

A light in the dark

Progressive frontiers in local economies



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About the Centre for Local Economic Strategies (CLES)

CLES is the national organisation for local economies.

Established in 1986, we are an independent charity working towards a future where local economies benefit people, place and the planet.

This will happen when wealth and power serve local people, rather than the other way around, enabling communities to flourish. We have an international reputation for our pioneering work on community wealth building and are recognised as the curators of the movement in the UK.

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Executive summary

It's a difficult time to be working in local government and local economic development.

We are currently facing the worst cost of living crisis in a generation, record levels of inflation, spiralling levels of child poverty, environmental crisis, the legacy of a two-year pandemic, a labour market in huge flux and the impact of twelve years of austerity on the capacity of local government and its partners to respond.

Despite the simplicity of the growth rhetoric from the Government at Whitehall, there is nothing simple about how we address this confluence of crises at the local level in the pursuit of more inclusive local economies.

This report draws on the perspectives and experiences of senior economic development practitioners in local authorities across the UK who are dealing, first hand, with the consequences of crisis in local communities across the UK – a privileged glimpse into what it is like to have to try and weigh up your options when it comes to generating new investment, jobs and opportunities for the benefit of people, place and planet.

While debates in Westminster focus on the macroeconomic levers of change, the report highlights that it is local government that can instigate and deliver real economic opportunity on the ground. It is not simply a passive provider of local services and a delivery agent for national government policy. It is an active participant in local economies that not only facilitates but drives economic activity directly.

In an attempt to build more inclusive local economies, it cannot be denied that local government faces multiple challenges. Indeed, in many cases the current operating context creates perverse incentives to maintain the status quo where growth is exclusive, regeneration is based on speculative property development and large companies extract wealth for the benefit of distant shareholders.

Nevertheless, this research reveals a light in the dark. Some areas are fighting against the tide and are starting to focus on cultivating their place-based assets, harnessing their power as anchor institutions to develop their economies from within. Although this is happening in variety of ways, our report reveals five imperatives for progressive local economic development practice.

Establish the vision

Minimising the extraction of wealth and building prosperity for all should be the intention of local economic strategies. Local economies everywhere should now be rejecting the idea that the sole measure of economic success is growth and should be including additional metrics for wellbeing, happiness, the reduction of poverty and carbon emissions.

Grow what you have

The overwhelming majority of businesses in the UK are SMEs, accounting for over 99% of the total business population. Looking for opportunities to support and influence the behaviour of these businesses stood out as a key tactic on display in our research. By re-routing everyday functions like procurement and bringing it under the purview of economic development, these areas are facilitating a shift towards the adoption of the real living wage as well as responses to climate emergency and environmental breakdown.

Provide pathways for generative enterprise

While small business start-ups are often thought of as SMEs, there are a range of different pathways by which people can be enterprising and entrepreneurial. Diversifying business support by commissioning social enterprise hubs and co-operative development agencies and supporting socially trading organisations are key methods of intervention to grow more generative local enterprise.

Harness progressive employment

Local anchor institutions often have significant numbers of jobs with good terms and conditions that can be targeted towards people and communities who need them the most. This research highlights the benefit of local initiatives that have been developed in conjunction with the local community to help traditionally hard to reach groups get ready for work.

Collaborate through local governance arrangements

Networks of anchor institutions exist across the UK in light of the numerous partnership arrangements that are particular to local places. Local economic actors can use these spaces to collaborate around harnessing the power of public expenditure and employment initiatives as well as the usage, disposal and stewardship of public land.

Now, perhaps more than ever in our recent history, is the time to embrace this progressive frontier for change. These interventions provide a blueprint and a beacon of hope for local economies everywhere as they attempt to build a better future.

Introduction

The purpose of our economy should be to generate good lives and wellbeing for all, not simply growth. People and communities everywhere should be given the opportunity to participate in economic activity and they should be entitled to a fair share of the proceeds.

Despite the common-sense nature of these statements, there are few measures by which our economy can be said to be meeting the aspirations they lay out. Although economic growth has roughly doubled in the UK over the last 30 years¹, this growth has failed to produce social, economic and climate benefits for all but a select few.

Life expectancy has recently stalled for the first time in a century², while record numbers of people in the UK now live in poverty. Larger families and single-parent families are particularly affected. Individuals in Bangladeshi, Pakistani and Black families continue to have higher poverty rates and worse outcomes across many areas³.

The most recent data also shows a big rise in destitution, with more than a million households (containing 2.4 million people, including 550,000 children) experiencing destitution in 2019, a rise of 35% since 2017, with modelling suggesting additional increases during the Covid-19 pandemic⁴. At the time of writing, the UK faces a further intersecting social and economic catastrophe due to the cost of living crisis. Even taking into account the government's announcement of an energy cap freeze, in excess of a million more UK citizens will be pushed into poverty this winter⁵. Many, rather than facing the impossible choice between heating and eating, will simply be unable to afford either⁶. As consumer spending falls, we risk cascading unemployment, beginning in the retail and hospitality sectors, with an economic impact that could potentially eclipse that of the 2008 financial crash⁷.

Meanwhile, the climate emergency is escalating rapidly. The latest reports from the UN's International Panel on Climate Change indicate that temperature changes are happening faster, with the likelihood that the world will reach a climate tipping point sooner than originally forecast⁸.

¹ E Lonergan and M Blythe (2020). *Angrynomics*. New York: Agenda Publishing.

² M Marmot et al (2020). *Health Equity in England: The Marmot Re- view 10 Years On*. Institute of Health Equity. [Read](#).

³ Joseph Rowntree Foundation (2022). *UK Poverty 2022: The essential guide to understanding poverty in the UK*. [Read](#).

⁴ Ibid.

⁵ Legatum Institute (2022). *Rising costs projected to push 2.75 million into poverty*. [Read](#).

⁶ P Inman (2022). *Further 250,000 UK households face destitution in 2023, warns NIESR*. The Guardian. [Read](#).

⁷ S Ping Chan and T Wallace (2022). *Households face biggest fall in real incomes on record*. The Telegraph. [Read](#).

⁸ IPCC (2021). *IPCC Sixth Assessment Report*. [Read](#).

Emergency interventions are desperately needed to mitigate against the interconnected and catastrophic crises we face. Yet, mitigations alone will be insufficient in the long run. Our economic model and our approach to economic development also needs a fundamental reset. This paper explores how this could happen.

About this report

Critiques of traditional and mainstream economic approaches are well established⁹. CLES has been an important contributor to this debate, lending our expert eye on local economies. In 2021 we published a critique of recent local economic development practice¹⁰. That provocation advocated for a community wealth building approach to empower local areas and communities to maximise their existing skills, talents and capabilities in the pursuit of greater economic democracy.

Despite the pockets of progressive economic development practice observed in our paper, they remain the exception and not the norm. As such, we wanted to know more about what mainstream economic development practice looks like right now. How is it seeking to address the intersectional challenges that local economies currently face? What is the true potential for the adoption of more progressive interventions?

To answer these questions, CLES conducted semi-structured interviews and discussion groups with senior officials in 10 UK local authorities. The areas chosen reflect the UK's varying economic, social and political geography, with representation from Scotland, Wales and Northern Ireland, a mixture of urban and rural areas, as well as stand-alone unitary authorities and metropolitan boroughs within a combined authority area.

The findings of these interviews and discussion groups are presented anonymously and key themes and insights identified in the next section of this report – **Where are we now?**

⁹ See, for example, economists such as: T Veblen (1904). *The Theory of business Enterprise*. New York: Scribner's Press; Kate Raworth (2017). *Doughnut economics: seven ways to think like a 21st-century economist*. New York: Random House; and, M Mazzucato (2021). *Mission Economy: A Moonshot Guide to Changing Capitalism*. London: Allen Lane-Penguin.

¹⁰ CLES (2021). *Devolve, redirect, democratise: the future of local economic development in the UK*. [Read](#).

The third section – **Where next** – interprets these findings, concluding that while practice has started to shift towards the pursuit of more inclusive local economies, scepticism should remain as to whether this shift will be sufficient to address the scale of the challenges we now face.

In the fourth section – **A light in the dark** – we address how local economic development practice could adopt a more progressive approach, outlining five imperatives for action based on some of the innovative practice that we have identified as part of this research as well as our wider pool of case studies.

In the final section – **Progressive frontiers** – we provide a brief conclusion to our work.

Where are we now?

Intervention in the economy has long been a function of the state, both nationally and locally.

From the Barlow Commission in 1940, through to the Beveridge Report, the industrial policies of Wilson's Labour government, and the introduction of the Inner Urban Areas Act (1978), economic development has an established history of efforts to balance economic outputs with social and climate concerns.

While statutory recognition of the role of councils in economic development is relatively young – dating back to the Local Government and Housing Act (1989) – it is important to remember that modern local government was established specifically (although not solely) to protect the interests of local citizens during the upheaval of the industrial revolution.

The narrowing of practice

Nevertheless, faced with economic pressures and declining funding, by the 1970s local governments were intervening less and turning more towards the private sector. Characterised as a shift towards entrepreneurial urbanism, this saw the promotion of private sector-led economic growth by the local state in an attempt to create jobs and increase local tax revenues¹¹.

Economic growth, therefore, came to be seen as the defining metric of success for localities. In its pursuit, regeneration fuelled by speculative property development and inward investment driven by wealth extraction became the focus of local economic development strategy and practice. This history was reflected in a recurring theme from our discussions with local government officers, who perceive that local economic development practice has narrowed in the last 30 years.

Historically, economic development was a **“very distinct and recognisable local authority service”**, said one practitioner, supporting SMEs, start-ups and entrepreneurship in a way that, **“had a positive effect on business activity, employment, income distribution and fiscal solvency”**.

¹¹ D Harvey (1989). From managerialism to entrepreneurialism: the transformation in urban governance in late capitalism. *Geografiska Annaler: Series B, Human Geography* 71 (1). [Read.](#)

However, once the regeneration agenda took hold in the early 1990s:

“this suddenly became the vehicle through which local economies could be developed [...] a lot of this activity has involved chucking money at city centres to get them to thrive: the more cranes the more buoyant the economy”.



There was also a perception that “**central government policy [from Westminster], focused around property regeneration led economic development**”, has encouraged and fuelled this behaviour. As a result, as other practitioners put it:

“[Economic development] has become about high-level GDP, number of jobs, number of businesses – not too much thinking about how does that follow through into quality of life, wellbeing, and quality of jobs”.



“[It's about] creating the conditions to allow public or private sector investments to come in, to attract new businesses, to attract developers [...]and get the infrastructure we need”.

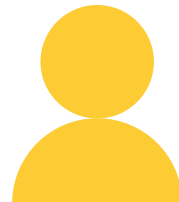


A “wakeup call”

There was, however, a sense from most of those we spoke to, that the narrowing of approach is not delivering widespread prosperity and opportunities, particularly to the people and communities that need them the most.

For some areas, persistent upwards trends in poverty since the financial crash and then during the austerity period have facilitated a “wakeup call”. As practitioners explained:

“Growing issues of living standards, growing issues of poor quality work, growing issues of particularly young families in poverty, that we’re identifying who were in work. This juxtaposed against all of our high-level indicators for economic development that are still, relative to other places, stacking up really well”.



“Certainly, post 2008 the poverty data was moving in the wrong direction or static at best. Growth was much better, so tourism for example was growing at a rapid rate. We were seeing big leaps in GVA but what we weren’t seeing was sufficient movement on the dial of deprivation and some of the underlying challenges that our most deprived communities have”.

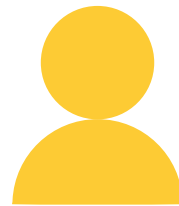


For other areas, the onset of the Covid-19 pandemic exposed the limitations of the traditional approach.

“There are lots of people who are struggling economically [...] there are lots of businesses who are struggling economically. This created a strong sense that the local economy is going downhill fast”.



“Historically we’ve been very much GVA driven [...] We had clear strategies [...]. Very much GVA, jobs, growth. We developed, early on in Covid, our economic recovery plan which has turned that on its head really [...].”



This has provoked something of a rethink. As one practitioner put it: **“what is the economic development piece we’re trying to achieve here, where is the community in all of this?”**

Furthermore, the growing need to address the climate emergency was a common theme, with a recognition that this “is now running in parallel” and intersecting with other crises.

“[Our] priorities will focus more and more on climate emergency. The Council was looking at making cuts but it is unlikely that these will be made now due to the importance of addressing community-led economic development as a response to climate emergency”.



Shifts in practice

In light of the growing realisation that previous approaches to economic development are failing to deliver prosperity and opportunity, many of the areas we spoke to have started to change tack. This has led to a shift on several fronts.

Strategic vision

The idea of inclusive growth was mentioned frequently. As one practitioner put it:

“How can we move some of our people who have fallen behind? How can we transition to support many of our residents that have low or no skills [...] as a result of the ongoing growth of the city?”



In some areas the strategic vision is more comprehensive, however. Here the strategic focus is more upon the quality of economic activity, as opposed to growth for growth's sake. Some have rebranded their economic development departments as directorates of the inclusive economy, where the remit is broader than it once was:

“Improving people's lives across all sectors and areas of the economy and society – helping those who need more and helping areas that need more”.



Some areas have also adopted a broader set of metrics for success, going beyond GDP growth and:

“Drilling down into some of those wards we work in, looking at unemployment levels, but also the groups of unemployed. We look at everything from life expectancy to hospital admissions to the types of jobs people have – those indicators that show that the growth we are experiencing is actually getting down to those levels and that we’re not just bringing in millions of pounds of investment and selling property, or creating 70 grand a year jobs that very few people can apply for”.



“What we’re looking at is what is an effective dashboard of these collective measures. More of that wellbeing monitoring approach rather than an outcome performance approach”.



Approaches to inward investment

As a result of this shift in strategic vision, many localities are starting to deploy a new kind of interventionist approach, particularly in relation to inward investment where more attempts are being made to connect activity to areas of deprivation: **“are potential investors providing maximum social value out of their proposal – are they doing placemaking?”** Or as other practitioners put it:

“We want investments to be inclusive, to be green and sustainable, to develop a skills pipeline and talent and work with communities. There’s a whole list of things that we want them to sign-up to if they’re wanting to join us in the city”.



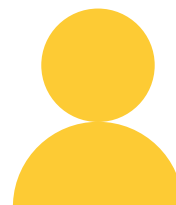
“We want to build a strong partnership with developers – convey to them that they have to be part of delivering a more inclusive economy. Because to continue to succeed and develop and go forward we need to try and tackle some of the areas where, you know, we have high levels of poverty”.



As a result of this intent, some areas are now deploying stricter social value benefit frameworks in relation to local planning policy, meaning that developers and investors must sign up to and explain how they will fulfil specific outcomes around education, employment, health, community resilience, digital inclusion, the Living Wage, net zero and green skills.

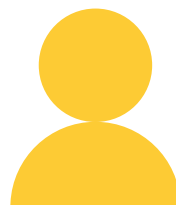
Some are also working closely with large investors to ensure that when it comes to employment opportunities, they are not just cherry-picking the brightest and the best but developing their own pipeline. Speaking about this approach, one practitioner explained:

“That will look at having training programmes for school leavers, not just university graduates, it will be looking at outreach programmes in some of those [deprived] wards, working with community groups. We have a couple of really good community-led development programmes which are linking up employers to potential employees”.



Other areas are focusing specifically on issues like youth unemployment, **“right from inspiring young people, through to helping them start up their own business”**. Some are working on raising awareness with employers about the availability of young people for new job opportunities and have recruited full-time posts to support this – **“in very simple terms, a pair of hands to crack on with some of these actions”**. This also involves encouraging employers to look at changing job descriptions:

“thinking about how you can be welcoming to young people. Do you have to say that you need a minimum of three years’ experience?”



For the majority of the areas we spoke to, this is not just about creating jobs but, importantly, about creating jobs for people in the right areas. As one practitioner explained:

“A big thing for us at the moment is matching up the new jobs that are coming in but matching them with those that have been disproportionately affected, particularly by Covid, but also with our disadvantaged wards across the city. So it’s about raising the attainment levels, creating those jobs and creating a resilient bed for growth”.



As a result of this approach, a number of areas are taking a more collaborative approach within economic development departments – for example, linking-up economic development with services which have responsibility for skills, education and youth unemployment and **“actually getting them to work together”**.

Something fundamental

In three of the areas we spoke to a more fundamental shift is underway. In these places, community wealth building is a much more embedded approach, and local place-based assets are now the focus of local economic development practice. This has resulted in more inclusive economic strategies with a greater focus on “the grass roots economy”.

“By the end of this calendar year we’ll have a new economic strategy in place... Community wealth building is not being seen as a peripheral action to the grown-up economic strategy, there’s strong recognition from all partners that this is the underpinning”.



One of the areas has developed individual local economic strategies for each distinct geographical area within their borough, based on a community wealth building approach. This means **“looking at what’s already here and [...] really trying to help that grow and to become more beneficial to local communities”**.

To achieve their strategic aims, they have appointed local economy officers in each of their key localities, whose role it is to be out in the community – to look around, see what’s going on and support it. As one participant explained:

“One of the first things they do when they’re appointed [...] is go out and meet all the stakeholders. And then from there, really find the ecosystem for what other groups they engage with [...] and kind of spread the good news about what we’re trying to do in terms of affordable workspace and all the opportunities that we’ve got through our employment team [...]. So we’ve got, for example, black minority ethnic women’s groups that we know women in the community go to for advice and support. So we’ve pulled those groups into our working partnership”.



In support of this activity, the council in question is focusing on diversifying ownership models within its local economy, using monies raised through section 106 agreements to purchase long-leases on properties and then provide office space for local enterprises at a peppercorn rent. Here, the council has also commissioned organisations to incubate and provide support for start-ups. For example, to support an increase in **“entrepreneurship and inclusive business support, targeted at black and minority ethnic business owners and residents”**. They have also commissioned a social enterprise business support hub and have founded a development agency to grow co-operatives in foundational sectors such as social care and childcare.

Furthermore, to support employment, this council has established its own in-house employment service providing targeted job searching and job application support, CV writing support, interview practice, as well as childcare support, discretionary payments and pastoral support. The service has adapted its mode of delivery to a blended approach providing support for residents by telephone and online, with a dedicated focus on retraining and upskilling, as well as pre-employment support and extended in-work support. This wraparound service is a key resource to which local economy officers can direct residents when they are in the community developing their networks. Over the last year this service has supported nearly 1000 unemployed local people back into paid employment.

Business support practice has also shifted in two other areas. While these councils had, for many years, been concerned with a traditional inward investment-led approach, their focus now is on supporting the development of the indigenous business base. Here, mechanisms like procurement, retrofit and encouraging businesses to pay the Real Living Wage have been used to maximise positive social, economic and climate impact.

“If we can increase our procurement spend [with our SMEs] by 10% that’s another £30m for our SMEs to benefit from [...] we think that’s quite achievable, thereby supporting the circular economy in terms of local people, better paid jobs, better opportunities. Within our regen team we have officers who are engaging with our SMEs, making them aware of what’s coming out of the pipeline over the next three years in terms of procurement opportunities and what we can do to upskill them or if they’ve got property needs [...] whatever it is that they think is holding them back”.



“We’ve recently supported a company that has grown from a one-man band in the 70s. They were looking for new premises and we supported them with an end-to-end solution. We identified a premises that could be refurbished rather than purpose built so we didn’t have that additional carbon loss. We worked with them on supporting access to environmental grants and electric vehicle charging and they’re now looking at electrifying their whole transport fleet... We’re working with them on supporting the Real Living Wage and supporting their skills development pathway so they’re getting more apprentices and more adults coming in. We’re also working on their succession planning management”.



In both of these areas, a strong commitment to addressing the climate emergency through a community wealth building approach is evident in their support for community energy projects. As one practitioner explained:

“We’re working with a range of community groups around developing and taking on energy supply whether that’s wind or solar etc. We’re in discussion with a community group to take on an existing wind turbine and who can then feed power to low-income households to hopefully reduce the cost of energy. Any surplus they make can then be invested in community projects”.



Moreover, in one area, the council is making use of government funding to advance its progressive intent, using these funds to acquire a former Debenhams' department store and working with other key anchor institutions, including the local NHS and university to convert the building into a community health hub with gym facilities. Rather than seeing this land sold off to a private developer, this conversion will not only provide vital health services but it will help create footfall on the high street to support other local generative businesses¹².

Summary

There is a strong recognition, in the areas we spoke to, that traditional growth-led approaches to economic development are not delivering the benefits their places need. There is widespread acknowledgment that changes to practice are required to provide a more comprehensive response to the challenges areas are facing around poverty, inequality and the climate emergency. In the main, this has led to areas trying to squeeze more benefits for local people and places out of inward investment opportunities. A minority, however, are trying to go further by intervening to shift the local economy in a different direction, using a community wealth building approach to encourage more generative business activity and Living Wage employment as well as to respond to the climate emergency.

¹² Businesses activity where the focus is about generating positive social, economic, and climate outcomes as opposed to merely extracting profit.

Where next?

Same old, same old

Despite the encouraging shifts in practice observed above, a question remains as to whether this is sufficiently different to what has gone before – particularly where practice remains reliant on market-led approaches, despite attempts to make this more inclusive.

The latest figures suggest that while growth has risen rapidly across the UK this is not having a positive impact on poverty rates and incomes¹³. Our analysis shows that, for example, deprivation figures are still rising despite increasing levels of Foreign Direct Investment (FDI) into English city regions (see Figure 1).

It remains to be seen, therefore, whether taking a more interventionist approach to inward investment activity will be enough to turn the dial and have a positive impact on poverty and inequality. To date, growth-led approaches have been unable to resolve the intractable fact that low-paid, insecure jobs are a dominant feature of the UK's economic model, with detrimental consequences for worker health and wellbeing¹⁵. The risk is that the promise of “inclusive growth” will, in practice, offer little more than a “get out clause” for orthodox market liberalism, with its inbuilt social and economic injustices. In light of this, a continued reliance on inward investment as a significant driver of economic development is problematic.

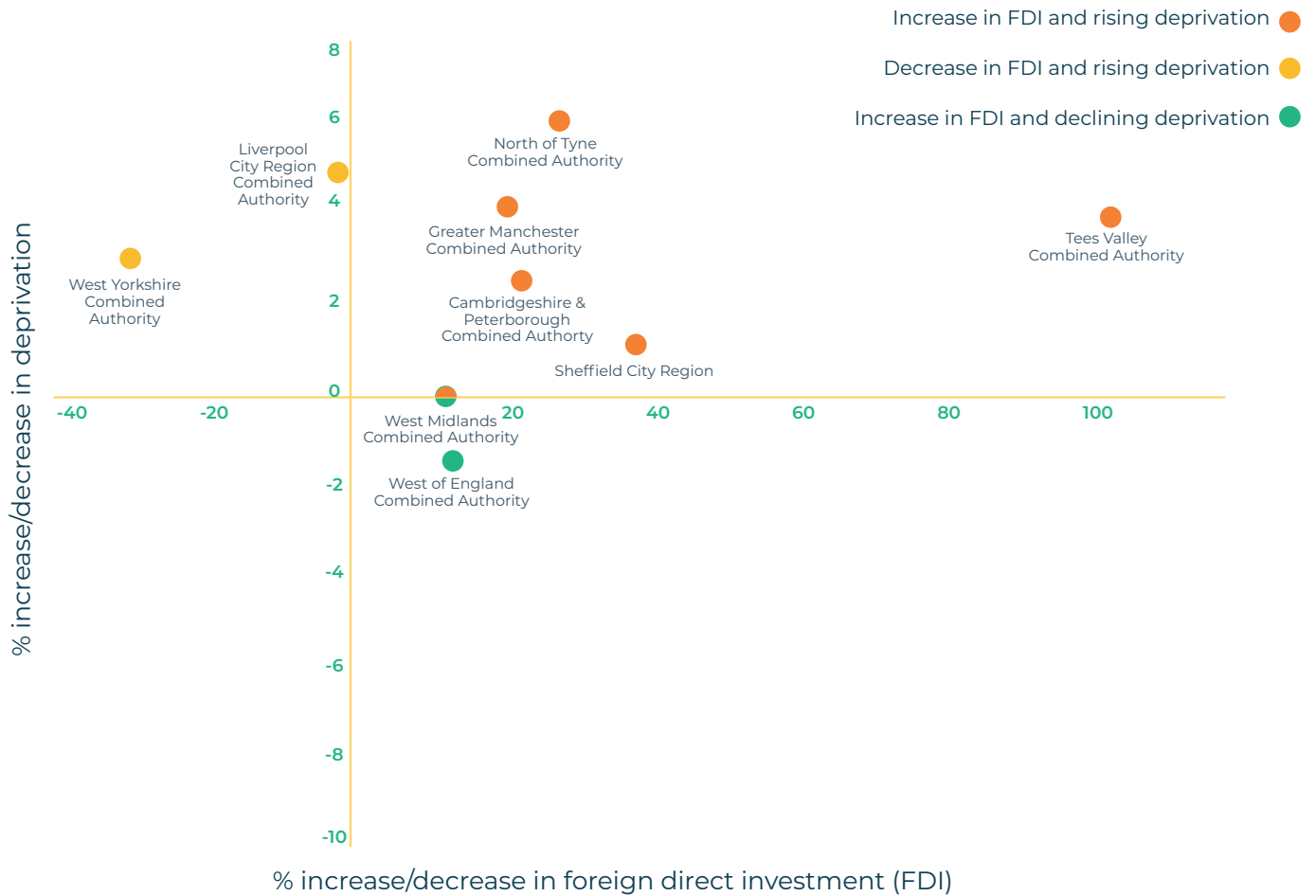
This is not to say, of course, that local economic development practitioners should not be trying to squeeze as much as they can out of inward investment. But should this be the cornerstone of their approach? Rather than tinkering around with a system that has to date failed to produce wider social, economic and environmental benefits at scale, CLES would argue that the whole system needs a progressive reboot.

¹³ T L Goodwin (2022). Labour can't just offer growth for growth's sake. *The New Statesman*. [Read](#).

¹⁴ Office for National Statistics (2021). Foreign direct investment involving UK companies by UK country and region, (directional) inward; and Office for National Statistics (2019). English Indices of deprivation 2019.

¹⁵ E Yates I Clark and W Rossiter (2021). Local economic governance strategies in the UK's post-industrial cities and the challenges of improving local work and employment conditions. *Local Economy*, 36(2). [Read](#).

Figure 1: CLES analysis of FDI and deprivation levels 2015-2019 in English cities¹⁴



Sources: Office for National Statistics (2021). Foreign direct investment involving UK companies by UK country and region, (directional) inward; and Office for National Statistics (2019). English Indices of deprivation 2019.

What's stopping us?

Many of the practitioners interviewed as part of this research agree with this diagnosis, yet it cannot be denied that they face multiple challenges in attempting to pursue a different path. Indeed, in many cases the current operating context creates perverse incentives to maintain the status quo.

Funding for local government

The decline in funding for local government – accelerated by austerity – has been particularly damaging. On average, local authorities have had to cut public services by around 33% since 2010¹⁶. England has been the worst affected nation within the UK, with city regions being hit hardest in comparison to other areas, experiencing 74% of total government cuts¹⁷. Austerity has reduced the amount of funding to local government via central government grants. This, therefore, makes it challenging for local authorities to maintain high-quality provision of core and statutorily services, and they have been left with even fewer resources to devote to non-essential, but still important, local economic development initiatives such as supporting people into employment and training.

The labour market

Work and employment in the UK remain fettered by poor contracts and stagnant real wages. Despite recent reports about labour shortages and bottlenecks being good for workers¹⁸, across the majority of the private sector workers face falling real pay, compounding the cost of living crisis and the impact of rising inflation¹⁹.

Limited power

The tortuous process of city region dealmaking props up the market liberal approach to economic development. In return for a very limited decentralisation of power, city regions have been forced into a corner of signing agreements that enforce the economic model prescribed by the

¹⁶ M Gray and A Barford (2018). The depths of the cuts: the uneven geography of local government austerity. *Cambridge Journal of Regions, Economy and Society* 11(3). [Read.](#)

¹⁷ Centre for Cities (2019). *Cities Outlook 2019*. [Read.](#)

¹⁸ L Elliot (2021). Bottleneck Britain: turmoil has raised job vacancies and firms now jostle for staff. *The Guardian*. [Read.](#)

¹⁹ G Tily (2022). *Jobs and recovery monitor – wage squeeze continues*. TUC. [Read.](#)

Treasury and Whitehall, further incentivising inward investment approaches and property development-led regeneration.

Competitive funding

Linked to the previous point, the government's recent attempts to address regional imbalances and inequalities have been administered through a plethora of schemes that local authorities are expected to bid for, such as the Levelling Up Fund. The Public Accounts Select Committee has recently raised concerns over the award of these funds, with the damning conclusion that ministers decided the principles for awarding the funding only after they'd seen the applicants, that there was no transparency about the location and type of unsuccessful bids and that local councils' time, capacity and precious resources have been wasted repeatedly as they've attempted to make sense of a kneejerk policy agenda directed from the centre²⁰.

A highly centralised state

Finally, despite the nominal devolution policies of recent governments, the UK remains one of the most highly centralised countries in the developed world. Public sector employment has become concentrated in central government. At the same time, the headcount of employees in local government has fallen sharply, by 16% on average²¹, reducing the capacity for councils to deliver support to local economies at a time when we are engulfed by the worst cost of living crisis in a generation.

²⁰ House of Commons Committee of Public Accounts (2022). Local economic growth: fifth report of session 2022-23. [Read](#).

²¹ M Johns (2020). Ten years of austerity: eroding resilience in the North. Institute for Public Policy Research. [Read](#).

A light in the dark

It is within these challenging economic conditions that local economic development teams must endeavour to promote inclusive local economic activity.

Despite the worrying picture painted above, and while many challenges remain, this research has revealed that much work is taking place in local areas, to develop more inclusive economies which deliver better lives for people across the UK.

Given the national political picture at the time of writing, it is clear that change in the UK will not – any time soon – come from the top down. Instead, to find light in the dark, we must look to innovators at the local level. Their work is cause for optimism, even in the most difficult of times. Notwithstanding the current challenges around funding, the innovative practice that is happening demonstrates that a different approach is, in fact, possible and may even foreshadow the more widespread changes that are needed.

Rather than competing to attract and retain outside investment, these areas are focused on cultivating place-based assets and harnessing their power as anchor institutions to develop their economies from within. From the insight gathered for this research, as well as CLES's wider portfolio of work, five imperatives for progressive local economic development practice are cast into sharp relief.

Establish the vision

Minimising the extraction of wealth and building prosperity for all should be the intention of local economic strategies. Local economies everywhere should now be rejecting the idea that the sole measure of economic success is growth and should be including additional metrics for wellbeing, happiness, the reduction of poverty and carbon emissions. While economic strategy and planning falls under the jurisdiction of local governments, they should also play a role in uniting other anchor institutions, communities and the VCSE sector to be a key part of establishing an inclusive local economic vision.

Grow what you have

The overwhelming majority of businesses in the UK are SMEs, accounting for over 99% of the total business population²². Looking for opportunities to support and influence the behaviour of these businesses stood out as a key tactic on display in our research. By re-routing everyday functions like procurement and bringing it under the purview of economic development, these areas are facilitating a shift towards the adoption of the Real Living Wage as well as responses to the climate emergency. This enables these local businesses to grow and develop with greater social and environmental purpose.

Provide pathways for generative enterprise

While small business start-ups are often thought of as SMEs, there are a range of different pathways by which people can be enterprising and entrepreneurial. Diversifying business support by commissioning social enterprise hubs and co-operative development agencies and using monies raised through section 106 agreements to provide office space at a peppercorn rent are key methods of intervention uncovered in this research. In other areas too, we are seeing combined authorities pushing the envelope. With support from Power to Change, Liverpool City Region has invested £6.5m to support the development of local socially trading organisations. With this funding they have established Kindred – a new investment and development vehicle, owned and run by the sector, that is now providing business support and funding to local community businesses²³. In Greater Manchester, the Combined Authority is looking to establish a community wealth hub to support and grow co-operative, mutual, social and community enterprises in key sectors of the everyday economy such as childcare. In addition to providing business support, the hub could bring together communities to take over empty shops or buildings. It would also seek to work with credit unions and other finance organisations to unlock community investment, providing the funds needed for small organisations to scale and compete in commercial markets²⁴. In North of Tyne, the

²² Federation of Small Businesses (2022). UK small business statistics. [Read](#).

²³ Kindred (2021). What we do. [Read](#).

²⁴ Greater Manchester Combined Authority (2022). Launch of the report from the Greater Manchester Independent Inequalities Commission. [Read](#).

Combined Authority has been working with a group of supply teachers and local trade unions to create a supply teacher co-operative. Owned and controlled by the teachers themselves, the co-operative will replace the prioritisation of profit with an imperative to pay fairly and provide good terms and conditions for teachers²⁵.

Harness progressive employment



In all of the areas we spoke to, there was a commitment to doing more to ensure that employment opportunities reach people who are typically excluded from the labour market. Creating an in-house employment service – already being done in some areas – is an intervention that could potentially be utilised by other places which are looking to maximise support for local residents.

Other key anchor institutions can also provide valuable support in this area, contributing significant numbers of jobs with good terms and conditions which can be targeted towards the people and communities who need them the most.

For example, the Northern Care Alliance NHS Foundation Trust have bypassed the advert and interview process for many of their entry level roles and they are now reserving these positions for the recipients of targeted pre-employment training programmes. Having mapped their employment profile, they have identified deprived postcodes where they are not employing people and have designed specific pre-employment training packages to help these local residents to enter their workplace. These programmes have been developed in conjunction with the local community to help traditionally hard to reach groups get ready for work.

In the West Midlands, the Birmingham & Solihull Integrated Care System (ICS) is leading a programme called I Can across all of its employing providers, as well as Aston University and the University of Birmingham. I Can will deliver a minimum of 100 entry level job opportunities each year for three years

²⁵ F Jones (2022). Unions tackling wealth extraction on the front line. CLES. [Read](#).

for unemployed and young people, targeting economically disadvantaged areas across the sub-region. It includes the provision of tailor-made “get into work” development and support programmes, with careers, interview, application support and a programme of post-employment mentorship. The programme commenced in November 2021 and is now seeing its first successful applicants employed.

Collaborate through local governance arrangements



The impact of harnessing place-based assets through procurement and employment can be magnified by collaboration across anchors²⁶. Networks of anchor institutions exist across the UK in light of the numerous partnership arrangements that are particular to local places. In Scotland and Northern Ireland, community planning partnerships have been established to encourage joint working. In Wales, there are public services boards that are charged with carrying out local well-being assessments and publishing annual local wellbeing plans to set out how local areas will meet their responsibilities under the Wellbeing of Future Generations (Wales) Act. In England, formalised place-based working has been bolstered recently by the formation of ICSs within the NHS. With their focus on collaboration and place, ICSs have the potential to drive improvements in population health and tackle health inequalities by reaching beyond the NHS to work alongside local authorities and other partners to address the social and economic determinants of health. The I Can example above from Birmingham & Solihull ICS is a powerful illustration of the potential here. Local economic actors could also use these spaces to collaborate around harnessing the power of collective procurement budgets as well as the usage, disposal and stewardship of public land.

²⁶ CLES (2020). Growing anchor networks in place: a how to guide. [Read](#).

Progressive frontiers

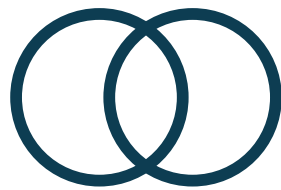
The insights gathered by this research demonstrate that local economic development practice is changing. Some areas are broadening their definition of success beyond measurements like GDP and GVA and many are now trying to squeeze more out of inward investment in an attempt to build more inclusive local economies.

Will this be enough to address our current intersecting crises? When the response to these crises is to rely on the very economic model that is largely responsible for creating them in the first place, we have to be sceptical as to the chances of success.

However, we do have a different blueprint for local economic development that is about rebooting the system rather than tinkering around the edges. All local politicians and economic development practitioners across the UK should consider the merits of the community wealth building approaches recommended above.

Start small if need be but know that substantive changes to practice will be required if we are to truly deliver inclusive economies.





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