

## How places could and should respond to the Chancellor's Budget

Number 107

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### Context

Today (16th March 2016) sees the publication of George Osborne's eighth budget as Chancellor of the Exchequer. We have seen:

- An upbeat assessment of the UK's finances and our competitiveness and productivity; but a reflection that growth levels are falling and downgraded to a projected 2% this year;
- Continued investment in large scale infrastructure projects with a rhetoric that they will enhance the growth of the national economy. These include developments around the Trans-Pennine route between Manchester and Leeds; and Crossrail in London;
- A renewal of disinvestment in public services and further cuts for local government as part of austerity and reducing the national debt. This amounted to the sum of £3.5billion (0.5%);
- A continued reform of the welfare system with implications for some of our poorest communities; most notably in the review of personal independence payments for disabled people;
- The talking up of the 'Northern Powerhouse' as a means of rebalancing and reshaping the economy;

- The signing off of some devolution deals but also devolution of business rates to Greater London; a recipe for continued inequality between places;
- A failure to grasp that there is more than one way to develop local economies; and that the Treasury one size fits all model is not right for all places.

The Budget as always has been a highly centralised and politicised spectacle outlining the Government's approach to sustaining UK PLC and retaining control over key resources and activities.

What was significantly missing from the Budget was a consideration of place, people and local economies. The Centre for Local Economic Strategies (CLEES) would argue that places and local authorities in particular have two choices when it comes to responding to the Chancellor's Budget. Firstly, they could adroitly follow an approach centred around growth at all costs, as advocated and driven by central government, and contribute towards the growth of the UK economy. Secondly, they could and should adopt a different approach which is focused around their places, their people, and their local economy; thus tailoring economic growth to local circumstances.

## Ways of creating new local economies

CLES would argue that there are six ways or contributing factors which enable the latter of the two choices above to be realised; effectively creating new local economies. These take on board the likely components of the Budget; but also harness wealth in place based and community ways.

### 1. Utilise local wealth systems

A truly great economy is predicated on how wealth relates and inter-relates with public services, local people and businesses. This means cross sector relationships across the public, commercial and social sectors. CLES would argue that a place is a system with functionality framed by the way in which different actors relate. To enable a new local economy there must be fully functional and effective public, commercial, and social sectors; and effective relationships within and between those sectors.

Places need to ensure there is an understanding of how the place currently functions and how different institutions and spheres of the economy relate and inter-relate. This effectively provides a baseline of the resilience of the place and where change is required to move towards a new local economy. It enables places to understand the activities where collaboration is evident and effective and the spheres of the economy which need to play a greater role in community wealth building. It is also important to understand how a place relates to neighbouring localities,

exploring whether it is reliant upon them for particular assets or if they provide assets to other places.

### 2. Harness existing wealth better

All places have wealth. This wealth includes the physical and environmental assets in that locality; the people living in that locality; and the (anchor) institutions and businesses based in that locality. To enable a new local economy, places need to harness that wealth more effectively and balance the attraction of new wealth with realising the potential of existing wealth.

Places need to bring together all existing wealth creators and holders of power and resource. This does not mean another partnership or complex governance arrangement but a drawing together of key anchor institutions which have a commitment to place and want to improve outcomes for the local economy and local residents. At this point, it is helpful to have a steward of activity, predominantly the local authority, a vision of community wealth building and a neutral broker to support engagement.

### 3. Develop an economy which brings a real social return

The success of place should not just be judged upon economic growth but should also encompass wider local economic and environmental impact that brings a social dividend – this means that any intervention needs to reflect a balance of growth (economic), growth (social) and environmental considerations. CLES would argue that any approach to economic development must have economic AND social

growth outcomes. This means policy decisions and delivery being reflective of the impact upon local economic, social and environmental considerations. In relation to the Budget, this means influencing the delivery of infrastructure development in a way in which local economic, social and environmental benefits are embedded rather than as a result of 'trickle-down'.

#### **4. Ensure an enabling local state**

The local state is the democratic enabler of local economic development – this means that local government and their democratically elected members and their officers should ensure policy delivery is entwined in local circumstances and assist in the process of creating more positive economic and social conditions. CLES would argue that whilst local government should not necessarily be the deliverer of economic development activity in the form of employment, enterprise or physical development programmes; it should be the strategic enabler which oversees and supports these activities to happen, utilising and working with an array of local actors and additionally linking this into public service reform. The local state also has a democratic mandate to ensure that economic development activities are reflective of the voice and concern of the electorate.

Places need to develop a strategy for the new local economy. This strategy needs to go beyond considerations around economic growth to consider and embed social and environmental concerns. Given that this is

a collaborative approach, the range of anchor institutions and other partners need to be embedded and bought into the overarching vision of the strategy, but it needs to be enabled by local government. Key considerations in the strategy should be the assessment of relationships and measurement activities, together with the engagement of wider organisations including LEPs.

#### **5. Enable efficiency and effectiveness**

Public service design and delivery is not just about making efficiencies but also effectiveness, reducing demand and creating new markets. CLES agrees that efficiency in public service provision is important and that savings do indeed need to be made. However, we also believe that progressive public service providers can twin efficiency considerations with those of effectiveness. This means engaging the user in the design and delivery of public services; drawing together providers across a range of services, with a subsequent reduction in duplication and demand; and adopting procurement processes where there are a raft of wider local economic, social and environmental considerations alongside that of cost and where new markets can be created.

Places need to measure the existing impact of spend. Each of the institutions involved in the new local economy will spend resource on labour and upon purchasing goods and services. To support the local economy more effectively (anchor) institutions and places as a whole need to understand where their spend goes and

the impact it has upon economic, social and environmental outcomes. This can be done through spend analysis and understanding the extent to which spend is with suppliers based in certain geographical areas, certain sectors, and with certain types of business. Again, this can act as a baseline for change and through which other practical activities can be undertaken.

## 6. Embed the business and social sectors

Business of all size has a citizenship role to play in a local economy – this means that small to medium sized enterprises as the fulcrum of local economies should play a strong role in place and large corporates bring benefits beyond narrow corporate social responsibility aspirations. The social sector is also a key component of place and in enabling a local civil economy – this means that voluntary and community sector organisations, social enterprise, and cooperatives have a local economic mandate and are also key contributors to both delivering services and reducing the demand for them.

Places need to influence the behaviour of those individuals and organisations within place which hold budgets or are the key purveyors of wealth to enable a new local economy. This will include: anchor institutions; purchasers in the public and commercial sectors; LEPs; businesses and voluntary and community

sectors and ensure they are integrated. The influencing should be framed by the principles of the strategy for the new local economy and particularly the need to twin local economic benefit with that of social and environmental benefit. LEPs should be influenced to ensure that their infrastructure investment brings wider benefits. Purchasers should be influenced so that effectiveness is a key part of decision making and so that gaps in local spend are filled for the benefit of the local economy. And BIDs should be influenced so that their redistribution leads to economic, social and environmental benefits including the provision of necessary services.

## Activating new local economies

If places and local authorities are to challenge the economic orthodoxy detailed in the Budget and create new local economies, they need to do the following:

- Draw together the public, commercial and social sectors;
- Understand how their place currently functions and how sectors inter-relate;
- Facilitate change through developing a collaborative vision;
- Develop a strategy for the new local economy;
- Measure the impact of all spend;
- Influence the behaviour of the business and social sectors.

