

# 3: Alternative local economic policy making

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

## The challenge

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

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

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

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

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

## What needs to be done?

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

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## Developing 'whole place' economic strategies

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

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

## Creating a double dividend for economic and social success

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

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

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

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

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

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

## Ensuring economic development works within limits of environment

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

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

## Delivering a low carbon future

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

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

## Creating whole place LEPs

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

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

## Making LEPs more democratic

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

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

## Developing a wider set of LEP performance measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Advancing housing organisations as key regenerators of place

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

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

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

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

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

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

The full Manifesto for Local Economies  
can be viewed on the CLES website, [here](#).