



Toward a new wave of local economic activism:

The future for economic strategies



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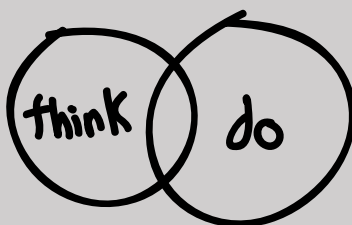
The future for economic strategies

Centre for Local Economic Strategies

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About CLES

The Centre for Local Economic Strategies (CLES) is an independent national think-do organisation involved in regeneration, local economic development and local governance. CLES brings together a network of subscribing organisations, which includes regeneration partnerships, local authorities, regional bodies, community groups and voluntary organisations. CLES offers a range of services, including: events and training; an information and publications service; policy research; policy advice and a consultancy trading arm.



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“Never let
a serious
crisis go to
waste.”

Rahm Emanuel, White House Chief of Staff

Executive summary

This report, based on two pieces of primary research, explores what local authorities are getting wrong in their economic development strategies and outlines a new model for local authorities to adopt when forming their economic strategies in future.

The report finds that many local authorities' economic strategies are not fit for purpose. Every council should be tackling this as a matter of priority, because legislation will impose an Economic Assessment Duty on councils from 2010. If councils don't rethink their approach now, they could doom true economic development and postpone recovery from the recession.

Why aren't the strategies fit for purpose?

CLES has been studying local economic development for over twenty years, and we reckon these recent research findings are dramatic.

Here are the ten danger signs we found:

- **We need to focus more on development and equality as well as growth.** Most economic strategies are still fixated on growth and make the mistake in assuming economic development is synonymous with growth. We need to recognize that effective local economic development policy is also about equality and social relations.
- **Too heavy an emphasis on traditional economic concerns.** Too many of the strategies we looked at focus on "hard" economics – small business start-ups, inward investment, availability of land and premises for business rather than softer aspects such as neighbourhood renewal, environmental sustainability and levels of community empowerment and participation. This is also reflected in the:
- **Lack of consideration of social and employment issues.** There is an alarming lack of relationship between the economy and social and employment issues, including worklessness.

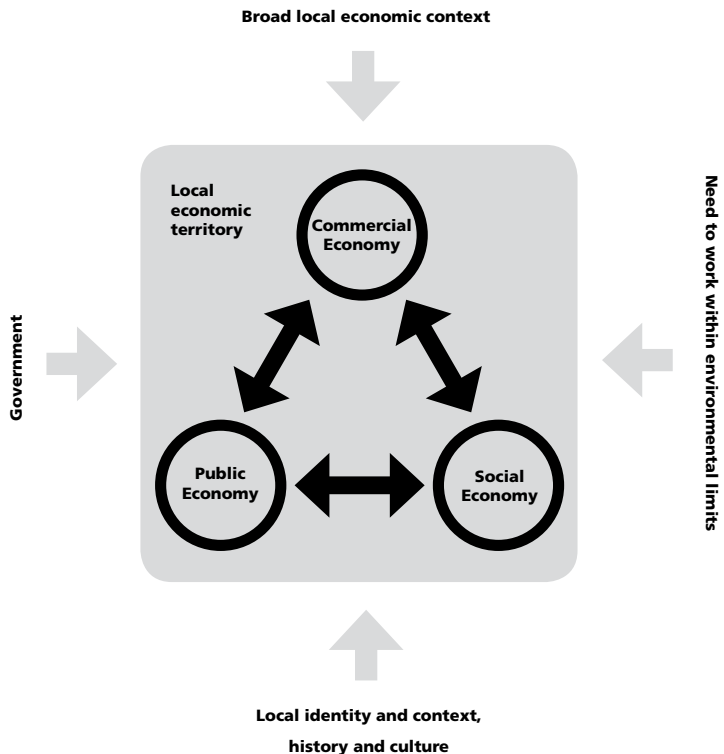
- **The economy needs to be acknowledged in non-economic local strategies.** As it stands, within a Local Authority Area there are a variety of non economic strategies with a relation to the economy. However, they are not strategically drawn together, adequately within the Sustainable Communities Strategy. As such there is a risk of inefficiency, policy mismatch and lack of clarity. In particular:
- **Lack of connection between economic development and land use planning.** Spatial planning (Local Development Framework) and economics via the local economic strategy or sustainable community strategy are not wedded together, in all instances. This means planning is not in all cases imbued with local economic thinking and progression.
- **Lack of recognition of the role of the third sector in the local economy.** Local economic strategies did not fully recognize the role of the third sector, in all cases. They are an absolutely key facet of local economic life and the social economic sphere.
- **The problem of reverse devolution.** The whole movement towards localism and tailored solutions has recently become dominated by the vogue for strengthening sub-regional government. This threatens correct identification of very specific local and sub-local economic issues and may damage the interests of secondary town centres and rural areas.
- **Lack of focus on the availability of investment capital.** Many local economic strategies have a poor recognition and associated policy in relation to the availability of investment capital and financing more generally
- **The need to foster a culture of greater innovation and risk-taking.** Many strategies do not have a clear policy on innovation, creativity and entrepreneurialism. These are key aspects of future economic strength. Finally:
- **A lack of accountability and evaluation of the strategies.** We need to always ensure there is a clear democratic

accountable connection between citizens and economic planning. In this the local economy matters.

What does CLES propose to do about it?

CLES asserts the need to adopt a resilience model as an approach to framing assessment, as part of the new assessment duty and creating economic strategies. CLES believes it should become the core approach to economic development in all times, good and bad. It's only by fostering resilience that we create local economies that can regenerate themselves and adapt to change.

What does CLES' resilience model look like?



Commercial economy – wealth creation, mostly in private sector.

Public economy – infrastructures, any services delivered by public expenditure.

Social economy – economic activity to social or environmental ends, usually by the third sector.

Broad economic context – national and global economic forces.

Need to work within environmental limits – e.g. land availability, development restrictions, coastal or countryside erosion.

Local identity, context, history and culture – The sense of place that forms the basis of all local economies.

Government – the relationships between the local area and regional/national policy, also horizontal governance relationships within the area.

CLES is looking to conduct a pilot with one or more local authorities to pioneer the resilience model as an overarching approach to creating an economic strategy. We would like councils to get in touch with us if they are interested in this ground-breaking opportunity.

Introduction: a local economic opportunity

Local economics and the practice of local economic development needs to change. In the good times, of the last ten years, the UK enjoyed a period of relative prosperity. However, even these good times were not good for all, and the economic renaissance of many cities, towns and neighbourhoods was incomplete and patchy. Trickle down of wealth did not reach some places and people, inequality widened and we continue to work beyond the limits of the environment. In this paper, CLES argues that we now need to significantly change our approach to local economic development. Growth will return, but it will not and cannot be like it was before. Local economic development needs to reassert itself in the light of new challenges posed by recession, global economic shifts, climate change, social inequality and demographic change; while the change in economic balance from the centre to the local needs to continue apace.

Local economic development has reached a critical juncture. The Sustainable Communities Act came into law in 2007, and was a marker in a recognition that economic centralism has limits¹. Recent economic events have been matched by an ongoing debate about localism and power to local authorities². This debate, is now gaining traction, with an increasing recognition, that an ability to shape local economic destinies is wedded to local power and resources. Pending legislation³ will, for the first time give local economic development statutory recognition⁴ through the new Economic Assessment Duty. In addition, the policy proposes a thickening of the sub-regional scale of economic governance and a consolidation of regional strategies. Furthermore, there are

1 HM Government (2007) *Sustainable Communities Act* http://www.opsi.gov.uk/acts/acts2007/ukpga_20070023_en_1

2 New Local Government Network (2005), *Localism in action.*, NLGN; London; Communities and Local Government-CLG (2008), *Communities in control: Real people, real power*, White Paper., HMSO.; London; Gough, R (2009), *With a little help from our friends: International lessons for English Local Government.*, LOCALIS/LG:A, London

3 At time of writing, the proposals of the Sub-National Review of Economic Development and Regeneration are pending legislation under the Local Democracy, Economic Development and Construction Bill 2008-09.

4 Communities and Local Government (2009) *Local Democracy, Economic Development and Construction Bill: Local Economic Assessments Policy Statement*. Available at <http://www.communities.gov.uk/documents/citiesandregions/pdf/1130294.pdf>

vehicles such as Multi Area Agreements⁵ and Local Area Agreements⁶, a process by which new powers are being agreed between Whitehall and the Town Hall.

Local economic development is not peripheral to the future economic health of the UK. Each local economy, be it across a county, city, town or neighbourhood is a component part of the national economy. It is the foundation to a strong and enduring national economy. We believe that the challenges we face at a local and national scale, along with the existing and proposed legislation provide a unique opportunity to rethink the way we do local economic development and as a result, strengthen the resilience of local communities for the future.

A new wave of local economic activism

This challenging time for local economic development presents an opportunity to explore new and innovative ways of thinking about local economic development and regeneration. Utilising this opportunity, will need to be about more than just improving the mechanics and processes of local economic assessment and strategy. We believe it will include a voracious re-think of some of the assumptions underlying economic development in our localities. Alongside the recent desire from the Department for Business, Enterprise and Regulatory Reform (BERR) – (now renamed)⁷ for a new wave of ‘industrial activism’⁸, we believe there is justification in calling for a concomitant wave of local economic activism from local authorities and partners. An activism which increases the trend away from economic centralism, works to ensure future local economic resilience and reinvigorates the way we do local economic development.

This paper explores these issues via two pieces of research work and is presented in two parts. In **part one**, we critically analyse existing

5 Ibid

6 HM Government (2007) Local government and public involvement in Health act 2007. Available at: http://www.opsi.gov.uk/acts/acts2007/ukpga_20070028_en_1

7 Now named Department for Business, Innovation and Skills

8 Department for Business, Enterprise and Regulatory Reform (2009) *New Industry, New jobs*, HMSO: London. <http://www.berr.gov.uk/files/file51023.pdf>

local economic strategies in England and suggest how they will need to change. The methodology for this work consisted of a content analysis of local economic strategies to identify key characteristics that underlie these strategies including common priorities and interventions. We also critically assessed the extent to which economic strategies link with local authorities' Sustainable Communities Strategies (SCSs), and what is jointly missed by many local authorities when developing these documents. This research provides the foundation on which to explore the wider problems within economic development and strategy that exist within local government and consider different approaches towards overcoming both the exposed failings of local economic strategy and the wider problems with approaches to economic development as a whole.

In **part two**, we introduce a new conceptual framework for local economic strategies. This resilience model was devised in part through the work of a global fellowship⁹, in which six local authorities around the world were researched. This work, undertaken by a representative from CLES, alongside individuals from central and local government, explored the concept of resilience and the various approaches local authorities were taking to local economic development. Undertaken in Autumn 2008, this work took place in a period of significant economic turbulence and served to highlight the efficacy of different local approaches from around the world in tackling this global economic crisis.

Local economic thinking in relation to strategy is the basis by which we can think and do things differently as regards economic development. We need to get the strategy right and from there, it will be possible to reshape practice accordingly. This is not an esoteric and detached endeavour, but is intrinsic to shaping the economic destiny of localities and dealing with inequality. It is the core and the launchpad of the required 'new wave of local economic activism'.

9 Ashby, J, Cox, D, McInroy, N and Southworth, D (2009), *An international perspective of Local Government as stewards of Local economic resilience*. Norfolk Charitable Trust. Available at <http://www.norfolkcharitabletrust.com/downloads/pages/17.pdf>



Part 1. The characteristics of existing strategies and how they need to change

The characteristics

There is a wide range of characteristics of local economic development that have been discussed extensively in academia and by practitioners. For the research behind this paper, we were keen to develop a list of characteristics that we felt should underline local economic strategies in the UK. We developed our list of characteristics by drawing on a range of existing literature including Cecilia Wong's¹⁰ characteristics, some of which are more traditionally associated with local economic development (e.g. inward investment), whereas others are broader, e.g. health and well-being.

- Locational advantage in terms of accessibility, communication networks and infrastructure;
- Physical factors, such as the availability of land and premises, and adequate and varied domestic property;
- Human factors, such as the area's demographic structure, and the quality and skills of the labour force;
- The extent to which capital is available for different types of business needs;
- Business vitality and entrepreneurship;
- The dynamics of technological innovation;
- Industrial structure, particularly industrial mix;
- Quality of life;
- Institutional capacity.

Clearly, there are many characteristics of local economic development, which the list above merely touches upon. Whilst we acknowledge the multiple and wide ranging influences that can contribute to economic development, in order to conduct this work we needed to narrow down the scope of strategy characteristics to a list of 20 that we felt sat at the core of local economic development activity (see appendix). The ideal local economic strategy would include all of these characteristics – or at least all those that are applicable within that specific locality. Hence it is valid for some councils to leave certain considerations out. With this in mind, we have used a varied enough sample to still be able to reliably

10 Cecilia Wong (1996) *What is local economic development? A conceptual overview*. (Occasional paper number 49, University of Manchester)

identify the consistent gaps in local economic strategies that need to be overcome.

This research involved a content analysis of 23 local economic strategies and 19 Sustainable Community Strategies. These strategies were cross-referenced against a list of 20 characteristics that define local economic development in the UK. Whilst local economic strategies were the main focus of this research, we were also aware that some characteristics may not be present in the local economic strategy but might be included in the Sustainable Community Strategy. As such, we sought to access and analyse both strategies in order to gain a fairer and more comprehensive understanding of the strategic approaches to development and regeneration taken within authorities.

The sample was representative in terms of type of local authority, with city councils, county councils, district councils, and borough councils all included. Keen to ensure a good geographical spread, strategies were examined from local authorities in a variety of regions.

Drawing on our assessment of the composition and priorities of local economic strategies and Sustainable Community Strategies from a diverse range of local authorities across the country, as well as other research work and insight gained from our member network, CLES has found the following strengths, weaknesses and general observations.¹¹ In this, we suggest 10 areas which need to change and will need to be thought through in producing resilient local economic strategies and economic elements of Sustainable Community Strategies.

1. Create bespoke local strategies which move beyond traditional economic concerns

Of the 20 characteristics of local economic development that we cross-referenced against our examples of local economic strategies, those that appeared in more than three quarters of strategies were¹²:

- skills and training (found in 91% of strategies);

11 Please note that we have referred to direct and indirect economic influences in analysing our findings, as the distinction between factors that are elements of the economy itself as opposed to important yet indirect factors such as transport and housing.

12 Based on a content analysis of 23 local economic strategies and 19 Sustainable Community Strategies

- business start-up and support (87%);
- public transport (87%);
- inward investment (83%);
- availability of land and premises (78%).

This is a mix of direct economic considerations and factors which provide support to the operation of the local economy, i.e. skills and transport. This suggests that economic development departments and deliverers of economic strategies have an awareness of the wider criteria for a strong local economy beyond just businesses and investment.

However, despite the focus on traditional elements of the economy, this did not include other elements of local economies such as diversity of the economic base and supply chain analysis. These types of characteristics only featured in approximately half of the economic strategies that were examined, including those relating to:

- industrial mix;
- competition;
- procurement and supply chains.

Local economic strategies are weaker if they omit consideration of these characteristics as they are increasingly vital to local economic strength, resilience and buoyancy in uncertain economic circumstances.

Overall, the research demonstrates that the majority of the strategies have adopted a relatively traditional interpretation of economic development, focusing on elements such as business support and inward investment. This therefore neglects the influential secondary factors that determine economic strength and resilience that are identified in the CLES economic resilience model discussed later. The interacting roles of the public, social and commercial economies, together with wider factors such as transport links, health, aspiration and environment, need to be recognised in any successful approach to economic development.

Addressing this deficit is a task which is arguably beyond the abilities of central government, as economic conditions and solutions to problems

are variable across the diverse range of local areas and subject to complex interacting forces and relationships. Therefore, a local dynamic approach is needed, involving strong local economic development which enables local authorities to make themselves strong in terms of strategy production, engagement, communication and leadership.

2. Rationalise strategy as a whole and put local economics at its heart

A proliferation of strategies currently exist within local authorities – local economic strategies, Sustainable Community Strategies, Local Development Framework (LDF) documents, housing strategies, Local Transport Plans, regeneration frameworks, cultural strategies, visitor economy strategies, enterprise strategies, corporate plans etc. This gives rise to an increased risk of inefficiency, policy incongruency and lack of clarity about who is doing what.

Furthermore, there has been a proliferation of organisations at a sub regional and regional level who are “involved” in strategic development and/or delivery of economic development. This complexity can act as strategic noise, a distraction from the main business of tackling economic development challenges in an area. There is a strong argument for greater rationalisation of strategy production at a local authority level with much greater interdependency and complementarity between these documents to increase efficiency and effectiveness.

As regards SCS, the most common of our 20 characteristics of local economic development found in local authority SCSs was housing, appearing in 17 of the 19 strategies we examined (89% of SCSs). The other characteristics from our list found in SCSs most frequently included:

- the quality of local schools and education (79% of SCSs);
- skills and training (79%);
- community identity and empowerment (79%);
- cultural, religious and leisure influences (74%); and
- public transport (74%).

The focus of SCSs on these characteristics of the local area reflects the wide ranging remit of these strategies and their ambition to knit together a variety of area based priorities, challenges and services

in just one strategic document. However, the majority of strategies did not focus specifically on economic development for the area, for example, business start-up and support was found in 12 out of 19 SCSs despite being an important economic priority in the majority of authorities. Similarly, procurement and supply chains were mentioned in only one SCS, despite this being an increasingly acknowledged opportunity for strengthening local economies and mechanism to provide social benefits. Neither the availability of resources to businesses nor technology development and provision were included in any of the SCSs we assessed.

A further complication is the fact that local economic development, as a discipline has developed in a centrally driven way, in which national priorities and direction have clouded the types of things which local economic development can or should do. In this, there is homogeneity as regards strategy. Economic development has been bounded by LAA targets and outcomes relating to funding programmes such as Local Enterprise Growth Initiative (LEGI). In some cases this has also resulted in a relatively narrow interpretation of economic development. Our research suggests that we need economic development to be seen as core corporate business for local authorities and be central to cross locality strategy such as the SCS, with real local specificity emerging.

3. Increase focus on business capital, grants and assets

Detail on the availability of investment capital and a strategy for this was a characteristic that was missing from the majority of strategies, featuring in only 6 of the 23 scrutinised. This is disappointing as availability of capital is important for fostering a healthy small and medium sized business sector, and is an important element given recent issues within the capital markets.

However, the economic downturn means many local authorities will have to reassess their assistance and relationship to investment resources, and play more animated role with commercial investment funds in an effort to assist small businesses and commercial activity more generally. Hence this characteristic must be featured in more local economic strategies in the future.

4. *Wed social and employment issues to local economics*

Surprisingly, worklessness featured in only 13 out of 23 local economic strategies, despite this being a substantial issue at national and regional scales. While this may be due to the fact that some of the smaller and arguably, more affluent local authority areas experienced low levels of worklessness, there were some areas, with high level of worklessness which did not consider this issue in their economic development strategies.

We were also surprised that the link was not being made to neighbourhood renewal in nearly all authorities. This plays an important role in linking real local communities with the wider economy, and yet was only included in 3 out of 23 economic strategies. A much stronger realisation of the importance of neighbourhood level regeneration on supporting stronger local economies through provision of property, raising aspirations and offering employment is therefore needed.

Furthermore, many of the social-based characteristics of local economies were neglected in numerous economic strategies, including:

- community identity and empowerment (39%);
- cultural, religious and leisure influences (35%).

Many of these are important factors of economic success and resilience in the face of adversity because they link people and the community with the operations of the economy, thereby mutually reinforcing the strength of both, hence it is disappointing that there is not a wider recognition of this.

This suggests perhaps that some economic development departments and policy units believe that local economic strategies should focus on the business and inward investment side of the economy rather than the social aspects including people and the labour market. Clearly as recent rising unemployment has indicated, this worklessness alongside more traditional unemployment and underemployment are issues which future local economic strategies will need to seriously consider.

5. Greater connection between economic development and land use planning

Our research found there is rarely any explicit consideration given to land use planning and strategic sites within local economic and sustainable community strategies. While SCS guidance states that these should promote environmental well-being, there is no specific reference given to the relationship between the SCS and the Local Development Framework.¹³

Although 78% of local economic strategies included considerations of the availability of land and premises in their content, this was rarely more than a general point rather than a clear identification of spatial priorities and named sites. Whilst the LDF itself is intended to be a spatial delivery mechanism not only of the Regional Spatial Strategy (RSS) but also the SCS, we question whether this truly occurs in the majority of local authorities; often planning departments operate quite separately from (operationally that is, rather than necessarily physically) economic development and policy departments, with LDFs being produced in isolation of the non-spatial economic and social strategies.

Hence, the spatial element of achieving economic development or sustainable communities is vastly neglected as no maps or geographical demarcation are usually present. CLES argues that having a clearer spatial awareness tied in closely with economic and social initiatives, while for some local authority-wide projects will be irrelevant, should be included in such strategies to envisage and plan the physical side of regeneration. These three elements – economic, social, physical – are all interdependent and hence an holistic approach requires this tripodal conceptualisation of local economic development.

If we consider these observations in the context of regional scale governance, we see that the new Regional Strategies (RS) will aim to overcome this separation of spatial and socioeconomic. The primary purpose of introducing the new RS is to ensure a closer alignment between economic development and spatial planning; the RS will be part of the statutory development plan for the region and hence will be

¹³ LDF; a suite of Planning documents, most significantly the Core Strategy, responsible for identifying and delivering the spatial strategy for a local area.

used to determine planning applications and set out policies for land use. This relationship between the economic and physical aspects of regeneration is intended to provide a better way to prioritise regional activity towards addressing key issues, such as achieving economic development in the context of a low carbon economy, regeneration challenges, and the housing crisis.

Therefore, we feel that local authorities should bear this new approach in mind and act to forge a closer relationship between these functions at local level. This would yield a more meaningful approach to economic development and a better use of land for economic benefit would be achieved by mutual reinforcement of local economic strategies and local spatial strategies and their action plans.

6. Increase recognition for the role of the third sector in the local economy

Few economic strategies included collaboration with, and support for, the third sector. Only 7 of 23 strategies mentioned the third sector. Considering the important role that third sector organisations can play in growing sub-local economies, provision and management of community assets; fostering skills and enterprise; delivering public sector services and empowering local communities through skills and enterprise, this is a real lost opportunity by many local authorities.

CLES believe that there should be an active approach to both engagement and collaboration with the third sector, and providing support and assistance to third sector organisations to expand and weather the difficult economic climate. This should feature in every local economic strategy, ideally linked into a wider discourse of 'smart' procurement, local supply chain development and community benefits.

7. Foster a culture of innovation, creativity and entrepreneurialism

A focus on stimulating entrepreneurship, particularly in deprived areas and amongst young people, has been a prevailing theme of government policy over the last five years. This was the primary focus of the Local Enterprise Growth Initiative (LEGI) programme and has characterised a number of other national and regional initiatives to foster enterprise in local areas. However, it has become apparent that this approach is

limited in its ability to successfully get the most disadvantaged people living in persistently deprived areas, into self-employment and to stimulate localised economic renewal.

We feel that local economic strategy needs to be imbued with a belief that key to a resilient local economy are high levels of innovation and a preparedness to take calculated risks. It was Joseph Schumpeter who argued that recession and economic downturns provide an opportunity for innovation and economic growth by unleashing a process of ‘creative destruction’¹⁴. In this, periods of economic turbulence have been associated with the growth of new technologies and ways of doing things – as in the spread of mass production during the wars. We believe strategy needs to reflect a continual process of creating opportunity out of adversity and always thinking about innovating for the future.

The target-driven culture which has so dominated our approach in the UK over the last 10 years of local economic development, has to some extent stifled the opportunities for risk taking as service development and delivery is focused overwhelmingly on achieving outcomes which also determine the level of resources and support for the public sector.

As Mulgan (2007)¹⁵ highlights, the UK has very few budgets dedicated to innovation in local government, there are too many silos, too many regulations that inhibit local risk-taking and discretion and too little reward for such behaviours. Given recent economic turbulence it is likely that the UK will need to innovate across a broad spectrum of economic activity as it looks to reduce the dominance of financial services. This will include local government in terms of how it can assist in forging local economic innovation.

More than simply handing out funding for enterprise projects is needed. A culture of innovation and creativity needs to be fostered through a comprehensive approach to enterprise – through working with schools and young people, in terms of their learning, their experience of business and crucially, their aspirations. Innovation also needs

14 Schumpeter, J.R (1943), *Capitalism, Socialism and democracy*. New York: Harper and Row.

15 Mulgan, G (2007) *Ready or Not? Taking innovation in the public sector seriously*. London: NESTA

to be promoted by the local business sector, both engagement and collaboration with existing businesses and attracting new companies, industries and sectors to utilise a favourable business environment and skilled labour market.

In other countries, the creation of an innovative culture has been facilitated through the public sector, not by pre-empting future growth sectors, but by providing conditions for the private and third sector to work together through the development and strengthening of networks so that there are opportunities to share ideas, and learn good practice¹⁶.

8. Recognise the problem of 'reverse devolution'

Our research has highlighted the current direction of economic strategy in the UK. Vital to the effective planning and implementation of economic strategy is a strong system of governance for economic development, particularly in the light of the new EAD. In recent years, Government policy has placed an intensifying emphasis on the importance of strengthening sub-regional governance, through measures such as the addition of statutory duties to Multi Area Agreements, the introduction of new Economic Prosperity Boards (EPBs) to focus on sub-regional economic development, and the encouragement in preliminary local economic assessments guidance to conduct joint assessments where possible through sub-regional partnership arrangements.

However, CLES has questions about whether this is consistently the right scale at which economic strategy is best planned and delivered. The new vogue for sub-regionality seems to contradict the *local* in local economic development as local authority areas, or parts thereof – wards and neighbourhoods – are being framed within wider governance structures and strategic plans. This threatens correct identification of local and sub-local economic issues, and reduces the likelihood that appropriate action for discrete, smaller areas will be taken.

16 See Yokkaichi example in Ashby, J, Cox, D, McInroy, N and Southworth, D (2009), *An international perspective of Local Government as stewards of Local economic resilience*. Norfolk Charitable Trust. Available at <http://www.norfolkcharitabletrust.com/downloads/pages/17.pdf>

The interests of secondary town centres and peripheral locations are therefore becoming less of a priority under wider MAA, EPB, City-region, or other similar structures, as these authorities or parts of authorities are becoming secondary to larger economic scales. CLES already has evidence of this from our network and members, some of whom are part of broader city regional/sub regional economic strategy and governance mechanisms. They indicate how this is hollowing out strategy and prioritisation as regard local retail and civic centres, and increasing the inaccessibility of already socially and economically excluded people to employment and amenities.

This particularly affects the applicability of these sub-regional provisions to rural areas, which seems highly limited because focusing on strong economic centres in the sub-regional area will detract attention and resources away from the small-scale but often important economic operations of villages, market towns and district centres. By extension, this will negatively impact upon independent businesses, self-employed people and those at greatest risk of exclusion from local services and amenities (e.g. the elderly, the young, the poor). This does little to create sustainable rural communities.

Therefore the Government's evolving economic development policy signifies to an extent, not just sub-regional devolution, but also a 'reverse devolution' of power from localities back up the spatial scale to the sub-region. CLES wholly recognises the importance of sub regional economic strategy and thinking. We are not suggesting we do not need a sub regional scale, it is of vital importance within our major conurbations, for instance. However, sub-regions need to be flexible and be capable and agile in supporting local authority activity. They should not be the end game of local economic development. They are not a economic panacea. Local economic activity at the local authority level, should always be retained in some capacity. The function of economic development should be of a form and appropriate scale, which is shaped by local authorities and the communities they serve.

9. Strengthen accountability

As well as questions over the appropriateness of economic development activity coming from sub-regional partnerships and operating

across sub-regional scales, there are also practical issues to consider about accountability and monitoring of programmes undertaken at this supra-local scale.

Regarding sub-regional accountability, while Economic Prosperity Boards are intended to fill the democratic deficit at sub-regional level as the people sitting on the Boards will be drawn from the Elected Members of the participating authorities, this does not necessarily achieve substantial democratic governance. CLES fears that accountability at this spatial scale will not only be weak, but will erode accountability at local level as more of their economic development responsibilities are 'reverse devolved' to the sub-region.

10. We need to think differently about growth: 'Development' and equality not just growth

CLES believes that local economic development in the UK needs to be more active and animated and in so doing refocus activity back on – “development” – and ‘equality’ rather than just growth. From our work with local authorities, CLES recognises that performance on economic development is still based very much on an economic growth model rather than resilience. In our view sustainable economic development and accompanying strategies should be majoring on developing resilience in local economies, rather than simply growth of GVA.

One of the key assumptions which has characterised economic development to date, is that it is synonymous with economic growth.

It has been long recognised that economic growth is limited in that it only refers to an increase in quantity only, e.g. more jobs, more brownfield land, more goods, more services. However, development “*implies a change in character or structure, it refers to a qualitative shift in resource use, labour force skills, production methods, marketing measures, income distribution and financial capital arrangements*”¹⁷.

17 Kane M and Sand P (1988) *Economic Development. What Works at the local level*

Furthermore, it is now increasingly recognised that more equal societies do better economically¹⁸, in terms of innovation and social mobility. In this economic policy needs to be about enhancing the quality of social relations and how we create more sustainable and harmonious localities.

At CLES, we define local economic development broadly in an attempt to illustrate that economic development is not purely confined to the private sector but includes links with the public and social economies and must involve social considerations such as equality.

“Local economic development is about the economics of place and encouraging prosperity and equality within a locality. CLES views economic development as containing three facets: the public economy; the commercial economy; and the social economy. It is an approach to development undertaken at national, regional and local levels which assists the generation of wealth through business growth and start ups, inward investment, skills development and employment opportunities. Economic development is not simply about growth but needs to encompass balancing growth with environmental and social considerations.”¹⁹

From this analysis of the characteristics of strategies we have suggested broad areas which need to change. In the following section (part two) we introduce a way forward via a new conceptual framework for local economic strategies: The resilience model.

18 Wilkinson, R and Pickett, K (2009), *The Spirit Level; Why more equal societies almost always do better*. Penguin, London. Also see www.equalitytrust.org.uk

19 Centre for Local Economic Strategies (2008) *A Glossary of Regeneration and Local Economic Development*, 6th edition. Manchester: CLES



boing!

Part 2. A new conceptual framework for local economic strategies: The resilience model

In response to the Part one findings of our research, the challenges of economic downturn and the opportunities of emerging economic policies, CLES working with partners has developed a new way of thinking about the local economy²⁰. Addressing the points made in Part one, this is a framework for conducting new assessments and creating a more effective strategy.

CLES believes that the introduction of the new statutory Economic Assessment Duty is an important and progressive step towards developing resilient local economies. It has the potential to improve local evidence bases and highlight localised problems and disparity within places, thereby informing the production of strategies and action plans that are more likely to deliver locally tailored and successful action. However, it is crucial that the forthcoming assessment duty (due to become statutory in 2010), does not become bogged down in a process of measuring local economies on the basis of outdated contexts, or on a basis which is not fit for the future challenges. The assessments need to provide a basis for local authorities to forge their own more resilient economic destinies. Therefore, in order for the exercise to be meaningful, local authorities must be able to make this step of translating the findings of economic assessments, based on the real state of the local economy into bespoke, appropriate and innovative 'local' strategies.

A local economic assessment of resilience

While historically used in the context of how the economy responds to human-made and natural disasters²¹, we believe resilience is useful to apply within this context. As discussed in part one, local economic development needs to change, both operationally and organisationally in order to meet the challenges that we now face in our economy. Economic development strategies have been found wanting when it

20 Ashby, J, Cox, D, McInroy, N and Southworth, D (2009), *An international perspective of Local Government as stewards of local economic resilience*, Norfolk Charitable Trust. Available at <http://www.norfolkcharitabletrust.com/downloads/pages/17.pdf>

21 Hill E, Wial H and Wolman H (2008), *Exploring Regional Economic Resilience*, (Working Paper 04, Institute of Urban and Regional Development, University of California) and:

Karstens, G (2006), *Urban People, Urban Places, Urban Resilience*, Paper delivered at vulnerability on Australian Cities; Towards Sustainability and Security: a Public symposium, Brisbane 5 May 2006.

comes to a comprehensive assessment and diagnosis of the issues faced by our communities such as recession, impacts of climate change and demographic change. What is needed now are alternative approaches which focus on resilience rather than the doctrine of traditional economic growth.

We have seen significant turbulence in the global economy and we need to think about how local economic success can deal with social, environmental and economic change better than has hitherto been the case. Economic growth is a means to an end, not an end in itself. Thus in our work we wish to move to a situation whereby we are assessing a local economy on the basis of an area's ability to be 'change ready' and adaptable, ensuring that a locality is flexible and its communities and the environment do not suffer unduly. We believe this should be the core of any statutory assessment process and strategies which follow.

The resilience model

The global research work was based on researching how local places were faring in the prevailing economic and environmental context and what local government was doing. In this, we were interested in the extent to which local places and local government were capable of riding the global economic punches, working within environmental limits, dealing with external changes, bouncing back quickly, and having high levels of social inclusion. For us this ability was economic resilience.

For CLES, a better understanding was needed of how different parts of the economy – broadly categorised into social, public and commercial – interact with each other and are mutually-dependent in achieving positive development outcomes. A blend of these interdependencies, which is likely to be different in each area is needed to achieve prosperous local economies, translating these into a better quality of life for all people living in a locality.

We developed a model for conceptualising the complex working of the local economic territory which helped us in conceptualising the nature of resilience. This work was developed and applied in Portland (USA), Culiacan (Mexico), Gdansk (Poland), Coimbatore (India), Yokkaichi (Japan) and Haiphong (Vietnam). The resilience model illustrates the

complex working of the local economic territory – characterised by the commercial, public and social economies – and the influences upon these. It is our view that these economic spheres and external influences need to be regarded (and assessed), if we are to identify suitable approaches to achieving better local economic development and greater economic resilience.

Commercial economy where there is stability and growth

This relates to wealth creation of ‘private sector’ activity. This requires both macro and micro economic stability and is reliant upon elements of both the social and public economy operating effectively, allowing this aspect of the economy to develop. This commercial economy is traditionally well assessed and as Part one outlined the backbone to traditional Local economic strategies.

Public economy

This relates to the development of infrastructure and production of goods and services which are delivered through public taxation systems. This includes infrastructure such as roads and rail and also economic support policies, interventions and local taxes. It is also about the fiscal capacity of local government to act. The public economy therefore has a considerable influence on the local commercial and social economies, and people living in the communities for which local economies should be delivering positive outcomes. The public economy also includes public sector employment, which accounts for a considerable proportion of employment, be this in local government, the fire service, the NHS, police force etc., and can be the primary sector in some localities (particularly deprived areas). Whilst this facet of the economy is increasingly assessed, it is often downplayed, and is sometimes neglected in terms of assessing its ripple and multiplier effect on the local economy. CLES has ongoing work in this area utilising the LM3 model via a public economy multiplier²².

22 CLES/APSE(2008). *Creating resilient local economies: Exploring the economic footprint of public services*. Summary available at: http://www.cles.org.uk/information/102869/pp22_exec_summary_footprints/

Social economy

This relates to economic activity that is driven by social and environmental purposes. This activity is generally carried out by the Community and Voluntary Sector – a convenient catch-all term that includes community enterprises, credit unions, trading arms of charities, employee-owned businesses (co-operatives), development trusts and housing associations. Community and voluntary organisations are a valuable additional resource to public and private money, often being a mine of increased capacity and knowledge at the local level with successful track records of fruitful engagement and innovative action that makes a real difference to local communities. The social economy is often based in localised areas and the communities in which the people benefiting live. In many localities, the social economy makes a significant contribution to the local economy, employing local people, delivering local services and contributing to local supply chains.

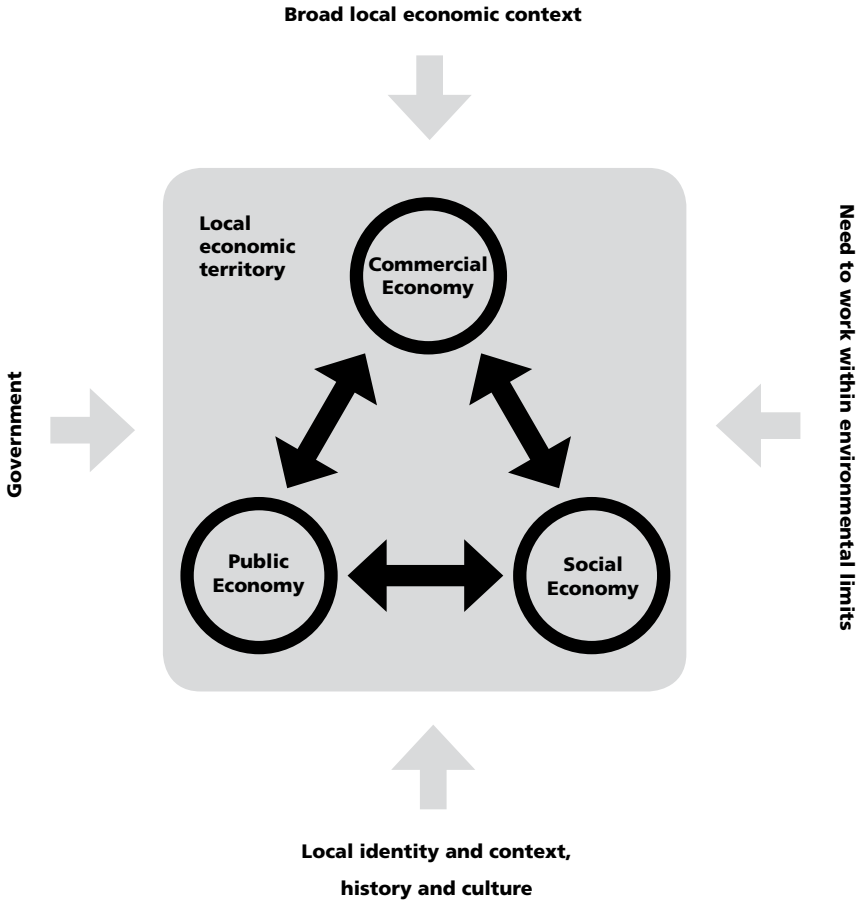
This is set to become a growing field, not only because it can aid recovery from recession and keep regeneration going through difficult times, but also as it can contribute to the long term aims of achieving sustainable communities through multi-sector, locally specific action. It is also a significant source of innovation and service and product diversity, operating closely to demand and niche markets. It is often overlooked and neglected as part of any assessment.

Key influences

Aside from these three core mutually-dependent elements described above, there are also four significant influences upon that economic territory. These are broader forces beyond just local economic factors and their respective ability to act. These are as follows:

Government. This involves the coordination undertaken by national and regional government to ensure there are relationships between the local area and regional and national policy (vertical governance), and between various sectors and actors within the areas (horizontal governance or partnership). It also refers to promoting and encouraging economically positive behaviour and practices within the commercial, public and social economies. Ultimately ensuring that good

CLES model of economic resilience



services are delivered and have positive impacts upon local economies and local people. Furthermore, central and regional government policy has an important role in redistribution and ensuring there are levels of equality and support through welfare and social policy.

Broad economic context. The model recognises that there are broad national and global economic forces at work. Through globalisation, these forces are increasingly constant throughout the world, though there is some variation in the extent to which national and local economic territories can mediate this context. Arguably this could be down to factors such as size of the nation/locality, or the relative openness of the economy.

Local identity, context, history and culture (Place). Individual histories, identities (self-identified and perceived), culture and places, to a large extent, shape the baseline that local economies start from and the direction they take in future development. Local conditions in terms of society and the labour market; economic strength, specialisation and sectoral mix; and the urban and natural environment are highly influential on determining outcomes. This should not be underestimated when making future strategy

Working within environmental limits. The urban and natural environment has increasingly been realised as an influence on economic performance, shaping local economies according to locally specific conditions such as accessibility, transport infrastructure, greenfield and brownfield land availability, development restrictions, appeal to tourists, coastal erosion, countryside erosion, etc. The challenge of climate change is demanding new approaches being taken by local government and other agencies towards development, with a new emphasis on adapting to the impacts of climate change both in the short and longer term. Whilst this is likely to result in difficult trade offs between development and the environment, there are opportunities, which may result in a shift to a low carbon economy. Therefore the importance of the environment as factor in economic development decision making has grown and will continue to be important to economic development and regeneration at all spatial scales of governance.

Applying the resilience model to the UK

We started out this report by advocating a new wave of local economic activism. The application of this model is a key component of this. The CLES resilience model allows us to move away from traditional interpretation of economic development as being purely about the workings of the (primarily commercial sector) economy. This is also consistent with the growing emphasis of the Government on the centrality of the economy for achieving positive outcomes and hence its increasing focus on economic solutions and enablers in government policy.

While some places may look resilient, this may be short-term and fleeting or have been at the expense of local community identity or the environment. Therefore, economically resilient places must work to create an effective blend of the discussed factors in delivering economic success over the long-term. We think this resilience model heralds a new way of thinking around local economic development and has application in two main ways.

1. Better assessment of our local economies

This resilience model can be used as a framework for understanding and doing local economic assessments. This will build on existing economic resilience indices already being developed and produced²³, but refer to a broader set of components beyond the commercial and include social and public economic indicators. Bringing in aspects which are not normally associated as being ‘economic’²⁴. The application of this model will ensure that coverage is broad, and assist the development of bespoke elements, ensuring that important aspects of the economy are not overlooked. This assessment will facilitate inclusion of the right considerations in local economic strategies; considerations that are locally specific and offer a broad approach towards improving prosperity and quality of life. The use of the resilience model, should overcome the gaps and deficiencies as identified in our research, such as the lack of partnership with the third sector, the neglect of worklessness, the failure to use strategic land use for economic development, the limited

23 EDAW and AECOM (2009), Index of Economic resilience. <http://www.leedsinitiative.org/yorkshireCities/page.aspx?id=11244>

24 Building on the list of characteristics identified in Appendix 1

focus on the social and people-related aspects of economic development, and so forth.

2. More robust strategy

The CLES model of economic resilience provides a strategic framework on which to develop local economic strategies. Local authorities have the opportunity to reconsider what local economic development strategies are trying to achieve, to redefine the end as well as the means to the end.

While we acknowledge that there is great diversity amongst the hundreds of local authority areas in England and Wales, and hence not all local economies should be subject to the same strategic considerations, we argue that this resilience model provides a common framework which all local authorities can use as a starting point with which to discuss and develop their own ideas on economic strategy.

Conclusion

The opportunity of recession and new policy opportunities is greater than just improving assessment and strategy. CLES sees this new era as a time to re-think traditional approaches to local economic development. Local authorities and the Government alike need to challenge the assumptions that underpin current approaches to local economic development and how this can be harnessed as a means to an end; with the end being better standards of living, greater social and economic equity, and environmental protection. A re-think of assumptions about growth, about true local (and sub-local) specificity, and about the most appropriate spatial scales for economic governance, all need to be coupled with a proactive approach to utilising new opportunities and changing cultures and perceptions in the public and private sectors.

CLES thinks that the time is right for a new wave of local economic activism whereby economic centralism is reduced and local authorities and other public sector bodies work together to rediscover the local economic links between their work and local communities.

In the context of the new economic assessment we recommend that stakeholders need to adopt a resilience model as an approach to creating economic strategies. CLES believes it should become the core approach to economic development in all times, good and bad. It's only by fostering resilience that we create local economies that can regenerate themselves and adapt to change.

What needs to happen next?

CLES' research has provided an analysis of the state of local economic development strategy making in the UK. We have highlighted some of the strengths and weaknesses and introduced a new conceptual model which aims to re-interpret the shape of local economies in the current context. However, we are keen to develop our ideas and thinking further in partnership with our wider network and membership base.

CLES will continue, as we have since the inception of the Sub-National Review and the range of other relevant government policies, to monitor, analyse and respond to policy developments and advise on application of this to local authorities and their public and third sector partners. To this end, we are undertaking a range of activities which link to this agenda.

Local authority pilots: How resilient is your Local Economy?

CLES is looking to conduct a pilot within one or more local authorities, to apply our resilience model and recommended approaches to new ways of doing local economic development and constructing local economic strategies. These would be live pilots that involve members of the CLES team working with economic development, policy and other relevant officers to:

- assess the economy using the CLES resilience model, as trialed in the global locations
- develop ideas as to what economic development should look like in their locality and how new challenges can be tackled given new economic and policy contexts;
- revise and improve the authority's local economic strategy;
- revise and improve the relationship that this has to other policies and strategies within the local authority.

Pilots would be informed by our research and extensive experience of advising local authorities and their partners in the fields of economic development, regeneration and local governance, together with the ideals and conceptualisation of resilience as discussed throughout this report. We would take a highly collaborative approach with the local authority to make this as beneficial as possible and build their internal

capacity, whilst testing our own ideas on optimal approaches for local authorities. Hence the exact details of a pilot have not been precisely defined but are open to discussion between CLES and any interested authorities.

If you are interested in being a pilot local authority for this ground-breaking project, please contact resilience@cles.org.uk; 0161 236 7036. For more information, please contact Jessica Arnold, (jessicaarnold@cles.org.uk; 0161 236 7036) with your comments or queries.

How you can get involved

Assessment Network

In partnership with the Association for Public Service Excellence (APSE), we have set up a 'Performance Network for Local Economic Development'. This is a tool for measuring and comparing local authority performance with regard to local economic development. The added value of the tool is that the network of local authorities who have signed up to the network provides an opportunity for local economic development officers to discuss performance and also wider service delivery through regular meetings. This will enable lessons to be learnt from elsewhere, both through identifying good practice and being aware of mistakes made, and will seek to enable more effective local economic understanding to facilitate better assessment, strategy and delivery.

If you are interested in joining the Network, please contact Matthew Jackson, (matthewjackson@cles.org.uk; 0161 236 7036) for more information.

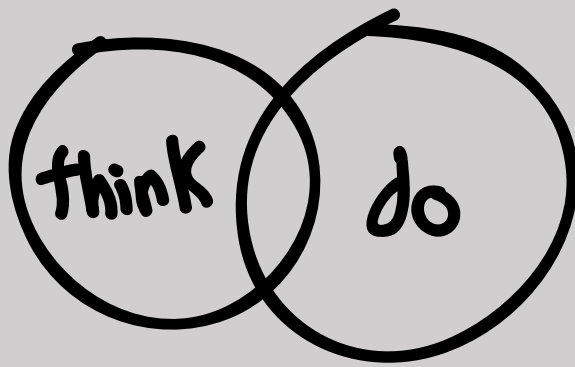
We'd like to hear from you

CLES is interested to hear the thoughts of practitioners and interested parties from the public, private or third sectors on our research, ideas, conclusions and recommendations for rethinking local economic development and improving strategies at local level.

If you have any thoughts, positive or negative, about the discussions and propositions of this report, or examples from local authorities that are relevant as we head into a new era of doing economic development, please contact Jessica Arnold, (jessicaarnold@cles.org.uk; 0161 236 7036) with your comments or queries.

Appendix: Characteristics of local economic development

1. Entrepreneurship, business start-ups and sustainability, growth rates and local business support
2. Availability of capital, credit, finance, grants and assets
3. Investor confidence into inward investment and local regeneration schemes
4. Industrial mix (reliance on a single or multiple industries)
5. Competition within the locality, sub-region, region, UK, Europe, globally
6. Availability, location and accessibility of suitable premises
7. Procurement, proximity to markets and suppliers, and local supply chain strength
8. Technology /digital infrastructure
9. Quality of local schools, universities and colleges, and education options
10. Knowledge base and innovation
11. Skills and training
12. Communications and PR
13. Community identity, image, cohesion, empowerment and participation
14. Cultural, religious and leisure influences
15. Public transport and car ownership
16. Worklessness, e.g. jobseeking, incapacity
17. House prices and conditions
18. Happiness and well-being
19. Neighbourhood renewal initiatives
20. Strength of voluntary and community sector, including social enterprises and co-operatives



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