

# Manifesto for local economies

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## **Centre for Local Economic Strategies**

Centre for Local Economic Strategies (CLES) is the UK's leading independent charitable research and member organisation, with a focus on economic development, regeneration and place-making. We think and do – promoting action and implementing new progressive economic activities which create positive environmental, health and social outcomes. In all our work the relationship between place, economy and people is central.

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# FOREWORD

This CLES Manifesto is underpinned by our values and principles and is based on the experience of our work in local economies over the past thirty years.

Top down approaches to local communities come and go. Whitehall always has a solution to hand, from Urban Development Corporations in the 1980s, to Local Enterprise Partnerships today. But the same issues persist which characterised the 1980s and which stimulated our formation – unemployment, poor quality jobs and entrenched poverty.

Trickle-down economics has no more answers for the communities left behind by social and economic change today than it had thirty years ago. We have worked with localities to adopt different approaches to economic development, regeneration and local governance – and approaches which have been successful. This manifesto offers policy solutions based on these experiences which will enable an economy for all, and bring new hope.

Michael Ward

Chair, CLES  
1985-7  
2009-15

# THE CLES ETHOS

## The Manifesto for Local Economies

We need a fundamental shift in the way policy and economic development is designed, legislated for, strategised and delivered. Recent approaches have not delivered strong enough social or local economic outcomes to deal with the issues many individuals and communities face.

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Economic growth is important in stimulating jobs and bolstering the nation's finances, but that growth needs to be twinned with social justice and within the limits of the environment.

Investment in infrastructure and the private economy is vital, but must come with an alleviation of poverty and inequality and the creation of good quality jobs.

And while single actors can deliver activities, places function more effectively where activities are joined up across the public, commercial and social sectors.

Economic development policy should be used as a way to create great places, good lives and a effectively functioning economy. Policy making should create localities which are jobs and skills rich, promote equality of opportunity, enable economic and social inclusion, support good health and where there is a key role for locally delivered public services.

## Recent policy

The election of the Coalition Government in 2010 brought a step change in the way economic development and policy was designed and delivered. Regional Development Agencies (RDAs) and Government Offices were abolished; there was a partial withdrawal of area-based initiatives; and national targets and national indicator sets were reduced.

In its place came new sub-national structures in the form of Local Enterprise Partnerships (LEPs); an emphasis on economic growth and stimulating private sector development through, for example, Enterprise Zones; market-driven approaches to addressing economic challenges such as the Work Programme; and a programme of austerity designed to reduce the national deficit by reforming public services.

Policy making by the current government and its predecessors assumes that if resource goes into a locality or if a place invests in a piece of new infrastructure, then the benefits will inevitably trickle down to local economies, communities and people.

### **Growth needs to be twinned with social justice and within the limits of the environment.**

This assumption is not, on the whole, borne out by reality. Wealth creation has not, in the main, led to equality of opportunity.

We have seen a growth in inequality and poverty and particularly a divide between the 'haves' and 'have-nots'.

We see increasing polarisation between and within places and we have continuing problems around access to good quality employment and ill-health.

# 1: More local control

CLES believes in devolution. However any devolution must be comprehensive and secure a more positive economic and social destiny for localities.

## The challenge

The last 30 years of economic development policy and regeneration activity have seen successes, but broadly failed to end regional and local economic divides and longstanding disparities. There is still an economic gap between London and the rest (London and the South East now account for 36% of total GVA) and that gap is widening.

Since 2010, with a backdrop of austerity and reductions in local authority budgets, government has abolished RDAs and regional Government Offices, who were the previous vehicle for the addressing this divide. They have embarked on a local economic growth agenda, with a particular focus on stimulating growth for the benefit of the country as a whole.

The Scottish independence referendum debate and subsequent Smith Commission have given weight to demands for greater sub-national devolution. In response, government has embarked on exploring new powers for devolved nations and a 'combined authorities' approach in England, in which groups of local authorities are tasked with combining, negotiating, implementing and delivering a devolution agreement with central government.

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The UK is overly centralised and this is curbing the ability of local places to fulfil their economic potential. The devolution genie is 'out of the

bottle'. Although far from universally accepted in Westminster, it's widely acknowledged that devolved decisions about housing, transport, skills and business support are best made by town halls and combinations of local authorities, working with businesses, local communities and local economic bodies (such as LEPs) rather than Whitehall departments. With this comes an acceptance that social needs and demand on public services can be better addressed by co-ordinating spending across local authorities and other agencies.

## What needs to be done?

To address the challenge of centralisation, CLES believes the following needs to happen.

### Create a national constitutional conversation

The present trajectory is one of a growing asymmetry in terms of devolution to some cities, with other areas in danger of being left behind. The focus on cities means we are heading for a patchwork of arrangements and increasing differences between areas in terms of devolved and decentralised powers, resources and freedoms.

However, this local devolution for England does not stand alone. It should be seen as part of a wider debate about further powers to London, Scotland,

Wales and Northern Ireland and alongside debates about English votes for English Laws within the UK parliament. As it stands, the UK

constitutional picture is in flux. There is confusion and uncertainty.

Led by Central Government, but fed through local government, a wider and deeper national conversation must take place. This must include the wider public, commercial, social sectors and citizens. This would:

- Build greater party consensus for constitutional reforms;
- Harness expert opinion;
- Develop a more coherent package of reforms beyond existing piecemeal approaches and asymmetry;
- Generate wider citizen participation.

It would consider a range of broad issues pertinent to further devolution to Scotland, Wales and Northern Ireland, reform of the Barnett formula, English votes on English laws, English regionalism and a federal second chamber.

## **Advance local devolution and implement new legislation**

Interest in local devolution presents a rare opportunity. However, we must beware against a haphazard incrementalism, which could produce an unclear and unsustainable set of arrangements. We must guard against moving from a centralised national economy to a local devolution which is equally divisive and flawed.

While the existing asymmetry around devolution to cities and local government is not ideal, we cannot put the brakes on. Therefore CLES advocates a twin track approach in which the national constitutional conversation sits alongside a new narrative and associated legislation that would:

- *Establish a new constitutional settlement between central and local government*, entrenching and safeguarding the role of local government;
- *Set of clear 'local government first' criteria* – with the balance of authority transferred to local government in terms of additional powers rather than Whitehall;

**We must guard against moving from a centralised national economy to a local devolution which is equally divisive and flawed.**

- *Create place budgets for public services* – with the phased devolution of more powers over transport, housing, employment, education and skills, planning, business support, health and social care, welfare and local energy. This could be developed through extending the remit and scale of community budgets, through 'single pots', from all government departments;
- *Bring in a new deal on local government finance* – allowing central budgets to be planned over a longer time frame;
- *Allow phased implementation of some fiscal powers to local government*. According to the London Finance Commission (2013), only 7% of all tax paid by London residents and businesses is retained by the mayor and boroughs. The figure is even lower in other cities. The legislation should consider and explore possible areas for devolution, including council tax, extension of business rates flexibility, property/land taxes, sales taxes and local income tax;
- *Make it easier for local authorities to present cases for amalgamation/combinations*;
- *Restate and reform the role of central government in redistribution* – This would relate to adjustments of local authorities' block grant which can be raised relative to levels of local deprivation and economic need.

## Local social contracts

Devolution must create a new relationship with local stakeholders. As part of the resulting legislation, local social contracts should be produced in all local authorities. These would:

- Sit as a statutory committee of local government and guarantee the relationship that the local state would have with local citizens, unions, businesses, service providers and the VCS.

# 2: Scale back public sector austerity

Austerity has fettered economic recovery and failed to protect areas in greatest need. The austerity narrative is sterile, with an assumed trade off in which future prosperity is predicated on cuts. We don't accept this. We believe decent public services and fairness work with – and for – prosperity.

## The challenge

The problem today is less about the structural deficit and more about the increase in current borrowing caused by a reduction in tax receipts, sluggish economic recovery and decline in real wages. In 2010 the Chancellor predicted the UK would be running a budget surplus on its current spending of £6bn by 2014/15. He now expects a deficit of £49bn.

Austerity has affected the vitality of local public services. Speedy and deep cuts to public expenditure have led to reductions in service, undermining quality of provision. The full effects of this are only now fully filtering through and will continue to do so in coming years.

**We must recognise that public services play an integral part in economic productivity, local economic health and in sustaining communities.**

The cuts could easily have been postponed until the recovery was assured. Instead, the cuts in 2010 sucked demand out of the economy and created a deeper and longer recession. The Office for Budget responsibility estimates austerity took 1% off economic growth in 2010/11 and 2011/12. The government itself realised this when in 2012, the Chancellor slowed down the deficit reduction programme.

This deep and prolonged period of austerity is damaging the nation's present and future. We must recognise that public services play an integral part in economic productivity, local economic health and in sustaining communities. Real per capita spending on public services will be cut by 23% between 2007/8 and 2018/19. This will reduce spending on public services and administration to its lowest share of GDP since at least 1948.

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Austerity measures are hitting local authorities particularly hard. Spending cuts are resulting in a significant funding gap, which for local government could reach over £12bn by 2019/20. This is not sustainable.

Cuts in spending power and budgeted spend are greater in deprived local authorities than in more affluent ones – a difference of around £100 per head in both England and Scotland. This is likely to exacerbate inequalities. These places are characterised by weak economic bases, high levels of social need and the worst health outcomes. The reductions in spending are only part of the story however, as authorities also have to cope with rising costs and demands.

On present trajectory much of local government will soon be unable to deliver more than just statutory services at a minimum standard. There is serious concern spreading throughout the sector and analysis shows a number of councils are heading towards financial crisis. Statutory services such as adult social care and children's services will increasingly soak up local government resource, at the expense of other discretionary services. But councils will eventually struggle to deliver in these areas too, leading to a crisis in care.

The outlook for the sector is bleak.

## What needs to be done?

To address the challenge of rebalancing, CLES believes the following needs to happen.

### Protect local government services

Debt should be reduced more gradually by investing in public services and thus providing a secure basis for sustainable growth and an increase in tax receipts. We should be protecting local government services alongside drivers of economic growth, including infrastructure and education. Government must now ensure real terms growth in resources to local government.

At present the Overall Settlement Funding Assessment (SFA: core funding) for England will fall by £3.3 billion from £24.1 billion in 2014-15 to £20.8 billion in 2015-16 – a fall of 13.9%<sup>1</sup>.

We recommend that we restore funding to 2014/15 levels for each year of the next parliament, and that an additional 0.5% real terms growth (above inflation<sup>2</sup>) is implemented. This will cost

£1.45bn extra to 2019/20. This represents a total increase in resources to local Government of £4.88bn (£3.3bn + £1.48bn) for the life of next parliament.

This would halt the decline, protect services and give local government a chance to secure reform and innovations in service delivery.

### Rethink balance between taxation and cuts

There are two key elements in a programme of austerity: tax increases and public spending cuts. An 80:20 rule currently exists within government: about 20% of the plan for rebuilding public finances rests on tax rises, while 80% comes from reductions in spending. Corporation and income tax have been lowered and so tax levers have not been a major instrument in implementing austerity.

There should be a fundamental rethink over the balance between progressive taxation and spending. If not we face a future of deepening inequality and increasingly limited services for the most vulnerable. Focusing on progressive tax as a lever in the implementation of austerity will allow public investment in local government services as well as education, health, jobs and welfare stability which, after all, are the foundations for prosperity and private sector wealth.

### Government must now ensure real terms growth in resources to local government.

*CLES' work with UNISON discusses alternative approaches to austerity and recommendations for a more balanced programme.<sup>3</sup>*

<sup>1</sup> Settlement Funding Assessment comprises £9.5 billion of Revenue Support Grant (RSG) and £11.3 billion of Baseline Funding (i.e. the amount assumed to be retained locally under the business rates retention scheme). These figures are sourced from the Department for Communities and Local Government, Final Local Government Finance Assessment, 2015-2016 (<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2015-to-2016>)

<sup>2</sup> The assumption is that inflation will average approximately 1% during this period (it is 0.5% now and may get lower still, but Bank of England forecasts project that it will be around 2% in the next 2 years or so)

<sup>3</sup> Centre for Local Economic Strategies (2014) After austerity: an economic plan for the North West. <http://www.unisonnw.org/wp-content/uploads/2014/09/After-Austerity-Full-Report.pdf>

## Redistribute resource according to social need

We need a fairer funding settlement for places with higher social and economic need. This is about abandoning a wholesale uniform approach to public spending cuts and future resource allocation in favour of one which differentiates needs.

There should be a robust needs-based approach to public service funding that appreciates some localities need more support. This must include a weighting within funding formulas applied across the public sector where the objective is to reduce the gap in outcomes between the most affluent and most deprived places.

*CLES has undertaken a range of work highlighting inequality issues and the need for fairer funding arrangements for those hardest hit. This includes a focus on health inequalities with Public Health England.<sup>4</sup>*

## Assess economic and social impact to any funding change

There is a lack of appreciation around the overall impact of funding cuts on local services. Not enough work has been carried out on modelling how cuts may adversely affect other areas of the public sector, for example cuts in local authority adult social care could lead to bed blocking in hospitals. Government should assess the impact of all austerity related measures on inequalities. This evidence can be used to devise ways of ameliorating adverse consequences both nationally and locally, leading to a fairer and more equitable austerity programme. This should also relate to public service providers at the local level.

*CLES has worked with the TUC to explore the impact of cuts and make recommendations as to how impact assessment can inform austerity.<sup>5</sup>*

**We need a fairer funding settlement for places with higher social and economic need.**

**Government should assess the impact of all austerity related measures on inequalities.**

4 Centre for Local Economic Strategies (2014) Due North: the report of the inquiry of health equity for the North. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2014/10/Due-North-Report-of-the-Inquiry-on-Health-Equity-in-the-North-final.pdf>

5 Centre for Local Economic Strategies (2015) Austerity Uncovered. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2015/01/TUC-Final-Report-Dec14.pdf>

# 3: Alternative local economic policy making

We need an overhaul of local economic policymaking. A broader and deeper focus on social outcomes, alongside economic growth, needs to take place.

## The challenge

We know deep-seated problems of inequality, disadvantage and poverty persist even in times of economic growth. While a recent return to some national economic health has occurred, growth has been geographically and socially skewed and uneven. Longstanding issues of deindustrialisation, worklessness, low skills and underinvestment remain in many areas.

Recent thinking around local economic development is driven by economic growth alone and there's a sense that government has largely abandoned all efforts to rebalance the economy and is letting market forces determine the economic and social landscape. Under this laissez-faire approach, prosperity is shaped by wherever spatial agglomeration is greatest and productivity rewards are highest – namely in London and other major cities. Other places, as a result, are losers and become more reliant on the success of 'super-cities'. This is reflected in the economic development vehicles utilised to create economic growth and jobs, for example LEPs, Enterprise Zones and Regional Growth Fund. Alongside cuts to local government, they have weakened the role of councils' economic development function.

The local economic growth agenda has followed a well-trodden path – it assumes that once investment capital is enticed and landed, the supply chain will benefit and local jobs will be secured. Unfortunately, that pathway

isn't guaranteed or voracious enough. Local growth in that scenario lacks resilience as it does not necessarily come with significant new employment opportunities, the poorest do not always benefit, gains made are sometimes short term, dissipate and lost once sweeteners are gone and a historically weakened local economy does not always have the 'local' supply chains.

**While a recent return to some national economic health has occurred, growth has been geographically and socially skewed and uneven.**

This emphasis on economic growth also presents challenges in relation to low carbon. The relationship between economic growth and low carbon is seemingly incompatible, as traditional approaches focused upon fossil fuels has become a driver of climate change and a nemesis of a low carbon future. Policy needs to think about how the seemingly incompatible relationship between economic growth and addressing social and environmental challenges can be balanced.

## What needs to be done?

To address the challenge, CLES advocates an approach to local prosperity whereby an enabled local state seeks to ensure that all communities enjoy the fruits of any growth. We need to appreciate that spatial imbalances are wasteful and socially destabilising. Economic efficiency is an important policy goal, but for us social equity and fairness is of equal importance. This needs to happen by:

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## Developing 'whole place' economic strategies

To create resilient places, local economic policy must absorb the qualitative aspects of development, accommodating the wide range of connected actors from a range of sectors who play important facilitation and brokerage roles, connecting a wide range of assets and resources. Improving the quality of such relationships is critical.

*CLES has undertaken extensive work exploring the system of place and economic resilience and how it can be improved.<sup>6</sup> CLES has developed an international reputation as a thought leader in this area. In recent years we have developed the CLES Economic Resilience Model, a strategic relationship model for assessing the resilience of places which is particularly focused on the relationships between the commercial, public and social economies.<sup>7</sup>*

## Creating a double dividend for economic and social success

A 'double dividend' strategy embraces the need to focus on developing local communities as an intrinsic and fundamental part of economic success. Rather than local communities, people and society being mere downstream recipients of economic success via trickle down, we should see them as active upstream parts of a system which creates success in the first place. This locally driven growth idea sees social success in the form of more jobs, decent wages and rising living standards, and not just as an end of the line outcome, but also an input. Social success is something which feeds into, sustains and creates a virtuous economy for all.

To achieve this we must have a deliberative set of strategies and policies that support business growth and private gain alongside actions to strengthen the local economic infrastructure and build enduring social and civic institutions.

*CLES has produced work supported by Carnegie UK Trust and published by the Smith Institute which considers this local double dividend in detail.<sup>8</sup>*

**Social success is something which feeds into, sustains and creates a virtuous economy for all.**

<sup>6</sup> Centre for Local Economic Strategies (2010) Productive Local Places: Creating resilient places <http://www.cles.org.uk/wp-content/uploads/2011/01/Resilience-for-web1.pdf>

<sup>7</sup> Centre for Local Economic Strategies (2013) resilience: A guide to delivering resilience review <http://www.cles.org.uk/wp-content/uploads/2014/09/A-guide-to-delivering-a-resilience-review.pdf>

<sup>8</sup> Smith Institute (2015) The local double dividend; securing economic and social success. <http://www.cles.org.uk/wp-content/uploads/2015/01/Double-dividend-v3.pdf>

## Ensuring economic development works within limits of environment

Local economic development needs to refocus activity back onto development rather than just growth. This means that economic strategies should be focused on working within the limits of the environment, rather than simply growth of GVA.

Climate change should be more of a core objective. While there is a significant amount of activity relating to climate change, there remains a distinct challenge for local authorities and their partners to make the connections between economic development and mitigating the effects of climate change as well as ensuring that the local economy is able to capitalise on 'green' economic development.

## Delivering a low carbon future

Places need to think about how their policy choices and decisions, particularly around economic growth, influence a low carbon future. High density development in cities, for example, can bring benefits through connectivity as people will be living closer to their places of work; it enables a zero-carbon design approach to be adopted, including the use of local carbon and environmental goods and services providers in the supply chain; and it provides economies of scale justifications for investment in local energy schemes. Places should be considering low carbon at the various stages of economic intervention: strategy; in the planning process; during procurement; and in delivery.

*CLES has undertaken work with Manchester City Council on defining the low carbon economy and identifying the low carbon benefits of high density development.<sup>9</sup>*

## Creating whole place LEPs

LEPs should not be purely about growth but also get involved in other place based issues such as public service reform. This needs to be combined with guidance on how LEPs consult, the role of those consultees, and guidance on what a transparent LEP should look like. The future of some LEPs, in terms of the geographies they operate in, is up for serious questioning. For instance, LEPs in areas where there are new combined authorities may at best be irrelevant and at worst, be in the way.

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The policy agenda for LEPs needs to shift from an overarching emphasis on business (predominantly large business) being their driver to one that reflects the needs of small business and economic and social growth. LEPs should join up their activities with other stakeholders to ensure a whole place approach, linking public sector reform to economic development.

## Making LEPs more democratic

There are now 39 LEPs covering the whole of England. Initially, government seemed to view them as light touch strategic vehicles. However, their role has developed and their performance has been mixed. In the absence of any standard indicators of performance, progress is difficult to discern. The BIS select committee has indicated the need for clear indicators of performance to enable accountability, monitoring and scrutiny of the use and value of public resources by LEPs.

<sup>9</sup> Centre for Local Economic Strategies (2014) Defining a low carbon economy in Manchester.

## Developing a wider set of LEP performance measures

The performance of LEPs needs to be measured against a wider and more common range of indicators and outcomes, co-produced with government.

A process of evaluation needs to be built into the practice of LEPs as a matter of course. LEPs need to organically improve performance through evaluating what is working effectively and what is not. All investment should also be undertaken using project appraisal methods such as Green Book.

*CLES has conducted extensive work around LEPs<sup>10</sup> including research with the Federation of Small Businesses.<sup>11, 12</sup>*

## Focusing on anchors and local networks for economic progress and social justice

The term 'anchor institutions' is commonly used to refer to organisations which have an important presence in a place, usually through a combination of being large-scale employers, a significant purchaser of goods and services in the locality, controlling large areas of land and having relatively fixed assets. Examples include local authorities, NHS trusts, universities, trade unions, local businesses and housing associations. Places need to utilise the power of anchor institutions more effectively so that they make a greater contribution to local economies.

While the primary objective of anchors may not always be local economic development, their

scale, fixed assets and activities, and links to the local community, mean they are 'sticky capital' on which local development strategies can be based. They should:

- *Advance local supply chains.* In terms of contributing to economic development, anchors can use local suppliers and producers, recruit locally, and support start-up businesses and community organisations. For example, hospitals can support local businesses through purchasing local goods and services, such as food, bed linen and information technology.

## Local government must engage with anchor institutions and align their objectives with goals for employment alongside local social, environmental and economic development.

- *Collaborate more effectively with local government.* It is difficult to imagine how towns and cities can recover without support from these powerful engines. Local government must engage with anchor institutions and align their objectives with goals for employment alongside local social, environmental and economic development. This should involve local government forming an 'anchor network' or encouraging partnerships.

*CLES has worked with a range of locations on the role of anchors in the local economy. This includes work on local authority assets,<sup>13</sup> and in Belfast<sup>14</sup> and Preston.<sup>15</sup>*

10 Centre for Local Economic Strategies (2014), the Local economic Resilience of LEPs <http://www.cles.org.uk/wp-content/uploads/2014/04/Assessing-the-resilience-of-LEPs-final.pdf>

11 Centre for Local Economic Strategies and federation of small business (2014). The future of Local Enterprise Partnerships: the small business perspective <http://newstartmag.co.uk/wp-content/uploads/2014/09/FSB-MAKING-LEPS-SUPPORT-SMALL-BUSINESS-BETTER-Report-SEPT14.pdf>

12 Centre for Local economic Strategies (2013). In Ward, M and Hardy S, Where next for Local Enterprise Partnerships, Smith Institute.

13 Centre for Local Economic Strategies (2013). CLES Findings: Enhancing the value of Local Authority Assets in town centres, <http://www.cles.org.uk/wp-content/uploads/2014/01/CLES-Findings-3-Enhancing-the-value-of-local-authority-assets-in-town-centres.pdf>

14 Centre for Local Economic Strategies (2013). The role of anchors in the Belfast economy (unpublished report)

15 Jackson M, Brown, M., and Whyte, D. (2015) Preston: building a new local economics. <http://newstartmag.co.uk/features/preston-building-new-local-economics/>

## The voluntary and community sector is key to strong local economies

Social networks are important to supporting economic success and the supportive ties between people, groups and local organisations allow knowledge transfer. Furthermore, happiness, health and prosperity all grow when communities and organisations collaborate to support each other, form relationships and work together towards shared goals. These networks can act as the basis upon which economy activity is forged, a conduit for allowing ideas and innovation to flow, and the basis to wellbeing in individuals, making them potentially more productive workers.

## Housing organisations should see social and local economic development as a core social purpose. This includes bringing their development pipeline, asset management and community investment into a more joined up regeneration approach.

Yet these networks are often overlooked in traditional approaches to economic development. The VCS must be an integral part of any economic strategy and subsequent delivery activity, creating a local civil economy.

*CLES has undertaken extensive work with the social sector and the VCS more generally.<sup>16</sup> This includes work on overarching plans for developing the civil economy.<sup>17, 18</sup>*

## Creating a new model of business citizenship – beyond corporate social responsibility

There is a mutual reliance between the private and social sectors to ensure the local economy functions for all. Private businesses rely on an effective workforce and an economy which can support their operations. Communities rely on sustainable employment to provide financial and

personal stability. This reciprocal relationship is of key importance. The following needs to happen:

- *New relations between social organisations and business* - We need to see a move away from corporate social responsibility towards ingrained behavioural change within both businesses and social organisations where social outcomes are not perceived as a 'bolt on'. Cross-sector narratives need to be established and developed – not least around the economic and community benefits of business citizenship.

## Advancing housing organisations as key regenerators of place

Housing providers have a long term, in-built social purpose and community presence and have the potential to influence the lives of some of the most vulnerable in society. Indeed, a growing number of housing associations see social

development as their responsibility – working with local authorities, businesses, the third sector and others to bring about sustainable improvement and create opportunities for the locality as a whole. Many have branched out into wider neighbourhood work, whether it's tackling worklessness, promoting enterprise or supporting health initiatives. Housing organisations should see social and local economic development as a core social purpose. This includes bringing their development pipeline, asset management and community investment into a more joined up regeneration approach.

*CLES has conducted work with a range of housing organisations, notably work with Regenda in Oldham who have a neighbourhood agreement with Oldham Council.*

16 Centre for Local Economic Strategies and Voluntary sector North West (2013) Thriving places: developing the community and voluntary's sector role in local economies and life of places. <http://www.cles.org.uk/wp-content/uploads/2014/01/Thriving-Places-final.pdf>

17 Centre for Local Economic Strategies (2014) a Civil economy for Manchester; a new vision of an economic framework for the city- <https://www.manchestercommunitycentral.org/sites/manchestercommunitycentral.co.uk/files/A%20Civil%20Economy%20for%20Manchester%20%28FINAL%29.pdf>

18 Centre for Local Economic Strategies (2009), Toward a new wave of local economic activism: The future for economic strategies,

# 4: Decent public services

Public services need to be more reflective of the demands of users, based around more effective joined up working, and bringing a raft of wider economic, social and environmental benefits.

## The challenge

The Coalition Government's austerity has seen a scaling back of revenue budgets of local authorities and other local public service providers in order to open up the market to other forms of what is perceived to be more efficient delivery. Cuts to provision around welfare, adult social care and children's services have inevitably led to increases in demand.

The same thinking has been applied to local authority procurement teams. Often quoting European procurement law as a barrier, procurement decisions tend to be made on the basis of cost and making efficiencies rather than considering the potential quality of goods and services and the wider benefit they can bring to a local economy.

This emphasis on efficiency has had a number of consequences. Provision has been one-dimensional, has stifled innovation and the benefits derived from joining up provision and leads to duplication. Also, delivery is determined by the provider, reducing the input of the user. This leads to provider rather than people based public services. Procurers have often been slow to adapt to ensure public service provision prevents need in the first place, with cuts implemented without clear evidence of impact.

**Central government procurement should be subject to the principles of the Social Value Act so it can lead by example.**

## What needs to be done?

To address these challenges and reform public services so that they are more effective, the following needs to happen:

### Promote a real social value

The Public Services (Social Value) Act has required local public service providers to consider economic, social and environmental value in some of their procurement decisions. This has led to changes in the behaviour of procurers, in some instances.

There needs to be a new narrative around social value and procurement. Firstly, central government procurement should be subject to the principles of the Social Value Act so it can lead by example. Secondly, considerations around social value need to be embedded far earlier in the service design process. Thirdly, social value should not just apply to service contracts; it needs to be part of every procurement choice.

*CLES has produced a framework for how economic, social and environmental benefits can be considered at various stages of the commissioning and procurement cycle.<sup>19</sup> This has been utilised by Cheshire West and Chester Council<sup>20</sup> to make its processes more reflective of wider benefits.*

19 Centre for Local Economic Strategies (2013) Responding to the Public Services (Social Value) Act 2012. CLES Bulletin 95: <http://www.cles.org.uk/publications/public-services-social-value-act/>

20 Centre for Local Economic Strategies (2013) Maximising benefit through progressive procurement: the policy and practice of Cheshire West and Chester Council. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2015/02/Progressive-Procurement.pdf>

## Advance 'total place' based approach to public services

Collaborative public service provision can deliver more effective and efficient public services. Providers around health and employment, for example, need to work more collaboratively to deliver joint outcomes. This means bridging the divide between organisations and pooling resources. Building on the Total Place and place based Community Budget pilots, central government should encourage collaborative working as the norm in service delivery and offer incentives.

*CLES has undertaken work with Shelter<sup>21</sup> which highlights the benefit of joint working and pooling resources across a range of health related services.*

## Commission services on an outcomes basis in a co-produced way

Commissioners and procurers of services must design and deliver public services in a way that contributes to wider outcomes. Provision of a social care contract, for example, will lead to benefits around care and also wider health and employment outcomes. Services should be designed in a co-produced way; consulting with users, communities and potential providers to shape that service. Co-production enables a better understanding of the needs of users, promotes a preventative approach and enables the skills of potential providers to be identified.

*CLES has undertaken work with the Joseph Rowntree Foundation<sup>22</sup> highlighting how adopting outcomes based and co-produced approaches to commissioning can address poverty.*

## Understand where public spend goes and monitor impact

Service providers need to understand how their choices impact on local economies, people and places. For central government, this means understanding the supply chain and particularly the extent to which SMEs benefit (because they deliver greater local economic benefit through procurement than large corporations<sup>23</sup>). For local authorities, this means understanding the extent to which procurement spend is with organisations based within their boundaries.

Those tasked with spending public money need to monitor the impact of their investment more effectively. There should be a national social value framework for central government spend against which impact in economic, social and environmental terms is measured; with a similar one developed by local authorities or clusters of authorities.

## Co-production enables a better understanding of the needs of users, promotes a preventative approach and enables the skills of potential providers to be identified.

*CLES has undertaken an array of work with local authorities to understand the impact of procurement spend and support them to increase the impact it brings for local economies. This includes working closely with Manchester City Council<sup>24</sup> to support an increase in the percentage of spend with Manchester based businesses from 52.5% in 2008/09 to nearly 64% in 2013/14.<sup>25</sup>*

21 Centre for Local Economic Strategies (to be published 2015) Evaluation of Inspiring Change Manchester.

22 Breeze, J., Cummings, C., Jackson, M., McInroy, N. and Nolan, A. (2013) Addressing poverty through local governance. York: Joseph Rowntree Foundation <http://www.cles.org.uk/wp-content/uploads/2013/10/JRF-Addressing-poverty-through-local-governance-final-report.pdf>

23 Federation of Small Businesses and Centre for Local Economic Strategies (2013) Local Procurement: Making the most of small business, one year on. London: FSB <http://www.cles.org.uk/wp-content/uploads/2013/07/FSB-procurement-2013.pdf>

24 Centre for Local Economic Strategies (2010) The power of procurement. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf>

25 Centre for Local Economic Strategies (2012) Progression in procurement: Manchester City Council. CLES Briefing: <http://www.cles.org.uk/wp-content/uploads/2015/02/Final-briefing-paper.pdf>

# 5: Integrating transport and local economies

Transport is a key element of local economic development and should be directed to satisfy both the needs of passengers and wider local strategic requirements. As such, rail and buses need to be brought under more national and local state control.

## The challenge

In terms of the economy, the case for improved transport and connectivity and its role in creating competitive advantage has been made on many occasions. However, place competitiveness is not just about goods and services and getting people into work, it is also about a network and flow of people and enhancing wider wellbeing. This connectivity is the basis of future resilience.

Under-investment in transport in some parts of the country has long been recognised. The cost of the railways to the taxpayer since privatisation in 1993 has more than doubled in real terms, partly due to shareholder dividends. Furthermore, rail privatisation and the franchising of services has seen a significant splintering of provision and created difficulties in terms of national co-ordination.

Bus deregulation has also created huge difficulties in terms of a short-term profit motive overriding wider strategic issues around economic development and social need. The inability of the local public sector to plan routes and set fares means a key arm of local place stewardship is undermined.

## What needs to be done?

Transport should be fully integrated and woven into wider local economic and place strategies. To achieve this we need more integration and the following needs to happen:

## Renationalisation of railways and local regulation of buses

The considerable splintering of services through franchising has created significant problems in terms of coordination and value for money. Lessons for the East Coast mainline, which was effectively nationalised in 2009 but which returned to private operation in March 2015, would suggest that nationalisation can be achieved and work with favourable results.

In addition, power over local regulation of buses should be returned to transport authorities and/or local government.

**Various parts of the transport network should be devolved to local areas, bringing together all modes under single city regional or pan-regional democracy.**

## City regional and pan-regional transport ownership

Moves have already begun, through devolution, to plan and fund a transport system which integrates bus and rail services (i.e Greater Manchester).

This should be advanced and various parts of the transport network should be devolved to local areas, bringing together all modes under single city regional or pan-regional democracy. This would include the local state ownership of railways according to city regional and/or pan regional transport groupings.

# 6: Resilient towns and town centres

The function of many high streets and towns is changing. We must create a new functionality looking at the totality of activity in these areas, not just retail.

## The challenge

Leisure, shopping, more demanding shoppers, the growing importance of the internet, and the continuing rise of out of town shopping destinations all pose significant challenges to traditional high streets and towns centres. However, our high streets, towns and city centres provide vitally important functions, such as being a focal point for local communities, a hub for economic activity and job creation and retention, being nodal transport hubs, spaces for leisure and increasingly as places to live.

A number of local centres need to redefine or broaden their functions. Not everywhere can be a retail centre that draws people with national brands and so a more balanced view is required to encourage leisure use and office space alongside retail functions, as well as focusing on local community needs.

**A number of local centres need to redefine or broaden their functions.**

## What needs to be done?

### A new 'network of networks' approach to town management

A broad range of constituents are required to address the challenges and opportunities in towns, creating a strong partnership between the commercial, public and social sectors. Local communities must be seen as a way of harnessing the energy of local traders, leaders and residents to enliven our town centres.

## Recognising the need for a strong social economy

The social sector will be increasingly important for prosperity and success and making the connections between the towns and the wider community is increasingly important. The social sector is underdeveloped in many towns and public sector engagement has often not been as cohesive, joined up and as targeted as it could have been. As a starting point, understanding the relative strengths of community organisations within a place and their potential for collaboration is important.

## Developing social-commercial relationships

These are underdeveloped in all towns and this reflects a wider challenge across the country. It is crucial to develop this relationship because as public sector resources are reduced these

sectors will need to enhance their roles if we are to create resilient towns. This is particularly important for

town centres, which in future will comprise a mix of commercial and social activity.

There is also the issue of the nature of the relationships between the commercial and social. The commercial sector currently has a more philanthropic relationship with the social sector rather than a practical and functional one based on collaborative working. The two need to come together to work practically with a relationship built upon common values. For example, a focus on supporting enterprise, employability, skills and health and wellbeing within the local community, something which is mutually beneficial to all.

# 7: Creating and sustaining good jobs

Employment support provision should be localised and tailored to the needs of individuals. Jobs created should be good quality, decently paid and sustainable.

## The challenge

The Coalition Government has instigated a range of welfare reforms with the primary aim of moving people off out of work benefits and into employment. Reforms have included testing the capability of Incapacity Benefit and Employment and Support Allowance claimants through the Work Capability Assessment and the introduction of the Work Programme as the singular employment support programme. Government argues the reforms have had an impact with significantly more people in employment and fewer people claiming Jobseekers Allowance than was the case in 2010. But there are a number of challenges associated with these interventions.

The Work Programme has operated on a payment by results basis and driven by private sector contractors. It has been far too easy to pick up an output fee for moving people into work, regardless of quality. Providers have often been unable to offer the individualised support required by those with multiple barriers to move into employment. VCS organisations, which have historically delivered on this, have struggled to engage with the programme because of the risks associated with the payment mechanism.

One of the groups hardest hit are young people. There are issues around those not in education, employment and training (NEET), where the

challenge is providing a rounded package of support which results in sustainable and quality employment.

For those supported into employment through the Work Programme, the jobs created have been short term, poorly paid and with poor terms and conditions. We have seen a growth in part-time employment and zero-hour contracts. As a result, people move into employment for short periods and then go back to requiring services from JobCentre Plus and Work Programme providers.

**For those supported into employment through the Work Programme, the jobs created have been short term, poorly paid and with poor terms and conditions.**

Over five million working people across the UK do not earn the Living Wage and in work poverty is growing. There is also a proliferation of poor employment practices across employers, with challenges around pay and little opportunity for progression and development. Additionally, provision around employment support and practice has not been linked coherently into other economic agendas, notably around LEPs and Enterprise Zones.

## What needs to be done?

To address these challenges and to create and sustain good jobs, we need to:

### Bring in a new locally owned work programme

Government needs to provide places with the flexibility to develop their own localised and bespoke programmes for supporting people into employment. This is beginning to happen as part of the devolution agreement with Greater Manchester, where the combined authority is involved in the commissioning of Work Programme provision. The national programme should be abolished and replaced with local schemes.

The design and delivery of employment support provision is best determined at a local level. Local areas understand supply (the needs of those out of work) and demand (jobs available). Where led by local authorities, they will have key relationships with the local business community and they will have access to additional funding around work and skills including European Social Fund. Finally, places will have an understanding of the individualised support required by particular claimants and of VCS organisations best placed to provide that support.

### The design and delivery of employment support provision is best determined at a local level.

*CLES has undertaken an array of work evaluating the effectiveness of employment programmes that show localised and bespoke approaches are the most effective. This is reflected in a publication around what works in tackling worklessness.<sup>26</sup>*

## Embed the Living Wage

Businesses and other organisations need to recognise the benefits that paying a Living Wage brings to both their organisation and the individual employee. This includes enhanced productivity and a happier workforce. Local authorities and other public sector organisations have a key role in embedding Living Wage principles through their procurement processes. They should be encouraging contractors to pay employees working on public sector contracts a Living Wage.

Central government is the single biggest beneficiary from organisations paying their staff a Living Wage in terms of increased taxation and reduced in-work benefit payments.

*CLES has undertaken work with local authorities exploring how they can support organisations to adopt Living Wage principles. This is summarised in a publication with the Greater Manchester Living Wage Campaign.<sup>27</sup>*

<sup>26</sup> Centre for Local Economic Strategies (2010) Making it work: analysing different ways of tackling worklessness. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2011/01/Making-it-work-Analysing-different-ways-of-tackling-worklessness.pdf>

<sup>27</sup> Centre for Local Economic Strategies and Greater Manchester Living Wage Campaign (2014) Living Wage and the role of local government. Manchester: CLES <http://www.cles.org.uk/wp-content/uploads/2014/10/Living-wage-and-the-role-of-local-government.pdf>

## **Create a localised employment charter for the public sector and business**

Different actors with a stake in activities around jobs and employment need to work more collaboratively. This means LEPs and local authorities working closely with businesses and other employers and with organisations providing support for jobseekers. Local employment charters can enable such relationships to develop and ensure any investment brings maximum benefit in terms of the creation of jobs for residents. It can also be utilised to ensure organisations provide decent working standards and conditions.

**Local employment charters can enable such relationships to develop and ensure any investment brings maximum benefit in terms of the creation of jobs for residents.**

*CLES has indirectly supported the development of the City Mayor's Employment Charter<sup>28</sup> in Salford which is designed to help raise employment standards for employees and businesses across the city. It has three categories of pledges: putting Salford first; buying in Salford; and setting the standard.*

## **Deliver a youth resolution**

Central government should back a new approach to addressing youth unemployment. This would stipulate that all places commit to addressing youth issues particularly around employment, training and education. The resolution would then require localities through their local economic development activities through local authorities and LEPs to deliver a range of activities in coordination with businesses and other providers. These would include ensuring standards around fair pay and activities such as structured training and access to workplace mentors.

*CLES is currently working with the Universities and Colleges Union to work up the content of a youth resolution.*

<sup>28</sup> More information on the Salford City Mayor's Employment Charter is available here: <http://www.visitsalford.info/locate/citymayorsemploymentcharter.htm>

# 8: A skilled workforce

CLES believes skills provision should be provided through localised models; framed through effective relationships between providers, businesses and individuals.

## The challenge

Responsibility for developing skills and training across the country lies with the Department for Education and Department for Business, Innovation and Skills. Skills provision is implemented primarily through the Skills Funding Agency. But central government is not best placed to determine skills needs across different parts of the country as local nuances are missed – a one-size fits all approach does not work.

Top-down edicts from central government result in inefficiencies and make it harder to address local labour market issues.

Education is still predominately about exam results. This means that people tend not to have strong employability skills that are essential for work, as well as crucial generic skills that contribute to productivity and success from basic to high level roles, for example, interpersonal skills and creativity.

Careers advice for many young people is poor. Advisors vary in quality and can lack industry experience – and there is a lack of a coordinated approach between schools, further and higher education institutions and employers. Careers advice is failing to guide young people through education and into sustainable career paths at a time when it is crucial to help them understand the rapidly changing labour market and future needs of employers. The National Careers Service alone will not be effective enough and there needs to be a more structured approach in schools in particular. Schools have taken over the duty

to provide careers advice, but this will result in variable quality depending on whether it's viewed as a priority.

The UK economy is characterised by persistent pockets of skills deficiency. Skills shortages now account for a greater share of hard to fill vacancies and typically occur in higher skilled occupations.<sup>29</sup> This has severe implications for productivity within the economy. Skills gaps are often found in lower skilled staff, across a range of sectors, suggesting a need for ongoing training,

**Central government is not best placed to determine skills needs across different parts of the country as local nuances are missed**

which is not always provided by employers. Supply and demand mismatches go beyond just skills gaps and shortages, however. The UK Commission for Employment and Skills states that almost half of employers have staff with skills and qualifications beyond those required to do their job, equating to 4.3 million workers. This can result in demotivation, low job satisfaction and skill attrition.

## What needs to be done?

To address these challenges, we need:

### **Localised provision linked to local economic circumstances**

Devolving budget responsibility will enable local government to take a long-term view of skills needs. Authorities can then respond effectively to the changing jobs market and ensure residents have the skills they need. Greater use of the

<sup>29</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/344440/The\\_Labour\\_Market\\_Story- The\\_State\\_of\\_UK\\_Skills.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344440/The_Labour_Market_Story- The_State_of_UK_Skills.pdf)

skills budget will allow localities to address gaps, improve school to work transitions and develop integrated approaches. Local government and partners (including employers) need to be able to shape further education and training provision and apprenticeships, join up schools, vocational training and support and better integrate skills and training into employment programmes. There are signs that skills budgets are being devolved at a more significant scale than before. City Deals and devolution agreements in a number of cities are key drivers for this. But more needs to be done across all areas of the country where the governance structures are in place to facilitate this effectively.

*CLES has undertaken work with Barnsley Metropolitan Borough Council exploring future skills provision as part of a new economic development strategy.*

## **An approach to employability commencing at year zero**

National and local government and other agencies should set out a pathway that starts at Year '0' in a person's life, through a sustained investment into early years, and provides a rounded and whole-life package of skills development and provision. However, the challenge of employability does not exist in a silo – a whole range of factors affect an individual's ability to engage with skills development and employment opportunities. These could include educational attainment, lack of employability skills, health issues, a lack of engagement with employers, providers and services, and an overall poor life trajectory. This means linking employability and skills more strongly to other policy areas such as health and family support, and in particular creating a cultural shift through engaging with

families with complex needs.

This is a long-term approach, primarily focused on young people from the early years onwards, but must be viewed as crucial to enhancing employability and skills levels across the country, and to ultimately improve social and economic outcomes.

*CLES has undertaken work with Belfast City Council to develop an employability and skills strategy and action plan. This has a key emphasis upon addressing employability issues.*

## **Employability and skills charters**

Local voluntary charters would provide a framework within which businesses and others can coordinate their activities and maximise the benefits they bring to an area without adding new layers of bureaucracy. Enhancing employability and skills through charters can be kick-started when businesses and others commit to investing in the local population and their employees. It would include formal skills agreements/programmes and career pathways that businesses sign up to – and provision of and investment into training across communities – to ensure the future labour pool needed to develop the success of the local economy is in place. In particular, businesses will be encouraged to promote employability by engaging with schools, providing meaningful work experience/placement opportunities and offering training/learning opportunities to their workforce.

## **National and local government and other agencies should set out a pathway that starts at Year '0' in a person's life,**

By raising ambition and enabling achievement to be better recognised, employability and skills charters will motivate young people, schools, businesses and others to do more, help young people to find and succeed in work, and help businesses to appoint recruits with the skills they need.

# 9: Health for all

We must improve the life changes of the poorest fastest, with activity prioritising prevention.

## The challenge

Poor health is not a case of good or bad luck: factors associated with socioeconomic status can dramatically impact on health outcomes. As with economic wellbeing, it seems that good health is becoming increasingly a case of the 'haves' and the 'have-nots'.

In communities where there is poverty, there are also people struggling with chronic physical and mental ill health. Those that 'have not' are more likely to experience environments that are damaging to their health, such as poor living and working conditions; a lack of exposure to opportunities to build positive health outcomes; power to influence decisions about the allocation of health resources; and opportunities to enable children to start life in a way that minimises vulnerability to poor health.

Health outcomes are unevenly distributed. The relationship between geography and health outcomes is apparent from birth: for example a baby girl born in Manchester can expect to live 15 fewer years in good health than a girl born in Richmond.

## Factors associated with socioeconomic status can dramatically impact on health outcomes.

Evidence indicates health inequalities are becoming a challenge. Local authority cuts and welfare reforms have impacted some areas and groups in society more than others, and there has been a reduction in services where need is greatest.

## What needs to be done?

There is, therefore a growing need to tackle health inequalities through recognition of the wider, socioeconomic determinants of health. We need to invest in approaches that seek to eradicate preventable ill health by tackling it before it starts.

## National investment and policy to reduce health inequalities

Public sector cuts need to be slowed down, evidence-based, less extensive and not hit the poorest hardest. Policy also needs to recognise the interdependency of different budgets: cuts to benefits may reduce public sector spending in the short-term, but will ultimately sink more people into poverty meaning increased pressure on health budgets.

Funding allocations to combined authorities and city regions should be according to need in order to improve the health of the poorest. Localities should be given the power to control how they spend their health budget so that provision can target local priorities. This approach would allow

health inequalities to be tackled both between and within different regions of the UK.

*CLES reported on the Inquiry to Health Equity for the North, commissioned by Public Health England. The inquiry panel examined health inequalities in the north of England to develop policy recommendations to address health inequalities.<sup>30</sup>*

## **Invest in local joined-up approaches that tackle the wider determinants of health**

Delivery organisations need to invest in on-the-ground staff that develop a deep understanding of communities. Individuals and families that experience multiple needs such as reoffending, domestic abuse and poor physical and mental health should have consistent contact with a single key worker as opposed to different professionals targeting different issues. Delivery organisations need to link up with the key worker and share information to ensure the impact of spiralling problems in one area does not lead to chronic ill health.

Local approaches to health inequalities need take a wider, more holistic approach to health. This means joined-up commissioning and service delivery that understands the complex links between health and socioeconomic status.

*CLES has undertaken work with Shelter<sup>31</sup> which highlights the benefit of joint working and pooling resources across a range of health related services.*





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