number of new jobs created was just 13,000.⁵ That works out at £23,000 a job – perhaps £50,000 in today's money. That was poor value for money. What is not yet clear is how far the new EZs will avoid such previous failures.

The emergence of the New Economic Geography and place-based approaches

As noted above, the second clue to Coalition policy on the regions is in the growing influence of another variation of neo-classical economics, the New Economic Geography. On the face of it, there might appear to be a contradiction between a neo-classical (space-neutral) and an NEG approach. Simply put, the basic neo-classical model operates in a world that is essentially economically "flat". By contrast, the NEG, while essentially neo-classical, adopts variations in basic assumptions that lead it to see the world as essentially "spiky", explaining unevenness in economic activity between places through agglomeration economies that are largely related to city size. The question arises as to how these apparently different approaches might be resolved. The answer lies in the relationship of London to the rest of the country. Or to put in another way, does England consist of one significant "spike" – comprising London and the Greater South East – with the rest of the country being relatively "flat"? Or is the country made up of many "spikes" (particularly London and the English core cities) of varying heights?

Alongside its white paper *Local Growth*,⁶ the government published an evidence

5 Roger Tym & Partners (1984), in Papke, LE "What Do We Know about Enterprise Zones?" in Poterba, J (ed) *Tax Policy and the Economy*, vol 7 (National Bureau of Economic Research/MIT Press, 1993) (<http://www.nber.org/chapters/c10877.pdf>)

6 HM Government, op cit (2010)

paper.⁷ This argued that the wide spatial imbalances between London and the South East and the rest of the country have been growing since the 1970s, reflecting the UK's adaptation to globalisation and international trends in innovation. These in turn are in particular explained by London's high productivity growth. Despite Labour's regional policy, it was argued that "the gap between leading and lagging regions has widened" and that in any case "there may be substantial limits to how geographically balanced an economy may become".⁸ In practice London has been the favoured region, driven by concerns over London and the Greater South East's role in the global economy. The extent to which this is so was amply illustrated by the prime minister prioritising the financial services industry in the City of London over the interests of other trading sectors in the UK in his veto at the recent European Summit.

This suggests a picture of England as one significant "spike", with the rest of the country being relatively flat in comparison. It is rather like moving from a nine-region model of England under Labour to a two-region model under the Coalition. But if this is so, is there nothing that can be done for the rest of the country? The answer given lies in recognising that other cities might offer some "mini-spikes", whose potential might be realised by "empowering and incentivising local government, firms and people across economic centres and natural geographies to promote growth and correct the market and government failures which are acting as barriers to economic development)",⁹ and it is perhaps here that the NEG has had an influence, along with recent place-based approaches.

The outcome is seen in *Unlocking Growth in Cities*,¹⁰ which offers to cities and their LEPs (particularly the core cities) the potential opportunity of more powers and incentives to "take their economic destiny into their own hands" and reach their full potential.¹¹ While the core cities will grasp the opportunities that are made available to them and enter fully and with commitment into the process of negotiation with Whitehall, it is important to identify the limitations of this approach at this point in time.

Limitations of the economics behind LEPs

Firstly, this can be viewed as a two-region model: London and the rest. Within the proposed framework, London and its city region (the Greater South East) retains its

7 Department for Business, Innovation & Skills *Understanding Local Growth*, BIS economics paper no 7 (2010) (<http://www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/u/10-1226-understanding-local-growth.pdf>)

8 *Ibid*, page 26

9 *Ibid*, p25

10 HM Government (2011), *op cit*

11 *Ibid*, foreword

highly privileged position as the "global city" that is deemed to be absolutely essential, through its financial services industry, to UK competitiveness in the world economy. It is clear that the London model of devolution is not on offer to cities or towns elsewhere in England, so far at least. Building the High Speed 2 rail link might be seen as a way of linking Birmingham more closely to the Greater South East.

Secondly, there is a tension in the approach to cities outside London, reflecting the competing approaches. Indeed, it is not clear whether the aim of policy towards cities outside London centres on a holistic vision of investing in developing the agglomeration, innovation and enterprise capacity of cities and their functional economies, or whether it is to use cities as a context to effect further deregulation (such as of the planning system), liberalisation and incentives (such as enterprise zones) and competitiveness (by, for instance, removing localised bottlenecks in transport, housing and broadband) to "free up the private sector" with the hopeful expectation of fostering further economic activity. *Unlocking Growth in Cities* raises hopes of significant decentralisation to the English core cities through City Deals, along with significant finance-raising powers, but how far this will actually go is far from clear. In particular, will the Treasury allow this to happen?

Thirdly, despite the rhetoric of localism ("We want powerful innovative cities that are able to shape their economic destinies, boost regions and get the national economy growing"¹²), the tone of *Unlocking Growth in Cities* remains conditional: saying, in effect, that "we will give you additional powers if you prove yourself". It is worth remembering that, in practice, Whitehall is uncomfortable with devolution. England remains a highly centralised country. Despite the rhetoric of devolution, as indicated above, most RDA functions have been recentralised and the financially limited Regional Growth Fund is being distributed in a top-down way from London.

Unlocking Growth in Cities offers comparisons between English and Continental cities. All the latter come from Western European countries (Germany, France, Italy and Spain) that have strong "representative localism" models with devolved powers far beyond what is currently on offer to the English core cities. The "conditional localism" tone of *Unlocking Growth in Cities* is not encouraging. It gives the impression that the core cities somehow need to "get their act together". In reality, cities like Birmingham, Leeds and Manchester have shown how to lead by example in laying the foundations for the urban renaissance of the late 1990s and early 2000s, and more recently by responding to recession, and it is often Whitehall that has been slow to respond.

¹² Ibid, piii

Fourthly, there is the danger of securing limited outcomes in practice. There is a real risk that negotiations will evolve over individual elements of a package, leading to piecemeal change rather than a comprehensive rearrangement in the balance of resources and responsibilities between Whitehall and the cities. It is important to recognise that the European cities that are doing much better than our cities (in, for example, Germany, France, Sweden and Finland) have considerably more control over their destinies than do our cities. As noted above, this limited approach is likely to be reinforced by tensions between Whitehall departments over how far and in which ways to devolve. It is likely that some departments will be less committed than others to decentralisation towards cities. As much negotiation is likely to go on within Whitehall, over what to or what not to give up, as will occur between individual departments and the cities.

Fifthly, part of the rationale for LEPs is that local (or city) economies do not stop at local authority boundaries, requiring collaboration across wider spatial areas. Evidence from Europe is quoted in *Unlocking Growth in Cities* that: "where the level of decision-making is a good fit with a city's economic footprint this is associated with better economic performance."¹³ However, this logic has not been followed through in the bottom-up creation of LEPs. Some, like Manchester, make good economic sense. Others, like Birmingham, are considerably well under-bounded.

Overall, many of the LEP areas are far too small for effective policy making. The National Planning Policy Framework does attempt to rectify this to some extent by including a "duty to co-operate" on planning issues that cross boundaries, but contains little or no guidance on what the duty means in practice and fails to clarify what effective sanctions could be applied if local authorities or the myriad other organisations involved fail in this duty, and as such can be seen as "ineffective".¹⁴ At some point an intermediate scale will have to be put back on the agenda to join up the work of the LEPs, some of which look fragmented. Here the lessons from RDAs, both positive and negative, will need to be remembered.

Sixthly, what happens to the LEPs that are not connected with a core city (which may benefit by gaining new powers and revenue-raising potential)? The *City Relationships* study for the former Northern Way¹⁵ showed a complexity of economic linkages

13 Department of Business, Innovation & Skills, p16

14 See: House of Commons Communities and Local Government Committee *The National Planning Policy Framework: Eighth Report of Session 2010-12*, HC1526 (2011)

15 Work Foundation, SURF and Centre for Cities *City Relationships: Economic Linkages in Northern City Regions* (Northern Way, 2009) (<http://www.thenorthernway.co.uk/document.asp?id=766>)

between towns and cities across Northern city regions. Many of the old industrial and port cities, as well as towns like Burnley, Hull and Grimsby, are relatively isolated in their commuting patterns and in their business networks. Their natural economies are too small, even within their designated LEAs, and the consequences of their histories too great, to achieve much progress at such local levels. Indeed, expectations must be of continually growing divides, even between places in the North and the Midlands.

The fifth and sixth points above together represent perhaps the biggest challenge to the new framework. A major criticism of the RDAs was that that they were in effect imposed in a top-down and arbitrary way. As a result they were seen as bearing little relationship to functional economic geographies, and were not accountable to localities. RDAs had the "wrong geography", it was argued. In contrast, the creation of LEAs has been very much a bottom-up driven process, and while this is potentially helpful in terms of closeness to people and accountability, there is no guarantee that the configuration of LEAs that has emerged has the "right geography" either. In fact, the new configuration of new LEAs may have just as severe problems over scale and boundaries as did the old RDAs, albeit in a different form. A particular challenge now arising is how the "duty to co-operate" is to be made real. When interactions take place over different scales, how are stronger places going to be incentivised to co-operate with weaker places? That has yet to be made clear in government policy.

Conclusions

This paper has explained why it is important to understand the economics behind LEAs and local growth. As the picture grows clearer it becomes obvious that there is a mismatch between the rhetoric of local growth and its limitations in practice, so far at least. The *Local Growth* white paper¹⁶ sets out ambitions to achieve greater spatial and industrial balance across England (and by implication the UK). In practice, however, there are competing economic ideas in circulation within government which have influenced policy in different ways. A place-neutral, neo-classical approach in particular has influenced the proposed approach to planning in the National Planning Policy Framework, while NEG and place-based approaches can be seen as having an impact in terms of documents such as *Unlocking Growth in Cities* with its proposals for decentralisation to the "right" level. Quite how far the latter will progress is a key question at the time of writing.

This is critical, as the claim by deputy prime minister Nick Clegg in *Unlocking Growth in Cities* to create "... powerful, innovative cities that are able to shape their economic

16 HM Government, op cit (2010)

destinies, boost entire regions and get the national economy going"¹⁷ is not yet convincing in practice. What is presented as a framework to empower cities to promote growth actually looks in practice to be conditional, piecemeal and potentially limited. Indeed, is it more fitting to a view of England where the spikes outside London and the Greater South East are more mini than real?

The different experiences of regions in England is the real challenge that we now face. However, at the moment the thinking *behind* policy is still incomplete and contradictory. On the one hand, the neo-classical perspective brings out the emphasis on supply-side reform and the reduction of costs to enable space for private-sector growth. But this does little to address the qualitative improvement in local economies in the regions outside the Greater South East that is needed. On the other hand, there is the beginning of recognition that the regional cities and their hinterlands might offer potential as important sites for endogenous growth. However, the resulting bottom-up configuration of LEPs can be criticised – as RDAs were – as having inappropriate boundaries and scales. Moreover, quite how the "duty to co-operate" is to be enforced is far from clear: just how will stronger places be incentivised to co-operate with weaker places?

17 HM Government, op cit (2011), preface

Chapter 3

The functionality of LEPS – are they based on travel to work?

Alan Townsend MRTPI, Vice-chair of Willington Town Council and Former Professor of Regional Regeneration and Development Studies at the University of Durham

The functionality of LEPS – are they based on travel to work?

The Coalition government was, at the date of writing, close to completing an unusual task: that of attaining a complete set of boundaries for 39 local enterprise partnerships proposed "from the bottom up". Local interests self-defined 38 LEPS, covering all parts of England except one. This essay argues that, while these areas vary considerably in size and self-containment, with 37 local authority districts each taking part in two LEPS, they are of about the right size and number to form a valid subregional system of governance for a future range of duties. The 2001 Census travel-to-work data were very important, but only at the early stage of rejecting unduly small proposals for LEPS.

Professional views

For the purposes of *describing* territory and its contents, the Oxford School of Geography long argued for "formal" regions of relatively uniform topography and human activity. These might result, for example, from a common geological base, examples being the national parks or former coalfield areas of England, or the whole of Wales, which identifies itself as an upland area. However, the 20th century saw much greater recognition of "functional" regions, unified by activities centred on a particular town or city and arising from greater interaction between places for journeys to work, shopping, leisure and social activities, and firms' deliveries.¹ Most national organisations, including government departments, had a set of regional offices in provincial cities.

The professional view of geographers and planners is that *the merits of a system of areas depend on the purposes for which they are to be used*, which creates inherent difficulty in producing a consistent single set of boundaries. Areas based on journeys to work, shopping, leisure activities and firms' service areas may all be somewhat different, and nest into different hierarchies. The first interdepartmental regional offices of central government were established during the two world wars for defence reasons, but practice after 1945 varied between departments until a standard set of regions was established under John Major's government – continuing today in normal use for Office for National Statistics purposes, partly because smaller subregions cannot yield adequate sample sizes for data.

There is relatively little difficulty in identifying "city regions" as subregions of the most intense interaction surrounding these named cities.² Problems arise if there is a need

1 Dickinson, RE *City, Region and Regionalism* (Routledge, 1947)

2 Champion, AG and Townsend, AR "The Fluctuating Record of Economic Regeneration in England's Second-order City Regions, 1984–2007" in *Urban Studies* vol 48, no 8 (2011)

to extend beyond city regions to cover the rest of the country, where functional ties and identification are more varied. The neat system of 45 metropolitan and other counties of 1974,³ however, *would have sufficed as a subregional system for LEPs from 2011.*

That 1974 map was in fact not very different from the map of 38 LEPs established by late 2011, which are the main subject of this essay. Why then has the route from the 45 to the 38 been circuitous? The main answer is that some of the lower tier of districts under the 45 had been given autonomy in two ways by 2010, through visitations of the Local Government Commission, and earlier when metropolitan boroughs were given independence with the ending of the metropolitan counties in 1986. This pattern had become a "dog's breakfast" (stated an ex-Chief Inspector of Planning), leaving regions as the main available level of co-ordination outside Greater London. However, the last government's review of subnational development⁴ also recognised the need to invite subregions to come together in multi-area agreements and statutory city regions.

The evident need for subregional co-ordination of government activities has always been greatest in the fields of housing, transport, employment and economic development; indeed most of the 45 provided good units for strategic activities of town and country planning under structure plans until they were abolished in 2006. There were other precedents too for subregional systems. The European Union divided the standard statistical regions of England into 28 NUTS 2 areas, and there had been 71 training and enterprise council areas under the last Conservative government. Travel-to-work areas based on *data for electoral wards* were derived from Census data from the 1970s onwards (162 in England after 2001). Travel-to-work does encompass most links for putative LEP areas and the local authority *district-level* raw data provided the main available Census variable which was relevant to their technical assessment.

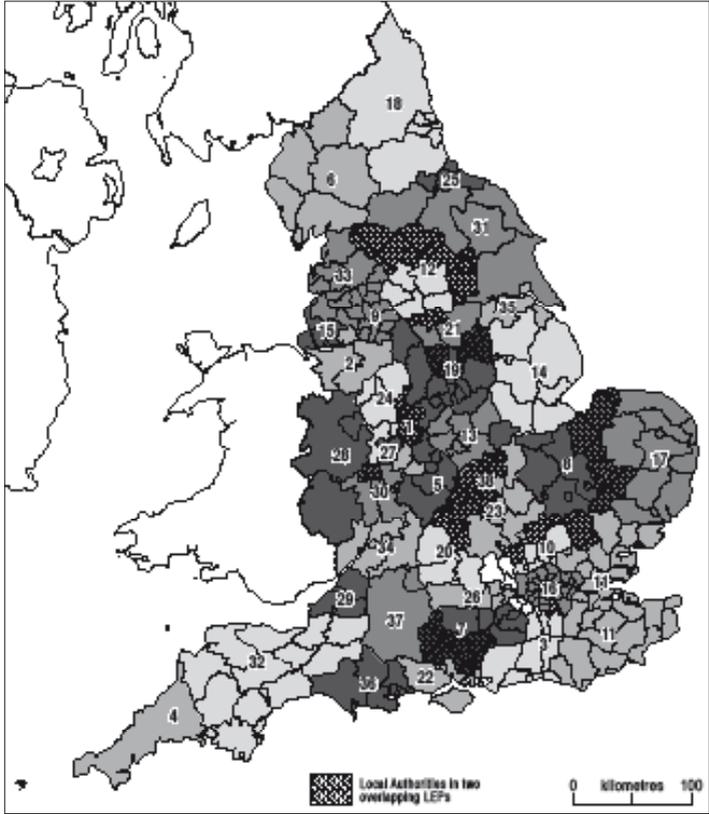
Coalition views

The philosophy of the Coalition government was that a better alignment between the geography of decision making and functional economic geography would be more successful in enabling private-sector job growth and supporting a rebalancing of the national economy. It made a virtue of starting with a clean slate, and there is no mention in Coalition texts of the precedents for subregional governance noted above. This is a very serious matter, as in most fields its localism agenda was to rely on the 292 lower-tier districts outside London, as for town and country planning purposes,

³ *Royal Commission on Local Government in England 1966-1969* (HMSO, 1969)

⁴ *HM Treasury Review of Sub-national Economic Development and Regeneration* (2007)

Map 1: The LEPS in the UK, end-2011



List of local enterprise partnerships:		
1. Birmingham and Solihull with East Staffordshire, Lichfield and Tamworth	12. Leeds City Region	26. Thames Valley and Berkshire
2. Cheshire and Warrington	13. Leicester and Leicestershire	27. The Black Country
3. Coast to Capital	14. Lincolnshire	28. The Marches Enterprise Partnership
4. Cornwall and the Isles of Scilly	15. Liverpool City Region	29. West of England
5. Coventry and Warwickshire	16. pan London	30. Worcestershire
6. Cumbria	17. New Anglia	31. York and North Yorkshire
7. Enterprise M3	18. North Eastern Partnership	32. Heart of the South West
8. Greater Cambridge and Greater Peterborough	19. Derby, Derbyshire, Nottingham and Nottinghamshire	33. Lancashire
9. Greater Manchester	20. Oxfordshire City Region	34. Gloucestershire
10. Hertfordshire	21. Sheffield City Region	35. Humber
11. Kent, Greater Essex and East Sussex	22. Solent	36. Dorset
	23. South East Midlands	37. Swindon & Wiltshire
	24. Stoke-on-Trent and Staffordshire	38. Northamptonshire
	25. Tees Valley	

laying open an immense gap between the work of London departments of government and separate local levels.⁵

Some of the regional boundaries made more economic sense than others. This is one reason why the government abolished them. Communities secretary Eric Pickles and business secretary Vince Cable declared⁶ that regions such as the South West and East Midlands "arbitrarily divided the country into 'unnatural blocks', which ... ran against the economic grain. But nor can ministers rebalance economies as diverse as those of Leeds, Liverpool and Tees Valley from our offices in Whitehall."

The arguments against regions were accentuated by lower regional identification in Lib-Con held areas of local council government, but were equally part of the wider ideological reaction against the larger state as a whole. There is evidence that regional authorities might well suffer a greater feeling of remoteness than in the rest of the European Union, as the average population of England's nine regions was 5.8 million, compared with an average of only 2.2 million in the rest of the EU27.

The government took up the term "natural economic area". "Sometimes called functional economic market areas, real economic areas, city regions or sub-regions," as Hayman explains, what all of these concepts have in common is a move away from "arbitrary administrative boundaries" to better reflect "more fuzzy geographies, such as business patterns, housing markets and travel to work areas".⁷ Hayman reported that the Department for Communities & Local Government saw one indicator of a functional area being 75% or more of the people living in the area also working in the area.

The mechanics of change

With less than two pages of guidance set out in the letter co-signed on 29 June by Vince Cable and Eric Pickles, the deadline for initial propositions closed on 6 September 2010. We can say that the end-product at the end of 2011 resulted from the interplay of two factors:

- the *initial* proposal for LEPs to comprise two or more upper-tier local authorities, county, metropolitan borough or unitary authority; and

⁵ Townsend, A "The Planning of England – Relying on Districts?" in *Town & Country Planning* vol 78, no 10 (2009)

⁶ Pickles, E and Cable, V "Economy Needs Local Remedies not Regional Prescription" in *Financial Times*, 6 September 2010, p4

⁷ Hayman, A "LEPs: Real Economic Areas?" in *Local Government Chronicle*, 3 November 2010

- the translation of the Coalition's texts on functional areas into a requirement for a degree of economic self-containment, measured apparently from the latest *available* data for travel-to-work (in the 2001 Census).

Both criteria were later relaxed, through the addition or subtraction of lower-tier district council areas, the acceptance of local authority areas becoming part of two LEPs, and by allowing variation in the measure of self-containment (see table below). However, the two conventions served to eliminate proposals for unduly small areas, to arbitrate between rival proposals for some areas, and to amalgamate proposals, some of which had splintered areas of demonstrably greater unity.

The government received several proposals in obvious competition with one another (not unlike the rival territorial proposals to parliament of Victorian railway promoters). The invitation resulted in 62 propositions being submitted prior to the September 2010 deadline, of which a first wave of 24 (including some combined propositions) were given the green light by government to progress in October.

It is clear that a majority of the rejections arose because of a self-containment level below 75% – meaning that less than 75% of working people resident in the area also worked there, as defined in the 2001 Census. Nine proposals were rejected with such a figure, the lowest being from Bexhill, with only 53.8% self-containment. Probably three smaller areas, such as the Fylde area with a workplace population of only 117,400, were set aside on grounds of small size.

If we ask whether the new map creatively generated new functional areas, then the answer is that this happened in relatively few cases, all in wider developing areas of the greater South East. The area of the South East Midlands LEP (81.4% self-containment) crosses several regional boundaries and recognises the long-standing government promotion of growth in the Northampton-Bedford-Milton Keynes triangle. Greater Cambridge & Greater Peterborough LEP (84.9% self-containment) overlaps this and spreads out tentacles to Stansted airport, Luton and Rutland. The doubtfully named South East LEP combines Kent and Essex, which have little travel-to-work across the Thames but share the government's interest in Thames Corridor building development. Lastly, the Coast to Capital LEP and the Enterprise M3 LEP reflect radial axes of present-day motorways and Victorian railways.

In filling the map of England, and in the later phases of negotiation and decision, the "default option" for LEPs was to adopt present *or former* county council authorities, or combinations of these. The key in retrospect is the 1974 map, which was filled by

upper-tier county authorities before larger towns within them were given independent unitary upper-tier status. Thus, for example, the Swindon & Wiltshire LEP combines the Swindon unitary authority area with the rest of Wiltshire, of which county it was a part in the 1974 dispensation (and before).

We can come to the remarkable statement that the mapped identity of 33 of the LEPs is that of 1974 counties, or combinations of them:

- 17 LEPs with the same boundary and usually name, including London;
- eight based on 1974 county areas plus an expansion into adjoining lower-tier districts, including Warwickshire and Lincolnshire as they were pre-1974;
- four comprising a pair of 1974 counties, such as Essex and Kent;
- three comprising a 1974 county with subtractions, for example Solent; and
- one comprising three former counties, the North Eastern LEP.

Several of the earliest and more easily recognised LEPs comprised areas of multi-area agreements and former metropolitan counties. Among the latter, Greater Manchester is included under the first bullet point, Tyne Wear under the last and the West Yorkshire, South Yorkshire, and Merseyside counties under the second with the titles of the Leeds, Sheffield and Liverpool city regions (sic). The West Midlands are more poorly served, as tensions between the central city and adjoining metropolitan boroughs were not overcome, leaving Birmingham city as head of a separate LEP, with the addition of commuting districts to the north and south-west but not the Black Country.

This is one example of local authorities partaking in two LEPs, which can be seen as reflecting a progressive part of professional opinion. It has long been recognised that the catchment areas of two shopping towns meet across a zone of transitional allegiances to both centres. In the Northern Way the city regions of the three Northern regions of the country were mapped as meeting across fuzzy transitions of colour shading. In the early stages Barnsley metropolitan borough, lying between Leeds and Sheffield, was given leave to join both these cities' LEPs. Following that precedent an increasing number have joined two so that, at the date of writing, 37 local authorities are covered by two LEPs. This has provided flexibility, but large parts of the former Yorkshire & Humber region (six districts) are in two of its six LEPs. These types of addition can easily lead to mistaken statistical comparisons and double counting. They are bound to cause political problems in competition for funding, and legal problems if LEPs take on a legal identity for the purpose of money transactions.

Table 1: Size and self-containment of approved LEPS

Percentage of resident working population also working in LEP area and number of workplaces in area

	% resident working pop also working in LEP area	no. of workplaces in area
<i>Most self-contained:</i>		
Cumbria	95.5	237,500
North Eastern	94.8	808,900
Leeds City Region	94.1	1,308,800
Heart of the South West	93.5	731,100
West of England	93.4	549,000
London	93.2	4,136,000
New Anglia	93.2	692,500
Humber	91.8	394,100
Cornwall & Isles of Scilly	91.7	236,800
Greater Manchester	90.6	1,160,300
<i>Least self-contained:</i>		
Hertfordshire	69.9	480,500
Enterprise M3	73.5	535,900
Cheshire & Warrington	74.2	447,900
Worcestershire	75.1	215,100
Stoke-on-Trent & Staffs.	77.3	431,500
Thames Valley Berkshire	77.6	442,100
Coast to Capital	78.7	720,800
Black Country	79.0	388,600
Coast to Capital	78.7	720,800
York & North Yorkshire	79.9	473,800

Sources: 2001 Census (percentage of resident working population also working in LEP area); Labour Force Survey for year ending March 2011 (number of workplaces in area)

Summary: travel-to work

We have seen that official travel-to-work data for lower-tier authorities appears to have been useful at the early stages in eliminating excessively small areas from consideration, but beyond that the request to build up LEPs from *upper-tier* local authorities seriously constrained the design of areas to match commuting and transport routes at all closely. The result may be that some LEPs may be divided in containing *more than one* functional area. The most divided, thus seen through having 10 or more (ward-based) statistical travel-to-work centres located in their LEP area, and therefore lacking internal travel, are more rural areas, such as Somerset and Devon (the Heart of the South West LEP, with 15 travel-to-work centres), Kent and Essex (the South East LEP, with 14) and York & North Yorkshire LEP (with 10).

Table 1 demonstrates the end-product of the process by showing the most and least self-contained LEPs on the Coalition's measure, together with their size in terms of workplace population. Geographical size of itself induces self-containment. The most self-contained LEPs are the relatively isolated areas of Cumbria (95.5%), the North Eastern LEP (94.8%) and the well-populated and very extensive Leeds City Region (94.1%), followed by the South West's Heart of the South West (93.5%) and the West of England, around Bristol (93.4%). By contrast, the least self-contained LEPs are the commuting areas around London (Hertfordshire and Enterprise M3) and around Manchester and Birmingham (Cheshire & Warrington and Worcestershire).

Conclusions

There is a much greater variety in the integrity and usefulness of different LEPs than among the regions that preceded them. The Department for Business, Innovation & Skills website points out that they vary greatly in human size. Three LEPs, those of the South East, the Leeds City Region and Greater Manchester, each have a greater working population than the smallest English region, the North East, which has 1,073,200 jobs. Some of the smallest LEPs in terms of jobs, those of Cumbria, Cornwall and the Tees Valley, have claims to distinctive treatment for their development needs arising from relative remoteness, whereas Worcestershire perhaps does not.

Inherently, there is no reason why a system of subregions cannot undertake a good range of co-ordinating government activity, although they are too small, as present ministers have said, to advise on general transport development, as opposed to conurbation passenger commuting or conurbation land-use transportation planning.

In the absence of any other alternative after the dropping of regional strategies and government offices, I would argue for the present scale of LEPs being conserved.

It is widely agreed (as in statements of Lord Heseltine for the Liverpool City Region) that Northern LEPs have the strength and coherence to develop strategic development work, which Manchester is continuing to demonstrate. However, in general this will have to await the restoration of statutory town and country planning powers to LEP level, which mainly coincides with structure plan areas extant after the 1974 reorganisation of county government.

The use of overlapping areas shared between adjoining LEPs is on balance likely to retard their usefulness. It is one of the results of inviting areas to define themselves. The inherent problem is that more obvious and cohesive areas rapidly define themselves, whereas less coherent areas and those with difficult political relationships tend to rob the remaining residual areas of a coherent result. This feature lies behind some of the more difficult parts of the resulting map, making it more unstable than were the regions.

Chapter 4

London – beyond the city state

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London – beyond the city state

The city-state chimera

London seems the odd-place-out in this volume, from a couple of perspectives. The more obvious is that it alone retains some of the regionalist institutions, including a strategic plan and a city-wide London Enterprise Panel serving at least as partial replacement for the London Development Agency. Despite some accommodation to the Coalition government's localist agenda, London might be seen as keeping its "city statehood". The other view is that, for a city region as large and complex as London's, city statehood and New Labour's one-size-fits-all "regional" structures were an obstacle to effective regionalism – and that here, if nowhere else, a localist turn could offer a point of entry to a more effective version of regionalism.

The idea of London as some kind of city state standing out from a crowd of (jostling) localities – helpfully suggested by the editors – *is* a useful starting point for discussion of where governance of the metropolitan region now stands. This is not, however, because this analogy fits well enough for London to serve as a surviving example of effective regionalism, with which developments elsewhere could be compared. Rather it is because the points at which it most obviously jars each highlight key issues and tensions that need to be addressed in thinking about how the new order could work, in this corner of the country or elsewhere.

If we start from some of the conventional exemplars of city statehood – classical Athens, the medieval Venetian Republic, and post-colonial Singapore¹ – it is evident that London is neither:

- an *intimate polis*, with wide citizen involvement in shaping of policy (it is too big and with too many powerful non-local economic interests); nor
- a *self-governing community* directly resourced from overseas ventures (it lacks effective fiscal autonomy, especially in relation to strategic projects, and is too important to the central state to be allowed that); nor indeed
- an *economic island* artificially cut off from its natural hinterland (its separation

¹ The notion that London was actually "Singapore of the West" was attributed to former mayor Ken Livingstone in a 2009 *The Economist* article, which referred to his "glee at finance-driven London's transformation into a de facto city-state increasingly detached from the rest of Britain". Originally, however, it stems from an interview question (from David Goodhart) as to whether it was healthy to have "big city-states like London, with very different populations from the countries that they are still politically connected to", provoking the response from Livingstone that: "If the rest of England doesn't like us that much, we're happy to be independent, we'll be a Singapore of the west" – quoted in: Parker, S "Interview: Ken Livingstone" in *Prospect Magazine* no 133 (2007) (<http://www.prospectmagazine.co.uk/2007/04/interviewkenlivingstone/>)

from its hinterland is purely administrative, and it is not big enough for interdependences across the border to be safely ignored).

Dealing with these three issues – of democratic engagement, effective autonomy and economic interdependence – is crucial to making a new localism work almost anywhere. But the complexity of London's metropolitan context makes them especially salient, and any myth of achievable city statehood particularly unhelpful.

Perhaps the most significant is the last, since not only is the real economic interdependence of localities something that has to be addressed in a post-regionalist system of governance across the country. It was also an area of substantial failure for the formally "regional" system as applied to the country's economic core, which ignored the extent of economic integration across the whole of the Greater South East – divided between three "government office regions" (London, the South East and Eastern England), each operating, in effect, in isolation.

In London's case, this isolation was made to seem more natural by the suggestion from various commentators over the past two decades (since Sassen and Coopers & Lybrand in 1991)² that, as a global city, London is at least semi-detached from the rest of the UK economy. Hard evidence on the actual market areas of London businesses and on the strong correlation between the London and UK economic cycles shows this to be substantially untrue.³ In that respect, London is little different from any other UK region. What is distinctive, however, is the very strong economic integration that has emerged, especially since the 1980s, across an extended economic region – stretching at least 60 miles or so from the centre in all directions – involving networked relations between dynamic businesses in a range of successful locations.

This super-region (as a whole) is clearly now the nation's economic heartland, and the scale at which the economic welfare of all its residents is determined. The scant recognition that it has received either in (London) mayoral plans and strategies or those from the (former) regional agencies in the East of England and the South East represents a major failure for the regionalist model of the last decade. The question now is whether (in this context) regionalism was the right strategy but simply did not go far enough, or whether it might be possible to develop a more effective form of integration here, starting from the more devolved/fragmented system that is emerging from the Coalition government's reform initiatives (in planning, local government

2 Sassen, *S Global City: New York, London, Tokyo* (Princeton University Press, 1991); Coopers and Lybrand Deloitte *London World City: Moving into the 21st Century* (1991)

3 LSE London *London's Place in the UK Economy, 2008-9* (City of London Corporation, 2008)

finance and enterprise development.

The new localism: stripping more wires from the dynamo?

The new "localism" – as embodied so far in the *Local Growth* white paper, the (new, slim) National Planning Policy Framework and the Localism Act – reflects a somewhat chaotic amalgam of:

- deregulatory efforts to roll back the state;
- a low-level communitarianism associated with "big society" ideals; and
- enterprise promotion to realise national growth and "every place's potential".

Though the thrust is clearly downward, moving decisions closer to individual actors, there are evident tensions between the aims of freeing up *firms* and of freeing up *residents* – given that the localist dimension of English politics has historically been directed at conserving or enhancing the particular qualities of localities valued by their *residents*. The common strand is a version of the (Catholic, European and public choice) doctrine of subsidiarity, requiring all decisions to be taken at the lowest practicable level.

For public choice theorists at least, the test of practicability (or effectiveness) would involve attention both to economies of scale (in steering as well as implementing policy) and to spatial externalities from the overspill of local policy impacts (or their absence) on neighbouring areas. The "duty to co-operate" (in support of sustainable development) being imposed on local authorities in the Localism Act and the subregional scale of local enterprise partnerships provide some recognition of such spatial externalities. But this is scarcely built into the architecture of the new system, and though the LEPs were supposed to reflect "real economic geographies", the meaning of this was not made explicit, and the units that have emerged are extraordinarily variable in their bases.

Within the super-region of the Greater South East (as conceived by Hall in 1989⁴), the new LEP geography includes two "big beasts": the London Enterprise Panel covering the whole of Greater London (with a single borough also included in a radially based LEP); and the South East LEP covering three counties in the east of the super-region. Together these account for about half the jobs in the whole super-region, with the remainder split between 13 substantially smaller areas – of varying forms, including a couple of radial corridors and a number of reconstituted geographic counties, with overlaps that put a fifth of districts in two different LEPs.

4 Hall, PG *London* 2001 (Unwin Hyman, 1989)

Outside London these do look more like real economic units than the two quite arbitrary government office regions that preceded them (with the South East in particular being defined essentially by its relation to an absent London). A case can be made for all of them, in terms of labour market and business linkages, while most have locally recognisable identities. The exception is the large South East LEP, though this has in common a shared experience of economic underperformance, and hopes of using international transport connections to surpass this. But not even the two "big beasts" reflect the central reality of this corner of the national economy, namely the crucial relation between Greater London and the Still Greater London that has grown around it, together providing key agglomeration economies underpinning the competitive advantage of this core of the English economy.

In the context of a programme giving an appropriately high priority to encouraging, enabling and releasing growth, this seems a considerable weakness. As I argued previously in relation to the area's trisection under the government offices for the regions, such a fragmentation presents serious versions of both kinds of problem in the management of spatial externalities. On the one hand, it provides no basis for collective action across boundaries to engender and co-ordinate development of economic and infrastructural assets of value to related and complementary activities located in a number of separate centres within the super-region.

On the other hand, localisation of the partnerships is liable, as in other cases of weakly regulated territorial competition, to encourage something close to zero-sum games of competitive attraction or retention of development, as the easiest way in which local agencies with limited resources can seek to significantly enhance their position.⁵ The reappearance, among the limited incentives available to LEPs, of a version of enterprise zones, which in their earlier (1980s) incarnation provided a well-recognised example of this phenomenon, is a warning sign of a wasteful direction of travel.⁶ The business rate retention scheme, intended to provide an incentive for local authorities to contribute to (or at least not obstruct) national growth, is also more likely to stimulate wasteful intra-regional competition than contribute to productivity growth, innovation or building of real assets.

The danger of such wasteful forms of competition increases with the territorial frag-

5 Cheshire, PC and Gordon, IR "Territorial Competition: Some Lessons for Policy" in *Annals of Regional Science* no 32 (1998), pp1-26

6 Larkin, K and Wilcox, Z *What Would Maggie Do? Why the Government's Policy on Enterprise Zones Needs to be Radically Different to the Failed Policy of the 1980s* (Centre for Cities, 2011) (<http://www.centreforcities.org/assets/files/2011%20Research/11-02-25%20Enterprise%20Zones.pdf>)

mentation of economic governance. But there were very major problems of collaboration and insularity under the regionalist system too, both because of where their boundaries fell (just inside the M25 and down the middle of the Thames estuary) and because of the polarisation between London and not-London. Thus, almost all that the territory covered by the government office for the South East region had in common was a high level of interaction and interdependence, including large commuter flows, combined with a very strong sense of difference, socially and environmentally, which residents and political representatives were determined to preserve. Among London policy makers at least, this added to an innate sense of the global city's economic primacy, a determination not to allow its planned growth to be seen as threatening sense among its neighbours- for example by adding to demands for housing land within their territories.

Though an inter-regional forum on regional planning across the three government offices regions in the Greater South East has existed since the preparation of the first mayoral London Plan, its meetings have been occasional and focused around the statutory regional plans.⁷ The desirability of inter-regional collaboration at the implementation stage *has* increasingly been recognised, notably in the final version of the latest, 2011 London Plan, after substantial discussion of this issue at the plan's examination in public.

The London Plan now commits to various kinds of joint working, including the co-ordination of approaches to strategic issues of common concern, seeking common policies to ensure a level playing field, particularly around border areas, and developing integrated or jointly owned policies in specific fields. But (except partially in relation to transport) the analytic underpinnings pay no attention to how linkages actually operate, even in the case of the highly integrated labour and housing markets of the super-region.

Indeed, successive London Plans have committed themselves to a policy of accommodating all the city's "own" growth within the bounds of Greater London – even though this can never have been the case since those boundaries were established – avoiding even any consideration of the question of how specific developments inside or outside London are likely to affect the scale of net outward movement from the city to its regional hinterland. The point is that the wider acceptability of growth promotion within London (whether in the national interest or in terms of London-based interests) depends upon this not being perceived as adding to the pressure for

⁷ According to the South East England Councils website (<http://www.secouncils.gov.uk/page/5/view/24/other-meetings>)

development within ROSEland (denoting "the Rest Of the South East"). In effect, lack of substantial interaction with the neighbours has been treated as a condition of peaceful cohabitation.

The simplistic response to this situation would, in the past at least, have been to argue for super-regionalism in the form of a merger of the three sets of regional institutions (as they existed under the last government). But, even without the localist turn, this came to seem quite unrealistic for the foreseeable future, on two grounds. One of these is the absence of real legitimacy, in the form of any widespread recognition – either among the general populace or even among the business community – of the super-region (the Greater South East) as the territory within which they operate, or with which they identify.

This reflects the fact that its functional integration, though real, largely arises from second- and higher-order interconnections (as in the case of the labour market, where most people's travel to work is quite localised) and the overlay of many partial networks. That would, of course, be even more true of the nation as a unit, whose (normally) easy recognition reflects both the working of central government institutions and the contribution of national media to the "imagination" of community – reinforced from time to time by credible external threats (as on a smaller scale with Thatcher's moves to abolish London government, which *for the first time* convinced a majority of outer Londoners that they belonged in Greater London).

The other fundamental problem is the sheer scale of the Greater South East within the context of (what is now increasingly) English government. With around 30% of the national electorate and some 40% of the national output and tax-generating capacity, it is quite unrealistic to expect any central government to allow substantial functional autonomy to what would constitute a very credible European nation. Any such formal integration would have to be managed by central government – though under some circumstances that would be desirable.

A new regionalism? Wiring the localities into flexible circuits – and switching on

Now may not be the time to talk of third ways, but there are other ways of framing the issue of metropolitan governance beyond regionalism and localism viewed as rival and incompatible opposites. Elsewhere in discussing this issue, I have drawn attention to the significance of co-evolution as a mode of co-ordination, where neither the pure market nor bureaucratic modes are available or adequate.⁸ In a similar vein, Daniel

⁸ Gordon, IR "Finding Institutional Leadership for Regional Networks: The Case of London and the Greater South East" in Salet, W (ed) *Synergy in Urban Networks* (Sdu Uitgevers, 2006)

Kubler⁹ has identified three contemporary approaches to the structuring of metropolitan governance function:

- the *metropolitan reform tradition*, emphasising the need for a rational integration of fragmented and incoherent units, both for efficiency in service delivery and for strategic planning – the bureaucratic solution;
- a *public choice perspective*, seeking overall efficiency, functional integration and a form of equity through a system of independent but competing sub-metropolitan jurisdictions – the market solution; and
- a *new regionalism* envisaging a variety of modes of co-ordination and co-operation, assembled in diverse ways, in order particularly to secure a shared interest in international competitiveness – the networked, or co-evolutionary, solution.

The last of these involves the working out, over an extended time frame, of a series of integrative processes, developing incrementally rather than following the design of a blueprint as in the first two cases. The key processes, as I understand them, are ones of building:

- an understanding of interdependences, the costs of ignoring these, and ways of managing these better; together with
- trust *and* habits of co-operation; in a regulatory context which provides incentives for co-operation, and removes/neutralises incentives for unproductive opportunism.

Steps towards these, as I have previously suggested in the context of the fragmented regionalism of London's city state and its neighbours,¹⁰ include such mechanisms as:

- annual conferences to discuss shared strategic issues, supported by a jointly funded (super-regional) monitoring/analysis unit;
- compensation of local areas for the expected additional costs of accommodating new dwellings to serve needs in the wider housing market;
- identification of issues involving specific subsets of interdependences – between subregions, specific sectors or social groups – and support for joint working on these issues (seeking to build solidarity as well as habits through concrete

9 Kubler, D "Governing the Metropolis: Towards Kinder, Gentler Democracies" in *European Political Science*, advance online publication, 13 January 2012

10 Gordon, op cit; Gordon, IR "A Disjointed Dynamo: The Greater South East and Inter-regional Relationships" in *New Economy* no 11 (2004), pp40-44

achievements, as in the neo-functionalist approach to European integration).

In addition, since initiating such action, and providing a supportive context for it to develop, as well as some real assurance about the resources and backing which would be made available for strategic developments:

- acceptance by central government of a leadership role via a minister/super-prefect of real authority, to commit to investment programmes and administer appropriate incentives to keep the process moving in productive directions.

A strategy of this kind is at least as necessary in the context of the emerging loyalist settlement – and this actually provides a more promising point of departure for building this kind of regionalism than the old silent confrontation between the areas of the government offices for the regions, provided moves towards an enhanced role for sub-London groupings are given weight (and boroughs encouraged to join in external LEPs). More specific sources of encouragement are the duty of co-operation, which is a useful concept, and the "new homes bonus", which is a step toward neutralising incentives for isolationism in that field.

Taking the super-region seriously

The health of the economy of the Greater South East is clearly crucial to the UK population as a whole. Whatever can be done to reduce real disparities in life chances between North and South, it is evident that regional development policies cannot create an alternative to ensuring that this core region operates efficiently and competitively in the international arena. This requires a real commitment by the Coalition government to secure a more effective governance of this exceptionally complex region.

It is (always) reasonable to be sceptical about the practical commitment of British (or English) central governments to real localism, both because those keen on the idea tend also to be more interested in what actually happens on the ground, and because it is such action on the ground that very largely determines which of their electoral promises actually get delivered. And, as with various versions of regionalism experimented with over the past 50 years, it will probably be expected to serve as a vehicle for wider forms of innovation, by working at scales (in this case including the sub-local and super-local), which are less occupied, cluttered and routinised than traditional forms of democratic/professional local government.

In this corner of the country at least, where implementation of regionalism is particularly difficult, and only attempted on a fragmented basis in and around the

(mythical) city state of London, the emerging localism with all its confusions could be a more viable starting point for turning the "new regionalism" into practice. This will take commitment, patience and the kind of pragmatism that Ashford¹¹ saw as normally overtaken by a spatial *dogmatism* in this country (more than in France, in his judgment). But getting this dynamo region to function effectively should be seen as a national priority, both for the economy and for a sustainable quality of life.

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¹¹ Ashford, DE *British Dogmatism Et French Pragmatism: Central-local Policymaking in the Welfare State* (George Allen & Unwin)

Chapter 5

Devolution and Wales – fiddling with spatial governance while the economy burns

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Devolution and Wales – fiddling with spatial governance while the economy burns

Localism in Wales

The impact of the Localism Act will be comparatively limited in Wales, as the majority of provisions stipulated will be relevant to England alone. Nevertheless, a number of significant clauses are applicable to both England and Wales, including legislation that will: require local authorities to publish senior pay policies; ensure that councillors take part in decisions where they have previously expressed views; enable local authorities to give discretionary business rates; and alter the way that local housing authorities can discharge their duties. In Wales, where local government is already devolved in many areas, the act will also give the Welsh government the freedom to decide the timing of council tax re-evaluations and provide a mechanism through which the Welsh government can facilitate local referendums on council tax rises.

With the intention of transferring power to councils and community groups, and with the promise of providing new mechanisms through which local public servants and individuals can dictate housing and planning decisions, the overarching philosophy of localism is one of decentralising and dispersing power across society. Certainly, through foregrounding the need for and means to achieve increased democratic engagement, the ethos of localism has been very much in evidence in the debates and associated processes that have established national administrations in the devolved UK. This does not mean, however, that the political implications of the Localism Bill – or rather a Westminster-driven decentralisation agenda more broadly – will sit easily or comfortably within the political context of contemporary Wales.

The drive for localism has come predominately from the political right, where it resides as part of an agenda to roll back the state, and in pursuance of a so-called “libertarian paternalism”. In this regard, people are set to assume a greater responsibility for their own personal, social and economic well-being, given conditions wherein they are informed and able to make appropriate choices in the course of their day-to-day lives.¹ Within Wales, however, where the dominant political ideology is left of centre, the Localism Act has prompted concern. In Wales its imposition has been taken as indicative of a desire to shirk the responsibilities of democratically accountable governments towards the electorate, and it is associated with the erosion of the public sector and a shift to free-market capitalism. This has to be seen in the broader context

¹ McAnulla, SD “Heirs to Blair’s Third Way? David Cameron’s Triangulating Conservatism” in *British Politics* vol 5, no 3 (2010), pp286-314

of the devolution agenda in Wales, which is the framing context for this contribution.

In this chapter we wish to make the argument that spatial governance, through the Wales Spatial Plan, has been a significant event for devolution and economic development in Wales, but this has not provided the necessary "spatial fix"² to allow an uplift in growth and prosperity. Governance, then, has been "fiddled with while the economy burns".³

Devolution and region building

The spatial framework of governance in Wales has undergone two major structural changes over the past 15 years. First, local government reorganisation in 1996 replaced a two-tiered structure comprised of eight county councils and 37 district councils with the present single tier of 22 unitary authorities. Second, the creation of the National Assembly for Wales in 1998 marked the official transformation of Wales into a semi-autonomous territory, and principal political reference shifted from Westminster to Cardiff Bay – at least in respect of the 20 devolved areas or "subjects" for which the National Assembly has the capacity to pass bills. Subsequently, the desire to challenge the status of Wales as an administrative province within the UK and Europe, and to recast Wales as a national space, provided the impetus to establish and implement intermediate Welsh regions between local and assembly levels. Aside from statecraft, the process of region building in Wales has also been driven forward with the understanding that the 1996 reorganisation of local government had resulted in a political landscape that was overly fragmented and, consequently, largely incapable of providing acceptable efficiencies in service delivery.⁴

The programme of regionalisation in Wales in the post-devolution era is in contrast to the "collapse" of England's regional policy under New Labour. Following the demise of regional development agencies and the failure to establish elected regional assemblies, there has been a move from "regions" to "city regions" in the policy rhetoric of the UK government over the past decade. As part and parcel of this process, the state is recasting its role as facilitator rather than regulator. In this way the state has stepped back from providing development frameworks, guidance and targets, and has tasked

2 Harvey, D *The Limits to Capital* (Blackwell, 1982)

3 Brenner, N "Metropolitan Institutional Reform and Rescaling of State Space in Contemporary Western Europe" in *European Journal of Urban and Regional Research* vol 10, no 4 (2003), pp97-324; Peck, J "Doing Regulation" in Clark, G, Feldman, M and Gertler, M (eds) *The Oxford Handbook of Economic Geography* (Oxford University Press, 2000), pp61-82

4 Pemberton, S "The 1996 Reorganization of Local Government in Wales: Issues, Process and Uneven Outcomes" in *Contemporary Wales* vol 12, no 5 (2000), pp77-106

itself with providing the conditions necessary for socioeconomic growth.⁵ This shift has been accompanied by a reduced emphasis on hierarchies and territorial control in policy discourse, where language is increasing couched in terms of connectivity, networks, flows, partnership and corridors of growth.

While there are differences between the evolving regional models being employed in England and in Wales, both are symptomatic of the steady unravelling of long-standing "nested" hierarchies of scale and the move towards multi-scalar governance. This trend is characterised by the vertical redistribution (or hollowing out) of state functions, upwards to supranational forms and downwards to subnational regimes, along with a corresponding horizontal reworking (or filling in) of the state as new scales of governance are employed and fashioned in this vacuum.⁶ Furthermore, commentators such as Amin⁷ connect the refashioning of scalar governance in policy and practice with the conditions of an increasingly networked society.

Such a view, note Haughton and Allemendinger, "highlights the need to explore the ways in which policy processes develop and how policy actors seek to communicate, debate, and work together more effectively not simply within a given policy sector but across sectors and across scales."⁸ In the context of spatial planning, they highlight the differing combinations of national, regional and subregional formations at play in the UK, and also the varied promotion of alternative scales of intervention; particularly the use of "soft spaces" and "fuzzy boundaries". Notable examples of these devices include the Northern Way, which incorporates the Tees-Tyneside, Preston-Liverpool-Manchester and Hull-Leeds-Sheffield city regions, and the Wales Spatial Plan.

'Making the connections' – the Wales Spatial Plan and fuzziness

From its inception, one of the key aspects of the Welsh government's reform agenda has been the enhancement of service delivery in Wales through greater integration and co-ordination of public, third-sector and private agencies across sectors and territories. This challenge was set out in *Making the Connections*,⁹ which put forward a requirement to:

5 Harrison, J "Life after Regions? The Evolution of City-regionalism in England" in *Regional Studies* (2012, forthcoming)

6 Jones, R, Goodwin, M, Jones, M and Pett, K "'Filling In" the State: Economic Governance and the Evolution of Devolution in Wales" in *Environment and Planning C* vol 23, no 3 (2005), pp337-360

7 Amin, A "Spatialities of Globalisation" in *Environment and Planning A* vol 34, no 3 (2002), p619

8 Allmendinger, P and Haughton, G "Soft Spaces, Fuzzy Boundaries and Metagovernance: The New Spatial Planning in the Thames Gateway" in *Environment and Planning A* vol 41 (2009), pp617-633

9 Welsh Assembly Government *Making the Connections: Delivering Better Services for Wales – the Welsh Assembly Government's Vision for Public Services* (2004)

- provide citizens with a locally set statement of standards regarding the levels of services they should expect;
- improve public engagement and accountability;
- establish local service boards in each local authority for the purpose of bringing together budgets, staff and facilities;
- instigate regional and national delivery frameworks where this will bring about higher-quality services and better use of resources;
- institute waste delivery partnerships, regional consortiums of health boards and housing associations; and
- strengthen the regional transport consortiums.

This drive for collaboration and strategic regional alliances was further emphasised under the auspices of the Wales Spatial Plan, published in 2004 and revised in 2008.¹⁰

A 20-year agenda for sustainable development in Wales, the overarching principles of the Wales Spatial Plan are defined as:

- ensuring that the decision-making process adequately accounts for impact beyond immediate administrative and sector boundaries;
- influencing the allocation of resources through better understanding of the functions and connections between different places in Wales;
- providing a clear and rigorous evidence base for service delivery policy and implementation; and
- providing a platform for sustainable planning practice at the community level.

The delivery of this agenda is premised on distinct "area visions", based on appreciation of and in consequent response to regional differences. These area visions identify the roles and functions of settlements within each region, and provide a spatial context for the application of policies across multiple sectors. It divides Wales into six areas, in each of which local authority, private- and third-sector, and Welsh government representatives come together in spatial plan area groups to pursue targets as informed by community strategies, local development plans and the objectives of local service boards. The extent of these areas is determined by "fuzzy" – as opposed to hard – boundaries and this, it is suggested, helps partners to devise a flexible response to the variety of connections involved in everyday life, and to overcome problems associated with limited local expertise and capacity.

¹⁰ Welsh Assembly Government *People, Places, Futures: The Wales Spatial Plan (2004)*; Welsh Assembly Government *People, Places, Futures – The Wales Spatial Plan 2008 Update (2008)*

Both *Making Connections* and the Wales Spatial Plan are flagship policies for the Welsh government, and much stock is pinned on their long-term success. However, the extent of their collective accomplishments seven years on is open to debate. In 2006, the findings of the Welsh Assembly-issued independent Beecham review¹¹ of service provision in Wales highlighted the strength of the collaboration-not-competition agenda, but also indicated a widespread failure to translate policy into action. Of principal concern was a complexity in governance and an ongoing silo mentality among local and national government agencies which had led to a fragmentation of service delivery. In response, the Welsh government subsequently published *Making the Connections: Delivering Beyond Boundaries*,¹² which aimed at accelerating the pace of transformation, and promoted a "a public sector ethos that is limited to particular professional or service boundaries to a public service ethos based on promoting quality and equality".¹³

In 2010, a further independent review of public service delivery was commissioned by the local government minister, which focused on the workings of Wales' local authorities. Published in 2011, a central tenet of the Simpson report¹⁴ was that a one-size-fits-all geography was an unsuitable template for delivering services, and that the uniform territorialisation of strategies would not serve the purposes of collaboration and efficiency for multiple sectors – fuzzy or not. Calling for a distinctly multi-scalar approach to service delivery in Wales, the recommendations of the Simpson report have come as a challenge to the Welsh government's region-building programme.

Hardening the boundaries

In response to Simpson review, the Welsh government has asserted that, while existing collaborations should be allowed to continue and develop where appropriate, an approach wherein different policy sectors are given free rein to develop their own regional structures would bring about an overly complex landscape of governance, and have the effect of undermining public accountability and joint service provisions. On this basis the Welsh government has reasoned¹⁵ that a regional framework with coterminous boundaries is the most effective way of ensuring capacity, efficiency, stability and confidence, while also recognising that the benefits of standardised regions are balanced against certain risks; the foremost being that the potential for cross-boundary working is necessarily diminished through the hardening of regional

11 Welsh Assembly Government *Beyond Boundaries: Citizen-centred Local Services for Wales* (2006)

12 Welsh Assembly Government *Making the Connections – Delivering Beyond Boundaries: Transforming Public Services in Wales* (2006)

13 *Ibid.*, p8

14 Welsh Government *Local, National, Regional: What Services Are Best Delivered Where?* (2011)

15 Welsh Government *Public Service Reform: Promoting Regional Coherence*, Cabinet paper (11-12), p33 (2011)

boundaries. Judging that the benefits of standardised regions more than offset this disadvantage, the Welsh government has made the case for six regions based on current local health board boundaries.

The contemporary picture of spatial governance is, as elsewhere in the UK, a complex one and is undergoing considerable change. On the one hand, the Welsh government has embraced the dual concepts of soft spaces and fuzzy boundaries, and remains sympathetic to the specific needs of different policy areas and their varied geographical contexts. For example, there currently exist regional transport consortiums, local health boards and spatial plan areas, each with unique and overlapping sets of territorial divisions. On the other hand, and in part as a response to the circuitous regional patchwork that has emerged out of this multi-scalar approach, there have been recent efforts to harden up boundaries and to impose top-down, coterminous regional frameworks for the purpose of better facilitating service integration.

There is, then, a distinct reassertion of the importance of geographic boundaries in Wales, and support for this among those at the coalface of service delivery has been documented by recent work undertaken by the Welsh Institute of Social & Economic Research, Data & Methods (WISERD).¹⁶ Here data gathered through an extensive interview programme involving local authority, third-sector and government agency workers in North, Mid and South Wales indicates a strong level of support for loose territorial arrangements, but also draws attention to an ongoing need for firm administrative boundaries on functional and political grounds. Thus, a number of stakeholders talked about the inability of soft spaces to adequately allocate resources (particularly financial) and responsibility, and that fuzzy boundaries may serve to cloud professional and public understanding of which organisation is ultimately responsible for delivering a service in a given place.

At the time of writing, political discussions are under way within the Welsh government to replace the Wales Spatial Plan with a network of city regions. We would argue that this displaces and switches the policy co-ordination and economic governance problem into new territorial projects, in and through which the state can justify modes of intervention and legitimacy.

Coda: the economy, stupid

As indicated in the ministerial foreword to the 2008 update of the Wales Spatial Plan, this governance framework was to provide conditions for:

¹⁶ Heley, J "Soft Spaces, Fuzzy Boundaries and Spatial Governance in Post-devolution Wales" in *International Journal of Urban and Regional Research* (forthcoming)

- economic development and the long-term goal of full employment at a rate of 80%;
- regeneration programmes in various parts of Wales;
- improving skill levels in the workforce; and
- helping to shape our capital investment.

The capacity of the Welsh (Assembly) government and the apparatus of the Wales Spatial Plan to take these goals forward, though, has been limited and cast into severe doubt following the brutal downturn in the global economy. However, it should be noted that there were strong indications of this downturn at least six months prior to the publication of the 2008 update – if not before. Certainly, the credit crisis in the US sub-prime mortgage business had come to worldwide attention in April 2007 and, closer to home, the run on Northern Rock took place through that September. By July 2008, the onset of recession had become a reality, with organisations such as the British Chamber of Commerce offering grim forecasts of a long-term period of hardship and austerity.

On this basis, the foreword to the 2008 Wales Spatial Plan update would appear to be considerably behind the curve, or – given the limited impact the 2004 plan had achieved to date in shifting socioeconomic policy, governance and delivery¹⁷ – somewhat naive and/or disingenuous. In this sense the 2008 update could certainly be perceived as a case of “fiddling while Rome burns”, even if the 2004 version is seen in a more positive light and in keeping with the buoyant outlook of a greatly enhanced legislative body in an era of relative prosperity. In any case, the shifting fiscal climate has served to downgrade the Wales Spatial Plan agenda and propelled a shift in political emphasis from long-term planning to economic firefighting, as embodied in such policies as “proact” and “react”. The statistical evidence for our assumptions is as follows.

The number of job seeker's allowance claimants has nearly doubled in Wales since 2008. Set against figures for the UK as a whole, the number of claimants as a proportion of the working population has increased by a greater degree. Wales continues to lag significantly in contrast to the Great Britain average on selected Office for National Statistics figures on job density (referring to the ratio of jobs to population aged 16-64). For private-sector-led employment, rates of growth have been slower in Wales than in many parts of England, and this can be attributed to

17 Heley, op cit; Heley, J and Moles, K “Partnership Working in Regions: Reflections on Local Government Collaboration in Wales” in *Regional Science, Policy and Practice* (forthcoming)

both long-standing structural issues and, arguably, a comparatively weaker regime of regional economic development.

As a crude basis for determining general trends in public-sector employment, it is useful to reflect on ONS workforce data. Specifically, statistics for employment in public administration and defence, education, and human health and social work serve as useful proxies. Selected data cuts for different points in time are as shown in the following table:

Table 1: Changes in employment in public administration in Wales

Numerically and as a percentage of the working population, compared with GB overall

Date	No. employed	Percentage	(Comparable GB percentage)
<i>Public administration and defence</i>			
Mar 1996	79,800	6.6%	(5.7%)
Dec 2004	95,500	7%	(5.6%)
Jun 2008	96,700	6.9%	(5.3%)
Sep 2011	85,900	6.3%	(5.1%)
<i>Education</i>			
Mar 1996	97,200	8.1%	(7.3%)
Dec 2004	121,700	8.9%	(8.0%)
Jun 2008	129,400	9.2%	(8.1%)
Sep 2011	144,900	10.7%	(8.4%)
<i>Human health and social work</i>			
Mar 1996	151,600	12.6%	(10.4%)
Dec 2004	188,800	13.8%	(11.3%)
Jun 2008	194,600	13.9%	(11.6%)
Sep 2011	215,000	15.9%	(12.9%)

Source: ONS Workforce Survey

The combined picture over the past 15 years is of rising employment in the public sector in Wales, both numerically and as a proportion of total jobs. This is commensurate with trends for Great Britain as a whole, although the growth of public-sector employment in Wales has (in percentage terms) exceeded the GB average. This is particularly so in education, and in human health and social work.

Using the data generated by the Annual Population Survey, and more specifically the share of residents aged 16-64 who say they are employed in the public or private sector, there are also regional disparities across Wales. While no local authorities in Wales have a public-sector employment rate above 26% (as of 2010), there are no authorities with a rate lower than 12%. Local authorities that have the lower public-sector employment rate of 12-19% are in the minority and are situated in Mid or South Wales: These are: Pembrokeshire (16.2%); Powys (18.6%); Neath Port Talbot (18.8%); Blaenau Gwent (18.9%); Caerphilly (15.6%); and Newport (18.6%). It is also important to bear in mind that these fractions are all significantly higher when all employees are taken into account (including those in part-time employment and those outside the 16-64 age range). The impact of a pending double-dip recession will, of course, have to grapple with this and its geographical consequences.

Chapter 6

The governance of economic development in England

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The governance of economic development in England

Permanent revolution

The governance of economic development in England is subject to permanent revolution. The Coalition government dismantled the previously existing structure of regional policy within months of entering office, while simultaneously proclaiming its commitment to "rebalancing" the economic geography of the UK and "decentralisation" and "localism" as its guiding policy framework. In this chapter, we set these developments in the context of the apparently intractable regional inequalities in the UK and the long history of policy initiatives to tackle them. We look at the early evidence on the likely impact of the latest policy changes.¹

The UK is marked by persistent spatial inequalities that are exceptionally wide by international standards. These inequalities have their origins in the crisis of the Northern industrial economies in the inter-war period and the growth of a financial-services-dominated economy centred on London and the South East of England. As a consequence of these developments, England has been subject to a long history of changing local and regional development policy.

At the same time, England has been characterised by an exceptionally centralised governance system, especially since the Second World War. Central government has been the main actor in local and regional economic development policy. The powers of local government have become increasingly subject to central regulation, and the bulk of its resources come from financial transfers from the centre. England, of course, lacks the regional tier of government typical of similar-sized countries.

The UK government operated an extensive regional policy in the 1960s and 1970s, mainly in the form of investment subsidies, aimed first at contributing to the modernisation of the economy, mitigating growth pressures in London and the South, and as a form of "spatial Keynesianism" through which resources were redistributed from faster- to slower-growing regions. Later, regional policy, albeit substantially reduced, aimed to respond to intensifying deindustrialisation in the North and the Midlands. Under the Thatcher and Major governments, market solutions to social and economic problems were emphasised, but regional policy did not disappear; instead it was focused on stimulating new sources of growth rather than redistributing

¹ This chapter draws on: Pike, A, Tomanej, J, Coombes, M and McCarthy, A "Governing Uneven Development: The Politics of Local and Regional Development in England" in Bellini, N, Danson, M and Halkier, H (eds) *Regional Development Agencies: The Next Generation?* (Routledge, 2012)

resources or compensating regions for job losses, and was exemplified by policies such as enterprise zones.

New Labour's 'new regional policy'

New Labour's regional policy recognised the persistence of regional inequalities but argued that the "old regional policy" of subsidy and redistribution had failed to ameliorate such problems. A "new regional policy" founded on macroeconomic stability, correcting market failures and increasing productivity, was offered as an alternative, and a new public service agreement target committed the government to reducing the gaps in economic growth rates between regions. The instrument of this policy in England was nine regional development agencies.

RDAs were accountable to their sponsor central government department and subject to performance targets determined in Whitehall, while their private-sector-led boards were appointed by the secretary of state. RDAs were given the task of improving economic performance of all regions, through the preparation of regional economic strategies and the acquisition of a widening range of responsibilities. While the New Labour approach, with its emphasis on RDAs and regional strategies, marked a change from the preceding approaches, it continued the shift from a redistributive to a more growth-oriented form of regional policy under the guiding authority of central government.

New Labour's regionalisation strategy was curtailed by the defeat of a referendum to establish an elected regional assembly in North East England in 2004. In this context an array of "spatial imaginaries" – including the pan-regional Northern Way, city regions such as Greater Manchester and multiple localist claims – competed for political attention. A review of subnational economic development and regeneration in 2007 emphasised the importance of subregional and city-regional partnerships, the integration of economic and spatial planning, the creation of regional ministers and a House of Commons committee, and the disbandment of existing voluntary regional assemblies.

Prior to the general election of 2010, the record of this policy was the subject of contention. A government-commissioned analysis from PwC in 2009 found "credible evidence" that RDAs generated benefits that exceeded their costs.² For the then Conservative opposition, though, RDAs represented "regional centralism" and bureaucracy, and it proposed "decentralisation" and "localism" as alternatives. The

² PwC *Impact of RDA Spending: National Report* (2009)

Liberal Democrats wanted RDAs, in those regions where they retained wide support, to narrow their focus onto economic development.

Lurking in the background were ideas emanating from right-wing think tanks such as the Policy Exchange, which questioned the necessity and desirability of regional policy.³ This view sees agglomeration economies (or “economic mass”) as the source of productivity gains and concludes that London and the South East of England should be allowed to grow at a faster rate by removing planning restrictions. Regional policy, in this perspective, is wasteful and counterproductive and there is “no compelling evidence” on the effectiveness or otherwise of RDAs.⁴

Rebalancing, decentralisation and localism: a Maoist approach

Getting rid of the RDAs and bringing in LEPs has perhaps been a little Maoist and chaotic, but overall we're giving back to councils and local authorities the powers and incentives they need to see a resurgence in civic pride.

Vince Cable, quoted in *Financial Times*, 12 November 2010

The context for the general election was an unprecedented global economic crisis. The inconclusive result produced the Coalition government, which remains focused on deficit reduction, albeit alongside a rhetoric of “rebalancing” the economy – meaning in various usages a shift away from a concentration on financial services in London and the South East; a shift of output and employment from the public to the private sector; and a shift from consumption to production and exports.⁵ In this context, RDAs were presented as emblematic of Labour’s profligacy (“bloated regional quangos”) and were swiftly slated for abolition, along with government offices for the regions, even in regions where they were regarded as successful and commanded wide support. The distribution of austerity involves not simply reductions in public expenditure, but also profoundly political choices about the future character of the state, with uneven implications for cities and regions.

The new policy regime has banished the term “region” from the lexicon of economic

3 Policy Exchange *Cities Unlimited* (2008); Overman, H *Urban Renewal and Regional Growth: Muddled Objectives and Mixed Progress*, Centre for Economic Performance election analysis no 14 (London School of Economics, 2010)

4 These ideas, while gaining in prominence, are not new. Previously secret Cabinet papers from 1981, made public in 2011, showed that senior members of the then Thatcher government argued that Northern cities should be subject to “managed decline” rather than economic regeneration (*Financial Times*, 30 December 2011).

5 For a fuller discussion of the contradictory nature of these objectives, see: Pringle, S, White, G, Pates, R, Seth, V, Beavan, R, Tomaney, J, Marques, P and Green, A *Rebalancing the Economy Sectorally and Spatially: An Evidence Review*, report for UK Commission for Employment and Skills (2011)

development. New Labour's regional policy is criticised for its role in a growth model that was sectorally and regionally "unbalanced", statist, insufficiently cognisant of functional economies, lacking in proper accountability and characterised by complexity and duplication. In response, the Coalition approach is said to be marked by a commitment to "rebalancing", "decentralisation" and "localism" and the advocacy of "big society".

Rebalancing is to be enacted through a new Regional Growth Fund, competitively allocated with the aim of stimulating enterprise and, in an echo of the past, the creation of 21 new enterprise zones. In rhetorical terms, decentralisation concerns the shift of power to communities and individuals beyond the state. In practical terms, decentralisation and localism are aimed at promoting private-sector-led groups to mobilise local resources and tailor policies to local circumstance. Territorial competition, once considered wasteful, now is encouraged as a stimulus to growth. The government has encouraged the formation of local enterprise partnerships – intended better to reflect functional economic geographies – with the task of fostering the conditions for local growth. The prospect of directly elected mayors is offered in the 12 largest cities outside London.

At the same time, decentralisation and localism have been offset by marked *centralisation*. Several activities developed by RDAs, such as innovation, inward investment and trade promotion, adult skills provision, rapid response to economic crises and the management of EU funds, have been centralised in Whitehall. Ministers have coined the term "guided localism" to explain this apparent contradiction, but the House of Commons Communities and Local Government Select Committee has argued that "the concept of 'guided localism' is an unhappy compromise which is neither helpful to local authorities nor as radical as the Government seem content to believe".⁶

Do these actions amount to a strategy for local growth or a hastily assembled cover for the absence of one? At the very least, it is possible to identify a set of contradictions and unanswered questions. The outstanding questions concern the rationale for the (local) state's role in the management of regional development; whether the local scale is the only or most appropriate, for understanding agglomeration and economic mass and shaping economic policy; and, whether or not causal relationships exist between "rebalanced" local economies and growth. Moreover, probably reflecting the influence of right-wing think tanks and the academic ideas they draw upon,

⁶ House of Commons Communities and Local Government Committee *Localism*, third report of session 2010–12, HC 547 (2011), p28

current official documents are sanguine about the need to manage spatial inequalities at all.

Early commentary has been sceptical about the coherence of government policy and its capacity to contribute to rebalancing. It is not clear how localism, decentralisation, "the big society" and rebalancing intersect. Local government's actions, especially in the land-use planning field, remain subject to central veto. The government's plans are not subject to any specific, measurable targets. Uncertainty surrounds the wind-up of RDAs and the fate of their significant land holdings. The cost of closing the RDAs has been estimated at £1.5 billion – more than the value of the Regional Growth Fund.

Moreover, Lord Heseltine, the chairman of the government's Regional Growth Fund, has lamented that "the disbanding of regional development agencies broke up the regional teams that gave Whitehall an overview of a locality. Instead each Whitehall department has recreated its individual empire in the regions."⁷ The House of Commons Communities and Local Government Select Committee concurred: "Continual reorganisation of the public bodies charged with helping to spark regeneration across the regions is likely to limit the ability of the retained and new organisations to keep that stored knowledge and experience over time."⁸

LEPs lack any statutory authority, and sceptics question whether the scale and capacity of the new arrangements match the size of the task, given the depth of the economic crisis: PwC's analysis highlights that the proposed scale of the Regional Growth Fund (£1.4 billion over three years) is 25% of the annual out-turn of RDAs for 2009/10. PwC also notes⁹ that LEPs must fund their running costs, secure private funding and bid for resources from the RGF with scarcely any dedicated resource. The late Sir Simon Milton, Conservative deputy mayor of London, concluded: "The government has still not been entirely clear what problem LEPs are the solution to."¹⁰

The government's policies have resulted in the replacement of nine RDAs (and government offices for the regions) with 37 LEPs to date. The map of LEPs reveals a highly differentiated, fragmented and localised geography. Despite the Coalition government's claim that governance areas should match functional economic areas,

7 *The Times*, 23 August 2011

8 House of Commons Communities and Local Government Committee *Regeneration*, sixth report of session 2010–12, HC 1014 (2011)

9 PwC *Sectoral and Regional Impact of the Fiscal Squeeze* (2011), p26

10 Quoted in *Financial Times*, 14 November 2010

a high proportion of existing LEPs provide questionable matches to any reasonable understanding of functional local economies in England (see table 1). The map of LEPs also includes "white spaces" not covered by any of the LEP areas, and the fate of local economic development in these spaces remains unclear, while some local authorities are in multiple LEPs – a new twist on the problem of duplication, which the Coalition had previously criticised.

Table 1: Local enterprise partnerships and functional economic areas

Phase of LEP recognition	LEPs whose areas come close to being '1 for 1' with travel-to-work areas	LEPs whose areas are recognisably city regions	LEPs whose areas are of questionable validity as functional economic areas
Initial phase: approved	1 [4.2%]	10 [41.7%]	13 [54.2%]
Initial phase: rejected	2 [6.5%]	3 [9.7%]	26 [83.9%]
Later phases: approved	1 [7.7%]	4 [30.8%]	8 [61.5%]

Source: Authors' research

The context for judging the likely impact of this new regime is the uneven geography of a severe crisis, state retrenchment and austerity. During the 2000s the nature of jobs growth was highly uneven, being driven by the expansion of the private sector in the South and the public sector in the North (see figure 1), reflecting the growth of financial services in London and the South and making the Northern regions disproportionately at risk from the consequences of public expenditure cuts. London, the South East and the East of England increased their share of UK GVA after 1971, while the share of the Northern regions declined (see figure 2), and only London and the South East have had a GVA per head above the national average over the same period (see table 3). Powerful long-run economic trends are working against the goal of geographical and sectoral rebalancing and, measured against these, the Regional Growth Fund, LEPs and "localism" look inadequate.¹¹ Moreover, as economic growth proves elusive in the

¹¹ For further discussion of this point, see: Pringle, S, White, G, Pates, R, Seth, V, Beavan, R, Tomaney, J, Marques, P and Green, A *Rebalancing the Economy Sectorally and Spatially: An Evidence Review*, report for UK Commission for Employment and Skills (2011)

aftermath of drastic austerity measures, voices within the Coalition reputedly are calling for a downgrading of regional policy:

Close allies, Conservative MPs and sympathetic think-tanks advise [the prime minister] that the quest for economic growth must trump all other considerations ... There are calls to postpone dreams of "rebalancing" the economy away from the finance-oriented City of London and the south-east of England: this is a moment for helping the strongest first.

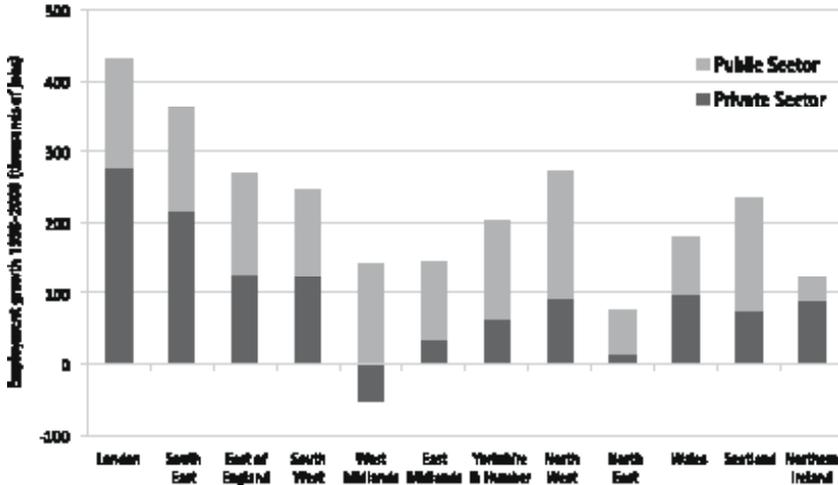
"Bagehot", *The Economist*, 26 November 2011

The road not taken

At the general election of 2010, the future of regional policy and its governance was an open question. While the Conservatives had signalled their opposition to RDAs, some voices in the party, especially in the North, cautioned against their abolition. The Liberal Democrats were committed to developing the RDA model where it was wanted. In the event, the qualitative reorganisation of the state in England has created not smarter, smaller or more flexible RDAs but something rather different: locally fragmented voluntary partnerships led by the private sector with virtually no funding from central government, alongside several competitive national schemes with substantially reduced funding.

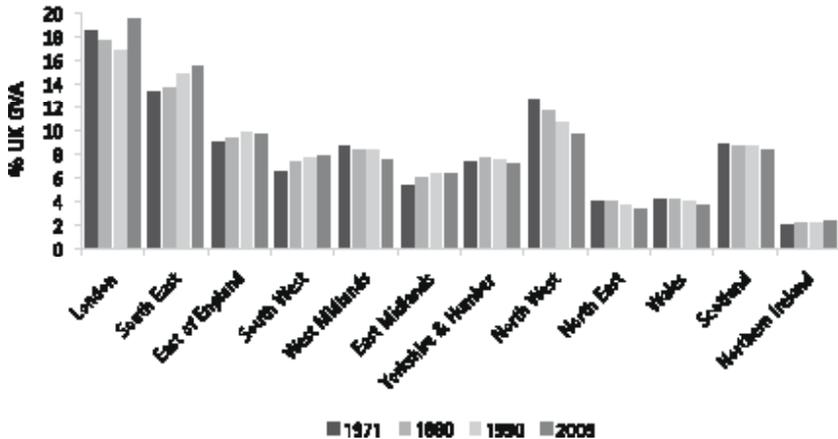
Yet despite the rhetoric of "decentralisation" and "localism", the recurrent role of central government and its strictures and priorities remain critical in shaping local developments and deciding access to national funding streams. In the face of an intensifying global economic crisis, it requires a large leap of imagination to envisage these arrangements contributing to the spatial rebalancing of the UK economy.

Figure 1: Public- versus private-sector jobs growth 1998–2006, by region



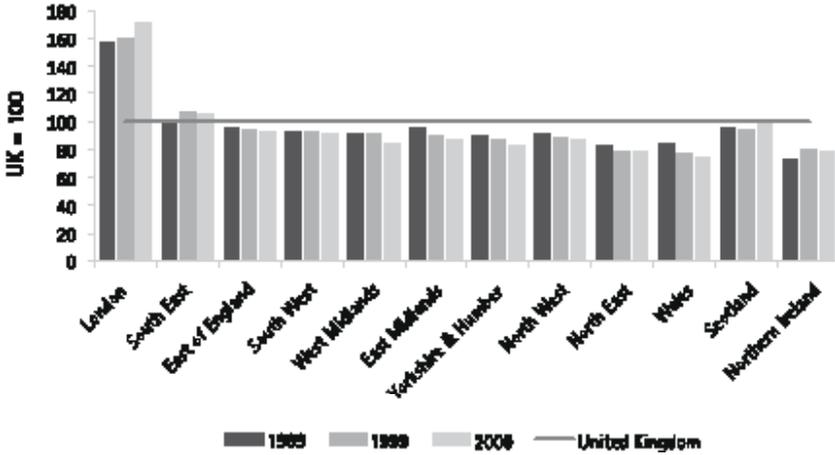
Source: Cambridge Econometrics and Office for National Statistics, in Pringle, S, White, G, Pates, R, Seth, V, Beavan, R, Tomaney, J, Marques, P and Green, A *Rebalancing the Economy Sectorally and Spatially: An Evidence Review*, report for UK Commission for Employment and Skills (2011)

Figure 2: Regional shares of UK GVA



Source: Cambridge Econometrics and Office for National Statistics, in Pringle, S, White, G, Pates, R, Seth, V, Beavan, R, Tomaney, J, Marques, P and Green, A *Rebalancing the Economy Sectorally and Spatially: An Evidence Review*, report for UK Commission for Employment and Skills (2011)

Figure 3: Regional GVA per head



Source: Cambridge Econometrics and Office for National Statistics, in Pringle, S, White, G, Pates, R, Seth, V, Beavan, R, Tomaney, J, Marques, P and Green, A *Rebalancing the Economy Sectorally and Spatially: An Evidence Review*, report for UK Commission for Employment and Skills (2011)

Chapter 7

Local government and growth

Allister Hayman, Chief Reporter at the *Local Government Chronicle*

Local government and growth

The rose garden

When Nick Clegg and David Cameron stood in the Number 10 rose garden in May 2010, councils across the land wondered, with some trepidation, what the new Coalition government would mean for them. While there was a general understanding that the country was about to enter a new age of austerity, there was also a hope that, given the "localism" agenda espoused by both the Conservatives and Liberal Democrats in opposition, councils would also be given much greater autonomy.

I do not want to debate here whether the Coalition has delivered on its localism agenda, not just because it is too early to say but also because that would require rehearsing arguments about what "localism" means and whether local government is or should be at its heart. Suffice to say the jury is definitely still out. Instead, I want to focus on the changes to economic development policy and how they have impacted on local government's ability to drive growth in their own areas – changes that in the first instance were wide-ranging, profound and not always for the better, but which have now brought policy almost full circle, to a place not hugely dissimilar to that which existed before the election.

'Year zero' for economic development

Prior to the election, the previous Labour government had embarked on a painstaking process of devolving power down to "subregions". The thrust of the policy was aimed at creating new partnerships of local authorities, through multi-area agreements or statutory city regions, across real economic areas that would sit beneath and eventually take on powers and budgets from the network of regional development agencies. This process produced the two statutory city regions in Greater Manchester and Leeds that were announced in the April 2009 budget. These were meant to be the forerunners of a "revolution" that would end in much greater control for cities over their local economies, with the promises of powers over city-region-wide planning, strategic transport, housing and regeneration funds and, in part, over skills. But the government – and the cities – did not get very far on this agenda before the election, after which it was a new world.

In opposition the Conservatives, most notably through Eric Pickles, had made plain their intention to wipe away regional development agencies (they will go the way of Anne Boleyn, Pickles was fond of saying), while the Liberal Democrats wanted the agencies streamlined and focused solely on economic development. In the first few months of the Coalition their fate was unclear. Pickles, now communities secretary,

was adamant they would all be scrapped, but the Coalition agreement – and new Liberal Democrat business secretary Vince Cable – had said the popular ones could remain.¹ For local government at least the hope was that if the agencies were abolished, their powers and budgets would be passed down to councils, rather than handed back to Whitehall. As it turned out, Pickles won, but local government did not: the RDAs' budgets were slashed ahead of their closure and their powers returned to Whitehall.

Whatever your view of the RDAs, it is hard not to conclude that their abolition was done with needless haste. The government was, in my view, right to want to redesign economic development around real economic areas, but it could have widened, deepened and accelerated the previous government's approach, with a staged transition from the RDAs to city regions, rather than simply wiping away all it inherited. Instead, scrapping the agencies meant close to 3,000 regeneration, economic development and business support projects were cut over 2010/11 as the agencies faced £1.36 billion in in-year cuts to their budgets ahead of their closure.² This amounted to a reduction in economic development activity of 73% from 2010/11 to 2011/12, which came just as the fragile economy was showing signs of green shoots.

Furthermore, RDA budget cuts removed the main source of match-funding for European regional aid, leaving a pot of around £1.2 billion across the regions unallocated, with time now running out before it must be spent.³ Ministers also discovered that because the agencies, in fulfilling their remit to drive regeneration and economic development in their areas, had entered into long-term contracts, or held land in need of remediation, the public purse was saddled with around £1.4 billion in liabilities⁴ – a figure equal to the annual budget of the RDAs, which Pickles was forced to meet from within his department's budgets.⁵ Plans to scrap the Homes & Communities Agency as part of the "bonfire of the quangos" were hastily shelved as ministers realised they needed to park the RDAs' assets and liabilities somewhere and the Treasury refused to countenance handing them to local government. Meanwhile, the redundancy bill for the more than 2,000 staff to be laid off continues to rise, with ministers recently putting it at over £100 million.⁶

Of course, it was not only the RDAs' budgets that were hit by cuts. Local government's

1 Hayman, A "Popular" RDAs Can Remain" in *Local Government Chronicle*, 20 May 2010

2 Hayman, A "Regions Lose Out from £1.4bn Fund Cuts" in *Local Government Chronicle*, 19 May 2011.

3 Hayman, A "Cuts May Blow Away EU Millions" in *Local Government Chronicle*, 14 January 2011

4 Hayman, A "Cost of Scrapping RDAs Opens £1.5bn Blackhole" in *Local Government Chronicle*, 22 September 2010;

Hayman, A "The Devil Is in the (£1.5bn plus) Detail, Mr Pickles" in *Local Government Chronicle*, 22 September 2010

5 Hayman, A "Ministers Set Aside £1.4bn-plus to Scrap RDAs" in *Local Government Chronicle*, 26 October 2010;

Hayman, A "Pickles Foots £1bn Bill to Scrap RDAs" in *Local Government Chronicle*, 27 October 2010

6 Hayman, A "RDA Redundancies to Cost £103m or More" in *Local Government Chronicle*, 26 January 2011

own funding faced swingeing, front-loaded reductions, as did the Homes & Communities Agency, while a number of dedicated economic development and regeneration funding streams – the Housing Market Renewal programme, the Working Neighbourhoods Fund, the Future Jobs Fund, the Local Enterprise Growth Initiative and the Local Authority Business Growth Initiative – were ended. Meanwhile, local government's influencing role over welfare-to-work programmes was removed, as was the responsibility for skills. As David Marlow, former chief executive of the East of England Development Agency and now an economic development consultant, noted, it was something like "year zero" for economic development, with "ministers seeking to build everything from scratch, destroying all that had gone before".⁷

What ministers put in place was "localism" and economic "rebalancing". In place of the RDAs' budgets, the government launched the Regional Growth Fund. With an initial pot of £1.4 billion over three years, it was a third of the value of the RDAs' budgets; at the end of 2011, over a year since it was announced, just a handful of the 50 projects awarded cash in the first round of bidding had received their funding. Meanwhile, ministers announced the RDAs would be replaced by local enterprise partnerships. But these were to take the form of "bottom-up" voluntary partnerships between councils and business, without legal status or dedicated funding, and the government issued little in the way of guidance as to what ministers thought the LEPs would be *for*, apart from the general aim of "rebalancing the economy".

The absence of guidance partly reflected the government's "localist" agenda. Over the summer of 2010, as LEPs began to take shape, ministers were constantly heard to say they did not want to be "prescriptive" about LEPs and that it was up to business and councils to come together and define for themselves their priorities. But not all in government agreed with this hands-off approach. Vince Cable and Mark Prisk, the business minister responsible for LEPs, were pressing Pickles and his team to issue guidance to councils outlining the functions government envisaged LEPs carrying out, not least to help councils and business better determine the geography and form their partnerships should take.

Cable also thought – as did the Treasury and the Department for Transport – that there should be fewer than 30 LEPs, with the partnerships needing a certain scale to take on a proper strategic role.⁸ But Team Pickles refused to issue guidance, sparking behind-the-scenes rows between the two ministerial teams. This boiled over into the public eye

⁷ Marlow, D "Comment: It's Been Year Zero for Economic Development" in *Local Government Chronicle*, 19 May 2011

⁸ Hayman, A "Cable Prepares to Step in over LEPs" in *Local Government Chronicle*, 2 September 2010

when a letter from Prisk to Cable and Pickles was leaked to *The Times*, wherein Prisk warned that LEPs had become dominated by local politics, with business insufficiently engaged, and that the policy could be a “failure in large parts of England”.⁹

In the end, Pickles prevailed, with 39 LEPs eventually agreed by government. But the powers held by the RDAs were returned to Whitehall, rather than handed to LEPs, and the agencies' assets were put up for sale or passed on to the Homes & Communities Agency. Without funding or legal status, it seemed unlikely the LEPs would be able to pursue their stated aim of rebalancing the economy. By autumn 2011 a Centre for Cities report found that few LEPs had made any real progress, and the long-held fears within business that LEPs would simply become talking shops seemed increasingly prescient.¹⁰ For all the frustrations of the previous government's approach to local economic development, local government now found itself in a new world where many of the funding streams designed to enable it to effect growth in its area had been cut, its role over skills and worklessness had been removed, and a direction of travel towards greater devolution from Whitehall and the RDAs down to new partnerships across real economic areas looked at best to have stalled and at worst to have gone into reverse.

Back to the future

By late 2011, with economic growth stalling and a double-dip recession looming, ministers began to recognise that their approach to local economic development needed a rethink. In the spring, Chancellor George Osborne had launched a new generation of 1980s-style enterprise zones, with 21 to be set up in LEPs around the country. This move was welcome, not least because it would enable LEPs to keep the business rates growth within the zones and use it to boost economic growth across their area. The announcement of a further £1 billion boost to the Regional Growth Fund in the autumn, with a proportion focused on the core cities, was also welcome, while the £500 million Growing Places Fund which was shared out between the LEPs seemed a belated recognition that the partnerships needed some start-up cash.

But it was not until the end of the year, when the government appointed Greg Clark as cities minister and the deputy prime minister Nick Clegg launched a new City Deals prospectus, *Unlocking Growth in Cities*, which set out a range of powers and freedoms over economic development that could be handed down to England's core cities (see box), that it seemed the government was finally getting serious about local economic

9 Hayman, A “Minister Skewers Local Growth Policy” in *Local Government Chronicle*, 2 November 2010

10 Bolton, T and Coupar, K *Cause Célèbre or Cause for Concern? Local Enterprise Partnerships One Year On* (Centre for Cities, October 2011)

development. Indeed, for many this was exactly the kind of serious policy guidance for which the sector had been asking the summer before, when the government had originally invited areas to put together LEP bids.

Some possible options for City Deals

- Give cities one consolidated capital pot (rather than multiple funding streams), allowing them the freedom to direct and prioritise economic investment
- Access to an additional £1 billion Regional Growth Fund to support innovative and ambitious economic programmes
- Powers for cities to offer business rate discounts to local businesses, with the opportunity to match fund this through RGF bids
- Access to new infrastructure funding through tax increment financing where this is spent on economic development projects, in line with the local government resource review
- Recognise the benefits for local authorities that opt to pool business rates across their LEP to enable more effective economic decision making and to manage fluctuations in their budgets
- Allow cities to take strategic transport decisions by devolving local transport major funding
- Increase cities' control over rail services, through devolving responsibility for commissioning local and/or regional rail services, including the management of franchise arrangements
- Develop with cities specific proposals for developing greater accountability to local communities for local bus services, in the context of wider reform of the bus service operators grant
- Put greater regeneration funding and responsibilities in the hands of cities, by devolving Homes & Communities Agency spending and functions
- More planning freedoms for cities, including devolving non-planning consents where cities can reduce impact on business
- Ensure better strategic planning across cities and their LEP areas by granting LEPs statutory consultee status for planning proposals
- Support the development of connected urban spaces through a £100 million capital pot for competitive bids for ambitious broadband infrastructure plans
- Give cities the opportunity to grow apprenticeship numbers in their area by establishing city apprenticeship hubs, accessing national funding to catalyse new apprenticeships in small businesses
- Create a City Skills Fund to enable cities and colleges to work together to tailor the provision of adult skills to the needs of employers in the city

- Give cities the opportunity to drive local employment and skills through better service integration with Jobcentre Plus
- Improve integration between welfare-to-work programmes and other social services by allowing cities to expand existing Department for Work & Pensions contracts (such as the work programme contract) to include other wraparound services

The City Deals prospectus can be seen as a return to the statutory city-region agenda of the previous government, with the language of “asks” and “offers” re-emerging. But that brings with it the same obstacles and challenges faced by the previous government, not least the question of to whom Whitehall will devolve. The prospectus makes clear that LEPs are to be the main vehicle for taking on strategic powers from Whitehall, but says the government will expect cities to demonstrate strong and accountable leadership and robust governance arrangements before it signs off any “deals”. And, although it does not make the deals conditional on the adoption of a directly elected mayor, it says explicitly that cities that do go for mayors in next year’s referendums will be “well placed” to meet the government’s tests.

But there is a problem with the government’s mayoral agenda. For all ministers’ talk of wanting a Boris in the Northern cities, the fact remains that the mayoral model they are pushing is not Greater London’s metro model, but the borough model in place in Newham, Hackney, Tower Hamlets and elsewhere. That is not to say the model is not worth pursuing, but in pushing for a mayor for Leeds City Council, not a metro mayor that would cover Leeds City Region, the problem of what form of governance LEPs would need to put in place in order to take on strategic powers through the City Deals remains. Labour peer and former minister Lord Adonis, who now heads up the Institute for Government, says ministers “missed a trick” by not including metro mayors as an option in the Localism Act (and so did the last government), thereby ruling out what could have been the most sensible vehicle for devolving the strategic powers outlined in the prospectus, particularly in places like Merseyside, where there seems to be a genuine appetite for the mayoral model.¹¹ By striking out metro mayors, ministers have been left with the considerably more messy option of a city mayor, with power over a single authority, sitting within a partnership of local authorities across a real economic areas in the form of an LEP, who is somehow identified as “leading” that partnership despite not having a mandate to do so.

With or without a mayor, local authorities will still need to come together, in some

¹¹ Hayman, A “City Deals” Could Be a Real Step Forward” in *Local Government Chronicle*, 7 December 2011

form of statutory vehicle, to pool sovereignty across their LEP areas in order to take on any strategic powers that are devolved through the City Deals. We are back to precisely the point where the last government found itself. Indeed, the Core Cities amendment in the Localism Act – which is the legal basis for the City Deals – identifies combined authorities, such as that in Greater Manchester, or economic prosperity boards, as the most likely models of governance across real economic areas. Both are statutory city-region vehicles developed by the previous government. There are other options too, in the form of joint committees, such as the one developed by Pennine-Lancashire as part of its multi-area agreement, while on certain discrete measures the partners across the LEP could nominate a lead local authority. Greater Birmingham has established its LEP as a company by limited guarantee, which is a good start, but the local authorities are yet to consider bringing their own partnership on to a firmer footing.

But for the really big wins, local authorities, it seems, will need to come together and pool some sovereignty. As Steven Smith, a partner at law firm Eversheds who advised councils on their LEP proposals, says if LEPs are to take on strategic powers they will need some form of legal status. "You need to have a single legal entity that is accountable, otherwise decisions are driven by each member's parochial concerns – that's when they become talking shops," he says.¹² Pooling a proportion of business rates growth across an LEP area to spend on city-region priorities, for example, will surely require the partnerships to be put on a much firmer footing. Currently it would seem that only Greater Manchester has the necessary partnership arrangements in place to facilitate pooling; and some LEPs, such as Leeds City Region and the North East, which have had difficulty agreeing the site of an enterprise zone without descending into internecine warfare, seem very far from that end.

For all ministers' emphasis on their brave new world, cities are now in many respects back to where they were before the election, needing to firm up partnerships across real economic areas in order to win some new freedoms, flexibilities and funding. However, the difference between then and now is that the Coalition government, through the City Deals initiative, has at least put on the table a menu of specific powers and freedoms (rather than vague promises), many of which have been on the wish list of cities for quite some time. That the agenda is to be led by the new City Policy Unit within the Cabinet Office is also welcome: too often efforts to devolve powers from Whitehall are driven from within the Department for Communities & Local Government – itself something of a Whitehall outpost – and make little impact on the agenda of the key departments that need to be fully engaged if serious powers

¹² Hayman, A "LEPs: Legal Entity or Loose Association?" in *Local Government Chronicle*, 2 September 2010; Hayman, A "LEPs Need a Legal Footing" in *Local Government Chronicle*, 8 September 2010

are to be devolved.

But the challenge is huge. In offering the deals to all eight core cities, the coalition is showing much greater ambition than the previous government, but prising powers out of Whitehall is notoriously difficult. Yet with the deputy prime minister now leading the agenda within the Cabinet and across Whitehall – and with more than three years to go in the parliament – there is reason to be optimistic that real progress may now be made.

Certainly, Clegg has demonstrated much greater ambition on the localism agenda than his fellow ministers. Take, for example, the local government resource review. The deputy prime minister wanted a wide-ranging review of local government finance, which would consider a whole range of local taxes as well as the removal of all constraints on local government borrowing. In a letter to Pickles, he said he wanted the review to take as its starting point the assumption that “taken collectively local authorities are self funding”.¹³ But Pickles blocked Clegg’s proposals, limiting the resource review to a focus on community budgets, the introduction of tax increment financing and business rates retention – not, importantly, localisation, which would have given councils the power to set the rates, something supported by Vince Cable, despite business opposition.¹⁴

At present it is not clear that the resource review will produce a local government finance system significantly different to that in place already. Slated to take effect from April 2012, the reforms are aimed at enabling councils to retain their business rates growth, which would provide greater financial autonomy as well as an incentive to grow their local economy. However, the proposals signal a complex system, with levies, tariffs, top-ups and resets, and include a Treasury claw-back of several billion pounds aimed at ensuring local government stays within its spending limits through to 2015.

As Tony Travers, director of the Greater London Group at the London School of Economics, puts it, the incentives ministers have tried to create could be eroded by the amount they propose to siphon off and by the complicated nature of the redistribution system. “Effectively the new system expects councils to try to fill a bucket that the government has drilled a hole in the bottom of. It’s asking can councils fill up the bucket quicker than ministers can empty it,” he says. “The proposals outline a very top-down, highly centralised system that has many of the attributes of the much-maligned

13 Hayman, A “Clegg Goes into Battle over Finance Review” in *Local Government Chronicle*, 19 January 2011

14 Hayman, A and Illman, J “Ministers Herald US-style Tax Competition between Councils” in *Local Government Chronicle*, 3 March 2011

local authority business rates incentive growth scheme."¹⁵

So much for Clegg's ambitions. With Pickles now ruling out the possibility of any further financial autonomy being devolved to councils before 2015,¹⁶ Clegg's main hope for delivering the "real localism" he has spoken of lies in the City Deals agenda.¹⁷ For instance, although the local government resource review may yet prove a damp squib, the possibility of pooling at least a chunk of business rates growth across an LEP could maximise the impact of reform. This could be combined with additional resource from central government, in the form of a "city bonus", highlighted in Clegg's prospectus, for areas that pool their rates, as well as a single consolidated capital pot and the Homes & Communities Agency's housing and regeneration budgets.

The next round of European regional funding also holds out the potential for a ring-fenced allocation for cities, which could again be pooled into a special-purpose investment vehicle operating across an LEP area.¹⁸ Set alongside the tax increment financing mechanism, which will enable local authorities to borrow against projected increases in business rates, it becomes possible to envisage a future where local government, across an LEP area, may have the finance necessary to leverage in private-sector cash. Add this to strategic powers over transport and skills, and the core cities, through their LEPs, could be in business.

With austerity set to extend well into the next parliament, the core cities certainly now have good reason to put their LEPs onto a firmer footing. That will mean local rivalries will need to be put aside and a certain amount of sovereignty given up for the greater good of the wider metropolis. This is critical. Whitehall, for all its intransigence, is right to expect local authorities to come together to firm up arrangements before it devolves strategic powers. To demonstrate the potential of the City Deals – and focus minds in other town halls – ministers should act quickly to devolve a range of powers and freedoms to Greater Manchester, which has the requisite governance arrangements in place as well as a strong track record of private-sector engagement. The challenge to other cities would then be clear: get your act together, pool some sovereignty, and you too can move forward. Those who cannot or will not will only confirm the suspicion in some ministers' minds that local government is part of the problem, not the solution. And that would be bad both for town halls and local growth.

15 Illman, J "Fresh Fears of Treasury Cash Grab from Business Rate Retention Plan" in *Local Government Chronicle*, 1 September 2011

16 Illman, J "No Benefit" from Reforms until 2015" in *Local Government Chronicle*, 13 September 2011

17 Hayman, A "Clegg's Battle for 'Real Localism'" in *Local Government Chronicle*, 20 January 2011

18 Hayman, A "The Only Game in Town?" in *Local Government Chronicle*, 27 October 2011

Chapter 8

Competition between places

John Harrison, Lecturer at the Department of Geography at
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Competition between places

Speaking on 14 July 2011 at the Ford Foundation's 75th anniversary conference on "The Just City", a forum held in New York City to discuss challenges and solutions for urban regions, John Hickenlooper, Denver's mayor and now governor of Colorado, declared "collaboration the new competition".¹ One month later, UK communities secretary Eric Pickles was addressing delegates gathered at the Local Enterprise Partnership Conference in London when he announced:

To put it simply; I don't think there's anything wrong with a little sibling rivalry.²

The contrast appears stark. But it is worth following this particular story, because in the case of Pickles, he went on to proclaim to his audience: "Have no shame – steal some of the best ideas from others in the room."³ The language is evocative, some would say incendiary. Yet what was easily missed amid the headline-grabbing wording chosen by Pickles was what lay behind much of what was said. In this case, Pickles' use of the word "steal" belies what he is really talking about:

The element of competition can spark new ideas. Motivate everyone to work a bit harder. And help different places learn from each other, adapting the best ideas from other places while pioneering their own. I'm pleased that this work has already started between you today.⁴

Helping different places learn, adapting best ideas from other places, using this to pioneer new ideas, all as people from different areas gather within one building to learn from each other – surely this is the epitome of collaboration? Maybe collaboration is the new competition after all, even in the eyes of Eric Pickles.

Yet fast-forward one week to the Liberal Democrat party conference in Birmingham and another development. The date is 22 September 2011, and the focus is not Eric Pickles but Sir Ian Wrigglesworth, deputy chairman of the government's Regional Growth Fund Advisory Panel, who tells a fringe meeting at the conference:

In the north part of the North East we have had an absolute nightmare ... I mean there is almost a civil war between Sunderland and Newcastle ... There are tremendous

1 Speech to the Ford Foundation's 75th anniversary conference on "The Just City" in New York on 14 July 2010

2 Eric Pickles, in speech to the Local Enterprise Partnerships Conference in London on 15 September 2011

3 Ibid

4 Ibid

*rivalries and getting an LEP together in that area has been a nightmare. And as a result of that we've ended up with a considerable mess.*⁵

So what is going on? Is collaboration the new competition? Does localism inspire competition between places? Can we neatly separate competition from collaboration, or are they, in fact, two sides of the same coin? To answer these and other questions we can learn a lot from how "new localism" (or *new* "new localism" to be more accurate) has come about in the UK context, in particular how the transition from regional development agencies to local enterprise partnerships as the government's preferred model for subnational economic development has been managed in England.

Background

Take a look at the discussions that established LEPs, and a phrase you will see used time and again is "wasteful competition" – specifically, the need to avoid it.⁶ To get an idea of why this is such a big issue, we need look no further than the 2010 *Local Growth* white paper, in which the new government stated:

*Regional and other strategies stifled natural and healthy competition between places and inhibited growth as a consequence.*⁷

What we can distil from this is twofold. First, the problem is not competition *per se* but unhealthy competition. And second, seeking to contain growth within formal structures of territorial governance (in other words, regions) stifles growth because it is not conducive to economic competitiveness in today's quicksilver global economy; where the movement and circulation of knowledge, people, finance and information increasingly transcends political boundaries – be they governmental or administrative.

If this is the theoretical rationale for the policy shift from regionalism to localism, it is also important to note the political rationale whereby the new Coalition government pinpointed a series of failings in Labour's post-1997 regional policy which smoothed the way for their own particular brand of localism:

- Labour's prescribed one-size-fits-all approach did not account, nor allow, for autonomous local and regional action.

5 Carpenter, J "Newcastle and Sunderland in 'Civil War' over LEP" in *Planning* (online), 23 September 2011

6 House of Commons Business, Innovation and Skills Committee *The New Local Enterprise Partnerships: An Initial Assessment*, first report of 2010-11, HC 434 (December 2010)

7 HM Government *Local Growth: Realising Every Place's Potential* (2010), p7

- Attention focused more on structures than powers due to the long-drawn-out attempts to piece together the regional jigsaw in England.
- Despite promising that regional structures "will widen the winners circle"⁸ and ensure "all regions and communities have the resources and capabilities to be winners",⁹ regional disparities increased over Labour's 13 years in government.
- If regional structures were designed to insulate regions from economic collapse, they failed in the wake of the 2008 financial crisis, with regional economies contracting more in the North and West than in the South East where the crash originated.
- The original argument put forward by the 1996 Millan commission that England was losing out on European funding by not having regional structures was eroded because EU expansion saw English regions no longer qualify for as much European regional aid.
- A popular mandate and broad consensus for regions was never achieved, leaving regional structures in England exposed to the new government's axe.

For these reasons, Eric Pickles and the government were adamant that "the whole concept of 'regional economies' is a non-starter"¹⁰ and made ready to roll out a new brand of localism that placed LEPs in the vanguard.

The case for LEPs

If arbitrary dividing lines are to be associated with unnecessary bureaucracy, variously disrupting, blocking and stalling economic growth, the alternative model of localism seeks to organise subnational economic development according to what are purported to be "real", "natural" and "meaningful" functional economic areas. The recent orthodoxy surrounding city regions is that more "appropriate" – generally accepted to mean more flexible, networked and smart – forms of urban-regional economic infrastructure, governance and planning arrangements are key to creating the conditions necessary to uncork the economic potential of urban and regional economies, stimulate growth and maximise their competitiveness.¹¹ It is in this spirit that local enterprise partnerships

8 Stephen Byers in DTI press release announcing the government's "new regional policy" on 15 November 2000

9 Department of Trade & Industry *Opportunity for All in a World of Change: A White Paper on Enterprise, Skills and Innovation* (2001), p34

10 Eric Pickles "How We Rebuild our Local Economy" on Conservative blog on 10 September 2010 (http://conservativehome.blogs.com/localgovernment/eric_pickles_mp/)

11 Harrison, J "Life after Regions? The Evolution of City-regionalism in England" in *Regional Studies* (forthcoming)

were launched as collaborations between local authorities and business, brought forward by groups of local authorities to support local economic development across "functional economies", to replace regional development agencies as the Coalition government's flagship policy for organising subnational economic development and harbingers of a new localism.

LEPs may have been launched under the guise of localism, but it is easy to forget that the rationale for them is not new. What LEPs represent is actually the latest in a long line of initiatives designed to operate across functional economic areas, bringing a new, more flexible and collaborative approach to subnational governance in England. Let us not forget the four Sustainable Communities growth areas in the South East, the Northern Way city regions, city development/economic development companies, multi-area agreements, statutory city regions or the host of other subregional economic partnerships established under the previous Labour government to work across local authority and other political boundaries.

What is new with LEPs is that whereas the initiatives launched under Labour enabled localism to slowly bubble up (often voluntarily) alongside regionalism, the Coalition government has embarked on a programme to replace regionalism with localism. This is being achieved by airbrushing regions from policy and abolishing regional planning and governance structures. One consequence of this is the raised spectre of increased competition and rivalry, as nine regions and their institutions are replaced by a more fragmented mosaic of 39 LEP areas. But is this a fair assumption to make, and a fair criticism?

Competition between places: myth or reality?

Competitiveness is deeply embedded in local, regional, national and international policy as the key to economic development in an increasingly globalised world. Yet as argued by Gillian Bristow, a leading economic geographer and contributor to the previous Regional Studies Association/Smith Institute publication *The Future of Regional Policy*, the hegemonic discourse surrounding competitiveness has intuitively led to concerns regarding the dangers of place competition.¹² This is because competitiveness thinking has the tendency to treat regional economies as separate, isolated and insular. But critically, regional economies perceived to be the apex of competitiveness, such as South East England or Silicon Valley, also require, and often influence, the development of others.

¹² Bristow, G "Limits to Regional Competitiveness" in Tomanej, J (ed) *The Future of Regional Policy* (Regional Studies Association/Smith Institute, 2009); Bristow, G *Critical Reflections on Regional Competitiveness* (Routledge, 2010)

This is not to say regions do not compete. Successful regions continue to compete against other locations to attract high-skilled workers, investment and economic activity. Nonetheless, they increasingly find themselves co-operating with those very same locations, as supply chains cut across regional boundaries with ever more frequency, and the need to create external markets for goods and services makes them more dependent on each other now than at any previous time. From this perspective, as Bristow correctly observes:

*... the analogy of them [regions, places] acting as business rivals in a dog-eat-dog competitiveness game is hugely problematic.*¹³

This being true, why then is there such hysteria around LEPs fuelling competition between places? Well, in part, the answer remains the pervasiveness of the competitiveness discourse. Despite interventions by Bristow and others, such as the Nobel prize-winning economist Paul Krugman (who famously argued the doctrine of competitiveness is a "dangerous obsession" which is "flatly wrong"¹⁴), bringing to light the dangers of place competitiveness, it remains *the* dominant discourse among those responsible for devising local and regional economic development strategies because it is so deeply embedded in policy thinking and practice. It is in this spirit that the arrival of LEPs has been accompanied by exactly the same criticism of inspiring place competitiveness that greeted the establishment of RDAs in the late 1990s. There are, however, a number of important differences. To understand these, we need first to recount the re-emergence of localism in England.

Labour's conditional localism

As regionalism reached its nadir in late 2004 following the rejection of plans to democratise regional governance in England, increasing numbers came to view the creation of more flexible, networked and smart forms of urban-regional governance as key to economic competitiveness. By 2006, city regions had emerged as the in-vogue spatial scale among policy elites, and the Labour government proceeded to launch a series of policy initiatives designed to operate across local authority boundaries at a (variously defined) city-region scale.

The problem, if we can call it this, is that city regions are a politically sensitive subject. Whereas regionalism in England was spatially inclusive, designing policy initiatives around functional economic areas or city regions results in some areas being included but others excluded, while some areas are on the fringes. If we look at the take-up

¹³ *Ibid*, p30.

¹⁴ Krugman, P "Competitiveness: A Dangerous Obsession" in *Foreign Affairs* vol 73, no 2 (1994), pp28-44

of just three of the initiatives launched by the last Labour government, only nine city development/economic development companies were established, 15 multi-area agreements (covering 104 of 326 local authorities in England) were signed off, and only seven areas applied for statutory city-region status of which only two were authorised. What is important to distil from this for the present discussion is fourfold.

First, new localism under Labour took a piecemeal approach. Emerging alongside regionalism, localism was not perceived as a government priority. The initiatives launched under its banner were not seen as flagship programmes; neither, crucially (as we will see below), were they the only game in town. Second, regionalism proved an important backstop for those areas on the fringes of or outside the city-region agenda, as they were at least included in the coverage of RDAs and their economic development functions and funding.

Third, symptomatic of the target culture associated with the Labour government, areas engaged with new localism in hope, rather than in knowledge or expectation, that moves to create more flexible and collaborative subnational governance arrangements would mean real devolution to the local level. What was certain was that ambitious targets would be imposed on them, weighted in favour of central, as opposed to local, priorities. And fourth, given the political sensitivity surrounding any attempt to prioritise cities or city regions, many of the initiatives branded as city-regional when launched have subsequently become subregional, thereby opening them up to all areas and avoiding the accusation that it is a policy for some areas and not others.

Overall, Labour's approach to localism ensured relatively low levels of take-up compared with LEPs. But in this way it also kept a lid on a Pandora's Box of debates to do with the potential for this new localism to trigger increased fragmentation, competition between places, and the reopening of old territorial rivalries.

Localism with compulsion

In an era of greater economic as well as cultural, social and political integration, the Coalition's policy shift from regionalism to localism runs the risk of fragmentation. Fragmentation is important because if the competitiveness discourse is one source of inspiration for those who claim this new localism will lead to increased and wasteful competition between places, then another concern is undoubtedly the reopening of old territorial rivalries and the emergence of new ones. Experience tells us that not only is fragmentation a primer for such rivalries, but they become all the more acute if areas are then forced to engage in an overly competitive struggle to secure funding and resource.

So what of new localism under the Coalition? If Labour's new localism signified "localism with conditions", then this has been replaced by "localism with compulsion" under the Coalition. While much of the rhetoric remains the same, suggesting more of a continuation than a clean break, key differences do exist. LEPs are now the only game in town, making them the flagship policy for subnational economic development in England, while the abolition of regional structures (in particular, RDAs) means there is no longer a safety net for any areas that might fall outside this policy agenda.

Furthermore, the loss of the RDAs' dedicated funding stream for subnational economic development compelled areas to become part of this brave new localist world for fear that without an LEP they would not be eligible to compete for funding from its replacement, the new Regional Growth Fund. When the RGF was launched, the UK government made clear how "only public-private partnerships will be able to bid for funding".¹⁵

That areas were afforded only 69 days to put proposals together for establishing an LEP only heightened their anxiety, as local stakeholders were extremely conscious that not having an LEP would almost certainly exclude them from accessing RGF funding and shut them out of the UK government's flagship policy for subnational economic development. What is revealing is the bargaining that took place in that initial 69-day period, and in some cases weeks and months thereafter. For although the resulting map of LEP areas achieves near inclusivity (at the time of writing, only four local authorities are not covered by an LEP), avoiding any antagonism that might otherwise have surfaced between areas with and those without LEPs, competition between places is evident in a multitude of other ways.

Most obvious is the territorial politics, rivalry and parochialism clearly evident in the bargaining over LEP boundaries, establishing which local authorities were included and which were excluded from particular LEPs. Local territorial politics were more evident in certain areas than others – notably, Lancashire, the North East and Humberside – and this type of competition between places is a somewhat natural bedfellow of localism. But whereas this competition between places comes with the territory (if you will pardon the pun), what is particularly revealing when considering what the future may hold for LEPs, and localism more generally, is that we have a situation with multi-speed LEPs. This takes four principal forms.

First, there is a clear distinction between those LEPs that are "experienced coalitions of

¹⁵ Department for Business, Innovation & Skills "£1 billion Fund to Help Regional Businesses", press release, 29 June 2010

the willing" and those that are "maiden coalitions of the obliged".¹⁶ The former are areas that prior to LEPs recognised the need to establish LEP-style partnership working at this scale, were compelled to establish new governance arrangements under voluntary conditions, and which now have a clear advantage because they had already been operating in this way and across this geography for a period of time. The latter, by contrast, are areas that either never sought to try, or never succeeded in establishing, new, more flexible governance arrangements, but which in summer 2010 felt obliged to do so in response to the government's championing of LEPs as its preferred model for implementing subnational economic development policy.

Second, the Coalition has to date been able to successfully promote the inclusivity of localism by ensuring LEPs were open to all areas. Nevertheless, its use of the competitive approach to funding through the RGF, along with the reincarnation of enterprise zones, ensures the government has mechanisms in and through which it can prioritise investment into England's major cities and city regions. In short, LEP areas hosting an enterprise zone (predominantly cities or city regions) and/or successful RGF projects (again predominantly cities or city regions) soon found themselves at a major advantage, given that they could trumpet this early success as evidence of the capacity of their LEP to attract funding and powers to the area. LEPs having the least success were immediately on the back foot, responding to accusations about their limited role and capacity to secure meaningful economic development for their area.

Third, there was a very real risk in the beginning that individual LEPs would fail, given their initial lack of resource. This was in stark contrast to the structures established under regionalism, which were funded by direct grants from central government, but recent announcements by ministers of a £5 million LEP Start-up Fund and the £500 million Growing Places Fund,¹⁷ which is to be allocated by the 39 LEPs, appears to have been a direct response to the dangers if the weakest LEPs were allowed to fail.

Fourth, and finally, the new governance of England's principal functional economic area – the London mega-region – provides a real eye-opener to future problems under new localism. For under regionalism, the planning and governance of this functional economic area was orchestrated by the devolved regional planning and governance structures covering London, the South East and the East of England. Under new localism, a gaping hole now exists between national planning (centrally orchestrated) and the 12 LEPs operating across this geography. Given this fragmentation of policy

16 Harrison, *J Local Enterprise Partnerships* (2011)

17 "Prisk Unveils £5m LEP Start-up Fund" in *Planning* online, 12 May 2011; "CLG £500m Fund to Unlock the Potential for Economic Growth", press release, 7 November 2011

and governance arrangements, alongside the potential for increased territorial politics and competition between places, it is hardly surprising that many now argue the governance of England's major functional economic areas "will be weaker under new, new localism".¹⁸

Conclusion

To conclude briefly, we can see why John Mollenkopf is so keen to argue that collaboration is the new competition. In our ever more globalised world the success of a regional economy is increasingly dependent on the success of other regional economies, despite the competition with those other locations for skilled workers, investment and economic activity. But collaboration is also needed across functional economic areas, and this is what the new localism and LEPs have as their mantra. They signal attempts by the UK government to continue the task of designing new, more flexible, networked and smart forms of urban-regional economic infrastructure, governance and planning arrangements. This requires collaboration across functional economic areas.

The problem, as this chapter has sought to highlight, is that we cannot neglect the importance of territorial politics. While Eric Pickles may have made light of the territorial rivalry that emerges with localism, Sir Ian Wrigglesworth highlighted the darker side to this territorial politics. But although much of the focus to this point has been on the bargaining over LEP boundaries, the real tension that will come from the policy shift from regionalism to localism is multi-speed localism. So although it has been widely quoted that one of the key challenges facing LEPs is to "find the right balance between collaboration and competition",¹⁹ what has been overlooked to this point is that this applies equally to how the UK government constructs and manages the political and economic conditions for localism.

18 Pain, K *Cities in Transformation: What Role for the State?*, Globalization and World Cities Research Network research bulletin 384 (August 2011)

19 House of Commons Business, Innovation and Skills Committee, *op cit*, p49

Chapter 9

Planning and growth

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Planning and growth

Localism redux

Since the Thatcherite nadir of anti-local government sentiment and distrust, every in-coming national government has proclaimed that it is time to re-empower local government and put power back closer to the people. In the case of the Coalition government, the promises have come cloaked in talk of "the big society" and localism. New Labour, by contrast, talked of devolution, a "double devolution" dividend in which powers would continue to cascade down to lower levels of government¹ and community empowerment.²

While there has been much talk of granting greater powers to local government, in practice the 1979-97 Conservative governments, successive New Labour governments and now the Coalition all seem to favour some form of para-localism running alongside local government. In effect this involves the strategic and selective empowerment of certain new local governance formations. These typically do not align with existing territorial boundaries and bring together new constellations of actors in some form of public-private-civil society partnership.

For the Conservative governments of the 1980s and 1990s, this tendency to give preferential treatment and resources to bodies other than local government was evident in the creation of policy vehicles such as the private-sector-led urban development corporations, which were given planning powers as a leading-edge experiment in making planning more market-sensitive. In addition, the private-sector-led training and enterprise councils were encouraged to move into local economic development policy.³ Parallel to the rise in quangos was a selective distrust of and antipathy towards local government, most evident in the decision to abolish the metropolitan county councils in 1986.

New Labour came to power in 1997 promising to cut back on the so-called quango state created by its predecessor, only to reinvent it in its own image. With some fanfare,

1 Davies, JS "Double-Devolution or Double-Dealing? The Local Government White Paper and the Lyons Review" in *Local Government Studies* vol 34, no 1 (2008), pp3-22

2 Department for Communities & Local Government *Communities in Control: Real People, Real Power* (2008)

3 See, for example: Hart, T, Houghton, G and Peck, J "Accountability and the Non-elected Local State: Bringing Training and Enterprise Councils to Local Account" in *Regional Studies* vol 30, no 4 (1996), pp429-441; Houghton, G, Peck, JA and Strange, I "Turf Wars: The Battle for Control of English Local Economic Development" in *Local Government Studies* vol 23, no 1 (1997), pp88-106; Houghton, G "Trojan Horse or White Elephant? The Contested Biography of the Life and Times of the Leeds Development Corporation" in *Town Planning Review* vol 70, no 2 (1999), pp173-190

the UDCs and TECs were wound down. But while Labour's double-devolution rhetoric seemed to promise a cascade downwards of powers and resources, in practice local government was only selectively re-empowered. Much of the double-devolution dividend ended up with new quangocracies, the meta-regional organisations such as the Northern Way and the Thames Gateway, non-elected regional assemblies to produce regional plans (later regional spatial strategies), and private-sector-led regional development agencies to devise and deliver economic development policy.

Added to these were the many subregional organisations such as city regions and a whole host of new local partnerships, from urban regeneration companies to the nine Housing Renewal pathfinders and the reminted version of urban development corporations set up under the Sustainable Communities Plan of 2003. Running alongside this was an outpouring of masterplans commissioned from external consultancies to develop and consult upon local area strategies.

A key distinguishing feature of all these new initiatives is that they were for the most part not coterminous with the boundaries of local government, nor were they accountable to local electorates through the ballot box. The intention with many of them appears to have been to use them to help deliver on New Labour's growth ambitions by finding ways of side-stepping the perceived tardiness of planning or excessive protectionism of local government bureaucracies. The new "soft space" governance arrangements, by contrast, appeared to hold the prospect of fostering creative thinking and breaking out of the rigidities and predictability found in most planning consultations.⁴ By default, much of the creative strategic spatial thinking about territorial development moved outside the formal statutory apparatus of planning.

Sensitive to accusations of democratic deficits, these new bodies were expected to work with local government, not least through engagement with local strategic partnerships and indeed the formal planning system. Indeed, the creation of local area sustainable community strategies was precisely intended to join up the strategies of the various governance bodies in a locality and to provide some level of local accountability. But in practice, these consensus-based forms of strategy proved difficult to sustain, tending to coalesce and work around easy-to-agree-to forms of activities while avoiding intractable policy problems.⁵

4 Houghton, G, Allmendinger, P, Counsell, D and Vigar, G *The New Spatial Planning: Soft Spaces, Fuzzy Boundaries and Territorial Management* (Routledge, 2010)

5 I spent a short time on the sub-board for environmental matters for a local strategic partnership in the mid 2000s and quickly grew disillusioned and pulled out, feeling we were mainly being co-opted into providing a degree of respectability, while the real work of the partnership was focused elsewhere.

It is important to emphasise that New Labour did much to try to carve out its own vision of localism, albeit a troubled one that was strong on rhetoric and limited on delivery.⁶ In his foreword to the 2008 white paper *Communities in Control: Real People, Real Power*, for instance, the then prime minister Gordon Brown wrote about New Labour's desire from the outset to bolster local government and the attempts made by the government to reduce the number of targets set by central government.⁷

In many ways, this white paper was a direct precursor to the approach taken by the Coalition government that came to power in 2010. Despite this, the justification for the new Coalition approach rode roughshod over New Labour's stated pro-community credentials, by pointing to what it claimed was New Labour's control freakery, exercised through its target-setting culture, and its alleged lack of trust of individuals, communities and local government. This time things would be different, we were told; communities really would be empowered under the Coalition's proposals.

Shock and awe or 'creative destruction'? Coalition localism and planning

One of the features of the British system of government that European planning academics tend to notice is the dramatic policy swings that can come about following national elections.⁸ This is in contrast to, for instance, federal Germany, where certain formal powers are vested in the *Länder* and it is impossible to impose such rapid turnarounds. In Britain, planning is almost a paradigmatic example of a sector used as a "political football", one that every incoming administration attempts to use to explain the failings of the previous administration and demonstrate its own radical credentials. This makes for a bruised sector, accustomed to multiple reforms intended to "cure" a problem that has been misdiagnosed.

The incoming Coalition government quickly announced a series of major reforms for planning in what appears to have been a "shock and awe" tactic, setting out some radical options early on rather than attempting to bring in reforms step-by-step. An attempt to revoke regional planning with immediate effect was made by the new secretary of state, Eric Pickles, in July 2010 in a widely reported announcement to local authorities.⁹ The legality of in effect trying to repeal legislation this way was subsequently successfully challenged in the courts, but it set the tone for much that was to follow. Some commentators have noted how many Conservative politicians

6 Davies, op cit (2008)

7 Department for Communities & Local Government, op cit (2008)

8 Waterhout, B, Othengrafen, F and Sykes, O "Neo-liberalization Processes and Spatial Planning in Northwest Europe: An Exploration" in *Planning Practice and Research* (forthcoming)

9 "Pickles Puts Stop to Flawed Regional Strategies Today", press release on 6 July 2010 (<http://www.communities.gov.uk/news/corporate/1632149>)

took inspiration from Tony Blair's memoirs about wishing he had been even more radical in his first months in office. Personally I sometimes wonder if some of them may have read Naomi Klein's *Shock Doctrine*¹⁰ account of disaster capitalism shaped by Chicago School neo-liberalism and taken it as a how-to manual rather than a critique.

The financial crisis of 2007 onwards inevitably put the previous growth model under intense political and media scrutiny, in an examination of how the crisis had been allowed to happen and whether things could ever be the same again. If this was to be a Schumpeterian moment of "creative destruction" within capitalism, what was to be destroyed and what was to replace it? While most politicians accepted the need to improve regulation of the financial sector, strangely the opposite remedy was felt by some to apply to planning.

The complicating factor to note here is that planning was fully implicated in the unsustainable housing boom and over-provision of poor-quality new-build homes, particularly in the city centres outside London, where property prices and rents in many cases plummeted in the recession. For influential lobbyists such as the Policy Exchange, a pro-market think tank with strong links to the Conservative Party,¹¹ Britain's growth problems were not, however, problems of market dysfunction but rather ones of state dysfunction, in particular poor regulation or over-regulation and state gigantism.¹² If the problem was the big state, then some considered the obvious solution to be the small state, in which state activities and state regulation were radically restructured and cut back.

Whatever its inspiration, the Coalition government's localism agenda took aim at the heart of New Labour's planning system as an emblematic arena of over-regulation, and quickly felled much of it. The bitter pill of cuts in planning jobs in local and central government was sweetened with talk of reconnecting planning to democratic politics. Democratic deficits, it was argued, justified abandoning regional planning without any consideration of alternatives. The Infrastructure Planning Commission, set up as a New Labour quango to decide on major infrastructure planning decisions, was to be brought back into government and made accountable to ministers and parliament.

10 <http://www.naomiklein.org/shock-doctrine/the-book>

11 The close relationship between the Policy Exchange and the new government closely resonates with pre-election Conservative criticism of New Labour for its reliance on large numbers of political advisers, often recruited from favoured think tanks such as Demos and IPPR. The Policy Exchange has been a stepping stone for at least two MPs and several government advisers. (<http://www.policyexchange.org.uk/people/Alumni.cgi>)

12 There is surprisingly little evidence that I have found of overseas policy transfer in relation to the localism agenda. This said, the Policy Exchange is part of the Stockholm Network, a consortium of over 120 market-oriented think tanks (www.stockholm-network.org).

The Localism Bill was introduced to parliament in December 2010, containing the government's formal proposals to abolish regional planning and to encourage the creation of more neighbourhood plans. The bill attracted considerable professional and technical debate and intensive political scrutiny in front of a House of Commons select committee, but drew only limited public and media attention. By contrast the draft National Planning Policy Framework issued in July 2011 generated a huge media response. The NPPF proposals were first worked on by a small "practitioners advisory group" rather than by civil servants,¹³ then reworked through the civil service system to emerge as the published draft NPPF. Greg Clark, the planning minister, explained something of the rationale behind the document in his foreword:

... in recent years, planning has tended to exclude, rather than to include, people and communities. In part, this has been a result of targets being imposed, and decisions taken, by bodies remote from them. Dismantling the unaccountable regional apparatus and introducing neighbourhood planning addresses this.

In part, people have been put off from getting involved because planning policy itself has become so elaborate and forbidding – the preserve of specialists, rather than people in communities.

Greg Clark, in his foreword to the draft NPPF, page v

This statement hints at something of the disquiet felt by many that planning had failed to engage adequately with the communities it was intended to serve, despite all the efforts put in to encourage greater public participation. Part of the reason, as Greg Clark indicates, is that the system was all but closed to those who could not access and understand the reams of official government advice. But also implicated was the fact that planning by consensus in practice provided what often turned out to be fragile agreements between the willing and those who felt they had little alternative but to sign up to agreements.

Those with views that lay outside the mainstream consensus around promoting high levels of economic growth found their objections and alternatives marginalised, leaving them with little recourse save appeal through judicial review. It was mainly the well-connected who found their way to the planning partnership table, it seemed, and equally only the well-resourced who were in a position to object to planning decisions.¹⁴ Not surprisingly, after the call to abolish regional spatial strategies, many

13 See: <http://www.nppfpractitionersadvisorygroup.org/>

14 Allmendinger, P and Haughton, G "Postpolitical Planning: A Crisis of Consensus?" in *Transactions of the Institute of British Geographers* (2011) (currently available on early view)

local authorities and developers quickly backtracked on previously negotiated agreements.

The draft NPPF represented a radical streamlining of national guidance, from thousands of pages previously, to just 52 pages. The widely heralded presumption in favour of sustainable development attracted particular consternation in some quarters, amid fear that sustainable development was being elided with sustainable economic growth in some circles.¹⁵ With reduced national guidance and the abolition of regional planning, the role of local plans, produced by local government, becomes much more important in the overall system. Moreover, the intention is that by reducing the strictures on how local plans are produced they can once again become the vehicles for creative thinking. Below the local-plan level, neighbourhood plans can be instigated to add further guidance, if local communities or businesses can muster sufficient support.

Despite some good intentions, it is hard not to conclude that the draft NPPF is a lawyer's dream – a ready stream of business in prospect in attempting to resolve the ambiguities and contradictions of the new system, not least the vagueness of what is meant by the notoriously elusive concept of a "presumption in favour of sustainable development". The proposals rapidly came under critical scrutiny from a sustained and highly co-ordinated campaign led by the National Trust, both on its own and as part of an alliance of environmental NGOs, with a parallel supportive campaign led by the *Daily Telegraph*. The proposals, it seemed, played well to the development lobby but struck horror into the heartland of Conservative electoral support. This is very similar to events in the late 1980s:¹⁶ those who cannot remember the past are doomed to repeat it, as the saying goes.

Localism: we can work it out

Brian: *You don't need to follow anybody! You've got to think for yourselves! You're all individuals!*

The Crowd: *Yes! We're all individuals! ...*

Brian: *You've all got to work it out for yourselves.*

The Crowd: *Yes! We've got to work it out for ourselves!*

Brian: *Exactly!*

The Crowd: *Tell us more!*

Brian: *No! That's the point! Don't let anyone tell you what to do!*

Extract from *Monty Python's Life of Brian*

¹⁵ <http://www.guardian.co.uk/politics/2011/sep/05/no-backing-down-planning-george-osborne>

¹⁶ Peck, J and Tickell, A "The Social Regulation of Uneven Development: 'Regulatory Deficit', England's South East and the Collapse of Thatcherism" in *Environment and Planning A* no 27 (1995), pp15-40

This piece of dialogue from the film *Monty Python's Life of Brian* was quoted to me by a senior civil servant in summer 2011, as we talked about the difficulties of reining in the role of central government as part of rolling out the localism agenda. From this perspective, part of the problem faced by the government in reducing its role in prescribing what local authorities could and could not do was that many in local government seemed either reluctant to believe they could get on with making up policy, or else secretly wanted to be told what to do. Alternatively, perhaps some felt that localism was something of a poisoned chalice, since if things went wrong it would be local government that faced the blame.

To the frustration of government ministers, their "shock and awe" proposals for planning reform did not overwhelm the opposition and, if anything, seemed to have made enemies out of some of those who ought to have been natural allies. As in warfare, blustering attacks often lead eventually to a regrouping and counter-attacks. As I write in December 2011, many of the tensions and contradictions within the new policy approach remain largely unresolved, although the Localism Bill has now gone through parliament after some minor changes, while the draft NPPF consultation deadline has passed and we await the government's response.

It is unlikely, indeed impossible, that all of the confusions and contradictions in the new system will be resolved in the near future. The government has adopted a somewhat anarchic approach to how its reforms will map out at local level, in stark contrast to the prescriptive tone of New Labour. Some non-democratic bodies have been scrapped, but the government has called for the creation of business-led local enterprise partnerships instead, with vague statements that such bodies can also work strategically and spatially on planning-related matters if they choose. Embryonic LEPs have been allowed to choose their own geographies, boundaries permitted to overlap, and if needs be areas could do without an LEP at all. This all sounds very non-prescriptive, but in fact the government has been increasingly drawn into the process, deciding not to give the go-ahead to some LEP proposals, for instance.

Neighbourhood plans are proposed that may be instigated by either groups of local people or, in a new policy direction, by groups of businesses. They can be adopted by referendum on a simple 51% majority vote. That some areas might not want or be able to afford to develop a neighborhood plan is seen as largely unproblematic, since the local plans should still be in place to provide broad guidance – the official view is that if communities are happy with that, then so be it.

We can expect to see more neighbourhood plans come into being,¹⁷ but what can be put into neighbourhood plans will inevitably be circumscribed – they are not the places for dealing with major infrastructure proposals, for instance. How much is permitted or not is still an open question, raising fears that there will be a return to central patronage, as local communities go cap in hand to find out what they can and cannot do. Neighbourhood plans do not replace or override local plans; they are in effect supplementary. There will be many whose hopes for greater autonomy are dashed against this reality.

There are several elephants in the room as localism takes centre stage. First and foremost, there is the continuing economic and political centralism of the UK, including tight Treasury control of the core governmental agenda for promoting high economic growth. What is never really clear is what the reshaping of central government actually entails – what it is that government will *not* do in the future that it has done in the past. Not surprisingly, most commentators across the political spectrum welcome some or even most of the localism agenda, while remaining sceptical about the likelihood of government not interfering when things don't work out as it would have wished. There is widespread concern that the "presumption in favour of sustainable development" is a sleight of hand intended to allow development to go ahead without adequate scrutiny and accountability.

Finally, there is the intellectual fraud of selling localism as empowerment without giving either local government or neighbourhoods adequate resources to take forward their plans. It is sheer opportunism to ask ill-resourced local groups to identify and rectify deep-seated problems that have defied generations of politicians, experts and community activists. This said, such solutions as are found will come from good leadership within local government and local communities, working against the odds to make things work for their area.¹⁸

What kind of growth?

Following the revised growth forecasts in the autumn 2011 Budget statement, the UK now faces the prospect of five to seven years of low growth or possibly even shrinkage of the economy. With inflation, many people will see their real standards of living fall. This is clearly problematic, but it does also create an opportunity to think again about what kind of growth we want and for whom. If we as a society are to make sacrifices to

17 There are already many neighbourhood plans in existence – parish plans and local area plans – over 5,000, according to a planning civil servant whom I interviewed in summer 2011.

18 In this section, I draw on five interviews with those involved in national level debates on the future of planning during summer 2011: two senior civil servants, two lobby groups and one person associated with local government.

bolster growth, which social groups and which areas are being asked to sacrifice most?

Much of my recent work has been critical of planning under both New Labour and the Coalition for using fuzzy concepts as deceptive rhetorical devices¹⁹ to push through an agenda for high economic growth that has been blind to growing social inequalities – some groups, and some areas, have experienced more growth than others. There is a long tradition of alternative ways of thinking about growth that is now largely unheard, recently brought together rather nicely in work on what has become known as “de-growth”.²⁰

In fairness, there has been some progressive thinking about growth under both New Labour and the Coalition, as many politicians readily accept that gross domestic product is a crude measure of economic growth which can send the wrong signals to policy makers. The classic counterarguments against overreliance on GDP to measure economic growth are that it fails to measure the environmental impact of growth, or whether growth masks that some are getting poorer due to inequality of growth, and that it does not place a value on natural or human-made capital stock.

Along with other governments and international bodies, there has been some progress towards developing alternative measures of well-being and, perhaps most media-worthy, of happiness. It is notable that this policy work has continued under the Coalition, and while influential at one level it has ultimately failed to dislodge the dominance of the economic growth model whose success is essentially still judged by growth in GDP.

What did the regional planners ever do for us?

All right, but apart from the sanitation, medicine, education, wine, public order, irrigation, roads, the fresh water system and public health, what have the Romans ever done for us?

Extract from *Monty Python's Life of Brian*

One of the most startling features of the planning debate since the Coalition assumed power has been how easy the new government found it to argue that the previous approach to planning failed and to blame this on New Labour. There were several

¹⁹ “Sustainable development”, “sustainable communities”, “spatial planning”, in the case of New Labour; “localism” and “presumption in favour of sustainable development” in the case of the Coalition

²⁰ Martinez-Alier, J, Pascual, U, Vivien, F-D and Zaccai, E “Sustainable De-growth: Mapping the Context, Criticisms and Future Prospects of an Emergent Paradigm” in *Ecological Economics* vol 69 (2010), pp1,741–1,747

elements to this critique, notably democratic deficit in planning arrangements, best exemplified by regional spatial strategies which had statutory status but were not accountable to a regional tier of government.

Against this background, those promoting Labour's planning policies – politicians, the planning profession and some in planning academia – have spectacularly failed to provide a counter-narrative with which to defend the previous 10-20 years of planning reform, including the rise of regional planning since the early 1990s. A search of the professional press reveals little to show convincingly what the former system achieved, suggesting that maybe it needed more time to prove itself, especially given the emphasis on a strategic approach. Instead there is a naive rush to work with the new system and also to "go back to basics" and argue for the fundamental principles and beliefs of a visionary form of planning. Surely the time is ripe for an independent assessment of regional planning, if only to ensure that any mistakes made do not occur again.

In answer to the question posed in the title of this publication – "Is localism the new regionalism?" – the answer must be yes, in one sense at least. Localism is being weighted with expectations and aspirations that it cannot possibly meet, so in time it will implode under its own contradictions, as patience runs out with local actors going their own way and not pulling behind the national growth project. If the past is anything to go by, then any failure to deliver greater or faster growth will be blamed on soft targets such as planners and "bureaucrats" – after all, national politicians can't really turn on their electorate and say that they are to blame, nor are they likely to admit too freely to their own failures.

But the answer to the question is also yes in another, deeper sense: localism is essentially a particular way of redistributing power and responsibilities involving the strategic and selective actions of central government. When it no longer suits the current government or a future government to privilege "localism", then a new subnational scalar fix will be found – this may turn out to be regionalism redux, city regionalism reincarnated, or localism reinvented once again.

In this sense, at least, localism will turn out to be the new regionalism – a rehash of multi-scalar governance roles, in which over-simplistic claims are made about the radical potential of a particular scale of government to solve long-standing, deep-rooted issues, rather than an acceptance that effective multi-scalar governance requires a more enduring agreement around how to share roles at and across multiple governance scales.

Chapter 10

Housing and growth under the new regime

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Housing and growth under the new regime

Against a backdrop of local conflict, economic turbulence and a rising demand for new homes, housing completions in England plunged to a historic low in the 2000s. Conflicts surrounding major housing sites and other more modest development decisions, it was argued, had resulted in an "implementation gap" in housing delivery¹ and were indicative of the "parochialism" of *local* development planning. A few years later, government argued that:

*... a purely local approach to planning cannot deliver the best outcomes for us as a society or nation, or for the environment. Sometimes, development may have national or regional benefits or impacts which go far beyond the immediate impact on local communities. Planning needs to reflect these wider regional and national factors. That is why we also have plan-making at the regional level with Regional Spatial Strategies in each English region.*²

Labour governments since 1997 had placed great faith in regional planning, strengthening the apparatus of strategic oversight and eventually establishing "local development frameworks" which brought together local land-use policies with regionally derived housing number allocations and housing targets. Having legally binding targets, which needed to be planned for, was viewed as the most propitious means of securing a "step change"³ in housing supply. Such a change was viewed as the necessary response to an acceleration in household formation (from the 1990s onwards) and a rate of household growth, relative to supply, that was being blamed for a crisis in housing affordability and threatening labour mobility.

There were fewer new-build completions in England in 2001/02 (just under 130,000 dwellings) than in any year since 1924. This figure drew popular attention to the "crisis" in house building and was presented, especially in the Treasury's 2004 *Review of Housing Supply*,⁴ as a consequence of a slow planning system weighed down by local politics. By 2007/08, completions had risen to almost 170,000 on the back, it was suggested, of a growth area and growth points strategy and the strengthening of regional planning noted above.

The number of completions being achieved, however, still fell short of actual demand,

1 Barker, K *Review of Housing Supply – Securing Stability: Delivering our Future Housing Needs* (HM Treasury, 2004)

2 Department for Communities & Local Government *Planning for a Sustainable Future* (2007), p22

3 Office of the Deputy Prime Minister *Sustainable Communities: Building for the Future* (2003)

4 Barker, op cit

prompting government to set a target of 240,000 completions per year in its 2007 housing green paper.⁵ But since that date, completions have continued to decline, reaching new historic lows in 2009/10 and 2010/11. This is undoubtedly a consequence of the wider economic situation, though the general failure to build enough homes in England in the 2000s has been attributed, by the opponents of a top-down, target-led approach, to the alienation and conflict that "big government" is said to provoke.

Shifting rhetoric

The Conservative-Liberal Democrat Coalition has viewed local planning conflict not as a reaction to development *per se*, but rather as a natural response to the manner in which decisions are reached, with government side-stepping local people and presenting sometimes enormous and fundamental changes as a *fait accompli*. NIMBYism is a measure of the "democratic deficit"⁶ in local decision making rather than, as others would have it, evidence of vested private interest resisting development for personal and selfish reasons. Indeed, government has pointed to the opportunity to transform a generation of NIMBYs into much more welcoming IMBYs (In My Back Yard [please]) through democratic renewal at a local and neighbourhood level, replacing the "big state" – which flourished under Labour – with a "big society". Such claims have met with scepticism, as it is doubtful that all NIMBY sentiment is rooted in democratic deficit. Opposition to development has multiple causes, and the local environment for planning is often "messy" and complex, without necessarily being parochial.

However, England in the 2000s was littered with failed and "stalled" housing developments, particularly in the growth areas and at growth points. Major sites around Cambridge,⁷ Stevenage⁸ and other Southern towns became bogged down in protracted planning processes that seemed to reach no clear conclusion, and ultimately precipitated little or no actual development. But it was precisely such developments that needed to succeed if government's step change was to be realised.

Why they did not succeed is open to debate. For some, regionalism was the right answer, but localism (or parochialism) stood in the way of effective development planning. But for others, the opposite is true: regionalism cast a shadow over local efforts to resolve conflict and to deliver new homes. All national governments struggle

5 Department for Communities & Local Government *Homes for the Future: More Affordable, More Sustainable* (2007)

6 Sturzaker, J "Can Community Empowerment Reduce Opposition to Housing? Evidence from Rural England" in *Planning Practice and Research* vol 27, no 5 (2011, forthcoming)

7 Houghton, G and Counsell, D *Regions, Spatial Strategies and Sustainable Development* (Routledge, 2004)

8 Gallent, N "Strategic-local Tensions and the Spatial Planning Approach in England" in *Planning Theory and Practice* vol 9, no 3 (2008), pp307-323

with what Davies⁹ has described as “the strategic dilemmas integral to governing”: they try to marry the local perspective with a strategic view, and with national interests.

The Labour governments of 1997–2010 put their faith in the capacity of regional planning to provide the right steer to local authorities. The Coalition (since 2010) has ventured onto a different tack. It has launched scathing attacks on the “professional” planning system, arguing that planning should be undertaken by those “best placed” to understand the impacts of decisions and at a level closest to those impacts. Neighbourhood planning is the new government’s vehicle for empowerment, but it is heavily circumscribed by *local* policy frameworks, in much the same way as the enthusiasm for “community control” under Labour was tempered by a *regional* reality.

What did the housing targets achieve?

It is too much of a simplification to identify Labour with regionalism and the Coalition with localism. The reality is that government (with a small “g”) continues to grapple with the same problem: how to steer without appearing too heavy-handed. With regional planning bodies gone, the Coalition can present itself as being less top-down and as having rescaled the planning system in favour of community interests and local control. The 2000s did not see any step change in housing output, at least not one that was sustained. This might suggest that targets failed, or it might mean that local planning acted to block development – because of the power of vested interest – at the point of delivery. If the latter is true, then the move to localise the planning system in England might, at best, have a neutral effect on housing supply or, at worst, have disastrous consequences for house building since the legal lever of regional planning – ineffective in some instances, but not all – is no more.

Analyses of housing land allocations throughout 2011¹⁰ revealed that many planning authorities were scaling back their allocations in response to the revocation of regional spatial strategies. Reduced allocations may be only a short-term response to the loss of regional planning, as local development plans still need to be judged “sound” and authorities will have to show why it was felt necessary to allocate less land for housing when regional evidence, sometimes examined in public, pointed to much greater demand. In essence, the new planning regime in England is a work in progress, and its likely consequences can be only a matter of speculation. The culpability of targets, in

9 Gallent and Robinson, 2012

10 Tetlow King Planning (on behalf of the National Housing Federation) *Updated Research on the Impact of the Intended Revocation of Regional Strategies on Proposed Housing Land Targets in England, January 2011* (Supplementary Evidence to the House of Commons Communities and Local Government Committee Inquiry on the Abolition of Regional Spatial Strategies) (2011)

contributing to housing undersupply in the 2000s is equally uncertain. Did they alienate communities and undermine the democratic credentials of the planning system? It is possible that this happened in some cases, but even the new, "localised" system continues to present communities with an external assessment of housing demand, which may precipitate further conflicts in the years ahead.

The new regime: opportunities and risks

But rather than trying to quantify possible or probable outcomes, it is perhaps wiser to simply weigh up the opportunities and risks that a localised regime seems to present. The system that will emerge early in 2012 is likely to comprise the "rescaled" apparatus described above, a system of housing incentives and a policy framework that has been distilled into 52 pages, taking the form of a National Planning Policy Framework or NPPF.¹¹

Each of these components could be the subject of a protracted analysis that would not necessarily be exhaustive, as their probable impact on planning will be complex and profound. For a start, the Localism Act (with its rescaling agenda and its development incentives) and the NPPF appear to come at the housing problem from opposing directions, sharing similarities with the previous government's combination of top-down targets and community empowerment. On this occasion, the apparent desire to relinquish control to neighbourhood groups seems to be out of kilter with a presumption in favour of sustainable development – contained in the NPPF – which, it has been argued, is in fact a "presumption in favour of business-driven growth dressed up in misleading language".¹²

The opportunities and risks for housing growth are being generated in a context of contradiction, and likely conflict. The NPPF is concerned with releasing new land for development, partly by implying that there is little to distinguish essential "growth" from "sustainable development"¹³; by placing the onus to protect "unsustainable locations" on planning authorities, many of which lack up-to-date plans; by strengthening the presumption in favour of development where plans are silent or indeterminate; and by requiring authorities to allocate more land for housing, in the form of a 20% addition above standard five-year allocations.

A cynic might be forgiven for thinking that a door is being intentionally left open for a development free-for-all at a time when only growth, in housing output and in the

11 Department for Communities & Local Government *Draft National Planning Policy Framework* (2011)

12 Levett, R "The Golden Thread Has Feet of Clay" in *Town and Country Planning* vol 80, no 10 (2011), p431

13 See Levett, op cit – terms are conflated and left undefined.

economy at large, will convince the electorate that Coalition policies are working. On the other hand, the Localism Act is, in large measure, about empowering the "big society", and suggests that the "door" (in the form of the planning system) does not need to be left open. Rather, communities will open it themselves, welcoming in developers who engage positively with communities. The means of resolving this contradiction – between the market-led and community-led rhetoric – is the maintenance of the plan-led system. Neighbourhood planning cannot challenge allocations set out in local plans. Community groups can augment allocations with additional local-needs housing schemes, but they cannot run against core principles. They can still, however, create a hostile environment for development.

Government is hoping to avoid this and to successfully traverse the "implementation gap". It is looking to swap the stick of regional planning with the NPPF, and deploy the carrot of neighbourhood planning. But local planning authorities (the new powerhouses in all of this) may still be anti-development and might bring forward local plans that are resistant to development-led change, where such change is unpopular with the electorate. But they may find that the new national framework lacks clarity with regard to sustainable and unsustainable development or, more generally, that the distillation of 1,200 pages of planning guidance into 52 pages has left a level of ambiguity that invites a surge of planning by appeal¹⁴ with unpredictable, and largely unplanned results.

But these are uncertainties rather than clear opportunities and risks. Under these headings, there are any number of issues that might alter the trajectory of housing supply in the years ahead. On the opportunities side, there seems to be an intention to create a more responsive planning framework that lifts the regulatory burden on development and that delivers choice in the land market. This project did not begin with the NPPF. It is a recurrent theme in Conservative thinking and was taken up by Labour, post Barker, in the reissue of *Planning Policy Statement 3* in 2006.¹⁵ However, in its current guise it appears particularly bold, with local authorities called on to allocate much more land for housing. In 2006, land allocations in local plans were to be "achievable"; now planning has to go a step further and make sure that it does not stand in the way of developers and landowners realising "acceptable returns".¹⁶

Next, there is the new system of "incentives", in the form of the "new homes bonus".

14 Baden, T "Fuelling Planning by Appeal?" in *Town and Country Planning* vol 80, no 10 (2011), p427

15 Department for Communities & Local Government *Planning Policy Statement 3: Housing* (2006)

16 Department for Communities & Local Government, op cit (2011), p11

It was also Barker¹⁷ who drew the last government's attention to the "incentives facing decision makers", which precipitated an aborted attempt to formulate a planning gain supplement that would, in theory, have enabled authorities to get more income from development permissions. The Coalition's incentive scheme sits within a very different fiscal and economic environment. In the lead-up to swingeing spending cuts, Eric Pickles promised to "purge town hall fat cats"; in that context of taking money from local government, the new homes bonus becomes a mechanism to return an element of core funding back to those authorities that are able to facilitate development effectively.

A good incentive scheme must be counted among the opportunities presented by the new regime, but its outcomes are far from certain, and likely to be spatially variable. Because the bonus will be payable on *completion* of development – rather than on the granting of planning permission – councils may find themselves under pressure to bring forward the *most developable* rather than the most sustainable sites,¹⁸ especially in those areas subject to strong "external" sources of demand, but where communities themselves do not "aspire" to further growth.¹⁹ In such instances, "revenue recovery" may drive authorities to look for easy sites rather than engaging in a long drawn-out process with reticent communities and unenthusiastic developers. This may deliver growth, but not necessarily in the best locations.

Finally, in terms of the really significant opportunities, the whole "big society" rhetoric can be viewed as a gimmick or smokescreen or else as a new determination to work with rather than against communities. There must be some truth in the claim that residents balk at imposed decisions, and might be persuaded of the virtues of housing schemes that they are able to shape. Vested interest may not be swayed by a new enthusiasm for public engagement in planning decisions, but some of the support it enjoyed within politically alienated communities may fall away *if* planning authorities rise to the challenge of really involving residents in decision making.

However, it is difficult to translate these opportunities into net gains. Housing supply is more likely, in the short to medium term, to be affected by the unsettling changes that have been introduced into the planning system and by the continuing economic crisis. A question mark also hangs over the future of home ownership in the UK, and whether current models of housing delivery can adapt to a lower level of personal lending by banks – which might continue for some time – and offer a broader range of occupancy

17 Barker, *op cit*

18 Town & Country Planning Association *Policy Analysis of Housing and Planning Reform* (2011), p12

19 HM Government *Localism Act 2011* (2011), p8

arrangements (including leasing and letting) that may require the sector to review its current business model.

Measures to support first-time buyers, announced in the government's national housing strategy for England,²⁰ including a new-build indemnity scheme and assistance through the FirstBuy scheme, attempt to breathe new life into a familiar system. But measures to encourage large-scale investment in the private rented sector, including through changes to the financial regime for real estate investment trusts, seem to acknowledge the risks of relying on personal mortgage borrowing to drive housing supply.²¹ There are signs that government is looking for greater diversity in the way that new-build is financed, and how new homes are subsequently occupied.

However, returning to the issue of planning, there are long-term, structural threats to the operability of the system and to the delivery of new housing that stem directly from the "new regime". A distinction is drawn in the housing strategy between the need for "immediate action" on kick-starting supply – releasing public land banks is a tried-and-tested method – and the "long term, strategic changes" that will ensure that any surge in the next few years is sustained.²² Government reiterates its view that regional plans and targets caused a slowing of housing supply, turning communities against development.²³

There has been some illumination of this issue in recent work we ourselves have undertaken. Immediately following the change of government in 2010, a study was carried out for the Royal Institution of Chartered Surveyors which looked at the risks of localising the planning system, from the point of view of authorities attempting to deliver substantial housing growth on urban extensions and in new settlements.²⁴ This work concluded, quite obviously, that it is major strategic housing sites – and particularly those that straddle jurisdictional boundaries – that are either being cut out of housing allocations, or that are now destined to stall and ultimately fail. This is largely because the "duty to co-operate" set out in the Localism Act is a poor substitute for effective regional planning.

That is not to say that regional plans always delivered effective co-operation. Sometimes, forced marriages between unwilling partners completely failed. "Strategic

20 HM Government *Laying the Foundations: A Housing Strategy for England* (2011)

21 *Ibid*, p34

22 *Ibid*, p8

23 *Ibid*, p71

24 Gallent, N, Hamiduddin, I and Madeddu, M *Selecting and Allocating Sites for Housing Development: Politics, Expedient Sites, Regional Planning and Localism* (Findings in Built and Rural Environments/RICS Education Trust, 2011)

development areas" identified either in old structure plans or in regional spatial strategies often never got off the ground, as they frequently involved a recipient area absorbing some of the growth of a neighbour. This was often politically unpalatable. Stevenage West in Hertfordshire has not seen any development since its "strategic allocation" in 1998, for this reason. But regional planning provided a context for co-operation, and a shared evidence base for joint decisions that may have seen significant levels of development brought forward on sites that were more challenging politically, but nevertheless worth the effort.

It was also the case that the "exporting" and "recipient" neighbours were locked into a *functional* relationship, and strategic co-ordination at a level larger than the local created some hope of spatial consistency and even territorial cohesion on a broader scale. But by retrenching into a local-only perspective, there is a risk that connectivity between places – which should be guiding housing and infrastructure investments – will be ignored. Such concerns have been relegated, in the tabloid media, behind a view that regional planning served only the interests of business and in effect failed communities. Challenges to the revocation of regional spatial strategies by major house builders – notably CALA Homes near Winchester – have been presented as development interests arrogantly battling against local democracy.

But this misses most, if not all, of the case for regional planning. Zetter²⁵ has recently suggested that "now is not the time for strategic planning", feeling perhaps that the planning community should not be "chasing the corpse" of regional plans. But there are already signs of strategic planning's unlikely resurrection. While arguing that old "regional" structures "enfeebled" the confidence of Liverpool as a "regional centre", Lord Heseltine and Sir Terry Leahy's recent report on the Liverpool City Region²⁶ comes out strongly in favour of a "city regional" apparatus – with powers over inward investment, strategic economic planning and development – able to support the city not only as a "regional centre", but also as a "regional leader".²⁷ The argument is that planning at a regional scale was not wrong, but that the planning regions were artificial constructs that failed to work with political or functional reality. It is difficult to square this view with the new-found faith in localism.

Localism offers a more disconnected view of the world: where decisions are taken by "affected communities", but where the full extent of those communities – and the

25 Zetter, J "A Presumption in Favour of Change" in *Town and Country Planning* vol 80, no 10 (2011), p441

26 Heseltine, M and Leahy, T *Rebalancing Britain: Policy or Slogan?* (Department for Business, Innovation and Skills, 2011)

27 *Ibid*, p20

full range of affected interests – is not acknowledged. The NIMBYism that some organisations think will be given succour by the new regime is, in its purest form, guided by narrow interest. Effective planning rises above such interest and can see that decisions taken in one place today will inevitably have *broader spatial implications*, and will affect future generations. So the rescaling of planning and the apparent weakening of strategic control (and the capacity to lead, and to direct change) might all suggest that the new regime will not deliver the type of coherent development that the country needs. But there is still uncertainty, highlighted by the Heseltine and Leahy report, as to what the new regime will eventually look like once the full political story has unfolded.

But whatever emerges, how can its relative success be judged at a time of such deep economic crisis? Can anyone reasonably expect a new framework to reverse the prevailing trend in housing supply? And what would be the measure of this success? There are no targets, nor even any goals, but if there were an ambition to move closer to demographic demand, then housing providers would need to be delivering roughly 230,000 new homes in England each year.²⁸ Government might seek to step up to this level of output during this parliament, and achieving it by the next general election would surely enhance the prospect of a second term for David Cameron. The old regime failed to deliver at a time of economic prosperity, so arguably there was good reason for major reform. But that reform has happened at a time of great economic uncertainty. The government has taken a big risk. Its national housing strategy places significant emphasis on the release of public land for development – a classic “kick-start” approach – but that will not deliver a long-term solution to housing undersupply if the planning framework remains unfit for purpose.

28 Holmans, A and Whitehead, C *New and Novel Household Projections for England with a 2008 Base – Summary and Review*, TCPA Tomorrow Series paper 11 (Town & Country Planning Association, 2011)

Chapter 11

Localism and regionalism in Scotland – growth and development in another country

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Localism and regionalism in Scotland – growth and development in another country

It is important in the development of strategy and policy that lessons are learned from the past and from elsewhere, from history and geography. In formulating and implementing approaches to and instruments for regional economic development, Scotland has made judicious use of both sources. However, this has not been an exhaustive borrowing, and improvements can be made.

For some decades, the sources of that learning have been reorienting away from a reliance on the US – relevant when the objective was to address problems generated by deindustrialisation, a branch plant economy and low rates of entrepreneurship – and towards our European neighbours, within and outside the EU.¹ This shift has been encouraged by a fruitful and dynamic partnership with the European Commission over the past three decades, on the one hand, with actors in the former Strathclyde region especially but also Scotland more generally being enthusiastic initiators and adopters of new strategic concepts and policies.² On the other hand, recognition of the sustained superior performance of the Nordic countries and of other small, stateless nations has promoted a willingness to look for a different political economy and for greater powers to be exercised within Scotland.³

The traumas of the 1980s and realisation of the benefits of consensual, coherent and corporatist working across the social partners⁴ led both to a local, regional and Scottish national embedding of integrated programmes and institutions and to demands from civic Scotland for the re-establishment of the Scottish parliament, suspended in 1707 following union with England.⁵ The successful outcome of the referendums on devolution provided a forum to discuss and develop “Scottish solutions to Scottish problems” and so to a democratically accountable government and parliament to pursue a particular Scottish economic development agenda, albeit within the constraints consequent on many powers reserved to Westminster.⁶

1 Danson, M “The Scottish Economy: The Development of Underdevelopment?” in *Planning Outlook* no 34 (1991), pp89–95; Danson, M and Lloyd, G “Beyond Devolution: Roads to Coherent Autonomies?” in *Environment and Planning C* vol 30, no 1 (forthcoming, 2012)

2 Danson, M, Fairley, J, Lloyd, G and Turok, I “The European Structural Fund Partnerships in Scotland: New Forms of Governance for Regional Development?” in *Scottish Affairs* no 27 (1999), pp23–40

3 Keating, M “Rescaling Europe” in *Perspectives on European Politics and Society* vol 10, no 1 (2009), pp34–50

4 Danson, M and Lloyd, G “Regional Development Agencies and Local Economic Development” in *Regions* no 211 (November 1997), pp6–14

5 Paterson, L, Bechhofer, F and McCrone, D *Living in Scotland: Social and Economic Change since 1980* (Edinburgh University Press, 2004)

6 *Ibid*

This paper analyses how Scotland has evolved and grown since 1997, benchmarking its development against the other comparable small nations of northern Europe. The following section contrasts the economic and social performance of Scotland with these neighbours before describing the current economic strategy for Scotland, establishing the framework for subsequent analysis of short- and medium-term prospects. The underpinnings from the literature on economic development potential are introduced as a precursor to undertaking the assessment of relative changes. This suggests that Scotland has been adopting some of the elements of a Nordic approach to policy making and application, and tentatively moving towards a deeper and wider array of economic and fiscal powers consistent with full nationhood. The final sections discuss how this pursuit of "regionalism-plus" contrasts with centralisation and localism in England, and concludes with observations on the next stages in the evolution of this divergence.

Small nation performance and economic strategies

According to the IMF, the World Bank and the CIA, all the Nordic and Celtic countries (the so-called "Arc of Prosperity") continue to have higher living standards (by at least a third, measured by GDP per capita) than the UK, and Scotland is below the UK average. Iceland and Ireland, despite the economic and financial crises, are still well ahead of Scotland.⁷ While Sweden, for instance, is the second most competitive location for business in the world, our Nordic neighbours are also the most equal societies on the planet; by contrast, Scotland within the UK suffers some of the very worst levels of inequity and poverty in the developed world.⁸

Women, young people and the old all fare much better in these small, open economies. Ireland, which follows the Anglo-Saxon economic and welfare model, resembles our levels of inequality. In terms of happiness and quality of life, *Forbes* magazine and the OECD have reported repeatedly that the Nordic countries, with their social welfare states and relative affluence, occupy four of the top five spots in the global ranks. The UN Human Development Index shows the same relative order, with the UK and so Scotland lagging far behind. In the comprehensive Legatum Prosperity Index, widely promoted by Lord Mandelson, again all the members of the Arc of Prosperity are well ahead of the position here, even after the crisis had wreaked its worst on the economies of Iceland and Ireland.

7 References for this section available on request, but see paper delivered to Urban & Regional Economics Seminar Group meeting entitled Small, Open Economies and the Financial Crisis, held on 6-7 January 2011 at the Open University, London (www.open.ac.uk/raike/pics/d126990.ppt)

8 Danson, M and Trebeck, K *Whose Economy?* (Oxfam GB, 2011) (<http://policy-practice.oxfam.org.uk/publications/whose-economy-seminar-papers-complete-series-188809>)

Reports from the IMF and the *New York Times* have praised Norway and Sweden for showing how to address the failures of their own bankers and banks at no long-term cost to their economies or people; and now Iceland has demonstrated that banks can be controlled to the economic benefit of its citizens. The EU records that, among member states, Sweden, Denmark and Finland all continue to have surpluses in their public finances, with levels of public debt far below those of the UK and Ireland.

There appears to be circumstantial evidence, therefore, to suggest that small economies can achieve sustainable growth over a long period, with coherence and independence perhaps critical characteristics. Against this sustained difference in economic performance, a divergence in the aims of economic strategy between Scotland and the UK has been increasingly apparent as they follow modified Nordic and naked neo-liberal models, respectively.

The aim of the economic strategy of the Scottish government is "to make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth".⁹ Avoiding the usual banalities of a mission statement, this seeks to build "a more dynamic and faster growing economy [to] increase prosperity, be better placed to tackle Scotland's *health and social challenges*, and establish a *fairer and more equal society*" [emphasis added]. Sustainability is also key to this strategy, while creativity, resilience and economic potential are stressed.

In comparison with change in England, the value of continuity is promoted, although recession and improved understanding have encouraged Scotland "to sharpen our focus, enhance delivery and build for the future". The 2011 update to the Government Economic Strategy targets "accelerating economic recovery, with a range of measures to tackle unemployment and promote employability". Intended to "drive sustainable economic growth and develop a more resilient and adaptable economy", this is to be achieved through actions on six strategic priority areas, defined as: a supportive business environment; transition to a low-carbon economy; learning, skills and well-being; infrastructure development and place; effective government; and equity.

The stress on inclusion, smart growth and sustainability is congruent with both the Europe 2020 strategy¹⁰ and the general approach in the Nordic countries;¹¹ and

9 Scottish Government *Government Economic Strategy* (2011) (<http://www.scotland.gov.uk/Publications/2011/09/13091128/2>)

10 Commission of the European Communities *Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth* (2010) (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>)

11 Hilson, M *The Nordic Model: Scandinavia Since 1945* (Reaktion Books, 2008)

Scotland seeks to emulate the latter Arc of Prosperity more broadly as a peripheral northern European small economy.¹²

Agglomeration, coherence and innovation

There are a number of key reasons why a simple adoption of the Scottish development agency model of an RDA in England was inappropriate in the mid 1990s, as proposed by the Millan commission.¹³ Compared with the economic structures and contexts of the early 1970s, when the SDA was established, a quarter of a century of deindustrialisation and reorientation towards development based on first foreign direct investment and then endogenous drivers shifted the agenda everywhere. Increasingly economies and industrial structures came to resemble each other in terms of sectors and sensitivities to cycles, with relative positions in supply chains, the functional and occupational hierarchies within enterprises as well as the legacies of past redundancies determining local and regional performances.

In this environment, the literature and consensus of the last two decades have stressed the importance of agglomeration economies¹⁴ and clusters.¹⁵ The logic of these in defining economic systems at the city and regional levels have suggested that sufficient scale of firms, knowledge generation and skills development, and institutional thickness were critical in producing the conditions for competitiveness. The lower costs and access to wider markets offered by proximity to significant suppliers, customers and other principle actors in industries and economies favoured strategies focused on capital cities and core cities and on regions where agglomeration externalities could be realised for private and social advantage. The move to promote regions and city regions across the OECD economies recognised these benefits and again confirms the rationale for interventions and institutional structures at the regional level.¹⁶ As human capital and higher education gained in importance, so concentrations of capacity for R&D and innovation were highlighted. These tended to be historically and contemporaneously located close to centres of power and finance; again, the capital and existing cores were privileged.

12 Danson, M and de Souza, P *Regional Development in Northern Europe: Peripherality, Marginality and Border Issues* (Routledge, 2012)

13 Morgan, K "The English Question: Regional Perspectives on a Fractured Nation" in *Regional Studies* vol 36, no 7 (2002), pp797-810

14 Krugman, P "Increasing Returns and Economic Geography" in *Journal of Political Economy* vol 99, no 3 (1991), pp483-499

15 Benneworth, P, Danson, M, Raines, P and Whittam, G "Confusing Clusters? Making Sense of the Cluster Approach in Theory and Practice" in *European Planning Studies* vol 11, no 5 (2003), pp511-520

16 OECD *Regions Matter* (2009)

These tendencies of centralisation and concentration together argued for economic arrangements to be managed and institutionalised at the same level. Our research for the Scottish parliament¹⁷ directly led to the regionalisation of many of the activities of the development agencies in Scotland, with 22 local enterprise companies being created to deliver economic development activities. With experience and an emphasis on the Scottish national level, many of the powers and responsibilities of the LECs have been transferred up to Scottish Enterprise and Highlands & Islands Enterprise, or down to local authorities for the support and advice to new and small businesses.

Interestingly, even when Scottish Enterprise (and, to a lesser extent, Highlands & Islands Enterprise) was being furnished with apparently ever more roles and resources,¹⁸ it was progressively working in greater and closer partnerships with other players, extending the typical Scottish approach of collaboration and co-operation across organisations.¹⁹ This willingness to participate in and make widespread use of partnership working, which became deeply embedded in Scottish strategic thinking and planning, was entirely consistent with the prescription for coherence and inclusion in policy making and delivery as well as the earlier attention given to the need for institutional capacity and thickness.²⁰

These dimensions of development have been captured in the concept of the triple or quadruple helix,²¹ where state, enterprises, academia and community accept partnership working to mutual benefit. Beyond this, in the Nordic countries there are more formal economic and social contracts that have delivered sustained growth and development over the long term.

Clearly, smallness is a crucial factor in supporting cohesion and inclusion, but this may be at the cost of losing the externalities of agglomeration. Partly for this reason, there has been a drift of business, power and activities to the capital cities and core regions in the Nordic countries in the search for continued but balanced growth. Maintaining dynamism at all levels and in aggregate has been a key objective of many states, though

17 Danson, M, Deakins, D, Whittam, G and Fairley, J *Inquiry into Local Economic Development: A Map of Economic Development Support Across Scotland*, report of the Enterprise and Lifelong Learning Committee of the Scottish Parliament (2000)

18 Danson and Lloyd, op cit (forthcoming, 2012)

19 Ibid

20 MacLeod, G "Entrepreneurial Spaces, Hegemony, and State Strategy: The Political Shaping of Privatism in Lowland Scotland" in *Environment and Planning A* vol 31, no 2 (1999), pp345–375

21 Etzkowitz, H and Ranga, M "A Triple Helix System for Knowledge-based Regional Development: From 'Spheres' to 'Spaces'", paper presented to the Triple Helix VIII International Conference on University, Industry and Government Linkages, in Madrid in 2010 (http://api.ning.com/files/qBHCyrgWGsw3b1rE26EcQYXOIMMm0k3FFExiR2jWPbP7FUeU0*F*Oade11go9ceXwc4SAttHfBMzYQmSdROH3ISETAEmL*SY/themepaper23Feb1vadjusted.pdf)

in the UK and its constituent nations, and elsewhere (for instance, France), there often has been an unwillingness to endanger the perceived competitive advantage of the core.²² The corollary of this protection of the centre through the pursuit of a national competitiveness agenda, with associated significant public infrastructure investment in the core to enhance its role in attracting mobile capital, has usually been increased inequalities between territories, with forces of cumulative causation attracting more from the periphery and exacerbating that divide. A strong commitment to resist and balance these forces is necessary if the divisions are not to prove both escalating and threatening to the national system.

Scotland's relative performance since the early 1980s has been good in UK terms. It has risen up the UK "regional" league tables of GDP per capita and economic activity, despite the destruction of the base industries of the last two centuries, and has been building higher degrees of coherence and confidence compared with similar parts of the UK. This can be claimed to be establishing the conditions for further improvement.

The absorption of the activities of the LECs into Scottish Enterprise, Highlands & Islands Enterprise and the local authorities means that localism is primarily evident in European partnerships, community planning partnerships, employability partnerships, structural plan joint committees, and a host of other statutory, formal and informal collaborations involving local government, non-departmental public bodies, health boards, the RDAs, chambers of commerce, the Scottish TUC, the Department for Work & Pensions, social and private enterprise bodies and other social partners. This corporatist approach relies on compromise and consensus, working within wider agendas set by European, UK and Scottish governments. Although there are some issues with such partnership working,²³ it is progressively moving Scotland closer to the social contract and partnership model that has served the Nordic countries so successfully.

Discussion for England

With the abolition of its RDAs and the move to LEPs, city regions and other subregional geographies for organising and delivering economic development, England is once again out of step with almost all other territorial arrangements and structures across Europe.²⁴ An obvious question is whether the regions of England could and should follow Scotland's path, which parallels the consensual model across the Continent. Key

²² Danson and de Souza, op cit

²³ Cameron, G and Danson, M "The European Partnership Model and the Changing Role of Regional Development Agencies: A Regional Development and Organisation Perspective" in Danson, M, Halkier, H and Cameron, G (eds) *Governance, Institutional Change and Development* (Ashgate, 1999)

²⁴ Bellini, N, Danson, M and Halkier, M (eds) *Regional Development Agencies: the Next Generation?* (Routledge, 2012)

conditions for being able to adopt such a direction include having an identity around which regional actors can coalesce,²⁵ the presence or building of appropriate institutions,²⁶ and a willingness to recognise that spread effects across the territory can raise prosperity throughout the region, although the means to share these effects will also be required across that geography.²⁷

The claimed moves to localism in England have been critically analysed initially²⁸ and more recently²⁹ on several grounds, but the failure to protect against artificially created localities based on travel-to-work areas or other geographies pursuing destructive competition³⁰ militates against achieving effective regional strategies. The abolition of the RDAs, the non-appearance of the democratically and directly elected regional assemblies, the encouragement of subregional rivalries and the promotion of centralisation and concentration of powers in the capital and in non-regional public and private institutions all confirm this undermining of potential regionalisation along European grounds.³¹

The coherence and inclusiveness of the Scottish approach to economic development and the attraction of foreign direct investment are denied to the English regions, therefore, and, as with the previous enterprise zone experiment³² and other European experiences,³³ this lack of institutions to co-ordinate and deliver at the regional level will stifle their potential outside the cores of the city regions themselves.

Conclusion

This paper has offered a picture of Scotland in a different framework from usual: neither within the UK, using comparisons with UK or British averages, nor in some static equilibrium based on partisan estimates of budgets and resources, but rather benchmarked against similar nations and economies outside these contexts. This

25 Jensen, C and Leijon, S "Persuasive Storytelling about the Reform Process: The Case of the West Sweden Region" in Danson, M, Halkier, H and Cameron, G (eds) *Governance, Institutional Change and Development* (Ashgate, 2000)

26 Macleod, op cit

27 Morgan, op cit

28 Bailey, D, Benneworth, P, Danson, M and Halkier, H "The New Local Enterprise Partnerships Memorandum submitted by the Regional Studies Association", evidence submitted to the House of Commons Select Committee on Business, Innovation and Skills (2010) (<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmbis/memo/localent/localent85.htm>)

29 Bentley, G "From RDAs to LEPs: A New Localism Doomed to Failure?", paper presented to the Regional Studies Association winter conference, Contested Regions: Territorial Politics and Policy, held in London in 2011

30 Bailey et al, op cit

31 Keating, M "Rescaling Europe" in *Perspectives on European Politics and Society* vol 10, no 1 (2009), pp34-50

32 Lloyd, G and Danson, M "The Inverclyde Enterprise Zone: A Continuing Experiment in Regeneration?" in *Scottish Geographical Magazine* vol 107, no 1 (1991), pp58-62

33 Bellini et al, op cit

allows a vision of what Scotland might aspire to as well as a reality check on what constraints and disadvantages there might be outside the single market and monetary union of the UK.

Acting as some sort of point of reference, this exercise has also contributed to a reorientation of the debate on how England's regions could be envisaged, if devolution to the regional level were pursued with some conviction, to approach the arrangements in Northern Ireland or Wales. Invoking the promised learning opportunities from experimentation with different strategies and policies across the territories of the UK, this at least has hinted that regionalism presents possibilities for positive evolution of economies and societies beyond the simple and sterile discussions over budgets and formulæ.

Scotland, like the rest of the UK, has not performed well against the economies and societies of the Nordic countries over a long period. While changes announced in England have been idiosyncratic, counter to trends across the OECD countries, Scotland has been informed by and working within an evolving consensus where small nations, stateless nations and strong regions in the north of Europe are pursuing a knowledge- and skills-based strategic approach to economic development built on coherent and corporate social partnership³⁴ at a higher level than the local. This wider perspective allows the opportunity to recognise, understand and adapt to the territory's own needs; however, context, environment and legacies are important in assessing the willingness and appropriateness of such dialogue while trying to avoid lock-in and path dependency. History and geography suggest the effort is worth making.

34 Krugman, op cit; Keating, op cit

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