



Centre for Local
Economic Strategies

briefing

Conservative Party policy on economic development and regeneration: Real change, or more of the same?

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INTRODUCTION

The end of the summer recess of Parliament and the start of the party conference season makes September an opportune time to reflect on what new policy ideas are emerging across the political spectrum. Moreover, with a general election due to be called before May 2010, a change in leadership or political party could lead to significant changes in the policy arena around regeneration and local economic development.

This is the first in a series of briefing papers that aim to help practitioners in the field of economic development and regeneration 'get to grips' with what a potential change in government and approach would mean for them. This briefing will examine and analyse the key policy themes to emerge from the Conservative Party.

THEME 1: DEVOLUTION OF POWER

Key policy document:

- *'Control shift: Returning power to local communities'*¹

The principles of devolution, and the localist agenda more broadly, features in policy rhetoric across the political spectrum. Indeed, any notion of a 'big State' has long been rejected by all mainstream political parties. Devolution strives to re-establish the supremacy of local government and to return to it greater discretion in deciding spending priorities and monitoring them. This means reducing central inspection and re-localising auditing processes, and bringing new functions under county and city governance. However, despite cross-party rhetoric around devolution, power in the UK remains highly centralised. It is interesting, therefore, to explore some of the key ideas put forward by the Conservatives as to how they propose devolution can be achieved.

¹ Available at: http://www.conservatives.com/Policy/Where_we_stand/Local_Government.aspx

Freeing local government from central control

In line with the principles of localism, the Conservative Party wants to see local government being freed from what they perceive as centralised bureaucratic burdens, which they argue are impeding local governments from delivering effective services to their residents. The ways in which the Conservatives propose that this can be overcome include: giving local people the opportunity, through referendum, to control levels of Council Tax; and introducing a new 'general powers of competence' that gives local authorities freedom to act in the best interest of their voters. The Conservatives also propose abolishing all national process targets for local government and inspection regimes, such as the Comprehensive Area Assessment and ending all forced amalgamations of local authorities. Spending priorities would, according to the Conservatives, be made locally and the ring fencing of budgets would be phased out.

CLES analysis and comment: Clear relationship between central and local required

The Conservative Party's ambition to reduce central government intervention in local government is unsurprising. It is clear that many of the issues facing communities – such as worklessness and 'community cohesion' – are best tackled by local actors, and that local authorities should therefore be granted the necessary powers and freedoms to do so. However, the Conservative Party fails to make clear what systems and processes would replace targets and inspection. Moreover, whilst overbearing target setting and inspection can be a bureaucratic drag on local authorities, it is nevertheless necessary that there are efficient processes in place to monitor local authority performance centrally. CLES would argue that targets *can* play an important role in tackling acute issues, such as teenage pregnancy and worklessness, whilst the Comprehensive Area Assessment has the potential to promote value for money and to encourage efficiency savings. Therefore, whilst CLES welcomes debate about rebalancing the relationship between the centre and the local, we feel that there will always be a requirement for central government to have measured control over certain activities in order to ensure equity between communities and between localities.

The form and function of regional government

The nature and purpose of Regional Development Agencies (RDAs) has been a hotly contested issue, and a topic of contention between the two major political parties. As part of the Conservative Party's ambition to devolve power, they propose stripping RDAs of their powers over planning, and giving local authorities the power to establish their own local enterprise partnerships to take over development functions from RDAs. The Conservatives also propose abolishing all regional planning and housing powers exercised by regional government and abandoning plans to regionalise fire control.

CLES analysis and comment: Regional governance has a role to play

The Conservative Party's idea of stripping back the powers of RDAs comes as no surprise. CLES recognises that, as they stand, RDAs lack accountability and that the extent to which RDAs are effective is a mixed picture. However, there is always going to be a need for some form of organisation at some regional level in order to achieve those functions which are regional in nature and / or do not fit neatly into Council or sub-regional borders, such as transport and the environment. CLES believes that, rather than dismissing the concept of RDAs, the Conservatives ought to be looking at ways to strengthen them. For example, creating bodies with a pan-regional function, such as the Northern Way, which brings together the three Northern RDAs.

It is also unclear what impact stripping RDAs of their powers would have on Multi Area Agreements. In developing an MAA, a regional and sub-regional perspective is necessary; if RDAs are not around to provide this, what will? Further clarification is also required with regard to where RDAs' powers would go, i.e. would they be devolved to local government or would they return to the centre? Furthermore, questions remain as to what would happen to RDAs' assets. Whilst there are clearly a number of points that require further expansion, CLES welcomes debate about the level at which economic development is best delivered, which the Conservatives' bold suggestions will no doubt ignite.

Giving local communities a share of the growth

The constraints around local financial independence are a big problem for local government in the UK. In terms of total taxes controlled by the local level, the UK is one of the most centralised countries in Europe. Denmark (35%), Sweden (33%), Belgium (29%), Spain (an average of 29%) and Germany (28%) show relatively high shares of total taxes controlled by the local level, the EU average is about 17% but in the UK it stands at just 5%².

The recession has made this situation worse with previously reliable funding streams for local authorities from development such as section 106 agreements disappearing, putting extra financial burdens on local government. Even before the recession hit there were no effective policies in place for areas to benefit from the increased growth within their boundaries, with the Local Authority Business Growth Initiative (LABGI) proving ineffective and now only providing £100m over two years which has to be distributed across 55 sub regions.

The Conservatives propose new measures that, they believe, will reward local authorities that deliver more housing and economic prosperity locally in an effort to incentivise growth. To achieve this, the Conservatives propose: enabling local authorities to benefit financially when they deliver housing; giving local authorities the right to retain the financial benefits arising from new business activity in their areas; and giving local authorities a new discretionary power to levy business rate discounts.

CLES analysis and comment: Financial incentives for economic growth

CLES supports the idea of providing local authorities with greater finance raising powers. The Conservative Party have followed their devolutionary rhetoric with their local financing ideas and made some interesting and welcome suggestions on how they would allow local authorities to retain more of the financial benefits that come from economic development activity. Matching the council tax raised by each new house built within a local authority for six years and allowing local authorities to keep any rise in business rates over the national average for six years provides strong financial incentives for local government to engage with the economic development agenda.

The idea to allow local authorities to levy business rate discounts is an interesting one. While looking attractive, this policy could allow big cities, who have the bigger reserves to offset the costs associated with this scheme, to continually provide a bigger incentive for businesses to relocate to their area potentially damaging the economies of smaller cities and towns.

Unfortunately the Conservatives have not explored in great detail how they will provide financial mechanisms for local authorities to tackle major infrastructure projects. While they mention the idea of promoting and marketing local bonds, this is not a new policy in that there are currently no legal constraints on local authorities who want to raise bonds. There is no mention of looking at the feasibility of introducing a form of Tax Increment Financing (Labour are currently investigating whether this type of finance mechanism could be introduced and plan to say something in the Pre-budget 2009) which has been proven to provide local government with affordable large scale financing needed for large infrastructure projects.

Giving local people more power over local government

Reinvigorating local democracy has emerged as a policy priority across the political spectrum. One of the most headline-grabbing proposals set out by the Conservative Party include providing all citizens in twelve of the largest cities with the opportunity to choose to have a Directly Elected Mayor. Other ideas include giving people the power to instigate referendums on local issues and letting local people choose the organisational structures of their local councils.

² Available at: <http://steconomice.uoradea.ro/anale/volume/2008/v3-finances-banks-accountancy/040.pdf>

CLES analysis and comment: Directly Elected Mayors will narrow democracy

There has been concern across the political spectrum as to how to engage citizens in local democracy and to improve their perceptions of local government. The Conservatives' approach offers little real evidence of how they would encourage local authorities to tackle the core challenge of reaching out to people in the community that are disengaged and disillusioned with local politics. Without achieving this, communities are unlikely to have much interest in concerns such as the organisational structure of local councils.

CLES has been a keen follower of the debate surrounding Directly Elected Mayors (DEMs)³ and it is unsurprising to see the Conservatives have run with this idea. However, CLES has fundamental concerns that instating DEMs would serve to narrow democracy by placing too much faith in the personality and charisma of individuals. The challenges of engaging communities and addressing voter apathy run deep and DEMs are unlikely to act as a 'silver bullet'. CLES sees democracy as a collective activity, and whilst a DEM may have the potential to be a figurehead for such activity, DEMs should not be the starting point for democratic renewal. Rather, any future government ought to be developing ideas as to how to broaden democracy as opposed to narrow it.

Despite the apparent success of this model in London, there are also questions as to how well it would work in other cities. As Cllr Kemp, Leader of the LGA Liberal Democrat Group, highlights in a recent Localis publication⁴, London with its 32 borough councils is not typical of local government in the rest of the UK. The Conservatives are proposing that the new DEMs will only have control within the city's Local Authority borders which does not correlate with the city's real economic footprint. *'Control Shift'* also does not mention any devolution of powers to the new DEMs and all the good collaborative working arrangements that have been developed through the creation of the MAAs could be undone. Other concerns include that the model puts too much power in the hands of an individual and that it prioritises charisma over strategic and leadership skills.

THEME 2: UNEMPLOYMENT AND SKILLS

Key policy documents:

- *'Work for Welfare: REAL welfare reform to help make British poverty history'*⁵
- *'Building skills, transforming lives: A training and apprenticeships revolution'*⁶

CLES has a long standing interest in the employment and skills agenda and in the context of an economic recession with unemployment rising, new ideas as to how the UK can tackle both long and short term unemployment and raise skills levels are welcome. The Conservative Party have set out a number of bold proposals as to how they would tackle unemployment, with the key ideas explored below.

Changes to the benefits system

The Conservative Party propose to introduce 'tough but fair' sanctions and time limits meaning that those that do not participate in welfare programmes or accept 'reasonable job offers' will lose their right to claim out of work benefits. If an individual refuses a second 'reasonable job offer', they will lose three months' out of work benefits. Refusing a third 'reasonable job offer' will result in a three year exclusion from receiving out of work benefits. Other ideas include the introduction of mandatory long-term community work as a condition of benefit support for those individuals that have claimed benefit for longer than two out of three years. In terms of the administration of benefits, the Centre for Social Justice has recently published a report⁷,

³ CLES (2003) 'Local Work 51: Local Democracy and Directly Elected Mayors'

⁴ Browne, A., Kemp, R. & Malanga, S. (2009) 'Directly Elected Mayors: Are they appropriate for all major UK cities?', Available at: <http://www.localis.org.uk/images/articles/localis%20mayors%20FINAL.pdf>

⁵ Available at: http://www.conservatives.com/Policy/Where_we_stand/Welfare_and_Pensions.aspx

⁶ Available at: http://www.conservatives.com/Policy/Where_we_stand/Universities_and_Skills.aspx

⁷ Centre for Social Justice (2009) 'Dynamic Benefits: Towards a Benefits System That Works', Available at: <http://www.centreforsocialjustice.org.uk/default.asp?pageRef=266>

described as the Conservative Party's blueprint for welfare reform, which proposes channelling the current 51 possible benefits into two streams: Universal Work Credit and Universal Life Credit.

CLES analysis and comment: It's time to reconnect welfare policy and the economy

The proposal to not pay benefits shows a significant hardening of welfare policy and an attempt to tackle those individuals that 'play the system'. Clearly action needs to be taken to tackle unwillingness to work amongst some benefit claimants and when other approaches have been exhausted, the threat of non-payment may be effective. However, these 'headline grabbing' proposals do appear to be pandering to certain corners of the press. Punishing claimants by taking away their benefits is contentious and potentially quite dangerous. The Conservatives state that 'welfare dependency perpetuates poverty', but what about the *causes* of poverty?

During the Labour Party's time in power we have seen a move towards increasingly punitive measures to tackle worklessness and unemployment. The Welfare Reform Green Paper (2008), for example, set out new demands on the part of the claimant to find work and new rules have been developed meaning lone parents of older children will be required to seek work. CLES has followed welfare reform in the UK with interest⁸, particularly the way in which welfare reform in the UK has shifted towards a system based on workfare principles; the system where able-bodied unemployed, in return for welfare payments, are required to undertake training and community-based volunteering or work. Developed by right-wing economists in the USA, this approach has had some international success. However, research by the Centre for Regional and Economic Social Research⁹ for the Department for Work and Pensions has found that a workfare approach is least effective for people with multiple barriers to work who may find it difficult to meet the obligations required, and therefore are vulnerable to losing their benefits leaving individuals with no income. Moreover, the research finds that workfare is also least effective in getting people into jobs in weak labour markets where unemployment is high, as is the case in the many parts of the UK at present.

In proposing that individuals be excluded from receiving benefits if they refuse three 'reasonable job offers', the Conservative Party appear to be taking this punitive approach even further. CLES has concerns that this approach contradicts the role of government to protect the disadvantaged and may lead to a section of society that was previously supported under the welfare system 'falling through the net'. Moreover, there is a lack of clarity in the proposals that needs to be remedied, namely:

- What constitutes a 'reasonable job offer'? Will it take factors such as the local transport infrastructure and caring responsibilities into account? Are employment agency positions – that might only last a day or a week – classified as reasonable employment positions? It is disappointing to see that the Conservative Party have failed to take this opportunity to address the issue of employment agencies and short term work. Such positions may be deemed a 'reasonable job offer', but in fact, from CLES' consultancy activity we have witnessed how short term work with agencies offers the individual very little security and can undermine individuals' motivation to work.
- How can the proposal to stop benefits for three years work in practice? What impact would the retraction of Jobseeker's Allowance have on factors such as poverty, deprivation, crime rates and social order?

CLES is uneasy with the punitive tone that is weaved throughout the Conservatives' proposals. More fundamentally, CLES believes that there is a disconnection between the welfare system and the economic destiny of local places. Only when this is resolved will the present, or any future government, be successful in reducing levels of worklessness and unemployment, and

⁸ CLES (2008) 'The Welfare Reform Green Paper and the shift towards workfare'

⁹ CRESR (2008) 'A comparative review of workfare programmes in the United States, Canada and Australia', Available at: <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep533.pdf>

consequently reducing poverty and inequality in the UK. Published earlier in the year by CLES, *Making it work: Analysing different ways to tackling worklessness*¹⁰, argued that to be successful, worklessness interventions must link with the local economy. Research by the New Local Government Network¹¹ has highlighted the importance of employer engagement to ensure that worklessness approaches are both effective and responsive to the local context, and recognising that labour market patterns vary by region and locality. In light of this, it is intriguing to hear ideas from Essex County Council where its Conservative leader, Lord Hanningham, proposes that councils be given powers to set eligibility criteria and payment rates for all working-age benefits within the county, including income support, Jobseeker's Allowance and employment support allowance¹². These are interesting ideas and CLES would welcome an approach that is responsive to the local economy.

Increased reliance on third party providers

In their proposals, the Conservative Party state that the task of delivering programmes will be contracted to third party providers in the private and voluntary sectors, and to local authorities with relevant experience. These providers would, under a Conservative government, be paid when they successfully got people into work. The Conservatives also propose that an initial assessment would categorise each person looking for work with graded levels of difficulty associated with placing them in work. This assessment would also determine how much a welfare-to-work provider is paid when a particular claimant is found a job; with greater payments for those that are more difficult to place.

CLES analysis and comment: Third sector delivery should not be a substitute for effective public sector delivery

CLES would welcome a system that provides payment to providers by results, graded by the client's need. Many providers currently focus on easier to help claimants, such as Jobseeker's Allowance claimants and put little additional or bespoke provision in place in terms of actively targeting Incapacity Benefit, and particularly long term, claimants. However, it remains unclear to what extent this categorisation process will take into account personal and lifestyle issues, such as a claimant's housing situation or drug and alcohol dependency.

For this approach to be a success, CLES argues that a Conservative government would need to ensure that contract design allows locally trusted providers to competitively bid for contracts, as opposed to privileging large national providers. CLES believe that the third sector can play a highly significant role in tackling worklessness, particularly at the client engagement end of the progression model where trust and a 'familiar face' and brand are often very important. There may also be a need to build capacity in the third sector, and indeed within front line public sector services, if it is to reach its potential in terms of tackling worklessness. However, whilst the third sector undoubtedly plays an important and often effective role in supporting individuals into employment, this should not be a substitute for public service delivery. A demand on the third sector to become increasingly 'professional' in terms of tendering for public service contracts may serve to detract from the third sector's campaigning role and dampen the sector's potential to act as a facet of civil society.

Skills and post employment support

A key facet of Conservative proposals around skills is the expansion of workplace apprenticeships. To achieve this, they propose making it easier for companies to run apprenticeships by simplifying inspection regimes and introducing direct payment to participating employers. To support small or medium-sized enterprises (SMEs) to offer apprenticeships, the Conservatives propose a £2,000 bonus for this type of business. A £60 million Business Skills Development Fund to promote non-apprenticeship skills would also be introduced. As well as enhancing apprenticeships, the Conservatives propose a £100 million fund to tackle young people that are not in education, employment or training (NEET). Moreover, a £100 million Community Learning

¹⁰ CLES (2009) 'Making it work: Analysing different ways to tackling worklessness', Available at: <http://www.cles.org.uk/files/103791/FileName/Makingitwork%28web%29.pdf>

¹¹ NLGN (2008) 'The Local Journey to Work: localism, welfare and worklessness'

¹² Guardian, 4th August 2009, 'Tory leaders plan 10% spending cuts and benefits set out by councils', Available at: <http://www.guardian.co.uk/politics/2009/aug/04/conservatives-localgovernment>

Fund would be introduced to help people update or learn new skills. The Conservatives also state that post employment support, in the form of mentoring for example, would be a key element of the 'tailored support' that they see as necessary for keeping people in employment.

CLES analysis and comment: The Conservatives' skills policy, more of the same?

The proposals set out in the Conservatives' policy paper do not mark a significant shift in the way skills are nurtured in the UK. It is unsurprising to see a continuation of the apprenticeship model, considering it was first formally introduced, as the 'Modern Apprenticeship', by a Conservative government in 1994. It is encouraging to see proposals for a £100 million fund to reduce the number of NEETs in the UK. However, how a Conservative government would go about delivering this fund remains unclear.

The proposal to increase the focus on post employment support is a welcome development. The Conservatives are right to conclude that such support has been missing from mainstream service delivery to help with the challenges that face individuals who move into employment; from dealing with the changes from benefit payments to waged income, to 'getting to grips' with the various protocols of the work place.

Whilst the proposed funding for skills development is impressive, it is disappointing to see that how the skills agenda relates to welfare reform is not fully explored. The Conservatives recognise that the 'sixteen hour rule' can prevent people from undertaking training in order to enter employment, however they have not gone into any detail at this stage as to how they will reform this. As it stands, if individuals are in education for longer than sixteen hours a week they are considered as being in full time education. Therefore, they are deemed as being unable to work and not eligible for Jobseeker's Allowance. This means that many claimants simply cannot afford to retrain.

THEME 3: DECENTRALISATION OF ENERGY

Key policy document:

- *'Power to the people: The decentralised energy revolution'*¹³
- *'The low carbon economy' – security, stability and green growth*¹⁴

Reducing carbon emissions and being prepared to deal with the negative effects of a changing climate are amongst the most significant challenges facing the UK today. Traditionally, concern with tackling environmental challenges such as these has mainly been associated with left wing political parties. Right-leaning parties, such as the Conservatives, have tended to prioritise economic growth over the environment, with the view that the market would 'lead the way' in finding scientific and technological solutions to climate change. However, the Party's recently published policy papers mark a greater and more pro-active engagement with this agenda. The key principle of their approach is the decentralisation of energy production in the UK.

Changing the architecture of Britain's electricity supply

The Conservatives argue for a radically decentralised electricity system in order to both dramatically reduce carbon emissions and to create an entrepreneurial and competitive low carbon economy. Echoing the Party's vision of decentralising political power, as outlined above, the Conservatives propose that energy production be decentralised to the local level also. They suggest that this can be achieved in two ways:

- **Large-scale decentralised energy generation:** Refers to methods of energy generation that are big enough to generate electricity (and in some cases heat) for whole housing developments, large factories, large office blocks, large retail outlets, universities and large

¹³ Available at: http://www.conservatives.com/Policy/Where_we_stand/Environment.aspx

¹⁴ Available at: http://www.conservatives.com/Policy/Where_we_stand/Energy.aspx

public buildings. The Conservatives propose giving businesses the incentive to meet their own electricity needs through large-scale decentralised energy generation.

- **Micro-generation:** The Conservatives aspire to enable every small business, local school, local hospital and household in the country to generate electricity. This means generating at the point of use part, and in some cases all, of the electricity needed. The Conservative Party contest that micro-generation would provide new opportunities for small businesses and communities.

To achieve the integration of micro-generation, the Conservatives propose to introduce a system of feed-in tariffs which will provide a fixed price for the electricity produced from decentralised, low-carbon energy sources. These feed-in tariffs will make it attractive for households to seriously consider micro generation to offset their household's energy bills.

The feed-in tariffs will also allow the Conservatives to enter discussions with the financial sector to promote the development of long-term fixed rate lending for micro-generation projects. This would mean the loan would be paid back through the guaranteed savings that are made from energy savings and therefore would not require the household owner to commit any finance towards the installation.

CLES analysis and comment: Decentralising electricity generation

The current, outdated electricity system is inefficient with two-thirds of the energy in the fuel used wasted before it gets used at homes and workplaces. The huge loss of energy, enough to heat all the buildings and all the water in the UK, occurs through the UK's large power stations which discard an enormous amount of heat through chimneys, while more power is lost transporting the energy long distances through power lines. The Conservative Party's proposals around changing the architecture of Britain's electricity supply are exciting and CLES is pleased to see a major political party taking this issue seriously; however, developing a green economy is not a new idea and there will need to be serious public financial support to make it a success.

The Conservative's ideas around micro-generation are particularly interesting, and if successful, could offer new skills and jobs in Britain. Moreover, in encouraging a sense of ownership over energy generation projects, such an approach may help to overcome the 'nimbyism' that can be a barrier to developing renewable energy sources.

Utilising the security of long term feed-in tariffs (since this paper came out, Labour's Energy Act 2008 provided powers to introduce Feed-in Tariffs (FITs). Labour has said they are committed to having FITs in place by April 2010) to finance the installation and to cover future payments of a loan to pay for micro-generation infrastructure is a clever use of capital. These guaranteed long term tariffs will provide financial institutions with the security they would need to develop long term financing mechanisms that would allow the development of comprehensive and simple commercial financing packages for the installation of micro-generators.

However, these models are unlikely to be applicable everywhere. Communities with high levels of deprivation or crime, for example, may struggle to develop the enthusiasm for environmental initiatives. Indeed, individuals living in fuel poverty are perhaps unlikely to want to spend their own money on buying micro-generators. The Conservative Party therefore, need to say more about how they will make these ideas accessible to people that are on low incomes.

CLES would also like to see more on how the Conservatives intend to encourage communities to reduce the amount of electricity they use. While new renewable energy infrastructure is developed, there will still be a need for the country as a whole to decrease the amount of energy it currently uses.

Adjusting the planning system to encourage micro-generation

To realise the Conservatives' ambitions around micro-generation, they argue that planning rules and processes would have to change. They propose allowing the installation of micro-generators to be 'permitted development' in non-listed properties, meaning that owners of such appliances

would not have to seek full planning approval before installation. The Conservatives also propose adapting the rules with regard to listed properties, so that planning permission is presumed where the micro-generation equipment does not infringe on a building's aesthetic quality.

CLES analysis and comment: Easier micro-generation integration

Like a number of other policies within the Conservatives policy papers, this one has also already been introduced by the Labour Government. On 6 April 2008 micro-generation technologies became permitted development which means householders will be able to take up micro-generation, within sensible limits, without having to apply for planning permission.

It is encouraging to see both major parties acknowledging that making micro generation easier to install is important. With 26 million homes in the UK, the domestic building stock is responsible for around a quarter of all carbon emissions in the UK. Getting rid of red tape which could potentially deter people from engaging with this type of renewable energy will play an important part in helping the UK to meet its CO₂ emission targets.

Expansion of a low carbon economy

The Conservatives argue in their publication, *'Reconstruction: Plan for a strong economy'*¹⁵, that creating a more balanced economy will make for a more resilient economy. This includes a step-change in the incentives for new green technology development to encourage green energy investment and green collar jobs. To achieve this, the Conservatives propose a new Green Environmental Market; the world's first trading scheme for green technology companies.

CLES analysis and comment: Green 'Stock Exchange'

It is encouraging to see that the Conservative Party recognise the opportunities that a move to a low carbon economy may hold for the UK. Providing a specific 'stock exchange' for green companies will allow companies to attract new financial investment to take forward the innovative solutions to climate change they may have developed. New areas of 'green' industry are likely to emerge, particularly around renewable energy production, leading to both high and low skilled employment opportunities.

THEME 4: FINANCIAL EXCLUSION

Key policy document:

- *'Reconstruction – Plan for a strong economy'*¹⁶

The current global recession has been acutely felt here in the UK, from crisis in the housing market to perilously high levels of unemployment. The recession has also led to greater scrutiny of the banking systems and financing mechanisms that, it is argued, have contributed towards the current economic situation. It is with this backdrop in mind that the Conservative Party has published their ideas on reconstructing and strengthening the UK economy.

Tackling financial exclusion

The recession has exacerbated the financial exclusion of many individuals and families. To tackle this, the Conservatives set out a number of proposals that aim to help families, employees, and to improve the housing market. To help families, the Party proposes reforming Post Office Accounts to enable families without bank accounts to benefit from the lower energy and water tariffs offered to customers who pay by direct debit. To tackle personal debts, the Conservatives propose a free national financial advice service funded by the financial services sector, a crackdown on store cards, clearer information for credit card users and more competition in the home credit market.

¹⁵ Available at: http://www.conservatives.com/Policy/Where_we_stand/Economy.aspx

¹⁶ Available at: http://www.conservatives.com/Policy/Where_we_stand/Economy.aspx

The Conservatives also suggest a new procedure to give good companies and their creditors 'breathing space' to rescue their business to help prevent liquidation and subsequent job losses. Finally, proposals to improve the housing market include raising the stamp duty threshold for first time buyers to £250,000 and by abolishing the unpopular Home Information Packs.

CLES analysis and comment: Eliminating the 'Poverty Premium'

Financial exclusion is a serious problem within the UK. There are two million people that do not have a bank account; the poorest in society spend around four times more of their money repaying loans than affluent people and poor households pay an estimated £1,000 extra per year for basic essential services like electricity, financial services and telecommunications. Recent research by CLES into low incomes, worklessness and poverty in Oldham identified some of the problems financial exclusion brings. Residents were forced to take loans from doorstep lenders or payday loans, both which charge much higher rates of interest, due to the lack of reasonable alternatives. These loans were often taken to pay back other loans. Households with pre-pay fuel meters, which charge more for energy consumption than accounts with access to direct debit facilities, ended up not using heating during the winter as they could not afford it. The last point to come from the study was the lack of financial education residents had, leaving them unaware of the choices or initiatives available to them.

While the Conservatives have recognised this dilemma, they do not seem to have developed any real innovative policies for tackling this problem. The Labour Government has launched a number of initiatives aimed at tackling financial exclusion producing a financial inclusion strategy, a financial inclusion action plan and the introduction of basic bank accounts but financial exclusion still remains problematic. The Conservatives proposed free national financial advice service will offer services that are already being offered by a number of organisations including the Citizen's Advice Bureau. The proposed £50m a year they are hoping to generate from a new social responsibility levy on the financial services sector would be better spent strengthening financial infrastructure such as credit unions which can make a real impact against financial exclusion. Along with the cap on 'excessive' store card interest and supporting an increase in competition in the home credit market, the proposed schemes are unlikely to have any major impact.

CLES believes that great inequality is the scourge of modern societies. Recent work by the equality trust¹⁷ shows that large income inequalities within societies damage the social fabric and the quality of life for everyone. To make a real difference the Conservatives would need to develop policies that readdress the differences between the rich and the poor and encourage a more equal society. A first step would be to consider adopting a Community Reinvestment Act similar to the one in the USA. This would guarantee the financial services sector had a duty to deal with all members of society equally.

THEME 5: THE THIRD SECTOR

Key policy document:

- *'A stronger society: Voluntary action in the 21st century'*¹⁸

During the Labour Party's time in government we have witnessed significant activity around promoting the role of the voluntary and community sector in the UK. According to the Conservative Party, we need to reconceptualise the voluntary and community sector as 'the first sector', as opposed to 'the third sector'. In order to achieve this vision, the Conservative Party puts forward the following policy ideas.

Changes to the way in which the sector is funded

In the last decade we have seen significant changes to the way in which central and local government engages with the third sector, perhaps most notably the change from third sector organisations as receivers of grants to deliverers of public services. In contrast, the Conservative

¹⁷ Available at <http://www.equalitytrust.org.uk/>

¹⁸ Available at: http://www.conservatives.com/Policy/Where_we_stand/Voluntary_Sector.aspx

Party asserts that, if they came into power, they would sustain grant funding, using contracts only where there is a clear justification. They also outline a proposal to replace the Big Lottery Fund with 'Voluntary Action Lottery', with the aim of separating its activity from government, and the creation of an 'Office for Civil Society'. Finally, as noted earlier in this briefing, the Conservative Party propose reduced ring-fencing of local authority funds, potentially providing an opportunity for local authorities to support the local third sector.

CLES analysis and comment: Return to grants-based approach welcome

CLES would argue that any future policy needs to appreciate and maintain the distinctive capabilities of third sector bodies. Whilst the move towards contract delivery may have encouraged sustainability and raised capacity in the sector, there is also a risk that efforts to professionalise third sector organisations may undermine their *raison d'être* and stifle the sector's potential to promote community activism. Furthermore, negotiating service delivery contracts can be a slow process and therefore do not have the immediate effect of grants. As such, CLES cautiously welcomes the Conservative Party's proposals to return to a grant based approach. However, it is worrying that there are no commitments to provide extra resources to the sector. Whilst CLES would argue that the third sector can often function very effectively when left to its own devices, this does not mean that the sector should not continue to be supported financially by the government. More fundamentally, CLES wants any future government to see third sector grants not as 'handouts', but as investments in civil society, and to truly value the social and economic return of such investments.

Promoting volunteerism

The Conservative Party highlights that more needs to be done to promote volunteering in the UK. To achieve this, the Conservatives propose directing funding to grass roots voluntary organisations, as opposed to establishing quangos. The Conservative Party also claim that, if they get into government, they would clarify the rules around voluntary work and claiming benefits.

CLES analysis and comment: The need to recognise the inherent benefits of volunteerism

It is encouraging to see that a Conservative Government would clarify the rules around volunteering whilst claiming benefit. Voluntary work can play an important role in re-introducing people into the labour market and as there are no barriers around volunteering and claiming benefits it is important this is communicated to claimants. Whilst CLES recognises the relationship between volunteerism and work, CLES believes that volunteerism, as an act of active citizenship, has inherent benefits for both individuals and wider society.

CONCLUSIONS

The series of policy papers released by the Conservatives have provided the country with an insight into the potential strategies the Party would introduce across the public realm should they be elected into power. The two key underpinning principles linking all these different areas of policy together seems to be the Party's intention to move towards a more devolved system of governance and to reduce costs so that the public sector is less of a burden on the country's finances.

Devolution

Throughout the various policy papers there are strong references to passing more responsibility and powers down to the local level. The devolution of power can be seen in their thinking around local government policy right through to their visions for the future of energy generation. Clever financial packages designed to encourage and stimulate economic growth within local authorities have the potential to provide local government with a certain level of financial autonomy while the rhetoric around regional structures suggests that the Regional Development Agencies will cease to exist and many of the agencies powers will be passed down to local authorities.

Nevertheless there are still unanswered questions around which spatial level the Conservatives believe to be the right one for economic development delivery. Although the Conservatives are clear about their policies for regional government it is unclear which level of government they believe to be the most appropriate scale at which to deliver strategic economic development. Within the papers there are no references made to whether they believe the sub-regional or local level is the most appropriate. Multi Area Agreements (MAAs), which have been successful in bringing together groups of local authorities to think strategically about economic development investment at a sub regional level, have not featured in any of the papers and there has been no clarification on whether they will continue under a Conservative government.

Public spend

The Conservatives have also clearly set their stall around spending plans. The new proposals throughout the policy papers will be funded by the realignment of existing spend and savings made from cutting down the cost of the public sector to the public purse. The language used makes sure readers understand there will be no additional spend. David Cameron recently said the Conservatives will cut Labour's spending plans for the next financial year and have promised to reduce the fiscal deficit at a faster rate than Labour. The Tory leader also indicated that, if elected, he would introduce a tough spending round soon after victory.

*"Unlike any previous politicians in opposition, including the Conservatives in the 1970s, we have taken the bold step of telling the British people very clearly ... public spending will be cut. Not reduced in growth, not frozen – but cut."*¹⁹

What is not clear is how the Conservatives intend to make the cuts promised and whether these will come from reducing capital to front line delivery projects. The Conservatives have abandoned their commitment to match Labour's spending plans but have only confirmed two spending commitments: to increase NHS spending in line with inflation and to meet the UN target to spend 0.7% of GNI on overseas aid by 2013.

The future

The strong rhetoric around devolution and the rebalancing of power between central and local government is welcome. CLES always supports debate on new policy and ideas and the Conservatives have developed some interesting proposals to help push the agenda forward. These policy papers, while lacking a considerable amount of detail for most of the policies suggested, have outlined a clear shift in the Party's thinking. There is an acknowledgement that social injustice is a problem and has been brought about by a failing society.

However, the bigger fundamental challenge for the Conservative party is that their policies fail to address, as previous governments before them, how to truly integrate the fundamentals of future growth within environmental limits to create an economy that works towards social progression. While they have developed policies that look at each of these subjects separately there does not seem to have been any thought to how sustainable economic development - linking economic growth to greater social justice within acceptable environmental boundaries - should be carried out to create a fairer, more resilient national economy.

Briefing is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Bulletin and Rapid Research on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

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¹⁹ Guardian, 8th September 2009, 'Government Spending: Tories launch battle of the cuts', Available at: <http://www.guardian.co.uk/politics/2009/sep/08/taxandspending-davidcameron>