



## Local economic development

*Housing, Local Government and Transport Policy Commission*



Thank you for taking part in the Labour Party's 2019 National Policy Forum Consultation, the Party's process for getting input from our members, supporters and stakeholders on how we shape our policies.

This booklet is one of eight policy documents published by the Labour Party as part of our consultation this year.

Each document contains sets of questions for you to answer. You do not need to answer every question, nor is there any specific way to answer them. We suggest picking the questions most important to you and using them as a guide to write a few lines or paragraphs on what you think about the issues in this area.

At the end of the document you can find a guide on how to send in your ideas to us and other ways to get involved in the consultation.

There are seven other documents that might interest you covering different areas of the Party's policies, you can find them in the consultation pack or online. If you have an idea or issue you would like to talk about that is not covered in this year's consultation, you can submit these to us too via [www.policyforum.labour.org.uk](http://www.policyforum.labour.org.uk)

Whether you're a Labour Party member or not, we want to hear your ideas on how the next Labour government should tackle the challenges our country faces, and build a more equal Britain for the many, not the few.

### **Want to know more about how Labour makes policy?**

You can learn more about how Labour makes policy, further details about the 2019 Consultation and find policy events in your area on our website [www.policyforum.labour.org.uk](http://www.policyforum.labour.org.uk)

### **ACCESSIBLE MATERIALS**

The Labour Party is an inclusive member-based organisation that prides itself on being accessible to all who share its values. If you would like an accessible version of these documents please email us at [policydevelopment@labour.org.uk](mailto:policydevelopment@labour.org.uk) to discuss how we can best accommodate your requirements.

## Local economic development

### Empowering local people to transform their local areas

Britain's economy is the most geographically unequal in Europe, with huge variation in the strength of local economies across the country. Economic restructuring has concentrated businesses and jobs in some parts of the country while destroying the economic base of others, leaving many communities hollowed out and disillusioned.

Turning round years of economic neglect will require coordinated action at all levels of government. Labour's 2017 manifesto set some crucial steps and, since the election, through the Community Wealth Building Unit and the Shadow Chancellor's "Road to Rebuilding Britain" tour, the Party has been developing ideas about how its programme can be developed and implemented locally. The Shadow Minister for Planning has also established a commission with the aim of empowering communities to shape the development of their local areas.

This consultation will serve as the next step in that process, asking what key issues areas across the country face, and what suite of policies are needed to turn Britain around on a local level. It will invite views on what policy levers Labour should use in government to support local economic development, what institutions should pull those levers and whether they need reforming, as well as what Labour councils can do now to start laying the ground for the road to rebuilding Britain's economy.

## What can Labour councils do now?

While decentralising decision-making is important, undoing years of economic neglect across the country will require radical action by a national Labour Government. Nonetheless, there are many local authorities and mayoralities in which Labour are already in power. We do not need to wait for a national Labour Government to start turning local economies around.

The outsourcing of many of councils' functions to the private sector has taken money out of local areas and given it to large and often remote corporations. This has come with loss of accountability, lower service quality, and a deterioration of the terms and conditions of the workforce. Insourcing can create good local jobs and bolster local economies.

The public sector can also be a driver of change beyond directly providing public services. Other ways of extending community control over local economies include: spending public money locally; giving new opportunities to local suppliers and expanding local demand through a multiplier effect; and encouraging employers to adopt the Real Living Wage. All these wider community wealth building strategies not only improve local economic development, but do so in ways that give local business and local communities a bigger share and stake in the local economy.

- How can councils use insourcing to support their local economy?
- What role can Community Wealth Building techniques play in the development of local economies?
- How can councils use the planning system and other instruments to support local high streets, for example, by bringing empty commercial properties back into use?
- How can Labour councils in different parts of the country work together to build mutually-beneficial economic ties?

## The future institutional framework

Revitalising and enhancing local areas is key for the Labour Party. But for many people politics is too distant from them, too many of the decisions that have an impact on their lives are made in Whitehall and do not reflect their needs and priorities. The centralisation of decision-making in Westminster has coincided with the concentration of economic activity in London and the South East. Rebalancing our economy, and creating vibrant local economies across the country, will rely on a strong set of institutions,

achieving better distribution of decision-making and ensuring that policy levers are pulled at the level at which they are most likely to be effective.

- **Local Enterprise Partnerships (LEPS)**

- Should Labour retain LEPS as a key body for defining local priorities and directing local economic development?
- If yes, how could they be reformed?
- If no, what should replace them?

- **Devolution**

- Is the current deal-based approach to devolution working? How could it be improved or replaced?
- What role is there for regionally-based institutions in local economic development? What should such institutions look like?
- How could the capacity of local government to support economic development be improved?

## Identifying the right policy mix

While some of the changes to Britain's economy over the last forty years have been natural and inevitable, in many cases the loss of our industrial base and the concentration of businesses and economic activity in some parts of the country rather than others has been the result of mismanagement and policy failures. Turning that situation around, and rebuilding the strength and resilience of every local economy across the country, will require policy-makers to use a range of policy levers. Using each of these levers effectively, and identifying the right over all policy mix, will be crucial.

In some cases reform is needed to make these policy levers more powerful and effective. For example, planning authorities often lack the capacity to deliver a desirable mix of activities take place in a local area, and ensure that local areas are not proliferated with betting shops and fast food restaurants. Local economic development could be given more weight when decisions about public spending decisions are made. Enterprise Zones can be useful in targeting development in particular places, but only if the incentives offered for investment are right.

**For each of the following:**

**(a) How can each of the following be used to support local economic development?**

**(b) How can each of the following be reformed to strengthen the role they can play in local economic development?**

- Planning
- Public procurement
- Enterprise Zones
- Housing provision in the public and private sector
- The energy system and low carbon economy
- Local bank branches
- Transport
- Devolution reform and strategy

Britain's exit from the European Union is likely to impact on the policy framework shaping local economic development in a number of ways. EU State Aid rules presently set limits on the extent to which public sector financial support can be offered to private sector businesses. Not only does the UK presently make little use of the existing opportunities to support business, any flexibility arising from the terms of Britain's exit from the EU could create further scope for using state aid to promote local economic development. In the present spending round, the UK is set to receive around £1.3bn a year from EU Structural Funds, targeted at Britain's least prosperous regions. The Conservative Government have pledged to replace the Structural Fund with a Shared Prosperity Fund.

**(c) How should Britain use state aid to support local economic development? How should state aid rules be reformed if greater flexibility is introduced on Britain's exit from the European Union?**

**(d) What should replace EU Structural Funds? On what basis and for what purposes should any replacement funds be distributed?**

Thank you for taking the time to read our consultation document.

We want to harness the views, experience and expertise of our members, stakeholders and the wider public. If you would like to respond to any of the issues in this document, there are a number of ways you can get involved:

- 1. Online:** The best and easiest way to send in your ideas and join the discussion is via our online home of policy making:  
[www.policyforum.labour.org.uk/consultation2019](http://www.policyforum.labour.org.uk/consultation2019)
- 2. By post:** If you have written down your ideas, you can post these to us at:  
The Labour Party,  
Policy Unit,  
Southside,  
105 Victoria Street,  
London, SW1E 6QT
- 3. At your local party:** You may want to discuss your ideas with other members of your CLP or local branch. You can suggest to your CLP Secretary that a policy discussion is held at a future meeting.
- 4. Regional Policy Forums:** Look out for events hosted by your regional office, local parties and National Policy Forum Representatives.

You can find out more about the 2019 consultation, upcoming events and more details on how Labour makes its policy at

[www.policyforum.labour.org.uk](http://www.policyforum.labour.org.uk)

Follow us on Twitter for regular updates during the consultation

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**Please send your ideas before the consultation period ends, it runs until Sunday 30 June 2019.**

