



Centre for Local
Economic Strategies

bulletin

Key discussions from the CLEES Summit 2013

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This year's CLES Summit was held on 27th June at the King's House Conference Centre in Manchester. A lively day of presentations and debate was punctuated by reference to this year's spending review, announced the day before. This bulletin outlines key discussions from the day.

The spending review

The context of our current economic climate, as well as considerations of the impact of the spending review, resonated through presentations and debates throughout the day. **Steven Pleasant**¹ set out that the economy struggles with a systemic issue of low skills and low productivity; a huge structural issue which we must find a solution to. Reacting to symptoms, not problems, means that we are spending our money on failure. Starting from the point that austerity is stretching out, **Michael Ward**² emphasised that the economy is not improving. Output is still down, real wages are down and the economy, at best, is flat lining. We have a real shortfall in revenue. Having expenditure by local authorities determined by central state is making it increasingly hard to fund services. Cuts have tended to hit poorer communities, which are suffering the brunt of austerity.

Current spending will be cut by £11.5 billion in 2015-16. Capital spending has increased by £3 billion a year in the same period, but it is hard to disentangle 'old' money (already committed) from 'new' money (new commitments). Once inflation is taken into account there is little new spend pledged.



Ann Pettifor³ considers that George Osborne is desperately cutting spending in order to cut the deficit but he is using microeconomic reasoning for the macroeconomic picture. The deficit is being dealt with like a credit card debt.



¹ Steven Pleasant- Chief Executive, Tameside Metropolitan Borough Council

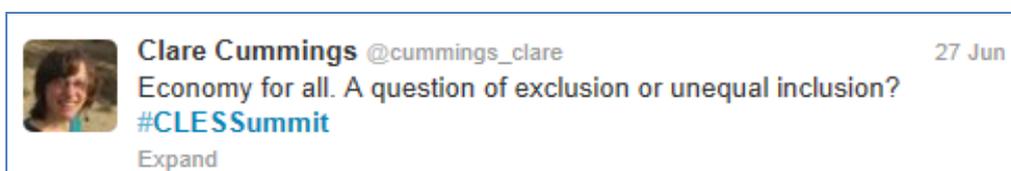
² Michael Ward- Chair of the Board , CLES

³ Ann Pettifor- Director, Policy Research in Macroeconomics (PRIME)

Government spending generates income and saves on benefits and interest rates, which is not the same for a credit card spender. One can deal with private debt by writing it off, or inflating away domestic debt, or (the best way) generating income to pay off debt. So how can we generate incomes? We need to create employment! Government spending can create jobs during the recession when the private sector can't. The Government can conjure money out of thin air through quantitative easing. The central bank has been doing this for decades and this has been essential.

Geography and structures

Geography and the spatial distribution of neighbourhoods create different experiences of living. Place and geography have a significant impact on health and wellbeing. **Lynsey Hanley**⁴ suggested that to make places more 'average' and to reduce polarisation of communities, more houses are needed and the minimum wage needs to rise. **Alexandra Jones**⁵ agreed that the recession has widened inequalities across cities, and also notes that economic success doesn't mean that everyone in the city benefits. The market is changing where economic activity is taking place, and it is very hard to change this. We need to recognise what is happening in the market and what the strengths and skills of different areas are. Places are not limited by administrative boundaries, so functional areas are important. For example, other parts of Greater Manchester such as Bury recognise the relevance of Manchester to their own economies. Indeed, Manchester is a great example of ambition and realism. Cities need to design their own approach. A changing structure in the UK economy means we need to target economies more likely to produce growth, and to embed these plans with the wider functional areas.



A theme of 'working with what we have' ran strongly through discussions during the day. **David Boyle**⁶ agreed with this approach, saying that cities must be rebuilt using the assets at their disposal, not grants or sponsorship. Oldham City Council is pushing forward this agenda of making the best out of local resources, recognising that improving the quality of work is a key target for the city. **Councillor Jim McMahon**⁷ is focusing on creating frameworks which prioritise jobs for Oldham residents, seeking to tackle problems associated with low wages, churn and zero-hour contracts. The city wants long term planning but changing structures and leadership undermines this.



Richard Caulfield⁸ highlighted the problem of constantly creating different structures by which to rearrange systems and geographies. For example, we now need to make the best of LEPs and turn them into something useful. Yet **Karel Williams**⁹ pointed out that there are some concerns over the corporate control which LEPs give businesses over budgets and priorities. Competition between and within cities will create smug winners and predictable losers, and there are also some concerns around local authorities getting further entangled with property.

⁴ Lynsey Hanley- Writer and author of Estates: An Intimate History

⁵ Alexandra Jones- Chief Executive, Centre for Cities

⁶ David Boyle- Fellow, new economics foundation (nef)

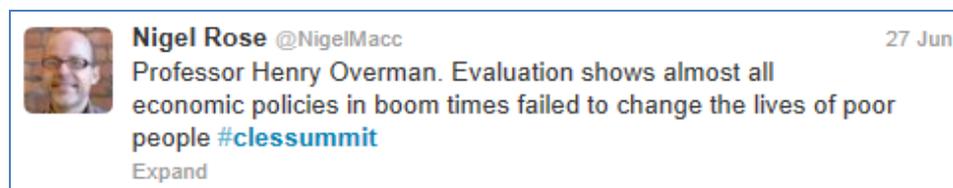
⁷ Cllr Jim McMahon- Leader of Oldham Metropolitan Borough Council

⁸ Richard Caulfield- Chief Executive, VSNW

⁹ Karel Williams- Director- Centre for Research on Socio-Cultural Change (CRESC), The University of Manchester

Localism, sub-regionalism and autonomy

There are many different debates to be had around localism, sub-regionalism and autonomy. Strategic service delivery and financial decision making are intrinsically linked, and have a huge impact on local areas. **Stephen Pleasant** suggests that we need local authority capacity to have a real dialogue with central government. At the moment all local authorities can do is make proposals to government, so more space needs to be created for conversation about real devolution. **Professor Henry Overman**¹⁰ highlighted that efficiency in the broadest sense should be a key consideration for local government. A fundamental shift in how we consider value is needed – the impact of policy on individuals, families and firms is required, mirroring a focus on people, not place. This needs to inform local and sub-regional policy.



Councillor Richard Kemp¹¹ identified three key changes needed in local authorities. Firstly, greater efficiency is needed, moving away from practices developed in times of larger budgets and more staff. Secondly we need to increase levels of partnership. Agencies dealing with the same or very similar problems are not working together, for example drugs agencies and domestic abuse agencies. Central government needs to move more quickly and effectively, putting community budgets in place and decentralising. Thirdly, the way the private sector works must change. Arranging business primarily in London keeps power at arm's length from other local places.



To reclaim powers for the North, we must be able to raise and spend our own taxes in the way London is demanding. The autonomy on offer outside of London is just to spend central government money. London is drawing away from the rest of the country, **Karel Williams** identified. Publically funded jobs and welfare have met the gap of job losses through economic restructuring nationally, but London is the only part of the UK with a record of producing extra private full time jobs; everywhere else it is zero hours contracts, part time work etc. London may be right to argue for some of the benefits enjoyed elsewhere if it is to regenerate deprived communities. **Professor Henry Overman** pointed out that planning constraints in London are prohibiting expansion of the housing market and keeping people trapped in difficult situations.

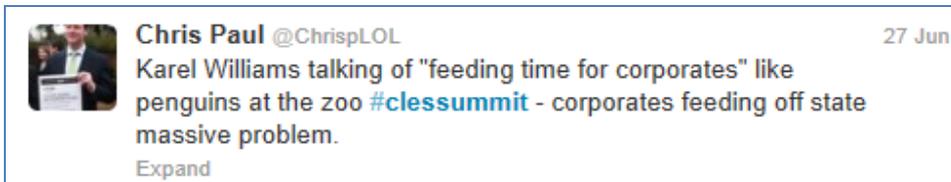
Whose fight is this? Let's get belligerent

David Boyle pointed out that the issues raised in development are as urgent for this middle classes as they are for anyone, though **Lynsey Hanley** considered that the shape of the growth challenge is still fundamentally about class; affluent areas are full of people who do not have much to worry about – stable, steady jobs, access to public infrastructure, personal cars, access to parks and far less fear of crime. Environmentally and socially imposed stresses are making deprived areas even worse to live in. The changes that policy creates in these communities are part of a long trajectory of change which increases uncertainty and stress.

¹⁰ Professor Henry Overman- Director, Spatial Economics Research Centre, London School of Economics

¹¹ Cllr Richard Kemp CBE- Leader- Liberal Democrat Party Group, Liverpool City Council

The VCS has a key role to play as part of the bedrock of public service delivery, stated **Richard Caulfield**, but this does require investment. VCS vibrancy is not helped by pay for performance contracts, loss of grants or social finance schemes. The VCS must engage with politicians more, as technocrats are leading right now. We can't take the politicians out of the picture, and technocratic solutions are not providing a way forward. The only groups who do cross-cutting discussion and thinking are VCS. VCS outcomes reach all sectors and issues.



Karel Williams underlined the injustice of sheltered corporates being levered on the state, such as utilities or property companies. Privatised profits and socialised losses is where this injustice has brought us. The state has become the philanthropic landlord, and so private gain is being made from publically guaranteed investment. This represents the public paying for private gain – this is a public fight.

Small businesses represent a significant part of the community with the ability and capacity to enhance progress in local areas. **Martin McTague**¹² pointed out that SMEs are part of the community, are grounded in a place, don't move as soon as things get difficult and pay taxes. It is essential therefore that SMEs are fairly represented on the LEPs. SMEs have important benefits for local place, recruiting locally, employing the harder people to employ, left with those who weren't caught early by the big HR departments in corporations. SMEs provide jobs for poorly trained, have a lower environmental impact and are an important part of local economic activity.

Concluding comments

The day concluded with **Neil McInroy**¹³ presenting three key overarching themes emerging from the day's discussion. Firstly, the model of private sector good, public sector bad is total baloney. It's how we all work together that is important. Virtuous spending is needed to support local economy, and now is the time for experiments and collaboration. Secondly, the spending review's £2 billion for local development is an affirmation of centralisation not decentralisation. It is derisory, and we need to reform the square mile. Thirdly, we've gone past the point of virtuous localism. We need to reform centralism first so wealth is distributed fairly. This economy for all is about central reform in addition to bootstrap local social change. We need both. We need to get belligerent to create the change we need.

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.

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¹² Martin McTague- Chair of the Local Government Policy Unit, Federation of Small Businesses

¹³ Neil McInroy- Chief Executive, CLES