

WHAT NEEDS TO BE DONE

THE MANIFESTO FOR LOCAL ECONOMIES



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FOREWORD

The economic sphere is not distinct from the social, they are one and the same. We must therefore root our economy in social justice and be guided by the limits of the environment to create a country in which wealth is enjoyed by everyone, everywhere.

Local economic development is at its best when local government works with commercial and social partners to achieve economic success that prioritises social well-being. To date we have had too little of this stewardship.

The onset of Brexit means we need to galvanise more active economic development that recognises the need to foster an internationally competitive economy which is more socially just and builds future resilience.

We need to accelerate and scale up the already successful progressive local economics that is being advanced up and down the country. It is clear that to generate social and economic freedoms and opportunities you need a progressive and socially just market. Agendas such as inclusive growth, have started to acknowledge that the economy is working poorly for many people. This is a start. However, we need a better national context and action, with a deeper local economic reset, beyond this inclusive growth agenda.

The rise of new technology and automation has, and will increasingly, lead to a profound shift in the economy. This will further tip the balance from wealth gain via employment toward capital return on investment. With fewer jobs, we must ensure that capital return is broadened and deepened, through new forms of ownership and participation in the economy.

We need to reorganise our local economies, entrust local government and give communities the opportunity to shape and secure their local wealth and economic future. But there are systemic issues. The UK economy remains weak. We only returned to 2007 levels of Gross Domestic Product (GDP) in 2015. Real wages have fallen. Furthermore, we have increasing inequalities with the fruits of economic wealth passing many people and places by.

The emphasis on making money from money, within the financial markets, remains a flawed embedded feature of our national economy. This 'financialisation' continues to detract investment from the 'real economy', where manufactured goods and services are produced and sold. This underinvestment means that productivity has fallen and ambitions to build an industrious future for all areas across the UK have suffered.

Continued public sector austerity and weakening public services have exacerbated economic troubles. This has undermined public inputs to business success, and created an impoverished safety net for those most in need. Opposed to seeing investment in public services as an investment in economic success and social well-being, public services are all too often seen as a burden and a cost.

CLES is at the forefront of an agenda in the UK, which seeks to practically show how a progressive economy for people and place is being built and how we accelerate it. In this we collaborate with many local authorities, national governments, funding bodies and other partners. This work is increasingly international.

The CLES manifesto 2017 sets out how central and local government, alongside business and civil society can develop policy, practice and action. For each theme we briefly outline the challenge with contemporary policy before outlining the approaches required.

The CLES Manifesto is experience based. For 31 years, we have worked with localities to adopt different approaches to economic development, regeneration and local governance – approaches which have been successful. This manifesto offers policy solutions and pointers which will enable a change, accelerate the transformational and create an economy for all.



Neil McInroy, Chief Executive of CLES

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BUILD COMMUNITY WEALTH

WHAT NEEDS TO BE DONE?

“We need an overhaul of economic development policymaking and practice to meet the technological challenges of the future. There is a need to deepen the connections between the economy, wealth creation, environmental limits and the people. We require a broader and deeper focus on accelerating social gains alongside a more effective local harnessing of existing wealth.”

THE CHALLENGE

Local economic policy has followed a ‘trickle-down’ path, assuming investment capital will be enticed, wealth creation will flourish, the business supply chain will benefit and local jobs will be secured. However, wealth gains are not always as strong as the economic activity would otherwise indicate. Wealth is too often held by distant market providers with little local economic or social return. As such, we need to create fairness within the market and repatriate some of this wealth. The inclusive growth agenda emits positive messages, but we need substance. Moving forward, local economic activity in an era of increased automation, needs to make the market work better for local people; a market which advances the interests of the community as a whole, and creates a torrent of wealth, rather than a trickle.

ADVANCE COMMUNITY WEALTH

We need to develop ownership models, such as cooperatives, mutuals, community interest companies etc., which circulate and broaden wealth rather than extract, or narrow it. An advancement of these means, affords ends which will herald a ‘lock-in’ of wealth for local areas, communities and people. We must also advance the role that land and property holdings, public sector pension funds, and investments play in benefitting local economies.

ADVANCE SOCIAL INNOVATION

We must accelerate activities which seek to provide a plurality of ways to harness and reorganise wealth and economic activity. This includes local currencies, local banks, community shares and community energy schemes.

ADVANCE THE FOUNDATIONAL ECONOMY IN OUR POOREST AREAS

In many of the poorest areas the market is failing, where economies that have been hollowed out, by successive waves of de-industrialisation, lack of investment in the real economy and recession. It is socially insufficient to rely on inward investment and the pursuit of growth and a promise of ‘trickle-down’. Therefore, we must advance more local ownership of the foundational goods and services which are needed for a civilised life. In this we need new forms of local shareholding, including public/municipal/community ownership of elements of the economy (i.e. social care sectors and utilities).

HARNESS THE WEALTH OF ANCHOR INSTITUTIONS

Institutions like hospitals, universities and larger commercial employers buy an array of goods and services. We should harness this spending power in terms of buying from local and/or socially progressive businesses, within the supply chain. These 'anchors' should also look to employ more people from poorer areas, and they should make sure their land and property assets, benefit the local economy. This economic 'densification' is about anchors as institutional beacons of progressive social and economic activity.

PROGRESSIVE PROCUREMENT POST BREXIT

The purchasers of goods and services within the public sector must appreciate how their spending choices impact on local economies, people and jobs. A post Brexit UK, may mean that we will no longer be subject to European procurement law. As such we need to take back control of this vital element of our national economy and develop a national procurement framework. This will support competitiveness and business development, but also advance national and local suppliers within the public sector supply chain. This framework should also embed wider social value as an intrinsic feature of all suppliers to the public sector.

ADD SOCIAL RETURN TO NATIONAL INFRASTRUCTURE INVESTMENT

It is important that our national infrastructure investment and Northern Powerhouse activities have some focus on growth, GDP and market return. However, we also need new criteria, which includes weighting toward national investment for wider social return and value - including environmental, well-being, local employment and community development outcomes.

ADVANCE THE COLLABORATIVE ECONOMY/SHARING ECONOMY

Smart technologies herald a new open source collaborative economy, where peer to peer activities take economic wealth production away from a narrow few within a vertical hierarchy, to many within horizontal systems. This new economy can create deeper relationships between producers and consumers, creating a more distributed market with greater propensity and sensitivity to social concerns and unmet social needs. We require a national strategy with a push on the collaborative economy.

ADVANCE BUSINESS CITIZENSHIP

Beyond the provision of jobs and wealth, many businesses play a social role. This role should be celebrated and developed. This is about growing a new economic version of traditional corporate social responsibility (CSR), moving toward ingrained behavioural change, where the social benefits of business are not perceived as an 'add on', but about intrinsic, deep and caring business attitudes to wider society. This includes the advancement of employee involvement in the board room. We need new incentives to encourage new forms of business citizenship, including linking progressive behaviours, to reductions in local business rates.

WHAT NEEDS TO BE DONE?

ENABLE A SOCIALLY JUST DEVOLUTION

“CLES believes that devolution needs to secure a more positive economic and social destiny for localities.”

THE CHALLENGE

The government has embarked on devolving new powers to devolved nations and combined authorities. In England, devolution has seen a shift in some powers and resources with an investment fund ranging from £15m to £36.5m a year for some city-regions. There is hope and promise in all of this.

However, there are downsides. The devolution deals have been framed by austerity and locked into an economic model prescribed by the Treasury. People and places are expected to benefit either through trickle-down of new wealth generated through jobs, or a geographic ‘trickle outwards’ of wealth from city centres and growth areas.

Furthermore, any future devolution may not be forthcoming, as the government becomes pressed by the urgency of Brexit. To advance a socially just devolution there needs to be a greater emphasis on the social outcomes from the powers and resources already secured. This includes pursuit of activity that considers equality and the fairer allocation of resources to social, cultural, democratic and environmental activity.

A NEW NATIONAL CONSTITUTIONAL ‘CONVERSATION’ OR CONVENTION

The devolution agenda has slowed. However, we still have much unfinished business. There is a patchwork of arrangements, with growing economic competition between localities and increasing differences between areas (particularly between urban and rural areas). We need a deeper national constitutional conversation, involving local government, the London Mayor, Metro Mayors, Parliament, the business community, Unions and civil society organisations, to develop a coherent and enduring package for constitutional reform; moving us beyond the current piecemeal approach. It would also serve to draw the country together, by making clear the relationship between areas across all stakeholders.

A PROGRESSIVE SOCIAL DEVOLUTION

A progressive social devolution would move away from narrow, traditional aspects of economic development and put the social aspects of peoples’ lives at the centre of any future devolution plans. Human and social capital are the basis to a new productive, inclusive society. To do this, Metro Mayors and combined authorities, must look to use the powers they have. They should also seek to gain more control and power over national sources of social investment including welfare, education, funding for the social sector, cultural policy and arts funding.

DEVOLVE TO PEOPLE AND CITIZENS

Civil society, social action and democracy are the basis to a productive, inclusive economy and society. Therefore, we must accelerate existing experiments in participative democracy within combined authorities and local authorities. This includes citizen’s forums, youth assemblies and more co-produced solutions.

DEVOLVE REAL FISCAL POWER TO LOCAL GOVERNMENT

The 100% retention of business rates to local authorities in 2020, represents a step change in the funding of local government. However, it is unclear how fairness is to be ensured through the existing national redistribution mechanism. We need a fairer mechanism (where richer areas with much stronger business subsidise poorer ones). Moving forward, local control over Council Tax and business rates, based on the local market, and the introduction of hotel or tourist taxes could all be important levers to increase the total local tax intake, whilst also making contributions fairer.

FUND DECENT PUBLIC SERVICES FOR ALL

“Austerity has failed to protect areas in greatest need. We believe public services should be appropriately resourced. Services must be designed for the best possible social, economic and environmental impact, not for the lowest cost.”

THE CHALLENGE

Public sector austerity is a false economy. Austerity has affected the ability of local public services, to reform and innovate. Furthermore, austerity has undermined the context to business growth, who need decent public services as the basis to their success (including roads, education and skills etc.). Deprived areas and local authorities have been particularly hard hit.

The full effects of austerity on business and economic success will continue for years to come. Coupled with increased demand, this has meant much government-funded provision has been reduced to fire-fighting.

WHAT NEEDS TO BE DONE?

EASE BACK ON LOCAL GOVERNMENT CUTS

Government must ensure real terms growth in resources to local government, to avert a funding meltdown (particularly in social care and children’s services) and to protect the most vulnerable. We need to restore funding to 2015/16 levels for each year of the next parliament. On top of that, an additional 0.5% real terms growth (above inflation) should be implemented. This will cost £2.3bn extra to 2021/22. This represents a total increase in resources to local government of £6.5bn (£4.2bn increase for 2017/18 to bring spending to 2015/16 levels, and £2.3bn extra over five years) for the life of next parliament. This scale of funding does not represent a reversal but would halt the decline, protect some services and give local government a chance to accelerate a fairer public sector reform and advance innovations in service delivery.

A FAIRER APPROACH, WHERE THE POOREST AREAS GET MORE

Some places simply do not have the wealth or industry to generate enough taxation locally to support the people that live there. We must redistribute resource according to social need. This is about abandoning the uniform approach to public spending and future resource allocation in favour of a robust needs-based approach to public service funding. This would create a more level playing field for those locations with greatest social need, so they can develop the social and public service platform to achieve economic growth and place success.

LONGER-TERM, ‘PLACE BASED’ FUNDING POTS

Many of the social and economic challenges that lead to a demand on public services are place based, complex and deep-rooted. As such, more places should be given longer time-frames, pooled pots of place based funding, covering the main elements of public resources within any given locality. This includes devolved power over health budgets so that services target specific local priorities, and to allow better alignment between health and other sectors, especially social care.

SOCIAL VALUE, NOT COST

Commissioning services according to cost is a false economy: a cheap service that does not enable positive social and economic change is a waste. Central government needs to build on the outcomes-based commissioning work taking place across the UK and support the commissioning of services that deliver the change that matters to people.

WHAT NEEDS TO BE DONE?

INVEST IN SKILLS & DECENT WORK

“Our skills system is complex. We must work through this to develop local solutions which assist in building a workforce that has the technical and employability skills required in a modern and future economy.”

THE CHALLENGE

The UK economy is characterised by employability and technical skills deficiencies, particularly those required for the fourth industrial revolution.

Employment is also becoming increasingly precarious, with challenges around pay and insecure contracts alongside a proliferation of poor employment practices. There is also much to improve within the localised skills system.

A MODERN INDUSTRIAL STRATEGY

An industrious country recognises that state action and public investment is required for sustainable industry. The government has started to acknowledge this and adopted more of a state interventionist drive. This is welcome and needs acceleration and augmentation. In particular, we need greater spatial and redistributive drive to an industrial strategy – where addressing inequalities is at the core and recognises that developing industrious people and places (and not just cities) is the goal. This will require rebuilding a viable economic base in some places, investing in deficient physical and social infrastructure and appreciate that human potential is the basis to resilient growth. This approach would also serve to cool the effects of rapid growth in some areas, where infrastructure is already overly burdened and where diseconomies such as pollution, are on the rise.

LOCALISED SKILLS

Skills provision has been highly centralised and confusing for too long, not allowing the flexibility for localised approaches that are sensitive to the local system of places, people and the economy. Skills provision should be provided through localised system models; framed through effective relationships between providers, businesses and individuals.

IMPROVE THE DIVERSITY OF EDUCATION AND SKILLS DEVELOPMENT

Over many years Higher Education (university/academic), has gained more prestige than the Further Education (vocational/technical) sector. The lack of ‘parity of esteem’, has hindered the development of a diverse, plural and forward-looking skills base. Therefore, we need a skills funding regime which works on stimulating better informed demand profiles, now and in the future, with more learner and employee based funding, affording more flexible and creative skills delivery.

EMPLOYABILITY AND SKILLS FOR ALL

Employability skills should begin at Year '0', through a sustained investment into early years, and should continue beyond formal education, to include in-work progression, support for older workers and those with multiple barriers to employment. Localised mechanisms for career and in work progression are central to this.

WORKPLACE PROTECTION

Local economic development has had a recent tendency to see workforces as a cost, where labour market flexibility - this translates to zero hours contracts and the weakening of terms and conditions - is a means to competitiveness. However, a labour market is something which needs to be respected and nurtured over the long term. We need an acceleration of place-based employment charters, with commensurate protection of union rights and employee terms and conditions.

A REVOLUTION IN SMALL BUSINESS AND GRASSROOTS ENTERPRISE

Our economies are going through rapid change, as technology shakes up traditional roles and opens up new ways of working. Economic policies tend to focus on big business while employment is shifting towards small, self-employed solutions and micro-businesses. We require more of a focus on small business. Furthermore, a wide variety of social sector organisations and enterprises are involved in locally-rooted approaches to the creation of sustainable jobs/enterprises and skills training. We must nurture creativity and empowerment in work and harness new technologies and innovations.

FIND OUT MORE >>>

BUILD COMMUNITY WEALTH

[Harnessing the wealth of anchors](#)
[The importance of procurement to local economies](#)
[Harnessing the potential of business](#)
[The role of the VCS in thriving places](#)

ENABLE A SOCIALLY JUST DEVOLUTION

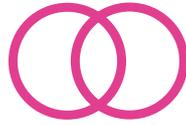
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FUND DECENT PUBLIC SERVICES FOR ALL

[Austerity eroding public service](#)
[Ease back on the cuts](#)
[What happens after austerity?](#)
[Transforming through cooperation](#)
[Addressing the health divide](#)
[Facilitating health outcomes through partnership working](#)

INVEST IN SKILLS & DECENT WORK

[What a modern industrial strategy should look like](#)
[Different ways of tackling worklessness](#)
[Living Wage and the role of local government](#)



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