

# RDAs to LEPs: Some Challenges

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# Introduction...

- Background: Challenges in current policy
- Economics behind LEPs
- Enterprise zones
- Key limitations in current approach
- Summary of current position

See recent Smith Institute / Regional Studies Association monograph: <http://www.smith-institute.org.uk/file/Changing%20Gear.pdf>

# (How) can LEPs be effective RDAs?

'Old' system of RDAs in England not perfect BUT...

Detailed assessments in 2009 (PwC) and 2010 (NAO)

Meanwhile, current proposals do not make clear what regional growth drivers / levers LEPs will be able to influence

What's the 'Offer'? Localism bill, RGF, Enterprise Zones, presumption of competence, possibility of faster planning...

# Issues / Challenges with current proposals...

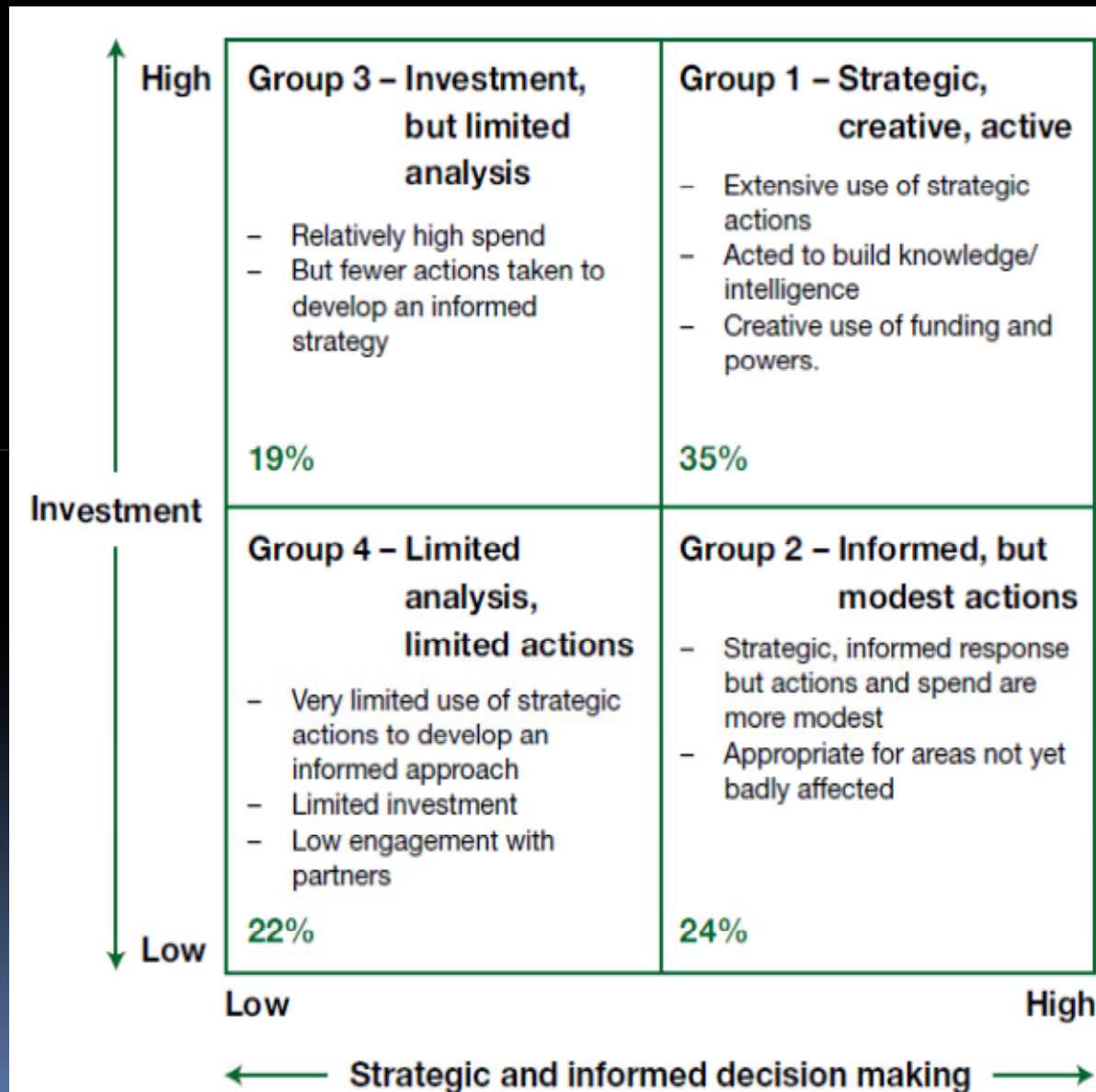
- Current proposals actually imply a substantial recentralisation to Whitehall
- Centralised industrial policy not likely to work
- LEPs: transport, housing, planning, enterprise (?)
- Business engagement?
- RGF: big cut in funding, slow, lacks transparency, NAO (2012): value for money?
- Needs to be much more scope for LEPs to raise own finance: TiFs, RIFs, bond issuing powers (US?)  
→ City deals?

## Cont'd...

- Risk of excessive fragmentation – functional economic geography?
- Capability/capacity to make strategically informed decisions on economic development?
- Need to retain key knowledge base built up by RDAs – 'brain drain'?
- Accessing EU funding – need for intermediate level?
- Regional planning (need for cooperation across LEPs) – duty to cooperate?

# Role of LAs in recession:

(Audit Commission, 2009; Bailey & Chapain 2011)



# Economics behind move to LEPs

- Competing economic ideas in government: neo-classical perspective + 'place-based' approaches
- Neo-classical → draft NPPF, enterprise zones
- Place-based approaches → *Cities* : real decentralisation of power and responsibilities?

# Enterprise Zones: Past

- 1980s experience : £300 million spent on 11 zones. 4300 firms employed 63,000 workers BUT number of new jobs created was just 13,000.
- £23,000 a job → £50,000 in today's money. Not very good value for money.
- Displacement activity: boundary hopping
- Retail and property development – rebalancing?
- **Risk:** short-lived and ineffective?



# Enterprise Zones: Future?

- Bigger?
- Get key actors to work together to govern economic development effectively
- Encourage 'related variety'?
- investment in skills, infrastructure and the environment to make them good places to do business when the short-term tax relief runs out.
- Encourage small firms to grow – one stop shop?
- BUT risk: short-lived and ineffective?

# Six key limitations of economics behind new approach:

- 1. A two region model
- 2. tension in approach to cities outside London
- 3. Conditional Tone towards cities outside London
- 4. limited outcomes in practice?
- 5. Bottom-up creation of LEPs → 'right geography'?
- 6. what happens to LEPs not connected to a core city?

# Concluding Comments

- LEPs need genuine powers and the ability to raise funding: *for some cities, govt listening?*
- *Right scale?* Intermediate 'join up' of work of LEPs between local and national level critical to use public monies effectively – minimum: intelligence and info gathering base, pursuing effective cluster and innovation strategies and accessing EU funding
- Duty to cooperate?
- RGF?

# More radically?

- 'presumption of competence' – 'proceed until apprehended'
- 'well being powers'
- City Deals → chance of more decentralisation and greater revenue raising powers?
- Bond issuing – local authority pension funds (change rules?)
- 2010: Local Authority Pension Funds Assets: £161 bn
- 1% = £1.6bn + fee saver: +£300m → £1.9bn a year for 5 years
- Enterprise Zones: keep business rates, and B'ham; borrow against rateable value to raise money for econ development
- TiFs – but dangers?
- Procurement Policy – intelligent, local where possible, small firms, encourage private firms
- Wealth tax? Duke of Westminster: 2009: £26.5bn: additional 'freehold tax' of 1.1% (= average council tax re bands A to C)?

Thanks for listening!

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