



Centre for Local
Economic Strategies

bulletin

Towards private sector growth

Number: 87

Authors: Clare Goff, Deputy Editor of New Start, claregoff@cles.org.uk 0161 236 7036

Introduction

Since it came into power, the Coalition Government has been focused on shifting greater responsibility for the economy onto the shoulders of the private sector. Private sector job creation is at the heart of its faltering economic recovery and private businesses are driving the agenda at the new Local Enterprise Partnerships (LEPs). Through Neighbourhood Plans, Enterprise Zones, and a flurry of other policy measures, the role of businesses in shaping the areas in which they operate is set to rise. In this Bulletin, CLES set out the main ways in which private sector engagement in growth and development can increase, and proposes some steps forward to ensure an increase in private sector involvement that will lead to better places for all.

Key policy shifts: Growth and business

The White Paper '*Local growth, realising every place's potential*'¹ was published in 2010 and set out the Coalition Government's vision for a future economy that is:

- more balanced;
- not so dependent on a narrow range of economic sectors;
- driven by private sector growth;
- environmentally sustainable.

The White Paper criticised previous policy for being driven by centrally defined targets, and is an attempt to shift power/responsibility from the centre and support the localism agenda through LEPs and the transition from Regional Development Agencies (RDAs). The White Paper introduced new powers, along with expressing support for a range of new incentives and initiatives, including a new homes bonus and tax increment financing.

The Local Growth White Paper set out plans for the Regional Growth Fund – £1.4 billion of focused investment, with the aim of helping the Government address market failure by stimulating enterprise and private sector growth/jobs creation, in supporting those areas currently dependent on public sector economies.

The primary emphasis of the Government's approach to economic growth is through supporting private sector business to develop and grow. The focus is therefore upon putting in place the conditions to enable enterprise to develop and flourish (e.g. through Enterprise Zones) and in reducing the bureaucracy associated with business development (e.g. business rates).

Equally important for the Coalition Government has been the enhanced role of business in the stewardship and development of localities. LEPs have emerged as the key vehicle for facilitating this engagement, often through the auspices of the Chambers of Commerce.

¹ *Local growth, realising every place's potential* <http://www.bis.gov.uk/policies/economic-development/local-growth-white-paper>

Planning and business

The Localism Bill², now at committee stage, paves the way for communities to have a greater say in the development of their local areas. Published in December 2010, the broad thrust of the Bill is to *'shift power from central government back into the hands of individuals, communities and councils'*. It gives new freedoms to local government and new rights and powers to local communities, including Community Right to Buy and Right to Challenge. It proposes reforms to the planning system, making it clearer, more effective and more democratic. Regional strategies are abolished and replaced with Neighbourhood Plans.

Neighbourhood Plans will place greater powers for local development in the hands of local people, allowing communities to put forward proposals for the development and use of land in their locality through town and parish council or, in areas where there are no town or parish councils, through community groups established into neighbourhood forums. Neighbourhood Development Orders allow automatic planning permission for new buildings that are given the go ahead by local forums.

The first draft of the Bill contained no specific mention of business, but subsequent amendments open up membership of neighbourhood forums to businesses with links in the area. Neighbourhood Plans can now be proposed for the purpose of *'promoting the carrying on of trades, professions or other businesses in such an area'* and membership is open to individuals and businesses who work in the area. In the Department for Business Innovation and Skills' Plan for Growth³ a requirement is set out for communities involved in Neighbourhood Plans to consult and engage with business.

Towards a more socially responsible private sector

For many companies involved in regeneration, the new emphasis on localism and private sector responsibility offers them a chance to show off what they have been doing for many years.

Business engagement with communities has long been a part of their day-to-day business. Mike Spicer, Senior Policy Advisor at the British Chambers of Commerce, comments that the civic minded local businesses it represents throughout Britain have been *'doing Big Society for hundred of years'*, often below the radar. For business, the new arena offers a chance to deepen their engagement with communities and many are already moving in that direction. British Land, a property investor and developer, recently launched a Community Charter⁴ which enshrines its duties and responsibilities towards the local areas in which it operates, responsibilities it has upheld for many years. The company's Community Charter, published this July, includes a commitment to build relationships with communities from the moment it acquires properties to support the training, employment and education of local people, with the aim of buying services from local suppliers.

As the localism agenda rolls out, developers and other local businesses will be well placed to become more heavily involved in shaping local areas through Neighbourhood Plans and involvement in LEPs. As businesses learn to work more closely with city partners, local authorities are learning to be more responsive to private sector investment.

The key areas in which business will play a role in local areas are:

Greater involvement in neighbourhood planning

Business Improvement Districts (BIDs) have proven the benefits of business led partnerships in improving local commercial areas. The new Neighbourhood Plans will expand the level of business involvement in local areas and offer an opportunity for a more partnership based approach to local development. Businesses can either lead a Neighbourhood Plan themselves or be represented in local plans through the neighbourhood forum.

The Government has chosen 126 communities to be frontrunners for testing out the principles of neighbourhood planning; eight of these areas are business led. One of those designated as a frontrunner is the Bankside BID, which operates in a mixed residential and business area. Its progress will offer lessons in how business led Neighbourhood Plans could work on the ground.

² Localism Bill <http://www.communities.gov.uk/localgovernment/decentralisation/localismbill/>

³ BIS plan for growth <http://www.bis.gov.uk/policies/growth/the-plan-for-growth>

⁴ British Land's Community Charter www.britishland.com/files/pdf/responsibility/community_charter.pdf

Involvement in Local Enterprise Partnerships

Private sector led LEPs are settling into their new roles in communities, designating Enterprise Zones and being strategic influencers on the ground. The LEPs provide the local level with an opportunity to create a successful partnership structure that has the accountability and buy-in from partners to take on meaningful responsibilities. However, questions remain over how successful LEPs can be, particularly with few resources to enable them to see through plans for local development and growth. There are fears that private sector partners will begin to disengage once the limits of available funding are reached.

Sustainable localised procurement

In times of economic change and fiscal restraint, the power of procurement becomes even more important; we need to ensure that every pound spent procuring goods and services reap maximum value and benefit. The term 'progressive procurement' is therefore an important one; procurement needs to move beyond the restraints of bureaucracy and red tape, and become one of the core functions which shape the local economic future of our places.

In a time of fiscal austerity, the whole process of procurement needs to change. We need to:

- consider the sustainable procurement of goods and services, receptive to the environment and mitigating climate change;
- take into account the value and knock-on effects of procurement to local economies and the functioning of place;
- consider the role of procurement policy and spending in tackling social ills, such as worklessness and deprivation.

New funds for community development

The Community Infrastructure Levy was introduced in April 2010 and allows local authorities to raise funds from developers who are undertaking building projects in their local area. The money can then be used to pay for a wide range of local infrastructure, from transport schemes to leisure facilities and green spaces. The levy updates Section 106 legislation and allows for greater transparency and certainty in the planning process. The Community Infrastructure Levy can be applied to the vast majority of developments and thus is not just applicable to high growth areas. The levy is one of a number of incentives to councils to help them speed up and incentivise local development, including the New Homes Bonus and Tax Increment Funding.

Localised business rates

The Local Government Resource Review⁵ sets out proposals for the retention of local business rates. It states that '*enabling local authorities to retain a significant proportion of the business rates generated in their area will provide a strong financial incentive for them to promote local economic growth.*'

Localisation of business rates will give local authorities greater incentive to promote the conditions that will lead to economic growth in their localities. There are also plans for greater flexibility for councils to grant business rate discounts. Business rates that are more focused on local needs will lead to more localised economies and a greater partnership between the public and private sector.

Next steps: A checklist for private sector led involvement in local economic development

Promoting a partnership based approach

Private sector involvement in local development should promote growth within the limits of environmental and social justice. A partnership based approach to development – with the private sector working alongside its social and public partners – will ensure that growth benefits the whole community and helps move towards place resilience. LEPs and Neighbourhood Plans should be collaborations between the public, commercial and social economies.

Engaging with supply chains

Local economies can be strengthened through engagement with procurement channels and supply chains.

⁵ Local Government Resource Review

Work conducted by CLES with Manchester City Council⁶ helped the Council ensure its supply chain worked hard for its local economy. The decisions made around procurement policy and spending have the potential to influence local challenges on a number of fronts, and all local businesses and organisations have a responsibility to put progressive procurement policies in place.

Progressive procurement policies which are receptive to, and considerate of, local economic, social and environmental benefits can have a number of advantages for local economies, most particularly in building and sustaining local job opportunities and strengthening local economies.

Ensuring support for local apprenticeships and skills

Alongside supply chain engagement, local businesses can play a key role in local employment by ensuring their employment strategy is focused on helping improve the employment prospects and skills of local people. Manchester People into Construction is a region wide, partnership based approach, initiated by Manchester City Council. The scheme took a partnership based approach from the start, with links to local colleges and skills services, as well as the construction partners themselves; and has seen 200 young apprentices go through the scheme, with many now in full-time employment.

Moving to the next phase of Corporate Social Responsibility

Inter-connectedness is at the heart of a new approach to Corporate Social Responsibility, tagged CSR 2.0. Wayne Visser, author of a new book '*The age of responsibility*' states that the first phase of CSR has failed, citing Enron's position at the top of the social responsibility charts just weeks before the scandal that led to its collapse. While CSR 1.0 was about add-ons to core business, with sparkling case studies, CSR 'departments' and 'activities', the new phase will see responsibility far more deeply embedded within companies. Visser wants the 'old CSR' to be allowed to die gracefully and to give way to a new era which will be defined by five criteria: connectedness; scalability; responsiveness; duality; and circularity. The philanthropic approach, defined by charitable programmes, comes in for criticism and is at stage two of his five stages of CSR; rather businesses should move towards stage five of his CSR pyramid. Here, responsibility is embedded within the business model itself and companies are focused on customers and regulators rather than shareholders. The core business becomes identifying, tackling the root causes of unsustainability and creating products and services to address those causes.

Final thoughts

A new era of regeneration is emerging; one defined by less money and fewer programmes, but where the top-down approach of the previous era will be replaced by a bottom-up approach. The private sector is being called on to lead the country back to growth, but with few resources or support to do so. Alongside this, Corporate Social Responsibility is moving into a new phase, defined by stronger partnerships with stakeholders, and a deeper engagement with social and local issues. The opportunities are opening up for business to engage at a deeper level with local communities and social issues, but business alone is not enough to transform deprived local areas. Rather, bold thinking and stronger partnerships between the public, private and social sectors will help communities move towards a more resilient future.

Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is the leading membership organisation in the UK dedicated to economic development, regeneration and local governance. CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start digital magazine, through its new CLES online service, which provides comprehensive analysis and commentary on current policy and good practice.

Centre for Local Economic Strategies & CLES Consulting Express Networks • 1 George Leigh Street • Manchester M4 5DL • tel 0161 236 7036 • fax 0161 236 1891 • info@cles.org.uk • www.cles.org.uk

⁶ *The Power of Procurement*, Centre for Local Economic Strategies <http://www.cles.org.uk/publications/the-power-of-procurement/>