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# New directions in economic development: localist policy discourses and the Localism Act

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## **Abstract**

Since entering office in 2010, a distinct grammar of localism has pervaded the UK Government's philosophical outlook, which has inflected localist policy discourses and practice. Now that the Coalition administration's 'local' economic development policy is becoming a little clearer, it is timely to consider the implications of this new grammar for the scope, organisation and mobilisation of economic development interventions. The purpose of this paper, therefore, is to trace new and emergent directions in economic development through a focus on the 2011 Localism Act, which applies to England and Wales. The paper interprets these changes through a localist conceptual prism, which helps to refract different varieties of localism. The findings raise some serious concerns regarding *localism in action* and expose the controlling tendencies of central government. Analysis is also directed towards the uneasy relationship between centralised powers, conditional decentralisation and fragmented localism. Nevertheless, some cases of emergent practice are utilised to demonstrate how 'constrained freedoms' can be negotiated to undertake innovative actions. The paper concludes by suggesting some foundational elements that would support the notion of 'empowered localities' and may also secure the government's imperative to enable private sector-led growth.

## **Key words**

2011 Localism Act, local economic development, Local Enterprise Partnerships, Economic Prosperity Boards, Combined Authorities

## Introduction

Economic development is a dynamic field of activity with theories remaining fluid, policies mobile and methodologies contested (Pike et al., 2011; McCann, 2011). Indeed, the term ‘economic development’ is highly contested and controversial, although as Kevin Cox suggests, the crux of ‘development’ can be understood as being about people: how they develop (Cox, 2011). Welfare is thus an important aspect rather than a single minded pursuit of business growth. Collectively, this presents considerable conceptual and practical challenges for scholars, practitioners and policymakers in terms of the scope, organisation and mobilisation of economic development interventions. A further dimension of complexity, particularly pertinent to England, is that economic development lacks a firm statutory status. Although local government may be ‘empowered’ through catch-all powers, such as the duty to promote economic, social or environmental wellbeing (HM Government, 2000; Murat and Morad, 2008), the onus to undertake economic development interventions remains optional.

Despite European cohesion policy that seeks to accelerate convergence between ‘lagging regions’ and the rest of the EU (Kyriacou and Roca-Sagalés, 2012), the more traditional redistributive approach relying on subsidies to address *need* has been replaced by a neoliberal investment approach intended to develop ‘assets’, exploit *opportunities* and incentivise growth. In England – along with other nations – the private sector has been thrust to the forefront of economic development strategies as a variegated neoliberal orthodoxy prevails (Brenner *et al.*, 2010). In addition, the consequences of the fallout from the global credit crunch and subsequent economic downturn continue to occupy public discourse across many parts of the world and in particular in Europe and North America. Many governments have reduced public spending and implemented other measures under the banner of an ‘age of austerity’ (Cameron, 2009). Economic crises or shifts in political leadership tend to prompt a re-evaluation of established priorities, institutional mechanisms and modes of practice. When these processes coalesce, the outcome can be institutional upheaval and rapid policy shifts.

In England, the Coalition administration, formed between the Conservative Party and Liberal Democrats, has been steadfast in its pursuit of radical local economic development policy reform (HM Government, 2010a; 2011). Concomitantly, the country has been negotiating a period of transition (Hockey and Morad, 2011; Jones, 2010), as central government seek to transform state-society-business relations. A process of change, which even Vince Cable, Secretary of State for Business, Innovation and Skills (BIS), has described

as being ‘Maoist and chaotic’. The government is producing new state spaces as it rapidly goes about the restructuring of public services, reforming the planning system and making changes to local government finance. This has been achieved by utilising a new grammar of localism, which has since been supported by statutory instruments as set out in the 2011 Localism Act (HOC, 2011c). As part of this, and distinct from every other major European country, regional institutions have been dismantled across all parts of England outside of London as part of a crusade to reduce bureaucracy and ‘release’ the creativity of localities (Pugalis and Townsend, 2012b; Shaw and Robinson, 2012). As a lightweight counterbalance, in June 2010 government invited bids for Local Enterprise Partnerships (LEPs): public-private institutions reflecting a sub-regional political geography (Bentley et al., 2010; Shutt et al., 2012; Pugalis, 2010; Liddle, 2012). More recently, in December 2011 government announced their intent to agree a series of individual ‘city deals’ with the promise to ‘free’ England’s largest cities from Whitehall control, the White Paper sets out a menu of ‘transformative’ new powers (HM Government, 2011). Initially restricted to England’s eight ‘core cities’ this offer has since been expanded to other localities. The Localism Act also provides the potential for the creation of Mayoral Development Corporations (MDC), reminiscent of earlier vehicles implemented during the early 1980s onwards by the then Conservative Government (Imrie and Thomas, 1999). Underpinned by an emphasis on a ‘self-help’ variant of local autonomy and a preoccupation with economic growth, these processes are potentially contributing to new directions in economic development.

Now that the UK administration’s ‘local’ economic policy is becoming a little clearer, it is opportune to consider the implications of this new grammar of localism for the scope, organisation and mobilisation of economic development interventions. The purpose of this paper, therefore, is to trace new and emergent directions in economic development through a focus on the 2011 Localism Act, which applies to England and Wales.<sup>1</sup> The paper interprets these changes through a localist conceptual prism, which helps to refract different varieties of localism. Analysis is directed towards the uneasy relationship between centralised powers, conditional decentralisation and fragmented localism. By exposing the prevailing controlling tendencies of central government, some serious concerns are raised regarding *localism in action*. Cases of emergent practice are utilised to demonstrate how ‘constrained freedoms’ can be negotiated to undertake innovative actions. The paper concludes by suggesting some

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<sup>1</sup> It is important to note that analysis is focused on England.

foundational elements that would support the notion of ‘empowered localities’ and may also secure the government’s imperative to enable private sector-led growth.

### **A localist conceptual prism: refracting different varieties of localism**

A detailed examination of the political alternatives and theoretical subtleties of innumerable varieties of localism is unfortunately beyond the scope of this paper. Moreover, localism, new localism or even newer new localisms did not arrive on scene with the Coalition Government. New Labour’s political discourse, if not all of its actions, for example, was replete with localist promises and the dawn of a ‘new localism’ (Morgan, 2007; Local and Regional Government Research Unit, 2005; Corry and Stoker, 2002). Nevertheless, New Labour’s time in office between 1997 and 2010 was also marked by a ‘new regionalism’ (Deas and Ward, 2000; Pugalis and Townsend, 2012a), which indicates the tension between competing scales of decentralisation. In fact, individual Whitehall departments have tended to produce new state spaces with particular policy geographies and scales of governance that have had little respect for those of their departmental counterparts, for example, the centralist tendencies of the Treasury compared with the Department of Communities and Local Government’s (DCLG’s) experiments with localism. Over the years, UK Governments of different political persuasions have passionately proclaimed to be ‘localist’, yet England remains one of the most fiscally centralised nations across the OECD with ‘the balance of power’ firmly in favour of the centre and any new localism in reality is a new centralism (HOC, 2009). It is against this backdrop that in the run up to the 2010 General Election, each of the three main political parties sought to claim the localism mantra. Subsequently the Coalition Government quickly settled on the localist policy of aiming to disperse Whitehall powers and responsibilities to local authorities, business, communities and other actors.

Eric Pickles, Secretary of State for Communities and Local Government, is reported as proclaiming on his arrival in the department that he had three priorities for his tenure: ‘localism, localism and localism’. Liberal Democrat ministers quipped that they would add a fourth priority: ‘localism’. Yet, ‘localism’ remains a contested concept. To the Conservative Party – or more specifically prominent elements of the party – it appears to mean ‘shifting’ control and power down the scalar hierarchy, and which can be viewed as part of David Cameron’s initial enthusiasm for a ‘Big Society’ programme (Conservative Party, 2010). As the Conservatives have put it, the programme is ‘to restore civic life and ensure civic engagement’ (Conservative Party, 2009: 7). The government’s definition of localism centres

on devolving power to the most local level possible. It has readily acknowledged that sometimes this will be councils, but it could also be ‘neighbourhoods’ or wider functioning economic areas that encompass more than one council. The new focus on localism also has gone hand-in-hand with a range of initiatives to support ‘community resilience’ and ‘community ownership’ – such as Community First and the community ‘Right to Build’.

In defining localism in these terms, the Coalition criticises what is seen as ‘Big Government’, which they associate with the centralism of the previous Labour Government, especially under Gordon Brown’s premiership. The tenor of the critique is manifest in the principles underlying the Localism Act set out as the ‘Six Actions of Decentralisation’ (HM Government, 2010b: 15). These are: 1) lift the burden of bureaucracy; 2) empower communities to do things their way; 3) increase local control of public finances; 4) diversify the supply of public services; 5) open up government to public scrutiny and; 6) strengthen accountability to local people. A question that immediately arises is: how will these principles be acted upon and operationalised in practice?

From a politico-policy lobbying perspective, Cox (2010), in exploring the foundations of localism, it means that power ‘truly’ does have to be devolved to the local level and that this requires a recasting of central-local relations. He argues that the principle of subsidiarity should be applied; that efficiency and effectiveness in the delivery of services requires that decision-making reside at the lowest feasible level. To implement this, this would mean an end (or at the very least a marginalisation) of the competitive grant culture, wherein local government has to bid to Whitehall for funding. Financial autonomy is a prerequisite of localism, which could involve permitting local government to determine its own rates of taxes (and subsidies). Also, in the interests of social justice ‘true’ localism, in the words of Cox, would see an end to the postcode lottery of service provision by establishing a broad framework of national minimum outcomes, which allows local decision-makers to design and deliver services which are more tailored to their own local circumstances. Finally, Cox argues for a ‘constitutional settlement between central and local government to create genuine autonomy, enshrine the key principles of central-local relations to protect the legitimacy of local government’ (2010: 7).

While intellectual and political debate will continue in respect of the notion of localism, key elements of the discussion are the degree of local autonomy and the extent of central control, including the requirement of fiscal flexibility. Pratchett (2004) suggests three distinct ways in which autonomy is manifest: as freedom from central interference; as freedom to effect particular outcomes; and as the reflection of local identity. The problematic

position of the decentralisation of economic development functions is that it requires a shift on the basis of 'freedom from' to 'freedom to'. This raises the question: is an absence of restraint (negative freedom) adequate? Hildreth (2011) elaborates on this point by identifying three models of localism: conditional localism, representative localism and community localism. 'Conditional localism' is what Corry and Stoker (2002) term 'New Centralism'; a 'steering centralism' manifest under the 1997-2010 Labour Governments, which afforded some autonomy to the local level but instituted what is seen as a debilitating 'targetry regime', including Public Service Agreements, to ensure that sub-national state spaces were delivering outcomes as defined by 'the centre'. This was part of New Labour's process of public service reform, to improve service delivery but also to ensure policy coherence from centre to local (Bentley, 2006).

For Hildreth (2011), 'representative localism' is characterised, on the other hand, by local actors or spaces of governance having a clear constitutional position in a democratic system. Through this variety of localism, the chain of democratic accountability is the defining feature. In other words, there is subsidiarity, and is akin to what Cox (2010) argues would entail 'true' localism. This model represents European and US experience, where also directly or indirectly elected mayors are the epitome of a 'representative leadership' and are perceived to offer scope for transparency, advocacy and strategic capacity although they are not without their own dilemmas and critiques (Travers, 2002).

Finally the notion of 'community localism' involves devolution of power to local communities (however defined), and the direct involvement of communities, which on the surface at least appear to be consistent with calls for a Big Society. However, there are two important variants of community localism. Firstly, there is 'commissioning community localism' in which the central state performs a commissioning role when devolving responsibility to a community for running a service or delivering a specified policy goal. The second, 'community asset localism', involves the centre in assigning all responsibility for running a service or managing an asset to the nominated community. The crucial difference concerns accountability. In the case of the first, the commissioning agent, in this case, central government is the accountable body and, in the case of the second, accountability passes to the community organisation. Community asset localism could be particularly attractive to a government, either central or local, to in effect completely outsource a service, such as a property 'liability'. The question arises: would the state 'risk' outsourcing service activities in a 'no strings attached' manner?

It is clear that supported by notions of subsidiarity, claims of economies of scale, preferences for ‘place-based’ policy approaches and the political imperative to be seen to act; calls for decentralisation of powers have been in the ascendancy over recent years in England and elsewhere (Pugalis and Townsend, 2012a). A discourse of decentralisation and ‘new localism’ rhetoric was a cornerstone of the last Labour administrations (1997-2010), yet most policy pronouncements failed to develop beyond a symbolic politics of appearance and tangible outcomes were sparse. Indeed, many Whitehall departments were either ambivalent towards or against localism in action. In May 2010 the Coalition published its programme for government – a five year policy plan, which is explicit about the most urgent issue facing the UK: deficit reduction alongside an economic recovery (HM Government, 2010a). Whereas, arguably, the repercussions of the global credit crunch took some time to affect the ‘real’ everyday economy, the Coalition’s fiscal austerity measures – which equate to almost £100 billion a year less than Labour’s 2009 plans by 2015/16 – have had a more immediate and noticeable impact on people and places. A key means of achieving economic recovery, according to government is, in addition, through private sector led growth and a localist economic development strategy. The next section examines the provisions in the Act in relation to economic development.

### **Localism Act: provisions for local economic development**

The Localism Act received Royal Assent on 15 November 2011. Much of the debate has concentrated on statutory planning issues, as well as other important matters, which has marginalised the discussion about the implications for economic development (HOC, 2011a; 2011d). Thus, an examination of the Localism Act in terms of provisions for economic development is especially worthy (see Table 1 for a summary).

**Table 1: Summary of Localism Act provisions as they relate to local economic development**

Regional Strategies	Act abolishes Regional Strategies and in effect makes the regional tier of administration redundant.
Statutory position of Local Enterprise Partnerships	There is no statutory role laid down for these voluntaristic partnerships.
General Power of Competence	Local authorities are enabled to do anything that individuals generally may do, including things unlike anything that other public bodies do, provided they do not break other laws.



Transfer of Powers	Enables Ministers to transfer local public functions from central government and quangos to local authorities, Combined Authorities and Economic Prosperity Boards (the latter are enabled by making provisions under the <i>Local Democracy, Economic Development and Construction Act 2009</i> )
Elected Mayors	Mayoral Development Corporations can be set up, to secure the development of the locality covered by the Mayoralty.
Control over budgets and in particular, local business rates	Provides scope for using rates for economic development purposes; enabling local authorities to offer business rate discounts.

The passing of the Localism Act signalled the legislative death of regional governance, policymaking and administration (Bentley, 2011a). The intricate, yet convoluted, regional economic policy architecture, including Regional Development Agencies, Government Offices for the Region, Regional Observatories, Regional Ministerial posts, Regional Select Committees and Local Authority Regional Leaders' Boards have been swept away. Regional economic policy architecture has '[gone] the way of Anne Boleyn', to invoke the words of Eric Pickles, and with it established central-regional-local relations were irrevocably ruptured. This state-led restructuring has not gone unnoticed by the European Commission (EC), the eradication of a strategic 'regional policy' framework causing some consternation and bewilderment. Given that the Structural Funds are disbursed and administered by the regional tier in Member States, it posed the question at what level the administration of the Structural Funds would be carried out in England (Pugalis and Fisher, 2011). This could potentially involve an upwards rescaling (centralisation) with management via central government or a downwards rescaling (variety of localism) to sub-national geographies of governance, which could involve a management role for LEPs or other larger-than-local arrangements. However, any downwards rescaling would necessitate lengthy negotiations with the EU; there is only one case in the EU where a sub-regional authority performs a managing role.<sup>2</sup> 'Transitional arrangements' however have witnessed the recentralisation of managing agent functions to Whitehall. Nevertheless the government has retained small 'regional teams' of civil servants and remodelled 'regional committees' of strategic actors, under the jurisdiction of DCLG. It remains to be seen which tier of government or scale of governance will be responsible for management of the Structural Funds in the forthcoming 2014-2020 programming period.

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<sup>2</sup> Government and EC officials made these points at a Local Government Association conference held in London in 2011.

In terms of economic development, especially the roles of leadership and strategic governance (Liddle, 2012), LEPs have taken up the baton. LEPs are ‘joint local authority-business bodies brought forward by local authorities themselves to promote local economic development’ (HM Government, 2010a: 10). However, just as there was no statutory role laid down for LEPs in the Localism Bill (Bentley, 2011), in line with ministerial views (HM Government, 2010c), there is nothing in the Act that provides LEPs with a statutory function. Unlike the Regional Development Agencies, which were provided a statutory role, and were legally tasked to carry out certain functions, LEPs are bereft of any statutory roles and devoid of a legislative framework. As voluntaristic networks or ‘loose groupings’ of public-private actors, according to Eric Pickles, they are expected to negotiate in a field of public sector financial retrenchment where the role of the state is one of *enablement* rather than *control*.

In principle, LEPs are ‘free’ to do whatever is necessary to secure economic prosperity and growth. The Act enshrines this principle in the General Power of Competence which is afforded to local authorities. With LEPs bereft of a statutory purpose nevertheless a clause in the Act (Part 1, Chapter 4, Section 15) provides the Secretary of State with the power to transfer public functions to *permitted authorities* and, in particular, those that (i) promote economic development or wealth creation or (ii) increase local accountability in relation to each local public function transferred by the order (HOC, 2011b).<sup>3</sup> The first is a clear function of LEPs, and it would appear to potentially afford them a more formalised role as in this instance they would be executing some statutory public function under the guise of a permitted authority; albeit exactly the precise nature of possible public functions is not laid down in the Act. Thus, the Act makes the provision for economic development functions to be transferred to specific permitted authorities, but such functions are to be determined by the Secretary of State.

The ambiguous purpose, nature and statutory roles of LEPs is in stark contrast to clarity of Regional Development Agency functions as prescribed by New Labour (HM Government, 1998; 2009). This ambiguous character of LEPs is arguably a product of the Coalition Government’s ideological zeal to eradicate ‘regions’ and be ‘different’. Thus, the transitional period created by their policy of change has been critiqued for a lack of foresight, limited understanding of the legalistic and operational practicalities, and deficient assessment

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<sup>3</sup> The new permitted authorities’ clause was inspired by the Core Cities Group, made up of the local authority leaders of Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield councils. The core cities want to exploit the General Power of Competence and lobbied for this to be given concrete expression in the transfer of public functions.

of the disbenefits and cost implications of ‘wielding the axe’ (National Audit Office, 2012; HOC, 2010; 2011b).

The Act also provides for elected Mayors but more particularly for MDCs to be set up. These would give the Mayor considerable powers to secure the economic development of the area covered by the Mayoralty. Finally the Act accords local authorities the power to retain business rates and to utilise these for economic development purposes.

### **The new grammar of localism**

Initial assessments of the Coalition’s decentralisation efforts in relation to economic development tended to converge; arguing that their motives and actions sat uneasy with their localist rhetoric (Bentley *et al.*, 2010). Hence, the question arises of whether there has been any progress made towards localism in action? Will government decentralise powers to the local level? More specifically, what variety of localism do LEPs represent? Will LEPs obtain greater autonomy from central government than economic development agencies hitherto? This section examines the scope, organisation and mobilisation of economic development interventions, interpreting the development of LEPs and the provisions for economic development policies in the light of the localist conceptual prism constructed earlier.

#### ***Doing things their way? Scope and freedom for localities to deploy economic interventions***

The establishment of the General Power of Competence for local authorities does suggest that the ‘shackles are off’. Instead of being permitted to act only within the confines of the parameters of legislation, since statutory bodies hitherto may only act where there is a duty or power to do so, lest they would otherwise be acting *ultra vires*, local authorities are now *freed to do anything*. A local authority is enabled to do anything ‘that individuals generally may do’, including ‘things unlike anything that other public bodies do’ (Eversheds, 2011), but provided they do not break other laws (DCLG, 2011: 7). This suggests that local authorities will have the freedom to effect particular outcomes (Pratchett, 2004). In fact, the government proclaims that authorities will be encouraged to come forward with innovative proposals. Attuned to the principle of subsidiarity, this could all be interpreted as a progressive move towards a representative localism (Hildreth, 2011). This view is further substantiated given the Act enables Ministers to transfer local public functions from central government and remote quangos to local authorities, Combined Authorities and Economic Prosperity Boards – in order ‘to improve local accountability or promote economic growth’ (DCLG, 2011: 9). What is intriguing about this scenario is that a group of local authorities

could establish an Economic Prosperity Board as a mechanism to provide strategic economic leadership and deliver economic development interventions in a manner that overrides and completely bypasses LEPs. This is because the powers are devolved to local authorities and not to non-statutory LEPs. Such a scenario could generate competing spatial imaginaries, scales of governance and variable geometries of sub-national economic development bodies, which would be reminiscent of the rival economic development entities (i.e. regions, city regions, multi-area agreements etc.) that mired Labour’s plans to simplify and improve the effectiveness of sub-national economic development and regeneration interventions (HM Treasury, 2007).

It can also be seen that this is likely to result in different places accessing different powers over different timescales: the outcome being a form of fragmented localism. As a result of this fragmented localism, a council which may opt to offer a business rate discount could directly affect a neighbouring council which opts to offer no such discount. Such a situation may result in a zero-sum game of local place wars, whereby the main beneficiaries are the border-hopping businesses. This would be reminiscent of the original Enterprise Zone policy launched by a Conservative Government during the 1980s, which was heavily criticised for causing business displacement (Shutt, 1984).

Recent work, however, has shown that there is some evidence that some LEPs are coming forward with proposals for what could be termed innovative actions (See Table 2). Some of the actions reflect neoliberal thinking and are concerned with deregulation issues and infrastructure provision, whereas others represent more proactive measures to support business growth through subsidies. This reflects the debate at the G8 Summit at Camp David in May 2012; growth and jobs are on the agenda but there are differences in opinion on how this is to be achieved. It remains to be seen however just how substantially different and innovative the LEP initiatives are and from what has characterised economic development policy hitherto as well as what other initiatives are put forward to secure economic growth and whether localities will have the freedom to effect outcomes. In terms of the localist conceptual prism, the question is: does this really represent a move towards a representative localism or does this belie a conditional localism with control maintained by central government through the new state spaces being constructed?

**Table 2: Innovative practice in LEPs**

LEP	Innovative practice
Greater	Obtained £25m Regional Growth Fund linked to £100m funding for an Advanced

Birmingham and Solihull	Engineering Supply Chain Fund, a cross-LEP bid. Also identified key areas where a number of 'quick wins' can be made by changing the approach to regulatory enforcement.
Black Country	Is to undertake a review of the planning and development process as a means to ensure the Black Country can continue to attract investment, bring forward development opportunities and deliver economic growth. To make a 'Policy Pledge' in a Business Friendly Planning and Development Charter.
Coventry and Warwickshire	The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A Finance Group has been set up to look at improved access to finance for businesses.
Humber	A group of 16 businesses have joined with the University of Hull, Hull and Humber Chamber of Commerce, Humber Chemical Focus, and four local authorities to pledge £2,500 each to help the new body get up and running.
Leeds City Region	Use of social media as a communication tool including a Youtube video and an excellent website and approach to networking.
Leicester and Leicestershire	<i>Better Business for All</i> project designed to explore how an effective and efficient regulatory system can support business growth through removing both real and perceived regulatory barriers.
Greater Manchester	Manchester's inward investment agency, MIDAS, acting on behalf of the LEP, has signed a Memorandum of Understanding with UK Trade and Investment (UKTI), linked to the new national inward investment contract. Other LEPs have since signed similar memorandums.
West of England	Established a web portal Business Navigator to become a hub of business support signposting for Bristol, Bath and beyond to support SMEs.
York, North Yorkshire and East Riding	Collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.

Source: Pugalis *et al.* (2012).

### ***The organisation of 'local' economic development***

Arguably, there is more evidence of a move towards a representative localism with local authorities being given a constitutional position. One thread of the Localism Act is to promote joint working among councils, as indicated by the Duty to Cooperate. Constituted as an Economic Prosperity Board, groupings of two or more local authorities have the potential to take on central government functions, as provided for in the Act. The Act grants the Secretary of State the power to remove unnecessary restrictions and limitations to Councils' actions. Moreover, it states that the duty will offer councils 'increased confidence to do creative, innovative things to meet local people's needs' (DCLG, 2011: 7). This would seem to encourage thinking 'outside the box'. In relation to such Combined Authorities, transport

across a sub-regional or larger-than-local geographical terrain has been added to the list of policy functions of Economic Prosperity Boards.

It could be argued that the Coalition's preference for local authority joint working is guided by a strong preference for cost savings that may override aspirations to secure better synergy, including potentially more appropriate geographies of policy delivery. Indeed, as the *Plain English Guide to the Act* points out, the general power of competence bequeaths councils more freedom to 'work together with others in new ways to drive down costs' (our emphasis) (DCLG, 2011: 7). This is similar to Labour's 'Total Place' project, whereby greater public service cohesion was encouraged, by rationalising and streamlining public sector funding in a particular area through a place-based mode of 'joined up' service delivery. Nevertheless, these new powers – included in the Act at the request of the Core Cities Group – provide the Secretary of State with the ability to significantly empower the major city authorities and other local authorities to develop their areas, improve local services, and stimulate their local economy (HM Government, 2011). How this relates precisely to LEPs is unclear. Do Economic Prosperity Boards supersede LEPs? Or do they underpin or overlay LEP configurations? Do they negate the role of the LEP? At the moment, local authorities appear to be a crucial bridging mechanism and also appear to have been granted a more prominent role in economic development than was the case under New Labour's centralist-regionalist framework. Albeit, the condition is such autonomy is a much smaller funding envelope. Further, observing the operation of the 39 LEPs, it is apparent that the majority – though not all LEPs – are 'propped up' by local authority staffing, resourcing and democratic legitimacy. In this respect, despite the wishes of central government for LEPs to be private sector led and free from 'local authority bureaucracy', local authorities are performing a critical role, which often remains understated.

In the case of the Greater Manchester Combined Authority, the only example of a Combined Authority as of June 2012, the LEP operates performs more of an advisory role than acting as a strategic economic delivery body. It is possible that groups of local authorities will choose to work together, and seek to serve or be advised by LEPs. In the case of the Black Country, local authorities formed the Black Country Consortium and are subsequently working together with and on behalf of the Black Country LEP. However, it seems apparent that the formation of Combined Authorities and Economic Prosperity Boards will result in a rationalisation of governance structures, partnership arrangements and discrete services. This raises questions about whether the 'local' level is being given a constitutional position such that a representative localism would suggest.

In regard to major cities, the Coalition is championing ‘representative localism’ as such cities were offered the option of elected Mayors. Besides providing democratic accountability, Mayors would potentially have considerable powers, as does the Mayor of London, given MDC can be set up, which would provide the economic development ‘teeth’ and resources that LEPs and many local authority economic development departments currently lack. Liverpool City MDC, for example, is to have a single investment programme, utilising public and private finance through a single capital pot, of circa £120-150 million (Fitzgerald, 2012). However, MDCs are conditional on an elected Mayor. Therefore, this strand of decentralisation can be understood as conditional localism rather than as a representative localism. The possibility of more than a few MDCs, however, was quashed after nine cities roundly rejected having an elected Mayor in the referenda held in England in May 2012. Hence, it is unclear whether the cities that rejected a Mayor as well as other local authorities and groupings of local authorities across functional economic geographies will seek and be granted additional economic development powers and resources, such as Development Corporations. Even if city deals are secured, local authorities have to guarantee that they can provide strong and accountable leadership, improve efficiency and outcomes and be innovative in their approach, which suggests constrained freedoms and a conditional localism (Hildreth, 2011).

A further variety of localism is apparent in terms of service delivery as central government is devolving responsibility to particular ‘communities’ (e.g. LEPs) for running a service (e.g. a strategic economic development function). Localism in this context can be interpreted as a form of ‘commissioning community localism’ where government is the accountable body. LEPs in this sense are agents of the state: commissioned by central government to deliver a service. However, it is questionable how representative they are, and moreover, they are not necessarily representative of ‘the community’ in the sense of the Coalition’s predominant use of the term (i.e. the Big Society).

### ***Waving a magic wand? Mobilising economic development interventions***

A critical issue in the local economic development debate is finance (Haughton and McManus, 2012; Williams, 2011; Liberal Democrats, 2011; Adair et al., 2007). One of the most important ways in which local autonomy can be demonstrated is by reference to the availability of resources and having power to take decisions over expenditure: ‘freedom to’. Yet, the majority of dedicated funding streams that supports local economic development interventions comes from central government and goes to the private sector directly or to

local authorities, and comes with strings attached (see Table 3). Thus, one of the basic tenets of a ‘true’ localism is not met. This is a ‘conditional’ form of localism akin to the mode of localism practised by the last Labour administration – a form of localism constrained by central interference.

**Table 3: Funding streams and tools for local economic development interventions**

<b>National funds allocated for local economic development</b>	
Enterprise Zones	Businesses get up to 100% discount on rates; tax breaks on capital investments; relaxed planning controls; and high speed broadband. Some LEP areas were granted an Enterprise Zone whereas others competed for Enterprise Zone status, and those successful had to put propose specific sites to be approved by central government.
Regional Growth Fund	£2.4bn to 2014 to support projects and programmes that lever private sector investment to create private sector jobs. LEPs largely perform an advisory role and were initially precluded from bidding for funds. Grants approved by ministers.
Growing Places Fund	A £770m revolving fund to kick start stalled infrastructure projects that can help facilitate economic growth. LEPs to submit proposals to central government on how they would use and distribute the loans. Allocated to LEPs by central government with local authorities acting as accountable body.
EU Structural Funds	€3.2bn of European Regional Development Funding available over the 2007-13 programme; managing agents are now the Department of Communities and Local Government’s ‘local’ teams.
<b>Funds LEPs can draw on, but via local authorities</b>	
Tax Increment Financing (TIF)	Enables borrowing against future increases in business rate but the government has yet to empower councils to do this.
Community Infrastructure Levy (CIL)	Enables funds to be raised through the statutory planning system to support the development of community infrastructure.
Local Sustainable Transport Funding	£560m is being made available to encourage the uptake of sustainable modes of transport.
Business Rates	Ability for councils to retain business rates uplift. Business rate discounts must be financed from local resources.
City Deals	A menu of new powers and freedoms is on offer to some cities and functional economic areas with the condition of providing strong and accountable leadership, improve efficiency and outcomes.
<b>Funding delivered by the Private Sector</b>	
Business Growth Fund	Banks have set aside a fund of £2.5bn to invest in fast-growing UK businesses, as part of Project Merlin.
Green Investment Bank	Anticipated to be operational by 2015 with £3bn set aside to lend to ‘green’ businesses.



Big Society Bank/Big Society Capital Group	£600m identified for social investment intermediaries.
<b>RDA Assets</b>	
Land Assets	Some assets sold on the open-market with the remainder centralised; involving a transfer to the Homes and Communities Agency quango to provide a ‘stewardship’ role.
Venture Capital Loan Fund	Transferred to Capital for Enterprise.
Grants for Business investment and R&D Grants	Transferred to the Department for Business, Innovation and Skills, including the Technology Strategy Board subsidiary.
Business Link – Support for Businesses	Regional Offices closed; transferred to the Department for Business, Innovation and Skills; streamlined as a website and telephone service.
<b>Funding directly available to LEPs</b>	
Start up Fund	A one-off £5 million fund that each LEP had to bid for.
Capacity Fund	£4m fund over four years to be used to address gaps in intelligence on business needs and barriers to growth; to facilitate business engagement; or to enhance board capacity. LEPs precluded from using funds on staffing.

Despite overall budget cuts and an austere operational environment, the Coalition Government has announced a number of different local economic development schemes, which LEP localities are benefiting from but are not under the direct control of LEPs or local authorities; they are bestowed on such localities. These include Enterprise Zones, the Regional Growth Fund and the Growing Places Fund. While LEPs could bid for Enterprise Zones or could advise government on the prioritisation of Regional Growth Fund bids, and can steer the Growing Places Fund to preferred private sector infrastructure projects requiring public financial support, the schemes in effect bypass LEPs, as decisions are ultimately under the control of central government and responsibility for administration delegated to local authorities as the accountable body.

Due to the competitive nature of the rollout of Enterprise Zone policy, many LEP areas were unsuccessful. Consequently, there are LEP areas with Enterprise Zones and the benefits conferred and those LEP areas without. This, arguably, creates a two-tier LEP structure consistent with a fragmented and possibly divisive form of localism. The outcome is anticipated to be the development of multispeed LEPs: a postcode lottery operating, especially between urban and rural LEPs, but also those that have in place a shared sense of purpose and concomitant institutional support and those that do not (Pugalis *et al.*, 2012). A

further issue is that the projects coming forward as competitive bids for Regional Growth Fund can secure support even if they do not accord with larger-than-local LEP priorities and/or local economic development priorities. More particularly, the *Regional* Growth Fund is centrally administered in what is a post-regional institutional landscape.

What the Localism Act does do, however, is to loosen the constrained freedoms of councils in terms of local authority finance. Providing councils with greater control over budgets, and in particular local business rates which provides scope for using it for economic development purposes, is a progressive step in terms of expanding the ‘freedom to’ permit local authorities to offer business rate discounts. In concert with neoliberal thinking, this would help attract firms, investment and jobs to a locality, although the actual outcomes remain contested (Williams, 2011). There is also a sting in the tail for local authorities – councils will be expected to meet the cost of any business rate discount from local resources. Although central government counter that councils ‘may decide that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area’ (DCLG, 2011: 8), in an age of austerity, including local authorities having to reduce their spending on services by up to a third, the implementation of such a generally sound policy principle is likely to be remain scarce in the immediate future. A further sting in the tail, as pointed out earlier in the paper, relates to the competitive nature of such a policy, which could breed a divisive variety of localism.

Of course in addition to national resources, EU funds feature prominently across the English local economic development landscape. Yet, clarity is lacking over their management over the 2014-2020 programme period, especially as ‘regional’ priorities are now defunct (Pugalis and Fisher, 2011). If the management of funds is not devolved to sub-national arrangements (potentially aligned with LEP geographies), then it would be a further example of centralisation. Drawing on USA models in particular, new financial instruments, such as Tax Increment Financing (TIF) which enable borrowing on future income, are to be channelled through local authorities, whereas other schemes, such the Business Growth Fund, set up as part of Project Merlin, are to be delivered via the private sector. It is difficult not to be cynical about this scheme and to say, given this name, that this, alongside other schemes initiated by central government, give the impression that the Coalition Government is performing the role of a magician – waving a magic wand with the expectation that the private sector will create the jobs and growth necessary to climb out of a recession and at the same time ‘rebalance’ the economy.

As demonstrated in Table 3, the funding streams and tools for local economic development interventions often bypass LEPs and/or local authorities. The broader point is that the Coalition Government appears to have set in motion a new direction for local economic development that retains a considerable degree of centralist control and those delivery powers that are to be decentralised come with strings attached. The outcome is a fragmented and potentially divisive localism. For example, the only funds that LEPs have at their direct disposal are a nominal share, subject to competition, of the £5m Start-up Fund and the £4m Capacity Fund. It is therefore no surprise that LEPs collectively argued for additional funding at the LEP Network conference held in April 2012. It is thus unfortunate for those seeking localism in action that the response from Eric Pickles was that any additional funding would come with strings attached; again indicating that far from any notion of a representative or community localism, the government is promoting a form of conditional localism.

Mobilising economic development interventions at local and larger than local spatial scales is presently fraught with difficulties. Operating within a localist policy context of ‘constrained freedoms’, to what extent will localities be able to innovate? Will they be able to move from a constrained freedom of implementers to be genuine influencers?

### **Concluding remarks**

Since entering office in 2010, the Coalition administration for the UK has embarked on a rapid public sector deficit reduction plan of unprecedented proportions. The result has been institutional upheaval, policy shifts and contracting pots of funding. The result has been new and emergent directions in economic development theory and practice. A new grammar of localism pervades the Coalition’s approach, which inflected localist policy discourses and practice. Nevertheless, England remains one of the most centralised nations across Europe. It is also distinct from every other major European country when it comes to strategic development as it embarks on a spatial ‘rebalancing’ plan in a post-regional institutional landscape, which has changed the organisation of economic development. The UK Government once again demonstrates the mobilities of policy as it borrows from US practice (e.g. Tax Increment Financing) but also returns to policies implemented by the 1980s Conservative administrations; principally Urban Development Corporations and Enterprise Zones. Initial analysis suggests that the radical rhetoric of the Coalition’s localist discourse bears limited similarities to localism in action. This is not simply due to an inability to

implement proposals. The Coalition intent to reabsorb many of the Regional Development Agencies' most important functions nationally was implemented swiftly and without consultation. This highlights the contradiction between a new grammar of localism and the insidious centralist tendencies; the uneasy relationship between centralised powers, conditional decentralisation and a fragmented localism. The implication could be a divisive variant of localism in action where incentives produce 'winners' and 'losers' – rewarding the former whilst penalising the latter.

LEPs were not to be defined in legislation and accordingly there is nothing in the Localism Act, which provides them with a statutory nature. However, as this paper has identified, there are some provisions in the Act that have important implications for the scope, organisation and mobilisation of economic development interventions. The General Power of Competence permits local authorities to do anything lawful. Also, clauses in the Act provide the Secretary of State with the powers to transfer public functions to *permitted authorities*, namely those that promote economic development or wealth creation. The Act also assigns a Minister of the Crown authority to delegate to a permitted authority any of the Minister's eligible functions, the permitted authorities being Combined Authorities and Economic Prosperity Boards. This would suggest that the principle of decentralising economic development functions has been strengthened by the Localism Act, although the principle to formalise cross-authority working may have its philosophical roots in the imperative to drive down costs. As far as the localism agenda is concerned, if localism means that authorities have 'freedom to', the Act promises elements of this could be met. However, at the time of writing in June 2012, local and larger-than-local sub-national economic bodies have limited 'freedom to' make policy and investment decisions that significantly influence local economies. Akin to previous UK Governments, the Coalition administration appears to be intent on retaining a firm grip on the purse strings.

Simply because LEPs have 'local' in their name does not mean that they are directly attuned with localism (either in a conceptual or operational sense). In many cases, LEPs represent a weak variety of localism that displays few of the characteristics of Hildreth's (2011) representative localism or still less of a community localism. However, LEPs do display the characteristics of a conditional localism, reminiscent of New Labour's decentralisation endeavours. While concerns have been raised about the extent to which LEPs represent what Cox (2010) refers to as 'true' localism, the question is whether LEPs will be sufficiently empowered to secure private sector led growth? Central government appears to remain in control of the most crucial economic development lever and while sub-national

entities may be ‘free’ to do what is necessary, this is on the basis of a constrained freedom to secure outcomes. Relinquishing responsibility without relinquishing control of adequate powers and resources is a hallmark of governments in the grips of variegated neoliberal hegemonic projects. Nonetheless, there is some indication that LEPs are ‘doing things their way’ as there is evidence that they are undertaking some innovative actions, subject to less central government interference than hitherto. As a result, there may be promise in these new directions in economic development; especially if local authorities group together to establish Combined Authorities and Economic Prosperity Boards. Yet, the whether such a move would support or undermine the LEP experiment would only become apparent through localism in action. It is clear that LEPs need to reflect more clearly the characteristics of a representative localism, which could result in the devolution of powers and budgets. City deals may fulfil these requirements but, as the name suggests, they appear to be a more selective variety of localism that favours the ‘core cities’, and could therefore undermine the strategies of rural authorities and some LEPs. To conclude an initial examination of the new and emergent directions in economic development heralded by the Coalition Government’s localist policy discourses and specifically legislation enshrined in the 2011 Localism Act, a new deal for local economic development is required – a deal that is grounded in a cocktail of representative and community localism, which offers the freedom to effect outcomes. Such a deal cannot possibly be delivered on a financial shoestring and must be equipped with accompanying economic levers.

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