

# CREATING GOOD CITY ECONOMIES IN THE UK



FRIENDS  
PROVIDENT  
Foundation



## About the Activating Local Alternative Economies project:

In 2015 the Friends Provident Foundation awarded funding to the Centre for Local Economic Strategies – which owned New Start magazine – and the New Economics Foundation to map and activate alternative local economic approaches in ten UK cities. Between May 2015 and June 2016, the two organisations held an event in each city bringing together local stakeholders to discuss the challenges of their city’s economy and how greater local economic resilience could be developed. From each city an edition of New Start was produced, setting out the challenges and highlighting the people and projects trying to do things differently. This report sums up our findings and proposes ten steps to build good city economies in the UK.

## About Friends Provident Foundation:

Friends Provident Foundation is an independent grant-making charity working to support greater economic resilience through building knowledge and taking action at the strategic and local levels. We are particularly interested in supporting the development of economic and financial systems that are designed to include those who are most vulnerable to market failure. We want to help build a just and sustainable world where everybody can live meaningful lives, with respect and care for ourselves, each other and the planet. We believe that the purpose of money and the economy is to enable and serve human flourishing and a healthy environment, and that currently they do not. We work through grants, investments and our own activities, seeking to create a fairer economy that serves us all.

**The Centre for Local Economic Strategies (CLES)** is the UK’s leading independent charitable research organisation with a focus on economic development, regeneration and place-making.

**The New Economics Foundation (NEF)** is the UK’s leading progressive think tank. As a registered charity we have been pioneers in new economics thinking and practice for just under 25 years.

**New Start** was launched as the UK’s first regeneration magazine in February 1999. Since then it has told the stories of the people and projects creating social and economic change in local areas in the UK and internationally.

## Author:

Clare Goff has been editor of New Start magazine since 2012

Our steering group for this project was David Boyle, co-founder of the New Weather Institute; Neil McInroy, chief executive of CLES, and Elizabeth Cox, associate director at NEF

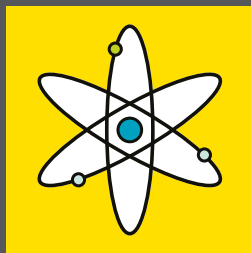
# Creating good city economies in the UK





BRISTOL COUNCIL'S WIND TURBINE IN AVONMOUTH. PHOTO: BRISTOL COUNCIL

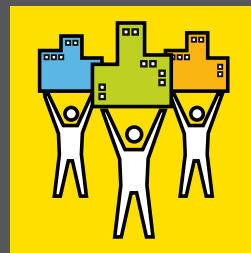
# 10 steps to a Good City Economy:



**01**

**System changing**

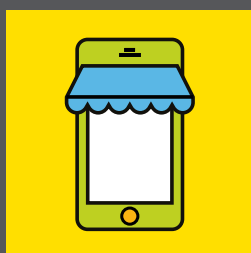
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**Assets owned by and working for the community**

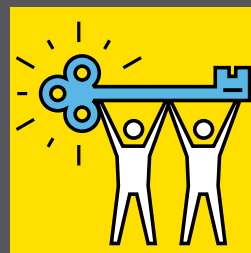
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**02**

**A revolution in grassroots enterprise**

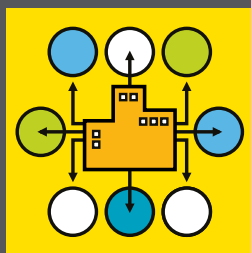
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**04**

**Enabling and empathic local leadership**

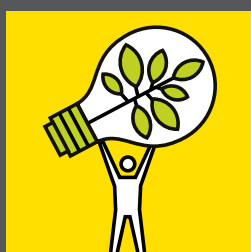
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**09**

**Finance that serves people and place**

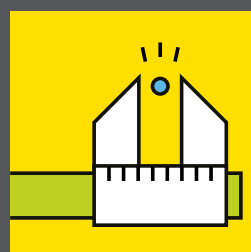
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**True corporate social responsibility**

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**A more effective set of measurements of a successful economy**

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# WELCOME:



**Clare Goff**, editor of New Start



**Rachel Laurence**, principal director,  
communities and localities,  
New Economics Foundation



**The way we organise our economy underpins every aspect of how we live our lives and how our communities function. Going into this project, we were excited to explore what new ideas are being tested and demonstrated in cities around the UK as to ways in which the economy could work better to create liveable places, sustainable equitable prosperity, connected communities and all the other desirable aspects of a well-functioning economic system. Currently these aspects are absent from mainstream approaches to economic development.**

**What we found was not so much a rich source of innovative thinking outside the mainstream, as a deep understanding of how the mainstream is failing to deliver the outcomes we want for our cities and communities, and how it could be re-thought for the better. The practical projects we heard about, and the discussions we held through this project, are, we believe, much more powerful than simply small-scale examples of ‘another way’.**

**What jumped out at us throughout this year was repeated evidence that the system can be designed differently; that there is a huge will to do it differently and, most importantly, huge willingness to change it – after the financial crash of 2008, the impacts of austerity policies, the seismic shift in the past thirty years in the global economic picture and a long history of regional imbalance in economic development in the UK.**

**Re-thinking the economic system and how it works for us is no longer a question of exciting ‘nice-to-have’ alternatives to a functioning mainstream. It is a question of urgently building a new, mainstream, practical economic system that actually functions well enough to provide good lives sustainably and equitably. That is what this compendium explores – the challenges and the opportunities of re-thinking this system; the practical know-how and creative genius already at our fingertips across the UK that should give us a flying start.**

# FOREWORD:



I was honoured to have been asked to write the foreword to this report. The title is provocative. The questions of Good City Economics should not only be taken as a measure of whether economic policy can be effective in producing growth. The deeper question to grapple with is, is there a kind of local economics that can be built on values

and, in the way it works and what it produces, does good?

This report is yet another contribution to the vital service the New Economics Foundation and New Start provide: questioning and challenging the received wisdoms and easy assumptions around economic development that have given the traditional consumption-driven, trickle-down model its resilience. This resilience stands in the face of the old wisdoms and modern evidence that warn us of consumption's very limited ability to deliver individual, collective and environmental wellbeing. In fact, our over-reliance on this limited tool actually begins to harm us.

A head teacher once talked me through the approach he'd taken to dramatically turning around the fortunes of the failing inner city school he'd rescued. In his earliest days he'd taken a very authoritarian approach, clamping down on standards and behaviour with little room for conversation or negotiation. The challenge was to make the children feel safe and raise expectations. The measures worked and the school moved forward. But he didn't simply do more of the same in subsequent years. Success meant the context had changed, and with it, the nature of the challenges facing the students and staff. This meant that the old approach was less relevant at best, and at worst, would become a liability. So he reinvented his approach accordingly, the first of a series of redefinitions and reinventions. His core warning was that the things that made us successful yesterday can become a liability today.

We can apply this to the challenge we face today. The prevailing capitalist model has had its uses. But as we



confront the fact that our political economic challenge must move from merely getting us 'stuff' to delivering individual health, social cohesion, and environmentally sustainable development, it is vital that we revisit the dominant model. And the scale of the economic reinvention we should pursue should be commensurate with the extent to which we believe the dominant model is either unable to meet the challenges of the world as it is, or is actually harming us.

But, writing as an elected politician, the challenge of this report is not only aimed at politicians, policymakers and the elites. It should also be taken as posing a series of challenges to those who want to make meaningful movement toward good local economies.

First, those who want change should not only ask for change, but set out how that change can be made possible. It's not enough to demand 'good' from the sidelines without a thought to implementation. That's not to take account of the very real restrictions that can surround people in leadership positions.

Secondly, it's for those who want change to seek real positional power. It's not enough to ask people in power to do things we want them to do. We have to become the people in power. We need to diversify the range of people holding decision-making positions within the systems we want to change.

Thirdly, it's important that those who want to change the power hierarchies the present system gives us do not merely replicate them in their own movements. Poor people, people of African and Asian descent, women, these voices must be held at the forefront. Too often people pursuing 'good' aims lose the ability to recognise or appreciate the significant role that power and privilege play in their movements and so enforce the very social ills they profess to be fighting.

There is a brutal proverb that warns: 'As a dog returns to its vomit, so a fool returns to their folly.'

We must confront the very likely reality that we have reached the end of what growth can do for us as a policy tool. The proverb captures the urgency of the challenge. Let's not be fools. Let's take seriously the model and challenges set out in this report and use them as a platform to begin the reinvention of local economies people so urgently need.

**Marvin Rees, mayor of Bristol**

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# GOOD CITY ECONOMIES IN THE UK: A summary

**In the UK's cities, traditional economics is not working. While a minority of people experience increased affluence, many are struggling to get by. The benefits of economic growth are not being spread evenly around the country, or within places. 'Doughnuts of deprivation' – inner city areas where the economic picture has not changed for 40 years – are part of the fabric of our major cities as inequality and poverty become more entrenched. In Birmingham 37% of children live in poverty<sup>1</sup>; in some parts of the city that figure rises to 80%. In Manchester, street homelessness has seen a six-fold increase in the last five years<sup>2</sup>. In Glasgow, where you live is a strong determinant of how long you live for, with a life expectancy gap among men of at least 13 years between those living in rich and poor areas of the city<sup>3</sup>.**

Behind these statistics are stories: of lives shortened, of young people not fulfilling their potential, of increased stress and breakdown as families try to make ends meet. In each of the ten cities visited for this project, the same message came across from areas impacted by austerity and left behind by the dominant economic model: 'things have never been so bad'.

There are multiple reasons behind the growth of poverty and inequality: some post-industrial places are still searching for their economic raison d'être; big business has been strengthened at the expense of working people; the knowledge economy favours the highly skilled; structural shifts have produced an economy of low wages and underemployment; public sector cuts have radically reduced local support.

Such high levels of poverty and inequality not only harm the people and places affected by them, but also hold cities back and hamper their growth, prosperity and resilience. High levels of welfare and support create dependency on local and national government, and poverty reduces the local tax base and local spending power. Poor people lead to poor places.

At the heart of the problem is the mainstream economic model on which UK cities depend and which limits the response to poverty and inequality by local government and local practitioners.

Traditional economics – inward investment, regeneration programmes, enterprise zones, the prioritisation of economic growth and reliance on trickle down – has had some successes. It has brought in investment and improved the infrastructure of the UK's major cities, turned city centres into hubs of culture and tourism, and – over decades – prevented places from sliding further into decline.

But this agglomeration model – the dominant local economic model for UK cities – creates as many losers as winners and is an outdated approach to city economies that are currently experiencing huge social, technological and environmental change. This dominant model favours city centre economies, skilled workers and high-end jobs. It starts with the physical – buildings and infrastructure – rather than the needs of people. It encourages people to move or commute to areas of opportunity rather than creating

jobs close to the neighbourhoods in which they live. It creates pollution and gentrification and incentivises big business at a time when the majority of UK businesses employ fewer than 10 people, and self-employment and micro-businesses are in the ascendancy.<sup>4</sup> In its focus on economic growth and building scale, it leaves behind the low skilled and those living on the peripheries of cities.

Financialisation – the emphasis on making money from money – has shifted the focus from the ‘real economy’, where goods and services are produced and sold, toward the prioritisation of financial markets. The shopping centres, hotels and cultural icons in our city centres attract tourists and create an illusion of prosperity but that illusion does not travel far geographically.

The agglomeration model nevertheless remains dominant and attractive and fits with the Treasury’s version of the role of local economies in the UK. According to this model, local economies can be boosted by the introduction of a new train line, by signing a City Deal or by enticing in foreign investment. This so-called ‘boomboggling’<sup>5</sup> – believing that investment and infrastructure alone can halt poverty and create jobs for the low skilled and that growth will eventually trickle down – is still the mainstream economic approach to places.

Challenging this narrative, particularly at a time of public sector austerity, is not easy. Cities are reliant on foreign investment streams and big business more than ever, and the narrow policy context within which they operate prevents them from thinking differently about their local economy. Traditional economics has become such a part of how cities work that an alternative approach feels radical.

Evidence of the failures of current and past local economic policies is growing, however, and the need for new solutions is gaining greater urgency as cities recognise the challenges ahead – from deepening inequality to technological and environmental change – and the inadequacies of current solutions to deal with them.

As one local entrepreneur said: ‘Local economic policy has not changed since the 80s; it’s light years behind what is happening and what’s needed on the ground.’

The vote for Brexit in June 2016 has been seen as a protest from the most marginalised, a cry of help from those left behind by the mainstream economic growth strategy and the forces of financialisation and globalisation. In Theresa May’s inaugural speech she promised to make Britain a country that ‘works for everyone’.

But how far are UK cities putting in place an alternative approach to local economics? What would a city employing good local economic strategies look like?

**‘Local economic policy has not changed since the 80s; it’s light years behind what is happening and what’s needed on the ground.’**

New Start, CLES and NEF set out to find out, visiting ten UK cities between May 2015 and June 2016, with funding from the Friends Provident Foundation. In each city we held an event bringing together local business leaders, social entrepreneurs and council officers to discuss what’s working – and what’s not – in their local economies, and the barriers to change. We produced an edition of New Start from each city, highlighting the projects that are doing things differently.

While no single city is radically casting off the old model, each place we visited has elements that put together, show what an alternative city economy might look like.

In this 'good' city economy:

- Hospitals and other anchor institutions are embedded into their local communities, with local and social supply chains feeding into them, for example, the Midlands Metropolitan hospital in Sandwell.
- Co-working hubs are created out of local assets to house and support the growing bands of people working for themselves and building small-scale enterprises; this is the approach being put in place by IndyCube across south Wales and Can Do places in Scotland.
- Its local leaders see their job as building agency, helping people and communities to do what they need to do to help themselves.
- Local economic decision-making is made by a wide range of partners, including the social sector and local communities, and develops an ecosystem approach in which the needs of the poor and the local business community are connected and joined-up with the city's growth.
- The social and civic sectors play a big role in the city's economic plans and social and economic strategies are aligned.

## Community land trusts, co-working spaces and social supply chains are creating a new approach to local wealth and prosperity

- There is a focus on building up the 'foundational economy' – the supermarkets and utilities and care sectors – to ensure that such employers are creating good, sustainable, well-paid jobs.
- Any new infrastructure and development – by the public or private sector – is planned so that it integrates with place and its benefits reach the poorest.

- Those attempting to change systems – to build a new food system or to reform public services – are supported.
- Community land trusts, asset transfers and experimental approaches to community-led development and enterprise are encouraged.
- Empathy is embedded within policy.

This good local economy starts with the reality of local conditions and builds upwards. It takes off its boomgoggles and assesses the skills and support needs of its local population and creates strategies to meet those needs. It values each person and resource and connects idle assets with enterprising people. It listens to the solutions of those living in communities and helps them to be realised. It creates the conditions in which big business serves and enables local needs.

As the above examples show, an alternative is starting to happen in cities throughout the UK. An energy is bubbling up from places which the local economic growth model has failed to reach. Community land trusts, co-working spaces and social supply chains are creating a new approach to local wealth and prosperity. They are helping those disconnected from economic opportunities to find jobs, building affordable housing and creating new systems for cities creaking under the pressures of environmental change. These new creative solutions are happening 'at the pace of imagination' and challenging the traditional structures within places, which are mostly struggling to keep up.

In some cities, councils and other public sector institutions understand that the mainstream approach is not working and are embracing new ideas, working with anchor institutions and with big and small business on alternatives to the norm.

But mostly, a 'glass floor' prevents the 'big' – be it the local state or big business – from reaching and supporting these small-scale creative solutions. The dominance of the agglomeration model



prevents local policymakers from understanding the importance of the small and the local, or, indeed, the need for change. For these new approaches to local economic development to create the structural changes our cities need, they need to be resourced and supported.



BLACK COUNTRY MAKE IN WOLVERHAMPTON

We started this work with the aim to investigate ‘alternative’ approaches to local economics. As we travelled around the country, however, we discovered that those people and places focused on an alternative were by no means radical. By creating good sustainable employment, building affordable housing, creating enterprise and ensuring public and private sector wealth is distributed more evenly, they are building local economic models and structures that may not be mainstream, but which work.

In no city that we visited did people believe the status quo could continue; in every city we visited we uncovered experiments with the potential to revitalise and stabilise our local economies. The only question is how quickly new systems can be put in place and how transformative the change can be. For as one community

entrepreneur in Liverpool said: ‘Lots of us are betting our lives on this. We’re at such an apocalyptic stage of economic breakdown that we have to.’

This report reveals our findings and sets out recommendations for how a new approach can be accelerated by local councils, businesses and communities.

**‘Lots of us are betting our lives on this. We’re at such an apocalyptic stage of economic breakdown that we have to.’**



LILAC IS A STRAW BALE CO-HOUSING SCHEME IN LEEDS WHERE HOUSING COSTS ARE CAPPED AT A THIRD OF RESIDENT'S INCOMES

# Building resilient city economies: The policy background

As inequality rises in the political agenda, the policy backdrop for a new, more resilient, approach to local economics is growing richer.

The Centre for Local Economic Strategies (CLES) assesses local resilience according to the strength of the relationships between the commercial, social and public sectors, and has published a body of work on a 'good economy',<sup>6</sup> including decentralised decision-making, a more socially-focused economy, and a 'double dividend' that aligns social and economic strategies. It has pioneered progressive procurement policies with a number of local councils, hospitals and other anchor institutions, helping them to ensure their spending power and recruitment policies benefit the local economy and build and embed local supply chains.

A focus on the 'mundane' – or foundational – economy by the Centre for Research on Socio-Cultural Change (CRESC) has shifted local economic policy in councils such as Enfield and Glasgow towards sectors such as utilities, supermarkets and care, sectors in which a high percentage of people currently work, rather than the high-growth areas that the mainstream economic model encourages.

People Powered Prosperity, a publication by the New Weather Institute and funded by Friends Provident Foundation made the case for a new economic regeneration based on local institutions, greater local ownership, a new local banking sector, investment institutions and small enterprise zones.

Community economic development (CED) is rising up the agenda in the UK, thanks to the 2013 report *Mainstreaming Community Economic Development*, written by Localise West Midlands. A second round of the Department for Communities and Local Government-funded CED programme has just begun.

A recent report by the Joseph Rowntree Foundation (JRF) – *Overcoming Deprivation and Disconnection in UK cities* – pinpointed areas in UK city regions that are disconnected

– and in some cases doubly disconnected – from the economic opportunities that exist, and highlighted the failure of the current policy environment to address this disconnection. 'At present, there is a missing link between the goals of city-regional economic growth on the one hand and persistent neighbourhood deprivation on the other', it says.

It concludes that current and previous policies to tackle deprivation – from the area-based regeneration of the past to today's focus on economic growth – have not been sufficiently nuanced to make a difference and calls instead for a 'holistic approach cutting across many policy areas' in order to link growth strategies at the city-regional level to poverty alleviation at the local level.

Both JRF and the Royal Society of Arts (RSA) have focused attention in recent years on 'inclusive growth' policies. JRF has worked with city regions in Manchester and Leeds on policies that will link economic growth and poverty alleviation, while the RSA has recently set up an inclusive growth commission.

The devolution agenda offers an opportunity for city regions to take greater control over their local economies and for the disconnection between local economic strategies and local need to be addressed. But in their current form, devolution deals are primarily perpetuating the local economic growth strategies of the past. JRF has called for a new 'social deal'<sup>7</sup> for cities, while a recent set of essays by CLES and SPERI<sup>8</sup> sets out a more progressive approach to devolution, one that empowers areas to forge their own answers to the challenges they face.

The policy ideas and strategies are there but for them to become part of the fabric of our cities, they need to be embraced by city and city region governments and taken to scale.

# The challenges of the mainstream economic model:

## 'Good' local economics

Resilient

Bottom up and pluralistic

Co-designed with communities

Enables growth of wellbeing and agency

Asset-based development

Small and particular to place

System changing

Supports community/ cooperative ownership

Enhances the existing – foundational – economy

Local supply chains allow multiplier effect

Finance that is relevant to local needs

Enabling, collaborative leadership

Local policies are realistic and aligned with need

## Traditional local economics

Fragile

Designed from the centre

Consults with communities

Prioritises GVA growth

Inward investment

Big and 'broad brush'

Not actively reducing inequality

Incentivises big business

Focused on high-growth sectors

Money leaks out of community

Finance that serves itself

Top-down leadership

Local plans devised with boomgoggles on

# METHODOLOGY:

Between May 2015 and June 2016 NEF, New Start and Cles visited ten UK cities – Manchester, Birmingham, Bristol, Cardiff, Newcastle, Leeds, Liverpool, Sheffield, Belfast, Glasgow – to map and activate alternative approaches to local economics. Working with partner organisations in each city, we held a one-day event to bring together the funders, entrepreneurs, social sector organisations, community groups and statutory bodies involved in each local economy. The discussion events gave us a picture of the needs of city-based local economies, the problems with the mainstream economic model in each place and the barriers to change. They allowed us to build a narrative around more resilient, ultra-local economic approaches – what they look like, the difficulties and the potential — for making them happen.

In each city we visited we created an edition of New Start magazine, which reported on the outcomes of the event, detailed local economic innovations in each place, interviewed city leaders and identified the most appropriate approaches for creating greater local economic resilience in that place. Through the creation of ten publications linked to ten of the UK's core cities – and this final compendium – we have built a body of work on exemplar projects and best practice across the UK. We have revealed the needs of cities as they attempt to combat austerity and

growing levels of poverty and inequality and build a locally-rooted, resilient approach to economics. We have shown the impact of traditional economics in places and how stronger links with the social sector and the creation of local and social supply chains can halt the growth of poverty. We have articulated a locally-led approach to economics that is gaining strength as the limitations of the mainstream model is revealed. Perhaps most importantly, we have built a network of people involved in building a movement that is creating greater local economic resilience.

## Stats:

EVENTS HELD:	TOTAL ATTENDEES:	PROJECTS VISITED:	CITY LEADERS INTERVIEWED:
10	250	75	10

# WHAT THEY SAID: Quotes from our tour of ten UK cities:



## Manchester:

**'If Engels came back to Manchester today he would still recognise the inequality that exists. After nearly 200 years of social progress what's changed?'**

**Mike Wild**  
Chief Executive,  
Macc

**'The potential for the social sector will remain untapped if devolution is focused solely on an economic strategy which is only implemented as large-scale programmes. It seems to me that this is to mistake structural simplicity for efficiency.'**

**Neil McInroy**  
Chief Executive,  
CLES

**'Civic engagement has been destroyed. Networks that were there are no longer being funded. The demographics of the city are changing and new communities are coming in. The infrastructure for supporting them is not there, which is impacting on cohesion and could have serious implications.'**

**Atiha Chaudry**  
Lead,  
Manchester BME network

GVA: Greater Manchester South: £38.6bn  
Child Poverty: 39%  
GVA growth 2008-13: 16.8%<sup>9</sup>



## Birmingham:

**'Trickle-down economics is rhetoric. It doesn't happen. The same areas are suffering the same challenges and the heat map of the city is unchanged. I don't believe that by investing in the city centre you somehow you get that beneficial halo effect across the city. The answer is to focus not only on top-down but on bottom-up. Every investor should be morally obliged to create the halo effect deliberately.'**

**Mark Rogers**  
Chief Executive,  
Birmingham Council

**'If devolution is to work for the benefit of communities in cities like Birmingham, then there is a pressing need to develop more localised vehicles to take control of assets and enhance the future life chances of residents.'**

**Kevin Gulliver**  
Human City Institute

**'A collective social and economic model has the potential to transform a place like Wren's Nest into a Community of the Future – a place where we can come together to share ideas, grow projects together and shape the community as part of our everyday lives.'**

**Lorna Prescott**  
Dudley CVS

GVA: Birmingham: £24bn  
Child Poverty: 37%  
GVA growth 2008-13: 14.5%



## Bristol:

**'People are struggling economically. While previously they might have had a dream about where they wanted to go in their life and had time to train and change their situation they can't do that now.'**

**Joanna Holmes**  
Chief Executive,  
Barton Hill Settlement

**'The problem is that creating "opportunity" is not enough. When opportunity is created without any measures taken to qualify it, it's the most advantaged who are best placed to exploit it.'**

**Marvin Rees**  
Mayor of Bristol

**'Unless you are in social housing, 80% of the market is unaffordable and many poor people are left without the essentials of life. It's a major issue.'**

**George Ferguson**  
Former Mayor of Bristol

GVA: Bristol: £12.6bn  
Child Poverty: 26%  
GVA growth 2008-13: 8.6%





## Cardiff:

**'Why is it that despite all the money that has come in nothing has changed? We've become reliant on others rather than self-determined.'**

**Cardiff event delegate**

**'There is no point in GVA growth that benefits 50% of the population. We have an economy set up to function so that masses of people don't contribute.'**

**Cardiff event delegate**

**'In economic policy there is a stranglehold by a small elite with decisions being made undemocratically.'**

**Cardiff event delegate**

GVA: Cardiff and Vale of Glamorgan: £11bn  
Child Poverty: 30%  
GVA growth 2008-13: Cardiff and Vale of Glamorgan – 9.3%

## Newcastle:

**'The government's ongoing austerity programme has been extremely difficult for Newcastle and is likely to be very challenging in the coming years.'**

**Nick Forbes**

Leader, Newcastle council

**'What keeps me awake at night are the growing numbers of poorer working people and the lack of ways to hold creative conversations around solutions.'**

**Newcastle event delegate**

**'The generation of income from commercial endeavours doesn't have to mean the lining of shareholders' pockets.'**

**Chris Barnard**

Chief officer, Ouseburn Trust

GVA: Tyneside: £17bn  
Child Poverty: 32%  
GVA growth 2008-13: Tyneside – 10.7%



## Sheffield:

**'How can we strengthen the links between organisations, institutions and individuals in Sheffield, creating mutually supportive, resilient, flexible and inter-connected networks?'**

**Mark Parsons**

Studio Polpo

**'A "glass floor" prevents the big and the top down from understanding and engaging fully with small and community-level activities. This is mirrored by the "glass ceiling", that stops the small from moving beyond the niche.'**

**Gareth Roberts**

Little Sheffield and Regather

**'Rather than arguing about who gets a bigger slice of the pie that is diminishing I'm saying "let's come together and build a bigger pie". It's about building a coalition of the willing, getting people on board because you want to work together not because you want the money.'**

**Vanessa Toulmin**

Director,  
City and cultural engagement,  
Sheffield University

GVA: £11bn  
Child Poverty: 28%  
GVA growth 2008-13: 13.1%



## Leeds:

**'We need civic institutions that are of a parallel thickness to those of the state and big business. We need institutions that are so effective that the traditional are forced to give space – a strong local state but with social democracy behind it.'**

**Leeds event delegate**

**'Richmond Hill [a deprived area of the city] has the skills to organise and create a stronger local economy but it does require help in the form of enabling and capacity building. This could be provided by the local authority at a much lower cost and generate much greater long-term benefits than have been achieved by the regeneration strategies of the last 15 years.'**

**Rachel Unsworth**

in her report:

**'Margins Within the City'**

**'We need to challenge the orthodoxy and look at different ways to measure economic and social progress. There are interesting approaches and more balanced ideas and I'm always happy to challenge Whitehall.'**

**Tom O'Riordan**

Chief Executive,  
Leeds Council

GVA: £20bn  
Child Poverty: 26%  
GVA growth 2008-13: 1.8%





## Liverpool:

‘The council will fail unless people get the benefit of regeneration. It’s about how we work together to create better ideas away from the dead hand of the council.’

**Nick Small**  
Assistant mayor of Liverpool

‘If you invite creative people to come together and make something happen, then something happens. We need to create pockets in which people can experiment.’

**Erika Rushton**  
Chair,  
Baltic Creative

‘The city’s greatest assets are its passion and its creativity. It feels different to other places and needs to use that difference rather than trying to compete. We need to stop the narrative of being the second city of empire and be brave again.’

**Liverpool event delegate**

GVA: £10.6bn  
Child Poverty: 32%  
GVA growth 2008-13: 10.6%



## Belfast:

‘The “micro” like Ashton Trust can’t make structural changes but nor can the “macro” policies and developments address areas of poverty and disadvantage without engaging with organisations like ours. At Ashton we are building an economic model but we can’t do it alone. We need to be working in partnership.’

**Paul Roberts**  
Chief Executive,  
Ashton Trust

‘If we are to be a progressive, sustainable, competitive city with a great quality of life for the people who live here we need to solve some of these significant problems in our system. Devolution to a local assembly represents a significant step forward but we also need more powers passed to local government so we can lead a place-based approach.’

**Suzanne Wylie**  
Chief executive,  
Belfast council

‘There is an entrepreneurial and economic resilience in Belfast and across Northern Ireland that is community-led, independent and innovative in its endeavours to meet local need and to stimulate economic action to regenerate local communities.’

**Charlie Fisher**  
Programme manager,  
Development Trusts Association NI

GVA: £10.2bn  
Child Poverty: 28%  
GVA growth 2008-13: 11%



## Glasgow:

‘Our story of local economies, of community spaces with dynamic innovative small businesses and the local multiplier effect has to be told within a bigger story of the future of the economy and the internet.’

**Ben Wray**  
Head of policy and research,  
Common Weal

‘As our economy continues to change dramatically, and more and more people have to start their own businesses, it is time for our local authorities to embrace entrepreneurship and unlock the potential of their greatest asset – the people. They must acknowledge that they have a pivotal role in supporting the rising numbers of accidental entrepreneurs, and they also need to realise that it is their business because it is through these accidental entrepreneurs that the local economy will remain resilient.’

**Iain Scott**  
Can Do Places

‘After three decades of relentless propaganda about the benefits of globalisation, it feels almost revolutionary to suggest that localism could be an answer to our economic and social problems. But it genuinely could.’

**Robin McAlpine**  
Director,  
Common Weal

GVA: £19bn  
Child Poverty: 33%  
GVA growth 2008-13: 8%

# DISPATCHES FROM FIVE CITIES: Why we need good city economies now

The following extracts are taken from our reports from five of the cities we visited during 2015 and 2016 and sum up the challenges facing the UK's cities as they attempt to put in place resilient and democratic economic strategies.



## **Cardiff:**

The mismatch between local economic policy and local economic need



## **Liverpool:**

People power: bottom-up transformation at the 'pace of imagination'



## **Bristol:**

The gentrification of progressive politics



## **Sheffield:**

The 'glass floor' between big economic development and small-scale solutions



## **Birmingham:**

Austerity and an enabling state

# 01

## The mismatch between local economic policy and local economic need: 'City regions need to be brave enough to say "no"'

### Cardiff:

**The mismatch between local needs and national and local economic policy was found in every city we visited but was most stark in south Wales, which has been an assisted area since 1934.**

Cardiff recently signed up to the Cardiff City Deal, through which central government provides funding to the area for a package of projects that will boost local economic growth and create jobs.

The event we held in the city in September 2015 discussed what a City Deal would look like if it focused on the actual needs of the people in the new Cardiff city region – which includes the south Wales valleys – rather than on creating economic growth.

When asked to think about the needs of their local economy, the participants at the event – who came from local universities, councils and social businesses across south Wales – talked about wanting communities to take greater control over local economic strategy, of matching investment with the local skills base, and a greater distribution of wealth. Decades of pursuing economic growth and millions of pounds being poured into the area's marginalised communities – some of the poorest in the UK – have made little impact on the region's social outcomes, and delegates were reluctant to sign up to another off-the-shelf approach to its local economy, such as Powering the Welsh Economy, a report by PricewaterhouseCoopers on the potential of the Cardiff Central region.

Delegates wanted instead a bold, community-centric vision of the local economy, one that starts with the assets and values of south Wales and builds upwards. In practice this could mean building on south Wales' heritage as the place where the idea for the NHS first materialised, in the Tredegar Workmen's Medical Aid Society,

with a 21st century community-level health system and high quality care services providing good employment opportunities; developing an education system that prioritises creative thinking rather than academic success; and placing community values at the centre of their local economic vision.

The Cardiff Capital Region city deal promises £1.2 billion investment in the region's infrastructure, making a new Metro service to link the south Wales valleys with Cardiff a key priority. Proposals are still being worked out but following the event we held in the city, the Wales Cooperative Centre, our partner on the project, set out their own city region proposals. One of the ideas with most traction is the creation of childcare cooperatives in deprived areas. Similar to Dylan's Den in Treorchy, they would provide employment opportunities in places that have become ghost towns since the closure of the mines and, by taking a social enterprise approach and subsidising the care on offer, allow parents to re-enter the labour market. Other ideas include a new wave of community energy generation schemes and a collaboration between SMEs and social businesses to export their goods and services. At a fraction of the cost of some of the mainstream economic plans on the table, these offer an approach to local economics that works with the grain of places and the people living in them.

The discrepancy between what places need and what they are getting is so stark that, as one local entrepreneur in Cardiff said, cities and city regions need to stand up to this agenda: 'A region needs to be brave enough to say "no" before the Treasury will realise its pressure to be powerful may not be the best for local economics and may in fact have a detrimental effect on overall wellbeing. But which region will be brave enough?'

## People power: bottom-up transformation at the 'pace of imagination'

### Liverpool:

**It was during our Activating Local Alternative Economies event in Liverpool in April 2016 that one delegate articulated a central issue we had identified time and time again in our visits to UK cities to map 'good' local economics. The problem, she said, is that local government is unable to keep up with the changes taking place 'at the pace of imagination' on the ground.**

In Liverpool as in many places, citizens across the city had become tired of waiting for the public or private sector to create change or for wealth to trickle-down and had started creating it themselves. In Toxteth, residents living in houses set for demolition began sweeping the streets and putting out pot plants. Then they formed a group, set up a street market, and eventually created a community land trust to take over ownership of the houses themselves. They brought in Assemble, which has set up a community enterprise from one of the houses, employing local artists to make tiles and fireplaces and training young people in construction. Four streets of derelict houses that had been at the mercy of market forces and public sector austerity are becoming vibrant and enterprising again with affordable community-owned housing. In 2015, Assemble won the Turner Prize, the UK's biggest art prize, for its work with Granby 4 Streets. New Start's trip to the project in 2016 coincided with the first visit there by Liverpool Mayor Joe Anderson and local MP Maria Eagle. Those residents and local people involved had not waited for permission from the council or completed the necessary bureaucracy. They had rolled up their sleeves and made it happen.

Across that city, a similar pattern can be seen. In north Liverpool the Homebaked project is renewing a local community from its base at a local bakery. The

Beautiful Ideas Company raised funds through a community car park run on match days and is re-investing the money into community enterprises. My Clubmoor, part of Big Local, offers micro-funding to long-term unemployed and low income people wanting to start or grow businesses. We Make Places has an ambitious plan to turn a 1970s flyover in the centre of the city into a urban park and venue.

The Activating Local Alternative Economies event we held in the city took place in an old industrial unit that a few weeks previously had been derelict. Now it is being transformed into a makerspace – Make Liverpool – with funding from Beautiful Ideas Company, and its location is symbolic of what our work uncovered in many cities. It is situated next to the wall which surrounds the former north docks, the home of Liverpool's past prosperity and now an 'enterprise zone' owned by corporate giant Peel Holdings but currently derelict. So, while one side of the wall is home to 'big' regeneration – currently swathes of unused land on which Peel Holdings gets business rate relief – on the other side of the wall 'enterprise' is already happening, but without the tax breaks of its 'big' neighbours.

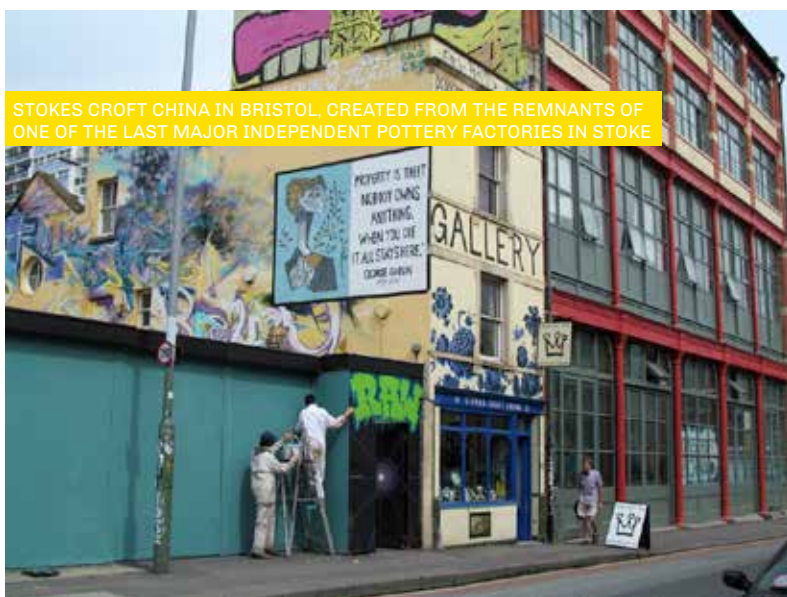
This juxtaposition between big and small, between traditional local economic development levers and experimental bottom-up solutions, between the lumbering paternalism of the past and the rapid, small scale 'mini epiphanies' that point towards the future, was there in every city we visited. A shift has occurred, one identified by Roberto Unger, where practice is moving faster than theory, experimentation on the ground is taking the place of reports, pamphlets and commissions, and societies are becoming active agents of their own futures<sup>10</sup>.

## 03 'The gentrification of progressive politics': Inequality in the poster city of alternative economics

### Bristol:

**Our report from Bristol highlighted the growing inequalities and divisions in that city, the dangers of an 'alternative' approach adding to those divisions by increasing gentrification, and the lack of connectivity between the city's wealth and its poorer areas.**

If you were to imagine an alternative local economy, it would probably look something like Bristol. Social enterprises and local businesses shout louder than chain stores in parts of the city centre; you can use its local currency, the Bristol Pound, to pay for bus fares and business rates; it has fiercely independent high streets and a strong small business sector. Ethical and alternative finance organisations – from Triodos to the Bristol SIFR fund – and some of the UK's most famous environmental organisations, from Sustrans to the Soil Association, have their base here.



Bristol is a city that is proud of its difference, one that wears its values on its sleeve, and where its people have a strong sense of agency and community. 'It feels more normal here

to have conversations about what you care about and to do something about it,' says Ciaran Munday, a co-founder of the Bristol Pound. 'There are some exceptional parts of Bristol that are a living example of the alternative.'

On the other side of the city however, at Barton Hill Settlement, an 'alternative' approach to local economics is not helping those negotiating zero-hour contracts and changes in welfare rules. Chief executive Joanna Holmes has seen stress levels among local residents rise dramatically as the impacts of austerity and welfare reforms have hit.

'People are struggling economically', she says. 'While previously they might have had a dream about where they wanted to go in their life and had time to train and change their situation they can't do that now.'

Barton Hill is on the edge of Bristol city centre and just a few hundred yards from the Temple Quarter Enterprise Zone, one of the city's key drivers of economic growth. But little attempt is being made to connect the poverty in Barton Hill with the growth being driven by local economic vehicles such as the local enterprise partnership (lep).

That Bristol is a tale of two cities has become a cliché. The city that makes headlines is the one to which highly qualified people are drawn from London, taking up the new opportunities in low carbon, high-tech and creative industries and enjoying the lifestyle on offer in Clifton and Redland. The city that is not shouted about so much is found south of the River Avon in places like Withywood and Knowle West, where high levels of poverty are deepening. People on low incomes here have fewer skills than those in other core cities and race inequality is particularly acute.



Marvin Rees, who became the city's mayor in 2016 but at the time of our report was campaigning for the role, called poverty and inequality the 'pimple on Bristol's greatness' and said that when he pointed out the city's less glossy tale, he was accused of being a PR liability.

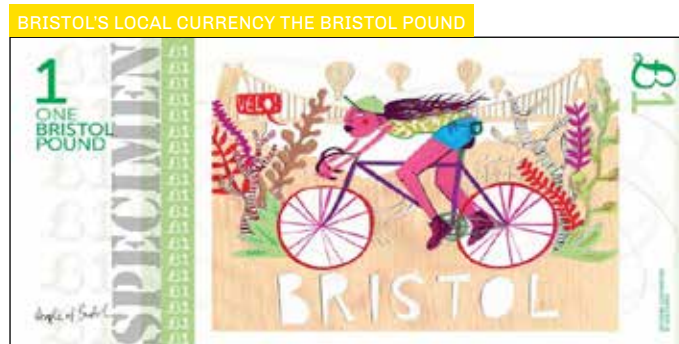
Those working in community organisations in poor areas are frustrated both by a public image of the city that is far removed from the lives of those around them, and by being used as 'bid candy' for high profile awards such as Green Capital 2015, only to find themselves excluded from the benefits.

The strength of Bristol's social and ethical 'alternative' sector is not in doubt; problems arise when this is as far as the 'alternative' goes.

Rees describes the problem as the 'gentrification of progressive politics', where the terms of the debate are dominated by a particular privileged group.

This situation is not unique to Bristol, but is perhaps found in a more concentrated form there. Our cities are becoming defined by inequality as the flows of what economic growth there is leave huge parts of the population and large geographic areas behind.

In Leeds a charity boss described the wealth in that city as having a mushroom effect, billowing out from the centre to the richer areas on the edge of the city, but leaving behind a whole swathe of poorer neighbourhoods. For a true 'alternative' to the mainstream, interventions are needed that prevent gentrification through local ownership, and which create money flows, jobs and prosperity directly in those neighbourhoods that have been left behind.





# 04

## Sheffield: the 'glass floor' between big economic development and small-scale solutions

**The bottom-up experiments being unleashed in Liverpool, Sheffield and elsewhere have the potential to create large-scale social and economic change but are often held back by a lack of power or ability to take such experiments to scale and a local state unable to unlock the benefits of the small and the local.**

In Portland Works, old and new industry – and capitalism and post-capitalism – rub up alongside each other. The former works building where Sheffield's stainless steel was first made is now a designated employment zone owned by the local community.

From Andy Cole, who has been forging tools here since he was 12 using 19th century equipment, to the Hackers and Makers Collective playing with 3D printers, its tenants span the spectrum of economic history.

Portland Works is a classic example of Sheffield's Little Mesters tradition, which propelled the city into the frontline of the industrial revolution. Hundreds of self-employed craftsmen and women rented small workshops around the city centre, and earned their wages by specialising in a particular

stage of the production process, be it grinding, forging or finishing, fulfilling cutlery or tool contracts for larger manufacturers. Even after the big steel factories began arriving, the tradition of Little Mesters continued, and it lives on in the city today, with a new generation of small businesses and studio workers.

In the Soar Works Enterprise Centre in Parson Cross, in the north of the city, glaziers, artists and national charities share an office building designed to help traders interact and collaborate. At Sum Studios, a creative community has grown in a former school building in Heeley. The Roco Creative Coop recently opened its doors to fulfil demand for studio spaces.

Elsewhere in the city, Gareth Roberts from Regather is showing the importance of small economics through the concept of 'Little Sheffield', building community economic development, and celebrating small, organic neighbourhood-level growth.

This vision of Sheffield as a city of small makers and of 'little' economic development is perhaps at odds with a parallel agenda that is emerging in the city, focused on size, price and regional strength.





The Sheffield city region recently signed up to a devolution agreement that will see the city combined with its nine local authority neighbours to take control over jobs, skills and transport.

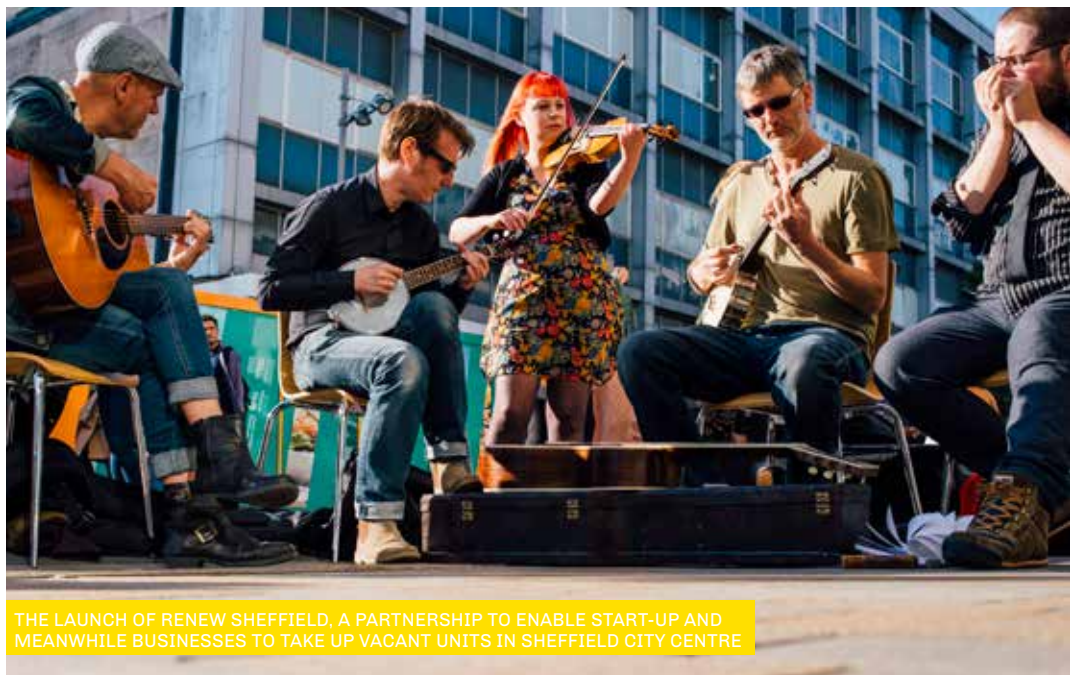
A growth plan for the region aims to create 70,000 new private sector jobs and 6,000 new businesses over the next decade, focused on advanced manufacturing and new high speed rail links. There are plans to make the Sheffield city region the best start-up zone in the country and to grow existing businesses and exports.

The big and little economic agendas on the table are not necessarily in opposition but there is a sense among

many in the city that Sheffield and its region need a different kind of economic development from that of neighbouring Manchester, one that builds on its history and heritage rather than rolling the fortunes of a diverse set of places into a single economic entity.

At the Activating Local Alternative Economies event in the city in December 2015, a strong desire was expressed to draw together the top-down and the bottom-up strategies for the city, to spread wealth more evenly and to help the city and its region grow in a way that works with the grain of the place and the people that live there.

Gareth Roberts used the metaphor of a 'glass floor', that prevents the big and the top down from understanding and engaging fully with small and community level activities. This in turn is mirrored by a 'glass ceiling', that stops the small from moving beyond the niche. He called on Sheffield's leadership, as well as reaching down, to look to organisations that are developing organic local economic development and to help them to reach up.



## Austerity and an enabling state

### Birmingham:

**A movement is emerging: a new approach to local economic development which values the small, works with the grain of places and uses the assets already there as the basis of renewal. It is providing solutions for the failures of the mainstream economic model, but it is largely doing so outside of the policy structures of the local and national state. If it is to become a significant force, it needs to work with and shift those structures.**

In many places this is already happening. The local state is playing a co-designer role with its local communities and social sector. A long-term partnership between Newcastle Council and the Ouseburn Trust is a good example of this. Dating back 20 years, the two have worked together to preserve local assets and bring them back into use, turning a derelict area into a thriving creative quarter in community ownership. The Ouseburn Trust now manages the city's asset transfer programme. In Birmingham and the West Midlands the seeds of a strong partnership-based approach between the state and the social sector and its communities are being sown.

When we visited Birmingham in June 2015, the city was still reeling from the launch of the Kerslake report, which as the chief executive of the council Mark Rogers said, gave the council a 'kick up the backside'. Having had many of its operations criticised, the council was now in listening and learning mode, and intent on new approaches. In response to criticism that it was remote from local areas, Rogers vowed to change the job titles of all officers and politicians, in order to shift their focus towards community development.

'The job of elected members is to encourage community activity, not to govern it', he said. 'People look up to Chamberlain [Birmingham's first municipal leader] but he ran

everything. Today our council officers and members need to be enablers. It's not about control and direction.'

The city has set up social innovation zones to experiment with new approaches to public services and has completed a number of successful asset transfers. It is launching an anchor institution programme to ensure that the spending power of its local institutions – councils, hospitals and colleges – supports its local neighbourhoods.

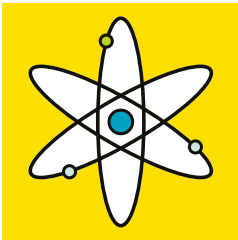
It's pioneering an approach that is open and enabling, that is aiming towards the devolution of power to communities, an approach that will allow and encourage the mini epiphanies that are creating local and social change. It is taking a 'maximalist' approach to social innovation, allowing it to flourish which way it will, rather than keeping it safely stored in a box marked 'voluntary sector'.

Elsewhere in the West Midlands, the Sandwell and West Birmingham NHS Trust and Sandwell Council are taking an anchor institution approach to the building of a new hospital, ensuring that it is embedded in the local community, providing jobs for those living on its doorstep and creating social enterprises and local supply chains from within the neighbourhoods in which it is based.

As the limitations of the mainstream economic growth model come to the fore, councils and city regions are looking for alternative strategies for creating and distributing local wealth. Some are understanding the new approach earlier than others and are embracing emerging ideas and partnering with local organisations. They are breaking the 'glass floor' and leading the way towards a 'good' local economics.

# WHAT DOES A GOOD CITY ECONOMY LOOK LIKE?

01



## System changing:

Funding streams and voluntary sector organisations are often focused on patching up problems rather than changing the systems that create problems in the first place. Our cities currently face a multitude of issues that require structural change. Not least among these are climate change and the shift to a low carbon future. Cities need to think – and fund – differently in order to make the changes required to ensure that our food and energy systems are less dependent on fossil fuels, and our infrastructure is resilient enough to withstand changes in our climate. In Greater Manchester, the Kindling Trust is working on all sides of food supplies to try to establish and embed local food systems and supplies, from finding land and supporting people to grow on it to working with schools and hospitals to supply it. As our public services creak under the pressure of austerity and demographic change, many organisations are coming together to co-produce services that are more empathic and which ultimately will save costs. Inspiring Change Manchester brings together local partners from the probation, substance dependency, housing and training sectors to create services that wrap around people with complex needs.

### Who's doing it:

Kindling Trust | Inspiring Change Manchester

### What it needs:

Joined up funding and support from a range of local partners



## 02

### A revolution in grassroots enterprise:



The Work Programme – a centralised approach to employment – hasn't worked. Finance aimed at start-ups or social organisations is often too hard to access. Local enterprise partnerships (leps) take a broad brush approach and are unable to deal with the nuances of local labour markets, and in particular those who are disconnected from them. A skills and jobs mismatch is prevalent in every city we visited, and a lack of employability among the population is holding back economic output, and creating jobs in which wages and terms and conditions are unacceptable. Economic policies focus on big business while employment is shifting towards small and self-employed solutions and micro-businesses. Across the country, however, we found a wide variety of social sector organisations involved in locally-rooted approaches to the creation of sustainable jobs and enterprises and skills training. IndyCube is a not-for-profit organisation that has created community level co-working spaces across Wales. In Liverpool Baltic Creative is a community interest company for the creative and tech sector. It manages co-working spaces, helps businesses establish and develop, and builds networks, with all profits reinvested into its buildings and support networks. 'Soup' events are happening across the country, where locals pay to attend a community meal at which ideas for local enterprises are pitched and the winning idea takes home the funds pooled by the audience. Levenshulme Market uses its profits to fund local enterprises and community projects, while TestTown and Can Do Places bring regeneration and local enterprise creation together. Social enterprise organisations such as the Jericho Foundation in Birmingham and the Bryson Group and the Now Group in Belfast help connect disadvantaged people to local jobs, and set up new social businesses and supply chains to provide them. The Galgael social enterprise in Glasgow offers training and jobs in traditional ship-building to people who are long-term unemployed or with mental health problems. Our economies are going through rapid change, as technology shakes up traditional roles and opens up new ways of working. Those places that grasp the nettle, that nurture creativity and empowerment through work, that harness new technologies and the changing nature of work, will thrive.

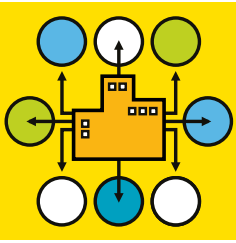
#### Who's doing it:

Baltic Creative | IndyCube | Levenshulme Market | Walker Soup | Beautiful Ideas Company | My Clubmoor | TestTown | Can Do Places | Small is Beautiful | Civic economy in Manchester | Jericho Foundation | Now Group in Belfast | Community economic development

#### What it needs:

The policy framework of the Work Programme and associated funding through the Skills Funding Agency and the leps needs to change in relation to work and skills. There needs to be a shift away from a centrally-determined, standardised and 'payment by results' focused model to one where there is greater emphasis on a localised approach with better relationships between strategists, providers and people. Skills schemes that are locally-led and bespoke are needed as well as social sector involvement in building local supply chains and linking people to jobs.

## Anchor institutions embedded in and working for the local economy:



How far are hospitals, councils, housing organisations and universities supporting their local economies? A local multiplier analysis conducted by the Centre for Local Economic Strategies (CLES) showed that the total spend of the three hospitals on the border between Birmingham and Sandwell in the West Midlands was £150m and that, for contracts worth over £100k, only around 15% was going back into the local Birmingham and Sandwell economies. Sandwell and West Birmingham NHS Hospitals Trust and Sandwell Council aim to change that, with a plan to embed a new hospital – Midlands Metropolitan – as firmly within its local area as Cadbury’s was in Bourneville. Before a brick has been laid, people who live in the deprived areas which neighbour the new hospital are being engaged in training opportunities to take on the new jobs at the hospital and encouraged to set up social enterprises that will fulfill some of its contracts. Local food businesses are being invited to supply the hospital. This builds on the work of Evergreen in Cleveland, Ohio, and of community wealth building work led by Preston council. NHS hospitals and other place-based institutions can look at how far they are contributing to their local economies – from the training and employment of disadvantaged groups, to better links with locally-owned businesses, developing local supply chains and facilitating close live-work patterns. Major public sector developments are looking at the social value involved, rather than the efficiencies, not only in the building work, but in the long-term impact of the institution. They are helping create social and local supply chains that keep money circulating within local economies. Councils such as Manchester and Glasgow are localising their procurement strategies to align them more with local needs. Belfast Council has maximised the social and community benefit from the development of its Innovation Factory.

### Who’s doing it:

Midlands Metropolitan Hospital | Manchester Council localised procurement | Belfast Council’s Innovation Factory | Glasgow Council SME procurement strategy

### What it needs:

Commitment from public sector and other anchor institutions to understand the needs of place and of local citizens. This support can be through local and social purchasing; through local employment; or as incubators for start-ups and community organisations. Local government can create ‘anchor networks’ to build partnerships between anchors and public sector bodies, local businesses and community groups. This should be framed by existing policy frameworks and legislation. The new EU procurement directives have three key themes around flexibility, positioning SMEs, and maximising social and environmental goals through procurement. These considerations should be at the heart of anchor institution strategy and the behaviour of individual institutions, as should the principles of the public services (social value) act.



AN ARCHITECT'S IMPRESSION OF THE MIDLANDS METROPOLITAN HOSPITAL, DUE TO OPEN IN 2018 PHOTO: SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST WEBSITE



## Empathic, enabling local leadership:



Cities are going through profound changes as they deal with the impact of austerity on local people and services at a time of rapid change. During this project we visited some of the cities struggling most heavily with cuts – Liverpool, which has lost 58% of its funding, and Newcastle, which has lost more than 30% of its funding. With or without austerity, cities are becoming aware that the ways in which they tackled poverty and ran public services has not always worked and that communities and service users have the solutions. The paternalistic role of councils is shifting to a more partnership-based approach in which the state and local communities and local businesses work together each other to tackle local problems. Birmingham Council is focused on triple devolution: devolving power and resources down to local areas. It has set up social innovation zones to test new ways of running public services and has transferred a number of local assets to community organisations. In Leeds a civic enterprise model is helping civic organisations become more enterprising and asking local businesses to fulfill their civic role. Sheffield University is working with local partners to build new networks, particularly in relation to the local creative and cultural sectors. Local councils are creating employee-owned and community-run services. The work of the Cooperative Councils Network and the setting up of municipal energy companies such as Bristol Energy are leading the way in new approaches to show how councils can work more closely with citizens to address local needs. An enabling and empathic approach is one that listens to communities and allows them space and support to experiment with new ideas and schemes and build individual and collective agency. It works alongside the social and business sectors and local anchor institutions such as hospitals, universities and housing organisations to guide and steward the local area. It uses its role as a local purchaser, employer and asset-owner to build a 'good' local economy in which people thrive socially and economically.

### Who's doing it:

Birmingham Council | Leeds Council | Belfast Council | Bristol Energy | Sheffield Creative Guild

### What it needs:

Local authorities are a key agent for pulling together and accelerating alternative local economic activity. Key to this is local government being the active enabler: encouraging and inspiring self-determination from a range of sectors and innovative collaboration and crossover between social, public and commercial networks. This includes council leaders, mayors (including directly elected ones) and, importantly, councillors. It is about harnessing the expertise and empathy present in a range of local people, other public sector agencies, third sector partners and businesses, and engaging them as leaders in their own fields. It is only through this empathic, coordinated leadership-focused approach to place that complex issues such as poverty can be adequately addressed. To do this there should be an easing up on austerity. Funding cuts to local authorities have severely hindered their ability to enable others and innovate.

## True corporate social responsibility and support for small and social businesses:



Big business has, on the whole, become disconnected from the places in which it is based, the communities that surround it and the needs of its workers. Many pay below the Living Wage, operate zero-hour contracts and run corporate social responsibility projects that are superficial. But inward investment and foreign direct investment schemes often remain at the heart of local economic development, with councils incentivising big business to become established in their areas, and expecting little in return beyond the creation of jobs which can be short-term and unsuited to the skills of the local labour force. Social corporate responsibility plans usually revolve around voluntary activities in the community rather than committing to well-paid jobs, good terms and conditions for employees and fair ratios between the highest and lowest paid in the company. Foundational economy work in Enfield council in north London has been successful in getting more back from local employers in the utilities sector. Training programmes and long-term job progression are now being incorporated into major development projects in cities. A step-change is needed, in which business understands its social and civic role and incorporates that into its operations. In Leeds a Civic Enterprise programme is engaging some of the city's big businesses in civic duties, particularly around its Child Friendly Leeds agenda. Many councils now have business charters, setting out what is expected from the businesses they work with. As small and micro-enterprises and freelance businesses grow in number, councils are taking steps to support them. Included in the Glasgow City Region City Deal is specialist business support for small and medium-sized businesses in the care sector, to help them become more resilient and to position this vital sector as a viable and progressive career route. The Welsh Assembly has commissioned work around a collaborative economy, which would see the public and social sector working in partnership to build key sectors such as care.

### Who's doing it:

Leeds Civic Enterprise | Glasgow City Region City Deal | Welsh Assembly | Social Value Taskforce run by the Federation of Small Businesses | Poverty Truth Commission in Leeds | Foundational economies

### What it needs:

A greater understanding of the civic and social role of business; greater networking between local businesses and the public sector and other anchor institutions; collaborations between business and communities to build local supply chains and to enable and support local food production or new enterprises for example. In particular there is a need at the local level for Living Wage agreements and business charters which set out the principles expected of local employers.





HEELEY FESTIVAL IN THE HEELEY PEOPLE'S PARK.  
PHOTO: HEELEY DEVELOPMENT TRUST

A FARM WORKER AT KINDLING TRUST IN MANCHESTER  
PHOTO: KINDLING TRUST



BOAT BUILDING AT GALGAEL IN GLASGOW  
PHOTO: GALGAEL



SOCIAL ENTERPRISE NOW GROUP IN BELFAST



PART OF GRANBY 4 STREETS COMMUNITY LAND TRUST  
PHOTO: SEVEN STREETS



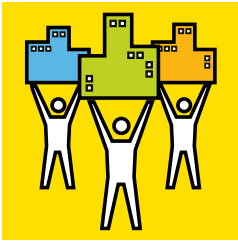
WOMEN PAINTING A MURAL AT THE OUSEBURN FESTIVAL IN NEWCASTLE  
PHOTO THE OUSEBURN TRUST



WORKERS AT AN INDYCUBE CO-WORKING SPACE IN SOUTH WALES

## 06

### Assets that are owned by and work for the community:



A stigmatised estate in Wolverhampton, its youth centre, shops and facilities closed down, is now home to Black Country Make, a group of young people who are creating digital manufacturing businesses from within those vacant properties. Portland Works, the place where Sheffield's famous stainless steel was first forged, and which was due to be turned into student flats, has been preserved by a community buy-out as a hub of local manufacturing, old and new. A community-owned bakery – Homebaked – has kickstarted the development of a deprived area of Liverpool. A social enterprise is stopping carpet tiles going to landfill while providing much-needed jobs and training in the south Wales valleys. Sum Studios is run by Heeley Development Trust in Sheffield and is a business and arts space housed in a former school building. A café and cultural venue in Glasgow spends its profits on music lessons for young people. Across the UK, asset-based social and community enterprises are proving models of place-based jobs and prosperity, and aligning social and economic aims and needs. Asset-based development is owned by and embedded in local areas and has already proven its worth. The Ouseburn Trust in Newcastle, for example, has turned a derelict area of the city into the biggest creative cluster in the north-east, in partnership with the local council. Community land trusts such as Granby 4 Streets and Homebaked in Liverpool are using assets to build affordable community housing and new local enterprise. The Community Economic Development programme funded by DCLG run by Co-operatives UK and NEF and others is supporting a number of local organisations taking a community-led approach to reshaping their local economies. In many cases, however, asset-based projects reach fruition only after a long fight from communities. But such approaches, which make use of local assets and human resources, offer solutions to local issues, and ultimately reduce local public sector costs.

#### Who's doing it:

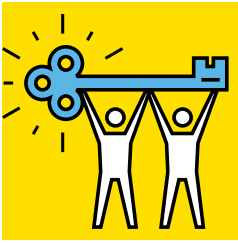
Black Country Make | Portland Works | Welsh Cooperative Centre | Glad Café | CED programme | Ousebourn Trust | Granby 4 Streets | Sum Studios | Homebaked

#### What it needs:

Places need to take greater advantage of the principles and provisions of the localism act 2011 and particularly those around community rights. This however needs to be done on a partnership basis, linking community provision to wider agendas around public service reform, with an enabling role for local councils. Community-led enterprise such as those described above needs support through the Growth Hubs and particularly their business support functions to enable them to continue to develop and provide benefits for communities.



## Co-produced local economic development:



During our visits to the ten cities, a key problem kept emerging: that local economic decision-making was made by the few, not the many. The public sector and big businesses – through local enterprise partnerships – are the main actors and drivers of local economic development in the cities we visited. The social sector and local communities are often not given a seat around the table when local plans are being drawn up. The work of CLES and others shows that the most resilient local places are those that have strong networks and connections between the public, private and social sectors. When the three sectors work together on the decisions that affect local communities, a more place-based economic strategy emerges, one that is focused on the specific needs of communities, eradicating poverty and ensuring that money stays and flows within a local area. Following our event in Manchester, in which a vision of the city as a civic economy was discussed, civil society organisations in the city have become more involved in its social and economic strategy. A voluntary, community and social enterprise reference group has been established within the Association of Greater Manchester Authorities and the sector now has a role in the city region's devolution strategy. A 'people's plan for Greater Manchester' has also been established to give citizens a say in the devolution process. Other glimpses of how a more collective approach could work were found in Belfast – where the West Belfast Partnership offers a broad-based partnership between community, statutory, business and political members – and in Sheffield, where Sheffield University has increased its role in the city and is creating new networks in the creative sector. In Leeds, Team Kirkstall – created by a group of small businesses and local businesses after working together when the city suffered major flooding – and the Empty Homes Doctors, which brings a range of actors in to solve the empty homes problem, are using a networked approach to social issues. In Birmingham the Digbeth Social Enterprise Quarter is home to 50 social enterprises who come together as a network to work on local economic, environmental and social impact reporting.

### Who's doing it:

Greater Manchester civic economy | West Belfast Partnership | Sheffield Creative Guild | Team Kirkstall | Empty Home Doctors | Digbeth social enterprise quarter

### What it needs:

Instead of viewing local communities and civil society as mere downstream recipients of economic success (as beneficiaries of actions designed to deliver agglomeration and 'trickle-down' growth), they should be seen as active upstream parts of a system that creates success in the first place. A greater recognition of social networks and move to co-production are essential. Social networks are formed through social capital acting as a mechanism for joining people together in socially and economically productive ways<sup>11</sup>. Such networks of solidarity and reciprocity are important in supporting alternate local economic activity. Under a co-production model, citizens contribute more resources to achieving outcomes, share more responsibility, and manage more risk in exchange for much greater control over resources and decisions.





## True devolution:

After decades of centralisation, devolution deals offer local and combined authorities a chance to break free and forge their own distinctive economic and social destinies. But current devolution deals are constrained by the Treasury's economic and social model, and cowed by ongoing austerity. The economic powers being devolved will not allow local authorities to transform their local economies dramatically. Rather, the devolution process has been stacked in favour of Whitehall and limited in terms of what it deems important. The City Deals and local growth deals which have been signed off so far do not significantly disrupt the mainstream economic model, focused as they are primarily on infrastructure funding and high-growth industries. For devolution to herald a more progressive future for local places, it needs to re-draw the role of the local state, lay the groundwork for a new industrial future and enable the transition to low-carbon economies. It should allow new powers to develop local solutions to housing, devolve powers over land and property, enable the integration of health and social care and develop a bottom-up climate change strategy. Decisions for local employment strategies, local housing and transport need to be made at the lowest scale level possible in order for them to be appropriate to and focused on needs.

### Who's doing it:

Manchester's people's plan

### What it needs:

Places need to continue to negotiate with central government around city, devolution and growth details. However, the frame of this needs to shift away from a focus upon largely using infrastructure investment to facilitate economic growth, as seen in the City Deals, to one where this is balanced with true social outcomes. To enable this there needs to also be a reshaped centre with that safeguards and redistributive responsibilities. There needs to be a new settlement between central and local government which safeguards the role of local government and a clear transfer of authority from Whitehall. There needs to be true social devolution, including place-based budgets for public services.

## Finance that serves people, place and a productive economy:



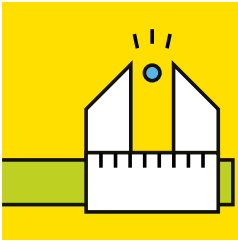
Finance and banking have become divorced from needs – both locally and nationally. Small businesses struggle to get loans, and local organisations and social enterprises are unable to access finance. Social investment funds are often inappropriate for those working at ground level in their local communities. During our visits to the ten cities, social organisations called for a level playing field with the private sector in terms of access to local funding streams, and in their partnerships with the local public sector. For while private sector projects enjoy access to capital at beneficial rates and partnerships in the long term, social organisations are often funded for shorter periods, leading to projects that are more precarious and insecure, and preventing experimentation. The network of community development finance institutions that exist across the country – from Aston Reinvestment Trust in the west Midlands to Robert Owen community banking in Wales – offer business and home loans and, in the case of Robert Owen, a fund for local community energy projects. A number of local philanthropic organisations are focusing their efforts on building local funds for investment, such as the Leeds Fund – run by the Leeds Community Foundation – which hopes to spread the city’s wealth more evenly, and the Stockport Fund, managed by Forever Manchester. Innovations such as community shares, crowd-funding and peer-to-peer lending are opening up new sources of finance to meet local need and help experimental projects and new enterprises get off the ground. Finance needs to become democratic and resilient again, able to serve the needs of people and place and to be the cornerstone of a productive economy.

### Who’s doing it:

Robert Owen Community Banking | Airdrie Savings Bank | Leeds Fund | The Stockport Fund | Community shares | Crowd-funding

### What it needs:

‘True’ venture capital available needs to be available to social organisations to enable them to innovate and develop. In general, local investment funds that can serve the small-scale end of local economic development are crucial. A more diverse stakeholder banking sector including mutual, credit unions, co-ops and CDFIs could enable a greater availability of local loans to productive businesses, as well as providing better access to customers within more deprived communities. Larger banks need to refocus on these core offers to local and regional economies as well.



## A broad set of measurements of a successful economy; social and economic policies aligned:

Our understanding and use of the word economy has narrowed over time and is now almost synonymous with business and with GDP and GVA growth. Measuring an economy by the amount of wealth it creates over short periods of time has led to economic strategies focused on rapid wealth and job creation, no matter the quality of the jobs created, who fills those jobs, whether that wealth is distributed equally or indeed whether that wealth stays in an area's economy at all. A more accurate analysis of our economies would take into consideration people's wellbeing, environmental impacts, the quality of jobs, and how wealth flows around a place. It would assess how far an economy supports the needs of people and communities, rather than creating growth for growth's sake. Yet despite the highly developed work on 'beyond GDP', measures of wellbeing that are available to local economic practitioners and policymakers, the argument for a more people- and planet-focused approach to economic development and investment still appears to be extremely difficult to win on a practical, day-to-day level. Repeatedly, local economic practitioners shared their frustration with us about a perceived fundamental gap between the holistic outcomes they are trying to achieve (economic, wellbeing, environmental, social justice) and the ultimate objectives of those who determine how funding, strategy, priorities and day-to-day decisions are managed.

### What it needs:

A broad set of measurements of a 'good' local economy, to include wellbeing, individual and collective agency, financial 'leaks' and flows in the local economy. The focus of regional and city economic strategies should be community economic development, social innovation and improving conditions in the less glamorous 'foundational economy'<sup>12</sup>. Such an approach would include developing an economy made up of smaller enterprises and a variety of ownership models that are designed to deliver on a range of broader socio-economic outcomes beyond increased GVA. Local economic progress should be judged by whether:

- **people** in this local economy are doing well, either through the incomes they earn, the kinds of jobs they access, or the amount of profit they are getting from the economic activity and the assets in their own local community.
- the **make-up of local businesses**, and non-profit organisations, is resilient, diverse and well-connected – businesses buying from each other, a range of different sectors, and a range of different scales of businesses, for example, rather than a big mono-culture that makes the community vulnerable to external economic shocks.
- **money invested locally circulates** round as many businesses and people in the local area as possible, and does not flow straight out of the local economy
- resources are being used **sustainably** – not only protecting the environment locally but also making good use of environmental assets within the local economy in a sustainable way, for example through building sustainable tourism opportunities from geographical assets, or maximising opportunities to build complementary sectors in an area that make use of others' waste or by-products.

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11. Coleman, J. S. (1988) Social capital in the creation of human capital. American Journal of Sociology Vol. 94, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure, pp. 95-120

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12. Policy officials need not look far and wide for knowledge on how to develop these approaches. Local organisations such as the Centre for Local Economic Strategies and the Centre for Research on socio-cultural change have a strong track record of research and advocacy of alternative approaches that can deliver more inclusive and sustainable urban development. For a recent paper critiquing neoliberal urban development paradigms, and proposing alternatives, see Engelen et al (2016) How Cities Work: A Policy Agenda for the Grounded City. Centre for Research on Socio-Cultural Change. For an example of an approach to community economic development, being taken in nearby Preston, see Jackson, M. (2015) Creating a Good Local Economy: the Role of Anchor Institutions, Centre for Local Economic Strategies.



