



## Japan Local Government Centre, London

### Monthly Report for December 2011 – Local Economic Development in the UK

#### *Background*

Though now a considerably mainstream activity, backed by successive government white papers, the original policy context for local economic development (LED) in the UK was largely driven by the history of local government during the 1980s, when local councils (particularly urban) began to develop pro-active and robust responses to rising unemployment and social tensions in the inner cities. One frontrunner in this regard was the Greater London Enterprise Board set up by the GLC's Ken Livingstone in 1982 to fund small business development in the capital, particularly in disadvantaged areas (since GLC abolition in 1986 operating as Greater London Enterprise, a municipally-owned company). The traditional role of local councils had until that point been concerned with the delivery of education, social welfare and environmental services and it was expected to continue doing so by central government (Conservative 1979-1997) rather than engage in costly and 'interventionist' local economic policies to alleviate unemployment (which was seen as a national policy area) using ratepayers' money. Indeed the 1989 Local Government and Housing Act placed a financial cap on local authorities on what local economic development initiatives they could undertake (alongside political neutrality controls on council advertising and publications). This cap was later repealed in the 2000 Local Government Act, with its power for councils to "promote the economic, social or environmental well-being" of their area, which gave them some legal discretion to initiate policies and projects to promote the local economy outside of the doctrine of ultra-vires (for instance, to finance infrastructure improvement without being prosecuted for exceeding their powers). The well-being powers were themselves superseded by the general power of competence in the 2011 Localism Act.

Local economic development and associated activities such as tourism promotion (which until recently was considered separate to local economic development alongside cultural policies such as libraries and museums) are discretionary powers available to local authorities rather than a statutory duty, meaning that such activity is not uniform across the country nor protected from budget cuts. Previous Monthly Reports have detailed how councils have responded to budgetary pressures by reducing or streamlining tourism promotion (despite the need for local growth through such activity), while the emergence of Local Enterprise Partnerships as non-statutory but centrally-funded economic promotion vehicles above the local authority level has also (in some cases) seen local economic development scaled back at council level in favour of allowing such bodies to take on the role instead. However, the 2009 Local Democracy, Economic Development and Construction Act passed by the last Labour government placed upper and single tier authorities under a statutory duty (since April 2010) to prepare an assessment of local economic conditions upon which council economic strategies and policy responses could be guided by a robust evidence base of local strengths, weaknesses, opportunities and threats.

### Case 1. Derby City Council

Derby is a city and unitary authority in the East Midlands region, formerly the county town of Derbyshire (until 1974). Its population is 236,000 and it is still (compared to other cities) dependent on heavy industry (for instance the headquarters of Rolls Royce and train manufacturer Bombardier). The city's Economic Strategy 2011-2016 was drawn up by the Derby Renaissance Board, which consists of the council leadership and local business figures and is driven by the data provided by the statutory local economic assessment. As well as a vision for the city in 2016 and 2026, driven by the need to rebalance the local economy more to the private sector away from the public sector (the city and county council have historically tended to provide most services in-house compared to other English councils because of local political preference) and make the most of the opportunities to shift to a more low carbon society, it is also aligned to an honest assessment of strengths, weaknesses, opportunities and threats. The strategy is informed by separate sub-strategies:

- Enterprise Growth Strategy
- Visitor Economy Strategy
- City Centre Regeneration Framework
- Demand for Future Skills Study
- Inward Investment Strategy

It is also worth noting that local economic development is distinct (although inherently linked to the success of) council regeneration strategies, which are more aimed at enhancing community life and generating more sustainable places, while local economic development involves promotion of place and partnership with business to provide jobs and growth to local people. Increasingly however councils have made reductions in local economic development sections in favour of relying on central government initiatives such as Local Enterprise Partnerships and Enterprise Zones, while in the largest cities the task has largely shifted to public-private arms length promotion bodies.

### Case 2. Rutland County Council

Rutland is a rural unitary council created in 1997 after its earlier abolition as a county in 1974. The wholly rural and landlocked 'county' has a population of just 38,000 and is the smallest unitary authority in England. The county 'town' and sole 'urban' settlement of Oakham has just 10,000 residents. The council is currently revising its Economic Strategy but has published its intention to pursue under it:

- Getting the best possible broadband provision throughout the county for businesses and home users
- Engaging with our local businesses and meeting their needs
- Supporting local workforces with training and skills development
- Working with our partners to help provide better housing and transport for local people
- The regeneration of Oakham

- Supporting the traders and businesses in Uppingham and Oakham
- Supporting village and rural based businesses
- Providing quality work and office space throughout the county
- Encouraging inward investment and the creation of new jobs

In the context of rural areas, there is the perception that such areas are already affluent and therefore do not require attention, although even the most affluent of rural authorities have pockets of social disadvantage. In rural areas local economic development is primarily concerned with promoting market towns and economic diversification (e.g. farms offering seasonal accommodation to tourists), but the abolition of Regional Development Agencies has seen funding for these kind of projects run their course, with few remaining available funding sources.

In all types of local authority, urban and rural, particular emphasis is now shown toward economic resilience of place, that is policies aimed at ensuring communities can withstand (or 'bounce back' from quickly) economic, social and environmental 'shocks'. Examples of such shocks are the closure of a major employer in an area, environmental disasters or phenomenon such as the summer 2011 riots. The Centre for Local Economic Strategies recommends that council economic strategies focus on social relations as well as growth and avoid the trap of concentrating solely on 'hard' economic concerns (business start-ups, land) and instead consider neighbourhood renewal and community empowerment. In particular, local economic strategies need to be informed by local identity, context, history and culture in order to be truly informed by the 'sense of place' regarded as essential for economic resilience. It also suggests that local economic development and land use planning need to be better integrated (the 'public economy') and better use made of the local third sector (the 'social economy'), if places are to become more resilient (*Towards a new wave of local economic activism*, 2009).

#### *Supporting local economic development*

The emergence of a more confident and assertive local democracy in England during the strained and polarised central-local relations of the 1980s saw the creation of a number of national-level organisations aimed at supporting (and defending) local councils in their new-found economic and social role (e.g. the Local Government Information Unit). The Centre for Local Economic Strategies was set up in 1986 to provide policy research, training and briefings to local authorities and voluntary groups around local economic development issues, while in academia the Local Economic Policy Unit at London South Bank University created in 1983 undertook analysis of the discipline and emerging policy field. Both continue to this day, publishing journals and blogs.

#### Case 1. Chief Economic Development Officers' Society (CEDOS)

CEDOS is the professional body for the senior officers at county and single tier authority level engaged in local economic development work and acts as a forum for discussion and best practice dissemination. The society meets quarterly in London to discuss local cases and receive presentations on national policy, as well as publishing regular reports around best practice and use of economic data. The society is run by an executive committee consisting of members elected from local authorities, the officers working in the sector at director or manager level.

[www.cedos.org](http://www.cedos.org)

#### Case 2. Institute of Economic Development (IED)

The IED acts as a professional body to represent the interests of economic development practitioners at all levels in both the public and private sectors, for instance both council staff and those working in consultancy. The institute is constituted as a non-profit company with directors elected from its members. It engages in both training (including the provision of professional qualifications at master's level in collaboration with universities) and dissemination of technical knowledge. The institute's chair is the managing director of an economic development consultancy, while the vice chair is a city council assistant head of economic development and tourism. Other directors are drawn from consultancy, local government and regeneration agencies. The institute also publishes a Code of Ethics for the sector and a director of member consultants for local authorities to refer to.

[www.ied.co.uk](http://www.ied.co.uk)