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**LOCAL AUTHORITIES**

**AND**

**ECONOMIC DEVELOPMENT IN SCOTLAND**

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PREPARED FOR THE

**Convention of Scottish Local Authorities**

BY

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## EXECUTIVE SUMMARY

1. This report was commissioned by COSLA to identify the breadth, scale and importance of Scottish local authorities' activities in the field of economic development.
  
2. The report outlines why local authorities are involved in economic development. The reasons include their responsibilities, as democratically elected bodies, for the social and economic well-being of the whole of their community, their relevant powers and resources and their knowledge of local needs and opportunities. Also many local authority services unavoidably have a direct or indirect impact upon the local economy, and in their turn the demand for and effectiveness of many services are influenced by the conditions of the local economy. Local authorities being directly involved in economic development means there is:
  - greater likelihood of utilising their unique powers to assist economic development projects;
  - more choice in sources and forms of advice or assistance for businesses;
  - a focal point within the local authority to promote joint working with other agencies, making the operations of each more effective and efficient;
  - more joint working between the private sector and local authorities;
  - a broadening of agenda on joint projects as the wider concerns of the local authorities are included;
  - greater integration between physical infrastructure, training and education and business support;
  - less danger of them carrying out their necessary regulatory roles without fully appreciating the effects upon the local economy; and
  - a significant level of resources put into the economic development support infrastructure.
  
3. The diverse range of economic development activities carried out by local authorities are discussed under seven main headings. These activities involve:
  - (i) developing local economic development strategies and initiatives, usually in co-operation with other bodies.
  - (ii) providing support to help businesses create jobs and investment, particularly through: counselling and advice to firms, with care taken to avoid duplication with other agencies through formal or informal mechanisms; working with other agencies to attract inward investment; supporting trade

development; aiding the introduction of new technology in products or production processes; filling gaps in the availability of finance with grants, loans, loan guarantees and some equity to 4,461 firms in 1990/91; providing over £1.1m for company training and £3.8m in wage subsidies for the young and long termed unemployed; and collaborating in sector initiatives such as in tourism, fishing and films.

- (iii) improving the physical environment and meeting the infrastructure needs of economic development, such as roads, sewerage and property. Those local authorities giving data supply: 2,653 industrial units (often of a size and in locations unattractive to private developers, with over three-quarters of units being suitable for small start-ups); nearly a thousand hectares of industrial land; 732 commercial units (again mostly small); and 2,751 retail units. These provide over £32m in income as well as helping support employment. Priority is often given to the processing of industrial and commercial planning applications and most local authorities give priority to allocating and safeguarding such land in Local and Structure Plans. Well over £8.4m was spent by local authorities on environmental improvements, including £1.9m on industrial area improvements, over half with other agencies and the private sector; over £1.3m on land reclamation; £2.9m on town centre improvements and £1.8m on tourism areas.
- (iv) supporting people entering the labour market or seeking new or better jobs through improved training and access to employment. Over 5,000 places were given to people with numeracy and literacy problems specifically to help them gain improved access to employment or employment related training. Nearly 150,000 young people and adults were given careers guidance outside of the schools and F.E. colleges services, while 14 compacts have been developed covering nearly 5,000 pupils.
- (v) assisting disadvantaged areas and people to participate in and become integrated into the wider economy. A leading role is played by local authorities in nearly all initiatives in the many urban and rural disadvantaged areas. Also many authorities have specific programmes to aid disadvantaged groups such as the disabled, young or long-term unemployed and those needing childcare.
- (vi) attracting outside resources to support the local economy. For instance, the level of grants gained from the European Commission has reached the hundreds of millions of pounds.
- (vii) the many local authority functions not specifically aimed at economic development but which also have a significant impact upon the local economy, such as trading standards, the protection services, environmental health, libraries, recycling and building control.

4. How local authorities go about economic development is important. Many have a long history of working in partnership with other agencies and the private sector to raise efficiency, effectiveness and avoid duplication of effort. There are many forms of partnership ranging from joint strategies to 'one-off' projects or common funding of specialist agencies. The study found that good working relationships have been quickly developed with the new Local Enterprise Companies, with all Regional Councils and 88% of Districts citing relationships as positive or very positive. There are generally higher levels of consensus with the LECs on the problems facing their local economies and necessary solutions, compared with the period before they came into operation. There is a high level of co-operation on local projects and strategies, particularly on environmental projects (with over three-quarters of local authorities involved in joint projects with LECs), business development projects (involving 75% of Regional and 55% of District Councils respectively), property development (50% and 63% respectively), and training (75% and 33%).
5. Elsewhere local authorities often make important 'in-kind', expertise and cash contributions to a variety of partnerships. For example, joint strategies are often developed with area tourist boards, with local authorities also contributing over £6m in grants to them in 1990/91, as well as running events and developing and operating attractions. In the case of Enterprise Trusts, in addition to close working and 'in-kind' support, local authorities provided them with £1.67m in grants.
6. The level of resources devoted by local authorities in Scotland solely or primarily for the purposes of economic development was over £90m in 1990/91. This excludes much expenditure on roads, sewers etc. or on staffing (other than that primarily involved in economic development). Of this, £54m was spent by Regional Councils and £37m by District Councils. Much of the expenditure was eligible for European Commission aid, and hence the net cost to the authorities is lower. Capital expenditure made up 33% of the total (£30m). Of the £60m revenue expenditure, property management comprised £7.8, grants/loans to companies £7.7m, £4.6m was spent on promotion, £6.6m on training and £4.0m on area/special initiatives.
7. In conclusion the role of local authorities in economic development is very significant in terms of scale, variety, and adaptability to local opportunities and problems. Of particular importance also is the general emphasis upon operating in close partnerships with other agencies and the private sector from the strategic level to that of individual projects. Encouragingly, working relations with LECs are positive and considerable effort is made to avoid duplication of services while ensuring choice for those seeking business support.



## LOCAL AUTHORITIES AND ECONOMIC DEVELOPMENT IN SCOTLAND

### I. INTRODUCTION

1.1 This report was commissioned by COSLA in order to identify the breadth, scale and importance of Scottish local authorities' activities in the field of economic development. Economic development is part of a process whereby local authorities work in partnership with other public and private sector organisations in seeking ways to maintain or develop new and better employment opportunities and improve the economic well-being of their area. Hence, for this study, economic development is taken as those activities which are intended to increase or maintain employment opportunities and economic activity in the local economy.

1.2 The report is based upon a questionnaire sent by COSLA to all local authorities in Scotland in January 1992. All Regional and Islands Councils and 42 out of 53 District Councils returned the questionnaire. Most of those districts who did not complete a questionnaire considered that the Regional Council provided the principal focus for economic development activities. This is, therefore, the most comprehensive detailed survey on local authority economic development to be carried out in Scotland (1). All data relate to the 1990/91 financial year and percentage figures quoted in the report refer to the share of local authorities that responded to that question.

1.3 The context of the survey is a period of significant change in the economy and the operations and structure of local authorities and other agencies concerned with economic development. In particular these include: the transformation of the Scottish Development Agency/HIDB into Scottish Enterprise/Highland and Islands Enterprise and their associated Local Enterprise Companies (LECs); and the proposed legislation for Unitary Local Government. It is essential that the full role of local authorities in economic development is understood and recognised in order to allow well informed debate on proposals which will affect Scotland's economy.

1.4 This report is intended to contribute to the debate by providing detailed information on local authorities' current activities in economic development. The findings of the survey show that the contribution of local authorities is significant in every sense and any erosion of local government's role in economic development will leave Scotland very much the poorer.

1.5 A number of case studies have been included to illustrate the range and impacts of economic development initiatives. Many excellent examples have had to be excluded due to space limitations and these studies can only hint at the diversity of initiatives and local circumstances throughout Scotland.



## 2. WHY LOCAL AUTHORITIES ARE INVOLVED IN ECONOMIC DEVELOPMENT

- 2.1 All Regional Councils and 81% of those district councils which responded to the survey stated that economic development is a major Council priority. Local authorities are major stakeholders in their local economies and have been actively involved in promoting economic development for decades. Their role in economic development was given greater priority as the fundamental changes in the economy in the 1970's and 1980's and the long term relative decline in manufacturing employment resulted in levels of unemployment unknown since the war. Regional policies based upon attracting inward investment were inadequate to tackle this problem by themselves and research from the late 1970s onwards indicated the importance of, for example, innovation and new small indigenous firms for job generation. Hence local economic development activity in which local authorities played a significant role in partnership with other agencies, was seen as essential to help the generation of sufficient employment opportunities.

*" ..... local authorities are in a position to play a significant role in promoting economic development and local employment initiatives:-*

- *they are democratically elected with a responsibility for the social and economic welfare of the community as a whole;*
- *they are a focus of concern for the locality, which can prove to be an important source of consensus and commitment to act;*
- *they have, or should be able to build, an intimate knowledge of local needs, problems and opportunities; and*
- *they possess relevant powers of intervention and resources which could be devoted to economic development"*

*Report to European Commission, 1986*

- 2.2 There are several broad reasons for direct local authority involvement in economic development given their elected mandate to represent and promote the well-being of the communities they serve. First, local authorities have a broad range of statutory and non-statutory responsibilities, wider than most other agencies involved in economic development. They are concerned with the overall welfare and quality of life of residents in their area, and unemployment or income levels are key components of this. It is therefore unsurprising that locally elected and accountable councils should seek to help improve their local economies in the most effective ways, while balancing the economic and other needs of the whole community. They may therefore be involved not only in supporting employment creation etc. but also in assisting all parts of the community to gain access to such jobs, including cases where removing barriers to employment may not be commercial (e.g. childcare facilities for those with low incomes).
- 2.3 Second, most local authority activities have a direct or indirect impact on the local economy, and they are usually the largest local employer, holders of significant resources and a major

purchaser of goods and services. Indirect impacts arise as they regulate many activities of other employers such as in environmental health, planning, building control and trading standards. They also provide essential services relevant to businesses, for example, fire and police protection, cleansing, education of the future workforce and infrastructure such as roads, water and sewerage. The priority given to economic development ensures that the effects of all these services on the local economy are taken into account.

- 2.4 More directly, local authorities help businesses create and maintain employment and investment by providing necessary infrastructure and filling gaps in business support, such as - the provision of information, advice, financial and other support services either directly or in partnership with other agencies; assisting people to participate in the labour market through training and other support; reducing physical infrastructure barriers to employment generation and investment; improving the quality of the overall environment for residents, employees, visitors and businesses; and attracting resources from external sources. Policies guiding local authority activities in these areas often explicitly take into account likely impacts upon the local economy, although crucially, they are also balanced in a democratic and directly accountable way with other factors essential to the quality of life of all local residents and businesses. They also provide a large degree of flexibility and adaptability to specific local circumstances.
- 2.5 Third, the local economy affects the demand for and form of local authority services. For example, social services, education, housing and leisure and recreation services are affected by unemployment and income levels. Also, experience has shown that, particularly in areas of multiple deprivation, it is essential that social and employment generation policies are co-ordinated and that the community and all relevant agencies work together to assure long term improvements to the areas and help residents participate fully and effectively in the labour market. So the way that other mainstream services are delivered in conjunction with economic initiatives is crucial. Hence, assisting the local economy can significantly improve the costs and effectiveness of many council services.
- 2.6 In general, by taking account of the full range of social as well as private costs and benefits, seeking long term rather than generally short term returns and spreading risks and returns for investments, local authorities can take a complementary approach to that of other agencies and private companies. Further, in local authorities such decisions are taken in a public, open, accountable and democratic way. Hence, with their economic development role there is:

less danger of local authorities carrying out their necessary regulatory roles without fully appreciating the effects on the local economy;

greater likelihood of utilising the local authorities' unique powers to assist economic development projects;

more choice in sources and forms of advice or assistance for businesses;

a focal point within the local authority to promote joint working with other agencies, making each of their operations more effective and efficient;

a broadening of agendas on joint projects as the wider concerns of local authorities are included;

more integration between physical infrastructure, training and education, and business support;

more joint working between the private sector and local authorities;

and as will be shown, a significant level of resources put into the economic development support infrastructure.

In summary, without local authority provision of economic development services, there would be a potential monopoly of public provision reducing pressures to adapt and improve services, particularly if the public provision had no direct public accountability. Also without an explicit role local authorities would be less able to respond to the needs of the local economy and to support their partnerships with other agencies and the private sector.

### Economic Priorities

- 2.7 What then are local authorities' main economic priorities? Nearly all Regional Councils and District Councils (92% and 88% respectively) cite the creation of employment as a very important priority, along with making the area a better place to live (100% and 55% respectively). Both tiers of local government feel encouraging growth in indigenous companies to be a very important priority (92% and 79% of Regional Councils and District Councils respectively). Other priorities are more strongly favoured by Regional Councils (and larger District Councils). These include encouraging start-up businesses (83% and 55%), encouraging private sector investment (75% and 50%), attracting inward investment (75% and 48%), reducing unemployment in priority areas (75% and 57%) and raising the skill base (67% and 31%). Raising incomes generally (25% and 50%), reducing out-migration (17% and 14%) and increasing rateable values (8% and 5%) are relatively low priorities among most local authorities, although this may be because they cannot be influenced greatly. Overall, most local authorities have major priorities of employment creation and improving the area as a place to live, together with assisting firms and encouraging investment (which generally would lead to more and better jobs).

### 3. WHAT LOCAL AUTHORITIES DO: ECONOMIC DEVELOPMENT POLICIES & SERVICES

3.1 Local authority economic development policies and services have been characterised by a high degree of diversity and innovation. This reflects the response of local authorities to the rapid changes in local economies over the last two decades and the particular opportunities and needs of local businesses and people. As indicated earlier, some local authority activities result from specific policies and initiatives aimed at expanding job opportunities and the local economy, while others reflect the positive impacts on the local economy of non-economic development related functions and statutory duties.

3.2 To summarise this diversity, this section briefly considers explicit economic development activities aimed at:

developing strategies and initiatives;

providing business support infrastructure to help businesses create jobs and investment;

improving the physical environment and removing infrastructure barriers to economic development, such as, property or transport;

supporting people entering the labour market or preparing for a new or better job; and

assisting disadvantaged areas and people participate in and become integrated into the wider economy; and

attracting external resources into the area.

Finally, examples of other local authority policy areas which are not specifically aimed at economic development, but have a significant impact, are considered. The role of local authorities as partner/funders of specialist economic development agencies is dealt with in greater detail in the section on partnerships. In practice many of these activities overlap and are co-ordinated internally and externally with other public and private organisations to ensure that opportunities and problems are tackled effectively and efficiently and that duplication is avoided. The chief functions of specialised Economic Development Units, are outlined in table 1 and are discussed throughout the text. First, the strategic role of the Economic Development function is briefly discussed.

**Table 1 The chief functions of the economic development unit/ department.**

	% of councils stating very important		
	<b>Regions/ Islands</b>	<b>Districts</b>	<b>Total</b>
<u>Service provider</u>			
To provide business advice/ support to local businesses	83	36	46
To provide grants/loans to local business	75	17	30
To provide/manage property	75	64	67
<u>Facilitator/Catalyst</u>			
To attract inward investment	83	43	52
To attract outside public sector funds	58	55	56
To develop economic initiatives aimed at expanding the local economy	100	74	80
To ensure local provision of business support structures	33	45	43
To develop initiatives in areas of need	58	45	52
To develop initiatives for disadvantaged groups to gain employment	25	33	31
<u>Lobbyist/Business - Local Authority Link</u>			
To provide a better liaison point between the council and businesses	75	38	46
To act as an advocate for economic development of the area:			
- with other council departments	67	48	50
- with other agencies	92	64	64
To ensure other council departments take account of their impact on businesses and economic development	50	27	31
To help businesses dealing with the local authority	33	27	28
Number of responses	12	42	54

(a) Strategic Role

- 3.3 A key role of the economic development function is the generation, agreement and facilitation of strategies and initiatives for the Council to support the economic development of its area. Some 83% of Regional Councils and 45% of District Councils have a formal economic development strategy or statement, although all Councils work under general Council-wide strategies incorporating their commitment to economic development, and the economic development 'strategy' can be taken as the combination of relevant agreed policies. Most Regional Councils and District Councils developed their explicit strategies only after consultation with Scottish Enterprise/HIE/LEC (or formerly the SDA/HIDB), other public agencies, the private sector and other bodies. Hence in formulating these strategies, account is taken of a variety of views and activities in the area, as well as local authorities' statutory strategic plans.
- 3.4 All of the Regional Councils and 74% of District Councils cited acting as a catalyst to develop economic initiatives aimed at expanding the local economy as a very important function. The variety of initiatives and projects, in which local authorities have taken a leading, entrepreneurial role, is wide. These range from larger initiatives tackling urban decay or areas of need (which is a very important function of 58% of Regional Councils and 45% of District Councils), attracting inward investment (83% of Regional Councils and 43% of District Councils) to, research and lobbying, industry strategies such as for tourism, and small 'one-off' projects, some examples of which are discussed later.

(b) Business Support Infrastructure

- 3.5 Local authorities, often in partnership with other agencies, directly provide a wide range of support for job creation or maintenance in new and existing firms as well as for inward investors. This support includes initiatives to expand markets, improve efficiency in firms and overcome barriers to firm development. While most assistance will combine a package of relevant support measures, in this section these measures are set out as: counselling/advice, assistance to inward investors, trade development assistance, use of new technology, finance, and the training of management and employees. (see Table 2)
- 3.6 Regional Councils see their chief functions as direct service providers of business advice/support (83% of Regional Councils), providers of grants/loans to local businesses (75%) and as property managers (75%), while most District Councils (except the larger ones) are less involved in direct service provision except for property (36%, 17% and 64% providing advice, grants/loans and property respectively).

**Table 2      Business development activities or services directly provided**

	% of regions/islands directly providing		% of districts directly providing	
(i) Counselling/advice:				
- New starts	58	31		
- Existing firms 0-50 employees	92	33		
- Existing firms 50+ employees	83	24		
(ii) Referral service for firms	75	45		
(iii) Assisting technology transfer				
- Production process improvement	67	7		
- New product development	58	5		
(iv) Company quality improvement initiatives	42	7		
(v) Trade Development				
- Trade Missions: UK	92	12		
- Trade Missions: Abroad	92	12		
- Organising local trade fairs	50	26		
- Trade directory	100	58		
(vi) Assisting firms regarding the European Market				
- General SEM awareness	83	36		
- Advice on SEM to targeted firms	67	17		
- Language training/ assistance	58	0		
- Public procurement information	75	29		
- Networking between local and continental companies	67	33		
- Advice on EC Funding sources	100	50		
(vii) Training of Company Staff				
- Management	58	10		
- Employees	58	14		
None of above activities/ services directly provided	0	19		
Number of responses	12	42		

- 3.7 Of the 12 Regional and Islands Councils, 92% provide counselling and advice to existing firms, although relatively few (33%) of responding District Councils do this. New and small firms are an important component of local economics in Scotland and frequently seek advice from local authorities. Many local authorities fund Enterprise Trusts to provide support to small new start-up firms, generally in a complementary way to their own advice services and hence only 58% of Regional Councils and 31% of District Councils counsel these firms directly. Support provided through local authority part-funded specialist agencies such as Co-operative and Community Business Development agencies are discussed in Section 4. The danger of duplication of services is well recognised with 92% of Regional Councils and 69% of District Councils having formal mechanisms to avoid duplication and all Regional Councils and 88% of District Councils having informal mechanisms. This demonstrates an awareness of the broad business support network involving a range of organisations.
- 3.8 Helping to attract inward investment into the area is an important function for Regional Councils. Most Regional Councils are greatly involved in attracting and assisting inward investment through promotion, site identification and site provision (83% in each case), providing road and services infrastructure (92%) and providing training packages (67%). Close working with other agencies is normal with joint working with Locate in Scotland by 67% of all Regional Councils or 80% of those active in inward investment. All Regional Councils active in this field work closely with LECs. Generally, the involvement of District Councils in inward investment is through working with their Local Enterprise Company (83%) and in site identification and provision (90% of District Councils) although it should be noted that most District Council involvement was aimed at attracting firms from outside their area to their own sites or premises rather than mobile international firms.

### ***Inward Investment - Case Studies***

*Nearly all inward investment from abroad requires the contribution of many central and local government services. Working in partnership with Locate in Scotland the £215m. Caledonian Paper investment near Irvine required Strathclyde Regional Council to internally co-ordinate its water, sewerage, roads, fire, education and training services through its Business Development Unit. They also organised a forum for potential local suppliers and offered funding for training and recruitment and worked with Cunninghame District Council to resolve the noise pollution issue. The total impact was 460 direct jobs and a further 400 indirect ones. Similarly, Lothian Regional Council's economic Development unit played a key role with LIS in the Motorola investment in Bathgate, and most Regional Councils are similarly involved in co-ordinating, attracting and supporting inward investment.*



- 3.9 Growth in trade is important for expanding the local economy and hence increasing jobs and investment. Many Regional Councils assist firms gain greater sales via national and international trade fairs (92% each), public procurement information (75%), trade directories (100%), or local trade fairs (50%). Generally few District Councils provide this type of support. Some District and Regional Councils offer small marketing grants and loans to firms worth in total £135,000 during 1990/91.
- 3.10 Given their links to the European Commission it is not surprising that 83% of Regional Councils and a third of District Councils assist firms regarding general Single European Market awareness and its impact on trade opportunities and regulations. Two-thirds of Regional Councils provide advice on this to targeted firms and 58% provide language training/assistance. Further, all Regional Councils and 44% of District Councils utilise their expertise in European Commission funding sources to provide firms with advice on this, while two-thirds of Regional Councils (and 33% of District Councils) support networking between local and European companies.

### ***Trade Development***

*Increases in trade have a significant impact on employment as more goods or services are produced for markets elsewhere. One example of local partnership and co-ordination to promote trade is the Central Trade Development Centre in Falkirk which provides a 'one-stop' shop for firms interested in pursuing trade, especially exports abroad. A joint venture with the LEC, Chamber of Commerce and Central Regional Council it provides a centre for data bases, Euroinfocentre, translation services, trade mission/ exhibition support and a business-to-business brokerage service. It brings together various national, EC and local support systems to a single contact point for firms so avoiding confusion between schemes. This also offers the opportunity of a tailored response to each firm and the linking of business development and exporting support.*

*More specialist trade initiatives include the Galloway Lamb Marketing Group set up after Dumfries and Galloway Regional Council and Barony Agriculture College called a meeting with local farmers to explore the idea of a marketing co-operative. The Council acted as the initial enabler providing economic development staff time and accommodation. The Co-operative Marketing Group, set up 1988 has grown from 7 to 70 members.*

*A major change in the economic environment for companies has been the Single European Market. In Fife, the Regional Council brought together the Chamber of Commerce, Fife Enterprise and local business representatives under a private sector chairman to ensure co-ordination between the agencies and organise seminars, workshops and a 1992 Reference Guide tailored to local businesses. Elsewhere local authorities have also paid an active role, for instance in Lothian and Tayside, to ensure that practical, local, relevant support was available from both private and public sectors as awareness of the impact of the Single European Market increased in the business community.*

- 3.11 Regional Councils particularly have long played a key role in increasing awareness of and providing support for the introduction of new technology in firms. While 58% of Regional Councils provide assistance with new product development incorporating new technology, two-thirds of Regional Councils and a few District Councils have support schemes to aid production process improvements. The training grants from 58% of Regional Councils also are linked to the introduction of new technology or upgrading worker skills in this area.
- 3.12 Many small firms face great difficulty in raising suitable finance to allow greater investment. Local authorities play an important role in bridging this gap usually where firms have been unable to gain sufficient funding elsewhere and where there are clear social benefits to the community. In 1990/91 £4.5m was provided in grants, loans, loan guarantees and equity to assist firms undertake investment. The bulk of this (£3.8m) came from Regional Councils. In addition, District Councils provided over £0.7m in grants and loans to carry out environmental improvements, which not only made the areas more attractive for employees, customers and residents but also for potential inward-investors. In total 4461 firms were assisted in 1990/91, 3953 by Regional Councils and 508 by District Councils through these forms of financial support.

### ***Finance - Case Studies***

*Many local authorities provide direct finance for firms to encourage investment etc. Such aid is based on gaps in existing support and is adapted to local needs.*

*In Grampian, £570,000 in grants and loans was provided directly by the Regional Council in 1990/91, although, as is usually the case, they worked closely with other agencies. Each firm is monitored by at least an annual visit and research on the scheme showed that in the three years from 1986/87 to 1988/89 the survival rate of the 362 supported firms was 83.4%. Overall leverage of the scheme was 1:6, with the £2.7m Regional Council investment leading to an industrial investment by the firms and others of £16.3m. For investments in larger expanding companies (usually 5-8 years old) the leverage was considerably higher (between 1:8 and 1:40), indicating a cost per net additional new job of £1,691, even excluding the jobs that were maintained as a result of the scheme and indirect employment created.*

*Elsewhere similar high leverage rates were achieved through local authority schemes such as nearly 1:3 by Dumfries and Galloway Regional Council where 229 firms were supported in 1990/91. In Renfrew, the District Council's small business development grant/loan programme led to increased employment in 53% of the firms assisted and job*

*retention in 29%, while only 18% had no employment effect or subsequently lost employment. Some 65% of the Renfrew firms said the financial aid led to an increase in profitability, while 53% cited productivity increases and 80% higher market share.*

*The Strathclyde Small Business Support Scheme has been in operation since 1985 and on average provides loans to 90 businesses a year, supporting 350 new and 150 existing jobs per year. The leverage of other sources of funds is 1:8 (and over 1:5 of private sector funds) resulting in a total annual investment of £6.3m supported by the Scheme. As bank lending has become increasingly limited during the recession, schemes such as this have been increasingly demanded to enable projects to go ahead. The SBSS is also linked to a full range of loan and grant facilities offered by the Regional Council. These range from small grants to individuals to assist them in setting up new businesses in areas of high unemployment (LEAF), through a new "Seed Capital Fund" (established with contributions from the LECs, and the SBSS), to Strathclyde Venture, which is the venture capital arm of the Strathclyde Pension Fund (this operates on a commercial return basis, but targets its funds on local companies). Through integration of its schemes the Council is able to offer the benefits of finance appropriate to the needs of each company, and also the benefit of expertise built up over a number of years in assessing proposals.*

- 3.13 Financial support for company training of new and existing staff is also important to improve skills of the labour force so as to increase productivity and value added to the firm; and the ability to gain improved employment and incomes for the workforce. Seven Regional Councils provided training grants to the level of over £1.1m in 1990/91.
- 3.14 An example of the linking of social and economic objectives is the provision of wages subsidies to firms (usually linked to training grants) for employing disadvantaged people such as young people with no work experience, or long term unemployed with redundant skills and little recent work experience. Half the Regional Councils provided a total of £3.8m for this in 1990/91. Often this funding from the local authority is matched by the European Social Fund and is linked to training provision at Further Education Colleges.

- 3.15 There are many industry specific initiatives where local authorities collaborate with the private sector and other public agencies to deal with specific problems or opportunities. Some are geographically limited such as the Fisheries Plans in the Highlands and Islands, or in the Borders, where the Regional Council with ESF support has introduced a self-employment training course aimed at women setting up in the local machine knitting industry. Other initiatives are national and marketing oriented such as the Scottish Screen Locations in Edinburgh and the Scottish Apparel Centre in Glasgow, which are heavily supported by local authorities.
- 3.16 Tourism is a significant industry where local authorities have a large role through promotion (79% of District Councils and 33% of Regional Councils), events or festivals (69% of District Councils and 42% of Regional Councils), development and operation of leisure/tourism facilities, ranger services, environmental improvements and protection of attractive areas etc. These are often carried out in partnership with the industry, the Scottish Tourist Board and other agencies and, in particular, the local Area Tourist Boards. In 1990/91 local authorities provided over £6m in direct grant to Area Tourist Boards (£5.3 in the Scottish Enterprise area and £0.7 in the HIE area, STB figures). In addition local authorities spend large amounts on other promotions, events etc. and the development of numerous facilities ranging from the £27m Glasgow's Royal Concert Hall to small Tourist Information Centres.

### ***Tourism - Case Studies***

*Local authority input has been essential to the growth of the tourism industry, such as promotion and provision of facilities, events and the development of attractions. In Orkney, the Islands Council generated a tourism development strategy with the Tourist Board, HIDB/HIE and others to increase the economic benefits of tourism through lengthening the season, widening the geographic spread of visitors and raising the standard of accommodation. In the first three years the strategy helped generate investments of around £5m including £1m from the Council. Although the Edinburgh Festival is world famous, many other festivals are organised or largely financed by local authorities, and aimed at attracting visitors during the off-peak seasons. For instance the Edinburgh Science Festival attracted around 200,000 visitors as well as promoting the science image of the city. The 1990 European City of Culture in Glasgow received additional revenue support of £22m, mainly from the two local authorities, while attendances at theatres, halls, museums and galleries rose 40% on 1989, with residents' attendances rising above the British average, and visitor attendances to arts events and attractions rising 81%. The income arising from the programme was estimated by independent experts at between £32-36m and this resulted in an extra 5350-5580 job/years. The net economic benefit to the regional economy was between £10-14m.*

*Examples of creating attractions and facilities are numerous. Ross and Cromarty District Council worked with the community-based Cromarty Courthouse Trust to generate a major tourist attraction for the area. A suitable funding package was created involving them as well as HIDB and the ERDF. In its first year the Courthouse won a Europa Nostra Award and attracted 25,000 visitors, half of whom were first time visitors to Cromarty. The Courthouse was also named Scottish Museum of the Year 1991.*

(c) Physical Infrastructure

- 3.17 Improving the physical infrastructure (such as transport, water, sewerage and suitable property) to make an area more attractive for investment and to remove barriers to greater economic development is an important role for local authorities given their range of planning, co-ordination and implementation functions relating directly to physical infrastructure.
- 3.18 Local authorities are major providers of industrial, commercial and retail sites and premises, often as property providers of the last resort (where there is less incentive for the private sector due to the small size of units or their location such as in rural areas or peripheral estates), or as a property owner maximising financial and social returns to the community. Often local authorities also link business support services to property provision. In many cases developments are undertaken in partnership with other public and private sector agencies, spreading the risks and benefits as well as combining resources such as expertise, funds or land.
- 3.19 Just over half of all Regional and District Councils provided data on their property provision to tenants. These showed that 2653 industrial units were leased by Councils, totalling 474,532 sq. metres. Some 77% of these were small units under 200 sq. metres (averaging 89 sq. metres). Eight percent of the units were part of joint ventures with other private or public bodies, although 33% of the managed workspace units (reflecting business centres and incubation units with on-site advice in many cases.) were jointly provided with others. Additionally, the Councils owned 927 hectares of serviced and unserviced industrial land.
- 3.20 The number of commercial units provided was 732, again mostly small in size (79% were under 200 sq. metres). This represented 105,221 sq. metres with 14% of the units jointly provided with other bodies. Finally, not surprisingly, local authorities own large numbers of retail units, often linked to their housing provision and to town centre land ownership. Of the 2751 units provided, 97% were under 200 sq. metres, so with the total floor space of 141,894 sq. metres the average size of was 52 sq. metres.
- 3.21 Only a few of the Councils had carried out recent surveys of employment in their units, but those with figures indicated 9302 people were employed in their industrial workspace. Besides these jobs, the property also provided a significant income to local authorities of over £32m to the 35 Councils supplying data.

***Property - Case Studies***

*Local authorities are major property holders, involved mostly in providing smaller industrial units and serviced sites. At Pitreavie Business Park, Dunfermline District Council in conjunction with Fife Regional Council and, more recently, Fife Enterprise,*

*provides serviced sites and also carries out joint property developments. In 1986 the Bank of Scotland Card Services Centre was built on the site creating around 600 jobs and the LEC have now attracted the new headquarters of the Dunfermline Building Society to the Park. This shows how such joint working can attract inward investment and cater for significant local mobile projects, creating and maintaining jobs in the district.*

*In Kirkintilloch, Strathkelvin District Council developed Phase 1 of Southbank Business Park with the SDA/LEC, Enterprise Trust and with EC funding. This attracted the Keyline UK headquarters when the building was completed in 1990, and illustrates the pump priming nature of much local authority investment.*

*In the Highlands, the Regional Council has been a key actor investing over £500,000 pa in partnership with HIE, the LECs, District Councils and the private sector in their 10 year strategy providing industrial land and buildings. The strategy particularly targets rural areas where the returns are too small and/or risky for private sector investment and there is currently an identified need or no provision whatsoever.*

- 3.22 Maintaining and improving the physical environment and ensuring adequate industrial land supply requires careful use of statutory planning duties. Many local authorities seek to ensure that this causes as little disruption to firms as possible, while maintaining clear, open and democratically determined planning policies. Some 42% of Regional Councils and 67% of District Councils give priority to processing industrial and commercial planning applications and half the District Councils gave similar priorities for building warrants, hence seeking to minimise delays. The vast majority of Regional Councils and District Councils give priority for allocating and safeguarding industrial and commercial land in Structure and Local Plans to ensure an adequate supply.
- 3.23 In terms of funding of work to improve the environment, there is a high degree of joint working with other agencies. Some £1.9m was spent by local authorities on industrial area improvements, well over half of this jointly with other public agencies. Land reclamation saw more than £1.3m expended, over 60% of which was on projects with the private sector. Similarly town centre improvement initiatives saw £2.9m spent by local authorities on environmental aspects, with nearly 20% of this on joint projects with the private sector. Other major areas of improvement were road/rail corridors £1.2m, tourism areas £1.8m and other projects £1.2m. The total figure of £8.4m however, underestimates the actual expenditure as a number of authorities did not provide financial figures for work undertaken and long term maintenance.

### ***Environment - Case Studies***

*Much of local authority expenditure on environmental improvements is targeted at upgrading commercial or industrial areas, improving key routes and enhancing tourist attractions. Often local authorities also take on the important role of maintenance once improvements have been made. In Millport the Promenade and Pier have been improved by Cunninghame District Council and the LEC/HIE with ERDF funding, in collaboration with the local community. Self catering cottages are being built by a Community Business as an off-shoot to a parallel Housing Action Area Programme involving Scottish Homes, the local Housing Association and Strathclyde Community Enterprise. Hence*

*various services of local authorities and other agencies have combined with the community to secure a substantial investment and new and upgraded tourist facilities. Without the financial and staff resources and co-ordinating function of the local authority the project could not have been implemented, nor the outside funding secured.*

*In Falkirk, not only did the District Council carry out major town centre landscaping improvements, but also initiated the first independent Town Centre Manager, in partnership with the Chamber of Commerce, retailers, the Regional Council and Forth Valley Enterprise. Similar partnerships have also been set up in other towns such as Hamilton, Paisley and Kirkcaldy.*

(d) Support for People

- 3.24 Training is of major importance to the future of the economy, both for firms by improving the effectiveness, productivity and value added of employees, and for people by enabling them to enter or improve their position in the labour market. Local authority support for training those in employment and linking this to the development of their businesses, has been discussed above. Local authorities also have a varied role assisting individuals, both in providing training and in improving access to training and employment. Importantly, the local authority role links education and training, so helping to ensure that life long learning skills (essential to the future flexibility of the workforce) are gained as well as short term specialised skills.
- 3.25 Access to training and employment is important to avoid the wasted potential of large parts of the population. Lack of numeracy and literary skills is increasingly important as even formally low skilled jobs require them, while lack of confidence prevents many making full use of training or employment opportunities. In addition to a considerable number of programmes for adult numeracy/literacy education in schools and colleges, responding local authorities provided some 5529 places in pre-vocational adult basic education programmes specifically aimed at assisting people into employment or employment related training.
- 3.26 The availability of people with higher education qualifications is increasingly important to the economy and local authorities have been greatly involved with supporting Adult Access to Higher Education courses with SOED and others which will help counter the falling numbers of school leavers, but also assists those without standard qualifications to enter a higher education institution. In 1990/91, 1940 people participated in these courses, 975 of whom had been unemployed. Some 82% gained a qualification through the course and 40% went on to employment or higher education immediately afterwards.
- 3.27 Guidance in careers options is also important and 116,123 under 18's and 27,750 people over 18 were counselled by staff in Regional Councils excluding counselling in schools and further education colleges. Links between employers and schools are increasingly important with 8 compacts covering 2079 pupils in 1990/91, rising to 14 compacts and 4836 pupils in 1991/92. In terms of providing training, some 33,164 people were in higher education (eg HNC, HNC) in Further Education Colleges in 1990/91 with many more in vocational training (SOED figures).
- 3.28 Local authorities also have considerable involvement through initiatives in areas of multiple deprivation where the full range of pre- and vocational training and job seeking needs of residents are identified and relevant packages to meet these are put into place.
- 3.29 All responding Regional Councils ran YT schemes with 4382 places, and half operated ET (811

places), while for District Councils the figures were 71% and 29% respectively. The ET figures were much lower than for the old Community Programme where 44% of all UK places were sponsored by local authorities in 1987.

### ***Training - Case Studies***

*Strathclyde Regional Council's Management and Technology Training Grant Scheme ensured that training programmes are specifically developed for individual firms to deal with a particular business development problem they were experiencing. The training was monitored fully by independent consultants. Since its inception in 1985 (then called the New Technology Training Scheme) more than 800 firms and 2,000 trainees have benefited under the scheme. The 1991 expenditure was £1.5m (50% funded by the ESF) leveraging a further £350,000 from the private sector, while the 1992 budget is £2m. The scheme shows how local authority initiatives can be directly applied to specific business development problems, and develop transferable new technology skills in the workforce, and be flexible enough to be provided in special versions for inward investment and group training.*

*Lack of numeracy and literacy skills is increasingly a major barrier to employment, particularly as more jobs require them. In Strathkelvin this was identified as a problem for a significant number of local unemployed people. The Launchpad Project in Chryston was then set up by the Enterprise Trust with the District Council, Urban Programme and Dunbartonshire Enterprise to provide innovative, computer-based training for this well-targeted client group, then linking the trainees with other mainstream employment, training and education opportunities.*

*A recent example of collaboration to tackle the lack of training for people employed in small companies, is between Borders Regional Council, the Borders LEC and local firms in a training advisory and brokerage service called the Training Partnership. Although in the long term it is expected to be funded by company subscription, initial start-up funds were provided by the LEC and knowledge, expertise and seconded staff by the Regional Council.*

*Flexibility is also essential with Orkney Islands Council co-operating with the LEC in an Electronic Writing Board project to provide open learning forms of education and training to small remote islands in a cost-effective and efficient way.*

### **(e) Initiatives Aimed at the Disadvantaged**

- 3.30 Some 83% of Regional Councils and 36% of District Councils are involved in developing economic initiatives in areas of need. Generally these seek to assist local people living in such disadvantaged areas and to integrate those of working age into the wider local economy. Experience has shown the need for co-operation between many agencies in order to deal with the full range of problems comprehensively rather than in an ad hoc ineffective manner. For instance, housing, health, environmental, and other problems need to be tackled concurrently with policies seeking to raise incomes through training, employment and benefits advice etc. or those seeking to reduce living costs for residents such as energy efficiency schemes and access to affordable housing.



- 3.31 Specialist economic development expertise within local authorities is essential to ensure the link between economic and social policies and to work effectively with the many other agencies and the communities involved. This also ensures that mainstream services are influenced by and integrated into specific initiatives to create greater impact. The major part played by local authorities in initiating and supervising Urban Programme projects, often employment related, and integrating them with mainstream local authority functions is a significant contribution to improving life in such areas of multiple deprivation. The full involvement of local authorities also adds credibility in the community to projects that could otherwise be seen as being imposed upon residents from outside, as well as ensuring a long term commitment to these areas.

### ***Projects in Disadvantaged Areas - Case Studies***

*Almost all initiatives in the numerous urban and rural disadvantaged areas include the local authorities in a leading role. In Edinburgh the Wester Hailes Opportunities Trust (WHOT) is a community led initiative set up in 1986 to provide training, learning, employment and enterprise development services to residents, many of whom are alienated from or at a disadvantage in the labour market and existing training provision. An important feature is the strong link with local employers. The majority of WHOT's Board are local residents with representatives and professional support from the sponsors (Edinburgh District Council, Lothian Regional Council and Lothian and Edinburgh Enterprise) and education/training providers. A significant part of the £410,000 p.a. budget is met by local authorities, as well as LEEL and the Urban Programme. WHOT is an important complement of the wider Wester Hailes New Life for Urban Scotland Initiative. Elsewhere in Edinburgh, the European Commission is part funding a Community-led initiative in Pilton through their Third Poverty Programme, and again the local authorities have played a key role in initiating and setting up the project. In many other parts of Scotland, similar close collaboration between local authorities, local communities and various Government and other agencies exists to try to tackle the full range of issues needed to realise the potential of areas of multiple deprivation and to combat the inter-related problems. A few examples include Whitfield in Dundee, Drumchapel, Ferguslie Park, Castlemilk, Forgewood in Motherwell, and Mid Bow in Greenock.*

*Another example of collaboration between local authorities, the voluntary sector, local communities, the private sector and other public agencies and the European Commission is the Wise Group with a budget of over £7m in 1990/91. The Group tackles social and economic problems through a programme of training linked to the production of socially useful products and services in dealing with fuel poverty, housing, security, environmental improvements in areas of multiple deprivation, urban forestry and recycling. Around a third of the budget comes from Glasgow District Council. Over 10 years, some 86,000 houses in low income areas have been insulated and in 1990/91, 250 trainees completed training enhanced above the level of main national schemes, 1400 energy advice visits were made and 11 environmental projects started.*

- 3.32 In addition to area initiatives, many authorities play an active role in initiatives to assist disadvantaged groups, particularly the disabled (67% of Regional Councils and 14% of District Councils) the long term unemployed (58% and 40% respectively) unemployed youth (67% and 36%) and those needing childcare (42% and 26%). In places such as Stirling and Edinburgh,

Women's Technology Centres provide better access to new technology, while Highland Regional Council supports Inverness College in running training for women in non-traditional areas such as telecommunications and engineering. As mentioned previously, many training grants to firms are directed at such disadvantaged groups.

(f) Attracting External Resources

- 3.33 Local Authorities are active in attracting external resources for economic development into their areas, with 58% of Regional Councils and 55% of District Councils citing this as a very important function. These resources take several forms. Some are grants or loans to part-fund programmes (European Community Structural Funds, Urban Programmes etc), whilst others represent increased expenditure by Government agencies and other external bodies in the local area.

### **Resources - Case Studies**

*Local Authorities have much experience in working with the European Commission. One of the largest schemes was developed by Strathclyde Regional Council with the support of the Scottish Office with programmed expenditure of £994m, including £275m in EC grants between 1988-92.*

*The Strathclyde Integrated Development Operation is a comprehensive economic development action plan incorporating EC funded measures covering business development, training, physical infrastructure, tourism and environmental improvements. This permits improved co-ordination, increased ERDF grant, ease of funding for small schemes, protection from ESF reductions and local management and decision making through a Co-ordinating Committee and Working Group involving the Regional Council, 19 District Councils, Scottish Enterprise, Universities, Scottish Business in the Community, voluntary organisations, Scotrail and New Towns and serviced by an independent Executive. Hundreds of projects have been funded through this including the new Stepps Bypass, Summerlee Heritage Centre in Monklands, new factories and offices, training programmes for companies etc. This regionwide partnership is a fine example of an effective interface with the EC, using the considerable experience and expertise of Local Authorities.*

#### **(g) Other Local Authority Functions**

- 3.34 As stated earlier, a number of local authority functions impinge on local businesses such as environmental health, building control, trading standards, fire protection, etc. In many cases, local authorities have made explicit efforts to provide these services in such a way as to improve any impact upon the local economy while still maintaining their full responsibilities to protect all residents, visitors, other firms etc. Of those authorities with an economic development strategy, 73% of Regional Councils and 58% of District Councils identify policies relating to other council departments in their strategies. In addition, all Regional Councils and 90% of District Councils cited improving business - local authority liaison as important or very important.
- 3.35 Internally, local authorities seek to ensure co-ordination between the various structure, local, transport etc. plans to overcome potential infrastructure barriers to economic progress in the short and long terms. This helps all parts of the council take account of their impacts on the local economy. At a smaller scale, co-ordination is useful in ensuring 'packages' of help to the private sector are available such as 'fast tracking' through statutory permission, as well as support on site availability, training, finance etc.

- 3.36 Examples of other support provided to firms are numerous, for example the provision of key worker housing, faxes in libraries or specialist business users services such as at the Mitchell Library in Glasgow and through the West Lothian Business Information Service. In some areas cheap travel fares are provided to the unemployed for job search.

### ***Other Services - Case Studies***

*Many Environmental Health Departments work closely with local firms which handle food. For instance, Perth and Kinross District Council and Perth College aim to train all food handlers. This has been given added importance since the inception of the 1991 Food Hygiene Act and over 300 have so far been given training to the Royal Environmental Health Institute of Scotland Certificate level. This is fully funded by the trainees or their firms.*

*Amid stiff competition, Dundee District Council was chosen as a UK Recycling City. This has generated many schemes to increase the recycling of household and other waste, as well as seeking to develop more business opportunities for its re-processing. Also, in Clackmannan, the District Council helped set up and facilitate the operation of a Recycling Community Business, so helping create employment and gain environmental benefits for the community.*

*Even new housing can assist economic development beyond its usual links of accommodation for the workforce, as a source of construction jobs and the expenditure of new residents. In East Lothian, the District Council implemented a rural workshop building programme which provides small workshops within housing developments as a means to stimulating the local economy and providing local job opportunities.*

#### 4. PARTNERSHIPS AND NETWORKS

##### HOW LOCAL AUTHORITIES GO ABOUT ECONOMIC DEVELOPMENT

- 4.1 How local authorities go about supporting the development of the local economy is extremely important, particularly in terms of their relationships with external bodies. There are many networks of agencies, incorporating local authorities and others such as Enterprise Trusts, Local Enterprise Companies, the private sector, and area initiative partnerships which exist to ensure co-ordination, effective use of specialist skills, avoidance of unnecessary duplication etc.
- (a) Scottish Enterprise/Highlands and Islands Enterprise/LECs
- 4.2 A major set of partnerships based on joint projects and sometimes joint strategies is between local authorities and the new Local Enterprise Companies. Virtually all Regional and District Councils have formal or informal relationships with the LECs. In over 90% of cases this relationship was positive or very positive, with no Regional Councils and only 10% of District Councils saying it was neutral or poor (table 3). In two-thirds of local authorities, formal relations between LECs and local authorities are generally as good or better than relationships with the former SDA/HIDB, while informal relations were as good, or better in 93% of cases.

**Table 3 - Relationships with Local Enterprise Companies**

	<b>Regions/Islands %</b>	<b>Districts %</b>
How positive is this relationship?		
very positive	33	43
positive	67	48
neutral	-	5
poor	-	5
<u>Number of responses</u>	<b>12</b>	<b>42</b>

- 4.3 The original LEC business plans had a variety of input from local authorities through membership of Steering Groups (67% of Regional Councils & 43% of District Councils), working groups (33% & 44%) and local authority responses to the business plans (50% & 38%). In particular 42% of Regional Councils and 48% of District Councils had an input through proposing specific projects indicating the importance of local authority support for LECs to achieve effective projects on the ground.

- 4.4 This joint working and dialogue during and since the development of LEC business plans appears to have increased consensus on economic development in most localities. Generally consensus between economic development agencies (such as local authorities, LECs, Enterprise Trusts etc.) on the problems faced by the local economy was greater (41% of local authorities) or the same (53%) as 18 months before (i.e. before the LEC business plans were developed), with only a few cases of less or no consensus. Similarly, consensus on solutions to improve the local economy was greater for 45% of local authorities, and the same also in 45% of local authorities. This is a positive outcome of the development of Scottish Enterprise/HIE. There was, however, less consensus on the role of each agency in a number of cases. While 37% of local authorities felt there was more consensus on roles and 37% felt there was the same, a quarter felt there was less or no consensus.
- 4.5 The high level of co-operation between most LECs and local authorities is shown by the large numbers of local authorities currently preparing joint projects or initiatives with LECs, particularly on environmental improvements (75% of Regional Councils and 78% of District Councils), business development (75% and 55% respectively), training (75% in Regional Councils and only 33% in District Councils which is unsurprising given their limited involvement beyond ET, YT & ESF training), and property (50% and 63% respectively). At the broader strategic level there exists considerable co-operation with a third of Regional Councils and 23% of District Councils preparing joint strategies for business support with their LECs. For training the figures are 17% and 5% respectively, for environmental improvements 17% and 23% and for property 33% and 15%. It can be seen that partnerships between local authorities and LECs are important for the success of each organisation. By sharing knowledge and in some cases combining expertise and resources, local authorities and LECs are able to develop and operate joint strategies and initiatives which meet the varying objectives of each organisation.

(b)

#### Other Partnerships

- 4.6 In addition to working with LECs there are many other partners and forms of partnership with which local authorities are involved, some involving joint direct action, while others ensure that the activities of the partners are complementary. The range includes agreements on common strategies for an area or a sector such as tourism, 'one-off' projects such as a property development, continuous support for specialist agencies and complex multi-partnered community based area initiatives. Local authorities contribute significant resources to some specialist organisations allowing them to provide targeted economic development services, for example Area Tourist Boards, Enterprise Trusts, community business and co-operative development agencies, specialist business information centres and European Information Centres. In addition, as discussed previously, considerable resources have been committed to community based initiatives such as those in peripheral housing estates or rural communities which involve many agencies in comprehensive strategies, combining social and economic issues.

### ***Partnerships - Case Studies***

*In practice a high percentage of local authority projects involve joint working with other agencies and the private sector. Many are local agreements to ensure efficient and effective co-operation and to reduce duplication such as Fife Regional Council's agreement with Fife Enterprise on joint working groups, while others provide for inputs from many sections of the local economy as in Glasgow where the CBI and Chamber of Commerce have a place on the District Council's Economic Development Consultative Committee. Formal partnerships to tackle the comprehensive economic regeneration cover many parts of rural and urban Scotland, such as the Leven Valley Initiative in Dumbarton, the Bute Initiative, Hamilton Development Company, the Moray Initiative, and many others. They usually involve both local authorities, the LEC, private sector firms and organisations, Tourist Boards etc and many have their own steering groups and staff.*

*Cumnock and Doon Valley has the worst unemployment rate in Great Britain, as employment in traditional industries has collapsed. The Initiative there involved Cumnock and Doon Valley District Council and the Regional Council, the SDA/SE/LEC, the Enterprise Trust, British Coal Enterprises, Scottish Homes and local firms such as Stanley Stores Ltd and Kingsmead Carpets Ltd. Since its formation the Initiative has secured investment in a major new business park, promoted a number of new training initiatives, put together a programme of environmental improvement, and set the foundations for a major heritage project. A striking achievement has been to attract four inward investors to an area which has long been by-passed. Despite the problems of this area and the UK recession, considerable progress, only possible because of the Partnership, has been made.*

*Another example is the well-known Dundee Partnership between Tayside Regional Council and Dundee District Council, the LEC, private sector and others has involved an overall strategic agreement and an implementation structure which has input and monitoring at different levels. It allows the co-ordination of land, property, inward investment, city centre, marketing, business development, community regeneration and environmental improvements.*

*In rural areas there is wide recognition on the need to combine social issues with economic development initiatives. In Central Buchan, Grampian Regional Council and Banff and Buchan District Council, together with other agencies, community councils and local business, agricultural and environmental interests have undertaken a collaborative project to improve housing, job, training and transport services. Also in Grampian, a tele-networking centre was opened in Braemar, which involved the Regional Council, LEC, British Telecom and local businesses. In the west, Skye and*

*Lochalsh District Council, Highland Regional Council, the LEC and the local estate and community have employed a project officer to develop the Dunvegan Initiative to spread out the benefits of tourists visiting the castle to the surrounding community. The East Neuk project is another tourist orientated project established by a consortium involving North East Fife District Council and Fife Regional Council, as well as local*

*businesses, STB, and the ATB. In Stirling a wider focus involving tourist projects, design guides for rural villages, industrial workspace, housing initiatives and leisure facilities has been set up as part of the Rural Economic Partnership involving Stirling District Council and many other public and private bodies.*

- 4.7 In 1990/91 Regional Councils contributed £0.93m (£0.91 of which was in cash) and District Councils £0.91 (£0.76m in cash) towards Enterprise Trusts (source Scottish Business in the Community), i.e. a total of £1.84m. This compared with £1.77m from the SDA and £2.50m from the private sector (of which £1.09m was in cash). Hence, 38% of cash sponsorship for Enterprise Trusts and 30% of total sponsorship came from local authorities. Besides the industry specific initiatives mentioned earlier, local authorities' direct contribution to Community Business support agencies was over £1m while smaller amounts were used to support co-operative development agencies (£375,000), Business Innovation Centres (£257,000) plus further support of £2.3m for a range of other economic development organisations (for example peripheral estate employment initiatives). These agencies can build up specialist expertise and deliver assistance in an appropriate way, as well as bringing together the many relevant private, public and community bodies with expertise, interest and funding.
- 4.8 Local authorities, and indeed other agencies, have long recognised the importance of partnership to raise efficiency and avoid duplication, while also pooling resources to increase the impacts of activities. In order to make the partnerships effective, it is essential that local authorities have relevant economic development expertise to develop joint initiatives, ensure the co-ordination of relevant local authority departments and services, to assist where appropriate in implementation, monitor results and make relevant recommendations back to the local authority.



## 5. RESOURCES

- 5.1 Local authorities bring a wide range of resources to economic development, particularly expertise, manpower, finance and property as well as local knowledge and long term commitment. Many local authority business development units have been in existence since before Enterprise Trusts or even the Scottish Development Agency and continue to deal with thousands of firms a year. As discussed earlier, they usually have close relations with these agencies to ensure minimum overlap or duplication of services.
- 5.2 In terms of financial resources, well over £90m was spent in 1990/91 solely or primarily on economic development by local authorities, some £54m by Regional Councils and £37m by District Councils (table 4). This excludes the expenditure on roads, water and sewerage, further education colleges etc which support greater economic development. Of revenue expenditure £7.7m was spent on grants/loans to companies, £6.6m on training projects, £4.6m on promotion, £3.6m on business support, market and trade developments, £7.8m on property management (although property income was in excess of £30m) and £4m on area or special initiatives (such as in peripheral housing estates). In addition, £10m was spent on staff, including those providing direct business support, advice and information to businesses and to the Council, as well as project management etc. Capital expenditure was heavily concentrated upon property related development, such as industrial sites, small workshops etc. (around £25m), while other capital expenditure (e.g. town centre improvements), accounted for over £4.8m. Much of this capital expenditure was eligible for grant aid by the European Regional Development fund. Further, around £10m devoted to economic development was used to support independent agencies such as Area Tourist Boards etc.

**Table 4**      **Actual gross spend solely/primarily devoted to Economic Development in 1990/91.**

		Regions/Islands	Districts	Total
		£,000s		
<b>Revenue</b>				
(i)	Staff (including superannuation)	5905	4159	10064
(ii)	Other Admin (including charges of other departments)	4171	1500	5671
(iii)	Business Support/market and trade development	2669	942	3611
(iv)	Grants/loans to companies	6420	1258	7678
(v)	Promotion	1624	2969	4593
(vi)	Training Projects	2968	3644	6612
(vii)	Grants/loans to local enterprise agencies	1892	1124	3016
(viii)	Area/special initiatives	1883	2134	4017
(ix)	Property management	6025	1755	7780
(x)	Other	4676	2696	7372
<b>Capital</b>				
(i)	Property (Comm./Ind.)	15190	10237	25427
(ii)	Other	380	4440	4820
<b>TOTAL</b>		53881	36858	90661
Number of responses -		11	31	42

## 6. CONCLUSIONS

- 6.1 This study shows that local authorities are major contributors to the Scottish economic development support network in terms of level of resources, expertise and the range of services provided. There is a high level of joint working between the various agencies in the network and generally formal or informal agreements to avoid duplication.
- 6.2 Economic development is a major priority of most local authorities, not surprisingly given the importance of it to the well-being of their communities. They have committed considerable discretionary resources to providing services and generating and participating in initiatives with other public and private sector bodies. Even the figure in this report of over £90m in direct local authority expenditure on economic development under-estimates actual expenditure as it excludes non-respondents and expenditure on roads, water and sewerage, further education etc.
- 6.3 The range of types of activities undertaken show that local economic development strategies are indeed adapted to local problems and opportunities. They vary according to the type and size of authority, with small rural local authorities generally less active and Regional Councils and larger District Councils active in most aspects of support for business people and the disadvantaged, as well as in removing infrastructural and other barriers to development. In terms of value for money, both the impact and cost-per-job figures of initiatives were extremely positive compared to national figures, although only a limited number of case studies was available.
- 6.4 A characteristic of local economic development has long been the importance of external partnerships. Local authority participation is essential in a large array of partnerships ranging from community-based initiatives in large peripheral estates or rural areas, to one-off property developments with private firms, and to support for specialist agencies such as Area Tourist Boards. The way activities are carried out shows a recognition that no single agency has all the resources, expertise and competencies to tackle the full range of economic development issues. This has led to many excellent cases of partnership and to explicit agreements in most areas which increase effectiveness and avoid duplication. Of particular note has been the positive relationship with LECs since they were set up.
- 6.5 Internally, local authorities have co-ordinated their various services and sought to make them more responsive to business and other agencies in order to achieve greater development of the local economy. Explicit economic development policies and units have often aided this responsiveness, as well as allowing local authorities to effectively participate in partnerships with others.

NOTES

- (1) Other studies include: Rowan-Robinson J, and M G Lloyd (1987) *Local Authority Economic Development Activity in Scotland*, Department of Land Economy, University of Aberdeen.

Mills L & K Young (1986) Local Authorities and economic development: a preliminary analysis in V A Hausner (ed) *Critical Issues in Urban Economic Development* (Oxford: Clarendon).

Sellgren J M A (1991), The changing nature of economic development activities: a longitudinal analysis of local authorities in GB 1981 to 1987, *Environment & Planning C*, 9.

- (2) European Commission (1986) *Programme of Research & Actions of the Development of the Labour Market: The Role of Local Authorities in Promoting Local Employment Initiatives: Main Report* (Luxembourg: OPEC).