Citation:

Link to Leeds Beckett Repository record:
https://eprints.leedsbeckett.ac.uk/id/eprint/534/

Document Version:
Article (Accepted Version)
From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire

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ABSTRACT - The new Coalition Government formed in May 2010 in the UK is to abolish Regional Development Agencies and, in the name of a ‘new localism’, is to replace them with Local Enterprise Partnerships, “joint local authority-business bodies brought forward by local authorities to promote local economic development”. This paper looks at the proposals for LEPs, in the light of theories of governance. It explores the case examples of the West Midlands and Yorkshire and Humberside, where there have been differing proposals for region-wide LEPs. It argues that far from localism, the move to set up LEPs is profoundly ant-regionalist and is re-centralisation in disguise, given that many economic development functions are being taken back to Whitehall. That problem of recentralisation, we suggest, risks being exacerbated by a fragmentation of LEPs into small territorial units, and a lack of resources.

Introduction

The new Conservative and Liberal Democrat Coalition Government formed in May 2010 in the UK has set about reforming the governance of economic development in the English regions outside of London. Regional Development Agencies are to be abolished by 2012, to be replaced by Local Enterprise Partnerships, which are seen as “joint local authority-business bodies brought forward by local authorities themselves to promote local economic development” (HMG, 2010a: p10). On the one hand, LEPs can be seen as part of the Coalition Government’s philosophy of the ‘Big Society’ and localism in respect of economic development, in which power is to be decentralised to local government for it to bring about the economic development of their localities and to secure the revival of local economies which have been facing the effects of the recession. On the other hand, it can be argued that this apparent ‘localism’ is an illusion since the LEPs will not have the necessary power or resources to carry out the tasks set for them and, moreover, given that the government actually plans the re-centralisation of many economic development

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functions. The move also represents the complete rejection of regionalist perspectives on economic development and policy, this as much on political and ideological as economic grounds. This development will not only have implications for the economic well-being of regions but also for the administration of EU regional policy and relations with the European Union.

This paper looks at the proposals for LEPs, in the light of theories of governance. It explores the case examples of the West Midlands and Yorkshire and Humberside where there have been differing proposals for region-wide LEPs. It argues that the localism that is being proposed represents a ‘new localism’. In similar vein to the ‘new centrism’ manifest under Labour, it is really about the national level re-asserting its control over the local level by circumscribing the power of the local level (Corry and Stoker, 2002). This will be done through the limiting of roles and functions at the local level and by imposing controls over spending. The formation of LEPs is at an early stage but this paper offers the opportunity to review the position of LEPs at this stage so that we can later review progress after their establishment. So far it appears that LEPs will have limited powers and resources. The removal of the regional tier of economic development policy means that many economic development functions, such as inward investment, SME development, sectors and cluster policy, tourism, and European policy, will be passed back up to the national level and will leave a capacity gap. The new localism is not localism at all but recentralisation in disguise. That problem of recentralisation, we suggest, risks being exacerbated by a fragmentation of LEPs into small territorial units, and a lack of resources.

**Theorising Governance**

The classic forms of governance are centralism and localism, and contrast with a number of other conceptualisations that essentially relate to power sharing. These include multi-level governance (Marks, 1997; Pearce, 2001) contested governance (Lloyd and Megan, 1998), ‘spheres and tiers’ (Benington and Harvey, 1994), institutional thickness (Amin and Thrift, 1994), and partnership working (Bailey et al, 1995). The powers and influence of central and local government differs in each mode. Local government has a degree of autonomy under conditions of localism, which it does not under a strongly centralising government.

Regionalism reflects the view that the region is a meaningful spatial scale at which economic development takes place and a spatial scale for doing certain things in between the local and national levels, entailing the decentralisation and devolution of power to the sub-national level (Birmingham Post, 2010a). Under Labour, the UK has seen the development of an asymmetric system of economic governance, with devolution for Scotland and Wales and decentralisation to RDAs in England, charged with the economic development of the region.
Centralism implies that all power is concentrated at the nation state level. Classic unitary states do not devolve power to the local or regional level. In an argument in favour of centralism, Walker (2002) says that it means “[w]e see the maintenance by central departments of plans, targets, default powers and financial controls”.

Localism, in contrast, implies local autonomy. Pratchett (2004) suggests three separate ways in which autonomy is manifest: as freedom from central interference (a form of ‘negative’ freedom, in the language of Isaiah Berlin (Bailey and de Ruyter, 2007)); as freedom to effect particular outcomes (a form of ‘positive’ freedom); and as the reflection of local identity. This analysis says nothing about the character of central-local relations. It can be hostile or friendly. Sullivan (2004) suggests in referring to Stewart and Stoker (1995) that the relationship can be ‘combative’ and ‘conflictual’. She suggests that the election of a Labour government in 1997 resulted in the re-casting of the central-local relationship as both ‘collaborative’ and ‘consensual’ (Sullivan, 2004).

Centralism rather than localism, we argue, has been manifest under recent administrations in the UK. While the 1979-1997 Conservative Government usurped the local government role in economic development and centralised the economic development and training function, New Labour set up the RDAs. It also gave local government the power and resources to carry out economic development and regeneration, in the *Local Democracy, Economic Development and Construction Bill* 2009, following the Sub-national Review of Local Economic Development (HMT, DBERR, DCLG, 2007). Southern (2002) suggests that the “move to a system of local governance is thought by some to have allowed power to seep upwards towards central government”. Sanderson (2001, cited by Sullivan, 2004) considers New Labour was no less ‘top-down’ than the Conservative administrations that preceded it.

Corry and Stoker (2002) prefer to see this as a ‘New Centralism’ and as a ‘steering centralism’, a part of New Labour’s process of public service reform, to improve service delivery and ensure policy coherence. This ‘modernising’ agenda stems from *Wiring it up*, the PIU (2000) document which maps out ideas about joined up government, and which seeks to achieve policy coherence. Arguably New Centralism signifies an attempt at good governance; policy is controlled and directed from the centre to ensure that central government priorities are addressed, while at the same time allowing for regional and local priorities to be addressed. Government prescribes what sub-national authorities must do. This poses a tension between localism and centralism, and the ownership of the ground of territorial politics, but it is a ground which the Labour Government filled with tight controlling mechanisms, including Public Service Agreements, which controlled service delivery; budgets which were tied into the achievement of targets for centrally devised policy measures; and with policy frameworks, which provide a strategic framework for policy making at the lower administrative scales (Bentley, 2006).
In the ‘new’ context, the following questions arise: do the LEPs really represent a localism in which local authorities are free from central controls and secondly to what extent will the Coalition Government’s apparent commitment to localism and the Big Society allow LEPs the freedom to make decisions free of interference from Whitehall (and be allowed to raise the funds to do so)?

**What are LEPs and what will their function be?**

The intention to establish LEPs was announced in the Queen’s speech and was set out in the May 2010 proposal for the *Decentralisation and Localism Bill* (DCLG, 2010). However, in the language of Donald Rumsfeld, LEPs embody ‘known unknowns’ and ‘unknown unknowns’ (Ward, 2010). There is little or no information about the precise terms of reference for LEPs, funding or administrative arrangements, about who is to host them, whether the executive role is to be carried out by the local authority or whether LEPs are to be set up as private sector economic development companies. Still less is it known precisely what the LEPs will do and what freedom of action they will have. Will they be able to act or spend themselves or will they rely on accountable bodies? The proposal for LEPs however was as much about abolishing the Regional Development Agencies (RDAs), as they are about localism (BBC Front Page, 2010).

A White Paper, due to be published in late summer 2010, is expected to more broadly set out Government plans for a new approach to sub-national growth and will have to clarify the picture, with the *Localism Bill* to come before Parliament and the results of the comprehensive spending review, showing the extent of the public sector cutbacks, to be revealed on 20 October (Centre for Cities, 2010). There are rumours however that the publication of the White Paper will be delayed. We can look at what was known by September 2010 about membership, role and function, size, budget of LEPs and the timescale for their introduction.

**Membership and Governance of the LEPs**

The Coalition Government’s Programme said, “[w]e will support the creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development” (HMG, 2010a: p10). An open letter to local authority and business leaders and local authority Chief Executives sent in June 2010, Vince Cable, Minister for Business, Innovation and Skills and Eric Pickles, Minister for Communities and Local Government, invited local groups of councils and business leaders to come together to consider how they wished to form local enterprise partnerships (DCLG, 2010). They were to involve only upper-tier authorities; this to avoid ministers receiving a host of bids from groups of districts. The requirement to involve at least two upper-tier authorities was subsequently set aside (LGC, 2010).
Half the LEP board members were to be drawn from industry/local commerce and led by a local business person, to reflect the importance of private sector investment and expertise. Colleges and Universities were also to be involved in the partnerships as well as other stakeholders. The Third Sector and the voluntary sector were promised a seat on the board but this has yet to be seen and it is a promise that can be broken. Intuitively however, it looked like LEPs would be similar to the RDAs, with a Board to act as the directors of an agency with staff and that they would commission delivery of services. The Government wants change in public service delivery, in line with the idea of the ‘Big Society’, and it was said that governance structures needed to be sufficiently robust and clear, to ensure proper accountability for delivery by partnerships but, it is not clear precisely what form LEPs will take.

**Role and functions of the LEPs**

The consultation document on the new Regional Growth Fund says the following about the role of LEPs:

“We anticipate that local enterprise partnerships will wish to provide the strategic leadership and long-term vision for the private sector-led economic renewal of their area... Partnerships will see business working in equal partnership with civic leaders to drive real change in local public service delivery to create a better business environment in their area” [our emphases] (HMG, 2010b).

The LEPs are to have a strategic role in creating the right environment for business and growth in their locality. LEPs are to be responsible principally for business support and enterprise. However, LEP functions are likely to include enterprise and business support, investment in local economic infrastructure, employment and worklessness, skills, planning, housing and, possibly, tourism and the transition to a low carbon economy. It is envisaged that a LEP will also have a planning, housing and transport function; confusingly, lower-tier authorities hold many of the powers in the latter three policy areas (Regeneration & Renewal, 2010a). However, we need to be clear on what delegated powers LEPs will have vis a vis local authorities and how the LEPs are to be accountable to local authorities for decision making on economic development, planning and regeneration. Furthermore, given that coordination between DCLG, BIS and DES has been poor, it is not clear for example how skills policy and LEPs are to work or sectoral policies or Big Society.

**Size and Geographical scale**

LEPs are to “better reflect the natural economic geography of the areas they serve and hence to cover real functional economic and travel to work areas” (DCLG, 2010a). This can be seen as a criticism of the RDAs which are based on administrative and not functional regions. Administrative regions were chosen as the basis for the RDAs because New Labour did not want a long debate about boundaries to delay the inception of the RDAs.
The Cable-Pickles letter, however, does suggest that if LEP for a functional economic area matches existing regional boundaries, there will be no objection to such a proposal. This implies that an RDA could transform into a LEP. The Coalition agreement even said that LEPs “may take the form of the existing RDAs in areas where they are popular” (HMG, 2010a). Yet at the same time, the coalition government proposes to dismantle the regional tier of institutions. The budget speech indicated that the creation of LEPs will be particularly supported ‘around England’s major cities’ (Centre for Cities, 2010). City regions may come to the fore instead, assuming that local authorities can actually agree on this.

Given that local authorities have already carried out local economic assessments for functional economic areas, under Labour Government policy, it was likely that many LEPs would be based on the areas as defined by the Local Economic Assessments. They could also be made up of localities that have made Multi-Area Agreements.

**Budget**

LEPs are expected to operate on a ‘task and finish’ basis whereby they will bid to Government for funds for specific projects, rather than handling the multi-million pound budgets that are currently given to Regional Development Agencies. Indeed, LEPs were initially expected to bid for the newly set up Regional Growth Fund, which is worth £1bn over 2011-12 and 2012-13 (HMG, 2010b). This is roughly 65% less than the RDA networks budget. Initially it was thought that it was likely to be divided into two pots: a challenge fund that will be subject to competitive bidding for capital investment grants or loans and another pot to be allocated to LEPs through a funding formula (LGC, 2010). However, Sir Ian Wrigglesworth has said that LEPs should not get any of the £1bn Regional Growth Fund and that the Fund should be directed solely towards growing private sector businesses – especially in areas with a weak private sector (Finch, 2010).

The fund has two main objectives:

- To encourage private sector enterprise by providing support for projects with significant potential for economic growth and create additional sustainable private sector employment; and
- To support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector led growth and prosperity.

Bids for the RGF are expected to comprise a ‘package of projects’ brought together by the LEPs that are: “transformational” in nature; focused on boosting private sector employment; able to demonstrate “significant private sector leverage”; address a “clear market failure”; backed by the community; and able to contribute to “green economic growth” (HMG, 2010b). The bids to win funding will be decided by former deputy prime minister Lord Heseltine, along with Sir Ian Wrigglesworth, chairman of...
the Port of Tyne (LGC, 2010). Wrigglesworth has also said that regional bodies in some regions want could play a role in vetting how the Regional Growth Fund is disbursed, and that he favoured fewer but larger grants rather than the fund being divided up into a large number of small grants and distributed around the country (Regen.net. 2010a; Birmingham Post, 2010d).

It is not clear therefore whether funding will be available to the LEPs or for the running costs of LEPs. However, the Minister has hinted that there would be another other source of funding – perhaps the remainder of the RDA budget – available to fund the partnerships, the details of which are likely to be in the proposed white paper (LGC, 2010). There may also be scope for LEPs to raise their own funds, although so far only hints have been dropped in this direction.

**Timescale**

Proposals for LEPs had to be presented to Government by 6th September 2010. The transition from RDAs to LEPs can be broken down into 3 discrete phases:

<table>
<thead>
<tr>
<th>Sept 2010 - Sept 2011</th>
<th>Respond to proposals and facilitate establishment of LEPs</th>
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<tr>
<td>July 2010 - April 2012</td>
<td>“Terminate” and “transfer” RDA functions; complete RDA stand-alone major projects</td>
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<tr>
<td>Oct 2011 - April 2012</td>
<td>Disposal of RDA assets</td>
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Given the timescale for the introduction of the LEPs and the need to be operational, ‘Shadow' versions of LEPs are to be in place before the end of the year and to be in place for a 1st April 2011 start to enable groups of councils to bid for cash from the Regional Growth Fund (Regeneration & Renewal, 2010b). Some questions arise: who is to appoint the Business Chairs and are LEPs to have the status of quangos? And are they to be subject to Nolan?

**Progress on LEPs**

Local authorities in each region were working on developing proposals for LEPs for submission to Government. There are, however, two sponsoring departments, and ministers, which are taking a different view. On the one hand the Department for Communities and Local Government says there will be little or no ministerial intervention in the process of forming LEPs, with the partnerships not needing to be ‘signed off' by government. The Department for Business, Innovation and Skills says the plans will be submitted to a process of review and ministerial approval with those that fail to meet the central requirement that they cover a “natural economic area”, will weeded out. The table below shows the LEPs that were being discussed in each region as at the end of July 2010.
Table 1 – Proposal for LEPs in the Regions – July 2010

<table>
<thead>
<tr>
<th>REGION</th>
<th>LEPs</th>
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| Yorkshire & Humber   | • Existing Leeds City Region: has agreed to submit proposal based on existing geography (including three districts in north Yorkshire and York) rather than a West Yorkshire partnership  
                        • North Yorkshire (York may choose to sit in both North Yorkshire and Leeds City region LEP*)  
                        • Hull & Humber Ports (no agreement; conflicting proposals)  
                        • Sheffield City Region (Barnsley will sit in both Leeds and Sheffield LEPs*) (SCR includes 7 Derbyshire local authorities) |
| West Midlands        | • Greater Birmingham (Solihull was deciding whether to join Greater Birmingham or Coventry and Warwickshire, and may decide to sit in both*)  
                        • Black Country (Dudley, Sandwell, Walsall, Wolverhampton)  
                        • Coventry & Warwickshire (possibly including Solihull*)  
                        • Herefordshire, Shropshire and Telford & Wrekin  
                        • Staffordshire with Stoke on Trent  
                        • Worcestershire |
| East Midlands        | • Derbyshire and Nottinghamshire (also talking to Staffordshire)  
                        • Northamptonshire is talking to Warwickshire and Milton Keynes  
                        • Leicestershire and Leicestershire (currently an MAA)  
                        • Lincolnshire, North Lincolnshire, North East Lincolnshire and Rutland (having gained independence from Leicestershire, the county could be lukewarm about re-entering another form of union.) (also in discussions with possibly Hull & Humber) |
| North-West           | • Greater Manchester (Manchester city-region)  
                        • Merseyside  
                        • Cumbria  
                        • Merseyside  
                        • Central Lancashire  
                        • Cheshire & Warrington  
                        • Pennine Lancashire - District councils within the existing MAA may decide to form a LEP  
                        • Blackpool, Fylde and Wyre Councils want to convert their economic development company to a LEP, but none is an upper-tier authority |
| North-East           | • Tyne and Wear  
                        • Tees Valley  
                        • Durham and Northumberland would join up with each other, or one of the others |
| South-West           | • Bristol/West England – four unitaries (Bristol, Bath & North East Somerset, North Somerset, South Gloucestershire)  
                        • Bournemouth, Poole and Dorset (currently an MAA)  
                        • Cornwall and Devon – in talks after Cornwall originally wanted to go it alone but realised this might not be acceptable to central government.  
                        • Gloucestershire – appears to want to join with a LEP |
<table>
<thead>
<tr>
<th>Region</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>London</td>
<td>Involving authorities currently in the West Midlands, but has talked to Swindon, Swindon and Wiltshire, and Somerset – little progress appears to be made so far. There have also been suggestions that the existing Olympics MAA area could convert into a LEP. Thames Gateway London Partnership and east London boroughs and Kent and Essex, plus councils in the Thames Gateway region could form a LEP.</td>
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<tr>
<td>South-East</td>
<td>There have also been suggestions that the existing Olympics MAA area could convert into a LEP. Thames Gateway London Partnership and east London boroughs and Kent and Essex, plus councils in the Thames Gateway region could form a LEP.</td>
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<tr>
<td>East of England</td>
<td>South-East County Councils are courting unitaries to form LEPs based on traditional county council boundaries.</td>
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<tr>
<td></td>
<td><strong>London</strong> - is different because the London mayor already possesses wide-ranging regeneration powers. The mayor’s office is considering allowing some authorities to join LEPs.</td>
</tr>
<tr>
<td></td>
<td><strong>South-East</strong> County Councils are courting unitaries to form LEPs based on traditional county council boundaries.</td>
</tr>
<tr>
<td></td>
<td><strong>East of England</strong> Little progress appears to be made so far, but there are suggestions that delivery vehicle Cambridgeshire Horizons could take on LEP status.</td>
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Sources: Regeneration and Renewal (2010a); LGC (2010)

*DCLG acting permanent secretary Irene Lucas said councils will be able to sit in two LEPs, if all the partners agree and they make a clear case for it.

The final position was different and, in fact, 56 bids were submitted on 6th September. Early indications are that only about 10 to 15 of the proposals are “any good” and that the Government is likely approve 10 as “Trail Blazers” (Finch, 2010). In mid September BIS Secretary Vince Cable said that three quarters of the proposed LEPs would need "a lot of work" and that they are "hopelessly fragmented and will have to get their act together" (Birmingham Post, 2010d). We turn to look at two contrasting case examples of discussions in the regions about LEPs; the West Midlands, where they were unable to agree to a proposal for a region wide LEP and, Yorkshire and Humberside, where there was agreement that the region should have a region-wide LEP. In the event, the YEP did not submit a proposal and, at the last minute, Business Voice West Midlands submitted a ‘West Midlands’ bid.

*West Midlands*

Described as a ‘dog’s breakfast’, the West Midlands was also a case of ‘Guess who’s Coming to Dinner’, as local chambers and authorities moved the tables and chairs around in choosing whom to sit with at the LEPs tables (Birmingham Post, 2010b; Business Desk, 2010a). Initially the West Midlands Leaders’ Board proposed to create a LEP for the region to take over Advantage West Midland’s duties. Business Voice West Midlands (BVWM) which represents 25 business organisations and 220,000 businesses, also proposed a region wide LEP, at a conference held in
Birmingham at the end of July (BVWM, 2010). Far from proposing a single overarching LEP, however, the region submitted proposals for 6 LEPs: Greater Birmingham; Black Country; Coventry and Warwickshire; Herefordshire, Shropshire and Telford & Wrekin; Staffordshire and Stoke on Trent; and Worcestershire. However, BVWM and West Midlands Councils submitted a bid for a ‘West Midlands’ LEP, on deadline day (Business Desk, 2010b).

In the process of negotiations, Birmingham Chamber of Commerce and Industry (BCI) proposed a tighter Birmingham ‘City Region’ LEP, based mainly on the Second City and the Black Country, as well as some districts in Southern Staffordshire and North Worcestershire. The offer to join a region-wide LEP was made to Solihull, Bromsgrove, Redditch, Wyre Forest, Lichfield, Cannock and Tamworth councils. Solihull decided to join, with Lichfield and Tamworth also subsequently joining; it made sense in terms of the economic geography and the gains to be made from being aligned with Birmingham. The decision of the latter was considered by BCI a major boost for the Birmingham and Solihull LEP. Burton and District, a second Staffordshire-based Chamber of Commerce, also voted to join Birmingham and Solihull (Business Desk, 2010c).

The Black Country Chamber of Commerce however refused to join Birmingham LEP; it had firm views about what a LEP should do and how it should be constituted (Black Country Chamber of Commerce, 2010). Its Chamber President said: “With a population of over one million people and a strong industrial heritage, the Black Country, together with its world-class manufacturing and engineering base is well placed to help grow the local and UK economy again” (Business Desk, 2010d). Old rivalries die hard; the conflict between West Midlands’ authorities stems back to the 1974 Local Government reorganisation (Business Desk, 2010e). Black Country local authorities (Dudley, Sandwell, Walsall, Wolverhampton) have often accused Birmingham of being domineering, while Birmingham has pointed out that as the region’s economic powerhouse it should be regarded as the pre-eminent council. Had the Birmingham and Black Country LEP got off the ground it would have been the largest in the country.

Coventry, Solihull and Warwickshire Partnership (CSWP) also broke away from the idea of a region-wide LEP and drew up proposals for a LEP – collaboration between the Chamber and local authorities. It says “[t]he board wants to be bold in [its] plans for Coventry and Warwickshire. They will be built on a commitment to business growth, innovation and investment, supported by the intellectual power of our two great universities” (Business Desk, 2010f). Its chief executive said that “business needs to be a key driver in the LEP” and that “business requires surety and consistency and having a local body which makes decisions based purely on the well being of this area and its economy, creating jobs and investment, has to be welcomed” (ibid.).
Likewise, Herefordshire, Shropshire and Telford & Wrekin councils chose to join forces to propose a 'Marches LEP', seeing the collaborative approach implied in LEPs as putting them in a strong position nationally, in bidding for investment from the Regional Growth Fund. They have been working closely with local businesses and “have strong support from them for [their] joint approach to have greater local control of business investment and support services”. Their LEP is intended to cover employment, skills training, transport, new business start-ups, economic regeneration, affordable housing, planning, and business support. Bringing the areas together also made sense to them in terms of their shared local economy and in giving them greater bargaining power when looking for inward investment and other sources of funding (Regen.net, 2010b).

Stoke on Trent and Staffordshire have joined to construct a LEP to replace the North Staffordshire Regeneration Partnership (NSRP). Formed in May 2007, NSRP has been responsible for a £1.6bn regeneration of Stoke and north Staffordshire, including a new bus station, central business district and shopping centre revamp (Business Desk, 2010g). “By forming an LEP … it will provide the area with more opportunities for future funding” (ibid). Its draft proposals specifically state the new LEP would strive to secure “the delivery of the regeneration of Stoke-on-Trent City Centre, i54\(^2\) in South Staffordshire and Kingswood Lakeside in Cannock” (Business Desk, 2010h). East Staffordshire however decided to join the Birmingham LEP, on the grounds of its large size and strong business support and because it was felt that the Stoke and Staffordshire LEP does not have the support of business (Regen.net, 2010c). While Staffordshire authorities and Chambers will belong to different LEPs, Worcestershire, which includes Bromsgrove, Redditch, and Wyre Forest, proposed to set up an exclusive LEP.

Most of the authorities in the region think that being in their particular LEP will give access to national funding for economic development and that there was no need for an overarching regional level LEP to work on cross regional issues and to avoid an inefficient and potentially damaging duplication of resources (Birmingham Post, 2010c). However, against this rhetoric, BVWM and West Midlands Councils put in a bid for a ‘West Midlands’ LEP, on bid day (Business Desk, 2010h). In Yorkshire and Humberside the situation was different.

**Yorkshire and Humberside**

Council leaders in the Yorkshire and Humber region sat down together at an early stage and, although initially not agreeing on a regional scale LEP to replace Yorkshire Forward, called for the retention of some form of regional coordination (Regen.net, 2010d; Business Desk, 2010i; Business Desk, 2010j). Yorkshire business groups, including the CBI, the IoD, the EEF manufacturers’ organisation, the Federation of Small Businesses, the Yorkshire & Humber Chambers of

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\(^2\) A 220 acre site at Pendeford, on the boundary of South Staffordshire and Wolverhampton.
Commerce and York University, came forward with proposals for the Yorkshire Enterprise Partnership (YEP). It was suggested that it would take responsibility for functions such as inward investment, tourism, innovation, access to finance and economic intelligence to be carried out at regional level (Yorkshire Post, 2010). Unlike in the West Midlands, this bid was not submitted as LEP and so did not appear in the list of bids. It has been proposed instead to set it up as a not-for-profit Community Interest Company, to offer an option for administering European funds, this to maximise the potential for developing schemes that will attract match funding (Regen.net, 2010d). Four LEPs were proposed at sub regional level: Leeds City Region; Sheffield City Region; Hull and the Humber Ports; and North Yorkshire. Nonetheless there was some shuffling of the cards over the composition of the LEPs, and in the end 5 bids came from the region.

A pre-existing city region, the proposal for a Leeds City-Region LEP was obvious, given the LCR partnership has already made some progress in developing a strong relationship with the private sector (Business Desk, 2010k). The LEP agenda is to include green technology and innovation, involving the area’s universities. It was suggested that the LEP would employ directly very few staff and that the role of chair taken by someone willing to do it without pay (Business Desk, 2010l). The area encompasses 11 councils including the five West Yorkshire districts, including York, the districts of Harrogate, Selby and Craven in North Yorkshire, and Barnsley in South Yorkshire.

Sheffield bid to become one of the first city-regions to launch a LEP (Regen.net, 2010d). Business leaders from 11 local authorities across South Yorkshire, North Derbyshire and North Nottinghamshire joined forces to submit the bid (Star, 2010). The area includes Doncaster, Barnsley, Sheffield and Rotherham Councils and authorities in North-East Derbyshire, Chesterfield and Bassetlaw. Discussions were also held with Derbyshire Dales and Bolsover councils on issues such as tourism. Barnsley is to sit on both the Sheffield and Leeds City Region LEPs and York planned to sit in both North Yorkshire and Leeds City region LEP. Councils could sit on two LEPs, if the case could be made.

Humberside leaders and chief executives from the four unitary councils – Hull, East Riding, North Lincolnshire and North-East Lincolnshire – met to discuss the formation of an LEP to span the Humber (regen.net, 2010e). However, in a local north-south divide, Hull City Council and East Riding Council were in favour of forming a LEP for their areas. This put them on a collision course with the authorities south of the Humber estuary, clearly reflecting differing views on functioning economic areas. East Riding argued that it is difficult to establish the economic relationship between the north and south banks in terms of business and employment flows to the same extent as the strong linkages between Hull and East Riding (Business Desk, 2010m). Key industries in the locality are ports, chemicals and renewable energy; the locality faces some challenges in developing these industries (Shutt et al, 2010)
North Lincolnshire Council wanted to see a pan-Humber body to represent the whole of the Humber region on the north and south banks of the Humber and rejected calls to form a Lincolnshire LEP (Regen.net, 2010e). Business favours the formation of a single LEP. Hull and Humber Chamber President said that “[t]here seems to be broad agreement… that the Humber is at its strongest when it works together so that should be the basis for our LEP” (Business Desk, 2010n). In the event, a bid was submitted by Scarborough District, Hull, and East Riding Councils, without North Lincolnshire and Lincolnshire authorities put their bids in. This is an interesting case example as it appears that the councils have been taking the lead in the discussions rather than business. Leader of North Lincolnshire Council, points out that Hull and East Riding will “have to persuade the Government [of its case]… In the absence of business support that might prove difficult” (Regen.net, 2010e). Given business leaders were against the splitting of the Humber area, a ‘Humber’ bid was also submitted, with support from local businesses but with no agreement from either the North or South Bank Humber local authorities (Business Desk, 2010o).

LEPs - Localism or Centralism?

The two examples reveal different patterns in the discussions over the formation of LEPs. The question remains, however, do LEPs represent localism? To what extent will LEPs enable local authorities to carry out economic development with: freedom from central interference; freedom to effect particular outcomes; and in a reflection of local identity (Pratchett, 2004)? The mantra of LEPS is localism but the evidence is that the programme to establish LEPs is profoundly anti-regionalist and is also centralist.

Localism?

Control and Shift, the Conservative party’s policy green paper, certainly promises a localism; it sees as being able "to restore civic life and ensure civic engagement (Conservative Party, 2009: p7). The green paper criticises the centralism of the previous Labour Government and argues that most local government expenditure was tied into national programmes that specified how much could be spent and what it could be spent on, as well as what it had to achieve in terms of targets. The conservative green paper on the other hand promises to give local people greater control over how central government funds are spent in their area, to free councils from intrusive and ineffective inspection regimes; and to phase out ‘ring fencing’, so that decisions about how councils spend their budgets are taken by councils and their citizens (Conservative Party, 2009: pp 3-4). From this, it appears to offer councils the prospect of freedom from central interference and of local identity. However, the nature of the localism is not so clear in respect of the economic development function.

It might seem that Government is devolving power to local authorities and business to secure the economic development of their localities by the setting up of a LEP.
But, as Hayman points out, all it actually amounts to is that councils and their business partners are being encouraged to come to ministers to say what they want to do and how they want to put together their LEPs; ministers are not telling them this (LGC, 2010). However, this is only happening because there has been no clear guidance about the constitution or role of LEPs. This is not real localism, this is not freedom. In the interim, government can decide what it wants to see, which the white paper and subsequent legislation will formalise. Clearly, if LEP proposals are not constituted in the way in which government wants and if they propose to do what it does not want, the government will reject them; put simply, the LEPs are subject to approval by central government, as Vince Cable has effectively admitted. This is not the autonomy of localism; only the appearance of localism; it is a 'new localism'.

**Regionalism is Dead**

If LEPs are tied into functioning economic areas they might reflect local identities. However, the move to establish LEPs nonetheless is profoundly anti-regionalist. The abolition of the RDAs is a reflection of a long standing opposition by the Conservative Party to regionalism and was manifest even in 1979 when Sir Keith Joseph, then Minister for Industry, proceeded to dismantle regional policy and institutions. The new Coalition Government is doing the same. It is wreaking carnage on the regional tier of administration (Conservative Party, 2007). Government Offices for the Regions are also being disbanded and, Business Links, which were recently regionalised, are to be replaced by an online service at national level. The Regional Observatories, which provide RDAs with the evidence base for policy and evaluation, are also to be scrapped. The Regional Select Committees, and the Leaders’ Boards, which replaced the Regional Assemblies in their scrutiny role with regard to the RDAs, will also become defunct, in this ‘bonfire of the quangos’ (Telegraph, 2010a). The RDAs are also being stripped of their planning powers, which are to be handed down to local authorities, and Regional Spatial Strategies are being abolished (Conservative Party, 2009: p28; DCLG website, 2010). These were to be amalgamated with the Regional Economic Strategies to form a Single Integrated Regional Strategy but, with the passing of the RDAs, these also disappear as are Regional Skills Strategies.

Streamlining governance is accompanied by the intention to reduce public expenditure. RDAs’ budgets have already been cut by £270m and they have been stopped from spending any more European Regional Development Fund cash (Telegraph, 2010b). There is no matched funding left available and so no RDA projects can proceed now unless they are ERDF only. Not only is delivery of the 2007-2013 programme now put paid to but also European Venture Capital funds are out of RDA control and being taken back to Whitehall. Structural funds may have to be returned to Brussels unspent and it will mean the end of European style regional policy, putting the UK out of step with the rest of Europe. This all bodes very badly for the 2014-2020 negotiations on the new Structural Funds programmes and may well threaten the UK’s relationship with the European Union, or at least suggest that
the UK will push for a ‘renationalisation’ of EU regional policy. What we have in effect here is a tension in the Coalition between the Conservative anti-European Eric Pickles and Liberal Democrat Nick Clegg who is supposed to be protecting European regional policies. It also raises the issue who anyway is going to deliver? Indeed, it is not clear whether the responsibility for European funding will be passed on to local authorities rather than upwards to the national level and there are concerns about whether the LEPs or local authorities will have the capacity to manage the process, and where the match funding for ERDF will come from, given that the RDAs are a major source of these – moreover, whether the European Commission will allow such a transfer of responsibility (Regeneration & Renewal, 2009).

The case for the abolition of the RDAs has been made on several grounds, the first being that they are an "unnecessary and expensive layer of bureaucracy that stifle genuine private enterprise" (Taxpayers Alliance, 2010). Secondly, it is argued that the RDAs are not democratically accountable; this helps explains why the London Development Agency is to stay (Conservative Party, 2009). Unique, the LDA is “funded centrally, but run by the Mayor. As such, its powers are devolved and there are no plans to interfere in what is a matter for the Mayor” (Conservative Party, 2009: p 29). However, the whole argument about democratic accountability is somewhat spurious because the LEPs are no more democratically accountable than the RDAs. It is not clear where institutionally LEPs will fit and which will be its accountable body, which is important in relation to expenditure. All that Government has said is that the LEPs “must [also] have strong business leadership before the government will transfer money currently spent by the RDAs to the LEPs” (Conservative Party, 2009: p 30).

In relation to cost savings, the abolition of the RDAs will in principle save up to £2.3 billion a year, including the salary bill, said to have risen from £38 million to over £120 million (Conservative Party, 2009: p 29). A National Audit Office Report (NAO, 2010a) on the other hand, argues that the RDAs have provided value for money, with every £1 invested by the RDAs, producing between £4 and £15 in regional economies. The Taxpayers Alliance (2010) also contends that too many grants have gone to public bodies, and it criticises the RDAs for giving support to big firms with large turnovers. However, this misses the point; RDAs disburse funds to other public sector agencies, which in turn make grants to private enterprise. In addition, there had anyway been a shift in some cases to supporting networks of smaller firms rather than large firms (see MacNeill and Bailey, 2010 for example).

The question must be asked whether the LEPs will offer better value for money. What is clear is that their establishment will result in more agencies, and the fragmentation of services; more bureaucracy, and duplication of services, which is not a recipe for efficiency (Marlow, 2010). Moreover, there is a capacity gap, with redundancies being made in RDAs, and no LEPs in place to pick up the reins.
Centralism

Whilst LEPs are in principle to be responsible for enterprise and business development, the coalition government proposes significant centralisation of key activities related to these functions. European funded programmes, trade and investment, innovation, venture capital, sector support, business support and skills are among the functions being transferred to the national level to be managed mainly by the Department of Business, Innovation and Skills. This is hardly localism. Given that these functions are to be carried out at the national level, it will affect LEPs' freedom to effect outcomes.

In the meantime, the Government is consulting on the new Regional Growth Fund, which shadow LEPs will be expected to bid for; it may be allocated on a block grant basis (BIS, 2010a). Bids, as noted above, are to be assessed by Lord Heseltine and Sir Ian Wrigglesworth. Its focus is to be on reducing regional disparities; the aim, as part of the Government’s drive to deliver economic growth, is to “create a fairer and more balanced economy … where new businesses and economic opportunities are more evenly shared between regions and industries” (HMG, 2010b). In particular it is planned to be available to regions which will lose public sector jobs the result of public expenditure cuts as the coalition government seeks to rebalance the economy to private sector employment and to deal with the fiscal deficit (BIS, 2010b). While seeming again to be localist, since it appears to give the local level greater control over how central government funds are to be spent in a locality, the consultation will clearly lead to the establishment of some conditions being attached to the use of the funds (HMG, 2010b: p7). Thus, clearly, LEP activity will not be free from central government controls. The consultation document moreover specifies that bids will have to meet certain criteria (HMG, 2010b: pp8-9).

CONCLUSION

LEPs are to be “joint local authority-business bodies brought forward by local authorities themselves to promote local economic development”; they are part of the new coalition government’s programme for localism, for streamlining governance, achieving efficiency gains, and delivering economic growth. As we await the decision by government on which Local Enterprise Partnerships are to be approved, it is clear that they do not represent a localism as defined by Pratchett (2004). While the LEPs might be a reflection of local identity, in so far as they reflect functional economic areas, they will not be entirely free from central interference. The re-centralisation of many of the economic development functions carried out by the RDAs, the administration of European funding programmes, trade and investment, innovation, venture capital, sector support, business support and skills means that LEPs will not have the freedom to effect particular outcomes. Nor is it all clear at this stage that LEPs will anyway have the resources needed to deliver economic development locally.
Above all, the establishment of LEPs is profoundly anti-regionalist. In the move to streamline government, LEPs come in the wake of the abolition of the RDAs and the dismantling of the machinery and institutions of regional economic governance. The case for a regional scale of economic development policy and an overarching LEP, on the other hand, is made in the two showcase areas of the West Midlands and Yorkshire. The inward investment function it is argued, in the bid for a Yorkshire-wide bid, needs to be managed at the regional level since regions represent a marketable brand – unlike, say, the ‘Black Country’ in the West Midlands. The government’s view is that this leads to ‘wasteful’ regional competition but it is clear that this will be worse under the LEP system given that there will be more LEPs (LGC, 2010). In respect of innovation policy, LEPs have been described in the West Midlands as “puddles that will be too shallow to support innovation” which, it is argued, is essential if “fledgling knowledge-based businesses are to lead the region’s economic recovery” (Business Desk, 2010p). On efficiency grounds the LEPs fail as they represent the fragmentation of economic development functions, leading to the duplication of activity and personnel. This is hardly efficient.

In relation to delivering economic growth at the sub-national level, the programme of the new government in this respect is yet to be revealed but, the Regional Growth Fund, to be used by LEPs, is conditional and dependent on the making of a successful bid by the LEPs which makes its operation tenuous. However, what is clear is that the funds are to be used to rebalance the economy away from the reliance on the public to the private sector. It can be argued that if the government were serious about this, they would not dismantle RDAs. Rebalancing implies strong sector and cluster support, a strategic approach to economic development such as has been delivered by the RDAs and which is effectively going back to Whitehall. Yet top-down industrial policy rarely works – in part because central government has limited information on which to make decisions.

Since the Government is abolishing the RDAs, it seems obvious that LEPs need to be set up properly to deliver. Capacity in the RDAs and GORs is disappearing this autumn before LEPs are set up; it raises the question of who is going to deliver? There is a need for the big companies to be working with local authorities and to focus on new sectors like wind, in places like Grimsby and Blyth but it is highly likely that these local authorities will be too weak to respond after public sector cuts and their local authority economic development capacity will be impaired unless the new LEPs are given considerable fund raising powers.

The West Midlands and Yorkshire regions are still recovering from the recession. West Midlands manufacturing firms are still vulnerable and economies like Yorkshire, which are too reliant on the public sector or financial services (for example, Calderdale, Barnsley or Hull) need strong economic development and regeneration agencies not weak ones; moreover post the 10 LEP Trailblazer announcements, there will be some areas with nothing at all (Brinkley, 2010). Thus it is not just about the three Northern regions needing regional scale assistance, which Cable
subscribes to; this is an inadequate policy to move forwards. Some RDAs have performed better than others, but scrapping both Yorkshire Forward and Advantage West Midlands (which performed very well in the National Audit Office’s 2010 assessment of RDAs (NAO, 2010b) will effectively leave both regions leaderless. Compare this to Zhejiang Province in China or Bavaria in Germany or the Midi-Pyrenees Region, all of which are leading the way in rebalancing their economies and building high tech industries but with strong regional development bodies and it is easy to see how foolish the UK English regions outside of London must look to the outside world.

There are many known and unknown unknowns about LEPs. It is not clear precisely what the role and function of the LEPs is to be but, more particularly, it is not clear how they are to be constituted, where they are to be located, and what the lines of accountability will be and how they will deliver services, or what resources they will have. Many local authorities are concerned about the disposal of RDA assets and whether they will be passed onto the LEPs. Whatever else, it is clear that the establishment of LEPs is profoundly anti-regionalist, by a centralising Government. If they are about localism, it is a ‘new localism’ in which central government will specify what funds will be spent on and how they will be spent and what the targets are at local level. The White Paper may clarify the position and may refute this contention. It remains to be seen. However, at the very least, it would seem that there is the need for a major review of regions and Local Economic Development by a Select Committee of the House of Commons lest a fatal mistake be made in scrapping what is key machinery of economic development outside of London.

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