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RAISING THE BAR:

Driving local authority and private sector engagement

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This report provides an exploration of current private sector policy and practice between local authorities and the private sector in the area of economic development.

The report is intended to inform those working in both the public and private sector in local economic development.

The British Chambers of Commerce is the national body for a powerful and influential network of Accredited Chambers of Commerce across the UK; a network that directly serves not only its member businesses, but the wider business community. Representing 100,000 businesses who together employ more than 5 million employees, the BCC is the ultimate business network. Every Chamber sits at the very heart of its local community working with businesses to grow and develop by sharing opportunities, knowledge and know-how.

The project team was Mark Tucker and Sarah Neat with contributions from Kevin Hoxtor from the BCC.

The team would like to thank all those interviewed as part of this project for their invaluable contributions.

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Foreword

Local Authorities need to understand and act upon the needs of business in the decisions they make about local economic development. This is because companies are the creators of wealth and prosperity in their communities; they regenerate and revitalise underdeveloped communities through creating jobs with higher skills. They can also instil civic pride, aspiration, a can-do mentality and a vision for the future, as well as generating the taxes needed to deliver high quality public services.

As we face a more difficult economic climate, the need for more effective business and local authority relations is even greater. Unfortunately, the experience of too much of the business community up and down the country remains disappointing. Tick-box consultations and talking shop meetings are still too common, rather than the genuine role in local decision-making and delivery for business that is needed.

This is not only an issue for local authorities to address, the business community must also play its part. Local Chambers of Commerce, representing the business voice in their areas, currently work closely with local authorities in their area in order to support business growth and will need to step up to this challenge.

Fortunately, CFE and BCC's report, *Raising the Bar: Driving local authority and private sector engagement* shows how local authorities and business should work towards developing a new long-term, private sector focussed engagement culture.

Based upon research of the experiences of local authorities and Chambers of Commerce, it recommends that:

- economic development policy based on local authority and business engagement must be made a top local priority; and
- the increased levels of trust and motivation required for effective engagement can be achieved through having realistic expectations, business-like communication methods and better demonstration of the benefits of engagement for both parties.

Achieving the shift towards much better local authority and business relations will be a challenging task, but it is a challenge that could well prove critical for our economic future.



David Frost
Director General
British Chambers of Commerce

Executive Summary

- 1 CFE and the British Chambers of Commerce (BCC) have undertaken a collaborative project exploring the relationship between local authorities and the private sector in local economic development.
- 2 There is wide recognition that effective public and private sector partnership working is key to achieving local economic development ambitions in all areas. This issue is gaining increased interest and attention at all levels of government.
- 3 We can summarise three main directions of travel in policy development within this area. Firstly, an increased emphasis at all levels of government on engaging the private sector in local economic development. Secondly, a commitment to devolve responsibility for local economic development from national to local areas; particularly highlighting a role for local authorities. Thirdly, the development of policy interventions that enable and encourage local authorities to take a lead role in local economic development and engage with the private sector.
- 4 This report summarises the current policy direction and specific interventions in place to support local authorities to take a lead in local economic development and enhance their private sector engagement. It draws on examples of current practice, highlighting the importance and benefits of private sector engagement. It considers the current issues with private sector engagement and identifies the practical steps needed to ensure that private sector engagement is effective. It also discusses the challenges to private sector engagement moving forward.
- 5 This report builds on the ongoing work carried out by the BCC with their Chamber members to ensure that private sector engagement by local authorities is meaningful and delivers positive outcomes to the business community.
- 6 Their work identified a set of criteria for effective local authority and private sector engagement as a platform for both sectors to work on improving the current situation in the future, namely that:
 - (i) Public bodies need to engage with business in a way that recognises their importance to the local economy.
 - (ii) Public bodies need to conduct business engagement in a business-like manner.
 - (iii) Business groups must be able to offer business representatives policy support.
 - (iv) Business needs to ensure high-quality business representation.

- (v) Business representation needs to be supported by an independent body.¹

Key recommendations

- 7 The research identified a number of recommendations for local authorities and Chambers of Commerce moving forward to ensure that private sector engagement is meaningful and delivers positive economic outcomes for local areas.

1. Developing meaningful engagement

In order for private sector engagement to be meaningful, it requires local authorities and Chambers of Commerce to:

- devote time to building relationships in order to foster motivation and trust;
- demonstrate the benefits of engagement to the private sector;
- have realistic expectations of one another in terms of the speed of local authority decision-making, the capacity of Chambers (and the broader private sector) to engage, the difference in agendas and the issue of local authority boundaries;
- avoid public sector jargon;
- demonstrate the benefits to the private sector of engaging; and
- have ongoing informal communication.

2. Local authority capacity

Local authorities and Chambers have expressed concerns that local authorities do not have the capacity to deliver Regional Development Agency (RDA) functions if they were to be accountable for them.

Therefore it is recommended that local authorities should be prepared to use existing private sector structures, skills and experience as a mechanism for providing services to the private sector, rather than set up their own public sector structures that duplicate existing services to businesses (e.g. Chambers).

¹ British Chambers of Commerce Response: Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration - June 2008

3. Ring-fencing of economic development funding

In the future, local authorities will have complete discretion of a number of funding streams generated by, or originally intended for, local economic development. Therefore it is recommended that local authorities should:

- work with the private sector to build an evidence base to attract external and local authority funding to local economic development priorities; and
 - explore localised ring-fencing as an option
-

4. The role of specific policy interventions in future

Specific policy interventions have gone some way to providing mechanisms for private sector engagement. However, they have not gone far enough to a) define mechanisms that allow the private sector to make a meaningful contribution to local economic development and b) offer opportunities across the variety of local areas and their geography.

It is important for central government to use these mechanisms as a tool for facilitating a more open discussion between local authorities and Chambers.

5. The SNR policy vacuum

The research has shown that, in lieu of central government decisions, local authorities have struggled to define their role as local leaders of economic development. This has put a strain on their relationship with the private sector.

Central Government needs to be clear about the roles and responsibilities it expects local authorities to have in economic development to ensure that effective private sector engagement can take place.

6. Implications of new government policies

There have been a number of recent policy developments (including unitary status bids) that have the potential to act as a barrier to private sector engagement. As previously discussed, Chambers are broadly positive about the future implications of these developments.

Local authorities need to keep the private sector informed during these policy changes and manage their expectations about the implications of them and the impact they will have on the sector.

1 Aim & methodology

Aim

- 1.1 The aim of the project was to produce a report exploring local authority private sector (i.e. representative bodies and individual businesses) engagement in promoting local economic development. The research aims were to:
- give an overview of current policy direction at a national and local level in relation to private sector engagement in England;
 - explore the different types of engagement that exist;
 - explore the factors that influence the extent of engagement;
 - draw out positive examples;
 - highlight existing problems;
 - identify the challenges moving forward; and
 - make recommendations for future effective business engagement in local economic development.

Methodology

- 1.2 This report was compiled using a multi-method approach comprising:
- desk-based research on government policy direction and economic development interventions; and
 - sixteen qualitative interviews with Chambers of Commerce (as representatives of the private sector) and local authority economic development leads (as representatives of the public sector) exploring engagement within each region (excluding London because of its unique political setup in terms of economic development).
- 1.3 We carried out desk-based research to explore current policy direction in economic development and the specific government interventions that have been developed in the area.
- 1.4 We carried out 16 in-depth, qualitative, 30 minute interviews with local authority economic development leads and Chamber of Commerce representatives.
- 1.5 Our sample was selected following discussions with the BCC. It comprised a local authority and Chamber of Commerce per region (excluding London) to

give a good regional spread and covered a mixture of Unitary and Two-Tier authorities.

1.6 Our local authority sample was:

Region	Local Authority
East Midlands	Leicester City Council (Unitary)
East Midlands	Leicestershire Chamber of Commerce
East of England	Norfolk County Council (Two-Tier)
East of England	Norfolk Chamber of Commerce
North East	Northumberland County Council (Two-Tier)
North East	North East Chamber of Commerce
North West	St Helens Council (Unitary)
North West	St Helens Chamber of Commerce
South East	East Sussex County Council (Two-Tier)
South East	Sussex Chamber of Commerce
South West	Cornwall County Council (Two-Tier)
South West	Cornwall Chamber of Commerce
West Midlands	Coventry City Council (Unitary)
West Midlands	Coventry and Warwickshire Chamber of Commerce
Yorkshire and Humber	East Riding of Yorkshire (Unitary)
Yorkshire and Humber	Yorkshire and Humber Chamber of Commerce

1.7 Each interview was transcribed and fully analysed using thematic grids. Specific quotes and comments have been anonymised to ensure no individual, local authority or Chamber of Commerce is identifiable from this report. Comments are attributed to 'local authority' and 'Chamber' in every instance in the interests of confidentiality.

What is 'the private sector'?

1.8 In central government guidance, 'the private sector' is an umbrella term that encompasses both individual businesses and business representative organisations (such as a Chamber of Commerce).

1.9 As mentioned above, in this report Chambers were used as representatives of the private sector.

What is 'engagement'?

1.10 Engagement spans a number of activities. For the purposes of this report, private sector engagement has been split into three types:

- strategic consultation – the private sector as a consultee or board member;
- project delivery – the private sector as a delivery partner; or
- business sector-funded projects – the private sector as a funding partner.

2 Current policy direction

2.1 There have been three key trends in policy development to promote local economic development:

- *a commitment at all levels of governance to private sector engagement;*
- *devolution of responsibility for economic development to the sub-regional and local level; and*
- *specific policy interventions designed to facilitate local authorities to take a lead role in local economic development and encourage them to engage with the private sector.*

The implications of these policy trends are that local authorities are required to:

- demonstrate their capacity to lead on local economic development; and
- have a detailed understanding of the private sector.

A commitment at all levels of governance to private sector engagement

2.2 A wide range of government guidance on local economic development acknowledges the importance of engaging the private sector. For example, at the national level:

'Effective engagement between the public and private sectors is needed to maximise the combined impact of public and private investment, including through ensuring a shared understanding of objectives and priorities, and through making use of private sector expertise and finance in delivery of public sector interventions. This will help ensure the public and private sectors best support each other through their respective interventions'.²

2.3 Similarly, at the local level:

'More effective working with business is required at every level...Local business communities... need to be involved in establishing priorities both as users of local services and in working with partners such as Regional Development Agencies in developing economic development priorities'.³

² *Review of sub-national economic development and regeneration* – HM Treasury (July 2007)

³ *Development of the new LAA framework* – HM Treasury (November 2007)

- 2.4 This commitment to engage the business sector is strengthened by an acknowledgement that it is also important for local authorities to be accountable to the business sector:

'Councils have the responsibility to provide leadership that is accountable, visible and responsive to their communities and to work in partnership with the local statutory, business and third sectors, and collectively to drive continuing improvement... We will work together to develop a new relationship between local businesses and councils'.⁴

Devolution of responsibility for economic development to the sub-regional and local level

- 2.5 The Review of Sub-national Economic Development and Regeneration (2007) (SNR)⁵ set out the principles for the devolution of responsibility for local economic development from Regional Development Agencies (RDAs) to local authorities and sub-regional partnerships.
- 2.6 The SNR proposed that local authorities should take control of the current RDA functions including responsibility for regional business development, competitiveness and inward investment. The SNR consultation document sets out a range of potential structural changes including: the creation of a Local Authorities Leader Forum⁶; and the creation of an economic duty on local authorities.⁷
- 2.7 This increased emphasis on private sector engagement will be reflected in the new assessment process for local authorities. From April 2009, under the new Comprehensive Area Assessment (CAA)⁸, local authorities will need to demonstrate that they have engaged the private sector in defining local priorities and services. Local authorities will be expected to:

'...have evidence on how they have involved all named partners and other important contributors such as the third and business sectors'.⁹

Specific policy interventions

- 2.8 Specific policy interventions have been designed to ensure that local authorities are engaging the private sector in local economic development and promoting a more collaborative approach to delivery. These interventions

⁴ *Community in Control: Real people, real power* – Communities and Local Government - (July 2008)

⁵ *Review of sub-national economic development and regeneration* – HM Treasury (July 2007)

⁶ Responsible for communicating local and sub-regional economic development priorities to the respective RDAs and to Central Government.

⁷ To conduct an analysis of the economic condition and priorities of their local area and thus reflect the needs of the local economy.

⁸ The CAA will replace the existing Comprehensive Performance Assessment (CPA) and move assessment from just the local authority to the local authority and its partners.

⁹ *Development of the new LAA framework* – HM Treasury (November 2007)

have the potential to strengthen the relationship between local authorities and the private sector.

- 2.9 Current interventions all: a) share an acknowledgement that local authorities should engage the private sector when designing and implementing economic development services and projects; and b) document mechanisms local authorities should use to engage the private sector.
- 2.10 A range of interventions are discussed here. It is not within the scope of this paper to objectively assess whether one intervention is more effective than another. This section examines government rhetoric in relation to these types of interventions. The interventions, as mentioned previously, are divided into three types of engagement:
- strategic conversation – the private sector as a consultee or board member;
 - project delivery – the private sector as a partner in service/project delivery; and
 - business sector-funded schemes - the private sector as a funding agency for initiatives or projects.
- 2.11 Specific initiatives under these headings are summarised in the table below:

Type of engagement	Government initiative
Strategic conversation	Local Area Agreements
	Multi-Area Agreements
	Regeneration and Economic Development Companies
	City Growth Strategy
	Employment and Skills Boards
Project delivery	Local Enterprise Growth Initiative
Business sector-funded schemes	Business Improvement Districts

Strategic conversation

- 2.12 There are a number of policy interventions that aim to promote business engagement through strategic conversation (i.e. the private sector as a consultee or board member). The section below outlines some of these types of government initiatives.

Local Area Agreements

- 2.13 Local Area Agreements (LAAs) have existed since April 2005. They are agreements between local authorities and other public sector partners to collectively set local priorities and deliver services/projects in collaboration to address them.
- 2.14 Although not exclusively focused on economic development, LAAs are now the primary vehicle for determining and delivering local priorities in every upper tier local authority. The business sector therefore has a vested interest in ensuring that its priorities are included in an area's LAA.
- 2.15 Each LAA is required to select up to 35 indicators from the list of 198¹⁰ National Indicators that it deems to be important local priorities. Local authorities will report on all 198 indicators but those chosen as local priorities will drive the vast majority of local authority spending and activity at the local level.
- 2.16 Thirty four of the 198 National Indicators¹¹ relate to 'the local economy'. A number of the indicators are explicitly relevant to the business sector including '174 – Skills gaps in the current workforce reported by employers' and '182 – satisfaction of business with local authority regulatory services'. Therefore it is important that the business sector is given a voice in LAAs.
- 2.17 Central government guidance makes it clear that the business sector should be consulted in the development of LAA priorities. From April 2009, local authorities will be subject to a new '*duty to involve...representatives of local persons*'¹². This will require local authorities to:
- effectively consult the business sector in setting local economic development priorities;
 - represent business needs when setting local priorities and delivering projects to address them; and
 - extend opportunities to the business sector for joint-development or delivery of projects that impact on local economic development priorities.

¹⁰ In statutory guidance there are 198 indicators. At present, there are 196 following negotiations between local authorities and central government.

¹¹ The National Indicator set is a list of the 198 priorities on which local authorities must deliver projects through the LAA and their statutory services - Development of the new LAA framework – HM Treasury (November 2007)

¹² 'The term 'local persons' is not simply a reference to local residents. It also covers those who work or study in the area (including those who work for the authority); visitors; service users; local third sector groups; businesses; bodies such as parish councils; and anyone else likely to be affected by, or interested in, the function.' – 'Creating Strong, Safe and Prosperous Communities Statutory Guidance: Draft for Consultation' – HM Treasury (Nov 2007)

- 2.18 In addition, local authorities are encouraged to engage the business sector as a strategic partner within the LAA. Strategic responsibility for the LAA falls with a Local Strategic Partnership (LSP) comprising public and private sector representatives. Central Government guidance states that the business sector should be represented on the LSP board:

'[Businesses should be]...included in the membership of the LSP and relevant sub-groups, and [it should be] clear how they influence decisions and actions of the LSP'.¹³

Multi-Area Agreements

- 2.19 Multi-Area Agreements (MAAs) are voluntary sub-regional partnerships designed to address issues that are more effectively dealt with at sub-regional level¹⁴ (for example, housing or transport) rather than a local level (e.g. through an LAA).
- 2.20 The concept of an MAA has been discussed in a number of Government documents¹⁵. However, unlike LAAs, the 'duty to involve' does not currently extend to MAAs and therefore there is no explicit commitment to engaging the business sector in them.
- 2.21 However, it is clear that, like LAAs, the business sector has a vested interest in influencing the priorities that form the MAA and therefore would benefit from engaging.
- 2.22 In principle, MAAs offer the business sector a number of opportunities to be involved in local economic development, similar to those opportunities afforded by the LAA. There is an opportunity for the business sector to be involved in the consultation process when deciding on sub-regional priorities. There is also an opportunity for the business sector to sit on the board of the MAA.
- 2.23 Thirteen sub-regional areas have already, or are in the process of, developing MAAs, of which seven have been formally signed off. As none are yet fully operational, there are few examples of how they work in practice. What is clear is that MAAs are likely to take on an enhanced role for other sub-regional issues (such as education and skills) and therefore are potentially a sustainable platform to build effective business engagement that is not linked to one-off initiatives.

¹³ 'Creating Strong, Safe and Prosperous Communities Statutory Guidance: Draft for Consultation' – HM Treasury (Nov 2007)

¹⁴ For example across local authority boundaries

¹⁵ Including 'Strong and Prosperous Communities – Department for Communities and Local Government (Oct 2006) and the Review of sub-national economic development and regeneration – HM Treasury (July 2007)

Regeneration and Economic Development Companies

- 2.24 These organisations include City Development Companies (CDCs), Economic Development Companies (EDCs) and Urban Regeneration Companies (URCs). The current drive is towards the Economic Development Company model.
- 2.25 These types of company are not-for-profit, non-statutory organisations made up of public and private sector partners that aim to improve economic conditions in an area. For example, URCs are non-statutory private companies that aim to identify local regeneration priorities, develop a strategy and deliver projects within that strategy that improve the economic prosperity of an area. The private sector has a vested interest in the regeneration of deprived areas to improve the local economic climate in which it operates.
- 2.26 There are 21 URCs in the UK. They comprise local authorities, local employers, amenity groups, community groups, RDAs and English Partnerships. As the Urban Regeneration Company Online website says:

'They seek to achieve a radical physical transformation of their areas through implementation of their shared vision in a way that could not be achieved through individual ad hoc decisions'.¹⁶

- 2.27 URCs offer the business sector an opportunity to be involved in shaping the regeneration priorities of their local area. The business sector is engaged via the consultation process for the formation of the strategy. The business sector is also typically involved as a board member.

City Growth Strategy

- 2.28 City Growth Strategies (CGSs) are designed to put the private sector at the heart of city economic regeneration. CGSs were first introduced in the UK in July 2001 as a pilot. To date, 14 cities have created CGSs. They are based on a US model that recognises that sustainable economic development in deprived areas will only be achieved by building a competitive business environment that generates jobs, income and wealth opportunities. As such, the private sector has a vested interest in achieving the aims of the strategy.
- 2.29 The private sector has opportunities to engage with local authorities on a consultative basis when defining the local priorities of an area. The strategy is delivered by a City Growth Company with private sector representatives. These mechanisms help ensure that the private sector is engaged in the initiative.
- 2.30 CGSs are forward-looking documents that contain priorities designed to be delivered over a number of years. As such, they arguably offer a long term basis for building effective private sector engagement.

¹⁶ Urban Regeneration Companies Online - <http://www.urcs-online.co.uk/>

Employment and Skills Boards

2.31 Employment and Skills Boards (ESBs) are:

'...partnerships integrating the employment and skills agenda at the sub-regional level, promoting shared responsibility through a demand-led approach and identifying employers' needs through private and public sector engagement'.¹⁷

2.32 Because of this, the business sector has a vested interest in the activity of ESBs.

2.33 ESBs were advocated in the Leitch Review of Skills as demand-led partnerships that would:

'... engage local employers, articulate local labour market needs, scrutinise local services and recommend improvements in integrating labour market and training support'.¹⁸

2.34 ESBs provide the public and private sector with a forum for genuine partnership working where businesses are consulted on local employment and skills issues, engaged at a strategic level in setting priorities and involved in informing the delivery of locally tailored projects.

2.35 ESBs are increasingly the sub-regional partnership responsible for leading the economic development elements of relevant LAAs and MAAs and delivering the agreed actions.

Project delivery

2.36 There are a small number of government initiatives that focus on private sector engagement through project delivery. These initiatives are heavily focused on grassroots economic development delivery activity.

Local Enterprise Growth Initiative

2.37 Local Enterprise Growth Initiative (LEGI) was introduced in the 2005 budget to support economic development in deprived areas. It has three aims: to increase entrepreneurial activity; support locally-owned businesses; and attract investment into deprived areas.

2.38 LEGI funding is awarded to an *area* rather than to one *particular partner organisation* and therefore, although the funding is usually administered by the local authority, relevant stakeholders (including the private sector) are all encouraged to be involved in the decisions on how it should be spent. The business sector has a vested interest in engaging in LEGI because the funding is used to improve their trading environment through regeneration projects.

¹⁷ Employment and Skills Boards: current and potential role – CFE – (2007)

¹⁸ Leitch Review of Skills – Prosperity for all in the Global Economy – World Class Skills – HM Treasury (Dec 2006)

- 2.39 Local public sector partners are encouraged to engage with the private sector when deciding how to allocate LEGI funding:

'Working closely with business groups and individual businesses is particularly important. It is crucial that the public and private sectors engage constructively around shared objectives to improve local economic performance. This requires both local authorities and businesses to understand each other's approach and needs, and to work flexibly to meet their aims'.¹⁹

- 2.40 By creating an environment in which local authorities and the business sector have a genuine dialogue and shared objectives, business engagement can be particularly effective and deliver benefits to both the local authority and the business sector.

Business-sector funded schemes

Business Improvement Districts

- 2.41 A Business Improvement District (BID) is an area (typically an industrial estate or city centre) in which the individual businesses agree to pay a small percentage supplement on top of their business rates in order to have access to new business-specific services within that designated area.
- 2.42 Public sector partners initially consult the private sector to assess the level of demand for new services and the make-up of the services that could be delivered within the BID area. BID services are exclusively decided and funded by the private sector and therefore the private sector has a vested interest in the success of the BID. The services in a BID usually concentrate on improving the competitiveness of the area and include services like CCTV, patrol vans and broadband provision. In addition, BIDs typically aim to address grassroots business issues like low level business crime.
- 2.43 For a BID to be established, the private sector must be engaged via a voting mechanism (postal vote). For the BID to be successful, the following two criteria must be met:
- (a) the majority of businesses that voted must be in favour of the BID; and
 - (b) the business rate contributions of those businesses in favour must exceed the business rate contributions of those businesses that are against the BID.
- 2.44 Once the BID is in existence, a number of private sector representatives are involved on the BID board which enables them to input into the strategic direction of the BID and its services.

¹⁹ Enterprise and economic opportunity in deprived areas – a consultation on proposals for a Local Enterprise Growth Initiative – HM Treasury - (March 2005)

Conclusion

2.45 As a result of the three policy trends, local authorities will need to:

- engage the private sector in setting and delivering on local priorities;
- build capacity to deliver on local economic development priorities; and
- to some extent, use government initiatives as a mechanism for achieving the outcomes above.

2.46 The following chapter explores the current practice in terms of private sector engagement, focusing on the areas in which it happens, how the engagement manifests itself and the role that policy interventions have played in facilitating private sector engagement.

3 Current practice – types of private sector engagement

- 3.1 Qualitative interviews with local authorities (as representatives of the public sector) and Chambers of Commerce (Chambers) (as representatives of the private sector) were conducted to give a picture of current practice in private sector engagement.
- 3.2 The research highlighted the importance and benefits of private sector engagement and the policy areas where it was most common.

Areas of engagement

- 3.3 The research found that private sector engagement occurred across a wide range of economic development activity. The activity was primarily concerned with economic development issues but was wider in some cases. The table below shows the areas in which engagement took place:

Economic development	Wider local area issues
<ul style="list-style-type: none"> ■ Business Support ■ Regeneration ■ Transport (road, rail and air) ■ Infrastructure ■ Employment ■ Planning ■ Market towns ■ Inward investment ■ Local issues (e.g. street scene improvements) ■ Skills ■ Worklessness 	<ul style="list-style-type: none"> ■ Education ■ Health ■ Waste management ■ Environmental issues

- 3.4 The research highlighted types of engagement between local authorities and Chambers in terms of the type of intervention outlined earlier, namely: strategic conversation; project delivery; and business funded projects.
- 3.5 The vast majority of engagement was in the first category with less examples of joint project delivery usually linked to sub-contracted service delivery (e.g. business link contract delivery). Business sector-funded schemes were limited almost exclusively to Business Improvement Districts (BIDs).

Strategic conversation

- 3.6 The majority of engagement can be described as strategic conversation (i.e. the Chamber as a consultee or a board member). As one local authority said:

'They're an automatic strategic partner if you like. They aren't statutory consultee. It's more common sense' (local authority).

The Chamber as a consultee

- 3.7 From the Chamber perspective, the majority were involved in a consultation capacity in a wide range of issues. Chambers were heavily involved with local authorities in terms of consultation. As one Chamber said:

'Anything that will impact on business, we would normally find that the councils will talk to us first. We get involved in any major consultation with business issues. A number of councils will also use us to test market view on particular things such as changing parking regulations' (Chamber).

Board member involvement

- 3.8 Chamber representatives were present on the vast majority of local economic development boards and sub-groups. These ranged from Local Area Agreements through to market town planning. The majority of consultative engagement between local authorities and Chambers of Commerce came from Chamber engagement on local authority boards. These boards were typically LSPs:

'The Chamber gets involved at a local area level. Each of the LSPs across the county has an economic forum and the Chamber participates in those. Either the chief exec' or one of the other members of staff will participate' (local authority).

- 3.9 Some Chambers were approached by local authorities to identify representatives from individual businesses to be directors on boards:

'I am continually being asked to provide non-executive directors to various public-private partnerships so it's about finding the right people to send to these partnerships so that if we do send people, they are fully briefed' (Chamber).

- 3.10 In some cases, local authority officers sat on Chamber of Commerce boards:

'We have the director of the trading arm of the county council on our board' (Chamber).

Project delivery

- 3.11 There was relatively less evidence of engagement on delivery of specific projects. In spite of this, there was evidence of a wide mixture of engagement in delivery of services and projects to businesses. In the main, this activity was sub-contracted by the local authority rather than jointly-delivered by local authorities and Chambers.

Business support

- 3.12 Business support (which is brokered regionally through Business Link) was the area where there was most engagement in terms of joint project delivery. In some areas, the Chamber were involved in the design and delivery of business support packages:

'The Chamber guides us in making sure that the right packages of support are available to the business sector. In addition, they deliver a couple of those business support packages themselves' (local authority).

- 3.13 In other cases, the Chamber was able to offer very specific, tailored support to businesses on behalf of the council:

'We are often on an ad hoc basis. For example, we had a drop in meeting for businesses affected by floods' (Chamber).

Business forums

- 3.14 Another area where projects were jointly delivered was business forums. In some cases, the Chamber was subcontracted to manage business forums for the partnership:

'There is the business forum which is specifically round involving businesses in Local Strategic Partnerships, Local Area Agreements and Working Neighbourhood Fund. All of that agenda is a sub-contracted arrangement where the LSP pay the Chamber to manage a business forum and facilitate that input' (local authority).

Business grants

- 3.15 In a small number of areas, the Chamber delivered business grants as the local authority saw the Chamber as the best-placed organisation to deliver the service:

'The council put in around a million pounds a year to a business development fund which can be accessed for micro grants and loans for capital projects. The council decided that businesses were the best people to run that so they passed that money effectively to the Chamber. The Chamber manages that money for them and owns the company that gives out those grants and loans, but it is council money that is going to businesses' (local authority).

Business-funded projects

- 3.16 Business-funded projects are those public sector initiatives that require local businesses to contribute financially to deliver. The most prevalent form of this type of project was Business Improvement Districts (BIDs).

Business Improvement Districts

- 3.17 In those areas with BIDs, the Chamber and local authority were important partners. In some BIDs, the Chamber and local authority were joint-delivering the services:

'The BID is a joint operation between one of our councils and the Chamber' (local authority).

- 3.18 In other areas, the Chamber acted as the BID champion, informing local businesses of the development and maximising private sector input:

'The Chamber championed the whole initiative. They were the ones who promoted it within the commercial field' (local authority).

The role of government interventions in facilitating engagement

- 3.19 It is clear that local authorities and Chambers do engage in practice. It is interesting to explore the extent to which the specific policy interventions outlined in chapter two have impacted on the level of engagement.

- 3.20 There was a correlation between the extent of existing engagement and the potential for specific policy interventions to facilitate that relationship.

- 3.21 In those areas where engagement wasn't effective, local authorities believed that specific policy interventions had the potential to develop effective engagement between the local authority and the Chamber:

'They can give a stimulus if you have places that don't do a lot. I think it can be a real help as it is something to latch onto' (local authority).

- 3.22 In those areas where engagement was seen to be working effectively specific policy interventions had not had much effect:

'We have strong partnerships and a lot going on so we probably do most of these things anyway but maybe in a different way. It doesn't make a lot of difference to us. All these things like the BID are not as big as some of the things we are doing. They tend to be add ons. It is a useful add on' (local authority).

Offers a structure for engagement

- 3.23 Some Chambers believed that policy interventions offered a useful structure in which local authorities and the private sector could engage:

'I think it helps as it provides a structure which can facilitate a proper discussion and engagement. If LAAs are about devolution and flexibility, we expect local authorities to use that flexibility and freedom to build alliances with local partners like Chambers' (Chamber).

Offers a financial stimulus for engagement

- 3.24 With policy interventions that provide extra funding, partners believed that the funding offered a strong financial incentive to engage:

'LEGI has brought some immediate money that's enabled a greater focus on business' (local authority).

- 3.25 The greater focus manifested itself in a number of jointly-delivered projects between local authorities and Chambers. As one authority said:

'The city council is contracted with the Chamber to be the network manager for the LEGI mentoring and coaching programme. Leading members of the Chamber effectively facilitate the working of the partnership to deliver that contract' (Chamber).

- 3.26 Conversely, there was a small amount of evidence that if there was no financial incentive, there were issues in engaging the private sector:

'Because there is no money attached to the LAA partners don't come to the table with any intention of doing anything. They don't think they will get paid to' (Chamber).

The negative effects of policy interventions

- 3.27 There was some evidence that specific policy interventions had not helped facilitate private sector engagement. A small number of Chambers believed that specific policy interventions had not helped private sector engagement. Rather, they felt it simply drew attention away from the issues and gave local authorities an excuse not to engage. As one Chamber said:

'I think initiatives confuse the issue. If you leave the public sector alone, they'll do nothing but write strategies for the next 20 years. If you tell them they have to write a strategy, that's their work for the next 2 years and they say "we can't have that conversation because we haven't written the LAA". It's always with the best intentions that these things are put forward but it just gives them something else to procrastinate with' (Chamber).

- 3.28 In a small number of areas, partners did not believe that government initiatives had helped to facilitate engagement. In some cases, the national blueprint for initiatives was not practical in their area because of geography:

'We don't have Economic Development Companies. We've tended to act as the accountable body ourselves and that just reflects the diverse nature of the area. You couldn't have a single company as our area covers 933 sq miles. The issues are totally different in each area. So our regeneration partnership programme is based around the market places' (local authority).

Conclusion

- 3.29 This chapter has shown that local authorities and the private sector are engaging one another in local economic development. The majority of this engagement is strategic consultation with the Chamber as a consultee or board member. The evidence suggests that specific policy interventions have, in places, facilitated this engagement in terms of offering a structure and financial incentives for private sector engagement. However, in others, the interventions have not because local authorities have not used them as an opportunity to improve their engagement with the private sector or because they were not applicable in the local authority area.
- 3.30 If government initiatives have had only a limited impact on private sector engagement, there must be other factors that have had an impact. The following chapter explores some of the underlying reasons why local authorities and Chambers believe it is important to engage and the benefits they derive from that engagement.

4 Current practice – the motivation behind private sector engagement

- 4.1 If private sector engagement does not come about solely through specific policy interventions, it must be fostered in different ways. The research showed that local authorities and Chambers had a relationship that existed outside of specific policy interventions built on a shared understanding of the importance of working together and derived benefits of working together.

The importance of working together

- 4.2 Both local authorities and Chambers agreed that it was important to work together to improve the economic prosperity of their local area. They believed that the views and priorities of local businesses were a vital component of economic development strategy and service design and delivery in the following ways:

Developing a shared understanding

- 4.3 Developing a shared understanding of the economic priorities of a local area was seen as the most important component of working together in economic development. Through developing a shared understanding, both partners could work together towards joint objectives:

'The better the understanding, the more you can achieve. Sometimes there are unrealistic expectations on one side of what the other side can do and there is no use getting into conflict. You can avoid that if you have the good communications to have the discussion.'

The importance of creating an environment in which businesses can flourish

- 4.4 The motivation for engagement stemmed from a desire to create an environment in which local businesses could fulfil their potential and improve the overall prosperity of the local area:

'Local authorities have a view in place-shaping for the city and county. It's important that the Chamber are there putting forward the views of business, because it's part of society and we want to play an active part. In order to succeed, there needs to be an environment in which business can prosper' (Chamber).

The importance of business sector input to economic development

- 4.5 In order to create this environment, both local authorities and Chambers of Commerce believed it was important to reflect the voice of local businesses in local priorities and services in their respective areas:

'Economic development can't be done effectively unless there is clear business involvement in it and it is properly influenced by businesses in the area' (Chamber).

The importance of Chambers as a mechanism for getting the business voice

- 4.6 Local authorities saw Chambers as an important organisation to engage and communicate with the local business community. As one local authority said:

'The Chamber can act as that understanding go-between. It takes away what would have been typically a confrontational meeting and it becomes a very positive meeting because the Chamber know how to play both sides. They'll have done quite a lot of homework and spoken to us. When companies are brought in, the Chamber says "we think this, this and this" and it's already been teed up to deliver a positive result' (local authority).

- 4.7 Similarly, Chambers were willing and able to firstly, reflect the voice of local businesses, but also offer a mechanism to communicate with the local business sector:

'You can't talk about economic development without working through Small and Medium Enterprises and the public sector need a facilitator. They need a gateway to talk to businesses. We're ideally placed to deliver that' (Chamber).

The benefits of working together

- 4.8 In addition to the importance of working together, both local authorities and Chambers saw a number of distinct benefits from working together.

The improvement of service delivery to businesses

- 4.9 The main benefit of engagement was the ability to develop and delivery informed and relevant services to the local business population. As one Chamber said:

'The more we work with local authorities before they take decisions, the more they understand what the business community thinks and the easier it is to get things 'business friendly' when they are implemented' (Chamber).

- 4.10 In practical terms, this also meant that the knock on effects of policy decisions on the business community could be taken into account:

'Parking regulations is inevitably something we get drawn into. The council says "to please the residents, we'll change the parking regulations". A range of businesses say, "how am I going to get my customers here?" We work with local authorities to overcome those problems' (Chamber).

The ability to secure central government funding

- 4.11 Through working together, local authorities and Chambers were able to secure central government funding for the local area. This cash injection meant that the partners were able to deliver new and enhanced services to local businesses:

'As a result of working together, we've been able to secure things like £15m into businesses in LEGI and business start up development. We've been able to secure our BID' (Chamber).

The opportunity to share expertise

- 4.12 Local authorities believed that through working together with Chambers, they were able to make use of the skills and experience of Chamber staff to influence the services they provided to local businesses:

'If I want to consult on highways, I contact the Chamber they organise the meeting and I go along and pitch it. It helps them because they can hang their name on it and say "that's something the Chamber's done". Everyone wins on that' (local authority).

The opportunity to avoid duplication

- 4.13 Through working together, partners were able to avoid duplication in service provision to businesses. As one Chamber said:

'We have had some constructive discussions with some local authorities where they are willing to use us as the business expert as opposed to building up a huge function in their own authority and that has worked very well' (Chamber).

Conclusion

- 4.14 This chapter has highlighted the benefits and importance of private sector engagement. The next chapter discusses the current issues and problems in private sector engagement and explores practical steps that can be taken to improve that engagement.

5 Current practice – problems and solutions

- 5.1 Through this report, it has been clear that local authorities have engaged with the private sector and both partners recognise the importance and benefits of that engagement.
- 5.2 From the research, the biggest issue from Chambers in terms of private sector engagement was concerned with the *quality* rather than the *quantity* of that engagement.

The culture of tick boxes and talking shops

- 5.3 A huge barrier to effective engagement was the perceived ‘tick box’ culture of consultation. Chambers were frustrated that they were not engaged in the process, merely consulted on a decision that had already been made. As one Chamber said:

‘It needs a proper mechanism and some time and resources as well to have a proper discussion. It shouldn’t just be tick box consultation – “we’ve written to the Chamber of Commerce, sent them our document, they didn’t send anything back so they’re not interested”. We need to move away from tick boxes and have meaningful consultation and that does take a bit of give and take on both sides’ (Chamber).

- 5.4 In a similar way, Chambers and local authorities were aware of some meetings being ‘talking shops’ without meaningful accountability or outcomes for businesses. As one local authority said:

‘Ultimately, the LSP is a talking shop. It doesn’t sit there and dole out actions. It expects those actions to come through underneath. I sit on an economic forum with the Chamber. We’ve been going through reinvention as it’s become another talking shop. It doesn’t take ownership. It has no accountability’ (local authority).

The private sector’s capacity to be involved

- 5.5 The issue of quality becomes a problem because Chambers, and the wider private sector, have only a limited capacity to be involved with local authorities. While Chambers need to step up to the challenge of engagement in terms of providing high quality business representation and sufficiently supporting these representatives in performing their role, they do have a limited capacity to engage. They are membership organisation with a limited number of staff and resources. Local authorities need to factor this into their business sector engagement:

'When joint working, there is sometime a lack of acknowledgement of the resource gap. Local authorities are huge and can offer a large amount of support to members in groups. It is difficult to mirror that from the private sector and it isn't fully acknowledged. Our members pay us to work with local authorities but there is a limit on our resources compared to the combined resources of the 12 local authorities in the region. It makes it difficult for the private sector to engage on an equal footing' (Chamber).

- 5.6 The challenge for local authorities is therefore to ensure that private sector engagement is meaningful (i.e. not a tick box or talking shop) and that private sector engagement is successful use of the private sector's limited capacity to be engaged.

The principles of meaningful engagement

- 5.7 Through the research, local authorities and Chambers suggested that in order to avoid the tick box/talking shop, a relationship needed to be built that existed outside of consultations and specific government initiatives and provided a platform for sustained, meaningful private sector engagement.

- 5.8 In order to do this, local authorities and Chambers needed to recognise the importance of:

- making time to build relationships;
- motivating participants;
- developing trust;
- having realistic expectations of each other;
- avoiding public sector jargon;
- demonstrating the benefits to businesses of engaging;
- ongoing informal communication; and
- accommodating the private sector at meetings.

- 5.9 In order to develop a shared understanding, the research identified the factors that facilitated or hindered engagement. This section of the report focuses on the elements needed for effective engagement.

Making time to build relationships

- 5.10 An important factor in the success of working together was the amount of time invested in building relationships. Those areas where engagement was working well had developed their relationship slowly over a long period of time. As one Chamber said:

'We have very good informal relationships with most of the local authorities, anything from chief exec downwards...We spent a lot of time developing those relationships to be able to influence in that way' (Chamber).

- 5.11 It was seen as important to build relationships not just with individuals but with organisations. This was seen as some Chambers as a vital component of maintaining stability when political parties changed:

'We've had local elections, power changes, people change and it's very important that you build formal organisation to organisation links. It's very important to build up the personal relationships down through the officer structure too because you can have very high level of political agreements...but unless people at the coalface work together, nothing actually happens' (Chamber).

Motivating participants

- 5.12 Coupled with time, motivation played a large part in ensuring that engagement was effective and was especially important in building initial relationships:

'The relationship works because both the business side and the council side are willing players. They both want to do it and they see the benefits. They have people who will do it. You have to have key people who are interested in both organisations - that's what it boils down to really' (local authority).

Developing trust

- 5.13 Trust was an important factor in facilitating engagement. It enabled local authorities and Chambers to have an open, honest relationship. As one Chamber said:

'People do business with people. There's an element of trust between us that, if they want to tell us something in confidence, we don't put it in the local newspaper the next night. We have that bond of trust' (Chamber).

Having realistic expectations of each other

- 5.14 A large part of developing a relationship between local authorities and Chambers was seen as having realistic expectations of each other. Local authorities and Chambers are distinctly different organisations but are both striving to achieve the same outcomes in terms of economic development.
- 5.15 Engagement can only work where there is an open recognition of these differing expectations and a compromise between the different organisational issues of each side.

- 5.16 Firstly, decision-making in local authorities is a long process. As a publicly accountable body, it requires decisions to be ratified by councillors and therefore the pace of local authorities is often seen as slow. As one local authority said:

'The City and County councils are very large employers and therefore the decision-making process in those organisations is different. If you're in a private sector business and you're the chief exec', and you make a decision, it happens. If you're in a local authority, it has to go through a process. Inevitably, business would like to move quicker but there has to be an element of compromise. As the local authority is publicly accountable, inevitably you get that' (Chamber).

- 5.17 Secondly, the economic agenda for Chambers of Commerce is less broad than the local authority agenda and therefore the Chamber may be less willing to be engaged in the wider economic development objectives of the council. It is therefore important that there is a jointly agreed agenda in which the private sector will be engaged to make the best use of their limited capacity to engage. As one Chamber said:

'The core agenda for the Chamber will be around business development and support for existing businesses in an area to help survive and thrive. The local authority's economic development agenda goes much broader, so they might have an interest in enterprise and start-ups for example, which some Chambers may be involved in but some may not (as their current constituency is existing businesses). Similarly with inward investment, Chambers may want to be helping the council but that is a secondary area of joint working for them' (Chamber).

- 5.18 Thirdly, Chambers and the wider private sector did not recognise local authority boundaries as an issue. In some areas, Chambers believed that this was a barrier to local authorities talking to their colleagues in neighbouring areas:

'Local authorities are so concerned about their boundaries that one area doesn't think about best practice in another area or vice versa because they believe the economies are completely different and they're not. Eighty per cent of the stuff we do is the same' (Chamber).

Avoiding public-sector jargon

- 5.19 Public sector jargon was seen as a major barrier to effective private sector engagement. Fundamentally, it created a language barrier that made it difficult for Chambers to engage effectively. As one Chamber said:

'The local authority won't be getting the most out of their business involvement by not using their expertise properly, because the

business person just does not understand the terminology and language which is used in a document. It isn't an efficient way of using business involvement' (Chamber).

- 5.20 The issue of jargon was also a problem for Chambers who were trying to engage individual businesses in local authority activity. As one Chamber said:

'We have described ourselves as bilingual - translating public sector speak into something a business will understand and translating an answer back. We spend a lot of time doing that and it takes time and effort and energy' (Chamber).

Demonstrating the benefits to businesses of engaging

- 5.21 A vitally important part of engagements demonstrating the benefits of that engagement to Chambers and the business sector. If this can be achieved, Chambers and individual businesses are more inclined to engage with the local authority. As one local authority said:

'The business community don't want to just sit in meetings with the local authority looking at how bad the world is. There has to be something tangible in it; a result and effect of that' (local authority).

- 5.22 Chambers also believed that the relationship could be improved by demonstrating the benefits to the Chamber and individual businesses:

'The big thing is demonstrating that it works because it can be fairly frustrating working with local authorities. Local authorities have got to be much better at communicating with businesses why they should be involved, specifically how they can be involved and what benefit that has for their area and for their business. I think that communication would be a big barrier which is almost universally in need of improvement' (Chamber).

Ongoing informal communication

- 5.23 Informal communication was seen as a vitally important part of developing a relationship between local authorities and Chambers. It helped with motivation and trust as well as ensuring that Chambers were engaged in the process rather than simply consulted. As one local authority said:

'We have an open dialogue. I pick the phone up and talk to them about a company that might be investing in or leaving Norfolk. If they're a member we might talk to them about it. They might talk about something they've noticed. It tends to be issue-based rather than just ringing up for a chat' (local authority).

- 5.24 Informal communication also enabled Chambers to discuss local economic development issues outside of traditional consultations and meetings. As one Chamber said:

'If we were wanting to influence and economic development strategy or community strategy, the last place we would want to influence that is once it gets to a formal consultation stage. We want to do it through these informal relationships that we've got before that so we know what is happening, we know what the issues are and we know what the local authority may be looking for feedback on. We can get that from members and put that into the process. It's that informal side of it that is much more valued by Chambers' (Chamber).

Accommodating the private sector at meetings

5.25 In order to ensure that effective business engagement takes place, local authorities need to consider the following factors when organising meetings where they intend to engage Chambers or the wider private sector.

5.26 It was felt that the timing of meetings was crucial to success. In too many cases meetings were cancelled and re-arranged at short notice. Whilst this was not necessarily an issue for local authorities, it put pressure on Chambers to reorganise their mainstream activity around engagement:

'You have cases where the local authority wouldn't think twice about cancelling a meeting at very short notice and then expecting everyone to be able to make it next week when it was rearranged. They send out an email with 30 attachments with the agenda and then just expect that huge wodge of papers to be printed and read and digested by the non-executive member of that business partnership. I think there is a culture of those meetings being run in a business unfriendly way' (Chamber).

5.27 In terms of meetings being representative of business viewpoints, a number of Chambers felt that they were unable to influence decisions in meetings as they felt outnumbered by public sector partners. As one Chamber said:

'It is easy for the whole agenda to be dominated by the public sector as we are constantly outnumbered at any meeting we go to' (Chamber).

5.28 Chambers did not feel that using a single business (such as on a Board) to represent all the businesses in a local area was an effective way to engage businesses. Some felt that it meant that the majority view of businesses was lost. As one Chamber said:

'The local authority finds one tame business which they get to turn up at every meeting. That business then only gives their particular view on the topic rather than working through the business representation organisations, which by their very nature are there to represent a range of businesses. A lot of local authorities play the 'we know what businesses want because we have a business' and I think it can be really dangerous because you only get that view' (Chamber).

- 5.29 One Chamber believed it was not inherently a problem to engage one business, more that that business was overwhelmed with public sector jargon and was unable to effectively contribute to the discussion:

'One of the problems I have is business representation on local strategic partnerships. I can get business people there but I can't keep them there because they'll sit in a two hour meeting and my public sector colleagues will have a wonderful discussion in acronyms which means nothing to anyone who isn't in the public sector. That is a challenge' (Chamber).

Conclusion

- 5.30 If local authorities want to work with the private sector, they need to consider the factors above to build relationships that are meaningful and make the most of the Chambers' and the private sector's limited capacity to be involved.
- 5.31 The final chapter of this report identifies the challenges local authorities and Chambers identified in moving forward for private sector engagement to be effective in the future.

6 Challenges in moving forward

- 6.1 The research identified a number of challenges moving forward that could potentially have an impact on the extent and success of private sector engagement. In the main, these related to central government policies and their potential impact on the relationship between local authorities and Chambers (and the wider private sector).
- 6.2 It is interesting to note that many local authorities and Chambers believed that, in principle, new policies had the potential to improve relationship and extent of private sector engagement. As such, the challenges were seen as both threats and opportunities.
- 6.3 The challenge for local authorities and Chambers is to ensure that these opportunities are exploited in a positive way by working together to avoid the pitfalls that come with them.
- 6.4 The challenges identified have been summarised under the headings:
- implications of The Review of Sub-national Economic Development and Regeneration (SNR);
 - ring-fencing funding for economic development;
 - implications of new government policies; and
 - the effectiveness of private sector engagement mechanisms.

Implications of the SNR

- 6.5 A number of local authorities and Chambers expressed concern that engagement was being hindered by a policy vacuum created by the SNR. This had had an impact on the relationship between some local authorities and Chambers because:
- local authorities felt they were unable to lead on local economic development until central government defined the terms of the arrangement; and
 - Chambers did not believe that local authorities were able to have an impact on local economic development and therefore were not fully engaged with them.

The potential of the SNR

- 6.6 Chambers saw the SNR as an important opportunity to improve engagement in local economic development. As one Chamber said:

'The SNR gives a real opportunity to innovate in many ways. The whole tone is about how to get businesses involved in local economic development. I think it has ended up being lost in a conversation about structures and processes, but, if we can get back to that initial idea, it provides a real opportunity to sit down, innovate and come up with some more effective ways of doing it' (Chamber).

- 6.7 Chambers also believed that the SNR offered the potential to improve partnership working and enhance their role in delivery of local priorities. As one Chamber said:

'I would see the Chamber's role going forward very much in the engagement and enterprise agenda of the SNR. Perhaps the local authorities taking the strategic view of economic development with us at the table but in terms of rolling out interpretation of that, I think the Chamber is very well-positioned to take the lead on that' (Chamber).

The policy vacuum

- 6.8 However, in spite of this potential, Chambers were concerned about the current situation with the SNR. As one Chamber said:

'The government isn't sure what it is doing with the SNR and, until they decide on that, everything is in limbo. We have had millions out of the RDA budget which will affect local authorities. It is a horrible muddle at the moment. Local authorities find it difficult to know what they are doing' (Chamber).

- 6.9 Chambers also felt this was a challenge in terms of local authorities demonstrating their local leadership over an area. As one Chamber said:

'It frustrates business because they're looking for very clear, decisive actions. It isn't clear for employers and that makes it very difficult for them' (Chamber).

Local authority capacity

- 6.10 Another concern raised by both local authorities and Chambers was whether local authorities had, or could develop, the capacity to effectively deliver the same service as the RDA in terms of economic development. As one local authority said:

'I think the difficulty would be if the SNR were implemented in a way that the RDAs were abolished and we were given lots of responsibility but no funding. That would cause real problems and we'd have to question how we could do that. We wouldn't be able to outsource it because we wouldn't have the funding' (local authority).

- 6.11 From the Chamber point of view, there were concerns that local authorities ought not to be given responsibility for local economic development without clear checks and balances from the RDA:

'We think that one thing that would help is that where local authorities are going to have delegated resources from the RDA, we think the RDA should set a very clear benchmark with some clear criteria about how local authorities have developed their local strategy for spending the RDA's money' (Chamber).

Duplication of services to the private sector

- 6.12 Some Chambers were concerned that one implication of the SNR was that local authorities would set up new departments and bodies to represent business rather than use existing mechanisms:

'The SNR is the bureaucracy and there are new local economic development departments within all of our districts. It would be a complete nightmare as everyone would be starting from scratch. Everyone wants to make their mark and it just fills me with fear if we end up doing that. We are trying to influence each of those local authorities to think carefully about how they engage with us as a major representative of business organisations on the patch to try and use us as opposed to setting up a whole new infrastructure' (Chamber).

- 6.13 A small number of Chambers felt that local authorities were competing with them to represent local businesses in their area:

'A lot of districts are protective of their own patch and see the Chamber as too wide. They feel they may lose the ownership. It is control and a lot of local authorities like to control the relationship with their businesses in their area. The Chamber is competing with that' (Chamber).

Ring-fencing funding for economic development

- 6.14 Another challenge was the subject of ring-fencing funding for economic development. There are a small number of economic development initiatives that generate income *from* improvements in economic development which does not have to be spent *on* further economic development improvements.

Local Authority Business Growth Incentive

- 6.15 One example is Local Authority Business Growth Incentive (LABGI) which is currently under consultation for a second time. LABGI has the potential to cause a rift between local authorities and the private sector because the reward does not have to be spent on local economic development outcomes. As one local authority said:

'One issue that's of interest is LABGI. I would guess that the Chamber would say it should be ring-fenced for economic development. It causes a

problem for us internally because, from an economic development point of view, I would agree with them. But if I was looking at it corporately, then there are other areas that need the money more and adult social care is just one area. Our age profile is going up and the budget allocated isn't' (local authority).

Area Based Grant

- 6.16 Initiatives like LABGI are indicative of the wider policy agenda in local authorities of removing ring-fencing. In future, all funding from initiatives will be allocated to a single pot (the Area Based Grant) over which local authorities will have complete discretion. As one local authority said:

'The LEGI funding is now a component of the Area Based Grant (ABG). In subsequent years, it will just be part of the ABG and the local authority will have full discretion over how it spends that grant. It doesn't have to be spent on economic development' (local authority).

Implications of new government policies

- 6.17 There are a small number of new initiatives that some local authorities and Chambers believed were a challenge to private sector engagement.

Business Rate Supplements

- 6.18 Business Rate Supplements are a new government initiative based on generating income through incremental increases in business rates. From the research, there was widespread concern amongst Chambers that their introduction would present a major challenge to the relationship between local authorities and the business sector.

- 6.19 As one Chamber said:

'The one thing is if they were to re-introduce business rates set by local authorities. That's going back 20 years now but they used to be slinging matches. BCC are against the re-localisation of business rates, local authorities say they should be in charge. If the government went back into that mode, the relationship could be a little more confrontational' (Chamber).

LAA - duty to involve

- 6.20 The LAA duty to involve will become operational in April 2009. As mentioned previously, it will require local authorities to consult with businesses on defining local priorities.

- 6.21 A number of Chambers believed that the duty to involve could offer an opportunity for business engagement to be more effective and meaningful in future. As one said:

'It depends how effectively they want to do it. It is easy to involve the business sector in a tick box way and has been one of the issues with the LSPs. We'd like to see more meaningful engagement with the private sector and we're a mechanism for achieving that' (Chamber).

- 6.22 However, the majority of the research suggests that the duty to involve will not have an impact on the way local authorities deal with the Chamber:

'I think it'll add a bit more weight to the direction we want to head in. It's nothing new and I think there's a willingness from the Chamber to be part of these things' (local authority).

Unitary status

- 6.23 The drive towards unitary status²⁰ was seen as a future challenge by local authorities and Chambers. In principle, as with the SNR, both partners saw huge potential in the change.

- 6.24 Chambers believed that the unitary structure had the potential to streamline private sector engagement. As one Chamber said:

'We're hoping that by moving the unitary structure we would look to be asked the question before they write the paper rather than the other way round' (Chamber).

- 6.25 There was also hope that the private sector would not incur a greater tax burden in the future if their local unitary bid was successful. As one Chamber said:

'The big pitch for the unitary status was to reduce the tax burden. It will cost you less. The accepted wisdom is that there will be no additional taxes until two or three years down the line' (Chamber).

- 6.26 However, local authorities and Chambers also identified a number of issues that could arise. One challenge raised by Chambers was that whilst local authorities were in the process of moving to unitary councils, they were not concerned with economic development priorities. As one Chamber said:

'It's difficult to get anything done at the moment as we're going through unitary talks and county and districts want different things. They are all arguing amongst each other' (Chamber).

- 6.27 There were also a small number of Chamber concerns that it was difficult for them to forge relationships during the transition because they were unsure which council would lead the post-unitary area or what their priorities might be:

'Because we may have no districts this time next year, creating relationships is a waste of time. Who is going to win? Who will be

²⁰ The creation of one local authority to deliver all services in a particular area (such as a city or county) rather than a county council and separate district councils.

there? What is their agenda going to look like and what will they want to talk about?’ (Chamber).

- 6.28 Local authorities also felt that there was a challenge from the unitary transition. They felt that they may be reliant on the private sector to take ownership for local issues in future and were not sure whether they had developed a sufficiently strong relationship to facilitate this:

‘As we’re going into the new unitary authority, part of our new vision is to see the area as 27 distinct communities. We will want to encourage much greater local ownership of the issues in those communities. What we’ll want is greater input from businesses in those areas with some of those issues. That’s a challenge to us; the extent to which businesses want to be involved at that local level and be part of the local solutions in those area’ (local authority).

The effectiveness of private sector engagement mechanisms

- 6.29 A number of Chambers believed that local authorities did not have the right mechanisms at their disposal to engage the private sector and that this would put a strain on their relationship in future. As one Chamber said:

‘On the one hand, we support local flexibility, but, on the other, we are not particularly enthusiastic about a portfolio of tax and levy raising powers that local authorities have without proper mechanisms to consult and engage with business. The concern we have is that the local authority may say we are going to introduce a business rate supplement or local congestion charge without the safeguards to properly consult and involve businesses in the first place’ (Chamber).

- 6.30 Other Chambers believed the challenge would be to design an effective mechanism for engaging the business sector if it were to work and not damage the relationship:

‘It will be interesting to see how local authorities respond to that and if they come in. It’s a concern that the white paper had fairly loose mechanisms for businesses to be consulted. There is a vote if it goes over a particular threshold but that seems to be fairly arbitrary. So we’ll see how effectively they consult if the time comes. We have had some positive discussions in advance of that so it won’t catch anyone unaware’ (Chamber).

7 Conclusions and recommendations

- 7.1 Effective private sector engagement is important for local economic development. This report has shown that local authorities and Chambers have been engaged, in part as a result of specific policy interventions, but more so where they have built a relationship based on key underlying principles that reflect Chambers' willingness and capacity to be involved.
- 7.2 The recommendations from this report build on the ongoing work carried out by the BCC that identified the following principles for effective private sector engagement, namely that:
- (i) Public bodies need to engage with business in a way that recognises their importance to the local economy.
 - (ii) Public bodies need to conduct business engagement in a business-like manner.
 - (iii) Business groups must be able to offer business representatives policy support.
 - (iv) Business needs to ensure high-quality business representation.
 - (v) Business representation needs to be supported by an independent body.²¹
- 7.3 To build on this foundation, this research has identified recommendations for future private sector engagement to ensure that it is meaningful and delivers positive outcomes for the local economy. The recommendations are set out on the following pages.

²¹ British Chambers of Commerce Response: Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration - June 2008

1. Developing meaningful engagement

The main issues with private sector engagement have been related to the quality of private sector engagement, rather than the quantity. Chambers, and the private sector as a whole, have only a limited capacity to be involved and a particular agenda to pursue.

Therefore the recommendation for local authorities is to build a relationship with the private sector based on the principles set out in chapter six. The recommendations that come from the research findings are that local authorities and Chambers need to:

- devote time to building relationships in order to foster motivation and trust;
 - demonstrate the benefits of engagement to the private sector;
 - have realistic expectations of one another in terms of the speed of local authority decision-making, the capacity of Chambers (and the broader private sector) to engage, the difference in agendas and the issue of local authority boundaries;
 - avoid public sector jargon;
 - demonstrate the benefits to the private sector of engaging; and
 - have ongoing informal communication.
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2. Local authority capacity

Local authorities and Chambers have expressed concerns that local authorities do not have the capacity to deliver RDA functions if they were to be accountable for them.

It is important that local authorities are prepared to use existing private sector structures, skills and experience as a mechanism for providing services to the private sector, rather than set up their own public sector structures that duplicate existing services to businesses (e.g. Chambers).

3. Ring-fencing of economic development funding

In the future, local authorities will have complete discretion of a number of funding streams generated by, or originally intended for, local economic development. It is therefore important for the local authority to have an open, honest discussion with the private sector about the implications of this, and how economic development can retain its importance locally. Therefore local authorities need to:

- work with the private sector to build an evidence base to attract external and local authority funding to local economic development priorities; and
 - explore localised ring-fencing as an option.
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4. The role of specific policy interventions in future

Specific policy interventions have gone some way to providing mechanisms for private sector engagement. However, they have not gone far enough to a) define mechanisms that allow the private sector to make a meaningful contribution to local economic development and b) offer opportunities across the variety of local areas and their geography.

It is important for central government to use these mechanisms as a tool for facilitating a more open discussion between local authorities and Chambers.

5. The SNR policy vacuum

The research has shown that, in lieu of central government decisions, local authorities have struggled to define their role as local leaders of economic development. This has put a strain on their relationship with the private sector.

Central Government needs to be clear about the roles and responsibilities it expects local authorities to have in economic development to ensure that effective private sector engagement can take place.

6. Implications of new government policies

There have been a number of recent policy developments (including unitary status bids) that have the potential to act as a barrier to private sector engagement. As previously discussed, Chambers are broadly positive about the future implications of these developments.

Local authorities need to keep the private sector informed during these policy changes and manage their expectations about the implications of them and the impact they will have on the sector.
