Looking back in order to move forward: the politics of evolving sub-national economic policy architecture

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Introduction

Based on insights 'in the English field' over the past decade, I take a brief look back at New Labour's economic policy architecture as a means to postulate on its reconfiguration under the incumbent Liberal Democrat-Conservative (Lib-Con) Coalition Government. In particular, I reflect on my time devising spatial policy, economic strategies and regeneration programmes at national, regional and local spatial scales, to consider the transition from a New Labour *regionalist approach* (epitomised by Regional Development Agencies) to a Lib-Con purported *localism approach* (embodied in the proposed Local Enterprise Partnerships).[i] I conclude by expressing some personal concerns that the dismantling of existing regional economic architecture is akin to throwing the baby out with the bath-water. Alongside this, I contend that in the haste to set-up Local Enterprise Partnerships, the Coalition Government may be in danger of reinventing the wheel.

New Labour's regionalist approach: RDAs

A new era of English regional governance emerged with the election victory of Tony Blair's New Labour in 1997. Regional Development Agencies (RDAs), non-departmental public bodies (quangos), were established under the Regional Development Agencies Act 1998, and were formally launched in eight English regions on 1 April 1999. The ninth, in London, was established in July 2000 following the establishment of the Greater London Authority (GLA) (see Figure 1).

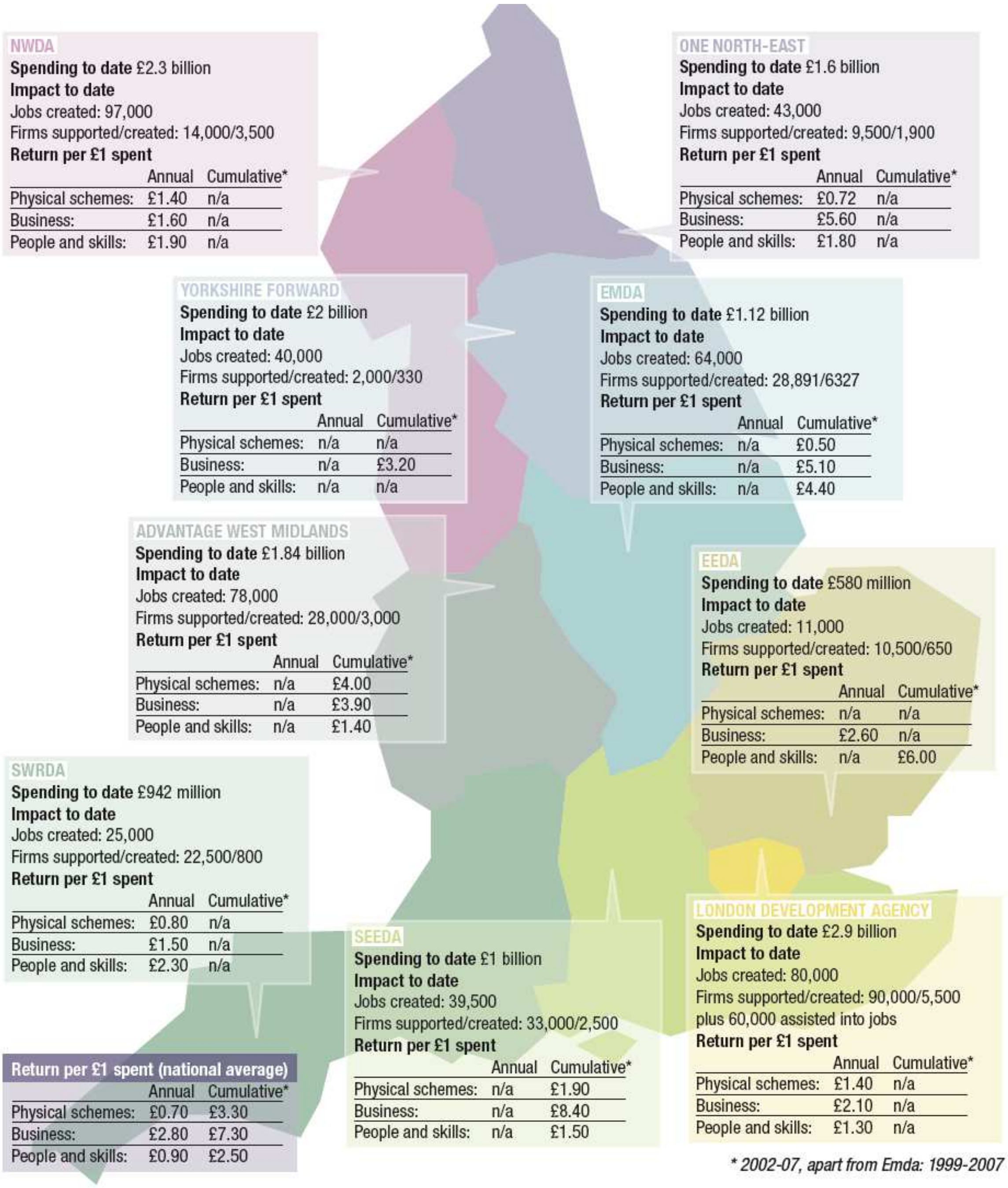

Figure 1. RDAs: spend and returns

Intended as strategic drivers of regional economic growth, under the Act, each Agency has five statutory purposes, which are:

1. To further economic development and regeneration

2. To promote business efficiency, investment and competitiveness
3. To promote employment
4. To enhance the development and application of skills relevant to employment
5. To contribute to sustainable development

Funding support totalled £2.3 billion for the nine RDAs in 2007-08, which has reduced to approximately £1.5bn per annum over the past couple of years.[ii] The merry-go-round of departmental sponsors[iii] together with a diffuse collection of departmental funders – the largest being the Department for Communities and Local Government (CLG) – necessitated RDA flexibility as they have had to adapt to new responsibilities, such as a statutory strategic plan-making function (Pugalis, 2009b). The Labour Government's *Review of sub-national economic development and regeneration* (SNR) (BERR & CLG, 2008; HM Treasury, 2007) and the national *Regeneration Framework* (CLG, 2008) recognised the need for RDAs to 'reprioritise their investments' (CLG, 2009: 9).

Intended as one-stop-shops to organise 'regional economic development, help small business and encourage inward investment' (Labour Party, 1999), Vince Cable, the Lib-Con Coalition's Business Secretary believes that RDAs 'have been doing things they shouldn't' and consequently intends 'to change them fundamentally' (cited in Finch, 2010b).[iv] Drawing on the example of trade promotion, Cable considers New Labour's arrangements 'distributed via the RDA network' and UKTI to be 'highly fragmented', indicating that the Coalition Government will consolidate such haphazard practice 'under one [national] roof' (cited in Finch, 2010b). Whilst other commentators agree that the inward investment arms of RDAs have tended to overlap with UKTI (in terms of international marketing, business development and investor aftercare) (see, for example, Breeze, 2010), the RDAs have been instrumental in the handling and delivery of investment strategies at the regional-local interface. Breeze (2010) warns that '[i]n the rush to do away with regional quangos, the government must recognise that ... If inward investment is left out of the equation and simply transferred to UKTI in Whitehall, there is a risk that the UK will only attract companies to the 'easier options' of London and the South East'. In addition, Breeze goes onto suggest that this could result in further fragmentation and greater competition, arguing that: '[i]f we are not careful, the bulk of England, from Cornwall to Cumbria could be squeezed out of the official inward investment process which would only lead to more places going off and 'doing their own thing' internationally' (Breeze, 2010). Here, the implication, at least according to Breeze, would be a competitive inward investment landscape or 'free for all' due to a hiatus between local and national spatial scales of governance.

Since the birth of the RDAs, their evolution has been quite considerable. Adapting to shifting political priorities and new responsibilities, together with the credit crunch and subsequent recession, in a flexibly responsive manner would suggest that, given the opportunity, they could again morph into a revised format of 'soft spaces' of economic governance (Haughton & Allmendinger, 2008). Any such transformation would need to be fully aligned with the Coalition's localism agenda that espouses subsidiarity (akin to Labour's SNR). Yet, the Lib-Cons appear ideologically opposed to anything 'regional'. The downfall of RDAs, as perceptively anticipated by Deas & Ward (1999), can be attributed, in part, to their unaccountability to local government; operating in effect as 'arms of central government'. I have argued elsewhere that RDAs have tended to back-winners: focussing investment in areas of opportunity, including 'employment hubs' and other choice places (Pugalis, 2008; Pugalis, 2009a, b). Such an approach obviously has its benefits, with supporters pointing towards economic competitiveness, whilst detractors draw attention to social justice and environmental sustainability, for example.

Lib-Con's localism approach: LEPs

With the installation of a Coalition Government in May 2010, the Lib-Cons have been steadfast in their quest to dismantle New Labour's regional economic architecture; namely by their intent for LEPs to replace RDAs. LEPs are expected to provide a 'clear vision' for their area as they set out 'local economic priorities'. With the potential to be *the* key vehicle for the delivery of the Coalition Government's sub-national economic policy commitment to 'rebalance the economy towards the private sector', they are anticipated to cover a broad spectrum of place-shaping activities that support the economy (Pugalis & Townsend, 2010). The remit and responsibilities of LEPs are likely to encompass housing, planning, transport, enterprise and employment functions, although the precise mixture will hopefully be locally determined, but inevitably within the rules of the game devised by central Government.[v] Yet, the rules of the game are yet to be clarified and written in sufficient detail. With a deadline of 6 September 2010 set for initial LEP propositions, no policy-guidance had been issued beyond a letter addressed to local authorities and business leaders from Vince Cable (Business Secretary) and Eric Pickles (Communities Secretary). [vi]

Government has advised that LEPs should be chaired by a 'prominent business leader' and the boards should have equal representation from business and elected members, together with appropriate higher education representatives. However the Cable-Pickles letter does leave scope for the chair to be locally determined, including the possibility of an elected mayor. In terms of size, LEPs are expected to reflect 'real' or 'natural' functional economic areas encompassing a cluster of (upper tier) local authorities, which suggests sub-regions becoming the new spatial economic policy 'fix'. But again, and in the spirit of localism, the Coalition does not rule out the possibility of a large authority putting forward a unitary LEP proposition and is open to the idea of LEPs reflecting existing regional boundaries. The latter obviously leaves the door left open (ever so slightly) for the birth of regional tier RDA-successor bodies.

Resources are another mute point when it comes to the Lib-Con's new economic policy proposals. As Finch (2010a) observes, '[w]here Labour relied on national targets and lots of public spending, the coalition's low-cost approach is based on deregulation and incentives'. In terms of single running costs it is unlikely that LEPs will get even a fraction of the sums allocated to RDAs and there has been an unrealistic suggestion that the efficiencies of local authority collaboration may be able to fund the operation of LEPs. Exiguous LEPs, as the latest in a long line of economic leadership innovations and institutional fixes, will however have the opportunity to bid for the £1 billion Regional Growth Fund (2011/12 and 2012/13) (see BIS *et al.*, 2010). Nevertheless, compared to the combined RDA funding pot, outlined earlier, this is small fry.

Espoused as a 'radical change' by Vince Cable (cited in Finch, 2010b), Kevin Meagher shrewdly draws attention to the subtle differences between 'abolishing' the RDAs and 'replacing' them with LEPs: **'**Well, if by abolition [the Lib-Con Government] mean scrapping statutory bodies called 'regional development agencies' then that is clearly on the cards. But if they mean abolishing the very concept of regional economic development and the bodies needed to deliver it, then that is not the case ... So terminological inexactitudes abound as political rhetoric outpaces administrative reality' (Meagher, 2010). When one reflects on Labour's SNR, it is reasonable to suggest that the wheels had already been set in motion for much of what is contained in the Lib-Con's outline of LEPs. Of course the political rhetoric has changed to the point that players in the game adapt their language in a manner not too dissimilar to how chameleons adapt their colour to blend in with their environmental setting. But, will the transition from RDAs to as-yet-undefined LEPs be worth it? Will ongoing policy fixes enable an enterprise surge or will the regeneration successes over the last decade quickly rescind?

Sub-national economic policy in transition

Just as Regional Development Agencies before them, Local Enterprise Partnerships are the latest managerial innovation in an ongoing pursuit of more effective and efficient devices for the implementation of sub-national economic policy (see, for example, Deas & Ward, 1999). As Dermot Finch (2010a) observes, this is partly out of (fiscal) necessity, but partly due to politico-ideological desires. Yet, whether LEPs represent 'localism in action' (Finch cited in Centre for Cities, 2010) remains to be seen. On the surface the transition from RDAs to LEPs is propagated on the back of localism: decentralising power to localities and communities. Nevertheless, despite the best wishes of the Coalition Government for an 'orderly transition' that maintains the momentum of delivery (BIS, 2010), Geoff Mulgan (2010) argues that this latest round of institutional upheaval is an example of the untoward British vices of short-termism and the masking of centralisation as decentralisation. As a result, time and resources are disproportionately expended on navigating transitional spaces, different governance networks and grappling new policies, procedures and institutional rules. Continuous tinkering is an unwelcome distraction from the central task of supporting businesses and regenerating communities. My suspicious mind leads me to suggest that the reconfiguration of sub-national economic governance, thereby producing a transitional economic space, is an unwritten Lib-Con policy ploy. Focusing attention on governance aspects, strategies and process issues over the next few years may be an *ideal* way of concealing the colossal reductions in regeneration resources.

With detailed guidance on the role of LEPs still to follow 'in due course' (Ibid.) (BIS, 2010), at the time of writing, I am left to draw on my insights 'in the field' over the past decade or so in order to contemplate how the transitional space of sub-national economic policy may play out:

- **Resources will be scarce –** There will only be a fraction of public sector resources available over the next few years compared to that under New Labour. 'Doing more for less' is a phrase that many of us now here on a daily basis. However, efficiencies only take us so far. I worry that swingeing cuts in a short space of time are likely to come at the cost of the Coalition Government's longer-term imperative for a spatial and sectoral private sector rebalancing of the economy.
- **Loss of skills and capacity –** I remain unconvinced that multidisciplinary skill-sets are widely available to shape places in creative ways (Pugalis, 2010) and even if they are, the funding of such roles is likely to be a major barrier over the coming years. As funding streams begin to dry-up, fixed-term contracts come to an end, the value of commissions reduces and the axes fall on those agencies already identified for abolition, it is inevitable that there will be a significant loss of capacity, skills and expertise. Many 'old timers' will be pensioned-off and gone with them will be their networks and soft knowledge never to be found in a file, report or email. At the other end of the spectrum, the bright 'young sparks' facing redundancy may opt for a career outside the profession and might never return. Providing an unpleasant taste of what is to come, all 326 staff at Advantage West Midlands RDA received 'invitations' to apply for voluntary redundancy, with a deadline of 9 August to enable a departure before the end of October 2010. As a consequence of all this change, which is likely to result in up to 40 per cent less economic regeneration practitioners; capacity will torpedo, which could paralyze the system.
- **Stalled momentum –** Interrelated to dwindling public sector resources and reduced numbers of staff, I suspect that the majority of economic masterplans devised throughout England over the past five years or so will only ever be marginally implemented and realised (if at all). In fact, many visions will remain just that; failing to make the transition from conceived space to material space. As programmes are reconfigured, projects recalibrated and timescales reprofiled, I anticipate regeneration momentum to stall considerably. Immediate intervention is required to harness the

skills of those out of work, retrain those facing the threat of redundancy and provide the necessary support that businesses require for short-term survival and longer-term prosperity. The multifaceted nature of economic regeneration requires a multi-agency approach combined with the strategic alignment of funding streams and policy priorities. Integrated investment decisions encompassing regeneration, education, health, housing, transport, skills and so on will take time to play out on the ground.

- **New modes of working –** I firmly believe that if existing economic governance constellations, such as city regions, merely see LEPs as an opportunity to rebrand, rebadge and rephrase what they were already doing, then a potentially radical shift in the way that sub-national economic policy could be liberated will be lost. The radical opportunity is unlikely to emerge from national Government, although they do have an extremely vital role to play. Instead, I argue, it is from the players and communities on the ground where a radical shift in modes of working is likely to occur. No single player, whether public or private, is capable of delivering an economic recovery: partnership working is likely to become more crucial than ever. However, partnership working going forward will need to be different from the past. Simply piloting in a prominent business leader as chairperson or local entrepreneurs on the board of LEPs will be akin to old wine in a new bottle: in effect, mini-RDAs with less financial muscle and powers. Utilising the expertise and commercial acumen of those with a longstanding background in business and industry will be crucial. As the so-called 'big-state' rapidly shrinks, the old mode of bureaucratic control of economic production will be left with no option but to seek new local policy solutions, different methods of delivery and potentially innovative ways of financing interventions. I just hope that a more business-friendly and commercially-minded mode of working will not marginalise social and environmental objectives at the expense of maximising economic returns. Cherry-picking the more profitable regeneration schemes and backing anticipated 'winners', is only likely to succeed in exacerbating the gap between the *have lots* and the *have nots*.

I have previously identified the opportunity for localities, under the democratic leadership of local authorities, to 'grasp the nettle' and drive forward economic transformation and wider place-shaping (Pugalis, 2009d). I maintain such a stance. In fact, taken at face-value the Lib-Con's outline proposals for LEPs may be an appropriate vehicle for marshalling, negotiating and flexibly adapting national economic policy to suit local conditions. I would concur with Dermot Finch that the Coalition Government's new economic policy approach 'means the end of regeneration as we know it' as public sector funding quickly dries-up (2010a). The economic rule book is already being rewritten, as a direct consequence of the credit crunch and associated global economic turmoil (see Pugalis, 2009d). But arguably the pace of change has accelerated since the Lib-Cons steadfastly set about their deficit reduction plan. The intent is that innovative financing tools and private sector entrepreneurship will emerge to plug the gap, even in those struggling areas propped-up by public sector employment. Undoubtedly this is 'the start of a new era' (Finch, 2010a), but it remains to be seen if this will prove more fruitful for areas of need.

Postscript

On 20 July 2010, during questioning by the House of Commons Business, Innovation and Skills select committee, Vince Cable indicated that he could 'see no reason why a coherent proposal' for a combination of a strong regional structure allied to sub-regional arrangements 'couldn't find favour'. In this space of transition, a policy vacuum has emerged between the national and local level, which has resulted in substantial confusion, as Government ministers jockey for position (e.g. Cable versus Pickles). Whilst I remain suspicious that many Government consultations, irrespective of political affiliation, tend to be a 'done deal' (Pugalis, 2008), all hope may not be lost. When one factors in the Coalition's localism approach – with a preference for place-based local solutions – there may yet be a small window of opportunity to influence sub-national economic policy. If I remained directly engaged economic development at the regional tier I would not be throwing in the towel just yet. But instead, formulating a plan for a strategic economic body with a regional spatial reach; to replace, streamline and consolidate the best bits of RDAs, Government Offices for the Regions and former Regional Assemblies.[vii] Such an arrangement may provide an institutional 'fix' for the coordination of a disparate array of LEPs that are soon to emerge in the areas formerly known as regions.

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[i] A coalition agreement to govern the UK was struck between the Liberal Democrats and Conservatives in May 2010.

[ii] RDAs have received funding through a Single Programme budget (known as the 'single pot') since April 2002.

[iii] The present sponsor for RDAs is the Department for Business, Innovation and Skills.

[iv] One only has to take a glance at each of the nine RDAs' corporate plans, investment priorities and plethora of strategies, to appreciate that they have an extensive remit, but, arguably of more interest, is each RDAs spatially-flavoured economic development approach. Some have prioritised place quality enhancements and physical regeneration, whilst others have looked to innovation or enterprise, which is reflected in the organisational structures of each RDA, with some opting to utilise local delivery partners more than others.

[v] At the time of writing, it is anticipated that some activities, such as inward investment, innovation and business support, will be 'led' nationally, however, it remains to be seen whether implementation would be lead from a single national base.

[vi] The letter is available at: http://centreforcities.typepad.com/centre_for_cities/2010/06/cablepickles-letter-on-local-enterprise-partnerships.html [accessed 2 July 2010]

[vii] See Pugalis (2009c) for an analysis of the evolving relationship between these tripartite regional bodies.