

THE SMITH INSTITUTE

The Smith Institute is an independent Think Tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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growing the economy: the local dimension

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Edited by Ed Balls, John Healey MP
and Cathy Koester

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Preface

Wilf Stevenson

Director, Smith Institute

The Smith Institute is an independent Think Tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the Institute has been publishing pamphlets and running seminars on the Government's important strand of policymaking which is aimed at securing full employment and rising prosperity in every region and community of the country. Although these ambitious economic goals have not yet received as much attention from commentators as the Government's successful measures to create macroeconomic stability, or its championing of strong competition policies, we believe this policy will prove to be as least as important to the future prosperity of the nation in the long run.

In December 2000 we published a pamphlet *Towards A New Regional Policy: Delivering Growth And Full Employment* (edited by Ed Balls and John Healey MP) and held an influential seminar for the RDA Chairs and Chief Executives. In the following two years we were partners with a number of RDAs who held follow-up seminars in their Regions. We followed that series of events in 2002 with a further publication *Age of Regions: Meeting the Productivity Challenge* and a seminar, which drew on the themes discussed in the regional events.

We are delighted to be publishing our third pamphlet in three years, as the focus switches to the critical new role that is being created for local government in economic policymaking. We hope that those who read *Growing the Economy: The Local Dimension* and participate in the seminar series which it prefigures will be stimulated to add their voice to the wider debate.

The Smith Institute gratefully acknowledges SchlumbergerSema for supporting this publication, and the associated seminar series.

Introduction

Rt Hon John Prescott MP

Deputy Prime Minister

Our national economy is doing well. We have the lowest inflation for 30 years, the lowest interest rates for 40 years, the highest levels of employment in our history. Our public services are benefiting from record levels of investment and unlike our major competitors, our economy has grown year on year – free of recession – for six years.

A record we are proud of, which has helped revitalise many of our towns and cities and lifted millions out of poverty. But the wealth of our nation is not fully reflected in the wealth of all our communities. Although the gap between rich and poor has narrowed and employment has risen across the country there are still significant and persistent differences in economic performance between and within UK regions.

Some of our communities are struggling to cope with the transition from a traditional economy to a new one and suffer from a lack of skills, innovation and enterprise. Other deprived communities, often close to prosperous areas, are faced with decades of disinvestment in housing and job creation.

Improving the prosperity of all our communities is our main priority, partly for reasons of equity and social justice, but also because unfulfilled economic potential in every area must be released to meet the overall challenge of increasing the UK's long term growth. If we could raise the productivity of all of the regions just to the national average, everyone in the country would be £1,000 a year better off – and that excludes the additional benefits of reducing social exclusion, crime and health inequalities.

There are no quick fixes to re-balancing the country's economic geography. It must be a long term, comprehensive approach, which aims to harness the resources spent by central and local government rather than rely – as so often happened in the past – on one-off regeneration spending. This is exactly the approach we have adopted with our successful Neighbourhood Renewal and New Deal for Communities programmes, which work with local authorities

to kick-start regeneration schemes in our poorest neighbourhoods. The funding can be up to 10 years and the local partners, rather than Whitehall, take the lead in deciding the priorities for their own area.

The emphasis is on effective partnership and leadership at regional and local level, with enhanced freedoms and flexibility to tailor solutions to local problems. The increased funding for local government, the rationalisation of local authority plan requirements, the reforms of local government finance (including empowering local authorities to fund major improvements through borrowing without central government consent) and new powers to establish Business Improvement Districts and Enterprise Areas will further strengthen the capacity for joined-up locally-based regeneration.

The Regional Development Agencies, the Learning and Skills Councils and the new Urban Regeneration Companies are also working together with local authorities and other agencies, like English Partnerships, to tackle local and regional economic under-performance.

A step change in approach to creating sustainable communities – in both urban and rural areas – that can stand on their own feet and which people want to live in, rather than leave, is key to successful local regeneration. For more than 30 years this country lost its way, and rather than building thriving and inclusive communities we built soulless estates and dormitory towns which encouraged urban sprawl.

Under the Government's three-year £22bn Sustainable Communities Plan we have put the needs of communities at the heart of our programme to tackle the root causes of deprivation. Besides significantly increasing investment in refurbishment of existing housing stock and in new affordable social housing and reforming the planning system, the Communities Plan provides extra resources to improve the quality of the local environment – the parks, public spaces, good design and community facilities which not only improve the quality of life but are important to attracting new businesses.

This new era of 'people first' sustainable regeneration builds on our policies to strengthen so-called 'mainstreaming' of different local services and programmes. The top-down, one-size-fits-all approach of the past has been

replaced by a decentralised and much more flexible approach which rewards diversity, innovation and local ownership. The focus is not just on investment by government agencies, but on how we can pull together all the strands of public and private development in a way which boosts local skills and local capacity for change.

Successful local communities and prosperous regions go hand in hand, and local authorities have a lead role to play in helping quicken the pace of change so that we can end the scourge of postcode poverty.

A stable macro-economic framework benefits all areas, and the Government's national economic policies have achieved this. We have put the footings for long term sustainable growth in place, but to lift all the boats we must work even closer together at the local, regional and national level.

This pamphlet shows how partnerships for change are working and highlights the important role that local authorities have in the economic development of their localities, the success of their region, and ultimately the prosperity of the UK.

Introduction

This Government has set itself ambitious economic goals. Not just full employment for Britain – but full employment in every region and community of our country. Not just rising prosperity – but rising prosperity for all and regionally balanced growth which can narrow the gap between regions and close regional divides.

Radical goals demand radical new directions in policy to achieve them. In our 2000 Smith Institute pamphlet, *Towards a New Regional Policy*, we detailed the new approach which Deputy Prime Minister John Prescott and Chancellor Gordon Brown had shaped in our first term. We argued that developing the new approach to regional economic policy, wholeheartedly promoted by the Treasury, was based on two principles:

- strengthening the long-term building blocks of growth – innovation, skills, the development of enterprise – by exploiting the indigenous strengths in each region and city;
- a bottom-up and not top-down approach, with national government enabling powerful regional and local initiatives to work by providing the necessary flexibility and resources.

Our goal is to challenge the assumption in Britain – among commentators, economists and some policymakers – that because for much of the twentieth-century the cities and regions north of London have fallen behind, this pattern of inequality was bound to continue. We believe the opposite: that there is nothing inevitable about regional inequalities – in incomes, employment or opportunity – and that the combination of stability, the new challenges and opportunities of the global economy, and more mobile investment can close regional divides and deliver full employment and rising prosperity to all our communities.

In reviewing progress in our follow-up pamphlet *Age of Regions: Meeting the Productivity Challenge*, published by the Smith Institute in 2002, it was clear that Regional Development Agencies (RDAs) are making great strides in aligning the plans and activities of other regional and local agencies through

their Regional Economic Strategies. This is a view further underlined by Tom Riordan's contribution in this pamphlet.

But it is also clear that, while in every region the shift to regional strategic decision-making opens up a critical new role for local government in economic policymaking, in too many areas local authorities are still not as actively involved or influential as they should be in shaping this new economic agenda.

This pamphlet therefore sets out the new role that local government across Britain must play if we are to achieve a genuine devolution of power and responsibility in economic policymaking. Because, working with the Regional Development Agencies, our economic ambition of high and stable levels of growth and employment for all can only be achieved if all local authorities take up the challenge and assume a new role as leaders not just in local public service delivery but also in local economic development.

Last year at the Urban Summit, the Deputy Prime Minister put local government at the centre of the Government's agenda to promote strong and prosperous communities in Britain. The approach that he set out aims to give the worst off areas of Britain the opportunities to narrow gaps in employment, economic activity and enterprise, while at the same time ensuring high-growth areas have the freedom and flexibilities to continue to grow in a sustainable way.

This new approach to regional and urban policy means that we recognise that the old approaches to renewing economic activity in local communities have too often failed in the past. We need to move beyond the old style bricks and mortar only approach which, for example with the experience of enterprise zones in the 1980s, targeted subsidies for property development, often at huge public cost diverting economic activity from one area to another with questionable overall economic gain; and also beyond the old style benefits approach which gave hand-outs to compensate for unemployment but provided no real help to get people back to work.

Raising growth rates, tackling the causes of unemployment and poverty, securing long-term environmental regeneration and social inclusion all

require a new approach where we invest in the forces of local economic renewal – education, training, jobs, enterprise and business development. As Gordon Brown said to the Urban Summit, “fifty, twenty, or even ten years ago the idea that the Treasury would be interested in issues like public space, the design quality of public procurement in urban areas, devolution, regionalism and social exclusion would be almost unthinkable. But we know that not only are these questions vital to successful, economically vibrant cities but they are at the heart of the agenda for social and economic progress.”

We know that we cannot talk of real prosperity for all of Britain if thousands are left behind on the margins. For reasons of both economic efficiency and social justice, Britain needs an economy that works not just for some people some of the time but for all of the people all of the time – and to achieve our objective we must make sure that no area is bypassed and no one excluded from the mainstream of economic prosperity.

But local communities, led by local government, can only tackle the causes of low investment or sluggish job creation with a greater responsiveness to business needs if they have both local strategies and enhanced new policy levers to put them into practice. And that requires central government to have the confidence to give local authorities the tools and let them get on with the job – letting go and allowing local authorities to succeed – what both we and the New Local Government Network have called ‘a new localism’. The Government has made a start in responding to the new challenges of devolved economic policymaking; we have put in place new reforms in business rates, stamp duty, enterprise areas, housing, planning and transport policy. But there is further to go.

This chapter sets out how we can enhance the role of local government to contribute to the new regional policy as strategic leaders in local economic development in cities, towns and rural areas across the country. It recognises that further action is required to better co-ordinate policy in the regions and communities – in planning, support for enterprise, inward investment, R&D and in expanding employment and economic opportunities particularly for key ethnic groups.

But it also starts from an understanding that in many parts of Britain the

best local authorities are showing central government the way forward – innovating, showing the rest of the country how to attract new investment and jobs and leading the current renaissance of British cities that goes beyond economics into design, architecture and culture. The steady population turn around – after the significant population losses in the 1970s and 1980s – with South and West Yorkshire and Greater Manchester showing population increases, cities such as Manchester, Leeds, Birmingham seeing people moving back into city centres – demonstrates already that a renaissance led by local government is under way.

So there are reasons for optimism. Local government in many parts of the country is in the lead. And over the past few years, there has been a step change in all our regions in both understanding of the challenges ahead and the willingness of people to work together – RDAs, local government, business and trade union leaders as well as government agencies – in an open and accountable way to do things better and meet our shared radical ambitions for full employment across our country.

This pamphlet is about how we can do more together to rise to the challenge of delivering full employment and rising prosperity for all.

Tackling regional and local divides

Regional and urban policy in Britain does not have a good track record of success – the ambulance work of the 1930s, the top-down capital grants of the 1960s, or the laissez-faire of the 1980s. But we have made great strides over the past four years in constructing a new regional economic policy for Britain based on a genuine devolution of power and responsibility.

Working closely with the Department of Trade and Industry and Office of the Deputy Prime Minister, the Treasury is firmly committed to making this new regional and urban economic policy work and to close regional divides.

The first term of this government was – on economic policy – characterised by new national frameworks for stability. We have achieved for the first time in a generation a new economic policy framework – with independence of the Bank of England and tough new fiscal rules – based on credible institutions, clear objectives to promote stability and growth, and maximum openness and

transparency. This stability is critical to the regional and local agenda – because it is the regions and cities outside the South East which bore the brunt of the instability and recessions of the past and who have most to gain from stability and steady growth across the economy.

But we also recognised in our first term, as we put in place the New Deal, the national minimum wage and reforms on tax, competition policy and infrastructure, that to meet our goals of higher growth and full employment in every city and across every region would require – in this second parliament – a much greater focus on strategic decision-making and policy innovation at the regional and local level. This new localism demands that national government stands back and enables powerful regional and local initiatives to promote dynamic, fair and sustainable regions, cities and towns.

Because there is a limit to what national government can do. Today it is simply not possible either to run economic policy or deliver strong public services that meet public expectations using top-down, one-size-fits-all solutions of the past. Because new information technologies, greater competition, a premium on skills and innovation, a wide-ranging media, increasingly demanding consumers and varying local needs all work to expose the contradictions of old-style centralisation and a command and control approach to either economic policy or the delivery of public services.

Building a more enterprising Britain will depend upon getting the right balance between policies delivered at national, regional and local levels. Within a framework of national accountability, the drive to achieve regionally balanced growth must be led by regions and local communities themselves. A dynamic, productive economy requires greater flexibility in local markets and stronger local incentives to promote enterprise and encourage growth.

We know that tackling these regional and local divides cannot be left to the free market. Nor will the economy gain from levelling regions down rather than levelling up with the old top-down one-size-fits-all solutions of the past.

So over the past six years we have put in place the framework to make that devolution happen. At the regional level, we have established the Regional Development Agencies, the Learning and Skills Councils, and the Small

Business Service and published the Deputy Prime Minister's White Paper on regional government. And for cities and local communities, a new vision based on Local Strategic Partnerships with new resources and flexibility for local government to be the local engines of economic development. This is examined through the case studies compiled by Cathy Koester in chapter five of this pamphlet which demonstrate the progress we have made and some of the challenges that are still to be tackled.

This focus on sub-regional and local leadership in identifying strengths and weaknesses and drawing up strategies to deal with them is critical. Because we know that productivity differentials are currently at least as great within regions as they are between them – and that a dynamic, high productivity economy requires greater flexibility in local markets and stronger local incentives to promote enterprise and encourage growth.

We all know that Britain has had persistent regional divides over the past eighty years, with the UK's poorest regions and countries having a GDP per capita rate nearly 40% below the richest and 60% of the variation in income per head in Britain explained by productivity differences between regions.

But it is at the sub-regional levels that Britain has the greatest degree of inequality of incomes – greater indeed than any other EU country. Incomes per head in the South East, for example, range from about 20% below the national average in Brighton and Hove to around 15% above the national average in Berkshire and Portsmouth. In the North East, productivity in Sunderland and Tyneside is about 80% of the national average, while in South Teesside it is about the national average.

The dynamics of economic development at the sub-regional and local level shows a marked variation both across the country and within regions:

- unemployment varies by local authority around an English average of 2.8% to a high of 6.5% in Tower Hamlets and a low of 0.7% in North Dorset;
- this variation is not just between regions but within regions and towns and cities themselves. Both Leeds and London show huge variations in

unemployment rates with unemployment of 8.4% in Leeds Central but 2.7% in Leeds North West and in London unemployment of 10.6% in Bethnal Green and Bow but 1.6% in Old Bexley and Sidcup;

- levels of economic inactivity and worklessness are even more widely dispersed, varying from below 3% in some districts in the South East to over 20% in some districts in Scotland, Wales and the North of England;
- small business creation rates vary widely across the country, around an English average of 37 start-ups per 10,000 of the adult population, the City of London, Westminster, Camden and St Albans all have start-up rates of over 100 whilst coalfield communities such as Barrow-in-Furness and Wansbeck have start-up rates as low as 10 per 10,000. Within regions rates also differ greatly: in the North West the average start-up rate is 32 but within this Macclesfield has a start-up rate of 53, Eden 46 and Warrington 44 but at the other end of the spectrum Barrow-in-Furness has a start-up rate of 10 and Copeland 13;
- staying on rates at school vary considerably around an English average of 74% with Bath and Northeast Somerset recording rates of 93% whilst Barking and Dagenham have a rate of 57%. Again there is large variation within regions, for example within Outer London, Barking and Dagenham's 57% rate is in contrast to Kingston upon Thames's rate of 91%;
- the index of multiple deprivation – a measure of deprivation for every ward in England that combines indicators of income, employment, health deprivation and disability, education skills and training, housing and geographical access to services into a single score – ranks wards in Manchester, Liverpool and Middleborough (Bencill, Speke and Thorntree) as the most deprived and wards in Hartsmere, Three Rivers and Sevenoaks (Aldenham East, Chorleywood West and Riverhead) as the least deprived. The bottom 15% of the most deprived wards in the UK on this index are used to define the 2000 most deprived wards that constitute Enterprise Areas on which specific measures to boost enterprise are focused.

And when we look to find the explanations for these wide variations in incomes and productivity as well as employment it becomes quickly clear why the new approach to economic development must be bottom-up as the route to tackling the weaknesses of individual regions, cities and localities.

Understanding the dynamics of regional and local economic development also shows why regions and local communities must build upon and exploit their strengths.

Cities and regions prosper for the same reasons as the economy as a whole – if they are open to trade and new ideas, encourage entrepreneurs and new investment, if they have high levels of skills and good infrastructure. And success can breed success as companies cluster together to integrate their operations, exploit economies of scale or draw on a pool of specialised labour. The South East makes a vital contribution to the UK economy – a source of four million jobs, providing a home for 261,000 businesses, 4,700 foreign-owned companies and generating almost one sixth of national output. A strong and flourishing South East economy, with high productivity, high participation and low unemployment, is desirable in its own right but also essential for the performance of the UK economy as a whole as an engine for growth elsewhere in the UK allowing new technologies and best practice to diffuse to other regions. But there are also factors – rising land rents, the costs and scale of congestion – which are making for example London a more expensive place for companies to locate and people to live. And, as communications technology increases mobility and the speed of integration, there are strong attractions to locate in cities and regions outside the South East – growing financial centres in core cities such as Leeds, new investments in airports and our transport infrastructure, world-class universities and a thriving regional media.

The new challenges of the global economy and the information revolution mean that companies are increasingly mobile as they search for the new technologies and skills they need. Therefore the ability of both regions and localities to build on their strengths and tackle weaknesses to attract this mobile investment and generate its own enterprises is at a greater premium today than ever before.

The new regional policy

The new regional and urban policy is designed to give regional and local leaders the freedom and the means to tackle these local inequalities.

Regional Development Agencies, as the strategic leaders in regional economic development, now have the responsibility of drawing up and agreeing regional strategies which can build a shared understanding of the challenges regions face and a strategic vision for meeting them.

It is based on a genuine devolution of power in economic policymaking to the Regional Development Agencies – with expanded budgets and – just as important – the “single pot” with 100% flexibility, including full End Year Flexibility, to spend these resources to meet regional priorities.

Strengthening this new regional economic policy – with further support for the RDAs to promote enterprise and job creation in the regions – was a priority for last year’s Spending Review.

For the first time this Review was based on a wider collection of regional needs and priorities. The RDA and the Government Office in each region have already submitted a Regional Priority Document to the Treasury. And we will publish greater information on the regional impact of the Spending Review to meet our productivity goals.

The Spending Review committed the extra resources to allow RDAs to deliver their regional economic strategies with the Single Pot set to increase by an average of 4.5% a year in real terms over the next three years. This is an increase of £375m in 2005-06 compared to 2002-03 and an increase of £910m in the effective single pot that factors in the reduction of Single Regeneration Budget commitments.

But enhancing the role of the RDAs is not only about resources. The Spending Review also announced that the RDAs now have a strengthened local role in skills, business support, transport, tourism and housing. And we are piloting, from this April 2003, the regional pooling of adult learning budgets between Local Learning and Skills Councils and RDAs, and RDA management of sub-regional business support services.

The regional “single pot” is a radical departure for central government. It is requiring a big culture change. For central government departments’ role is long-term and strategic rather than short-term and micro-managing. It means a big culture change for central government – flexibility must be real not illusory.

And the RDAs too have a big task – to move from drawing up strategies to demonstrating high quality leadership in implementing their strategies. The RDAs are working hard to deepen partnership working across the region, within the sub-regions and with the Learning and Skills Councils, the Small Business Service, universities, local government, businesses and trade unions. They have a responsibility to make sure that all parts of the region, the weakest as well as the strongest, are helped to be part of a bottom-up strategy.

Economic policy and local government

This new regional policy also demands that other regional and local economic players need to work together to help formulate and implement the RDA regional strategy. The single pot means an end to the old style formula funding approach to economic development where every sub-region or locality simply bid and then wait for a parcel of funds to arrive from central government.

It means the end of the 1980s and 1990s local government culture when councils competed to demonstrate how desperate and deprived their areas were in the hope of attracting hardship grant aid. Instead the imperative is now objective assessments of local economic weaknesses alongside plans that show how other indigenous strengths can be the basis for future development.

Instead the reality of the new regional economic policy and the Single Pot is that decisions on the use of new resources must be based on regional priorities. In drawing up and reviewing Regional Economic Strategies, RDAs must focus on how to make the right decisions on quality and innovation; skills and workforce development; sustainability and productivity and ensuring that all, and particularly disadvantaged, communities can share in rising prosperity. But equally, local government now needs to demonstrate, when applying for funding to the RDAs, how their local plans will contribute to achieving the regional goals – more jobs, more small businesses, greater IT penetration and tackling skills gaps.

This is why local government's role in the new regional economic policy is so central. Because while the RDA role is strategic and catalytic, it is locally – in towns, cities as well as rural areas – that people live and work and where both spending and business decisions are taken.

The new regional and urban policy requires a new commitment from local government to work with central government and the RDAs and co-ordinate their efforts – to get away from the problems of the past where for politicians and policy makers in local and regional government the atmosphere was all too often one of confrontation, conflict between central and local government, a top-down and centralised regional policy with tensions between regional and local decision-makers and contradictory and overlapping requirements on local government.

Because strong urban centres have a key role to play in ensuring that prosperity is shared across regions – in West Yorkshire for example, a dynamic Leeds should also be good for jobs and investment opportunities in Castleford and Wakefield, whilst in South Yorkshire Rotherham or Barnsley cannot prosper without a successful Sheffield. As the recent Core Cities report *Cities, Regions And Competitiveness* highlights, successful regions have successful 'core cities' at their heart. This group of seven major cities – Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle and Sheffield – has developed a vision of the distinctive role that the major cities must play in the future to ensure economic growth and social cohesion. They are clear that the 'city-region' relationship is mutually reinforcing and requires positive partnership in order to gain the full benefits. But it also means sharing prosperity within cities – because Leeds or Sheffield, like London and all Britain's cities, still have major pockets of worklessness and deprivation. And because just as successful cities will promote investment and jobs in their surrounding regions, so within cities we need to see much bigger flows of private investment in low-income, high-unemployment areas and encourage a dynamic enterprise culture in these areas, based on business-led growth and job creation.

This is what the best of local government is already doing:

- Manchester has shown the way on how local authorities can drive economic development through strong strategic leadership and a partnership approach, with coordinated transport, planning and housing strategies, that has regenerated the city centre and reversed the long-term migration from the city centre;
- the Leeds Initiative, the city's strategic partnership led by Leeds City Council, has over more than a decade encouraged collaboration and development between public and private sectors across the city;
- Croydon's Vision 2020, commissioned by the Council and co-sponsored by business, landowners and developers, sets a long-term guide to the development of the town centre;
- and Barnsley's Communities Plan is a leading example of how to set out the over-arching strategy and priorities for improving the economic, social and environmental in a coalfield community.

The challenge for all of local government, learning from best practice, is to make themselves powerful drivers for economic development and prosperity across their regions – centres of knowledge, learning and innovation, regional centres for business services and centres of culture and diversity. This demands strong leadership in all our cities and communities to build effective partnerships between public and private sectors and to make better and more innovative use of their existing powers. But it also requires central government to give local authorities the freedoms and flexibilities – matched by proper accountability – to contribute to the regional economic strategy and pursue autonomous local growth plans.

Last year's annual Local Government Association conference designated "promoting the economic vitality of localities" as one of the one of the seven shared priorities between central and local government. Since then, working closely with the Office of the Deputy Prime Minister, we have been discussing with the LGA and other interested parties including the SIGOMA group of metropolitan authorities how the role that local authorities can play in economic development can be enhanced and the extra freedoms the Government could usefully pursue. And with the leadership of Councillor

David Sparks, the Chair of the LGA Economic Regeneration Executive, we are working to ensure that policy development meets the requirements of local practitioners on the ground in preparation for this year's LGA conference.

In our view there are two key elements which we have been putting in place to enable local authorities to play this leadership role:

- New policies and incentives for increasing local enterprise, growth and opportunity;
- Increased freedoms for local authorities and other sub-national institutions to set their own priorities, encourage innovative approaches and respond to local needs matched by strong local strategic leadership with clear accountabilities at the local level.

We will consider each of these in turn.

Providing the tools for local economic strategies

There is a growing consensus and understanding of the vital role that local authorities have to play in developing the strength of their local economy. The first substantive clause in the Local Government Act 2000 gave local authorities a sweeping new power for “the promotion or improvement of the economic well-being of their area.”

But what should a local economic strategy look like? And what policy levers are available for local authorities to exploit? This section lists the main policy levers now available to local authorities under the following headings:

- Enterprise in all our communities;
- Local growth incentives;
- Effective use of planning policy;
- Sustainable communities;
- Infrastructure to support new investment;
- Investment in education and innovation;
- Employment and employability;
- Poverty and social exclusion.

In each of these areas central government is both looking for evidence that local authorities are using these policy instrument effectively and willing to examine where barriers exist which prevent local authorities using them to the full for the benefit of their local communities.

Enterprise in all our communities

Policies to promote enterprise and job creation will necessarily need to focus on all the wards in every local authority. And local authorities will rightly want to identify strengths and successes in their area and champion these.

But while some local authorities are exceptional in their economic development work too often authorities can take too limited a view of their economic role and particularly their relations with business, as Eddie Rodgers points out in this pamphlet. Local firms and chambers too often complain of unresponsive, incomprehensible and unattractive partners in business development. The challenge to business must be to engage with their authority and raise the level of debate as to what it needs and the areas where the authority can help. The challenge to authorities must be to become active partners in business development and growth at every level, a new relationship based on understanding and shared goals.

This is critical not just for reasons of economic efficiency but also social justice. Because we have recognised that a comprehensive solution to urban poverty and worklessness has to involve raising levels of economic activity. We have to see inner cities and old industrial areas not as no-go areas for business or simply “problem” areas but as areas of opportunity: new markets where businesses can thrive because of the competitive advantages they often offer – with strategic locations, untapped resources, a high density of local purchasing power and the potential of their workforce.

Spreading a culture of enterprise and job creation to all wards and unlocking inner city regeneration must mean fostering the potential strengths of all local people – and that means we need to systematically tackle all barriers to development in every ward: cutting the cost of buying, starting up, investing, hiring, training, attracting equity, and growing business.

So working in partnership with local authorities and Regional Development

Agencies, the government has designated 2000 new enterprise areas – not the old enterprise zones of the 1980s where property subsidies diverted activity from one area to another, but 2000 new Enterprise Areas where measures to encourage home grown economic activity by cutting the cost of starting up, investing, hiring, training, managing the payroll, are now being concentrated. These areas cover the most deprived communities across the UK, where the business environment, culture and specific market failures can present significantly higher barriers to enterprise.

The Enterprise Areas measures are essentially a toolkit for local economic development to be used by local authorities. They include measures to aid starting and growing a business; investing, trading and employing. So in these 2000 Enterprise Areas:

- to reduce the cost to business of locating and investing in disadvantaged areas, and to support the regeneration of brownfield sites, we have removed stamp duty from property transactions below £150,000 in the 2,000 Enterprise Areas. Following the receipt of EU state aids approval in January, Budget 2003 announced that stamp duty will be removed from all non-residential property transactions in Enterprise Areas from 10 April;
- to cut red tape for growing businesses, we have given planning authorities powers to create Business Planning Zones that will give local authorities the power to designate zones in which there is no requirement to apply for planning permission where predetermined criteria are met. The government will also set aside resources from the £350m Planning Delivery Grant to assist authorities delivering planning for Enterprise Areas and encourage local authorities to use Local Development Orders in Enterprise Areas granting automatic planning permission for certain types of development;
- to provide finance to businesses and social enterprises in deprived communities, we are offering businesses special investment help through the Community Investment Tax Credit – which offers for every £100 of private investment an extra £25 of public investment – and risk capital from the Community Venture Capital Fund – the Community Investment Tax Relief promotes private investment in enterprises in disadvantaged

communities by offering tax relief to investors in Community Development Finance Institutions (CDFIs). Eleven CDFIs have now been accredited and enabled to raise around £35m of new capital from private sector investors. Applications for accreditation from a further seven CDFIs are currently being considered;

- to provide support to thousands of small businesses with special encouragement for women entrepreneurs and entrepreneurs from ethnic minorities, the £40m Bridges Community Development Venture Fund was launched in May 2002 and made its first investments at the end of last year. The Fund invests in businesses in disadvantaged areas that create local jobs, provide services to the local community or stimulate a local supply chain. The Government is currently considering the scope for investing in a second community development venture capital fund;
- to support new business formation, the Small Business Service will provide additional help to firms in these areas – a package of advice and support worth at least £2,000 for each new businessman or woman.

In addition, all businesses in every community can benefit from financial incentives to help them bring their tax and payroll systems on line. The recently published No-nonsense guide to Government rules and regulations will benefit thousands of new and growing businesses operating in deprived areas of Britain. And to encourage further business investment in Enterprise Areas, the Government is considering how enhanced capital allowances for particular types of expenditure in these areas might be used to tackle specific market failures.

Many local authorities play a key role in improving the supply of incubator workspace by assessing the need for these sorts of facilities in their localities and working with other local and regional partners to secure funding and bring incubator projects to fruition. Local authorities can choose to use the business incubation fund to stimulate the availability of flexible managed workspace for start-up companies.

In Blackburn with Darwen for example, the Council places economic development at core of their local strategy. The Council provides incubator

space for small firms in the borough allowing new businesses access to meeting and conference space and business support for free. The digital development unit there, again funded by the Council, provides support to businesses using technology and helps around 200 local companies a year. As a result, the number of start-ups is rising by about 50 a year.

In rural areas too, while many are prosperous, the economic performance of certain areas and sectors continues to lag. So, in addition to existing support provided through the £100m market town regeneration programme and rates relief, the 2002 Spending Review allocated an additional £15m to support work by the RDAs to encourage rural enterprise and business growth, increasing the overall size of the RDAs rural development budget to £50m by 2005-06.

Local growth incentives

In the past, when councils encouraged new business, the increased rateable income flowed straight to the Treasury, with no benefit to them. But we need to provide substantial new incentives to local government to promote economic growth and regeneration, while at the same time generating additional resources to address local priorities. So we announced in Budget 2003 that we will legislate in the Local Government Bill for a new scheme to allow local authorities to gain from increases in local economic activity. This provision will allow all local authorities in England to retain some or all of any additions to business rates revenues generated by increases in local business activity from April 2005 – making sure that local citizens see the benefits directly. The way forward must and will balance simplicity and fairness with creating meaningful incentives and new resources for local authorities. The Government plans to consult on detailed proposals in the summer.

Effective use of planning policy

Planning policy is a powerful tool which local authorities can use to deliver both sustainable and enterprising communities. Our programme of planning reform aims to promote a positive approach to local economic development as we modernise our approach to planning policy to reflect the realities of today's economy. As the Planning Green Paper set out, and as many in the planning profession recognise, planning has often come to be seen as an

outdated and bureaucratic obstacle to local communities being able to deliver their own vision rather than a positive tool. Our agenda for reform is based around three strands: improving the local development plan, helping local authorities deliver their obligations to provide a more efficient development control service and cutting down and clarifying the guidance which central government issues.

The Government's proposals for reform of the planning system were set out by the Deputy Prime Minister in July 2002 and the 2002 Spending Review allocated an additional £350m over the next three years to help local planning authorities make improvements to their planning services. These were enhanced by further substantial reforms in planning policy announced in the Budget. It is vital that planning underpins a flexible housing market, responds better to the needs of deprived areas and is better aligned with transport objectives.

The reforms, which are designed to promote better infrastructure and investment decisions, include:

- the first Planning Bill for more than a decade;
- the creation of statutory Regional Spatial Strategies to guide the pattern of development at a regional level;
- the abolition of county structure plans to remove an entire tier of plan-making;
- the introduction of a more flexible local development plans system;
- statutory timetables for called-in applications;
- reviews of national Planning Policy Guidance (PPG); and
- the introduction of Business Planning Zones.

The Planning Bill now before Parliament is a major element of our reforms. The new Local Development Frameworks (LDFs) that we are introducing will

be a more flexible way of planning for development in local communities. Existing plans are too long, not strategic enough and often out of date. Some local authorities have no plan at all. The new LDFs will comprise a succinct core strategy document, supplemented by a range of action plans which can address issues of particular concern locally – for example, the need to regenerate particular deprived areas or to promote new types of economic activity. The Government has set itself the target of getting LDFs in place everywhere by March 2007.

Delivering local economic development will also mean a more responsive service for users of the planning system locally. The Government will put an extra £170m into local authorities by 2005-06 to reward improvements in their development control service, where many authorities currently fail to provide reasonably prompt responses to applications for development. £50m has already been allocated this year. We will use Best Value intervention powers to bring change where local authorities do not improve fast enough.

And we recognise that central government needs to prescribe less detailed policy at the national level. Local communities are quite capable of making sensible decisions at the regional and local level on their economic development needs and write policies on this into their plans as a matter of course. Central government can help by focusing in Planning Policy Guidance on things that really matter to us, cutting out duplication, clarifying what is policy as opposed to guidance, and simplifying the language. We are doing that now.

Sustainable communities

In February the Deputy Prime Minister set out the Government's new approach to creating and maintaining sustainable communities in a growing and changing economy (*Sustainable communities: building for the future*, Office of the Deputy Prime Minister, February 2003). The Communities Plan established new Regional Housing Boards that will ensure that regional housing strategies are co-ordinated with economic and planning strategies, and allow local authorities to join together to develop sub-regional approaches to problems extending beyond an individual authority's boundary. A single housing investment pot for each region will provide greater flexibility to reflect local and regional priorities in allocation decisions.

And to provide further support for regeneration and enterprise in many of Britain's urban areas, the Government has introduced a new tax incentive to encourage business donations toward the running costs of new Urban Regeneration Companies (URCs) to lead and co-ordinate redevelopment and new investment in declining urban areas. The tax incentive has been available since 1 April 2003 and allows businesses to deduct expenditure on contributions, whether in cash or in kind, towards the running costs of URCs when computing their taxable profits. We already have eleven URCs in England in Liverpool, Manchester, Sheffield, Corby, Leicester, Sunderland, Tees Valley, Swindon, Hull, Bradford and Camborne, Pool and Redruth with the intention of three more in West Cumbria and Furness, Sandwell and Derby. There is also a URC in Newport in Wales and Londonderry in Northern Ireland with Scotland planning to consult on whether to set up similar companies.

Provisions allowing Business Improvement Districts will pave the way for a new type of regeneration initiative to revitalise town centres. New powers will enable local authorities to address some of the worst private landlords whose negligent behaviour can be a catalyst in dragging down a neighbourhood and tipping it into a cycle of economic and social decline.

These reforms will help the Government meet its target, as proposed by the Rogers taskforce, that 60% of all new homes will be built on brownfield sites. And, responding to Rogers, the Government and the Treasury have also in addition to the stamp duty exemption, introduced a 150% accelerated tax credit for cleaning up contaminated land; a 100% capital allowances for creating 'flats over shops' for letting and a package of VAT reforms to encourage additional conversions of properties for residential use.

And because sustainable communities must support the environment, and because waste is such a problem for our communities, local authorities, in partnership with the waste management industry, are the key delivery agents for the Government's new municipal waste policy – responsible for developing the local solutions to the shift away from landfill to other, higher added value, waste management options.

Infrastructure to support new investment

Strong and enterprising communities need effective public service infrastructure. Public sector net investment is now expected to rise to 2% of GDP by 2005-06. Total investment, which includes private sector investment through Public Private Partnerships is set to rise to over £47bn by 2005-06 in the largest sustained increase in public sector investment for over twenty years.

For local government support capital spending in the UK is forecast to rise from £5.3bn in 1998-99 to £12.5bn in 2005-06. In addition the Government will support local authority PFI investment rising to £2.7bn in 2005-06.

Given the strong links between transport infrastructure and economic regeneration and growth the increased funding for local authorities under the Transport Ten-Year Plan is essential to enable authorities to provide local solutions to local issues. Authorities have set their own objectives and targets in Local Transport Plans to deliver the priorities for their area and we have taken steps to strengthen the regional and local role in national transport planning. In areas where a large infrastructure network is required, such as plans to develop a new corridor of housing growth in the Thames Gateway a coordinated approach to transport, planning and housing infrastructure is needed and new innovative ways of working required between central, regional and local government and private sector developers, landowners and future beneficiaries.

Investment in education and innovation

In 2001 the Government agreed that every region would draw up a Framework for Regional Employment and Skills Action to co-ordinate policies for employment and skills policy. The FRESA is the way in which key regional partners led by the RDA will develop and deliver an agreed plan to address the skills and employment needs of employers and individuals within the region. It should take into account the contribution of different sectors to regional productivity growth, identify ways to engage more individuals and employers in workforce development, and ensure the supply of appropriate, high quality training provision.

Local Authorities will be key in taking forward many of the actions identified in the FRESAs, working closely with trade unions and the business

community. In the words of Brian Briscoe, LGA chief executive, “the new regional arrangements for skills and employment will have to be responsive to the needs and particular characteristics of communities and neighbourhoods. Councils provide the authentic voice for the aspirations of local people, and they have a key role to play in making regional frameworks responsive and effective.” It is important that in skills policy and wider innovation policy, local authorities work with the Learning and Skills Council, universities and the further education sector to meet basic and employer skills needs, work to retain talented graduates in their area and help encourage the flow of ideas between universities and businesses.

Schools also have an important role to play to help build an enterprise culture by persuading young people that setting up a business can be the right career for them. So in schools, by 2006 every school pupil will have the opportunity of at least five days’ worth of enterprise education, with extra help for schools and colleges in high unemployment areas, so that we can get the deeper and wider entrepreneurial culture we need by starting in our schools and colleges.

To implement the recommendations of the Davies Review of enterprise and education, pilots – proposed by schools and clusters of schools – will be running from September 2003 to test out different ways of delivering this experience of entrepreneurship. Local authorities and schools must contribute to the design of the full roll out. In addition, £16m is being made available to fund Enterprise Advisors for schools in disadvantaged areas, to test out ways of enhancing the support to around 1,000 secondary schools in deprived areas to support entrepreneurial activity in schools.

Employment and employability

Delivering new opportunities for employment and tackling long-term unemployment is central to any solution for renewing economic activity in our urban areas. In the mid 1980s, Glasgow had over 70,000 unemployed; in Liverpool there were over 50,000; and in London over 400,000 – rising to nearly half a million in the early 1990s – an arithmetic of poverty and deprivation so great that the whole fabric of community life was undermined. The lack of help meant many of these unemployed people drifted into economic inactivity and never returned to work even after the economy recovered.

The New Deal is based on the principle that work is the best route out of poverty and the need for rights and opportunities to work to be accompanied by new responsibilities and obligations to work. Combined with measures to support families and children and make work pay – the Working Families Tax Credit, the national minimum wage and the new Child and Working Tax Credits – the New Deal is designed to offer tailored, work-focused support to people and areas left behind.

Employment has risen by over 1.5m since 1997. Unemployment is at a thirty year low. But while more people are in work than ever before, there are still areas of high unemployment in every region of the country, and particularly in our most deprived urban areas where a quarter of the unemployed live.

Our analysis shows that too often side by side with long lists of vacancies are large pools of the unemployed. In Liverpool, while there are no longer 50,000 unemployed there are now 15,000 people registered as unemployed but 23,000 vacancies registered at Jobcentres over the last six months. In Glasgow, while there are no longer 70,000 there are now 17,000 unemployed, but over 32,000 vacancies. In Birmingham, there are 30,000 unemployed and some 38,000 vacancies.

But some parts of the country still have unemployment rates that are twice those of others, too many people of working age are locked into inactivity outside the unemployment statistics. In some areas nearly one in four people of working age are on an inactive benefit. National rules in employment policy do not always encourage local initiative and innovation. Local staff are often the best placed to identify the barriers that exist in the local labour markets and to address the needs of the local community. In order to do this, they require real flexibility in local employment policy to help them tailor support to ensure that people not only move into work more quickly but also in their ability to move jobs as local economic conditions change.

To make Jobcentres more effective partners with local authorities to tackle local unemployment and deprivation, we have given local Jobcentres discretion and flexibility to fill local vacancies, help the long term unemployed respond to local employment and skills needs in all industries, and work with local government to develop a local plan for full employment in their area:

- in place of Whitehall controlled ring fencing, there is local discretion to award grants for training, travel to interviews, and direct cash support to bridge the transition to work;
- there are new powers to provide intensive job preparation courses and early entry into the New Deal;
- Jobcentres will develop partnership strategies to work more closely with private recruitment agencies in their districts;
- and districts will be able to adapt a more flexible approach to the programme of help that clients receive within the New Deal, ensuring that the skills and experience received match the requirements of the local labour markets.

Outside the New Deal system, Action Teams were set up to target some of the most deprived areas by developing innovative local solutions to local worklessness. Operating in 63 areas, the success of Action Teams lies in their ability to target help to each person as their circumstance demands. They work by taking their services to the heart of their local communities; working with local agencies and employers, and providing essential help and advice to bring people back to the labour market.

For the most deprived neighbourhoods often found alongside other districts with large numbers of vacancies, the Government will pilot a programme of intensive support in neighbourhoods with very high concentrations of worklessness. The pilots focus on 12 of the most deprived neighbourhoods in the country, offering intensive support to help local residents access the jobs that are often within travelling distance. In each area, local staff, working with the local authority as part of the Local Strategic Partnerships, will be given a discretionary fund to allow them the flexibility to deliver services that best meet the needs of the local community.

Poverty and social exclusion

We must tackle not just the consequences of unemployment and poverty and its symptoms, but the underlying causes – being aware more than ever before of just how much poverty and deprivation are rooted in low levels

of economic activity. People are poor because they have no jobs, no skills for jobs – or if disabled, old or sick are poor because of inadequate provision where they or their families have had historically low earnings from employment.

The radically new approach to the regeneration of deprived neighbourhoods which emerged from the 2000 Spending Review recognised the inadequacy of relying on pepper-potted, single-issue, top-down and stop-start initiatives to address the deep-seated and interlinked challenges of market and Government failure in those places. Instead, our new approach emphasises:

- that local regeneration is a shared priority for all the main government programmes and interventions. Government departments are responsible for delivering PSA floor targets which set minimum standards for public services in all areas, or drive the reduction of disparities between poorly performing areas and the rest;
- the need to match Government spending in poor areas with the scale of the challenges for public intervention there. To complement the reorientation of main Government programmes towards poor neighbourhoods, the 88 local authorities with the greatest concentrations of deprivation will by 2005-6 be receiving a total of £525m of additional central Government money from the Neighbourhood Renewal Fund and following consultation with the SIGOMA group of metropolitan authorities we are looking at ways to increase the effectiveness and reduce the bureaucracy in the use of NRF resources;
- effective local leadership. Local action to turn deprived neighbourhoods round is being led by Local Strategic Partnerships, bringing together local authorities, other public services, the community, business and the voluntary sector to ensure local delivery matches the needs and circumstances of localities.

From the start, we have recognised that like anywhere else, we have to get the economies of deprived neighbourhoods working well. Local economies are therefore at the heart of the neighbourhood renewal strategy. The set of floor targets includes increased employment rates in the local authority areas

where they are lowest, and generating more sustainable enterprise in the 20% most disadvantaged local authority wards. Other targets address issues critical for economic success, including educational achievement and the reduction of crime. The enterprise areas approach described above – some 80% of enterprise areas fall within the 88 local authority areas receiving Neighbourhood Renewal Fund – will support delivery of these targets by opening up a variety of measures and targeted support for the economies of such neighbourhoods. To support the local involvement of business in neighbourhood renewal, the Government has funded a pilot programme of Business Brokers to encourage the involvement of local businesses in the work of LSPs. They operate in 10 LSPs and are supported by a central Partnership Academy, based at Business in the Community. This Partnership Academy also offers advice to any Local Strategic Partnership seeking to improve its engagement of the business sector.

Delivering new freedoms for local government

There is, then, a wide range of tools available for local government to use in shaping local strategies for economic development.

But in order that local government can play this local strategic role, we have recognised that as with regional policy so we need to go further in devolving power to local government, moving away from the destructive centralism characteristic of the years marked by universal capping, strict limits on borrowing and then the Poll Tax.

The old caricature of the Treasury was of a department which – because of its desire to centralise power – was hostile to local government and to devolving real financial flexibility and accountability. We do not believe that this reputation is entirely fair.

But, as in regional economic policy, so in local economic policy and wider service delivery, a proper strategic division of responsibilities requires us to recognise that Whitehall does not know best – that effective service delivery for families and communities cannot come from central command and control but requires local initiative matched by local accountability.

Local flexibility

Enhanced freedoms and flexibilities are at the heart of a more active role for authorities in promoting economic development. The nature of local economic growth strategies requires authorities to determine local policies to build on local strengths or address local weaknesses. To do so they need the freedom to develop and implement their own strategies, build partnerships and prioritise resources.

So to build a long-term and strategic partnership between central and local government, this government has devolved resources and flexibility and boosted financial support for councils, through real terms increases in revenue and in capital expenditure for four years.

We have developed Local Public Service Agreements, which match resources and greater flexibilities to outcome targets. In many cases authorities have chosen specific economic development targets upon which to judge progress. For example Leeds aims to get 5,000 people from the eight most deprived wards into employment in the next three years and Sheffield is working with business and public sector partners on two major land assembly projects to accelerate regeneration – aiming to cut the time it takes from five years to three.

In line with the Local Government White Paper (*Strong local leadership – quality public services*, December 2001), the Government has also taken action to promote local autonomy by significantly expanding the freedoms and flexibilities available to local government.

For all authorities, the amount of central government revenue and capital support that is ring-fenced will be reduced, giving all councils greater control over their spending. The Government's commitment is that all authorities should see revenue ring-fencing reduced to less than 10% of their total grant, and up to two-thirds of capital channelled through the single pot, by the end of the spending review period. The Government will also reduce by 75% the number of plans and strategies that government requires councils to produce, and all future inspection activity will be carried out on a coordinated and targeted basis.

The Local Government Bill currently passing before Parliament will further increase the freedoms available to local authorities. There will be more freedom to use fine income. The Bill introduces a new prudential regime for borrowing that will make councils themselves responsible for deciding how much they can prudently borrow. This will provide greater freedom for councils to invest. But it will also place more responsibility in the hands of individual councils to manage their own affairs – real financial flexibility in a prudent framework.

And, for local authorities that demonstrate a strong corporate capacity and the ability to deliver services, in return for reform and results, and as an incentive to all the rest, the best local authorities will soon have more freedoms and flexibilities including:

- the removal of both revenue and capital ring fencing;
- the withdrawal of reserve powers over capping – we will not use our reserve powers to cap council tax increases in Excellent and Good councils, as a first step towards our long term goal of dispensing with the power to cap altogether;
- sixty plans reduced to just a requirement for two – the Best Value Performance Plan and a Community Strategy;
- new powers to free up councils to trade and work in partnership;
- and a three year holiday from inspection for Excellent Councils.

Excellent local authorities have been invited to participate in a new Innovations Forum, within which central and local government will explore ways of eliminating bureaucratic barriers to local innovation and excellence.

And at the European level, to respond to European enlargement, the Government is currently consulting on reform of European regional policy proposing new freedoms and flexibilities to localities and regions, empowering them to build local economic strength and promising that, if the Government's proposals are accepted, additional UK government funds for

regional policy will be provided in place of EU receipts. In addition the Government is seeking to modernise state aid rules to reflect real economic and market effects.

This menu of greater freedoms and flexibilities is essential if local authorities are to be freed to play their proper role as strategic leaders in local economic development.

As the Chancellor said following the publication of the Local Government White Paper, we are ready to go even further to enable local people to do more to make local decisions about meeting local needs and consider further radical options.

The decision in last year's pre-Budget report to promote new growth incentives through the local use of business rate receipts is one example of that commitment. And for the longer-term, the Balance of Funding Review will look at the issue of how much freedom Local Authorities have to raise funds locally. As stated in the White Paper, the Government has established a high-level group, involving ministers and senior figures from local government, to consider all aspects of the balance of funding, reviewing the evidence and looking at reform options.

We need to be ready to go further in enabling local people to do more to make local decisions about meeting local needs. The successful introduction of the congestion charge in London shows how this can be made to work in a fair and accountable way. And we should be prepared to consider other radical options to ensure devolution of power and responsibility can go hand in hand.

Local accountability

But making devolved economic decision-making work also demands greater public support in the community and in each region and a genuine cross-regional commitment to delivery.

This is true at the regional level – the new regional policy requires that partnerships perform at the local or city level what the RDA can do regionally – devising the strategy, building on local strengths. And it places a particular responsibility on local government to ensure that – in drawing up these

strategies – prosperity is both increased and shared.

To ensure proper regional and local accountability, the Deputy Prime Minister and the Chancellor allocated £5m to fund the eight Regional Assemblies outside London. For those regions which choose to go further, the Deputy Prime Minister's White Paper set out the detailed route map for those regions that want to move to elected regional assemblies. And the Treasury has worked closely with the Deputy Prime Minister and the Cabinet Office as he draws up a package of further financial freedoms and flexibilities to match the greater accountability which will come from elected regional assemblies.

So too at the local level, following the first term reforms to local authority constitutions, we have introduced further reforms to match devolution with greater accountability.

First, local authorities are requested to set up Local Strategic Partnerships (LSPs) to provide a strategic and coordinating function at the local level across a wide range of public services. LSPs bring together all the main service providers in an area, along with representatives of local communities, and voluntary organisations – and vitally for this aspect of their role, business. So they are well placed to address unemployment and lack of economic activity directly, and to tackle related issues like skills and transport and provide a forum, with local authority leadership, for local economic strategies to be agreed and implemented and held to account.

As we said in the White Paper, at a time when communities face rapid change to their local economy, it is vital that local councils anticipate change and respond accordingly. They must ensure that the right economic and social infrastructure is in place to enable businesses to compete successfully – locally, nationally, and internationally. This will require an effective Local Strategic Partnership that brings together all the local players, including the private sector, to identify local priorities and to devise and implement strategies to meet them, following the successful example of plans such as the Leeds Initiative.

This is a shared responsibility of all the partners but the council has an overriding responsibility to all its stakeholders to exercise leadership and

make it happen. As Gordon Brown said when launching Wakefield's LSP, drawn from the local public, private, trade union and voluntary sectors, including Wakefield First, the area's own economic development arm, "the work of the Wakefield LSP and others like it is a clear demonstration of the success that can come from devolving responsibility to the local level and from a partnership that brings together all the people and groups with a concern for Wakefield's development and for the families and communities of Wakefield."

Second, the first Comprehensive Performance Assessment (CPA) for single-tier and county authorities was published in December 2002. The CPA represents a step-change in the reporting of local government performance, bringing together for the first time all available information on the performance of councils to help improve accountability to local people. Over half of all local authorities have been rated good or excellent, and will therefore benefit from increased freedoms and flexibilities. Fewer than 10% of authorities have been judged poor. The Government is engaging with these authorities and requires them to implement effective recovery plans that provide communities in these areas with the high quality public services they deserve. CPA will be extended to all lower-tier councils over the coming 18 months.

The first round of Comprehensive Performance Assessment already takes some account the ability of a council to identify and focus on local priorities, and of their effectiveness in working with partners in pursuit of those goals. But the Audit Commission has signaled that when CPA is renewed in 2005-06 it wants to measure more explicitly the influence and impact of a council in its locality, looking beyond institutional boundaries to understand the leverage, co-ordination and leadership a council provides to achieve a wider improvement agenda – particularly in economic development where the role of local authorities in the strategic co-ordination of economic policy needs to be given greater priority. The Commission is about to undertake a new project to study how local authorities and their partners are promoting economic, social and environmental well-being; and specifically how they are delivering on regeneration in areas of decline and development in growth areas to inform the revised CPA framework.

Conclusion

This drive to devolve and decentralise now runs right across the Government – and especially the Treasury.

It reflects in part the Government's wider ambitions to see – in every region and community – higher productivity, full employment, first class public services and an end to child poverty, and the need to work in partnership to deliver them.

But it also reflects an understanding that today it simply is not possible either to run economic policy or deliver public services that meet people's expectation using the "one-size-fits-all" solutions of the past.

There is always a temptation in government to use command and control techniques. Central direction and guidance can often seem the quickest way to get things done and there is a real tension between the desire to devolve and encourage local innovation with the fact that often ministers at the centre remain accountable to parliament, the public and the press for what happens and how well public money is spent.

Change takes time. In some areas we have not gone far enough fast enough. The easy option is always to resort to the old centralising ways on difficult issues. That is why a new commitment from central, regional and local government to co-ordinate their efforts is so important in making new regional and urban policies.

This is a challenging agenda. But there is a huge amount that can be achieved.

There is more work to do to strengthen co-ordination, to build leadership capacity in local authorities, to share best practice, and to get the private sector more involved, at a local level, in developing economic strategies for their area. As we move forward with the local economic agenda, we need more local authorities with strong leadership, the capacity to think strategically about economic growth, and a willingness to work in partnership across other institutions and agencies including the private and voluntary sectors.

Together we are putting the building blocks in place for better strategic co-ordination at the regional and local level, and delivering the resources too. It has been difficult for politicians and policy makers in local government in recent decades when the atmosphere was all too often one of confrontation, conflict between central and local government, a top-down and centralised regional policy and contradictory and overlapping requirements on local government. We are putting those days behind us. We do have a great opportunity to work together, because national, regional and local government can now share a vision of balanced growth, rising prosperity and full employment in every region. And together we can make it happen.

The local government perspective

The Government has set clear objectives for the economy both in terms of overall growth and to bring the performance of the weaker regions up to that of those who have traditionally out-performed the European average.

Local government faces the same twin challenge of promoting economic activity while at the same time capturing and targeting local benefit in order to maximise the potential for more deprived and excluded communities to gain from new affluence.

The need to capture local benefit is very real and acute. There is growing evidence of an increasing divide between excluded communities and their neighbours as the economic recovery within our urban centres continues. Many of the areas suffering from failure in their housing markets are seeing continuing out-migration of economically active households thus increasing the marginalisation of communities who remain.

It is only through the creation of genuinely local perspectives that such issues can be addressed and it is only local authorities who can create the conditions within which all relevant agencies can act together to tackle these issues. Councils can and do influence the local economy through their policies as employers, purchasers and service providers but it is in their roles as leaders, accountable to local people, and as brokers between external agencies that they have the capacity to deliver change.

These roles are clearly recognised as key drivers in the delivery of a new localism agenda. Dan Corry and Gerry Stoker highlight this in their pamphlet *“New Localism: Refashioning the Centre-Local Relationship”* (NLGN Next Phase series, 2002) where they emphasise the centrality of local government to the delivery of focused and relevant action.

“We need localism because so many of the issues that people want addressed – youth disaffection, clean and safe streets, attractive open spaces, schools and health services that work, a healthy economy – demand a coming together of many agencies and interests within a geographical area. These range from the private sector, to central government bodies like the police and health authorities, to voluntary and community groups. To make all of

these organisations come together requires a body – a local council – that can clearly speak with authority for the local community to which it is also directly accountable.”

The above extract highlights the key relationships between local communities, their local councils and external agencies. Alongside central government, local authorities are the only agencies directly accountable through the democratic process and therefore have a unique duty of representation of local communities. At the same time councils have the capacity to develop strategic partnerships with key agencies in order to facilitate meaningful change.

The capacity for local councils to exercise this function has, undoubtedly, increased significantly since 1997. There is a new landscape within which new relationships have been built and in which they continue to be developed at both regional and sub-regional levels. These relationships have been facilitated by a clearer definition of the roles of key agencies accompanied by progress toward a more strategic framework for the management and alignment of previously fragmented services.

Typically, pre-1997, separate performance frameworks existed for a wide range of different agencies that were governed, primarily, by measures of volume and output. These crude drivers are gradually being replaced in order to facilitate more effective and more strategic approaches.

Perhaps the best example of this, in the regional context, is the refinement of the role and function of the Regional Development Agencies. The move from an all-encompassing generic brief towards more targeted focus on economic development has resulted in significant improvements in performance and the current pilot linking the activity of the Small Business Services and the Learning and Skills Council, under the umbrella of the RDA and the Regional Economic Strategy, is very welcome. These changes create the potential for the definition and delivery of action plans that can generate real changes in economic performance within the regions but this will only be realised if two key factors are addressed. These are:

- While it is essential that a strategic framework for action and co-ordination is developed at a regional level, it must be recognised that the design and delivery of relevant and targeted programmes must be defined at a local level. This is not about local opportunism but about a clear recognition of the reality of local markets, local priorities and local potential;
- The need for a balance between clear, unambiguous national performance targets and relevant local outcomes. Some agencies, most notably the Learning and Skills Councils, cannot deliver on their core objectives unless they are enabled, and required, to work within a framework that will accurately reflect the priorities and needs of local communities and local employment markets. The potential for the creation and management of relevant local agendas exists through the coming together of key providers and commissioners in the Local Strategic Partnership where local education authorities, further education and, in cities like Manchester, higher education sectors are represented providing the potential for the definition and delivery of programmes of action based on a clear local analysis.

Making the links

Local authorities are ideally placed at the centre of a network that reaches out strategically, thematically and locally. It is perhaps worth exploring that network further in order to understand the role that local authorities can and should play.

It is local authorities that provide the essential bridge between the local and the thematic. They are uniquely placed to represent the aspiration and ambition of local communities and are, amongst all of the agencies engaged in driving forward economic performance at a local level, uniquely accountable to their local citizens.

Strategic networks

The relationship between local authorities and government operating nationally and regionally is key. The increasing maturity of that relationship is reflected in the Public Service Agreements constructed between a number of local authorities and government agencies. The PSA framework, built around mutual contractual commitment, places a very real onus on local government to deliver but also makes clear that they are, directly, accountable

for the strategic delivery of a wide range of services and for step change in the quality of public services within their local areas. The financial incentives linked to the successful delivery of PSA targets are an important acknowledgement of the need for greater flexibility and of more local determination of priorities for action.

The strategic importance of many local authorities extends far beyond their administrative boundaries. This is particularly true of England's Core Cities and, as was recognised in the Urban White Paper, there is a clear hierarchy within our urban centres based on an analysis of their potential to contribute significantly not only to their own economic futures, but to those of their sub-regions, regions and the nation.

The work undertaken by the Core Cities Group, in conjunction with the Urban Policy Unit in the Office of the Deputy Prime Minister and all nine RDAs, highlights a number of key factors that impact upon the ability of those cities to play their fullest possible role in delivering economic growth within their regions and in contributing to the narrowing of the gap between the performance of the weakest and the strongest regions.

That joint work has served to highlight that, as far as English Core Cities are concerned, they have roles to play at local, regional, national and inter-national levels in areas such as transport and the exploitation of the knowledge economy in its widest sense. The Core Cities contain a unique critical mass in respect of physical infrastructure and institutions that can, together, combine to create the potential for new approaches to economic growth and can help to deliver the government's overall targets in respect of UK plc. An example of this is the Knowledge Capital initiative, based on a partnership between the four central Manchester Universities, the City Council, the other local authorities in the conurbation core supported by the Northwest Development Agency. This has, at its heart, the objective of creating a fourth world class centre of academic excellence to complement those which exist in London, Oxford and Cambridge thus providing a significant strengthening of the UK's international competitiveness. At the same time the partnership is developing programmes for the development of the local skills base in order to guarantee the maximum level of access for local people to the new opportunities created, both directly and indirectly, by the Knowledge Capital initiative.

This has been acknowledged, in the Regional Economic Strategy for the North West, as one of the most significant future drivers of the regional economy.

Thematic networks

Successfully delivering local benefit from increased economic activity requires co-ordinated action on many fronts. Local government sits at the centre of a complex and increasingly sophisticated network of public sector agencies charged with the delivery of key services. Increased statutory responsibilities placed on local authorities in respect of well-being and crime and disorder are examples of the need for local authorities to reach out and establish coherent linkages with key service commissioners and providers in order to establish firm frameworks for the delivery of key thematic targets in areas such as:

- tackling crime, disorder and anti-social behaviour;
- reducing health inequality;
- delivering neighbourhood renewal;
- supporting the delivery of improvements in educational attainment and skills acquisition;
- driving change in mainstream services in order to localise and focus initiatives designed to narrow the gap in economic activity within local authorities and regions.

As I have already mentioned successful delivery of local action is critically dependent upon the ability and willingness of key agencies to respond to performance frameworks that are sufficiently flexible to take local circumstances into account in determining their priorities for action and investment. The greatest single difficulty in delivering thematic programmes at a local level occurs when agencies are locked into a slavish adherence to narrow, nationally defined, targets and outcomes to the exclusion of sensible and relevant local objectives.

Local networks

Good local government uses its direct accountability and local focus to engage effectively with communities.

Local government is, because of its electoral base, rooted firmly in its locality and has, at its best, established a track record of encouraging and promoting community activity and engagement in the development of strategy and, where appropriate, in the delivery of services. Local authorities whose strong civic leadership has improved community and investor confidence and delivered significant partnership action have also demonstrated an ability to address and influence strategic policy issues which transcend their administrative boundaries.

The importance, and the effectiveness, of these networks is being reinforced and supported through the establishment of Local Strategic Partnerships, Community Strategies, and the development of strategies for neighbourhood renewal. These plans and partnerships drive change in the ways in which mainstream services are delivered not only in order to achieve measured change in overall performance but also to deliver tangible and essential changes in the quality of life for individuals and communities.

This dynamic, of driving thematic priorities in order to deliver local impact, lies at the heart of the work being carried out in effective local partnerships and will deliver in the medium and longer term, the changes necessary to deliver local and national Public Service Agreement targets. However this must be supported by all agencies being sufficiently focused and flexible to support objectives outlined in Community Strategies through development of their core plans and activities.

Joining it up

Nowhere is this more important than the sphere of economic competitiveness. The government has set out clear targets for improvement in the economic performance of UK plc. This is articulated most eloquently in National PSA 2 which calls for continued growth in the economic performance of all regions and, simultaneously, for the narrowing of the gap between the worst performing regions and the strongest.

This challenge is being picked up by Regional Development Agencies, through their Regional Economic Strategies, which identify those sectors within regions that have the greatest capacity to deliver growth and generate the kind of changes in economic performance necessary to move individual regions to a level of economic activity commensurate with the achievement of that target.

The challenge for RDAs, local government and Local Strategic Partnerships is to ensure that such sectoral growth both happens and is translated into genuine benefits through targeting activity, on key economic strengths, within a clear spatially defined strategy, to deliver opportunities and ensure that the wider skills agenda is being delivered accurately and efficiently in a local context.

The Employment Plan, being developed by the Manchester Local Strategic Partnership, is an example of how this inter-relationship might work and how a plan defined, at least in part, by locality can provide the sharp edge in the drive to deliver improved prospects for local people and help drive economic activity within the city-region.

Key partners, including the City Council, Greater Manchester LSC, Jobcentre Plus, local FE providers and enterprise agencies, and the RDA, are engaged in a detailed analysis of the local labour market examining both supply and demand issues, in order to identify, as accurately as possible, where opportunities for growth exist and where real skills gaps are occurring and holding back local people from accessing the opportunities being created by the vibrant economy of the conurbation core. Better analysis is providing the explicit justification for key priorities, actions and outcomes.

This analytical work is being accompanied by work to establish baselines and targets and to develop a performance management framework for all of the public agencies involved in improving the skills base within the city and within individual wards.

This work has helped to focus the strategies of key service commissioners and providers and is creating a much clearer framework for prioritisation, service procurement/delivery and targeting. It has resulted in the delivery of tangible

benefit at a local level and will provide the effective link between economically inactive residents and the strategy for economic development being developed nationally and regionally.

This action would not take place were it not for the pivotal role of the local authority. Local authorities are unique among public agencies in that their primary focus is on the health and well-being of places and their interest lies therefore in providing the spatial framework for service providers to ensure that they are delivering necessary change in individual localities. While it is entirely legitimate to expect relevant public service providers and commissioners to carry out the research and analysis needed to inform a strategic approach to the development of the local skills agenda, it is essential that the local authority plays a central role in ensuring that these connections are made in order to guarantee that strategies to improve overall levels of attainment are firmly rooted in action plans that can make a real difference in the local context.

The fundamental role for local authorities in this context is to provide a clear strategic focus for the activity of other agencies. It is essential that this strategic role is credible and this requires a very specific set of skills on the part of the local authority. Moreover it requires a clear distinction between the strategy and delivery functions of the local authority.

This is not simply a case of avoiding confusion or potential conflicts of interest. There are real cases in which the development of an effective strategic leadership can create the potential for much greater integration of activity. An example of this is the creation of the Manchester Enterprises Group by four councils at the centre of the Manchester conurbation. Manchester Enterprises acts as the deliverer of a wide range of services to local people and to local businesses, in partnership with other agencies (including the Small Business Service and the Manchester Chamber of Commerce) and acts across local government boundaries in order to effectively service the needs of a real market unconstrained by administrative boundaries. MIDAS, a subsidiary of Manchester Enterprises Group, is now widely recognised as being one of the most effective investment agencies active in the UK. This is largely as a consequence of the clear strategic framework and single market within which MIDAS has been allowed to operate.

Local Strategic Partnerships

The accountability and the strategic role of local authorities has been significantly strengthened by the development of Local Strategic Partnerships. An enhanced statutory framework has cemented existing relationships, created new ones, and helped establish greater integration between priorities often, in the past, pursued in isolation.

An example of this is the approach to the development of skills strategies. While effective local learning partnerships have, in many areas, helped deliver significant improvement in levels of attainment, this has often been in relative isolation from work being undertaken to develop local economies and attract and retain investment. The inclusive nature of Local Strategic Partnerships has made it easier for these two strands to be drawn together and to begin, as in Manchester's case, to put in place strategies that will more accurately target the local market and equip residents with the skills needed to be able to compete for the real jobs being created in their locality.

Just as the establishment of a statutory framework through the Crime and Disorder Act strengthened the working together of local councils and the police in crime reduction partnerships so the emergence of LSPs has helped to clarify legitimate roles and responsibilities of a wider range of partners. The central role for local authorities, to represent the aspirations of local citizens, has been acknowledged in the establishment of the new structures and the partnerships have, at their best, served to provide an improved forum for debate and delivery of shared statutory responsibilities in areas such as crime reduction, health promotion and neighbourhood renewal. The key by-product of this has been the strengthening of the accountability of public agencies through more open and transparent debate about their priorities and strategies. This increased accountability is crucial to secure the effective engagement of local voluntary and non-statutory sectors and of local communities whose effective involvement is essential if LSPs are to adequately reflect the reality of the local context and achieve consistently the kind of strategic coherence outlined above in respect of the skills agenda.

The accountability of public agencies is key to the credibility of the overall process. Consideration ought to be given to how that accountability can be strengthened, particularly in relation to the performance of agencies in

discharging the agreed priorities of the LSP, the delivery of PSA and Community Plan targets. The extension of the link between performance and resources, established within the PSA process may provide one option to help achieve this aim.

Delivering growth within regional economies

I have already touched on the government's targets in respect of economic growth within each region across the English regions as a whole. I have referred to the particular strengths which local authorities can bring to supporting this process and to ensuring that economic growth can deliver the tangible benefits needed in order to narrow the gaps between our most excluded communities and others. However it is worth considering how local partnerships, particularly those located in the major cities, can help to deliver real and radical change not only in respect of their own performance but also in terms of the contribution that performance can make toward the economic well being of the regions and the UK as a whole.

The city is a complex organism and any strategic partnership established within it will, by definition, be more complex than those found elsewhere. However it was recognised that that complexity is, in part, a reflection of the potential contained within our cities to assemble coalitions of interest that can drive radical change in performance. The Manchester LSP includes the higher education institutions whose drive to create internationally competitive centres of academic excellence sits at the heart of our agenda for the Knowledge Capital. The partnership also contains representations of those businesses and entrepreneurs who can link with the HEIs in order to ensure that the potential for knowledge transfer and commercial spin out from academic excellence, in all fields from bio-sciences to fashion and design, can be exploited. The development of Manchester Science Park in the heart of the city has already shown how these partnerships can be turned into real economic activity on the ground. The test now is to develop that approach through the full range of skill levels. The partnership includes those agencies charged with ensuring that local people, both within the city and in sub-regions, have access to the skills necessary to enable them to take advantage of the opportunities created by the Knowledge Capital initiative at all levels of the market place. Finally the partnership has access, through the local authority, to the planning expertise and development capacity required

to meet the needs of the Knowledge Capital both in terms of providing facilities for the institutions and new businesses and in promoting the creation of new housing markets that can meet the needs and aspirations of citizens benefiting from the economic growth which the Knowledge Capital will drive.

Conclusion

I have examined a number of areas where local authorities have a unique role to play. Essentially these are:

- to provide genuine local accountability through the electoral process and to manage effective linkage, through mechanisms such as the PSAs, between that local accountability and the responsibility of local government to help drive the public service improvement agenda;
- to provide genuine representation for local people and local interests in determination and delivery of local actions;
- to broker the relationship between a wide range of agencies and, critically, with local communities, in order to guarantee effective delivery;
- to provide clear strategic leadership to partners in order to enable them to realise their full potential.

In his foreword to *New Localism: Refashioning the centre-local relationship*, Ed Balls, Chief Economic Adviser to the Treasury, observes that:

“In today’s complex world, it is simply not possible to run economic policy or deliver strong public services using the old, top down, one-size-fits-all solutions. Excessive centralisation saps morale at local level. It destroys innovation and experimentation. It fails to allow different policy areas that must in fact be interconnected to be joined up... meanwhile local Public Service Agreements free-up councils to decide how best to meet agreed local, regional and national targets.”

This acknowledges the centrality of local government to the economic development debate. Local councils are uniquely placed to link sectoral and thematic analysis with real places and to represent the real interests of local people in the development and capture of benefit.

It is the role of local authorities to weld together these elements and, through the new architecture of Local Strategic Partnerships and Community Strategies, create new mechanisms for partnerships to deliver. The Public Service Agreements create a clear statutory framework for the measurement of the performance of those partnerships and for a clear focus for their activity. The PSA framework is a valuable addition to the landscape. Not only do I welcome the application of the principle of locally defined freedoms and flexibilities as far as local authorities are concerned. I would argue that there is significant benefit to be generated in extending that framework to other public agencies in order to guarantee their engagement to the delivery of the priorities articulated within the Local Community Strategy.

The PSA framework is also a very significant acknowledgement of the need for greater local autonomy, linked to clear performance measures, in determining local priorities and expenditure. There is abundant evidence from Europe that enhanced economic performance at a local level is linked to, amongst other things, greater freedom and flexibility in respect of local prioritisation and spending and I believe that this is a principle that is worthy of further development in the UK context. This is certainly essential for local authorities but is also relevant to other public sector partners who will be much more effective in delivering their overall objectives if their national performance framework can be enhanced to enable an adequate reflection of local needs and priorities.

This chapter argues that a strong collaborative effort by local authorities and Regional Development Agencies (RDAs) can act as a powerful driver for positive economic change. Strong leadership, shared long term goals, clear delivery structures, tangible outcomes and flexibility are essential ingredients of success. RDAs must place trust in local leaders, recognise and encourage difference and fund capacity to deliver real economic change. Local government must back Regional Economic Strategies, embrace RDAs as strategic partners, not just funders, and use action planning as the mechanism to “join up” their spending programmes with those of local partners. The UK Government must trust both RDAs and local government to deliver change on the ground and mainstream regional diversity into national policymaking and spending decisions.

Background

RDAs are charged with revitalising their regional economies by exerting strategic influence through Regional Economic Strategies and delivering better local jobs, investment and infrastructure through their multi-million pound budgets. Local authorities have responsibility for producing local community plans, significant (though proscribed) local spending powers, statutory local planning and transport responsibilities, new powers to intervene to ensure community “well-being” and a range of activities around economic development, marketing, tourism and inward investment. They are often the major employers in local areas and significant purchasers and procurers of local services. They have much greater spending power than RDAs, accounting for over 10% of GDP in some regions compared with less than 0.5% for RDAs, which gives them a significant indirect effect on productivity, skills and employment issues.¹

Analysis of the complex array of policy objectives and outcome targets that RDAs and local authorities are subject to show that they share many objectives, albeit on a different geographical scale. Put more simply, it’s about getting people into quality jobs and running successful businesses. Getting more young people into the mainstream economy in Harehills in Leeds or Preston Road in Hull is good news for the councils, Yorkshire Forward and UK plc, and success stories like the Manor in Sheffield show that it is possible.

¹ Sources: 1999 ONS Regional GDP (the latest year for which ONS have produced regionally consistent GDP estimates) and Local Government Financial Statistics 2000.

The truth is that currently not enough RDAs and local authorities have grasped how important to one another they are and in too many areas a lack of trust permeates the relationship. Of course there are examples of good practice – Newcastle/Gateshead, Leeds, Sheffield and Manchester – and relationships are much better than four years ago when RDAs were set up. There are inherent tensions in the relationship that contribute to the lack of progress. Regional Assemblies are local government-led and are tasked with scrutinising RDAs. Local authorities have well-developed views about local economic priorities that are embedded in well-developed plans, policies and local economic partnerships which do not always accord with the regional perspective of business-led RDAs. Some local authorities have concerns about the legitimacy of RDAs (as non-elected bodies) to drive local economic policy making. These tensions can be creative, rather than destructive, however, and closer alignment of regional and local – and indeed national – economic priorities can act as a powerful driver for positive economic change. There are five areas where real improvements can be made: leadership, strategic planning, delivery structures, flagship projects and “region-proofing” national policies.

Leadership

If people who lead key organisations trust one another, share a vision and can do business together, any number of barriers, structural problems and complex processes can be overcome. Add to such relationships a group of energetic leaders further down those organisations attracted by the shared vision with the will to deliver, and a “buzz” can be created that can make a real difference. This is happening in parts of Northern England: Manchester’s determination to turn a failed Olympic bid and a devastating IRA bomb into the success of the Commonwealth Games and the regeneration of East Manchester; Liverpool’s success in winning the European Capital of Culture competition; Newcastle and Gateshead’s fusion of cultural and economic opportunity; the ambition of Leeds to compete with the best European cities; Barnsley’s courage in embracing urban renaissance and getting thousands of its people – and critically new investors – behind a new vision as a Tuscan hill village; and at a regional level, difficult decisions like backing the proposals for a new international airport at Finningley.

If such trust, goals and relationships are absent, then the most perfect strategies, structures and processes can be made to fail. People who do not want to make relationships work can put in place any number of barriers. The best and most innovative people in such organisations can be frustrated and brilliant ideas stifled at birth.

This “soft” issue of leadership is critical to the future of every region, city and town in the UK: we need to build much greater mutual respect between regional and local leaders across disciplines, organisations and sectors. RDAs must recognise the role of elected politicians as democratic leaders and the reality of electoral timeframes whilst local authorities must embrace RDAs as strategic partners, not just funders, and advocate the need for Regional Economic Strategies. These strategies and the structures of Local Strategic Partnerships are in theory in place to bridge these gaps but single purpose delivery vehicles may be needed to translate strategy into action. Let’s consign “private sector good, public sector bad” to history and recognise that economic performance depends upon fusing together the best of both the public and private sectors. Private businesses create the wealth that is needed to transform under-performing regions. A productive public sector is vital to create the infrastructure for those businesses to prosper. Only those regions that build meaningful and effective partnership between those leading key businesses and public agencies will deliver real transformational change.

Strategic planning

Strategic planning is boring, difficult and doesn’t fully please anyone, but it is vital. Collective strategic planning involving more than one organisation through which local and regional economic priorities are aligned is all those things and more. RDAs have been working hard to introduce “sub-regional action plans” – in other words investment plans “pooling” together RDA, European funding, local government and other resources – over the last three years to act as the delivery plans for Regional Economic Strategies. These strategies are designed to be blueprints to guide the actions of a range of different organisations and funding streams, not just the RDAs’ single pot funding. Inevitably, these processes have not been easy, characterised by tensions between:

- regional versus local priorities;
- national versus regional priorities;
- RDAs wanting multi-agency investment plans for the RES and some partners seeing them simply as bidding documents for single pot funding;
- a small number of investment priorities versus “fair shares for all” in which the resources are spread wide but thinly; and
- regeneration/inclusion projects versus business competitiveness projects.

The Local Government Association’s “New Commitment to Regeneration” initiative has similarly sought joint planning and investment strategies, and a commitment by partners to “pool” their mainstream funding to implement shared strategy. Action plans that paint the full picture of public investment in economic development are worth sticking with, not least because they are arguably the most effective mechanism yet developed to “join up” and integrate different government funding streams to maximise delivery outcomes and minimise duplication. There is a body of evidence showing that the complex “wicked” issues facing government are intrinsically linked: poor education, unemployment, poverty, poor housing, drug culture, crime and poor health come together in the problems of excluded individuals. Yet add up the different national initiatives, agencies and funding streams aimed at one person living in a deprived area and there is no wonder delivery on the ground is difficult. The same is true of business: limited management skills, a low skilled workforce, low investment in research and development, little value added, poor innovation levels and lack of export opportunities often afflict the same company. Look at the bewildering array of help available to such businesses to break out of that cycle and it is clear why take up of such grants and advice is relatively low throughout the UK.

Action planning will not immediately solve this “silo” culture, but it is starting to align funding streams and get leaders talking much earlier and to greater effect. Next year in Yorkshire and Humber the action planning guidance will be the commissioning mechanism not only for projects in Yorkshire Forward’s single pot, but for European Objective One and Two

Local Government's Role in Delivering Regional Economic Strategies

Relevant local authority responsibilities	Link to Regional Economic Strategies (Yorkshire and Humber objectives)					
	Grow existing business	Higher business birth rate	More private and public investment	Improved education, learning and skills	Connect people to economic opportunity	Enhanced environment and infrastructure
Regeneration and housing	Involve local businesses in regeneration projects	Social enterprise projects	Link Neighbourhood Renewal schemes to mainstream education, housing and health funding	Regeneration centres of excellence	"Pooling" of regeneration programmes in deprived and rural areas	Specialist delivery vehicles including Urban Regeneration Companies, Joint Ventures, Pathfinderers, etc
Arts and culture	More strategic support for tourism industry	Support creative industries	Enhance visitor and cultural attractions/events	Engage young disadvantaged people through sport	Diversity initiatives	Built heritage assets and local environmental improvements
Economic development	Integrate local business support services	Growth incentives to re-use resources from new businesses	Joint regional and local inward investment marketing	Integrate skills into economic development	Connect people to jobs through partnerships with local employment agencies	Work through Local Strategic Partnerships
Education	Strengthen links between schools and businesses	Promote enterprise in schools	Maximise investment in education	Implement basic skills initiatives	Boost participation and qualifications among young disadvantaged people	Utilise schools to encourage IT upskilling in communities
Planning and transport	Potential flexibility in enterprise areas for key clusters	Responsive local business support and planning services	Joint lobbying for regional and local transport priorities	Build capacity and links between planners and regeneration specialists	Tackle rural access and social exclusion through transport services	Integrate regional economic, planning and transport frameworks
Town centre management	Business Improvement Districts	Incubation facilities	"Pooled" capital investment programmes	Up-skilling of economic regeneration specialists	Partnership initiatives with crime prevention agencies	High quality design standards consistent with renaissance masterplans

funding. Lottery, higher education and other funding streams may be added in 2004. North Yorkshire has produced a plan this year that starts to make these connections around a clear set of priorities identified in the RES and for every pound of Yorkshire Forward funds it levers ten pounds of public and even more of private money. Projects will be appraised jointly for single pot and EU funding. Flexibility will remain in this system to allow for opportunities such as major inward investments or property developments. The table on page 60 demonstrates the extent of the shared agenda of local authorities and RDAs.

Delivery structures

Partnership is an over-used word that too often acts as a “fig-leaf” to allow organisations to gain legitimacy for what they wanted to do anyway by sitting around a table with other sectors. Real partnership aimed at cutting through the cycles of decline set out above involves devolving power to delivery agencies to make things happen on the ground. Ministers have passed some of this power to RDAs, all of which have been left with a dilemma. Do they pass that flexibility down to the local level – and be damned for not taking responsibility – or do they take all key decisions around the RDA board table – and be damned for being autocratic? The answer is somewhere in the middle of giving away so much responsibility to bring into question having an RDA at all and keeping so much of it to being vulnerable to the charge of having simply moved Whitehall from SW1 to Newcastle, Warrington or Leeds! The principle of “constrained discretion” coined by Ed Balls applies in the same way from RDAs to local partners as it does from ministers to RDAs.

Delivery is not carried out through strategic planning processes, however, and new structures have been required. It is important that regional and local strategies and structures recognise the different scale and nature of the challenges facing, for example, metropolitan and non-metropolitan councils. The need to differentiate local authorities is at the heart of the principle of devolution – the history and pattern of settlements of people and businesses dictate a range of unique roles in relation to regional priorities and an acceptance that one size doesn’t fit all. New skills and knowledge that combine strategic economic development, property, business support and regeneration are needed at a regional and local level to deliver this new agenda.

Multi-agency delivery vehicles can increase local spending power and flexibility, encourage private sector investors and reduce lead times. Urban Regeneration Companies like Sheffield One aimed specifically at city centres have great potential to play this role, setting out clear visions and masterplans, engaging the private sector on a scale that is attractive and linking clearly into councils, RDAs and English Partnerships. The challenge is to develop flagship projects that produce new jobs and visibly improved infrastructure, whilst ensuring that local people in neighbouring communities (that too many Urban Development Corporations passed by in the 1980s) are involved in and benefit from the projects. Looser partnerships between councils and RDAs are also being tested, integrating complementary local planning and compulsory purchase order powers of both organisations and recycling local authority assets for regeneration benefits. On business support, the new pilots between RDAs, the Small Business Service, Business Links and Local Learning and Skills Councils provide a great opportunity to deliver a much more streamlined and integrated service to the business customer along the lines envisaged by Patricia Hewitt.

Opportunities for flagship projects

Real opportunities exist for different ways of working between regional and local agencies that are achieving visible early success. *Urban renaissance* provides an opportunity for towns such as Grimsby and Scarborough to re-invent themselves through a vision and masterplan for the town that brings together local planning, transport, economic development and other policies. The added value of this approach has been shown particularly where connections have been made not only with thousands of residents uninterested in previous local initiatives, but also potential investors who are attracted to the larger scale and quality of regeneration that RDA involvement can bring.

An RDA and a region's *cities* represent a formidable alliance that is more than the sum of its parts. Leeds, Manchester and Newcastle will generate 33,000 new jobs over the next eight years, taking their collective workforce to over 2.1m.² This confirms the wealth of evidence developed by England's Core Cities over the last few years that cities are key drivers of regional and sub-regional economies. Although some have portrayed the concept of city-regions

² Source: Euro Regions Forecasting Model Experian Business Strategies/DRI-WEFA – November 2002. Estimates based on NUTTS 3 geographies.

as being a threat to regionalism (and vice-versa), it is surely an opportunity. Yorkshire and Humber's Regional Economic Strategy recognises the unique role that Leeds, Sheffield, Hull, Bradford and York can each play in attracting people to work and businesses to locate in the region and the North West's RES has a specific objective to "maximise the benefits of existing economic infrastructures in the region's cities", including a major Liverpool/Manchester collaboration project. The Core Cities and RDAs have worked effectively together with Whitehall officials led by the Office of the Deputy Prime Minister to set out a clear agenda for Government to drive up economic performance across the English regions.

A key ingredient that makes cities different is universities and there is great potential following the recent Higher Education White Paper to develop flagship projects that bring together cities, RDAs and higher education. Will Hutton has recognised this in his concept of the "ideopolis", where individual cities can develop their unique economic identity to attract and retain the best people and businesses. Universities must be placed at the heart of economic development through *cluster policy*: as businesses in their own right to improve productivity, engines of technology transfer to stimulate research and development in businesses, catalysts of new business start-ups, magnets for inward investment, significant employers and trainers of people from local economies and producers of graduates and intellectual capital. It was one research department's world-class expertise in metal cutting techniques that attracted Boeing to build a partnership with Sheffield University which is acting as a "honeypot" for a range of knock-on high quality investments in South Yorkshire and a new Innovation Centre at Manchester University is funding research to meet the needs of the chemical industry.

Lifting the prospects of all people – not just a favoured few – are shared objectives of local government and RDAs, whose business-led boards recognise the importance of *inclusion policy* to building stronger regions. RDAs are investing over £0.5bn a year in Single Regeneration Budget projects that are creating or safeguarding tens of thousands of jobs in the most deprived local areas. National initiatives such as the Phoenix Fund are already kick-starting businesses in the social economy. The 2,000 new Enterprise Areas, the pilot Business Improvement Districts, and the flexibility to be granted to local authorities who re-use assets or derelict land for enterprise

purposes provide new incentives for local government to work with RDAs to help more people set up their own businesses.

Making sure that the huge increase in health spending finds its way through to local economies – as well as improving services – is another area where RDAs and local partners can add value. Hospitals are often adjacent to deprived areas and new developments often provide a range of different job opportunities for local people. NHS procurement policies should be examined to make it easier for local companies to provide services in the health sector without compromising value for money. Similarly, specific action is needed to deliver the shared priority of the LGA and Government to promote local economic vitality through *purchasing and procurement*. Finally, RDAs and local authorities must start pooling the information they hold in order to measure the impact of these policies much more effectively, particularly fusing together lifestyle, geographic and economic data to build a much more accurate picture of what is really happening to businesses and people at a local level, as well as looking forward through joint “futures” scenario planning.

Mainstreaming regional differences into national policy

The reality is that however skilful RDAs and local government become at working effectively together, without “region-friendly” national policy they are destined to fail. Government departments notoriously covet control over how their money is spent and policy is developed, driven by our parliamentary system of financial “regularity and propriety” to protect ministers’ interests. In reality this is often an illusion of power, as empowered local people on the ground are the key to effective delivery of national policy. Until Whitehall sees regional and local flexibility as an opportunity for better delivery rather than a threat of loss of control, the English regions will continue to be held back from realising their potential.

The joint Treasury, DTI and ODPM Public Service Agreement target on reducing the disparities in economic growth rates between regions is a very significant and welcome development. The 2003 Budget, review of local government spending and the go-ahead for Finningley Airport show signs of this target starting to influence public investment and policy decisions. Whitehall does not instinctively think and act regionally to take account of

the wider implications of its policies for the regions, however, and a standard test or impact assessment, accompanied by early parliamentary scrutiny, might be needed to make the PSA target bite. Such a process may have exposed the potential indirect effect of the Higher Education White Paper and Communities Plan to skew resources further towards the South East.

More progress is needed in areas such as public transport and research and development. Greater levels of investment in transpennine road and rail links between Liverpool and Hull would improve productivity levels in the North West and Yorkshire and Humber regions and allow several million tonnes of freight to bypass the South East in favour of the under-utilised Humber ports. Many strong European regions have built economic success on transferring technology and knowledge from universities to businesses. UK science policy should build on the good start made by RDAs and universities by identifying flagship projects that could boost the economies of regions outside the South East. One such project from the White Rose Universities of Leeds, Sheffield and York (whose collective research spending is higher than Oxford or Cambridge) for a £1bn European research centre to be located in Selby would increase the regional economy by 0.4% of GDP and bring jobs and new investment to an area that is losing its coal industry.

Conclusion

In such a traditionally centralised system of government, devolution of power to new agencies such as RDAs and the reversal of years of disempowerment of local government should in time deliver more integrated and appropriate economic improvements in all English regions. Energetic, effective leadership, consistent strategic investment planning across public agencies, locally powerful and fleet-of-foot delivery structures and tangible, flagship projects that attract businesses and jobs are vital to align regional and local investment priorities. RDAs and local government must grasp the opportunities of working effectively together. The Government must ensure that regional policy runs throughout relevant national policy. The power of national, regional and local policy working in unison to achieve common economic priorities is formidable. The result will be more jobs and more businesses in the places other policies cannot reach.

Publicly funded organisations do not generally view business and the private sector the way that business views itself.

Government bodies, nationally, regionally or locally, generally view business as ‘employers’ as though that is their purpose. This entirely misses the point. The purpose of a business is to provide maximum return on investment to the shareholder, through the provision of a product or service to highly satisfied customers – employing people, from a business perspective is a means to an end not an end in itself.

A colleague of mine, several years ago, moved from the private sector into a role as Chief Executive of a City Challenge. One of the schemes operational at the time was a capital grant programme for businesses located in the defined area to introduce innovative new technology to improve competitiveness. He awarded a grant to a company to support a particular ‘innovation’ that would ‘save 20 jobs’. The relevant government funding body was delighted that 20 jobs would be ‘saved’. The problem was that the business was planning to secure its competitive advantage and its long-term viability by saving 20 jobs, i.e. losing 20 jobs, and the then (eight years ago) government funding body thought that 20 jobs were being ‘saved’ as in safeguarded. This is the fundamental difference between a private sector view and that of the public sector.

A business perspective

Generally speaking ‘entrepreneurs’ are not respected by the wider society in the UK. They are often seen as ‘fat cat’, ‘racketeers’, ‘on the make’. Headline grabbing extremes inevitably catch the headline.

Entrepreneurs usually start a business by spotting an opportunity. They create value adding businesses that facilitate wealth and job creation, often from practically nothing – why are they not regarded as heroes?!

If we regard entrepreneurs as heroes, our children will want to be like them. This is how one builds an enterprise culture.

Involving local successful business people in the wider economic development and neighbourhood regeneration agenda is critical. They will bring a

way of thinking, a value set that will contribute towards problem solving but business needs to be involved in a way that they can add value. A few months ago I was at an event where a number of people from various agencies (government agencies, local authorities, further education etc) were concerned that there was a lack of ‘business’ presence at a particular event and that we all had to do ‘more’ to get business to become directly involved. At the event in question, 10 minutes into the presentation, we had been told about ‘neighbourhood renewal strategies’, ‘community plans’, ‘sustainable economic regeneration through strategic investment in key clusters, facilitating a paradigm shift to transform the city’. If any business had been present they would have been gazing with bemusement.

I was recently invited to an event to speak to staff of the Health and Safety Executive about ‘the needs of business’ and ‘understanding business’. In the presentation that preceded mine, an official of the HSE stated that ‘SME owner managers have an average reading age of 11, so we have simplified our leaflets and marketing material’...I should have asked for my rail ticket to be re-imbursed.

I was recently at a Chamber of Commerce dinner in Halifax and one of my guests was a guy who ran a manufacturing business. His business was profitable and had been around for about 15 years – he made ‘pillows’ – pillows for hospitals, not domestic use. He informed me that he used to be in ‘manufacturing’; about five years ago he changed to the ‘textile sector’; and most recently he had moved into the ‘medical supply cluster’. He has always made pillows and always made money!

The private sector and local government

Businesses and the private sector would like local authorities to understand their needs and culture:

Planning

Businesses perceive the local planning process to be very bureaucratic and time consuming; often they do not feel the ‘customer’ of a process, rather the ‘subject’ of a process. Many businesses would prefer a more efficient and streamlined process, regardless of whether the application was supported.

Planning, timescales and target setting

Business, particularly small businesses, often find it very difficult to understand the timescales over which local authorities plan. A '20 year plan' with 'key impact evaluation measures' may be very necessary but businesses would want to know about the monthly and quarterly milestones with targets and outputs.

The scale of resources

Businesses often find the scale of local authority resources and the complexity of local authority responsibilities overwhelming. For businesses to make a real contribution these activities need to be broken down into smaller units of delivery.

Local business partnerships

The government through the Small Business Service supports a local authority led network of local business partnerships that bring local authorities, other public bodies and the private sector to develop local solutions to local needs. These local business partnerships provide a valuable framework for businesses to contribute to the local community, at a very practical level – The Kirklees Business Partnership has an excellent reputation for involving business in its work, in particular its one-stop regulation hotline.

Local Strategic Partnerships

Local Strategic Partnerships have also provided an effective way of engaging the local business community in local partnership working. A good example of partnership working can be found in the City of Leeds where the *Leeds Initiative* (the Leeds LSP) has drawn in the view of business through the Leeds Chamber of Commerce.

Urban Regeneration Companies

The establishment of Urban Regeneration Companies bringing local authorities, RDA and business together to revitalise inner cities have tremendous potential in involving business in making commercial judgements about regeneration projects.

Information and advice

If you were to ask businesses what they want they would say something like ‘access to comprehensive information, advice and support – preferably through one telephone number or website’.

Although this may not be possible because of the sheer range of information and organisations involved, they would wish to feel that they, as a customer, are unique and have unique needs, and in response to the local authorities and other public agencies, work in collaboration to ensure that support and assistance for business is co-ordinated to ensure minimum confusion and maximum benefit.

Enterprise culture

Businesses and entrepreneurs need to feel that what they do is valued by society and that they are part of the solution, not part of the problem.

Links between families of schools and local business communities should be encouraged. Company directors can make a valuable contribution to the work of schools and corporation governing bodies.

Local business should be encouraged to provide work experience placements for both young people and teachers, to give them a better understanding of the needs of work and industry. A sound example of this exists in Bradford where the LEA works closely with Business Link to promote better education business links.

Role models

Local authorities and Education Business Links should work more closely with business support organisations such as Business Links and Chambers of Commerce to identify ‘local business champions’, to work with local schools to promote the role of business in economic development and wealth creation – and to provide inspiration for young people to want to be successful in life, by being successful in business!

An Enterprise Perspective from West Yorkshire

At Business Link West Yorkshire we have a board of directors that bring together an elected member who represents the five local authorities, a

voluntary sector representative from a housing association, a deputy vice-chancellor from a university and six business people. We have developed a sound strategy and are delivering good results.

Our role is to provide the business community and people considering starting a business with access to high quality information, learning advice and support.

Our overall aims are quite simple to define but harder to achieve, we wish to:

- Develop an enterprise culture in the sub-region leading to increased levels of business creation, survival and growth;
- Improve the competitiveness of existing businesses so that they can beat the competition and make money;
- Raise the skills levels of the workforce, a business's most valuable resource;
- Promote an inclusive society where all businesses and residents have the opportunity to realise their aspirations and potential.

Our key relationships are with the West Yorkshire Learning and Skills Council, Yorkshire Forward – the Regional Development Agency, Trade Partners UK and the Small Business Service. We work very closely with Chambers of Commerce, FE, HE, worked based learning providers and the voluntary and community sectors. We engage closely with our five local authorities and five Local Strategic Partnerships and maintain literally hundreds of relationships with private sector consultants, accountants, solicitors and intermediaries.

Our service portfolio spans:

- the provision of pre-start up support to individuals thinking about starting in business;
- a wide range of business information, advice and support to established businesses;

- top quality consultancy to high growth business start-ups;
- a comprehensive package of skills, training and funding to support workforce development;
- the provision of 30,000 learning opportunities through the Learndirect brand;
- advice and capacity building support to social enterprises;
- working closely with LEAs and schools to provide a range of services to promote better business-education links;
- a wide range of international trade services to both new and experienced exporters.

West Yorkshire: A cracking place to live, work and do business

West Yorkshire is a dynamic and significant economy, home to 2.1 million people, half of whom are economically active. It is served by 60,000 businesses and 95,000 self-employed people. West Yorkshire enjoys a strong manufacturing heritage, a place made up of large towns and cities including Leeds, Bradford, Wakefield, Huddersfield and Halifax, but also enjoys the tremendous rural landscape. Leeds, the regional capital, has enjoyed fast growth, has a strong positive brand and is firmly established as the financial commercial centre outside London.

In West Yorkshire we have a vision where we are seen as:

- a thriving business economy where businesses invest, develop and grow;
- having an entrepreneurial culture, prepared to embrace change, nurture innovation, a place where risks can be taken;
- having a high wage, high skill economy;
- a place where prosperity benefits all of the community.

So what is our strategy?

We have established a West Yorkshire Enterprise Partnership, a true partnership that will work hand in hand with local authorities, Local Strategic Partnerships, Chambers of Commerce, higher and further education providers, work-based learning providers and the voluntary and community sectors, to deliver our aspirations.

Our four key themes of Enterprise, Competitiveness, Skills and Inclusion are drawn from a combination of national Government policy, the Regional Economic Strategy of Yorkshire Forward, local community and neighbourhood plans and our own understanding of customer wants and needs.

These key themes are underpinned by detailed delivery plans, built around our service portfolio with clear, unambiguous brand propositions and measurable deliverables. Our delivery plans are built around the key national brands of Business Link, Learndirect and Trade Partners UK, and locally developed services for Education Business Links, support for social enterprises and West Yorkshire Ventures, our support facility for those businesses with very high growth potential.

What are the benefits of this approach?

- increased levels of take-up of business support and enterprise;
- increased levels of skills amongst the workforce;
- better strategic alignment and operational integration of business support, workforce development and skills;
- more effective co-ordination of the regional, sub-regional and local interface;
- effective management of national brands, managed under local delivery plans, providing local solutions to local needs;
- a genuine partnership ethos delivering economies of scale and value for money.

What have we achieved so far?

We have worked hard to position the Business Link brand as the first choice for businesses seeking impartial business information, advice and support. Over the last two years we have:

- supported 18,000 existing businesses;
- helped 14,000 individuals plan through starting a business;
- helped create 3,000 new businesses;
- developed ground breaking approaches to delivery through our partnerships with Asian Trade Links, providing support to 2,000 Asian entrepreneurs;
- launched West Yorkshire Ventures providing ‘top dollar’ support to those start-ups with real potential to grow and add value.

260 businesses have been assisted in implementing the coveted Investors In People award with a further 400 undertaking structured training and workforce development.

Although we have only been operating the Learndirect brand for 11 months, we have already made a real difference to over 4,000 learners and 600 SME’s, delivering 18,000 courses of which 2,500 were skills for life packages.

Through our UK Online for Business portfolio we have assisted over 3,000 companies implement new technologies.

On the international arena we have helped 225 businesses develop their international plans with over 60 benefiting from the Passport to Export and 493 TPUK diagnostics. We have developed flagship projects in the Chinese, South American and Eastern European Markets.

During April 2003 we took over the co-ordination of the Education Business Link portfolio across West Yorkshire and over the next 12 months we will provide structured work experience and programmes for 20,000 young

people, a wide range of education enrichment programmes and provide 400 teachers with practical experience of business.

We have recently developed a comprehensive range of services to build the capacity of social enterprise business – over the next two years we will assist 150 organisations through Social Enterprise Link.

We have laid down ambitious plans to make a real difference in the quality and availability of business incubation facilities for these really high potential new businesses.

Next year we will work with over 10,000 businesses, 10,000 adult learners and 20,000 young people.

So far we have been successful and I put this down to accepting that the agenda is complex and that the issues we have to tackle are far from straight forward but we keep things as simple as we possibly can. We are driven by the needs of our customers, we try to speak a language they understand and we keep a light focus on business results along with meeting the expectations of our funders.

Introduction

The philosophy underpinning the Government's drive for a new localism reflects a dramatic departure from the governing relations between central and local government during the previous generation.

The value on local initiative, and the devolution of power to support local initiative, is not simply a softening of feeling on the part of central government towards local government. Rather, it reflects a social and economic philosophy that radically repositions the role and reach of both central government and local communities.

Full employment, higher growth, and rising prosperity: these are economic ambitions set by the Government – not just for some communities and some regions, but for all. But the best mechanism for achieving these is no longer assumed to be Whitehall. The government is reversing the historical centralising tendency of Whitehall, regarding it ineffective in pursuing their ultimate economic aims.

If there is to be greater prosperity and opportunity for all, where no neighbourhood is left behind, the Government holds that people must be able to take more control of their own destiny. Central government will set the framework for maintaining long-term economic stability and set the conditions favourable for local initiative to succeed. But it recognises that it can never reach far enough or flexibly enough into the corners of every neighbourhood and every estate from Whitehall. And it can never replace the spark of individual initiative, local energy and inspired innovation that springs from the bottom up.

The 'new localism' is an insistence that local people and local institutions have a unique and pivotal part to play in transforming their own communities into more prosperous places. Unless all play their full part – central government, local government, the private sector, the voluntary sector, community groups, and individuals as citizens – Britain will not be able to achieve its potential in the new global economy.

The policy strands that derive from this new philosophy are becoming better

aligned: the creation of RDAs as a powerful advocate for regions; the new performance assessment regime for local authorities where the focus is on freedom and flexibility; the emphasis on empowering non-governmental sectors to fulfil their responsibility to the community through the New Deals and Local Strategic Partnerships to name a few. But how are they working in practice?

These case studies seek to gauge how local authorities are responding to these policies.

Four local authorities were asked a series of questions about the philosophy and the practicalities of the new localism. Each local authority featured in the case studies was ranked 'Good' or 'Excellent' in their Comprehensive Performance Assessment. Interviews were conducted with chief executives, council leaders, and senior officers. An overview and conclusion draw out broad themes, but in the main, the case studies take the form of direct quotes and speak for themselves. The interviewees are identified, but their individual comments are not attributed.

Overview

These case studies suggest that antagonism and mistrust have often characterised the relationship between central and local government for at least a generation. They also suggest that the relationship is on the mend.

The degree of optimism generated by the government's promotion of a new localism is varied. Some local leaders are able to present clear evidence of how the Government's reforms have made a positive difference to their ability to deliver. Others say they hear the change of tone in the Government's rhetoric, but have so far failed to feel any material change.

The evidence from these case studies suggests that there is willingness on the part of local authorities to play a leading role in growing the local economy. Indeed, the common cry from local government is for the greater freedom to be able to do more, faster.

But the last decades have left a legacy of mistrust that manifests itself in various ways: suspicion towards the motives behind changes in policy; defensiveness as policy changes are interpreted as implicit criticism; and vexation as central government is viewed as a meddler rather than as a partner.

Despite such hurdles, the evidence from these case studies suggests that the changes made so far are beginning to have a beneficial impact on the way local authorities work. And finally, they suggest that the government's reforms may, in time, have to go further.

Profiles of the local authorities taking part in the case studies

Telford & Wrekin Borough Council

Profile

Telford is a major growth area within the West Midlands Region. Over 1,000 new homes are proposed to be built every year and the number of jobs in the borough is expected to grow by around 1,000 a year over the next five years.

As a result of its new town status, the area is very mixed in terms of housing quality and other infrastructure. Many estates constructed in the '60s are now in poor condition, and the rapid development of the town over a relatively short period of time has made it difficult for the Council and its partners to assemble the scale of resources needed to tackle the problems of poor design and disrepair.

Economy and jobs

The borough is home to businesses with world class reputations – but the economy remains narrowly based, predominantly low waged, and vulnerable to wider national and global trends. Educational achievement is rising overall, but beyond school, the level of skills within the workforce and participation in further learning is currently below the national average.

The future

The challenge for Telford & Wrekin is to strategically manage its future growth: upgrading the quality of its urban fabric, targeting regeneration to pockets of poverty, and improving the skills and adaptability of the workforce.

Interviewees

Meredith Evans: Corporate Director, Environment & Economy

Gerry Dawson: Head of Regeneration

John Pay: Urban Policy & Partnership Manager

Michael Davis-Bingham: Head of Economic Development

Wigan Metropolitan Borough Council

Profile

Wigan lies on the boundary of the Greater Manchester conurbation. The centre of the borough is almost equidistant from both Manchester and Liverpool.

Economy and jobs

Traditionally, employment in the borough was provided by two main industries – mining and the textiles. Employment in both has fallen sharply.

More than half the wards in Wigan are in the most deprived 20% of wards in England. Staying-on rates at post-16 education are very low. However, the borough has a strong sporting tradition and sport is now being used as a magnet to draw young people into further education.

The recently opened Robin Park sports complex in Wigan brought a vast range of new sporting facilities to local residents. Now Leigh, the second major town within the Wigan borough boundaries, is awaiting a planning decision on an application for a major sports and educational centre of its own. The plans very purposefully integrate education and sporting excellence, using the mass appeal of sports and leisure activities to lure young people into further education.

The future

The challenge for Wigan is to boost staying-on rates and prepare the next generation for the jobs of the 21st century, helping them to access the opportunities to be found in the major cities just beyond its borders.

Interviewees

Lord Peter Smith: Leader of the Council

Steve Jones: Chief Executive

Hugh Paterson: Deputy Director of Leisure and Cultural Services

Steve Crossley: Deputy Director of Land and Property

Croydon Borough Council

Profile

Croydon is the largest of the London boroughs. It forms an axis between central London, Gatwick airport, the south coast and principle routes to mainland Europe.

Economy and jobs

Excluding central London, Croydon provides the biggest commercial and retail centre in the South East. In the last few years Croydon has become the most important location for financial services in London outside The City.

More than half of the borough's residents are employed in Croydon but a large proportion commute to work outside the borough to London.

In 2001 Croydon launched Tramlink. The new transport system is part of a long-term plan to transform Croydon into a urban centre where people come not just to work, but to live.

The future

The challenge is to realise the vision laid out in Croydon 2020, reversing the trend towards suburbia, and reviving a taste for urban living.

Interviewees

Hugh Malyan: Leader of the Council

David Wechsler: Chief Executive

Will Tuckley: Head of Policy, Executive's Office

Paul Hildreth: Economic & Strategic Development Unit

Reading Borough Council

Profile

The Oracle shopping and leisure centre which opened in September 1999 brought a host of new high street names to Reading. Combined with investment elsewhere in the centre, it has pushed Reading up the national retail rankings from 26th to 8th in the UK.

Economy and jobs

Reading's growth over the past 20 years have transformed it into the capital of 'Silicon Valley,' the region's service and financial centre, making it home to one of the largest concentrations of leading ITC companies in the UK.

Unemployment in Reading is below the national average. There are more jobs than there are unemployed people.

The future

The challenge for Reading is to ensure that the benefits of economic success spread out to the residential suburbs and other non-central locations. Its strategy is to use its own assets, planning powers and partnerships to secure a large volume of new homes and make significant contributions to regeneration schemes.

Interviewee

David Sutton: Leader of the Council

Theme 1: The extent to which the local authority sees itself as a driver of economic prosperity for local people

Telford & Wrekin

“We have a university in town. We need to build it into a world class research and development and knowledge transfer and commercialisation point in order to ensure the future viability of business, and long-term positioning of the town.”

“We have to reverse the brain drain so that people who go to school here don’t leave. We have to create space for the knowledge economy, by creating a better housing stock than Birmingham’s, for example, so that skilled workers will want to live here. Where skilled workers are, businesses will follow.”

“We’re moving from one economy into another and it is hard for us with residents who are a generation from coalmining. Industry was the mainstay before. To change that, it is really important to have a council where people believe in us. Our ambition is to shape our destiny.”

“But we are the overspill from the South East. We pick up what washes off up the end of the table. Is that a cohesive strategy? If you tried to move something from the centre to Middlesborough, you’d get the Tokyo Stock Exchange saying ‘where the hell is Middlesborough’? I don’t have a complaint with the South East being first amongst equals. But there is a lot of self-interest in sustaining that, and ambitions are modest for the regions. We need to change this ideal but it will start with local councils.”

“In all my years experience in local government, I have seen more energy put into competing against each other than in cooperating. Regional Development Agencies and the emergence of regional government are changing that. There is now a feeling of ‘we will be stronger together than if we fight each other.’”

Wigan

“There has to be honesty about the position you operate in the sub-regional and regional economy. We’ve looked to Manchester and Liverpool as employment centres. Making Wigan a place where people want to live and play is as important to our economy, so we’ve concentrated more on quality of life than creating jobs. For us, it is as important that Manchester continues to boom as anything we do.”

“The North West has the highest concentration of higher education institutions in Europe, so we’re starting to talk to universities as a collective with other local authorities. High knowledge, high added-value, biotechnology – these are arguably the economic drivers and generators of wealth and prosperity in the future. Our approach is to play more into those agendas, with our workforces being able to contribute to that, but not necessarily our locality. It’s about having a broader perspective of our place in the world.”

Croydon

“There are councils in London that have virtually no interest in their local economy. There are some that aren’t interested in regeneration at all, partly because they don’t perceive themselves as a significant provider of employment.”

“When we were doing the corporate plan we debated whether the objective ought to be to deliver economic prosperity. The end result was that it was entirely pivotal and should be enshrined in our mission statement, and that we should actually have the business perspective and economic perspective as our raison d’être.”

“The leaders of Croydon council have each grasped the nature of Croydon’s economic brief. Croydon is distinguished with a big private sector which forms a very significant element of the town.”

“We suffered for a generation from the urbanisation of the south London region. The next generation will benefit. Traffic congestion is going to largely negate the benefits that business have experienced from removing themselves from the greater London area. The consequences will be a new urbanism. We’re already seeing the signs, and we are specifically promoting that here. Part of our thinking, like the tramway, is to give us a head start in that way.”

Reading

“I doubt whether there are many councils that take a more proactive economic lead. We see it as a major part of our role; it’s a self-conscious decision. Reading was not always a thriving go-ahead area. In the 1970s, Reading promoted itself as Britain’s average town. That was its selling point. They invited marketing companies to come to Reading, saying ‘we are average, look at us, we’re your ideal place to do your surveys!’

“In 1986 when the current administration came into power, we came forward with urban regeneration and economic development plans and got involved in a very hands on way. The projects that have already happened in the last decade and a half have our hand print on them.

“Reading sees itself as the sub-regional capital, and the economic driver for whole of the region. In itself, that inevitably implies a certain amount of imbalance. You could argue that jobs are needed more in other places. We’re aware of regional imbalances, but the types of jobs coming to Reading are such that if they didn’t come here, they’d go to one of the European high-tech centres. We’re creating jobs for the good of Britain.”

“If we are to continue acting as a regional hub and economic driver, it is essential that we get continuing government support for housing and transport solutions. Initial indications show support will be forthcoming. This can be a partnership. If they play their part, we’ll play our part by building a great enthusiasm for living and working in Reading.”

Theme 2: Evidence of a change in direction in the relationship between central government and local government and an end to the days of “Whitehall Knows Best”

Telford & Wrekin

“The government ought to push the freedoms and flexibilities agenda much further. They should almost say – ‘Let’s have an experiment. You are excellent. Let’s push you out there and see what happens.’ They should learn to trust by letting go of the local authorities that are excellent. If the rewards are modest for being excellent, you have to ask, is it really worth the energy?”

“Part of trust is empowerment. All the government has to say is ‘this is where we want to get to’. Then allow us to help design the journey to get where we are heading using our vision that is more conducive to the ground we occupy.”

“The overriding culture in central government was to control everything. Only if you prove yourself do you get some modest freedom. We have a long way to go when local government is in charge of its own destiny. The direction is encouraging, but the nirvana state is a long way off.

“At the end of the day, you ought to empower local government to control far more freely their destiny. And the root of that is the ability to generate significant revenue locally. That’s still not on the horizon.”

Wigan

“Nothing joins up until it hits the ground. Look at community safety. You have the Lord Chancellor’s department trying to speed up justice; the Youth Justice Board; the Home Office. All of these are working with the same issue. If you want to actually do something about crime, you can’t reach out from Whitehall to a housing estate in Wigan and pull levers so that it all joins up. What you need to do is to empower local organisations to get on and attempt to do it.”

“The Government needs to recognise and reward people who are good and consistently well-performing, and it needs to be seen to be supporting them overtly – all the time, not just on occasion. We employ 10,000 people who work cleverly, produce well, commission cleverly, and in a sense that is hardly recognised.”

“The civil service like to judge processes – how it’s done, not what’s done. We should be given the freedom to go ahead and do things instead of running to the government office to get permission. Judge us on our outcomes. If people don’t like it locally, they can get us out.”

“I think there’s a battle to be had with the Government to get more freedoms and flexibilities. In government terms, it’s only been a blink of an eye since the Comprehensive Performance Assessment came out, but I’d say to them that you are going to have to really trust us. And if you can’t trust the ones who are ‘excellent’, who can you trust?”

Croydon

“There are two tensions the government hasn’t worked through: consistency versus diversity. Until government can understand that there are these two tensions, and decide which way they want to go, there will be confusion.”

“We’re seeing a greater willingness now from the government to devolve a number of responsibilities – for example, the ability to deal with untaxed cars on the road. Having the rights and flexibilities to deal with something straight away, rather than having a two year discussion with a government department, is incredibly important.”

“I have a confidence that things are starting to go in the right direction. I don’t know where the relationship will be in twenty years’ time, but I do feel that it’s starting to shift. We come from a tremendously centralised starting position. The gains have been small, but the key is whether we accelerate, or whether it will be cut off in its infancy.”

Reading

“At the moment, the message is pro-devolution of power. It’s often easier to say a message than to release the power. I am cautiously optimistic about the process of devolution.”

“Urban regeneration gives very good examples where local and national partnerships are working well.”

“One area we’re not happy with is the inspection regime and local government finance. There’s nothing new about that. We feel we have to devote too much time to responding to inspections. The fact that Reading scored ‘Good’ means we will have a lighter touch, but we don’t yet know the detail of exactly what a lighter touch will mean. But we’re looking forward to being touched more lightly. And we don’t feel the government has yet put right the awful financial relationship that operated during the 1990s, though they have taken positive steps nonetheless.”

“What would really make a difference would be finding a way of having access to more significant sources of funds. We haven’t got large amounts of money to shift around in terms of capital projects. Freedom from ring-fencing wouldn’t make much of a difference because we would not want to shift huge amounts of money from place to place. In many ways, we’re more interested in being freed up to having new sources of cash. We want to raise our own money.”

Theme 3: The impact of partnerships in growing the local economy, with particular reference to Local Strategic Partnerships (LSPs)

Telford & Wrekin

“We have a frontiersman mentality that grew out of adversity. Out of that has grown quite strong partnerships.”

“Local Strategic Partnerships are filling a vacuum. The majority of the people involved are government agencies and LSPs provide a mechanism to get the public sector to talk to itself. There is still a real silo mentality, and still strong cultures of sectoral agendas. As soon as there is any tension, each will put its own interest first.

“If you have players who aren’t playing, what the government has done with LSPs is to up the ante and push people around the table.”

“LSPs also get the public sector talking to the private sector, which historically we have been pretty poor at doing – and are still poor generally. Clearly, if you believe that ‘it’s the economy, stupid’, then that’s a major gap in the way Britain plc operates and engages with business. This is key to the vision that is needed for economic agendas. They should be private sector driven, but public sector steered with the road to achieving a holistic economy being that of a public-private partnership.”

“But there’s a political agenda running here. The government says we must engage more effectively with the community. Yet that’s what local government is meant to do – represent the community. Before the Comprehensive Performance Assessment process, government initiatives tried to bypass local authorities and undermine the role of the local councillor. The government has blind faith that if the community is involved, all will be okay. So you hand money and power direct to the community, but then you find it has no capacity, no organisation, no accountability to deal with it.”

Wigan

“We have very good, well-connected politicians in different service areas who go out and network well at all levels.”

“Partnership is partly about self-confidence, when you begin to feel you can achieve things rather than being on the defensive. We did feel on the defensive, mainly financially. We felt like a victim with budget cuts, losing power and control. We turned that around, saying ‘Let’s start to look at what we can do.’ We got to become more effective with smaller amounts of money. We put more money into training people, hiring graduate trainees, refreshing the ideas coming into the authority, chipping away at the old culture and making it a new one.”

“With any partnership, stakeholders have to see the value and benefit in being involved. To get around the potential barriers – mistrust between partners, an unwillingness to give up ground, wariness about committing resources – you have to demonstrate the value and benefit to participating agencies.”

“The way Wigan has set up its LSP has encouraged us to work more closely with the voluntary sector and other sectors. In the Cultural Partnership, the chair comes from the voluntary sector and we have more engagement with the community as a result. That has been helpful.”

“LSPs have to be compliant with so many rules and regulations to get accredited. It just kills off the spirit of cooperation. We did have a short period where the private sector was saying ‘if we have to jump through all these hoops, we’d rather not play at all.’”

“The accreditation process is just really creating jobs for people in a government office. We think there ought to be minimum control, providing things are working well and so long as all sectors are involved.”

Croydon

“We’ve had a Croydon Partnership for some time, with a strong business representation. The government’s model was rather different. Our model needed to reinforce the community and voluntary sector element. But there was a danger the business element would get lost within the process. So we set up a business partnership which would ensure that in moving to the LSP model as required, we didn’t lose the vital private sector element.”

“You’ve got to accommodate people in the way they feel comfortable with and make it relevant to them. For a lot of small businesses, they want to talk about rates and parking. People who are in the voluntary sector are interested in the health service or social care. You cannot have a one size fits all.”

“We have worried that the promotion of LSPs from Whitehall was part of a worrying and ultimately flawed philosophy about the strength of local government per say. There are some government ministers who grew up watching the stagnation of local authorities, and who are now carrying out an agenda towards local government informed by that experience. At the very same time, there are other politicians and departments talking about a new localism and about devolution of power. You’ve got to be careful that there isn’t a collision between an irresistible force and an immovable object.”

“If there is going to be devolution, then those who still have those worries will have to accept that delivery has to come through local government networks. They have to fix the local authority tent from within rather than try to walk around it.”

Reading

“Partnership is what we do, the way we work, the basis on which we operate. We’ve been having effective LSPs for over a decade. All our biggest successes come through that partnership working.”

“The LSP has a key role to play. It’s slightly different from development partnerships we’ve worked out in the past. It gives more of a voice to the rest of the non-local government public sector, the police, the magistrates, health, and the voluntary and community sector. In the past, between us, the council and private sector took a view about the way developments would best work in Reading and consulted, but it was effectively a public-private partnership.”

“With LSPs, other sectors will be drawn into discussions, so our partnership will be broader and more representative. And that’s very positive. I don’t think it will change outcomes very much. Real democratic accountable leadership will come from the council; in keeping with local priorities. With the Oracle redevelopment, the voluntary sector, housing and leisure component were very widely consulted upon. LSPs were not in existence then, but there was not much dissent about what we were doing.”

“The idea that things that were formerly done by the council alone in the past will in the future be done by a strategic partnership doesn’t scare us. We’re sufficiently confident in our leadership role.”

Theme 4: The factors of success**Telford & Wrekin**

“We’re outward-looking in terms of our place in the region, the country and the wider world. We don’t have a parochial view. There is an expectation by leading politicians and senior managers on people who are recruited here that they operate on the wider stage and are tuned into what’s happening in their area and what they can do to influence it. That’s true of every senior manager.”

“We’re very pragmatic. It’s what works. Partly that’s because we’re very young as a council and not steeped in a history of doing things one way. We’re relaxed about other partners taking the lead and not protective that we need to take control. We will form any high value added partnership that will make a difference.

“There is a culture of high ambition in the local authority which is stronger here than in lots of other places. We punch above our weight and deliver by sheer will and determination and intelligence. Having needs is not enough. If you want something, you have to put yourself about. And Telford doesn’t half put itself about.”

Wigan

“For Wigan as a Council, we needed to show quite strong leadership to manage the Robin Park project. If that hadn’t been in place, we would have struggled to move as quickly.”

“Stability is a key factor, both politically and managerially. Through that stability and leadership we have got a degree of shared values.”

“The strength for us is we have strong leadership and a very long period of political stability. It’s easy for a council like ours to have confidence to let go and share. We’re regarded as a stable, sensible influence that will be there for a long time.”

Croydon

“There are four C’s in terms of what we’ve been doing over the years. These key elements underpin our theory:

- *“Clarity of purpose: a place needs to have an understanding of where it is now and where it is going.*
- *“Commitment. You can’t do partnership on the hoof; you have to build a sense of long-term commitment in a climate of stability.*
- *“Confidence: confidence in the local economy as to whether people will invest or not.*
- *“Communication: The more people know and understand, the easier it is for them to feel part of it.*

Reading

“The council sees itself as a flagship, as a leader amongst councils. We don’t see ourselves solely as working on ideas within Reading, but making a national as well as a regional contribution.”

“Once you have a bit of track record, you can say to other people – look, we’re ambitious. We think big. We’re proud. You can look at these things we’ve done, these things we’ll do in the next few years, and these things we are confident we’ll do in the next ten or twenty years. You get a coherent, long-term story of pride, ambition, thinking big, and sticking to it. So you have practical examples to demonstrate to potential partners.

Then you have to have a long term vision of where you want to go. Any potential partner knows there’s an overarching vision of where we want to go in the next two decades. We set the policy agenda, and they bring forward proposals within it. They can do it with confidence, because they can speak to others who have been there, who have worked the Council, and invested in Reading.

“One important thing is getting young people to come forward as councillors. One thing I’m most pleased about is there is a significant group of councillors under 32. They are terrifyingly young. In many ways I see them as a prod as well as an inspiration. They’re there to tell me the way things need to go in the future. It’s no good making fun of these youngsters. In the longer term they’re right, the future belongs to them.”

Conclusions

The similarities between the phrases, imagery, and perspectives used by the interviewees in these case studies were almost uncanny. Either they are catch-phrases bandied about routinely within local government circles, or else they reflect a uniformity of experience and outlook amongst some of the best performing councils in the country.

Four main themes were covered: First, the extent to which local authorities see their role as growing the local economy.

Not all interviewees had an equal sense of the government's ambitions for local government to promote economic development in their localities. Nor did they have a uniform understanding of the economic ambitions the government had set for itself. More progress may need to be made in communicating and aligning priorities vertically as well as horizontally.

However, the four local authorities in these case studies all accepted that they have an influence over the health of the local economy. In some, the economic role of the local authority is considered to be its primary role to such an extent that it directs much of what they do and to even pose the question seemed superfluous. To others, the question 'to what extent is it our job to influence the local economy' was more relevant because their economic role is only emerging or strengthening.

Whether other local authorities throughout the country have grasped the nature and extent of their economic leadership is the question. Many of the interviewees suspected they are more economically pro-active than their peers in other local authorities, which they attribute in large part to their overall success. Convincing poorer-performing authorities to grasp the economic nettle will therefore be essential.

The second theme was about the changing relationship between central and local government.

In three of the four case studies, interviewees used the image of an oil tanker changing direction to illustrate the time and effort it takes to transform old

sparring partners into new allies. And the one word used more than any other in this section was trust.

Without exception, the participants in each case study emphasised the need for the Government to demonstrate its trust in the ability of well-performing local authorities by granting them freedoms and flexibilities. This accords with the government's own stated policy towards local government. The question remains as to how far the freedoms and flexibilities should ultimately reach.

The hope that relationship between central and local government is improving was tempered by a fear that the changes will be superficial, or worse, that the change in rhetoric masks ulterior motives. Politicians were more ready to believe that the government's rhetoric is genuine. Chief executives and officers were more sceptical.

Sometimes the cause for scepticism was rooted in specific experience, with interviewees recounting occasions when bureaucracy threatened to derail innovative projects or stifle initiative; or of being given contradictory guidance from different government bodies. Other times, the negativity appeared to be a knee-jerk response of those who feel they have heard it all before.

The next theme was about partnership, and particularly about Local Strategic Partnerships.

Strong partnerships were already formed in these local authorities, and their value already apparent to the leaders. A common characteristic is the interviewees' claim that they are happy to consult widely; that they welcome LSPs as a formal mechanism with which to break down silos or bring reluctant partners to the table; that they are relaxed about letting others take the lead whenever devolution makes sense. Their criticism was confined to perceived inflexibilities in the formation and implementation of the LSP structure.

At the same time, local authority leaders and managers expressed a desire to have greater autonomy over areas they administer. They pointed variously to

local governance systems in France, Germany, and the Netherlands as models to aspire to. So the rhetoric of local government willing to let go and devolve power sat side by side with a plea for greater power and control. This need not necessarily be contradictory. Having the power to give it away was seen to be an important part of leadership, and of being able to bring other partners on board.

Finally, case studies sought to identify the ‘winning characteristics’ of well-performing councils.

The answers that emerged were not surprising: strong leadership; a clearly articulated vision for the future; the help and participation of other key players in achieving the vision; and the support and confidence of the community.

The harder questions to answer were how do you get strong leadership in the first place? What procedure do you use to map out an inspiring vision for the future? How do you convince the private sector to invest or the voluntary sector to pool some of its precious resources? How do you convince a largely apathetic or sceptical public to put its confidence in you?

Some advice was forthcoming: invest in people; train them, refresh your organisation by bringing in young people with ideas. Start with a single success, then publicise the success to create a virtuous momentum. Plan for the future by building on your natural strengths. Be outward looking; see yourself as not just local leaders but players on the regional, national and even European stage. Consult, communicate, and persuade others to buy into a vision for the future which they want to see realised as much as you do.

This final lesson is particularly important and relevant. If the government is going to be successful in its ambitions for full employment, higher growth and greater prosperity across the regions and within them, then securing the buy-in of local authorities – and their role in delivering it – will be essential. Just as local authorities are tasked with the mission to bring the private and voluntary sectors to the table, so too must central government bring local government to their table.

In keeping with the image offered of an oil tanker changing direction, the case studies suggest that it is poised at mid-turn. Either it must complete the turn and head in a new direction; or it will drift back into position and continue along the same course as charted before. There is hope amongst the interviewees that the favourable winds of change are blowing and that a new era of localism has indeed arrived.