

# **BUSINESS FOR A PURPOSE**

**GROWING THE  
CIVIC CORE OF  
THE NORTHERN  
POWERHOUSE**



**Jack Hunter**

April 2019

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## THE FUTURE OF CIVIL SOCIETY IN THE NORTH

This report is part of a three-year programme of work by IPPR North on the state of civil society and the voluntary sector in the north of England.



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# SUMMARY

This report seeks to understand the role of business in the 21st century North. It explores how we might support, sustain and incentivise greater social purpose among private sector organisations, working in collaboration with partners from across all sectors. It sets out what role the state can play to encourage, develop and sustain this type of activity and provides recommendations for the local, northern and national scale.

Our fieldwork across three case study areas in the North found the following.

- There is evidence of a wide range of responsible and civic-minded activity among firms, and that much of this provides considerable value to the local area.
- A firm's propensity to invest time and resource into their area is affected by various contextual factors, including:
  - leadership
  - local identity and sense of place
  - networks and connections
  - business characteristics
  - reputation and public perception.
- The extent of civic engagement by the private sector remains limited when compared to the nature and severity of issues on the ground. Few firms seem to have properly internalised their stated values in a way that would make a tangible difference to their employees and the wider community.

## RECOMMENDATIONS

***Local authorities, combined authorities and other civic-minded anchor organisations should:***

**1. Develop ways to support and encourage greater civic engagement from local businesses including:**

- convening
- setting a vision
- agreeing 'the common good'
- building and targeting support
- acting as an exemplar
- procurement and investment
- building a sense of place
- planning
- using tax incentives.

***The North's key decision-makers, including mayors and local authority leaders, as well as constituent members of the N11 group of LEPS<sup>1</sup>, and the N8 group of universities<sup>2</sup> should:***

2. Establish a Northern Powerhouse Community Fund. This would be funded through a voluntary contribution of 1 per cent of profits from northern businesses and would help to fund voluntary and community activity in the region. Decisions about investments would be informed by an advisory committee of northern citizens, chosen by sortition.
3. Commit to becoming exemplars of good practice in supporting the prosperity and wellbeing of their locality, including signing up to local employment charters and becoming living wage accredited.

***Central government should:***

4. Ensure that the responsible business agenda that has been developed within its civil society strategy is integrated across its work, including within its industrial strategy.
5. Use its Future High Streets Fund to leverage greater civic engagement from local businesses.
6. Use the Northern Powerhouse 'refresh' to include a focus on improving jobs, pay and health and wellbeing, and the role of responsible business within this.
7. Reboot the devolution agenda.

***In order to remove the perverse incentives within the current system for funding local government, the government should:***

8. End austerity in local government, by providing a long-term and sustainable settlement that ensures councils can afford to invest in economic development and assume a stewardship role within their local economies.
9. Allow local authorities/mayoral authorities to levy a 2 per cent business rates premium for social infrastructure.
10. Invite combined authorities to propose their own taxes on business to fund activities that are additional to their statutory duties.
11. Commit to a comprehensive redesign of the current system of business rates.

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1 The N11 comprise all eleven local enterprise partnerships (LEPs) in the north of England.

2 The N8 Research Partnership is a collaboration of the eight most research-intensive universities in the north of England: Durham, Lancaster, Leeds, Liverpool, Manchester, Newcastle, Sheffield and York.

# 1. INTRODUCTION

## ABOUT THIS REPORT

This report seeks to understand the role of business in the 21st century north. It explores how we might support, sustain and incentivise greater social purpose among private sector organisations, working in collaboration with partners from across all sectors. It sets out what role the state can play to encourage, develop and sustain this type of activity and provides recommendations for the local, northern and national scale.

This project is part of IPPR North's broader programme of work on 'The future of civil society in the North', which is a three-year project, supported by Garfield Weston Foundation, looking at the shape and state of civil society across the north of England.

## THE ROLE OF BUSINESS IN SOCIETY

The north of England, perhaps more than anywhere else in the country, has been fundamentally shaped by its industries and its entrepreneurs. This is true not only of the North's economy, its landscape and its architecture; but also of its people and its communities.

At the heart of the £300 billion northern economy are the activities of its 1.1 million businesses, large and small, who together employ over 5 million people (BEIS 2018). A substantial proportion of these firms do exactly what we as a society ask of them – they offer rewarding and sustainable employment, they invest in their physical and human capital over time, and they develop long-term and productive relationships with businesses in their supply chain, with their peers and with public sector and civil society organisations.

Many businesses take this even further, and demonstrate high levels of 'civic engagement' in their local area, by taking an active interest in how their activities can bring value to it. Many large businesses increasingly put social and environmental value at the heart of their corporate strategies, leading in some cases to tangible steps towards ensuring that their core activities have a net positive impact upon consumers, workforce and the wider world and the environment. And smaller businesses also contribute considerable resource within their local community, even though they may not account for it in the same way that larger firms do. Community institutions such as pubs, cafes, and hairdressers, can play an important role at the heart of their local communities by providing meeting places, supporting formal and informal social networks, and acting as a focal point for community events.<sup>3</sup> And other organisations such as social enterprises, community interest companies (CICs), community businesses,<sup>4</sup> and the trading arms of charities go several steps further than this, by enshrining social impact into their organisational purpose.

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3 See, for example, previous IPPR work on the social value provided by community pubs (Muir 2012).

4 See: <https://www.powertochange.org.uk/what-is-community-business/>

## What does responsible business look like?

We do not intend to provide a definitive specification for what responsible business is. This is at least in part because there is no one single definition. Instead, what 'good' looks like will vary from place to place, and at different times and in different contexts.

Nonetheless, for the purposes of this research, it may be useful to provide some examples of where attempts have been made to describe responsible and civic-minded business activity.

Some local authorities have developed their own definitions of what 'good' looks like, often in consultation with businesses and other local actors. In some cases, these have been codified and published as a 'charter' for business. A common theme running through these charters is that a good business helps to create social and environmental, as well as economic, value in their local area.

These charters provide a useful starting point for defining a possible range of elements of good business practice.

The following chart is adapted from an analysis of business charters by the Inclusive Growth Analysis Unit (IGAU) in 2017. The analysis found that most charters mostly focus on employment issues, including both working conditions (including pay, contracts, engagement with trade unions, skills and training and healthy workplaces) and creating employment opportunities (creating local jobs or training opportunities, targeted recruitment for disadvantaged groups, work experience placements), as well as broader commitments to a firm's local area, its communities and the environment.

In the recent civil society strategy (DCMS 2018), the government published a definition of what they consider a responsible business as one that:

- pays its fair share of tax
- aims for positive interactions and relationships with its employees, shareholders, customers, and suppliers
- is transparent and accountable to its shareholders
- is open and communicates what it does for society and the environment
- trades fairly with its customers and suppliers
- recognises the responsibilities it has to treat its employees fairly, including through levels of pay
- protects the natural environment from its impacts and uses resources sustainably
- genuinely invests in and becomes part of the communities in which it operates. There are already examples of responsible business in action.



**Table 1: Elements of good business practice from employment charters**

<b>Fair terms and conditions of employment</b>	Pay the living wage: either in the limited sense of paying all direct employees, or across the wider supply chain, in compliance with the Living Wage Foundation criteria
	Promote fair and/or flexible contracts: reduce/eliminate zero hours contracts and offer well-paid positions on a flexible basis
	Voice at work: promote and engage constructively with trade unions and other forms of worker representation
	Increase investment in training/skills for employees: possibly by linking employers to training providers or funding
<b>Health and wellbeing at work</b>	Ensure compliance with basic standards and/or best practice
	Follow best practice with regard to equalities and other policies
<b>Access to employment opportunities</b>	Create local jobs or training opportunities: these might include full- or part-time jobs and apprenticeships, including targeted opportunities for residents
	Targeted recruitment: offer opportunities to groups that tend to be disadvantaged in the labour market, and/or engage with council and Jobcentre Plus recruitment services
	Offer work experience, internships, mentoring: often for young people or disadvantaged groups
	Engage with schools, input to curriculum and/or skills provision
<b>Broader commitments</b>	Increase local spend
	Business-to-business ethical practice: such as prompt payment of invoices
	Business-to-business ethical practice: such as prompt payment of invoices
	Protect the environment: commit to reduce carbon footprint
	Support community initiatives: including through staff volunteering and contributions to charity

Source: IGAU 2017

To take one example, businesses contribute substantial resources, both financial and in-kind, to support third sector organisations in the North. Previous IPPR North research has estimated that this contribution is likely to exceed £1 billion a year, with financial contributions alone benefitting over 19,000 charities and other civil society groups across the region (Chapman and Hunter 2018).

Likewise, the success of the Living Wage Campaign, and initiatives such as Business in the Community, demonstrate that many private sector firms are more than prepared to invest in their workforce, and their wider community.

This indicates that, at least, there is a *proportion* of businesses for whom, to some extent, the definition of success is much broader than just financial returns. Some firms display a willingness and a desire to develop their civic role, by investing time and resource into their local area, informed in no small part by an ‘enlightened self-interest’ to ensure a reliable supply chain, a willing and capable workforce, a welcoming local community, and a trusting national consumer base.

This balanced approach is of increasing interest to local policymakers, sometimes under the rubric of ‘inclusive growth’, or ‘new municipalism’.

However, to date, this has remained a relatively fringe concern. Public policy, on the national stage in particular, has tended to frame the role of business in society principally in terms of their contribution to economic growth.

## THE FRAMING OF BUSINESS IN PUBLIC POLICY

Under the Conservative government of the 1980s much of public policy was rooted in a belief in deregulation and ‘free’ markets. This was informed to a large extent by thinkers such as Milton Friedman (1970), who suggested that “the social responsibility of business is to increase its profits”, and Fredrich Hayek who believed in the supremacy of free and open markets as the main organising principle in society. From this perspective, business owners have a fiduciary and even a moral duty to pursue their own financial interests, as a prerequisite to efficient markets and, by extension, an effective and appropriate allocation of resources.

Under the Labour government of 1997–2010, policies such as the national minimum wage and tax credits were designed to ensure minimum living standards for workers, while not excessively interfering in the free market economy. Underpinning this line of policymaking was the belief that the state exists to curb and regulate the worst excesses of the market, and working alongside civil society, to invest in local areas to ensure a healthy and productive workforce, and to redistribute the proceeds of business activity through taxation.

In both framings, there is an assumption of a trade-off between private sector growth and a good society – that the means for ensuring a fair and sustainable business environment, including taxation, regulation, as well as expenditure on labour and supply chain, are costs that all rational firms should seek to minimise.

## THE CASE FOR A NEW POLICY APPROACH

As IPPR’s Commission of Economic Justice has pointed out (CEJ 2018), Britain’s economy is no longer fit for purpose. A large proportion of people no longer experience the proceeds of economic activity in terms of increased living standards or economic stability – and those in the north of England are disproportionately affected. For example:

- Low pay has been identified as a key driver behind declining living standards, not least because of the increasing numbers of households experiencing in-work poverty. And increased wealth accumulation by the very richest in society has led to significantly higher levels of inequality. The Resolution Foundation, for example, estimates that 1.4 million people in the north of England (27 per cent of all northern employees) are currently paid at an equivalent hourly rate that is below the living wage. At the same time, the proportion of profits distributed to shareholders has increased steadily from 39 per cent in 1990 to 55 per cent in 2016. This has negatively affected levels of corporate investment, as giving shareholders predictable returns has come to dominate dividend pay-out behaviour, almost irrespective of profitability (CEJ 2018).
- Low skills demand, coupled with a lack of investment from firms in their employees, negatively affect overall productivity levels in the UK, which are among the lowest for an advanced economy, and are particularly low in the north of England (CEJ 2018). While there are numerous drivers behind this, not least globalisation and technological change, many UK businesses are not organising their workforces in a way that maximises the productivity of the workers they currently have, and they do not seek to employ enough workers with higher skills (Round 2018).
- Climate change, and wider environmental breakdown are progressing at unprecedented scale and pace (Laybourn-Langton, Rankin and Baxter 2019). Action is required across all areas of policy and politics, and at a local, national and global level, in order to rapidly reduce negative human impact on the environment and adapt to a warmer future.

In the face of these challenges, we will have to encourage many more businesses to take a more responsible and long-term approach to their day-to-day activities. As others have recently argued (British Academy 2019), the proposition that the sole purpose of business is to increase its profit is no longer sufficient, if indeed it ever was.

The government will always play an essential role in curbing the worst excesses of the private sector, and establishing minimum standards to protect the less powerful. The Commission on Economic Justice has already set out some of the necessary measures future policy will need to include to ensure a more just economy including outlawing the use of zero-hours contracts, raising the levels of business taxation, and mandating employee representation on boards.

But the scale and nature of the challenges at hand mean that mandating and enforcing behaviour through legal and regulatory means alone will not be enough. Issues such as low pay, productivity and climate change have several things in common:

First, these are **shared** problems. They have significant negative impacts on society in general and the economy, not least because they have a cost to the exchequer. This means that it is undoubtedly in the self-interest of companies to ensure that they are tackled, if only because doing so will ensure that they have continued access to a motivated and productive workforce, a reliable supply chain and a receptive consumer base. Those businesses who display the highest degrees of 'enlightened self-interest' already recognise that it is in their own self-interest to ensure the health and prosperity of the local areas that they operate in – but many others do not.

Second, these challenges are **complex**. What works to combat these deep-seated issues will vary from place to place. For the purposes of policy, this means that solutions will, almost by definition, need to have a strong local element and need to involve mobilising all assets available, across the private sector as well as those available to the state and others and to take advantage of local knowledge and networks.

Third, they are **rooted in and exacerbated by 'business as usual'**. They do not arise because of the actions of a minority of non-compliant firms – but because of mainstream activity of many firms (although certainly not *all* firms), coupled with structural issues in the economy. Tackling these issues will require radical change, rather than tinkering with the current model.

These issues are therefore beyond the scope of government to fix alone. As Mariana Mazzucato argues, to help build healthier and more productive local areas, organisations need to work much more collaboratively than they do currently. Her vision of an "entrepreneurial state" entails active regulation of local markets in ways that can 'crowd in' and 'dynamise' private sector resource towards socially useful ends (Mazzucato 2013).

While the idea of partnership-working and the state as steward of the local economy is not a new one;<sup>5</sup> it is increasingly of interest to the public sector and civil society as well as within the private sector. For example, the role of business as partners in economic development was recognised by the coalition government through the creation of local enterprise partnerships (LEPs) and the government's recent civil society strategy (DCMS 2018) highlights the importance of the private sector (alongside the social and public spheres) as critical to the long-term health

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<sup>5</sup> 'Partnership' has been a dominant theme of successful government regeneration, inner-city and economic development initiatives, such as urban development corporations in the 1980s, and the City Challenge programme in the 1990s (see Atkinson and Moon 1994), as well as enterprise zones in the 2010s.

of civil society both locally and nationally. This idea also featured heavily in the Labour party's 2017 report on alternative models of ownership, as well as the growing body of work on 'community wealth-building', which has recently been developed and championed by the Centre for Local Economic Strategies (CLES).

The need for greater collaboration has been compounded and made more urgent by the effects of austerity. The impact of sustained and significant cuts to local government funding (NAO 2018) and the prospect of losing EU funds post 2020 have drastically reduced the ability of the state to invest its own resources into tackling deprivation and economic development, and provides an additional incentive to develop new ways of working that draw upon the assets and resources available to those outside of the public sector.

### **THE CURRENT GOVERNMENT'S APPROACH TO RESPONSIBLE BUSINESS**

There are some signs in the current government's approach that it recognises the need to engage with this agenda more seriously.

The industrial strategy, for example, is the current government's primary vehicle for economic planning across the country. Its stated aim is to "boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure".<sup>6</sup> To the extent that it represents an acknowledgement of the role of government in supporting investment in the economy, it is a welcome development.

The industrial strategy features 'sector deals' that make asks of different industries in return for government commitments, including funding. This is a useful feature, as it recognises the need for private sector investment to complement government funds. However, in its current form, there are several shortcomings to this approach.

- To date, these deals have focused on high growth areas of the economy, without regard to high employment, low productivity industries such as retail and social care.
- By focusing on sectors rather than local areas, this approach is blind to the ways that firms' activities are distributed across different geographical areas, and how their relationship with each locality will vary. A centralised approach to industrial strategy also inherently privileges large firms that have the size and scope to engage properly with government in Westminster and Whitehall.
- The scale of the commitments by government and the asks of business is relatively modest, in comparison to the scale of the issues that the economy faces.

The development of 'local industrial strategies' within the wider industrial strategy provides some scope to address these issues. The Department for Business, Energy and Industrial Strategy (BEIS) is currently working with three 'trailblazer' areas, including Greater Manchester, to develop their local industrial strategies, and has encouraged other areas to start preparing their own plans. Local industrial strategies are being led by combined authorities in city regions, and by LEPs elsewhere.

Within their guidance for local authorities regarding the development of a local industrial strategy, the government has encouraged local areas to focus on how to identify local strengths, and obstacles to improving productivity. To date, there is little focus on fostering more responsible and engaged behaviours among businesses. This does not preclude local action on this agenda in the West

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6 See: <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

Midlands; for example, the development of a local industrial strategy has included an overt focus on ‘inclusive growth’ and the role of business within it. But the onus to develop concrete and meaningful asks of business is left to the discretion of local actors rather than as an explicit objective of industrial policy.

Others in government are also interested in this agenda.

First, the Department for Digital, Culture, Media & Sport (DCMS) last year published its civil society strategy, which sets out a “vision... where responsible businesses will play a key role as a force for good in our society” (DCMS 2018). The accompanying strategy document states that the government will continue to “build its support for responsible business” and will “update on its approach in 2019”. A responsible business leadership group, reporting to both BEIS and DCMS, will “lead the debate about the role of business in society and develop actions to support businesses to fulfil this role”. However, it is not clear how the civil society strategy, including its definition of a “responsible business”, will link up to the government’s industrial strategy and what practical impact this may have.

Second, in the 2018 Budget, the government set out a ‘plan for the high street’, which included a temporary business rates relief for small retail properties, worth one-third of rates owed over two years, as well as a £675 million Future High Streets Fund to support “improvements to town centre infrastructure”.

Overall, the government has shown a degree of interest in how to encourage responsible business practice, and its industrial strategy offers an opportunity to actively encourage good practice through policy levers. However, to date, this has not represented a comprehensive or coordinated attempt to engage with wider issues around good business behaviours. In addition, it is likely that, alongside many other policy areas, government capacity to work on this area has been highly constrained by the demands of Brexit.

## THE RATIONALE FOR THIS REPORT

As the Commission on Economic Justice set out, radical change to Britain’s economic model will come “from each part of the economy working in partnership with others” (CEJ 2018). This will mean making the most of the capacity within the private sector to play an engaged civic role in their relationships with employees, their supply chain and the wider environment (both local and global).

In addition to progressive labour market policies – including, for example, outlawing zero-hours contracts, and raising the minimum wage to the level of the real living wage – we need to find ways to support and encourage firms to invest resources and open up their assets towards building the foundations of a successful local economy and a healthy population.

Assuming this is the case, and that building greater levels of civic engagement is not something that the state can legislate or regulate into being, there is a need for policymakers to consider:

- what does a good relationship between a business and its local area look like?
- what are the local conditions and incentives that encourage businesses to develop an engaged relationship with their local area, and how does this vary from place to place and from business to business?
- what role is there for policy to encourage greater civic engagement among businesses?

This is the focus of this report.

## 2. RESEARCH FINDINGS AND ANALYSIS

As part of this project, we conducted qualitative research, in person and via telephone, in three case study areas in the north of England: Bradford, Newcastle-upon-Tyne and Tees Valley.

In each area, we spoke to people from across the private, public and civil society sectors to test our research questions. The data gathered from each of these interviews were written up and then we analysed this data to identify recurring themes.

This section briefly summarises common themes that recurred across each case study area, including an analysis of the most-cited drivers behind good business behaviours.

It concludes with a more critical discussion of the nature and scale of the business engagement encountered as part of this project.

### OUR RESEARCH FINDINGS

Our research provided insight into the ways in which businesses in the North are investing time, resource and expertise into their local areas. It has also given us a degree of understanding of some of the factors that underpin and influence the scale and nature of this type of civic engagement by business.

From our research across the three case study areas, there are several common themes that recurred frequently.

#### ***There are many examples of responsible and civic-minded business in our case study areas.***

The most-cited examples of this included the following.

- **Engagement with education systems:** Engagement between employers and schools and colleges can include mentoring, work experience and apprenticeship schemes, input into course design, and initiatives to raise awareness among young people of career opportunities, including through careers fairs.
- **Community and charity giving:** This includes, for example, charitable donations and volunteering, as well as sponsorship or patronage of events, buildings, and/or organisations.
- **Championing the local area,** with a view to attracting, and retaining, businesses and investment in the area. This includes participating in discussions about the future vision for an area and acting as public champions for an area with a view to increase new inward investment and entrepreneurship.
- **Representation,** including on LEP boards, through networks such as chambers or interest groups. In this way, individuals act as a 'business voice' for the public sector and others.

On the other hand, however, there was much less discussion of how businesses' internal processes were concerned with maximising their social value, such as by paying a living wage, hiring locally, maximising returns to the local economy through procurement and purchasing and support for local employment including apprenticeships.

### **Case study: Yeme Architects, Bradford**

Yeme Architects are a relatively new organisation, however they have a strong local and regional presence.

As architects, they have a strong local identity, not least because they made their name through redevelopments of several Bradford historic buildings, including the renovation of a listed former swimming baths in Manningham into a gymnasium – something which required deep engagement with local communities, who were initially sceptical.

Community development and engagement is part of their core business. In order to make projects in deprived areas and on tight budgets more viable, and to differentiate themselves from other, often larger, competitors, they work with third sector and community organisations, who could achieve funding, developed relationships with civil society. This involves engagement work with groups and communities.

Yeme Architects' relationships with Bradford communities are a key part of their competitive advantage – they are able to demonstrate knowledge of communities, which can help to ensure more effective planning and overcome challenges. It also increases their visibility in the city, particularly among policymakers for whom social value and 'inclusive growth' are increasingly valued.

In addition, the firm is engaged with local education providers, attends careers fairs and hosts local pupils for open days at their offices. The director sits on the LEP board and is a highly visible advocate for the city, both within Bradford and across the country.

### **Case study: Greggs, Newcastle-upon-Tyne**

Greggs is a longstanding North East business, with strong ties to the local area through its 80-year history. In the 1960s, the business was known for offering free pie 'n' peas suppers for older residents in the North East. Today, it has a fully developed social responsibility programme, that is embedded into its core business plan.

As part of its stated commitments towards its people, the firm shares 10 per cent of profits with employees, and has several schemes to encourage them to purchase shares in the company.

There are also various training and development programmes including: a Career Pathways Programme to develop staff with management potential, a Female Career Development Programme, and 'Fresh Start', a programme which offers employment support and opportunities to ex-offenders.

Greggs also donates one per cent of profits to the Greggs Foundation. This independent grant-giving charity provides approximately £3 million per year to charitable organisations nationally, including a North East Core Funding Grant that offers grants of up to £15,000 a year to help charitable

organisations working to tackle exclusion and deprivation to cover their core running costs. In addition, the Greggs Foundation funds the Greggs Breakfast Club programme which, with support from partners, provides free breakfasts to children in over 500 primary schools.

Greggs also works to encourage healthy choices among its customers, to source responsibly and to reduce its carbon footprint and waste.

***The second common theme we found was that coordination and collaboration is key to good practice.***

The best examples of good civic engagement identified through our interviews were those companies that had developed a programme of engagement that was structured around the identified needs of the local area, and informed by how best to use the assets that the firm in question was able to mobilise to help meet them.

***The third common theme was that the scale and nature of any civic engagement on the part of any given business is likely to be strongly influenced by contextual factors.***

These include factors specific to the firm itself (such as its historical links to the area) as well as wider structural issues in the local area. This is explored in further depth below.

## **WHAT ARE THE FACTORS THAT HELP TO DRIVE CIVIC ACTION BY BUSINESSES?**

### **1. Leadership**

A consistent theme throughout most of our interviews was the importance of **individuals**, and leaders, in influencing the type of relationship between their firm and the local area. Much emphasis was placed upon the personality, history and values of directors, managers and other decision-makers, and how this influenced their understanding of their local area and the role that their business plays within it. This was considered particularly true of small and medium-sized enterprises (SMEs), where the relative lack of management structures and codified processes means that decision-making is more obviously driven by one or two people. However, there were also plenty of examples cited across all three case study areas relating to the central role played by so-called “wilful individuals” (Localise West Midlands 2013) within large companies.

For larger firms, the following factors play a role in influencing the degree and nature of engagement activity.

- **Who oversees decision-making**, how long they’d been in post, their personal links to the area and their relationships with others in the area.
- **Corporate social responsibility (CSR) strategy, ‘values’ and/or mission.** Often we were told that engagement by a multinational organisation was primarily driven by their CSR strategy and, within this, the degree to which any strategy allowed for a tailored approach to engagement activities that were appropriate to the local area.

The role of leaders, and their often deep-rooted attachment to the place they live and work, means that levels of civic engagement can be resilient – people are prepared to invest in their communities on an emotional level far more than they would do on a strictly practical basis.

On the other hand, however, the importance of individuals in this agenda also means that changes in personnel, including through corporate restructuring,



can carry significant risks for a firm's engagement with its local area. We heard numerous examples where this had occurred, with sometimes negative consequences for a firm's relationships within the local area.

## **2. Local identity and sense of place**

Given the central role played by individuals, it is unsurprising that personal histories, civic loyalties and emotional attachments were consistently identified as important determining factors.

At an individual level, those people with a strong emotional attachment to their local area (for example, those who were born or were brought up in the area, or those with attachment to the community through friends or family) were more likely to be prepared to invest time and resource (individually and through their organisation) towards seeing 'their' area thrive.

At a firm level, those businesses that were thought to have a more engrained 'sense of place' were more likely to be actively engaged. This sense of place was generated by factors such as the age of the business, and the degree to which its brand was linked to that of its local area.

Anchor organisations, such as universities and longstanding businesses are often deeply rooted in place because their identity and their brand is irrevocably tied to their local area. As such, they may have a substantial vested interest in seeing it succeed.

At a system level, a 'sense of place' was also referred to as an attribute of a city or a region. Areas with a strong and positive local identity were considered to have higher levels of civic-minded activity among local businesses. However, a 'sense of place' is complex, and the relationship between it and civic engagement is far from straightforward.

First, people might have negative associations of a local area, and its prospects, and this can dissuade them from investing in it.

Second, a high-profile vision of a local area might be exclusive of certain groups or sectors, and this may dissuade people from getting involved in any civic project. Often, the local structures of power determine which stakeholders had the greatest influence – something which is a particular risk where a new civic geography was emerging, such as that created by a combined authority, without the established structures for formal and informal accountability that helps to democratise decision-making. In addition, attempts to 'rebrand' an area in order to incentivise new investment, sometimes referred to as 'civic boosterism', can also be seen as a threat to an area's identity and its citizens' 'sense of place'. Businesses can be complicit in this process helping to support 'growth coalitions' where local stakeholders unite behind a programme to support a shared interest in the health and expansion of the local economy (Jonas and Wilson 1999).

Finally, and more fundamentally, not everyone will necessarily agree on the identity and boundaries of a place – instead there may be contesting ideas of what constitutes the local place, its boundaries and history.

## **3. Networks and connections**

Relationships and networks were also cited as being important. Interviewees reported that those businesses that are most visibly and actively engaged were those that were the most active within local business networks.

In part, this is to be expected – given that more responsible and civic-minded business activity suggests a degree of connection to the local area, it is likely that this will manifest itself through participation in such networks.

However, there is also considerable scope for business networks to develop and drive greater engagement from their members. The chamber of commerce was identified as an important broker across each of our case study areas, and several interviewees suggested that there was a role for local anchors, including local authorities, to build and nurture new relationships with disengaged businesses.

Devolution was identified as a potential ‘game-changer’ in terms of how businesses relate to the local public sector and to each other. The creation of new sub-regional bodies such as combined authorities provide a focus point and a forum for large anchor organisations to coordinate and collaborate. It allows for the development of collective regional leadership, to shift the focus of local organisations beyond day-to-day business and on to more strategic and long-term considerations regarding the future of their region.

In areas with devolution there is evidence that this agenda is being advanced rapidly. For example, those areas with mayors have developed initiatives such as place-based funding pots and employment charters. The power over relevant funding streams, especially skills funds and capital investment for transport infrastructure, represents an important lever to encourage local businesses and others to leverage more responsible behaviours.

#### **Case study: TeesValleyCareers.com**

Led by the Tees Valley Combined Authority, TeesValleyCareers.com is a single careers service across the whole city region, to improve work readiness across all ages – which has been flagged by businesses as a key local issue. TeesValleyCareers.com targets 100,000 young people in Tees Valley and will see every school and college in the area work with local businesses to help shape and deliver careers and enterprise.

The aim is to engage at least 1,000 businesses to ensure that each child receiving seven direct and meaningful employer engagements by the time they leave education, employment or training. Businesses are encouraged to partner with schools to shape and deliver careers education and to become school governors.

#### **4. Business characteristics**

Across our interviews, people mentioned business characteristics that influenced the degree to which firms were likely to engage with their local area.

##### **Size**

The size of business, and the differences between SMEs and large corporate firms were a recurrent theme.

On one hand, the rate of civic engagement was considered lower among small businesses in general. Many people acknowledged the fixed costs associated with civic engagement that form more significant obstacles to SMEs, particularly the very smallest firms – for example, a larger company can afford for staff members to spend a day at a careers fair, or advising a third sector organisation, without it having as significant an impact upon their day-to-day operations as it would for a small business. Likewise, many small businesses lack a formal HR department to develop policies and practice.

There was also a suggestion that larger companies are more likely to see direct benefits from being visibly engaged in their local area, for example, to ensure favourable treatment in procurement and planning decisions, or to

demonstrate responsible business behaviour to local and central government, as well as regulators).

On the other hand, SMEs were often considered to contribute their local areas in less visible ways – such as hiring locally and charitable donations – that were not part of a conscious or overt strategy, but rather a natural part of how they operate.

Several interviewees pointed to the need for coordinated and accessible support to overcome obstacles for greater levels of engagement from SMEs that would otherwise lack the internal resources. Providing this kind of support, either directly or by facilitating the pooling and sharing of resources, was cited as an important way that larger organisations can increase the social impact of their activities.

In addition to responsible supply chain management (including prompt payment of invoices) that helps to shore up the finances of small businesses, large suppliers can use their purchasing power to encourage SMEs to act more responsibly, including, for example, by paying a living wage.

### **Corporate structure and headquarters**

Companies that are headquartered locally are more likely to demonstrate an involved and civic-minded approach to engagement. Those firms that were based in the area were more likely to have a stronger sense of place and identity, to have key decision-makers with ties to the area and to have established relationships with private and public sector stakeholders. These companies will also have greater freedom in being able to engage in different ways with local stakeholders.

In cases where the business in question is a local branch of a large national or multinational organisation, corporate structure plays an important role in determining the type of relationship with the local area. Stronger and more effective engagement was more likely where area managers and their staff wield greater autonomy over decision-making, and where there are senior members of staff working from the local branch.

The degree of local autonomy over decision-making is often related to the overall company ethos, as well as the type of activity that is undertaken locally (which affects the seniority of individuals in charge).

### **5. Reputation and public visibility**

There are considerable reputational benefits that accrue to being visibly and actively engaged in a local community. Large firms are highly likely to have a clear and visible engagement strategy, because it makes good business sense to do so. Demonstrating their community credentials allows them to improve their standing in the eyes of public officials, including regulators, their employees, as well as their local community and the public.

This was particularly the case for firms in industries with stricter regulation, including for example, petrochemical and financial services firms. Many companies in these sectors have invested significant resource into their local communities, not only to present a favourable impression to regulators, but also, it was suggested, to ensure that local communities are persuaded of the value to their area of the firm's activities.

## **CRITIQUING BUSINESS ENGAGEMENT**

Throughout this project, we accumulated evidence of the considerable contribution that many businesses in the North make to their local areas. Our analysis of the factors that underpin the nature of a firm's relationship with

its community suggests that a wide range of motivations – from the altruistic and civic-minded, to the calculating and even cynical – underpin this.

However, having said that, it is not clear that the nature and scale of business engagement across our case study areas is commensurate with the severity of material issues on the ground, for three reasons.

First, while there is considerable activity invested in some elements of responsible business (specifically, as noted above, engagement with education systems, charitable giving and volunteering, and championing and advocacy roles), there is considerably less focus on other elements, including paying a living wage, increasing local spend, and a targeted approach to hiring and training, including apprenticeships. Stakeholders suggested that it was much easier to engage businesses in the project of promoting economic growth and attracting inward investment from national government and overseas than it is to encourage greater investment to tackle broader societal issues.

Second, a frequently-heard complaint was that engagement across the business community in each area often lacks coordination to maximise its potential impact. There were plentiful examples given of firms investing resource on an ad hoc basis. The examples that were considered most effective were those coordinated and targeted through local partners and networks, acting in collaboration with other partners including the voluntary sector and other private enterprise.

Finally, in none of our case study areas was there a sense of civic engagement as a collective endeavour across the whole business community. Instead, the most worthwhile activities were driven by a relatively small group of businesses, with little strategic approach by people in either public or private sectors for encouraging more businesses to get involved.

The following section discusses the levers available to local authorities and others to encourage and support better engagement by local businesses.

### 3.

## BUILDING RESPONSIBLE BUSINESS ENGAGEMENT LOCALLY

Our research across three case study areas sought to investigate the extent to which businesses in the North have already cultivated a more responsible and civic-minded relationship with their local area. It found evidence that some businesses already grasp the scale of the challenge.

- There are plentiful examples of good engagement by firms (contrary to some stereotypes of the private sector) who invest significant amounts of time and resource into their local area to see it thrive.
- The extent to which companies make such an investment is strongly influenced by a range of factors, at both a firm and a system level by:
  - leadership
  - sense of place
  - networks
  - business characteristics
  - perceived reputational benefits.
- Much more can and should be done. The nature and scale of civic engagement by the private sector is not commensurate with the severity of material issues on the ground.

Building greater civic engagement locally is no easy task. It is certainly not something that public policy can mandate into being. Instead, a successful approach will be one that recognises the messy and complex work of both building trusting relationships and fostering a positive sense of place across a wide range of stakeholders. The key elements of success include:

- developing collaborative relationships and trust between different actors who share a common agenda
- taking a strengths-based approach, that draws upon the assets and networks that are available within a particular place
- evolving over time and in response to changes in conditions.

Because of this, and although the national policy context is undoubtedly important, building civic engagement is an **inherently local endeavour**.

The following chapter explores the powers and functions afforded to those anchor organisations who, by nature of their ‘rootedness’ in place, are naturally predisposed towards a strong vested interest in the overall health of the economy in which they operate.

Anchor organisations have a significant influence over their local economy, as a result of the scale of the jobs they provide, the scale of spend through procurement, their land and assets, and the fact that they are unlikely to leave that place (CLES 2017).

‘Anchor organisations’ are likely to include:

- **local authorities** such as councils, health authorities and hospitals, regional and local branches of central government departments such as the Department for Work and Pensions (DWP)
- **universities and colleges** (see box)
- **enlightened’ businesses** – likely to be those with a strong historical and/or brand ties to the local area
- **utilities companies** such as water supply and electricity generation.

Other important actors may include housing associations and local branches of central government departments such as JobcentrePlus, as well as trade unions and other worker representatives.

### The role of universities and colleges

Universities and colleges are significant economic actors in their local areas. In many places, the size of their footprint is growing, driven by large increases in the number of students and employees in recent decades.

At the same time, however, universities in particular have been strongly encouraged to build a global brand, and to compete nationally and internationally for students. Their behaviour as institutions is strongly influenced by nationally-determined measures of teaching and research, some of which penalise universities for civic activity, including releasing graduates into regional labour markets with lower employment outcomes, or into self-employment (UPP Foundation 2019). These trends have meant that many universities have “lost some of the tangible connection to their places” (UPP Foundation 2019).

## STEPS TO BUILDING RESPONSIBLE BUSINESS

There are a range of powers and functions that local anchor organisations can deploy to support and encourage businesses to develop their engagement with, and investment in, their local area.

### 1. Convening

Given the lack of coordination identified throughout the course of our research, bringing together people and organisations that are already engaged would create opportunities for them to develop a system-wide perspective on the assets and needs of their local area, to map assets, reduce duplication and develop collaborative solutions together.

Anchor organisations have significant convening power through their status as purchasers and decision-makers. Organisations such as local councils and universities have multiple points of contact with businesses that may not be consciously or formally ‘engaged’, including through planning, environmental control, and business advice (see next box).

### 2. Creating a vision

A clear and ambitious vision for the local area helps to galvanise business support, and target and corral well-meaning efforts towards a common purpose which, in turn, ensures that resources and energies are used to greatest effect.

Successful examples are bold, yet also very tangible; such as the regeneration of the local town centre, tackling in-work poverty, or buying local by default. However,

as noted above, it has proven significantly easier in recent years to galvanise business support from national government and overseas for promoting economic growth and attracting investment than for wider societal concerns.

### **3. Defining ‘the common good’**

A definition of ‘good’ business engagement will always be contested and context-dependent: what is considered most valuable will vary from place to place and from time to time. Therefore, one thing that local anchor organisations can do is to collectively agree – in consultation with others and informed by their vision – what ‘good’ looks like in their area, and what collective endeavour or common purpose they are working towards.

This could be through the development of a ‘charter’ for business, such as those described in chapter 2, or a voluntary compact between the public sector and businesses akin to the Wigan Deal for Business.<sup>7</sup> These also allows anchor organisations to set out their collective expectations of those with whom it has a relationship, for example by making it a precondition for those who tender for contracts, and to make a clear business case for why it is in a firm’s self-interest to develop a more responsible approach to doing business.

### **4. Building and targeting support**

As identified in this research, civic engagement tends to be uncoordinated and lacking in strategic direction. Working to a co-produced definition of what ‘good’ looks like may help to tackle this – however, anchor organisations can also:

- map their assets, including buildings, human capital/skills, and relationships and networks, with a view to better understanding to put them to best use in their community
- work with brokers – including business networks, civil society support organisations and community foundations – to direct and target the support they provide in their community. This might include voluntarily paying into a shared pot of funding to be directed towards local needs.

#### **Case study: Skills Bridge**

Run by Newcastle CVS, a local voluntary sector organisation, Skills Bridge is a knowledge transfer matching service, to benefit charities and the wider third sector by providing them with access to a range of professional skills and expertise from people working in or recently retired from the private and public sectors.

Third sector organisations that work for the relief of poverty and unemployment are given priority for support. Newcastle CVS acts as a broker, and works with third sector organisations to determine what their priority issues are. These often fall into one of two categories: business/strategic planning with the CEO and board, or pro-bono operational support in one of a range of areas, including finance, marketing, IT and HR.

### **5. Acting as an exemplar**

If they are to encourage greater civic engagement, local anchors should can act as “institutional beacons of progressive social and economic activity” (CLES 2017) in their local area.

<sup>7</sup> See: <http://www.wiganworks.com/Business-support/Finance/Deal-for-Business.aspx>

As our research suggests, although many businesses have well-developed strategies based around charitable giving, far fewer organisations, from across all sectors, demonstrate best practice when it comes to how they distribute the proceeds of their core business activities.

Examples of good business practice that anchors might consider include the following.

- **Becoming a living wage employer.** The Living Wage Foundation lists 93 local authorities (including parish councils) as accredited members. Others, such as Newcastle City Council, have committed to upgrading the hourly rate for its lowest paid employees according to a definition of a living wage that is set independently, but notionally aligned to the Living Wage Foundation's definition.
- **Developing a targeted approach to apprenticeships, work placements, and training and development programmes** that offer opportunities for people from areas of greatest need to develop skills and experience that will improve their employability.
- **Ensuring that their assets are available for the benefit of the local community** (including land and buildings, as well as professional expertise, networks and other forms of human capital).

#### **6. Procurement and investment**

Anchor organisations can also use their considerable purchasing power to encourage those in their supply chain to follow good practice and deliver wider value in the community.

The Social Value Act already provides scope for decisions around procurement to include conditions around building local supply chains, workforce development, employment conditions and pay, and environmental impact. In some areas, this is already in use. For example, Newcastle City Council's Cabinet took steps in April 2018 to incorporate its social value commitments into the full scope of the council's commissioning and procurement processes, to ensure social value is considered throughout all stages of service design and delivery. Manchester City Council has increased the weighting given over to social value in its contracts from 10 to 20 per cent.

#### **Case study: Liverpool City region Single Investment Fund**

In 2018, the mayor of Liverpool City Region (LCR) announced the second iteration of the City Region's Single Investment Fund. The fund, which comprises various local and national funding streams, including LCR's allocation through its devolution deal, is worth around £500 million over five years and is available to support projects in areas such as transport and digital infrastructure, economic development, business growth, skills, culture and housing.

The tender process will favour bids from organisations that can demonstrate 'positive social impact', including using local labour, avoiding zero-hour contracts, creating apprenticeships, and paying the real living wage.

#### **7. Building a sense of place**

Most places in the North are already involved to some degree in place 'branding'. The narrative that is promoted through these exercises is often that the local area is 'open for business'. The main aim is usually to attract inward investment from new businesses, consumers or overseas investors. For example, a key purpose



of the Northern Powerhouse brand is to sell the North to investors and visitors overseas, and public and private actors in places such as Greater Manchester have invested large sums of money into this type of ‘place-shaping’ activity.

Place-shaping and branding is not a new thing.<sup>8</sup> But there is a renewed interest in the role of local actors to develop a shared vision for their place, in partnership with citizens, and to align resources in order to meet it (Finley and Farbrother 2018).

Business Improvement Districts (BIDs) are a recent vehicle for supporting and developing a local sense of place among businesses and other stakeholders. However, at present, in many areas, these are too narrowly focused on the needs of business, rather than the local area. Instead, lessons could be learnt from Improvement Districts in Scotland (see box).

### Reimagining Business Improvement Districts

Business Improvement Districts (BIDs) are business-led partnerships, which deliver services additional to those provided by the local council in order to improve the local trading environment. They are focused on a defined area (often a town or city centre), in which a levy is charged on all business rate payers (conditional upon a successful ballot held every five years among all eligible firms) in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.<sup>9</sup>

However, the current model is focused on the needs of businesses, rather than the area itself. Many BIDs are heavily focused on branding their area as attractive to consumers and to new businesses, without regard for the deeper structural issues in the economy.

Although BIDs can act as a broker or connector – for example, by joining up businesses who want to make best use of their CSR budgets with local third sector organisations – there is often little or no emphasis placed on businesses to lead on improving the local area, beyond the additional business rates that are paid.

To this extent, the current model of BIDs has limited applicability for our purposes.

However, elsewhere, the BID model is being rethought. In Scotland, the role of BIDs has been expanded. Using the existing legislation but rebranded simply as ‘Improvement Districts’, the key features of the new model are:

- expanded membership, to include community, third sector and public involvement as well as businesses
- expanded focus, on developing collaborative relationships to deliver both economic and social outcomes.
- The overarching aim of the Improvement District model is for local businesses – working with other public and third sector partners – to pool and share resources, in order to take a leading role in improving local economic conditions by delivering an agreed package of investment and initiatives over and beyond that delivered by local and national government.

There are also additional powers that local authorities, as statutory and tax-levying bodies, can wield.

<sup>8</sup> For example, it was a key element of the Lyons Review (2007).

<sup>9</sup> See: <https://www.gov.uk/guidance/business-improvement-districts>

## 9. Planning

As regulators of land use, local authorities can use their planning powers to help deliver social value from new development. Local planning policy can enable local authorities to attach conditions to a new development which can help to mitigate any potential harm that may arise as a result of the project, or to prescribe how the development should happen in such a way as to support social value. Often, this is a requirement of the developer to build a certain percentage of affordable homes into a new housing development. It can also include contributions towards the cost of infrastructure provision, such as new transport and utilities as well as development of new schools, health centres and community centres (depending on the scale of the development).

However, the degree to which a local authority can negotiate and enforce these planning obligations is often proportional to the value of land in an area, which can raise or lower their bargaining power with powerful developers.

## 10. Tax incentives

Progressive tax measures can help to reduce the immediate fiscal cost to business of creating higher-quality jobs in the local economy, and incentivise better business engagement. Within their limited fiscal powers, local councils can offer a discretionary discount on the business rates paid by any local business. This can be allocated to any business against the local authority's own criteria, allowing them to, for example, encourage businesses to expand into certain localities, or to incentivise businesses and other ratepayers that demonstrate working practices that offer long-term benefit to the local area.

There are already examples of this in practice. Brent Metropolitan Borough Council, for example, uses the discretionary relief scheme to incentivise firms to pay a London living wage, by offering businesses a one-off discount on their business rate equivalent to five times the cost of being accredited as a living wage employer by the Living Wage Foundation (worth up to £5,000).<sup>10</sup> A similar scheme is in operation in Lewisham, Greenwich and Ealing.

In Bradford, a rebate scheme is used to encourage firms to locate in the city centre (see box).

### Case study: Bradford City Centre Growth Zone

Bradford City Council developed a business rate rebate scheme as part of its City Centre Growth Zone. A grant scheme was launched offering business rate rebates to businesses creating new and additional jobs within a pre-defined area based within the city centre, either by expanding their existing businesses or by opening new operations. The rebates are offered for up to three years and based on a 'refund' of £16,000 for every new job created, with the ceiling capped at the business's annual rates bill. The council estimates that, to date, the grants provided have encouraged 230 businesses to invest, either by opening new operations or expanding existing ones.<sup>11</sup>

This success led to the development of a district-wide scheme, which offers rates relief to businesses that relocate or expand in new developments, listed buildings, or one of the district's four town centres.<sup>12</sup>

10 See: <https://www.livingwage.org.uk/news/brent-council-first-country-approve-new-business-rate-incentives-pay-living-wage>

11 See: <https://www.local.gov.uk/bradford-city-centre-growth-scheme>

12 See: <https://www.investinbradford.com/support/district-growth-scheme/>

Offering a rates relief costs the local authority because of lost revenue (even more so as greater retention of local business rates is introduced).<sup>13</sup> A council might calculate this as a hit worth taking in the short-term: in Bradford's case, for example, it makes sense to use rates relief to incentivise businesses to take up unused floor space, in the hope that they will establish themselves within previously vacant properties and, in doing so, increase the council's rates base in the medium to long term.

None of these measures outlined above are new. There are numerous and, in some cases, well-publicised examples of councils that have developed an approach to economic development and business engagement that is more focused on maximising social value.

But these examples remain in the minority and they take place *despite* the wider fiscal incentives in the local government system, rather than *because of* them. Coupled with the extreme pressures on councils' finances that stem from successive cuts to local government finances (including substantial reductions in budgets for economic development) and rising demand for services, the current system of local government financing acts as a strong disincentive for local authorities to play a more active and interventionist role in the economy.

### The incentives in local government financing

Local government in England relies to a large – and increasing – degree on business rates as a source of income. Because business rates are the sole source of local tax income from non-domestic activity, local government is highly sensitive to changes in the rates base. The government's intended business rates retention scheme – under which local authorities would keep a larger proportion of rates raised locally (rather than pooling them nationally), as well as 100 per cent of the growth in rates revenue<sup>14</sup> – will increase the reliance on locally generated rates revenue.

The design of business rates, which are calculated according to the value of the business property, rather than the value that is generated, means that they reward councils that encourage increases in commercial floorspace, while offering nothing to those that develop the productivity of firms or the incomes of employees. Multiple studies have shown no relationship between increases in councils' business rates tax bases and growth in either GVA, employment or earnings (Smith Phillips and Simpson 2018; Mor and Sandford 2017).

This is problematic. A local authority that directs some of its limited resource into boosting productivity, raising wages, and ensuring a healthy and well-skilled workforce may see no return on this investment through increased revenue if its efforts are successful. This is counterproductive to the government's stated desire for a local and place-based approach to economic growth, as well as the wider policy interest in developing a fairer and more prosperous economy. This point came up as a recurrent theme in our conversations with local government officials, as well as in wider literature (for example, Studdert 2016).

13 The government aims to increase the level of business rates retained by local government from the current 50 per cent to 75 per cent in April 2020.

14 The government plans to increase the share of business rates English councils retain from 50 per cent to 75 per cent by 2020, and is piloting 100 per cent rates retention in parts of the country. At the same time, local authorities will be allowed to keep 100 per cent of the growth in business rates.

Of course, fiscal incentives are not the only determining factor in determining local decision-making processes. As democratically accountable bodies, local authorities are strongly incentivised to act in ways that are aligned with the interests of their citizens, and therefore the health of the wider economy. And as organisations predominantly led and staffed by local people, they are also likely to want to do the best for the local area – in the same way that civic engagement on the part of businesses is driven in part by individuals and their sense of place and belonging.

But the precarious state of local government finances means that short-term financial considerations are more likely than ever to take prominence in decision-making than in previous years.

## 4.

# CONCLUSIONS AND RECOMMENDATIONS

The north of England has a long and proud history of civic-minded enterprise. Many northern businesses, large and small, are longstanding institutions that provide significant value to their area, above and beyond their role as employers and taxpayers. Many more are already rethinking their civic role in relation to their staff, their supply chain and their impact upon the environment.

However, the scale and nature of the challenges faced, from low pay and poverty, to productivity and the skills gap, to climate change, mean that, a step change is needed in the purpose and practice of private sector enterprise. Although there are many good examples of civic-minded business, too many businesses exhibit behaviour that is short-termist and extractive.

The state can do more to curb the excesses of the private sector through regulation and legislation. Many ideas on how to do this have been proposed by IPPR's Commission on Economic Justice and include, for example, raising the minimum wage, better regulation of the labour market and a higher rate of corporation tax (CEJ 2018).

But there are limits to what the state can do on its own through regulation. There is considerable scope to use the power of the state to build partnerships and forge a sense of common purpose across sectors, in order to build a collaborative approach to addressing socio-economic challenges.

This agenda is and will continue to be led locally. Its success will depend on the ability and willingness of councils, as well as other anchor organisations, to use their power within their local economy to build relationships and a common mission, to leverage people's considerable attachment to their local area, and to incentivise and support businesses to deliver social change. The development of local industrial strategies, and the patchwork of new strategic combined authorities across the city regions of the north offer opportunities to do things differently.

There is also considerable scope to reshape the Northern Powerhouse agenda, which has so far focused primarily on galvanising business around a shared vision of higher economic growth through boosting economic output among the North's high-productivity sectors. But there is also the opportunity to leverage the considerable strength of the North's history and its sense of place, and support, encourage and develop the civic role of businesses towards a vision for a fairer, more inclusive and prosperous region. Given the means to do so, the North of England can set an example to the rest of the country, and the world.

And there is also more that can be done by national government. While this agenda is inherently local, it also occurs within a national policy framework that shapes the scope of what is possible, not least by dictating the powers and incentives of different local actors, especially local government.

Mindful of this, we set out recommendations below at a local, northern and national scale.

## RECOMMENDATIONS

### ***Local authorities, combined authorities and other civic-minded anchor organisations should:***

- 1. Develop ways to support and encourage greater civic engagement from local businesses.**

This should include:

- convening
- setting a vision
- agreeing ‘the common good’
- building and targeting support
- acting as an exemplar
- procurement and investment
- building a sense of place
- planning
- using tax incentives.

### ***The North’s key decision-makers, including mayors and local authority leaders, and constituent members of the N11 group of LEPs, and the N8 group of universities should:***

- 2. Establish a Northern Powerhouse Community Fund.**

This would be funded through a voluntary contribution of 1 per cent of profits from northern businesses and would help to fund voluntary and community activity in the region. Decisions about investments would be informed by an advisory committee of northern citizens, chosen by sortition.

- 3. Commit to becoming exemplars of good practice in supporting the prosperity and wellbeing of their locality, including signing up to local employment charters or becoming living wage accredited.**

### ***Central government should:***

- 4. Ensure that the responsible business agenda that has been developed within its civil society strategy is integrated across its work, including within its industrial strategy.**

This could mean, for example, incorporating the definition of responsible business within the asks made of industries as part of its sector deals, and ensuring that the development of local industrial strategies should include consideration of how local stakeholders can undertake steps towards greater civic engagement.

- 5. Use its Future High Streets Fund to leverage greater civic engagement from local businesses.**

- 6. Use the Northern Powerhouse ‘refresh’ to include a focus on improving jobs, pay and health and wellbeing, and the role of responsible business within this.**

- 7. Reboot the devolution agenda.**

Devolution can be used to galvanise business, to work towards a shared vision for the local area. New powers over funding streams provide local authorities with greater leverage over the private sector and others, in order to encourage and support more responsible and engaged activity.

***In order to remove the perverse incentives within the current system for funding local government, the government should:***

**8. End austerity in local government, by providing a long-term and sustainable settlement that ensures councils can afford to invest in economic development and to assume a stewardship role within their local economies.**

**9. Allow local authorities/mayoral authorities to levy a 2 per cent business rates premium for social infrastructure.**

This would be in addition to the 2 per cent premium that mayoral combined authorities can levy to fund transport infrastructure investment.

**10. Allow combined authorities to propose their own taxes on business – such as Seattle’s planned ‘Amazon tax’ which would have been levied on large businesses at a fixed rate per employee, to fund activities that are additional to their statutory duties.**

**11. Commit to a comprehensive redesign of the current system of business rates.**

This would help remove the incentive inherent in the current system of business rates which encourages councils to prioritise growth in commercial floorspace, rather than the quality of jobs offered, the productivity of firms and the actual value of economic activity undertaken.

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