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# **A Whitehall perspective on decentralisation in England's emerging territories**

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## **Abstract**

Decentralisation is a key thread running through current UK policy making. The Coalition Government has abolished New Labour's regional legacy in favour of a new set of strategies around growth and development that has tapped into the localist agenda. Drawing on a series of recent interviews conducted with civil servants, this paper explores Government initiatives aimed at enhancing local autonomy in England and provides new empirical insights into decentralisation from a Whitehall perspective. It examines departmental aspirations for decentralised structures and Whitehall perceptions of the capacity of local arrangements to successfully manage territorial development in an era of austerity. The paper concludes that, in the fields of economic development, planning and transport, there are signs of enhanced local policy and fiscal autonomy. However, there are different levels of enthusiasm for decentralisation *across* and *within* Whitehall departments that continue to undermine a more cohesive approach.

## **Introduction**

Government in the UK has traditionally been regarded as strictly hierarchic in which Whitehall exercises a dominant role in both controlling public expenditure and setting policy priorities. Nonetheless, like other European states, the UK has not been immune from demands for devolution to reflect separate national identities and cultures (Sotarauta and Pulkkinen, 2011). Moreover, there has been growing evidence that the dispersion of government powers is often more effective than central state hegemony (Faguet, 2011; Labao *et al*, 2009). These pressures are reflected in a worldwide trend, characterised by decentralised regulation, finance, administration and delivery (Hooghe, *et al*, 2010; Bodman, 2011). In this global context the Labour Government (1997-2010) actively pursued a programme of devolution in the Celtic nations. This was combined with more modest reforms in England, including the creation of an elected strategic body for London and administrative decentralisation to the eight regions beyond the Capital. The current Conservative-Liberal Democrat Coalition is also seemingly committed to decentralisation but, rather than persisting with Labour's regional agenda, 'believes that it is time for a fundamental shift of power from Westminster to people' and an end to 'the era of top-down government by giving new powers to local councils, communities, neighbourhoods and individuals' (HM Government, 2010a, p.11).

Both Coalition partners favour the shift to 'decentralisation', 'localism' and the 'Big Society', arguing that the expansion of the public sector and the imposition of over-prescriptive central targets under Labour crowded out civic and voluntary enterprise and social responsibility (Lowndes and Pratchett, 2012). Local authorities are promised additional freedoms and

flexibilities and communities and individuals are to acquire new rights and powers to enable them to contribute more fully in the delivery of local public services. Nonetheless, as Bentley and Pugalis (2013, p.270) observe, while the ‘new grammar of localism pervades the Coalition’s approach’, it ‘masks a contextual history of centralisation’. Indeed, central government funding to local government, which is dependent on Whitehall for some 75% of its expenditure, is planned to fall by a quarter between 2010/11 and 2014/15 (HM Treasury, 2010) and funding streams administered by a multiplicity of government bodies involved in local provision are also shrinking. These cuts can be interpreted not only as a measure of the Government’s desire to reduce the national financial deficit and ‘get more for less’, but also as an opportunity to diminish the size of the state. Indeed, similar patterns of cuts and state rescaling are evident globally, for example in Europe (Ongaro *et al*, 2011) and North America (Peck *et al*, 2012). Equally, suggestions that government should ‘let go’ and that communities should develop solutions to local problems can be regarded as a calculated strategy to broaden the resource pool of the state by attracting contributions from individuals, companies and voluntary bodies (Cochrane, 2012); a view articulated by Brown,

“I think the Big Society challenges the notion of the finite resource pool that is available to the state and says, ‘Think beyond just the money you have in your hands to try to deliver these public services and about the resources outside the state, be they from private individuals, private companies, charities or whatever, to help with the ends that the state is trying to achieve’. So, it is expanding the idea of what resources are available” (House of Commons Public Administration Select Committee, 2012, Ev 22).

These shifts in the policy discourse have attracted considerable academic and practitioner interest (Shaw and Robinson, 2012; Counsell *et al*, 2012; Pike *et al*, 2012; Ward and Hardy, 2012; Bentley *et al*, 2010), including questions about their potential impacts and effectiveness and whether or not the emerging localism model might lead to a progressive recasting of central-local relations as seen in other European states (Loughlin *et al*, 2012). Nonetheless, the ‘Westminster Model’ (Rhodes, 1997) is highly resilient and it remains to be seen whether the Government’s focus on localism will challenge Whitehall’s deep-rooted culture of centralism (Richards and Smith, 2002). As Crowe (2011, p.656) observes, despite the removal of New Labour’s central performance targets for local councils, the reality is that ministers are still held responsible for major service failures and the ‘greatest accountability must in reality always point upwards towards Parliament and Whitehall departments who vote and hand down the funding respectively to the local level’. Localism suggests that decision-making should be brought closer to citizens but this, raises questions about how democratic accountability (Varro, 2012) or ‘anchorage’ (Edelenbos and Klijn, 2009) might be assured and how far localism can be genuinely embedded.

The aim of this article is to explore Government initiatives aimed at enhancing autonomy in England’s emerging territories from a Whitehall perspective. It is based on documentary analysis and semi-structured interviews conducted in Summer 2012 with civil servants with significant responsibilities for managing decentralisation in the areas of economic development, planning and transport (see Endnote). These policy areas are viewed as central to the promotion of economic productivity and regeneration and the recovery of the UK economy (Danson and Lloyd, 2012; Lee, 2010). Interviews focussed on Whitehall’s aspirations for localism, how departments were responding to territorial rescaling and civil servant’s perceptions on local

governance capacity. Interviewees were assured of confidentiality. Interviews were recorded, transcribed and manually coded to elicit findings. The article is in four sections. It begins by briefly examining the key reforms that the Coalition has or is in the process of applying in these policy areas. Second it investigates departmental aspirations for decentralisation and how localism is conceived and applied within departments. Third, civil servants' perspectives are explored on the capacity of local arrangements to provide a coherent approach to territorial policy-making and delivery. The article concludes by reflecting on whether current policy developments mark a cultural shift in Whitehall and a move towards genuine sub-national autonomy.

### **The Coalition Government's decentralisation agenda**

Decentralisation is being pursued by the Coalition through several different mechanisms, which have involved the dismantling of existing state institutions and the creation of new structures. Labour's legacy of regional bodies, comprising the Government Offices in the Regions, which provided a link between the Centre and localities, the Regional Development Agencies and the local authority regional Leaders Boards, comprising voluntary associations of council leaders and their associated regional economic and spatial strategies, have been abandoned (Pearce and Ayres, 2012). Land use planning has ostensibly become a district council function and communities have been given the opportunity to prepare Neighbourhood Plans. Local plans are to be formulated in the context of a consolidated National Planning Policy Framework (NPPF) (DCLG, 2012), setting out how localities should produce their own frameworks, with a strong steer in favour of up to date plans with a strong economic growth remit. Nevertheless, such 'freedoms' are qualified. Where the Government judges the development plan to be 'absent, silent or relevant policies are out of date', there will be no context for authorities to determine planning applications, other than the NPPF. Moreover, where a planning authority is deemed to be 'underperforming', planning decisions may be determined by the Secretary of State's Planning Inspectorate. A further restriction on localism arises from a recognition of the need for some form of collaboration on issues such as employment, housing, infrastructure and transport, which transcend individual council boundaries, where local authorities are under a statutory 'duty to cooperate'.

In place of the RDAs, thirty-nine business-local authority Local Enterprise Partnerships (LEPs) have been launched around 'natural' economic areas (Pugalis and Townsend, 2012). However, some of the RDAs' functions including international trade development, policies towards sectors of 'national importance' and support for inward investment have been repatriated to Whitehall, while their responsibilities for innovation and skills funding are channelled through Department for Business, Innovation and Skills (BIS) sponsored national bodies. The Government has devoted considerable political capital to the new partnerships as the preferred building blocks for the 'new geography' and anticipates that they will provide 'a clear vision and the strategic leadership necessary to drive sustainable private sector-led growth in their areas' (HM Government, 2010b, p.13).

Alongside these measures, the Coalition has adopted or is committed to introducing a range of initiatives that are intended to foster decentralised working and local economic growth:

- In 2012 the LEPs were allocated a £730m Growing Places Fund, created by the Departments for Communities and Local Government (DCLG) and Transport (DfT),
- LEPs acquired an advisory role in bids to central government for Enterprise Zones and power to retain money from future extra business rates in the twenty-four new Zones,
- A nationally managed £2.4bn Regional Growth Fund (2011-2015) to help boost local economic development,
- ‘City Deals’ between the Government and the eight ‘core cities’ and their LEPs involving the devolution of over some £500m of funding over a ten year period to support local economic growth. A second wave of City Deals is expected to conclude by March 2014,
- A Government commitment to LEPs playing an important role in the delivery of the next round (2014-20) of European Structural Funds,
- Proposals by DfT to devolve decisions and funding for local major transport schemes - worth £1.7 billion between 2011 and 2015 - from 2015 to ‘democratically accountable local transport bodies’, led by local authorities, with LEPs having a ‘central and influential’ role (DfT, 2012),
- Incentives for councils to promote growth through retaining a greater percentage of the business rates generated within their areas, a New Homes Bonus, reflecting the number of new dwellings built locally and the use of Tax Increment Financing.

The recent review - ‘No Stone Unturned’ (2012) undertaken by Michael Heseltine, a former Conservative deputy prime minister, added momentum by advocating the decentralisation of decision-making on growth investment decisions to LEPs, amounting to some £12bn annually. The Government accepted Lord Heseltine’s argument for a single funding pot in principle (HM Treasury and DBIS, 2013) and its 2013 Spending Round confirmed that funding from across the transport, skills and housing budgets would be included in a ‘Single Local Growth Fund’ (SLGF) beginning in 2015-16. ‘LEPs with the strongest strategic plans that demonstrate their ability to deliver growth will gain the greatest share of the SLGF’ (HM Treasury, 2013, p.23). Nonetheless, at £2bn annually, the SLGF falls well below the figure signalled by Heseltine, a measure perhaps of Whitehall’s unwillingness ‘to let go’ and anxieties about the capacities of LEPs.

### **Departmental aspirations for localism**

Whitehall officials displayed a variety of aspirations for what emerging local structures might achieve both in terms of changes to inter-governmental relations and the management of localities. While differences of opinion were evident, common themes emerged in the interviews that are detailed below.

#### *Variable interpretations of localism in Whitehall*

Findings suggest that though Departments may be conceived as a relatively unified ensemble of institutions sharing a common view of government policy, in practice they are interpreting localism in ways shaped by departmental objectives, agendas and processes (Marsh, 2008). For example, the Home Office has seen it as an opportunity to introduce elected Police and Crime Commissioners, while the Department for Education has chosen to devolve funding directly into school budgets. These differences reflect tensions within the Coalition and between departments and their ministers, whose understanding and enthusiasm for decentralisation differ. As this DCLG official observed,

‘If you look at decentralisation on a continuum there are still some departments who are at the far end of understanding what decentralisation means and are starting to free up some powers and flexibilities. Then there are departments who are in the middle, who want to go the journey but do not know where they want to go with it and what their overall ambition is. Equally there are departments who just don’t see or understand or don’t buy into decentralisation’.

This perspective echoes research by Ayres and Pearce (2005), which identified departments that might be classified as (i) ‘leaders’ (ii) ‘in transition’ and (iii) ‘laggards’ with respect to their enthusiasm and willingness to pursue decentralisation. In reality arrangements are more complex than this typology would suggest because, even within departments, individual teams have distinct working practices that can vary with regard to their focus on decentralisation. Nonetheless, in general, the classification does have contemporary relevance. For example, the Communities Secretary, Eric Pickles, who regards his department as the guardian of localism, has focussed attention on the role of local communities and neighbourhoods in land use planning. By contrast, the BIS Local Growth White Paper stressed the role of LEPs in working within functional economic geographies. The Cities Policy Unit, located in the Cabinet Office, alongside BIS and DCLG, is leading on City Deals, while DfT has proposed the adoption of Local Transport Consortia, serving multiple local authorities and LEPs in the context of travel to work areas. The potential implication of departments conceptualising localism in unique ways is that different scalar maps and spatial objectives are emerging that may hamper policy coordination both across Whitehall and at the sub-national level (Ayres and Stafford, 2012; Margetts *et al*, 2010). As the House of Commons Public Accounts Committee recently observed (2012a, p.3),

‘There remains a critical unfulfilled role at the centre of Government in coordinating and reconciling priorities, to ensure that long-term and short-term goals are coherent across departments’.

Recent research by Wong *et al* (2012, p. 5) has identified over ‘100 major maps for England relating to policies and programmes on the economy, transport, communications and the environment’. How or whether the hotchpotch of sectoral policies expressed in these documents might be coordinated across Whitehall or locally remains uncertain. Indeed, doubts have been raised over the capacity of emerging local structures to respond effectively to strategic issues and achieve economies of scale (Haughton and Allmendinger, 2013).

These different conceptions of the ‘local’ have also resulted in variations in terms of the structures and mechanisms that departments have put in place to engage with localities, including:

- Six BIS teams across England, each comprising some twenty staff, whose main remit is to lead BIS relationships with LEPs and local government to help them understand BIS policy priorities and assist partnerships to build their capacity and capability and coordinate economic development delivery,
- DCLG’s London-based ‘relationship managers’ responsible for small groups of LEPs, who are charged with facilitating collaboration at the local level and connecting LEPs with the relevant leads on DCLG and other policies,
- DCLG’s region-based teams, responsible for delivering European Regional Development Funds (ERDF),
- DfT’s three small sub-national transport ‘hubs’ to work with local authorities and sub-national strategic interests,
- The Cabinet Office and Number 10’s small network of researchers that connect central government with local issues (Bristol, Manchester, Newcastle, Nottingham, Cambridge) and Office for Civil Society local intelligence teams in each standard region.

In addition, the Department for Environment, Food and Rural Affairs (DEFRA) has established teams responsible for delivering the England Rural Development Programme within each standard region. By contrast, the Department of Health (DoH) and BIS’s Skills Funding and DCLG’s Homes and Communities Agencies have adopted teams serving a mixture of spatial areas. A BIS official explained that this variability is inevitable due to the diverse roles and priorities of departmental teams,

‘We have entered a new world now and we need to have a clear view on how we support localism in our policy remit. It’s made me recognise that we are all in a different space. Local government is in a different space to where it was two or three years ago, as is the private sector. Equally civil servants and Whitehall should be, but how that space is defined is open to interpretation’.

The ways in which inter-governmental relations and funding arrangements are modified and managed by Whitehall departments will inevitably influence activities at a local level. At the same time, however, civil servants stressed that ministers favoured choices about governance arrangements being determined locally,

‘It’s not about trying to devise a structure that we’re seeking to filter or cascade down ... Some areas will have LEPs, some will have neighbourhood planning and others will have both or others. There isn’t a ‘right way’ ... It’s for communities to decide what’s best for them in terms of the outcomes they want. That’s great and it’s the way we in DCLG are responding. There isn’t a uniform approach’ (DCLG official).

### *Localism as a solution to spending cuts*

The early years of regionalism were characterised by favourable economic circumstances and generous increases in public spending. Since the financial crisis spatial economic inequalities in England have widened resulting in heightened tensions between localities for diminishing resources. There are inbuilt biases in all government policy that privilege certain localities and interests and, as the Institute for Fiscal Studies (2012, p.5) observes, spending cuts are larger ‘in urban and poorer parts of England than in more affluent rural and suburban districts’ and are ‘larger in London and the northern regions of England than in the southern regions’. Some localities are clearly better placed than others to mobilise partnerships and expertise to compete for and attract government funding and private sector investment. As the ‘Fair deal for the North’ inquiry concluded, ‘the Coalition has endorsed the objective of geographical rebalancing of the economy, but has taken away the resources necessary to achieve that objective’ (Ward, 2011, p.52).

Several Whitehall officials acknowledged that public spending cuts, a desire to protect local frontline and statutory services and uncertainty around the Government’s longer-term financial commitment to local investment will limit the capacity of local authorities and LEPs to take on further roles and functions. Nonetheless, they stressed that the decline in public spending, which is reflected in substantial reductions in the size of the Civil Service, had made decentralisation inevitable. Indeed, since the 2010 Spending Review, staffing levels in BIS, DCLG, and DfT are 20-30% smaller, significantly reducing their capacity to intervene in the running of local affairs (Institute for Government, 2012). According to a DCLG official,

“Top down targets were not delivering significant improvements and there’s a lot less money, so a strategy that says ‘get the decision-making down to the lowest possible level and support communities and citizens to take more responsibility for sorting out their own problems’ is seen as a viable strategy”.

Given these budgetary pressures it is not unexpected that Whitehall officials were keen to incentivise localities to take greater responsibility for their affairs, including promoting their local economies. Nonetheless, a senior BIS official identified the challenges in persuading local authorities and their partners to assume such a role,

‘What is it that would change the culture of localities so that there is a sense that the economy is important and not just a national issue? What would change the culture of local authorities to get them to think that it is their job? That is what I would like to know and that’s the direction that we have to go in’.

Respondents across all departments agreed that the proposal for councils to retain a greater percentage from the business rates generated within their areas was a significant development and should incentivise localities to boost economic development (HM Government, 2012b). Indeed, compared to the Government’s other schemes to boost economic productivity, such as the Homes Bonus or Regional Growth Fund, the amount of funding involved in the retention of business rates was seen as substantial. A point underlined by a Treasury official,



‘The retention of business rates is the most important thing going on because it represents about £25 billion of decentralised funds. All these other things that we have been discussing are about £1 or 2 billion. It’s the only significant bit of tax devolution that is going on and will give localities the power to use money and influence in a way that they have not been able to do in the past’.

This view is supported by a recent report by the House of Commons Political and Constitutional Reform Committee (2013) that suggests that localities are well placed to boost economic productivity and manage austerity if they have the capacity to make local decisions and the necessary resources to implement them. However, while the retention of business rates could mark greater local fiscal autonomy, in many other instances Whitehall has devolved responsibility for decision making but has not transferred matching resources (Pike and Tomaney, 2009). For example, the BIS-led Regional Growth Fund is reliant on bids to Whitehall with decisions being made by Ministers. The devolution of power to communities has been advocated as a way of promoting autonomous local action and recalibrating the way services are delivered. Conversely, it can be argued that ‘localism’ is being employed as a strategy for reducing the public sector deficit by way of substantial public spending cuts and redistributing responsibility to the local state (Taylor-Gooby and Stoker, 2011).

#### *The desire for reduced bureaucracy*

There was a notable aspiration among civil servants to promote more focussed strategic action in an era of austerity. Officials confirmed that recent spending cuts had ‘focussed the minds’ of Whitehall and local officials. A Treasury official suggested that,

‘If people are in a room with one another it’s because they mean business. People haven’t got the time or resources to engage if they don’t want to find a common solution. That style of working has come to the fore in an era of austerity’.

Aligned to this was an appetite for less bureaucracy in managing horizontal (between departments) and vertical (with localities) relations. Many respondents referred to ‘ad hoc’, ‘informal’, ‘impromptu’ and ‘needs-must’ arrangements for discussions around decentralisation. Nevertheless, while these arrangements might be able to accommodate the fluidity and variability brought about by austerity and localism, it does raise questions about formal mechanisms for joining up government and lines of accountability (Mathur and Skelcher, 2007). Several respondents referred to the increasing prevalence and significance of trust and social capital in forging new horizontal and vertical alliances and welcomed their increased involvement with localities (Klijn *et al*, 2010). However, they also acknowledged that Whitehall’s highly differentiated approach to managing policy at the sub-national level, rapid changes in departmental structures, staff movements and budget cuts were hindering the development of stable relationships between individuals, both within Whitehall and between civil servants and their counterparts at the sub-national level.

Although acknowledging an increased role for local flexibilities, there was widespread concern among Whitehall officials that decentralisation should not undermine democratic accountability, particularly where public funds were involved. Decentralisation to non-elected bodies might be seen as desirable by bringing together external expertise and more creative, less orthodox

thinking. Nonetheless, drawbacks arise when it is disconnected from the democratic accountability of local government. A DfT official warned,

‘We need to look at what level of democratic accountability is evident in emerging structures. This is why we need to have the local authorities engaged. But their view is often diluted by other members on LEP or other boards so we need to be careful in how that affects the legitimacy of arrangements’.

Our attention was drawn to disquiet expressed by the House of Commons Public Accounts Committee (2012b) which has called for greater consideration of arrangements that reconcile the decentralisation of responsibilities and funding for public service delivery to local bodies with public accountability. Such concerns are more relevant in some policy areas than others but they represent a challenge for Government if decentralisation is to take root. Granting localities greater say over policy-making and delivery can be seen to contradict the way in which government funding and accountability chains traditionally work. In these circumstances it was not unexpected that many of our interviewees were nervously ‘feeling their way’ in managing the Coalition’s institutional reforms.

### **Whitehall perceptions on local governance capacity**

#### *New funding flexibilities*

While the Coalition government has announced new funding flexibilities for local areas, the routes employed by the Government to allocate funding differ widely. The £730m Growing Places Fund has been allocated to LEPs to distribute as they see fit in their areas to support development, especially to improve either the accessibility of development sites or site preparation. By contrast, bids for the BIS-led Regional Growth Fund, which aims to lever private sector investment to create economic growth and sustainable employment, are subject to competition, with decisions being made by ministers. Similar arrangements are likely to apply to the Single Local Growth Fund, which Local Enterprise Partnerships will be able to bid for from 2015. DfT’s decision to decentralise transport funding for major local schemes, also from 2015, relies on the willingness of councils to establish local transport consortia. The Government’s decision to allow councils to retain the business rates generated in their areas and benefit from the New Home Bonus was seen to equate with a genuine commitment to greater local financial autonomy. Equally, however, it might also be regarded as an inducement to councils to deliver the Government’s economic objectives, by earning back some of their ‘new freedoms’, through the fostering of commercial ventures and facilitating new housing development. As a Treasury official suggested,

‘The Treasury have always wanted to see planning reform and business rate retention. Those were the two big things that we want to say to local authorities to get on with. This should make a real difference to their ability to promote local growth.’

There are, however, challenges for localities in pulling together different government funding streams to ensure a coordinated approach to development. Indeed in the case of LEPs, which have limited dedicated resources and fall under the remit of both the Departments for Business Innovation and Skills and Communities and Local Government, their effectiveness depends

crucially on their ability to lever and attract funding from other agencies and bodies. As a DfT official suggested,

‘Localities need to look at the various sources of funding available to think about how they can pull them together to make strategic investment decisions. That’s a move away from bid pots to more imaginative ways of resourcing schemes and that could be a challenge for some’.

A Treasury official also indicated that his department’s preference for decentralising funds was initially a ‘single pot’ of capital investment. However, he reminded us that,

‘The purity of those arguments got lost in the melee of the discussion. We wanted a straightforward devolution of capital spending on certain topics, but the Skills team didn’t. BIS throughout this have been the exception. We were very close to doing all of this until parties on both sides of the Coalition decided that it would not leave politicians much to talk about’.

This suggests that what might appear at first sight, to be a rational approach to decentralisation may be thwarted by disagreement across Whitehall departments (in this case BIS) and game playing amongst ministers. Despite Government rhetoric around an evidence-based approach to localism, the politics and legacies associated with the ‘shadow of hierarchy’ remain. Indeed, departmental wranglings and deal-making have been a constant feature of initiatives aimed at decentralisation throughout the New Labour and Coalition Governments and show no sign of abating (Ayres and Stafford, 2009).

### *The variable capacity of local structures*

Concern was evident from all respondents about the extent to which local institutional structures have the necessary capacity, powers, funding and geographic coverage to enable the long-term, strategic management of core policy areas. Whitehall officials agreed that it was too early to pass a conclusive judgment on their impact. However, as the House of Commons Business, Innovation and Skills Committee (2012, p.45) observed, ‘LEPs will need to have clear powers to influence and determine local authority policy or risk becoming nothing more than talking shops’. Nonetheless, the capacity of LEPs is highly variable. Some, like Greater Manchester, have a record of inter-local authority collaboration extending over many years, with a capability to determine priorities and spend resources sensibly, while others are finding it difficult to make headway, either because their geography is too small or where local politics hinder agreement on priorities and the delivery of growth projects (Pugalis and Townsend, 2013).

Many Whitehall officials referred to the ‘City Deal’ agreed with Manchester as the ‘aspirational model’ for greater sub-national control over public policy and finance (Centre for Cities, 2012). Nonetheless, the same officials also acknowledged that for some, emulating this model would be a significant challenge and for others, impossible. Consequently, the variable capacity of emerging local governance arrangements has the potential to widen regional economic disparities further and lead to a greater sense of alienation from those areas that do not choose or qualify for City Mayors, City Deals or Enterprise Zones (Pike *et al*, 2012).

Doubts were also expressed about the ability of emerging local institutions to work together to secure joint investment and achieve economies of scale. Under New Labour, the regions were seen as a prime site for coordinating a range of regional strategies and funding streams. However, under the Coalition Government's plans, England does not possess an intermediate or 'meso' level of strategic planning between national and local. Many Whitehall officials doubted local authority and LEPs's ability to work together to solve collective problems. For example, while local councils are under a duty to cooperate on cross-boundary planning issues, the need for statutory planning across neighbouring LEP areas is not yet acknowledged. In the context of DfT's recent announcement to devolve local transport funding, this was a particular concern for DfT officials. It was acknowledged that to deliver major transport schemes local authorities and LEPs will need to work 'across boundaries' to pool investment and coordinate territorial priorities. Nonetheless,

'When we did the consultation for devolving transport we looked at introducing about twenty transport consortia by joining LEPs together. But local authorities didn't like that. They said that under the regional system they had to shout their corner for funds and some didn't get any. They would rather have their money in their hand, guaranteed. There is talk of voluntary consortia but that would be down to individual localities. My impression is that there's not much support for this, which means that larger transport schemes could be in jeopardy' (DfT official).

These concerns have led some commentators to question whether the LEPs have the capacity or resources at their disposal to drive productivity and growth (Harrison, 2010). As Shutt *et al* (2012, p 23) indicate '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'.

#### *Whitehall appraisal and monitoring of LEPs*

Although Whitehall officials agreed that LEPs have variable capacity, they acknowledged that there was currently no mechanism by which the Partnerships could be held to account for their performance. A DCLG official stressed the complexities of such a task,

'You will not be surprised that we have looked into the issue of LEP capacity and what critical success and failure factors might look like. If I'm honest it defeated us and one thing I have drawn from it is once you try to generalise and reduce down to what is success and failure you lose their value and the contextual factors for what makes them good or bad and it just doesn't work.'

Indeed, there was uncertainty about whether government departments should even have a role in the audit and inspection of LEPs. Again, the dilemma of balancing genuine decentralisation with clear lines of democratic accountability and the legitimate use of public funds was a pervasive concern. Initially, at least, ministers adopted a relatively permissive approach to LEPs. According to a BIS official, 'it might be that a bit of sibling rivalry has not done any harm and if a couple fail, so be it. It might galvanise efforts among some of the others'. However, a BIS 'local relations' official underlined that this view was being moderated as the prospect of the Partnerships acquiring more resources had increased. The outcome could be that ministers and

departments would need to ‘step in’ to save failing LEPs, even though this could be argued to run counter to the spirit of localism. Indeed, a recent report identified the need to ascertain the Government’s progress in decentralising,

‘Decentralisation is not just an ideal. It has an essential role to play in achieving the Coalition’s core objectives. It is therefore vital that we have a clear picture of our progress in decentralising the power of government’ (HM Government, 2012b, p. 3)

Demands for monitoring and appraisal will undoubtedly become more persuasive as LEPs gain additional public funds post 2015. A BIS official remarked,

‘We are in a position where they [LEPs] may be given more responsibility so it will be difficult to let them fail. But we have not come to a point where we have needed to rescue one yet and we don’t know exactly what to do if we feel that one is failing and needs help’.

It was apparent that an active debate was going on within Whitehall about whether the Government should step in to help or monitor underperforming localities. Some civil servants judged that because there is no such thing as the ‘perfect’ LEP model and, since they should be seen as experimental, they should be left to shape their own destinies. Conversely, a DCLG official cautioned that this should not be a pretext for Government to adopt an excessively permissive approach,

‘The challenge that we are getting from central government is what are those local partnerships doing? What are they achieving? If the Government’s responsible for economic growth then we know what should be done and we should make it happen. ...One or two ministers have said that localism will be a success when it ceases to be the minister’s fault for some failure or some scandal. But, we are well off that kind of scenario at the moment’.

He went on to speculate that decentralisation could be overwhelmed by political realities,

‘It will be interesting to see in twelve months’ time if the Government is keeping a lot of pressure on local economic performance and casting around for evidence that policies are working. If at that stage we’re not able to come up with a fairly compelling narrative about LEPs then we would have to come up with something else’.

Where LEPs were considered to be performing well, Whitehall would maintain a ‘hands-off’ approach. However, if they are not judged to be pulling their weight and delivering what ministers hope, the prospect of a further round of Whitehall induced institutional reforms cannot be discounted.

## **Conclusion**

This article provides several insights from a Whitehall perspective into how decentralisation is viewed and is being applied in those government departments specifically charged with sub-national economic development, planning and transport. At first sight, since the Coalition’s reforms are intended to offer new opportunities for localities to take control over policy-making and implementation and encourage growth, they represent a challenge to traditional forms of

Whitehall working. Decentralisation in these policy areas has purportedly encouraged some departments to become more spatially aware. However, such claims should be treated with care. Potential changes in inter-governmental relations are dwarfed by the Government's desire to reduce the public sector deficit, in which cuts to local government spending will continue to outpace those expected of UK public sector spending as a whole to 2014-15 (IFS, 2012) and thus limit the opportunities of localities to take control of their own affairs. Indeed, the reality is that planned reductions 'in central government grants to local government ... will inevitably have a deleterious impact on frontline services, despite central government claims to the contrary' (Wilks-Heeg, *et al.*, 2012, p.18).

Institutional interdependencies within Whitehall are also uneven and the fluidity and variability of emerging local structures means that there is no template or standard working practices to manage and coordinate inter-governmental relations. Under regionalism, vertical and horizontal relations were far more consistent. By contrast, the complexity of localism has stimulated a more direct but diverse dialogue between Whitehall and localities, which are competing for national and supra-national capital. Indeed, Whitehall officials acknowledged that they are still working out their role and remit in a new localised world. 'We are not yet sure if we are broker, monitor, critical friend or advisor and it's complex as we often have different relationships with different localities' (BIS official). Inter-governmental arrangements have been put in place involving local teams and conduits between central and local tiers, but these are often fragile, tentative and rely on inter-personal links, rather than formal institutional arrangements. That said, a lack of public funds has ensured a heightened commitment to fostering economic development at national and local levels as public and private actors have adjusted to an era of crisis management (Hay, 2013).

It is possible that Whitehall's enhanced spatial awareness, coupled with a range of fresh funding flexibilities could mark the beginning of a new phase in relations between the centre and localities. However, this article's findings indicate the continued resistance to decentralisation in parts of Whitehall. As Jones and Stewart (2012) argue, decentralisation reformers have remained largely silent on the changes required in central government that might give expression to the principles of localism. A measure of Whitehall's continuing dominance is gleaned from its tentative suggestion of future institutional repositioning should LEPs fail. Although continued state rescaling is a feature across many countries (Loughlin *et al.*, 2012), the scale and speed of change in sub-national governance in England over recent years has been remarkable. Indeed, Pollitt and Bouckaert (2012) argue that large scale public reform is so prevalent in the UK compared to other states because it is relatively easy in legislative and constitutional terms. Whitehall's propensity for centralism combined with variable local governance capacity and continued public spending cuts could present a set of barriers so great that attempts to engender genuine decentralisation are doomed to fail. While replacing top down targets with local decision making and responsibility appears an attractive option for some in Whitehall, others are understandably risk adverse, preferring to rely on the traditional role of central government in setting the parameters for local governance. Furthermore, Whitehall is subject to cuts in spending and personnel, especially in those departments - BIS, DCLG and DfT - whose activities might be expected also to play a key role in fostering a coordinated approach to local economic growth and development. Finally, many localities are likely to view their new responsibilities without matching funds as a poison chalice, undermining ministerial assertions of any radical loosening in the grip of central government.

## Note

The empirical evidence for this article draws on interviews conducted in early summer 2012 with twelve senior civil servants. These included staff in the Department for Business, Innovation & Skills (BIS) responsible for enterprise and economic development analysis and for representing and promoting BIS policy interests in the regions and leading BIS' relationship with Local Enterprise Partnerships; in the Department of Communities and Local Government (DCLG) for corporate communications, decentralisation, local economic growth, regeneration, European programmes and land use planning; in the Department for Transport (DfT) for local transport and the HM Treasury team responsible for local government and regional policy.

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