

**AN EXAMINATION OF HOW BRITISH LOCAL AUTHORITIES ARE EMPLOYING STRATEGIC  
PLANNING AND MANAGEMENT IN THEIR ECONOMIC DEVELOPMENT FUNCTION**

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The University of Aston in Birmingham

An Examination of how British Local Authorities are exploiting  
Strategic Planning and Management in their Economic Development  
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#### THESIS SUMMARY

The principal objectives of the research were to discover what British Local Authorities are actually doing these days, in the economic development field, including variations between them, and to examine the extent to which they are using strategic planning to plan and manage these activities.

The research approach involved examination of economic development strategies for 19 Local Authorities, relating to the financial year 1994/5. The authorities are located in the Welsh Counties of Gwent and Powys and the West Midlands, whilst a further 4 are located elsewhere. Strategies were examined to discover evidence of key elements of strategic planning, arrived at after consideration of the Strategic Planning literature. This was followed up with a questionnaire survey to key officers in a sample of 4 local authorities displaying varying degrees of adoption of strategic planning, to try and ascertain the advantages/disadvantages and the impediments to the adoption of strategic planning, to this field of local authority activity.

The results of the research indicate a considerable overlap in what the Local Authorities studied are doing in local economic development, but some interesting innovation, few of the local authorities taking a full strategic planning approach to local economic development, but a wider adoption of some of the key elements of strategic planning. The factors determining the degree of adoption of strategic planning are explored (and their relative importance); political, economic, managerial.

the strategic approach  
strategic choice  
local economic development  
economic development strategies  
local authority economic development



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## CHAPTER ONE

### INTRODUCTION

#### 1.0.1

This Study is titled:-

'To examine how British local authorities are employing the concepts and techniques of strategic planning and management in developing and implementing policies and programmes for regenerating their local economies'.

#### 1.0.2.

In Part One, the evolution of British Local Authority involvement in local economic development is examined. The fundamental questions of Local Authorities capacities to influence events and vary their approach are asked/posed. In Part Two, the general debate over the relevance of private sector management models to the public sector is examined. Such models are placed within the totality of theory on strategy and the various public sector strategic planning models examined. The theory of local economic development is then examined along with practice in the UK. Finally, the application of strategic planning to local government in the UK, and to local economic development anywhere, is examined. In Part Three, the basic aim is developed into a series of objectives or questions which the research is attempting to meet or answer. In Part Four, examination of strategies, the results of questionnaires sent to key officials, the literature review and the personal experience of the researcher are combined. What local authorities are actually doing in local economic development is examined. The question is asked, whether this corresponds to a reasonable view of local economic development. There is some determination of how local authorities arrive at their actions and the question is asked, whether this corresponds to a strategic approach. In the Conclusion, the success of the research in meeting the objectives set out at the start is assessed. Finally, Recommendations are put forward for central and local government, in relation to the introduction in total or in part of strategic planning and to 'improve performance' in local economic development.



## CHAPTER TWO

### THE EVOLUTION OF LOCAL ECONOMIC DEVELOPMENT IN THE UNITED KINGDOM

#### 2.1

The involvement of British Local Authorities in local economic development, whilst having a long history, dating back to the early 70s (if not further, to the public works programmes of the 30's) really 'took off' in the late 70's and early 80's in response to the major recession which occurred at that time. It received an additional boost in the recession of the late 80s which impacted in areas relatively immune from the earlier recession, such as the South East of England. So that, now (1997) virtually every local authority in the UK has an Economic Development Unit/Officer/Department.

Lovering (1995) suggest that, from the 1970's, local economic policy consisted largely of efforts to market the locality in order to attract mobile industrial capital. By the late 1980's the marketing effort was widened to attract property investment. The growth of the tourism industry has added consumers to the target group for place marketing in the 1990s. He argues that place marketing is now virtually the core activity in local economic development, generally supplemented by some measures to support local enterprise and influence the supply side of the labour market, especially through basic training. Lovering considers that local economic strategy seems to generate more publicity than change.

Ball (1995) points out that, according to Pickvance (1990) the origins of local economic policy lie firmly rooted in nineteenth century developments in civic improvement, municipal enterprise and municipal socialism, together with the spread of Keynesian ideas about state regulation of the economy. Pickvance (1990) sees it's real period of growth coming after the mid 1960s, spurred on by the increase in unemployment and the reaction of labour councils, after 1979 in particular, to conservative governments.



This is difficult to assess, in 1997, when there are very few conservative local authorities. However, certainly in the 1980s, conservative local authorities in areas of economic restructuring did have some record of involvement in economic development. Pickvance (1990) sees a movement towards the generation of alternative policies at the local authority level to counteract the shift towards market led growth at the national scale. According to Syrett (1994), the combination of changes in state apparatus and the differential impacts of economic restructuring have precipitated a more proactive stance from local authorities. Syrett sees consensus over the role of local economic policy but not over its precise form and it is here that local authority approaches tend to be differentiated. This reflects different ideological and political positions over the appropriate goals and forms of local economic development, and the seriousness with which such approaches are followed.

Ball (1995), in a critical assessment of local authority submissions to the 1992/3 Review of the Assisted Area Map, suggests that the level of resources and expertise available at the local level varied quite dramatically across authorities and that, within such a situation, success is bred from small differences, key officers, key firms. Eisenschitz & Gough (1993) argue that local authorities, under pressure for consensus and with a tendency for defence of the local authority at a time of low growth, have tended to produce local policies which have ended up looking much the same and with the same limited chance of success. Mackintosh & Wainwright (1987) conclude, from their experience of the Greater London Council, that a local authority, however large, has precious little leverage on the private sector, as investment decisions which sustain or destroy employment are made by large, often multinational companies. **Not all industries or industrial districts are dominated by large companies, however. Local authorities in textile areas, for example, may well point to their effectiveness in improving the performance of small firms, particularly through accessing EU funds (RETEX).**

We have alternative views here on the power of local authorities to influence events (strong and weak) and the related ability of authorities to vary their approach (wide and narrow).

American writing suggests the latter, in both case. Reese and Fassenfest (1996) suggest that cities in Canada and America are clearly more similar than different in their pattern of use of economic development techniques. Global forces are considered to lead cities to adopt similar economic development programmes.

Wolman (1988) suggests that local economic decisions making appears strongly affected by a need for symbolic and/or visible returns, uncertainty amongst practitioners of what clearly works and pressure to be competitive with other communities. Stone (1989) argues that cities can be catergorised by different types of urban regimes and that development orientated regimes are frequent because development activity meets regime needs for social production, that is for accomplishing some policy objective. Pagano and Bowman (1995) contend that leadership vision and city image explain why even fiscally healthy cites frequently pursue economic development activities. They argue that leaders see their city as falling into a system of cities in an urban heirarchy to which they compare themselves and are concerned with improving their cities positions in the heirarchy.

U.S. experience needs to be treated with care. There is a much stronger compulsion of local authorities to act in the U.S.A., due to the reliance of local government on a local tax base and the tendancy for people to move for jobs, due to the lower security net for the unemployed than applies in the U.K. (Wolman and Spitzley 1996).

## 2.2

The statutory requirement for the preparation of an economic development strategy by any local authority engaged in such activity (spending money) arose in England and Wales with the entry into the statute book of the Local Government and Housing Act 1989 [Appendix A]. The background to the legislation was Central Government concern over the involvement of local authorities in economic development.



The fundamental aim of the legislation and the requirements of it relate to the need for local authority expenditure on local economic development to be justified. So that, the concern is with capital and revenue expenditures (and income). There is a requirement to indicate what the Authority intends to achieve, but this hardly amounts to a requirement for an achievement budget, let alone a Strategy. There is an inherent timing problem here, with the Strategy needing to be in place before 1st April, in order to legitimize spending on local economic development, but local authorities not deciding their budgets until very close to that deadline. In such circumstances, the Strategy becomes an apology for economic development spending. Surely the key is to have a strategy in place to guide annual budget decisions.

### 2.3

The requirement to prepare a strategy still does not apply in Scotland. Many, though by no means all English and Welsh local authorities had already prepared a strategy prior to the appearance of legislation. A significant number hadn't, which is significant in itself.

### 2.4

It is not proposed to undertake a comprehensive historical analysis of the changing role of UK local authorities in economic development, but to focus on what local authorities were doing in the financial year 1994/5. It is a changing role, one subject to fad and fashion. It is likely to change again with the change of government. It changed considerably in the 18 years of Conservative Government (1979-1997). It is likely to change again with and during the period of the new Labour Government.

### 2.5

It is important to consider the development of economic development activity in local authorities in the context of the changing role of local authorities, in recent years, from direct providers to enablers/facilitators. The causes and extent of these changes need to be examined e.g. Central Government, Thatcherism.



Cochrane (1993) suggests that it is important to position local government within the wider post war settlement.

He suggests it is not a free floating institution but part of the wider British polity. He suggests that it is also important to locate it within a wider set of changing international or global relations which may be changing the context for local politics. Having said that, it could be argued that local authority economic activity has only involved direct provision where there has been market failure e.g. construction of small units, site development, etc. and these actions are still justified today

(Adams et al, 1994). Even where direct investment in companies has been undertaken, it has usually been in response to a perceived failure on the part of the financial markets to support viable firms/projects. Occasionally, it could be argued that such fire brigade approaches have been adopted to lame ducks, perhaps for 'political reasons', to be seen to be doing something.

Cochrane (1993) also suggests that there has been a significant growth in business involvement not just as a model of management but as an active participant in the political process at a local level. On the former, he suggests the language of business, the words of the new management, is used as a focus of policy development, with stress placed on the need to develop 'mission statements' and business plans, based on SWOT analysis. On the second point, he argues that the fragmentation of local government has led to the proliferation of different agencies which need to be considered as part of the local state, both in the fields of welfare and economic development. **This study does not deal with this far wider and important issue.**

For example, Lloyd and Meegan (1996) point to the the growing role of the voluntary sector in local economic development, particularly in Merseyside; whilst Hogwood (1995) argues that 'agencies' account for the largest amount of resources which central government allocates for regional/local economic development.

## Conclusions

### 2.6

The basic criticisms levelled at local authority economic development activity in the UK are that:-

- (a) it doesn't achieve a lot, it's 'posturing', a waste of time, a zero sum game in which what is achieved in one district is at the expense of another. Eisenchitz and Gough (1993) argue that, in reality, all local economic policy is simply about redistributing rather than creating jobs. Redistribution may have been acceptable when there were clear differences between unemployment in different parts of the Country (50s, 60s, 70s,) but not in a time when unemployment rates can be more easily explained by age, sex, race, class etc.
- (b) it is badly managed, consisting of a series of unrelated programmes/projects, arrived at through; accident, fad, etc.



## CHAPTER THREE

### MANAGEMENT AND LOCAL ECONOMIC DEVELOPMENT

#### 3.0 INTRODUCTION

##### 3.0.1

Certain general features of Local Authorities in the U.K. have implications for the management of local economic development. Local Authorities are 'member led' in the sense that Councillors make up both the Assembly (the Council, Committees, etc.,) and the Executive, i.e. decisions are made by the Council, Committees, or Officers under delegated authority). A second key feature is the fact that Local Authority powers are granted to Local Authorities by statute and are severely constrained. A Local Authority cannot do whatever it wants to do. There are severe limits with respect to its entering new markets, diversifying, etc. Both these features have clear implications for management, particularly in relation to the relevance of private sector management models.

##### 3.0.2

A key feature of Local Authority involvement in local economic development is the fact that the Local Authority is not a direct provider of employment. It is, in relation to its own staff. However, it would be extremely difficult to pursue a local economic strategy which attempted to directly provide additional jobs in an area by employing more people, or setting up a trading company. In the former, it would be constrained by Central Government funding formulas which would not allow for such expenditure. In the latter, it would be constrained by the Housing and Local Government Act, 1989, which severely restricts Local Authority involvement in trading companies. A second key feature is that the Local Authority is not the only actor in the field. Indeed, it is questionable whether it is the key actor. It would be possible to identify the key actor by reference to expenditure.



### 3.0.3

In Wales, for example, the Welsh Development Agency and the Development Board for Rural Wales must be seen as the key actors, along with the Welsh Office (which administers the main grant regimes, Regional Selective Assistance, the principal expenditure of Regional Policy). Again, none of these bodies actually provide jobs, all provide 'services' (grants, loans, buildings, etc.). Local Authority activity in the economic development field should be seen as one of those services where there is intervention in the market. The Town Planning function is intervention in the land market. The Housing function includes intervention in the housing market. Economic development includes intervention in the labour market and the land and property market (where industrial sites or premises are involved).

## Conclusions

### 3.0.4

A Local Authority engaged in the management of local economic development needs to take decisions on:-

the relevance of private sector management models;

what 'mode' of planning/management to adopt;

If opting for strategic planning, what type of strategic planning model to adopt.

## 3.1 PRIVATE - V - PUBLIC SECTOR MANAGEMENT

### 3.1.1

GUNN (1987) accepts that there may be some force to Perry & Kraemer's (1993) account of the emergence of public management from the interaction of traditional public administration and business-orientated generic management, as description of what is happening in the USA; is unconvinced by their claims to have developed in their version of public management a new and integrative paradigm.

### 3.1.2

POLLITT (1993) sees the label strategic planning borrowed directly from the generic management literature; but notes that its public sector proponents usually claim that 'public and third sector organisations face problems that are quite different to those faced by firms and that therefore they require their own distinct brand of strategic planning'. POLLITT points to various versions being tried out at state, county and city levels; but notes that different authors advance different models of the process. POLLITT suggests that it has the air of a rearguard action, comprising a slightly ramshackle structure hastily erected in the hope that it will provide some defence against the anti-public service, anti-planning forces of the neo liberal right. **This was largely an american phenomenon, where, particularly in the Reagan era, these forces were considered very powerful.** POLLITT suggests that its core intellectual identity remains curiously vague and its novelty content very low; and argues that whilst the Bryson & Einsweiler (1988) compendium contains case studies of innovative and apparently succesful planning initiatives, wonders whether these successes can really be attributed to a coherent and distinctive approach.

### 3.1.3

STEWART (1992) has emphasised the necessary differences between public and private sector management. STEWART argues that to attempt to manage a service in the public sector as if it was in the private sector is bad management because it is contrary to the distinctive purpose, conditions and tasks of the public sector. Local Authorities have a range of objectives which may not always be consistent (**Do companies?**). Councils need to agree a balance between objectives and policy making needs to be part of a wider public discourse.

LINDBLOM (1963) points to the "multiplicity of values" that enter into public policy making and the conflicts amongst them as well as the "instability or fluidity of values" that "change with time and experience".



For example, in U.K. Unitary Local Authorities, economic development projects compete for resources with housing, education and social service capital projects, with outputs which are not directly comparable. Whether the 'change' element of this analysis could be applied to the 'one party states' that constitute many U.K. local authorities is debateable.

## Conclusion

### 3.1.4

There is a whole area of debate relating to the appropriateness of private sector management theory to the public sector. At one extreme would be a view that management is management irrespective of the circumstances in which it is used. At the other extreme would be a view that the completely different natures of public and private management make generic models of equal relevance impossible to develop. Strategic planning is a private sector model which has supposedly been adapted to the particular circumstances of the public sector by Bryson and others.

It is considered that Stewart and Lindblom are correct in identifying at least one of the fundamental differences between the public and private sector, the range of objectives.

### 3.1.5

A Local Authority contemplating the use of private sector derived management/planning models for local economic development would be well advised to 'tread carefully'.

By its very nature, the study will attempt to determine the suitability of an adapted private sector model to a public sector task.



### 3.2 PLANNING AND MANAGEMENT THEORY

#### 3.2.1

MINTZBERG (1994) sees the key assumption underlying strategic planning as analysis will produce synthesis, the old 'machine' assumption. If every component is produced by the machine as specified and assembled in the order prescribed, an integrated product will appear at the end of the line. MINTZBERG asks, does producing documents called plans or claiming to use a whole raft of procedures and techniques or having a department called planning or people called planners really indicate that the organisation has internalised planning? MINTZBERG quotes Wildavsky (1973) 'attempts to plan are no more planning than the desire to be wise is called wisdom'. MINTZBERG suggests that an organisation can plan (consider its future) without engaging in planning (formal procedures) even if it produces plans (explicit intentions); alternatively, an organisation can engage in planning (formalised procedures) yet not plan (consider its future).

#### 3.2.2

QUINN (1980) goes further in asserting that, when well managed organisations make significant changes in strategy, the approaches they use frequently bear little resemblance to the rational analytical systems so often described in the planning literature.

MINTZBERG (1983) considers the propensity of the 'political organisation' to engage in planning and to engage planners. He considers the assumptions of conventional planning - that strategy emanates from legitimate authority at the top of a hierarchy, that goals can be agreed upon and that courses of action can cascade down a well ordered hierarchy - fail, and different means must be found to make decisions. He points to an important literature of public policy making which characterises it as highly fragmented and politicised and so has been very critical of planning, promoting instead adaptive modes of policy making based on the informal mutual adjustments among a variety of independent actors. MINTZBERG and WATERS (1982) explore the complexity and variety of strategy formation processes by refining and elaborating the concepts of deliberate and emergent strategy, identifying various types of strategy, each embodying different degrees of deliberateness and emergentness, Table 1.

TABLE ONE

## SUMMARY DESCRIPTION OF TYPES OF STRATEGIES

<u>Strategy</u>	<u>Major Features</u>
Planned	Strategies originate in formal plans: precise intentions exist, formulated and articulated by central leadership, backed up by formal controls to ensure surprise-free implementation in benign, controllable or predictable environment; strategies most deliberate.
Entrepreneurial	Strategies originate in central vision: intentions exist as personal, unarticulated vision of single leader, and so adaptable to new opportunities; organisation under personal control of leader and located in protected niche in environment; strategies relatively deliberate but can emerge.
Ideological	Strategies originate in shared beliefs: intentions exist as collective vision of all actors, in inspirational form and relatively immutable, controlled normatively through indoctrination and/or socialisation; organisation often pro-active vis-a vis environment, strategies rather deliberate.
Umbrella	Strategies originate in constraints: leadership, in partial control of organisational actions, defines strategic boundaries or targets within which actors respond to own forces or to complex, perhaps also unpredictable environment; strategies partly deliberate, partly emergent and deliberately emergent.
Process	Strategies originate in process: leadership controls process aspects of strategy (hiring, structure, etc.), leaving content aspects to other actors; strategies partly deliberate, partly emergent (and, again, deliberately emergent).



Unconnected	Strategies originate in enclaves: actors loosely coupled to rest of organisation produce patterns in own actions in absence of, or in direct contradiction to, central or common intentions; strategies organisationally emergent whether or not deliberate for actors.
Consensus	Strategies originate in consensus: through mutual adjustment, actors converge on patterns that become pervasive in absence of central or common intentions; strategies rather emergent.
Imposed	Strategies originate in environment: environment dictates patterns in actions either through direct imposition or through implicit pre-empting or bounding organisational choice; strategies most emergent, although may be internalised by organisation and made deliberate.

Source: Mintzberg & Waters (1982)

**It is argued, at this stage, that certain strategies are more likely to be utilised in local authority economic development:-**

Planned; to the extent that there are formal plans;

Process; to the extent that the leadership controls the process aspects of strategy (structure, hiring), leaving content aspects to other actors;

Imposed; to the extent that the environment dictates patterns of actions either through direct imposition or through implicit pre-empting or bounding organisational choice.

Local authority strategies seem likely to be as much emergent as deliberate on this basis. To the extent that there is a wider local strategy for an area (involving TEC, Development Agency, etc.), different types of strategies may be used, Consensus, for example.

### 3.2.3

FALUDI (1973) espouses the concept of dimensions of planning, 'dimensions' referring to the observable features of the conduct of planning agencies.

Each of the pairs refers to one dimension of planning, and consists of extreme types of planning which he calls modes of planning. Actual instances always fall somewhere between them:-

the blueprint - v - the process mode of planning

the rational comprehensive - v - the disjointed incremental mode of planning

the normative - v - the functional mode of planning

In these modes, strategic planning may be seen as a rational comprehensive approach and a blueprint approach, whilst the design school model may also veer towards the process approach.

## Conclusion

### 3.2.4

Strategic planning is not the only possible approach to the planning of economic development. A Local Authority can go in other directions, e.g. process or disjointed incremental approaches. The Study is not an attempt to categorise these different approaches but essentially to identify the presence/absence of one, strategic planning.

## 3.3 STRATEGIC PLANNING THEORY

### 3.3.1

MINTZBERG (1994) suggests that the literature of planning has offered virtually hundreds of models of a process by which strategy could be formally developed. With few exceptions, he suggests that these were built on a single conceptual framework, or basic model, differing less in fundamentals than in level of detail. He suggests that one single set of concepts underlies virtually all the proposals to formalize the process of strategy formation, the SWOT model. He calls it the Design school model because he considers it is built on the belief that strategy formation is a process of conception - the use of a few basic ideas to design strategy, the most essential being the fit between external and internal factors.



Strategy is created at the intersection of the external appraisal of the threats and opportunities facing an organisation in its environment, considered in terms of key factors for success, and an internal appraisal of the strengths and weaknesses of the organisation itself, distilled into a set of distinctive competencies. Outside opportunities are exploited by inside strengths, whilst threats are avoided and weaknesses circumvented.

MINTZBERG suggests that planning literature developed alongside this design school and that, where the two parted company was in the premise of keeping the process simple and informal. What was to the design people a loose conceptual framework, became in the planning literature a highly formalised procedure, decomposed into an elaborate sequence of steps supported by techniques. So that, MINTZBERG summarises one of the basic premises of the planning school as Strategy formation should be controlled and a conscious as well as a formalized and elaborated process, decomposed into distinct steps, each delineated by checklists and supported by techniques.

### 3.3.2

JOHNSON & SCHOLLES (1989) put forward a general model of strategic planning applicable to both public and private sectors, though essentially a private sector model. Its basic elements are indicated below:-

#### Strategic Analysis

- The Environment

- Resources

- Expectations, Objectives and Values

#### Strategic Choice

- Generation of Options

- Evaluation of Options

- Selection of Strategy

#### Strategic Implementation

- Resource Planning

- Organisation Structure

- People and Systems

### 3.3.3

BRYSON (1993) argues that there are a whole range of private sector strategic planning models of varying relevance to the public sector:-

#### Private Sector Strategic Planning Models

- Harvard Policy Model
- Strategic Planning Systems
- Portfolio Models
- Stakeholder Management Approaches
- Competitive Analysis
- Strategic Issues Management
- Strategic Negotiation
- Logical Incrementalism
- Strategic Planning As A Framework For Innovation

BRYSON puts forward a particular model for strategic planning in the public sector.

#### Bryson Model

- ( ) initiating and agreeing on a strategic planning process
- ( ) identifying organisational mandates
- ( ) clarifying organisational mission and values
- ( ) assessing the external environment for opportunities and threats
- ( ) assessing the internal environment for strengths and weaknesses
- ( ) formulating strategies to manage the issues
- ( ) establishing an effective organisational vision for the future

### 3.3.4

This is not the only model of strategic planning in the public sector. One alternative is the 'public sector strategic approach model' used by ASTON PSMRC (1991) in its study of derelict land:-



## Public Sector Strategic Approach Model

- ( ) take stock of the strategic position
- ( ) adopt a wide view and a long view of the problems and potential of local economic development
- ( ) recognise the links between each level of the strategic heirarchy of policies, programmes and projects
- ( ) undertake a range of strategic tasks associated with analysis, choice and implementation, at each stage of the strategic hierarchy

Source: PSMRC The Strategic Approach to Derelict Land Reclamation

### 3.3.5

SMITH (1994) points to the Civil Service definition of strategic planning as one element in corporate planning, i.e:-

corporate planning = Strategic planning

+  
Business planning  
+  
Budgeting  
+  
Action planning  
+  
Monitoring  
+  
Evaluation

Fig 2.1 Smith (1994)

SMITH points to Greenley (1989) seeing the evolution of strategic management as involving four stages:-

budgeting and control  
long range planning  
strategic planning  
strategic management

## Conclusion

### 3.3.6

As can be seen from the various models explored, there is no one agreed public sector strategic planning model, though some commonality. Bryson's work is important as the main adapter of a private sector model to the public sector. Aston's work is important because of its concentration on a particular U.K. Local Authority function. A Local Authority contemplating the use of strategic planning in the management of local economic development would need to decide which model to use.

### 3.3.7

In terms of the Study. If elements of strategic planning present in local economic development practice are to be identified, some decisions will need to be taken on what to look for. Some common elements have been identified and selected. It will be a particular view which could be refined with experience of application. A model similar to Mintzberg's design school model will be used.



## CHAPTER FOUR

### LOCAL ECONOMIC DEVELOPMENT IN THEORY AND PRACTICE

#### 4.1 LOCAL ECONOMIC DEVELOPMENT THEORY

##### 4.1.1

BINGHAM & MEIR (1993) point to the fact that, because economic development draws on a wide variety of disciplines, the field is not suffering from a lack of theory. To the contrary, so many theories apply that the field of economic development is a very confusing place. BINGHAM & MEIR bring together theories from a wide variety of disciplines that apply to local economic development; theories of development from economics, business administration, regional science, planning, political science, public administration, psychology, etc. BINGHAM & MEIR explore various theories of explanation and prediction emerging from social science disciplines and focus them on the practical actions of local economic development, to find evidence of theory present in the practical work of local economic development, i.e.

Theories of local economic development can be broken down into 4 basic categories:-

- Local and Space Theories
- Labour and Capital Theories
- Political and Social Theories
- Organisational Theories

It is in the last category that management and economic theories overlap and combine. Each of the 4 categories has a whole range of individual theories:-

## Theories and Models of Local Economic Development

### Local and Space Theories

- Transport Cost Model
- Costs of Production Models
- Inertia
- Coevolutionary Development
- Agglomeration Economies
- Models of Development from Above
- Models of Development from Below
- Central Place Theory
- Product Cycle Theory
- Neoclassical Theory
- Circular and Cumulative Causation
- Demand Side Development

### Labour and Capital Theories

- Training Theory
- Education Theory
- Stage/Cycle/Wave Theory
- Organisation of Production Theory
- Propulsive, Innovative & Creative Theories

### Political & Social Theories

- Political Economic Theory
- Ecological Model
- Growth Machine Model

### Organisational Theories

- Psychosocial Theories
- Rational Calculus Theories
- Institutionalist Theories
- Combinatorial Theory
- Innovation Theory
- Technology Change Theory
- Technology Transfer Theories
- Utility Maximisation Theories
- Social Network Theories
- Barrier Theories
- Asset Base Theory



Source: Table 14.1

Mier & Bingham

Theories of Local

Economic Development

#### 4.1.2

HOWLAND (1993) suggests that 5 theories may explain the course of rural economic development and growth; central place, product cycle, cumulative causation, demand and supply side models. The product cycle model hypothesises that products and processes move through phases. In the initial stage, a product and production process are unfamiliar and changing. Large, complex economies, with their well developed capital markets, highly diverse and skilled labour force, lower cost access to information, complex constellation of suppliers, and proximity to markets, are most attractive at this phase of the product cycle. As a product matures, it becomes standardised and its manufacture routine. Establishments can be physically distant from credit markets during this phase of the product cycle because the establishment is usually a branch plant and obtains credit and specialized services through its headquarters; from a flexible skilled workforce, because the work is predictable; from competitors, because the technology and product are not evolving; and from markets, because the product is standardised and frequent client input is no longer essential. These are generally establishments that minimize costs by adopting assembly-line production techniques and using low-cost labour. HOWLAND (1993) sees rural economies as most likely to capture manufacturing at this later phase of the product cycle. However, she suggests that manufacturing is not going to be the panacea for rural revitalisation in the future, according to product cycle theory. The continuing replacement of routine tasks with machines and the trend towards flexible specialisation and just-in-time production will lead to a recentralisation of capital to the urban core regions. Continued improvement in telecommunications and travel will facilitate the offshore movement of low skilled tasks that belie mechanization.

#### 4.1.3

HOWLAND (1993) points out that neoclassical growth theorists predict decline in investment will be self correcting as economic deterioration leads to falling wages, rising rates of return to capital, and a rebound in private investment. However, she suggests that self correcting mechanisms are particularly weak in rural areas; for example, the out-migration of labour can lead to further decline. She suggests that the circular and cumulative causation model provides a better guide to growth patterns in rural economies. The theory of cumulative causation hypothesizes that instead of self correcting, market forces set a direction that is self perpetuating. Adverse incidents, such as the loss of a major employer, have repercussions that reinforces economic decline. Similarly, growth stimulating events lead to expansion, which, in turn, continues to attract further growth.

HOWLAND (1993) suggests that Demand side theories, such as Keynesian analysis, export-base theory and input output models are often inadequate for directing rural development policy. Demand side models hypothesise that regional growth is determined by external demand for the goods produced in the region. The propulsive export activity, in turn, generates income and employment among local suppliers and a household sector. She suggests that the narrow economic base and branch plant status of most rural manufacturing-dependent economies imply small regional multipliers. Local inter-industry linkages are rare and rural residents frequently travel to surrounding towns and cities to shop, resulting in a higher propensity to import. However, she considers the potential for demand driven growth to be greater in agricultural than manufacturing or mining areas. HOWLAND (1993) suggests that supply side theories offer greater potential for guiding rural development policy. Supply side theories attribute increases in local aggregate output to increases in local productive inputs, including; labour, capital, entrepreneurial talent, external economies, infrastructure and natural amenities.



#### 4.1.4

TEITZ (1987) states that the strategies that local communities employ in local economic development are not fully articulated or well grounded in theory.

#### 4.1.5

GOLDSTEIN AND LUGER (1993) suggest that, in economic development, theory and practice exist as two seemingly separate realities. Practitioners draw from a stock of programmes that are in currency and rarely ask about the theoretical basis for the programmes they implement. GOLDSTEIN & LUGER conclude that, state and local high tech development programmes tend to be ad hoc rather than based on a particular theory (or combination of) of how development is supposed to occur. Those policy makers who are grounded in theory tend not to agree on which explanations should serve as a foundation for action. GOLDSTEIN & LUGER also conclude that there is not a deterministic, one to one, mapping between theory and practice. Rather, the most succesful policy efforts are those that are built on theories that make sense for that particular region at that particular time. The most ill advised programmes tend to be those that are foolishly consistent with theory or put in place simply for symbolic reasons or because they have been used elsewhere.

### Conclusion

#### 4.1.6

Howland is a useful starting point in the exploration of the basic theories of economic development. Goldstein and Luger highlight the key problem for practitioners and academics, diverging opinions; a large number of theories, debate over the extent to which theory is used at all to guide economic development activity and over the most appropriate theories to use under particular conditions.

This debate has not been resolved.

#### 4.1.7

A Local Authority engaged in economic development would need to decide which theories to utilise, which are plausible, which are appropriate for its circumstances. The study may shed some light on this issue, on which theories are being used by U.K. Local Authorities.

### 4.2 LOCAL ECONOMIC DEVELOPMENT PRACTICE IN THE U.K.

#### 4.2.1

Research on Local Authority economic development activity in the U.K. tends to consist of either:-

- (1) surveys of a number of local authorities;
- (2) analysis of, or suggestions of, specific initiatives such as SME support;
- (3) studies of the economic development activities of individual authorities.

#### **1. Surveys of Local Authorities**

##### 4.2.2

ARMSTRONG & FILDES (1988) examine the relationship between district council economic development expenditures and regional policy.

MC QUAID (1993) considers the economic development priorities and activities of Local Authorities in Scotland, pointing out that most relevant surveys are from the mid 1980's.

##### 4.2.3

SELLGREN (1988) examines recent trends in Local Authority economic development activities; assessing the resources available to Local Authorities in the U.K. to undertake economic development activities; assessing the range of activities which have been undertaken by district-level authorities and exploring regional variations.

SELLGREN (1990) explores the characteristics of local economic initiatives which Local Authorities have been involved in supporting, attempting to obtain structured information on the nature of the project, its legal structure, range of activities, participating agencies and sources of finance.



#### 4.2.4

FAIRLEY (1992) examines the patterns of development in Local Authority-local enterprise company relationships, in Scotland.

HARLOE, PICKVANCE & URRY (1990) explore the ability of individual localities to exercise any control over their growth and decline, and examine local political initiatives seeking to influence economic and social development, in seven localities.

HARLOE ET AL ask why do Local Authorities vary in their capacity to initiate economic policy and to what extent national urban and other policies inhibit or encourage Local Authority efforts.

#### 4.2.5

MILLS (1994) considers the significance of Local Authority economic development for organisational change, drawing on a LGMB survey aimed at mapping the pattern & direction of change in the internal organisation and management of local authorities and to identify key influences forcing the pace of change.

MILLS concludes that certain issues arise in the local area or in the wider world which demand a response from Local Authorities, regardless of whether or not they have a statutory duty to address them, and that the most appropriate and successful innovative arenas attract the attention of central government and legislation follows. When Central Government seeks to generalise and standardise activities by giving them a statutory basis the scope for innovation (including management) at a local level may be limited.

## **2. Specific Initiatives**

#### 4.2.6

HAUGHTON (1993) draws on the results of seven evaluation studies in order to discuss the strengths and weaknesses of current approaches to SME support services.

CAMPBELL (1990) and LOVERING (1988) both focus on the importance of a local labour market strategy as a key component of local economic development

GEDDES & BENINGTON (1992) show how Local Authorities have responded innovatively to the changes facing key industrial sectors in their local economies, and that Local Authorities have the capacity to play a wider role in the promotion of economic growth and regeneration.

#### 4.2.7

DUNHAM, BERKELEY, HEALEY & NOON (1994) use evidence drawn from a study of Leicester's retail sector to consider the need for, and the appropriate form of, sector based strategies aimed at alleviating problems which have a major impact on the retail workforce. DUNHAM ET AL argue that sector strategies provide a number of benefits as an approach to local economic development and that a retailing strategy needs to be coordinated on a local basis. This is because many of the problems facing retailers in an area are place specific and, in any case, many of the agencies needed to operate such a strategy are themselves locally based.

#### 4.2.8

GEDDES & ERSKINE (1994) seek to identify the scope for, and limits to local economic development initiatives which seek to combat poverty and deprivation.

GIBBS (1994) looks at the implications of information and communications technologies for urban economic development, the reasons for the growth of urban ICT strategies, and investigates the problems and potentials of the strategies in economic development terms. GIBBS concludes that a widespread reliance upon market led investment is likely to ensure continued differences in the provision of ICTS in different areas, and that Local Authority initiatives to date do offer an indication of what can be achieved at the local level and may provide the foundation for national policies.

MACDONALD(1993) suggests that Local Authorities look to utilise the mechanism of planning gain to promote and control economic development.



### 3. Individual Authorities

#### 4.2.9

There have been studies of local economic development in practice in individual Local Authorities. They have tended to focus on:-

- (1) the role the Local Authority is playing in a number of key projects, as prime mover and catalyst (BORE 1992);
- (2) the dominance of partnership in the urban regeneration activities of the Local Authority (CARLEY 1991);
- (3) strategy formulation in the Local Authority (SMITH 1990, FENTON 1992).

#### 4.2.10

Whilst evaluation studies are not central to this literature review, one interesting example focusses on a particular initiative and on a particular Local Authority and raises questions on the mechanism by which policy effects are produced and the circumstances which condition their effectiveness (TUROK 1989). Turok also argues that, given the range of underlying causes, the processes of decline in local firms could probably not have been prevented and put into reverse by more expansionist national demand management policies alone, that specifically local, micro-economic, supply-side measures also appear to have a role in addressing the internal weaknesses of the firms and making it possible for them to compete more effectively. He argues that, although local initiatives on their own probably cannot completely counteract powerful economic forces and resolve deep seated problems, there certainly appears to be a need and scope for local actions to initiate and contribute to any process of recovery.

#### 4.2.11

Finally, some studies examine the whole range of actors and processes operating in a particular area (CREWE & FORSTER 1993).

One study, at least, charts the changing fortunes of economic development as an activity in a Local Authority (Dudley), in terms of approach, manpower, budget, etc. (HALL 1995)

## Conclusion

### 4.2.12

Sellgren's work is important in providing a fairly recent and comprehensive survey of Local Authority economic development activity. Harloe gets to the very nub of this research, the capacity of Local Authorities to influence their local economies.

Particular approaches are suggested for Local Authority economic development; labour market strategies, retail strategies, ICT strategies, planning gain. In some cases, the argument in favour of particular approaches to Local Authority economic development is clearly made, either by reason/logic (Gibbs, Dunham et al) or, more significantly, as a result of evaluation. (Haughton)

A Local Authority engaged in economic development would need to choose which particular approaches to adopt, if any.

### 4.2.13

There would appear to be a gap in knowledge of the degree of application of strategic planning in relation to local economic development between Local Authorities in the U.K.

In addition, there would appear to be a gap in knowledge of local economic development in Welsh Local Authorities, which may have particular characteristics which make studies of England or Scotland less relevant. These differences are related to: complete coverage by development agencies, the small size of Local Authorities, the reputation for good working relations between bodies (Team Wales). The Study may shed light on what is going on, particularly in Wales.

There may be a gap in knowledge of the relationship between different elements of local economic strategies, between; aims, targets, objectives, activities, expenditure.



## CHAPTER FIVE

### STRATEGIC PLANNING AS APPLIED TO LOCAL ECONOMIC DEVELOPMENT

#### 5.1 STRATEGIC PLANNING APPLIED TO LOCAL GOVERNMENT IN THE UK

##### 5.1.1

ELCOCK (1993) examines the concept of strategic management as it applies to the public service; identifies the growing emphasis placed on strategic issues in the public services.

LAVERY & HUME (1991) explain, with special reference to the experiences of Kent County Council, how strategic planning can be used as the primary tool in meeting the changing role of local government.

ISAAC, HENRY & PAINTER (1991) from their interviews with 17 Local Authority Chief Executives, reveal many instances of organisational and management (especially strategic) innovation. The recurring themes of their article relate to the type of business a Local Authority is in and as a corollary its primary mission and the development of strategic management processes and organisational capability to strategically shape the future.

#### Conclusion

##### 5.1.2

Much of the literature on the relevance of strategic planning to local government in the United Kingdom is general in its application, i.e. to the way the whole Local Authority is run or to the way strategic issues are handled. One exception is Aston PSMRC (1991) research on the use of strategic planning in a specific field of local government activity, i.e. derelict land reclamation.

##### 5.1.3

There would appear to be a gap in knowledge of the application of strategic planning and management specifically in relation to the local economic development role of Local Authorities in the U.K. This may reflect an absence of practice or of investigation.

The study may shed light on this issue.

## 5.2 STRATEGIC PLANNING APPLIED TO LOCAL ECONOMIC DEVELOPMENT

### **Theory**

#### 5.2.1

MALIZIA (1985) is concerned with designing a local economic development planning process and presents two modes of normative planning, contingency planning and strategic planning. MALIZIA compares contingency planning and strategic planning to synoptic comprehensive planning, i.e:-

#### MODES OF PLANNING

Features of Planning	Synoptic Comprehensive Planning	Contingency & Strategic Planning
Subject	Community as a whole	Local development organisations
Goals	Achieving the public interest or social welfare functions	Achieving organisational goals compatible with community goals
Orientation	Consumer oriented: achieve goals to satisfy local needs	Producer oriented: define organisational capabilities to attack local problems
Nature of Product	Prescriptive overlay	Mosaic of organisational plans
Action Emphasis	Desirable alternatives	Feasible alternatives
Inspiration	National planning	Corporate planning



Source: Table 1

Malizia (1985)

Local Economic Development

#### 5.2.2

MALIZIA (1985) stresses that in strategic planning the planner is planning for the particular local development organisation, and that strategic planning embraces analysis, design and implementation tasks and divides it into five steps:-

- articulating organisational aims
- specifying organisational means
- anticipating environmental trends and events
- designing and evaluating alternative strategies
- devising tactics for executing desired strategy

#### 5.2.3

RIDER (1993) suggests that retention of the comprehensive plan as a principal tool of planning affects the style of planning and pulls planners in unproductive directions, and hampers planners efforts to design a planning process for an environment in which decisions are made through the interaction of multiple centres of power. RIDER suggests that planners have not been very successful in providing direction to a diverse group of government agencies through their comprehensive plans, and that experience shows that coordination must be achieved through a process of directed interaction among agencies as opposed to seeking their compliance with a centrally prepared plan.

#### 5.2.4

BLAKELY (1994) talks about the community orientation towards economic development shaping its view towards the process, identifies 2 perspectives, responsiveness to external needs and responsiveness to local community needs, and suggests a typology of four distinct planning orientations: two prevailing models (recruitment planning and impact planning) and two emerging models (contingency planning and strategic planning), i.e.:-

## PLANNING APPROACHES

	Responsive Perspective		Planning Perspective	
	Pre Active	Reactive	Proactive	Interactive
	I	II	III	IV
Planning Model of practice	Recruitment planning	Impact planning	Strategic planning	Contingency planning
Policy				
Industry	Industrialisation	De-industr ialisation	New indigenous firms	Building on existing firm base
Enterprise types	Corporate adjustment	Government sponsored	Hi-tech/ New tech	Community based
Development Intervention Model	Industrial inducements	Government program expenditure	Public initiated development	Community initiated

Source: Table 4.2

Blakely

adapted from

Bergman (1981)

### 5.2.5

BLAKELY (1994) sees strategic planning as pro active building a long term responsive community system to the conditions a locality faces, and defines strategic planning as utilisation of all of a locality's forces, through large scale, long range planning and development. Localities adopt a long range view of economic development.



BLAKELY sees strategic planning as necessarily entailing a large scale effort to deploy available resources.

Economic development becomes a long term objective for all ongoing local government functions. The full set of regulations, tax policies, public works and local government programme expenditures is framed with long-term economic development objectives firmly in mind. BLAKELY envisages a very active public role, one that orients many public actions towards economic development, attaches a sophisticated strategic planning function to appropriate departments and agencies, and promotes integrated policy positions on the part of major actors;

BLAKELY suggests that no place has so far adopted a fully developed version of strategic economic development.

## Conclusion

### 5.2.6

The theory of applying strategic planning to local economic development seems to derive from the USA (Malizia, Rider, Blakely).

Strategic planning is explained by the authors and compared favourably with other approaches, particularly comprehensive land use planning, but also other management models (recruitment, impact, contingency). It is difficult to establish whether this perceived superiority is based on empirical evidence or personal prejudice. Rider and Malizia are correct in judging that Land Use Plans are clearly inappropriate for the purpose of local economic development, given the diverse group of agencies involved, etc.

### 5.2.7

A Local Authority contemplating the use of strategic planning in the management of economic development may well be seduced by this propaganda. The Study may shed light on whether the reality of implementation warrants this hype.

## Practice

### 5.2.8

YOUNG & WHELAN (1993) indicate that a number of state governments, and some cities (in the U.S.A.) have used a strategic planning process for economic development, and focus on the implementation of the strategic plans of the Port of New Orleans;

YOUNG & WHELAN suggest that without a common set of objectives shared by all the major power brokers and actors in a city, strategic planning cannot succeed, and that the best laid plans do not, in and of themselves, lead to full-scale or efficient implementation.

BERRY (1994) considers under what conditions state agencies (US) adopt strategic planning, and develops four explanations about factors that lead a state agency to adopt strategic planning: its resources; its leadership cycle; its orientation to business and citizens; and diffusion of strategic planning across states.

### 5.2.9

O'CINNEIDE & KEANE (1990) suggest that the numerous key actors involved in development in rural areas typically do not share a common vision for the future of their areas nor is there a coherent process in setting objectives, deciding policy instruments, monitoring results, etc. O'CINNEIDE & KEANE propose the application of strategic planning concepts to local development planning as a means of overcoming these defects. DANSON & LLOYD (1992) suggest that, until recently, there was an established tradition of strategic planning in Scotland, i.e. the integrated participation of institutions with different responsibilities and resources working within a managed strategic context to stated aims and objectives is a powerful characteristic of local intervention and partnership in Scotland.



#### 5.2.10

ROBERTS (1993) argues, with regard to the strategic planning and development of regions, for the creation of a technical and professional capability to develop and maintain a strategic perspective, and that it is important that this new capability is matched by the administrative and organisational capacity necessary to ensure that regional strategies are implemented.

ROBERTS more specifically:-

- (a) draws on the recent upsurge of interest in strategic matters;
- (b) sounds a note of caution because the rediscovery of strategic planning by the public policy community runs the risk of reinventing the wheel;
- (c) acknowledges the advances made in the corporate sector in recent years;
- (d) suggests that the lessons learnt from corporate sector practice should be incorporated within a revitalised approach to the preparation of regional plans.

TUROC (1994) argues for a broader and more strategic approach to the economic development of the Highlands & Islands, following its designation as an area of Objective 1 Status for European Structural Funding.

#### 5.2.11

LLOYD AND MEEGAN (1996) suggests that, in the English Regions, strategy for local economic development, where it exists, is a derivative of national micro economic policy, for the enhancement of competitiveness by removing barriers to the efficient operation of the market. What is not counterbalanced, in English policy, is a specifically regional strategy, yet this is precisely what the new, post 1993 EU Structural Funds Regulations require in the preparation and negotiation of SPDs, Single Programme Documents. LLOYD AND MEEGAN chart the process of negotiation and agreement for the SPD for Merseyside. They point out that the underlying philosophy of the original Merseyside 2000 document was to draw down, spend and account for the requisite funds from ERDF and ESF.

The SPD was not a Plan, nor did the U.K. authorities see such an approach as appropriate. What was significantly absent, was an analysis of the nature of the particular conversion problem of the Merseyside region, with a set of proposals to address it. LLOYD AND MEEGAN see this as in accordance with the prevailing Ministerial view in the responsible department (DTI) in the U.K. that there is no need for a regional plan because 'the great strength of our system is its flexibility'. (DOE) The view of the U.K. government is that, to introduce formal statements or strategies could limit the flexibility of local partnership building capacity which the IRO's are seeking to encourage in order that local needs can be addressed on a more responsive basis.

They suggest that the essence of the view of the U.K. authorities, in the negotiations with Brussels was that planning and strategy was unhelpful and that their approach lay on the primacy of flexible regional responses to market forces. They point out that this is in clear contradiction to the programming principle set out in the Structural Funds Regulations. The concepts of appraisal, plan strategy, priority and programme are central to the Commissions view of the regional conversion process. The Plan, when it emerged, represented a compromise which sought to preserve both supply side and more strategic perspectives on the structure of the overall programme.

#### 5.2.12

BOLAND (1996) describes in detail Merseyside 2000, a regional conversion plan, its aims, vision, strategic objectives, etc. He points out that the Strategy is driven by the belief that 'the provision of a trained workforce is at least as important as the right premises, infrastructure and support services'. However, he points out that there has been criticism that spending plans will result in young people being trained in Liverpool, who will then leave in search of employment in other parts of the U.K. because Merseyside will not be able to offer the jobs that they seek. He points to a decision to spend £1.17M of Objective 1 monies, plus matching funding, on training unemployed adults in the performing arts, and as hairdressers and beauticians.



He admits that these schemes will not raise regional GDP as they do not directly help the export sector and that a substantial increase in regional GDP is more likely through support for manufacturing and export industries.

#### 5.2.13

THE AUDIT COMMISSION (1991) asked external auditors to carry out value for money reviews at authorities where economic development is important. Nearly all covered an assessment of the way in which authorities had developed their economic development strategies. THE AUDIT COMMISSION considers it important that the Local Authority knows what it is doing and why, and has a sense of strategic purpose.

BIRDSEYE (1990) points out that the Auditor wishes to see how far the authority's economic development strategy addresses the areas problems. Will the authority be able to respond to potential opportunities and build on local strengths? Does the strategy acknowledge local weaknesses, threats or constraints, and how they can be tackled?

THE ADC (1990) suggests that a district council may wish to include details of the strengths and weaknesses of the local economy, and to list what it saw as the opportunities and threats for the area in the future; in preparing its economic development strategy.

DAVIES & HOLDER (1990) suggest ways to plan an authority's economic development strategy on an authority wide basis, building on a series of in-authority activities undertaken by the authors.

#### Conclusion

#### 5.2.14

Examples are found from the U.S.A. (Berry) of strategic planning being applied to local economic development, and from Ireland (O'Cinneide & Keane). Berry's work is important in identifying the factors which lead public bodies to adopt strategic planning. The U.K. examples are debateable. The strategic approach in its general/common sense mode may be being used. Several authors advocate its use in the U.K. whilst others argue for the use of particular tools, such as SWOT.

There would appear to be considerable evidence of its attempted application to local/regional economic development by the EC, in the preparation and implementation of Objective 1, 2 and 5B Programmes (Lloyd & Meegan, Boland)

#### 5.2.15

There would appear to be a gap in knowledge of the application of strategic planning and management in relation to local economic development in the U.K. The Study may indicate whether it is being used and if not why not.



## CHAPTER SIX

### AIMS AND OBJECTIVES

#### 6.1

The basic aim of the Study is 'to discover what British Local Authorities are actually doing (these days) in the economic development field, including variations between them and to determine how they arrive at these actions'. Are their actions a ragbag of projects, arrived at by accident, experience, historical development, fad, best practice, fund availability? Are their actions part of a strategy arrived at after careful strategic analysis and choice?

#### 6.2

The objectives of the Study are:-

- (a) To discover what British Local Authorities are actually doing these days in the economic development field, including variations between them.
- (b) To discover what is the justification for local authority economic development activity.
- (c) To determine the theoretical basis for local authority activity in the economic development field.
- (d) To determine the extent of adoption of the strategic approach, both in total and in part, to economic development by local authorities.
- (e) To determine the extent of adoption of a systematic approach to the generation, evaluation and selection of options i.e strategic choice.
- (f) To explore the key resisting forces to the adoption of the strategic approach, both in total and in part, and its benefits and drawbacks.
- (g) To develop a methodology for the analysis of economic development strategies both in terms of what a strategy is and the extent to which a strategic planning approach has been used in its preparation.
- (h) To determine the relationship between local economic development and strategic planning (chicken or egg?) i.e:-

- (i) does the adoption of strategic planning lead to a better view of local economic development?
- (ii) does a better view of local economic development lead to the adoption of strategic planning?



## CHAPTER SEVEN

### METHODOLOGY

#### 7.1

The choices available in terms of methodology relate to the areas of study (how many local authorities, their locations, their characteristics-size, urban/rural) and the approach (primary/secondary source mix, questionnaires/interviews).

The field of study chosen consists basically of two contrasting areas; Gwent and Powys (in Wales) and The West Midlands (in England). The make up of the areas, in terms of key local economic development players is shown below:-

##### A. Gwent and Powys

pre reorganisation

2 County Councils

8 District Councils

post reorganisation

6 Unitary Authorities

2 Training and Enterprise Councils (Gwent TEC & Powys TEC)

2 Development Agencies (the Welsh Development Agency & the Development Board for Rural Wales)

##### B. West Midlands

7 Unitary Authorities

7 Training and Enterprise Councils

2 Development Corporations

An alternative approach would have involved a much wider trawl of local authorities or a narrower focus on a few local authorities.

## 7.2

The choice of study area reflects a concern about local government reorganisation, set for Wales in 1996, and a knowledge that unitary authorities were planned on the lines of the changes already made in the metropolitan counties. There is scoping for learning here, from experience in the West Midlands, including management approaches to economic development.

## 7.3

The total of 19 local authorities to study is quite a large one. However, during the course of the study it was considered that there was a need to ensure that the sample did include some local authorities engaged in strategic planning and some that are not. In this regard, it was considered necessary to look further afield, to local authorities elsewhere engaged in strategic planning, in order to gain some ideas of wider trends in local economic development in the UK. Authorities also studied include Liverpool (Unitary Authority), East Kilbride, Stroud, and Dover (all District Councils).

This is a reflection of the advantages of a wider trawl, as strategic planning was found to be an exception rather than the rule in the Study Area. A narrower focus on a few local authorities would have been ill advised for this very reason. An ideal approach would have been a wider trawl followed by a focus on 'strategic' planning authorities

## 7.4

The basic approach chosen is twofold:-

Examination of economic development strategies;

Questionnaires for key officials on the findings of the research, to determine views and processes.

## 7.5

Examination of Strategies will:-

- (a) determine what local authorities are actually doing (Ch8);
- (b) ask whether this corresponds to a reasonable view of local economic development (Ch9);
- (c) determine how local authorities arrive at their actions (Ch10);
- (d) ask whether this corresponds to a strategic approach (Ch11).



An alternative approach would have been not to focus on documents but on; staff skills, expenditure, success etc. (perhaps through participant observation). Wolman and Spitzley (1996) point out that the count of techniques provides a measure of the diversity of tools or complexity of approach, or more broadly, the administrative or policy development capability of local government but it is an inadequate measure of the extent (emphasis) of economic development activity

#### 7.6

The Questionnaire Survey will determine the processes and factors which influence local authorities, more particularly:

- (i) confirm the findings [Q1];
- (ii) determine the role of strategy [Q2,II/III];
- (iii) determine perceived benefits, drawbacks and impediments to the adoption of the strategic approach, the whole thing and individual elements [Q2/Q3];
- (iv) determine, if possible, whether the strategic approach changes local authorities views on
  - how the local economy works,
  - how they see their role in local economic development.

#### 7.7

The legal requirement for English and Welsh local authorities to prepare 'strategies' enables a researcher to gain some information on strategy, though there is considerable variation in strategies, from very basic details of spending/projects to very detailed explanation of strategy formulation. There is a fundamental dichotomy between what often is seen as a PR document and what should be an analytical tool.

#### 7.8

A complication is that, in some British local authorities, strategies are prepared every few years and the Annual Strategy is not a stand alone document.

#### 7.9

A further complication relates to strategies not being all embracing, but concentrating on the most relevant activities of a local authority, or those where the budget is handled by the economic development committee/unit/department. Virtually every department of a local authority has some role which impacts on local economic development. It is not automatic that budgets relating to Tourism, Environmental Improvement, Communications, Urban Regeneration, etc. fall within the remit of Economic Development. They may be under the control of Planning, Leisure, Engineering or other Departments/Committees.

Urban Regeneration Initiatives could equally be the subject of a separate strategy/budgeting systems [City Challenge(DOE), Single Regeneration Budget (DOE+), Strategic Development Scheme (WO), Single Programme Document (EU)].

#### 7.10

Questionnaires were carefully tailored because of concern over response rates and the fact that many questions could be answered through reference to strategy documents. Local government officers were considered likely to respond better to questions where there was no answer already published. Both questionnaires and interviews do result in a personal view being put forward, except where published material exists and this needs to be considered carefully. Because of the timing of the questionnaires (May 1996, post reorganisation), there was a further complication. Local Government Reorganisation came into effect in Wales on 1st April 1996. Relevant Economic Development Officers from the 'old councils' needed to be tracked down to their new locations/authorities. Questions were therefore couched in more general terms rather than being specific to 1994/5 Strategies i.e. what did your old authority do etc?

Interviews were considered unnecessary, as it was possible to 'get back' to officers to clarify points or ask supplementaries.

#### 7.11

The 19 Strategies examined are listed in Table 2



TABLE 2

ECONOMIC STRATEGIES EXAMINED

<u>Local Authority</u>	<u>Year</u>	<u>Tec</u>
1 Blaenau Gwent	94/5	Gwent
2 Islwyn	draft 94/5	
3 (Torfaen)		
4 Newport	94/5 & 92/7 (x5)	
5 Monmouth	91-6 (x5)	
6 Gwent	94/5	
7 Brecknock	94/5	Powys
8 Radnor	94/5	
9 Montgomery	94/5	
10 Powys	93/4*	
A Birmingham	94/5 & 94/7 (x3)	Birmingham
B Coventry	94/5	Coventry &
C (Dudley)		Warwick
D Sandwell	94/5	Sandwell
E Solihull	94/5	Centec
F Walsall	94/5	Walsall
G Wolverhampton	94/5	Wolverhampton
I Liverpool	94/5-96/7 (x3)	Merseyside
II East Kilbride	94-6 (x3)	Lanarkshire LEC*
III Stroud	94-6 (x2)	Gloucestershire
IV Dover	94/5	Kent

## 7.12

Questionnaires (Appendix B) were sent to a group of local government officers in Welsh local authorities with varying degrees of adoption of the strategic approach. Strategic planning elements present, out of a possible 8, are listed; Newport 7, Gwent 4, Powys 1, Blaenau Gwent 0. It was important to take care in interpreting practitioners views on whether what they are doing is 'appropriate' and why they aren't doing something else. An element of self justification is likely to cloud rational analysis.

### 7.13

Chapters 8 & 9 are an examination of options in terms of the elements of a strategy

- what are the options,
- which have been chosen.

### 7.14

Chapter 10 & 11 involve developing a basic model of rational planning and assesssing how each local authority deals with the various tasks. This model is a basic strategic planning model i.e:-

#### SA Strategic Analysis

environment\*  
resources\*  
values

#### SC Strategic Choice

generation of Options\*  
evaluation of Options\*  
selection of Options  
\*focus

### 7.15

The focus is on strategic analysis (particularly environment and resources) and strategic choice (particularly the generation and evaluation of options). It is acknowledged that this is a partial view.

**There is scope for further study of strategic implementation, people, resources. structures.**

Key elements of the model which are considerable capable of easy identification in strategies include:-



## SA Strategic Analysis

### environment

the long view

opportunities and threats

annual review of the economy

### resources

the wide view

strengths and weaknesses

### values

mission

## SC Strategic Choice

### generation of options

key issues

vision

### evaluation of options

monitoring & evaluation of performance

## CHAPTER EIGHT

### ECONOMIC DEVELOPMENT FINDINGS

#### 8.1

This phase involved establishing what was the strategy of each local authority studied. The following elements are considered to constitute a strategy:-

##### **Aims**

What is to be achieved, the raison d'être of local economic development

##### **Objectives**

How aims are to be achieved

##### **Quantitative Targets**

Measurable outputs or impacts

##### **Qualitative Targets**

The focus of activity (industrial sectors, groups of the population, firms of particular sizes, areas of the local authority)

##### **Activities**

Policies (statements of intentions relating to a specific objective)

##### **Programmes**

A package of policies and projects relating to a specific objective)

##### **Projects**

An individual element of a programme, a building/facility)

##### **Expenditure**

#### 8.2

Each of these elements in the Strategies was examined for:-

scope (the range of options);

frequency (how many authorities include an option, how many options does a local authority include);

relationships (to other elements, or lack of them-gaps).



Bennett and Krebs (1994) adopted a different classification of local economic development activity in their analysis of policy networks:-  
provision of land

sector

infrastructure

labour market policy

financial assistance

new technology

start-up assistance

general development projects

This is a less than comprehensive approach which does not get at the aims or purpose of local economic development or relate purpose with activity.

### Aims

Scope:

8.3

4 basic categories of aims can be identified in strategies

- (1) reduction of unemployment
- (2) a broader economic base
- (3) a robust economy
- (4) a dynamic economy
- (5) economic growth
- (6) quality jobs
- (7) a range of jobs
- (8) access to jobs

8.4

In addition, three 'more fundamental' aims can be identified :-

- (9) reduce out migration
- (10) supplement incomes
- (11) 'tackle' poverty

8.5

4 more 'marginal' aims can be identified:-

- (12) attract investment
- (13) retain local control
- (14) a sustainable economy
- (15) regenerate local communities

Frequency:

8.6

As Table A indicates, the most popular aims were:-

- (2) to broaden the economic base 7/19
- (7) to provide a range of jobs 6/19
- (5) economic growth 4/19
- (8) access to jobs 4/19

So that, there appears not to be one overriding aim of economic development. This is surprising, particularly as unemployment 'seems to be' the overriding justification for action. In many cases, local authorities have several aims; Monmouth has 7, Sandwell 6, some appear to have none.

Relationships:

8.7

As the next section will indicate, the quantitative targets that are used are clearly related to aims.

Conclusions:

8.8

There appears to be little consensus and/or explicit definition of the aims of local economic development by local authorities. To what extent are the very basic aims taken for granted and therefore not made explicit in strategies ie to reduce unemployment? The achievement of many of the aims would not necessarily lead to a reduction in unemployment. For example, investment could lead to fewer (though more secure/higher quality) jobs. This poses the question of whether it is sufficient to list aims or whether it is desirable (in order to guide a strategy) to indicate principal / priority aims?



Conversely, reducing unemployment could be achieved by a completely different approach which does not involve the provision of more jobs but persuading the unemployed to leave the workforce. A classic example of the dilemma faced by local authorities is provided by economic development in London Boroughs (or any other conurbation), where jobs provided in a particular Borough are very likely to be taken by in-commuters.

### Quantitative Targets

Scope:

8.9

The following quantitative targets have been identified in strategies:-

- |  |          |
|--|----------|
| (1) reduction in unemployment to ---     | (aim 1)  |
| (2) increase female participation to --- |          |
| (3) increase self employment to ---      |          |
| (4) provide jobs ---                     |          |
| (5) secure investment of ---             | (aim 11) |

Frequency:

8.10

As Table B indicates, there is a virtual absence of quantitative targets in strategies and one wonders how these local authorities measure the success of their strategies. Blaenau Gwent has clear measurable long term (to 2006) policy targets (1-4), though no evidence that progress towards these targets is being measured (monitoring and evaluation).

Newport also has targets for its 5 year strategy (5000-7000 jobs, £150-200m of investment). The latter has been revised upwards, in the 1994/5 Strategy, to £350-400m. Newport also has a target of bringing down unemployment to the UK average.

## Relationships:

### 8.11

As indicated above, there is a clear relationship between some of the qualitative targets and some of the aims. One would also expect quantitative targets for some objectives i.e. inward investors, new company formation.

## Conclusions:

### 8.12

One would expect quantitative targets for all aims. This is far from the case. Admittedly, some aims are either not easily measurable (e.g. sustainable economy), or the data isn't around or up to date. For example, the Census of Employment is not an annual census and the results are not available for approximately 2 years after the event. So that, the most recent Census of Employment data can be 3/4 or more years old. The 1993 Census was not made available till 1996, for example. Location Quotients could be used to assess the broadness/robustness of the local economy.

## Qualitative Targets

### Scope & Frequency:

#### 8.13

Qualitative targets can be identified for four groups:-

industrial sectors

population groups

firm sizes

geographic areas.

Examples of each are given, rather than observations on frequency.

#### Industrial sectors:-

agriculture (Powys, Stroud, Monmouth)

manufacturing (Blaenau Gwent, Birmingham (Eng), Coventry (Eng),  
Walsall, Wolverhampton (Eng))

'producer services' (Birmingham)

'higher order' industries (East Kilbride)

recycling (Stroud)



printing (Stroud)  
culture and media (Liverpool, Wolverhampton)  
IT (Islwyn)  
hi tech (Gwent, Coventry, East Kilbride)  
electronics (East Kilbride)  
motor components (Walsall, Wolverhampton)  
leather and saddlery (Walsall)  
clothing (Wolverhampton)  
financial services (Birmingham)

Population groups:-

long term unemployed (Newport, Powys, Birmingham, Solihull)  
youth unemployment (Gwent, Powys, Solihull)  
women (Powys, Birmingham, Solihull)  
'disadvantaged' (Birmingham)  
ethnic minorities (Birmingham, Coventry)  
disabled (Birmingham, Coventry, Solihull, Dover [mentally])

Firm sizes:-

self employment (Powys, Walsall, East Kilbride)  
small firms (Islwyn, Brecknock, Powys, Birmingham [smes], Solihull  
[smes], Stroud)  
start-ups (Islwyn, Birmingham, Solihull, East Kilbride, Dover)

Areas:-

town centres (Blaenau Gwent, Islwyn, Newport, Gwent, Birmingham,  
Solihull, Liverpool)  
inner areas (Newport, Gwent, Birmingham, Solihull, Liverpool)  
other area (Blaenau Gwent [new village], Newport [river front], Powys  
& Dover [rural], Birmingham [outer estate])

Relationships:

8.14

There are obvious relationships between qualitative targets and objectives:

<u>Objectives</u>	<u>QTs</u>
(4) help small firms to start up	small firms start ups
(9) regenerate town centres inner areas	town centres inner areas

Gaps:

8.15

There is little evidence of any selection of winners in terms of support for firms, with activities such as grant regimes related to size of firm, sector, etc. Liverpool and East Kilbride may be exceptions. The former focusses on 'growth companies'. The latter has a programme aimed at generating new businesses with 'high growth potential'.

Conclusions:

8.16

Targets may be a clearer expression of concentration than objectives, which tend to be numerous and vague e.g. help existing firms, attract mobile industry.

### Objectives

Scope:

8.17

12 objectives have been identified in the strategies. A distinction can be drawn between 4 which relate to the types of firms being targetted, 4 'obvious' supporting objectives, and 4 which relate to a wider perspective on local economic development:-

- (1) attract mobile industry
- (2) help existing firms to survive
- (3) help existing firms to expand
- (4) help new small firms to start up
- (5) improve the skills of the workforce
- (6) enhance the image of the area
- (7) develop the infrastructure



- (8) develop tourism
- (9) regenerate areas town centre
- (10) inner areas
- (11) develop community enterprises
- (12) improve the environment

Frequency:-

8.18

As indicated in Table C, the most 'popular' objectives were, in order of popularity.

to attract mobile industry	12/19
to expand existing firms	12/19
to improve skills	10/19
to help existing firms to survive	10/19

There is widespread adoption of the basic objectives [1-8]; those relating to a wider perspective [9-12] less so. Even within the basic objectives the importance of infrastructure is not always recognised. There is little evidence of concentration ie mobile v existing firms v startups.

Relationships:

8.19

As indicated (8.25), there is a close relationship between objectives and activities and, in at least one case (Coventry), to budgets (8.31).

Gaps:

8.20

One area which hasn't been explored and isn't necessarily absent is the lobbying role of local authorities. This role can often be the most important from the members viewpoint (though there is often an element of posturing) and there are notable successes achieved, particularly in relation to decisions on areas in receipt of specific assistance from Central Government or the E.U.

For example, the most recent review of assisted areas resulted in the inclusion of areas in the S.E. of England, for the first time, partly as a result of lobbying.

This is not the only type of lobbying undertaken. Raytheon Jets were persuaded to establish a European maintenance base at Hawarden, Clwyd, rather than completely shut down operations there, following their acquisition of the Division from British Aerospace. A campaign involving workers/ MPs and local authorities achieved some success.

#### Conclusions:

8.21

There does appear to be widespread agreement on objectives, on what to do in order to achieve aims, but little agreement on aims.

It's as if everybody was in agreement on what they should be doing in economic development without giving much thought to the aims or purpose of economic development.

#### Activities

##### Scope:

8.22

17 Activities have been identified in strategies:-

- (1) buildings
- (2) land
- (3) advice
- (4) finance
- (5) training
- (6) promotion
- (7) infrastructure
- (8) tourism
- (9) regeneration - town centre
- (10) inner area
- (11) community development
- (12) Europe
- (13) the environment - physical



- (14) - firms
- (15) regulation
- (16) purchasing
- (17) employer

8.23

There is a difference in emphasis between activity and an actual programme which may reveal what an authority considers warrants a full programme.

Frequency:

8.24

As Table D indicates, the most popular activities are:

(3) advice	19/19
(6) promotion	18/19
(1) buildings	17/19
(4) financial assistance	17/19

Relationships:

8.25

There is a very clear relationship between objective and activities, with the exception of:-

<u>objectives-</u>	<u>activities-</u>
mobile industry	buildings
existing firms survive	land
existing firms expand	advice
new small firms	finance

Gaps:

8.26

A noticeable gap is the absence of a recognition of the role housing investment can play in economic development, if appropriately managed (Joseph Rowntree Foundation, 1995), as is the whole local sourcing 'industry'.

## Conclusions:

8.27

There is almost universal adoption of basic economic development activities [1-8], with one or two exceptions. Indeed, there are cases where this is activity but no corresponding objective. Activities relating to a wider perspective are also common, particularly efforts to improve the environment [12]. Whilst there is a large overlap in the basic nature of activity by local authorities, there may be considerable variations within general headings ie types of buildings, grants, promotion, etc. There are several ways to 'skin a cat', direct provision/local plan allocation etc. **There is scope for further study of variations in local authority economic activity within various categories of activities i.e. types of buildings, promotional activity, etc.**

## Expenditure

### Scope:

8.28

It is not proposed to compare expenditure (capital and revenue) on activities, in order to determine the emphasis of different strategies, important as this would be. **There is scope for further study of the distribution of expenditure between programmes of local authorities, as the real indicator of emphasis.**

An alternative approach which might clarify the nature of revenue expenditure would be to focus on staff, their skills and tasks, in order to establish the strategies of local authorities. As an example, the current structure of an economic development department/division/unit (Sandwell) would provide one method of assessing the orientation of its activities e.g. Appendix C

8.29

It is proposed to identify whether programme budgeting is embraced, as this has implications [for Strategic Planning], more specifically, strategic choice. Project budgeting is taken for granted.



Frequency:

8.30

As Table E. indicates, programme budgetting is warmly embraced by the majority of local authorities ie 10+/19.

Relationships:

8.31

In at least one case (Coventry), expenditure is related to objectives.

Conclusions:

8.32

There is the ability in most, and the potential in probably all, budgets to identify expenditure on individual programmes.

TABLE A  
AIMS

LOCAL AUTHORITY	REDUCE UNEMPLOYMENT	BROADEN ECON. BASE	ROBUST ECON.	DYNAMIC ECON.	ECON GROWTH	QUALITY JOBS	RANGE OF JOBS	ACCESS TO JOBS
BLAENAU GWENT	✓						✓	
ISLWYN							✓	
(TORFAEN)								
NEWPORT		✓			✓		✓	
MONMOUTH	✓	✓	✓			✓		✓
GWENT					✓			
BRECKNOCK							✓	
RADNOR								
MONTGOMERY								
POWYS								
BIRMINGHAM								✓
COVENTRY		✓	✓					
(DUDLEY)								
SANDWELL		✓			✓	✓	✓	✓
SOLI HULL								
WALSALL		✓	✓	✓			✓	
WOLVERHAMPTON								
LIVERPOOL	✓							
E. KILBRIDE				✓	✓			✓
STROUD								
DOVER		✓						
TOTAL	3	7	3	3	4	2	6	4



TABLE A (CONT'D)

LOCAL AUTHORITY	REDUCE MIGRATION	SUPPLEMENT INCOMES	ATTRACT INVESTMENT	RETAIN LOCAL CONTROL	SUSTAIN ECON.	TACKLE POVERTY	REGENERATE COMMUNITIES	TOTALS
BLAENAU GWENT								2
ISLWYN								1
(TORFAEN)								4
NEWPORT			✓					7
MONMOUTH			✓					2
GWENT								0
BRECKNOCK								0
RADNOR								2
MONTGOMERY								4
POWYS	✓	✓			✓	✓	✓	4
BIRMINGHAM								4
COVENTRY			✓			✓		6
(DUDLEY)								0
SANDWELL				✓				4
SOLIHULL								0
WALSALL								0
WOLVERHAMPTON								2
LIVERPOOL						✓		3
E. KILBRIDE								0
STROUD								1
DOVER								4
TOTAL	1	1	3	1	1	3	1	43

TABLE B

## QUANTITATIVE TARGETS

LOCAL AUTHORITY	UNEMPLOYMENT	FEMALE PARTICIPATION	SELF EMPLOYMENT	JOBS	INVESTMENT
BLAENAU GWENT	✓	✓	✓	✓	
ISLWYN					
(TORFAEN)					
NEWPORT	✓			✓	✓
MONMOUTH					
GWENT					
BRECKNOCK					
RADNOR					
MONTGOMERY					
POWYS					
BIRMINGHAM					
COVENTRY					
(DUDLEY)					
SANDWELL					
SOLIHULL					
WALSALL					
WOLVERHAMPTON					
LIVERPOOL					
E. KILBRIDE					
STROUD					
DOVER					
TOTAL	2	1	1	2	1



TABLE C  
OBJECTIVES

LOCAL AUTHORITY	MOBILE INDUSTRY	EXISTING SURVIVE	EXISTING EXPAND	START UPS	SKILLS	IMAGE
BLAENAU GWENT	✓	✓	✓	✓	✓	
ISLWYN	✓	✓	✓		✓	
(TORFAEN)						
NEWPORT	✓	✓	✓		✓	✓
MONMOUTH		✓	✓		✓	✓
GWENT	✓	✓	✓		✓	✓
BRECKNOCK	✓	✓	✓			
RADNOR	✓		✓	✓	✓	
MONTGOMERY						
POWYS						
BIRMINGHAM	✓	✓	✓	✓		
COVENTRY	✓			✓	✓	✓
(DUDLEY)						
SANDWELL	✓	✓	✓	✓	✓	
SOLIHULL						
WALSALL	✓	✓	✓	✓	✓	✓
WOLVERHAMPTON						
LIVERPOOL	✓		✓			✓
E. KILBRIDE	✓			✓		
STROUD		✓	✓	✓	✓	✓
DOVER						
TOTAL	12	10	12	8	10	8

TABLE C (CONT'D)

LOCAL AUTHORITY	INFRASTRUCTURE	TOURISM	REGEN. TOWN CENTRES	REGEN. INNER AREAS	COMMUNITY ENTERPRISE	ENVIRONMENT	TOTAL
BLAENAU GWENT							5
ISLWYN	✓	✓					6
(TORFAEN)							
NEWPORT			✓	✓			2
MONMOUTH		✓					1
GWENT	✓	✓	✓	✓			4
BRECKNOCK							4
RADNOR							0
MONTGOMERY							0
POWYS							0
BIRMINGHAM				✓			5
COVENTRY		✓	✓		✓	✓	3
(DUDLEY)							
SANDWELL							5
SOLIHULL							0
WALSALL	✓					✓	3
WOLVERHAMPTON							0
LIVERPOOL							3
E. KILBRIDE	✓					✓	4
STROUD		✓					1
DOVER	✓					✓	3
<u>TOTAL</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>4</u>	<u>81</u>



TABLE D  
ACTIVITIES

LOCAL AUTHORITY	BUILDINGS	LAND	ADVICE	FINANCIAL ASSISTANCE	TRAINING	PROMOTION	INFRASTRUCTURE	TOURISM
BLAENAU GWENT	✓	✓	✓	✓	✓	✓	✓	✓
ISLWYN	✓	✓	✓			✓	✓	
(TORFAEN)								
NEWPORT	✓	✓	✓	✓	✓	✓	✓	✓
MONMOUTH	✓	✓	✓	✓	✓	✓	✓	✓
GWENT	✓	✓	✓	✓	✓	✓		✓
BRECKNOCK			✓	✓	✓	✓		✓
RADNOR	✓		✓					✓
MONTGOMERY	✓	✓	✓	✓	✓	✓	✓	✓
POWYS	✓	✓	✓	✓	✓	✓	✓	✓
BIRMINGHAM	✓	✓	✓	✓	✓	✓	✓	✓
COVENTRY	✓	✓	✓	✓				
(DUDLEY)								
SANDWELL	✓	✓	✓	✓	✓	✓	✓	✓
SOLIHULL	✓	✓	✓	✓	✓	✓	✓	✓
WALSALL	✓	✓	✓	✓	✓	✓	✓	
WOLVERHAMPTON			✓	✓	✓	✓		
LIVERPOOL	✓	✓	✓	✓	✓	✓	✓	✓
E. KILBRIDE	✓	✓	✓	✓	✓	✓	✓	✓
STROUD	✓	✓	✓	✓	✓	✓		✓
DOVER	✓	✓	✓	✓	✓	✓	✓	✓
TOTAL	17	15	19	17	15	18	14	14

TABLE D (CONT'D)

LOCAL AUTHORITY	REGEN. TOWN CENTRES	REGEN. INNER AREAS	COMMUNITY	EUROPE	ENV. PHYSICAL	ENV. FIRMS	REGULATION	PURCHASING	EMPLOYER	TOTAL
BLAENAU GWENT	✓	✓	✓		✓			✓	✓	14
ISLWYN	✓				✓					7
(TORFAEN)										
NEWPORT	✓	✓			✓					10
MONMOUTH										8
GWENT	✓	✓								10
BRECKNOCK				✓						3
RADNOR										5
MONTGOMERY										4
POWYS			✓	✓						10
BIRMINGHAM	✓	✓			✓	✓			✓	13
COVENTRY			✓		✓					8
(DUDLEY)										
SANDWELL			✓		✓	✓		✓	✓	13
SOLIHULL	✓	✓		✓	✓	✓	✓	✓		15
WALSALL	✓			✓	✓	✓				12
WOLVERHAMPTON					✓	✓			✓	7
LIVERPOOL		✓	✓		✓					11
E. KILBRIDE					✓					5
STROUD			✓							9
DOVER				✓						
TOTAL	7	6	6	5	11	5	2	3	4	178



TABLE E

## EXPENDITURE

LOCAL AUTHORITY	PROGRAMME BUDGETING
BLAENAU GWENT	
ISLWYN	
(TORFAEN)	
NEWPORT	✓
MONMOUTH	
GWENT	✓
BRECKNOCK	
RADNOR	
MONTGOMERY	
POWYS	✓
BIRMINGHAM	✓
COVENTRY	✓
(DUDLEY)	
SANDWELL	✓
SOLIHULL	
WALSALL	
WOLVERHAMPTON	
LIVERPOOL	✓
E. KILBRIDE	✓
STROUD	✓
DOVER	✓
TOTAL	10

## CHAPTER NINE

### EVALUATION OF FINDINGS

#### 9.1

The evaluation of the findings is based on the personal knowledge and experience of the researcher (engaged in economic development in one of the authorities studied), the literature review, systematic examination of documents (Economic Development Strategies) and the results of the questionnaire survey. Some general conclusions can be drawn from the evidence presented:-

#### Conclusion 1

There is considerable overlap in what local authorities are doing in local economic development.

#### Conclusion 2

There is some interesting innovation in what local authorities are doing in local economic development.

#### 9.2

This is particularly the case in their taking a wider view of local economic development than the more obvious 'wider' activities (such as infrastructure and the environment) to include such concepts as crime, universities/cities of learning, telecommunications, research and development, cultural industries.

#### A Reasonable View?

#### 9.3

Asking the key question, it is necessary to determine ways of measuring reasonableness. Two are proposed:-

- (a) logical consistency  
between aims, objectives, activities, spending, etc.;
- (b) theoretical validity,  
subdivided into (i) overall theoretical validity  
and (ii) particular theoretical validity.



#### 9.4

The two (a & b) are to some extent related as it is difficult to agree that a particular aim can be achieved through a particular objective unless there is theoretical/empirical evidence that one will lead to the other. However, at this stage, the two measures will be dealt with separately.

#### **(A) Logical Consistency**

#### 9.5

Clear and obvious relationships between various elements of strategies have been identified:-

aims - quantitative targets

objectives - activities

objectives - spending

#### 9.6

Other relationships could be explored, between all the other elements :-

aims

quantitative targets

qualitative targets

objectives

activities

spending

#### 9.7

Spending would be particularly significant in determining what are, in reality, the 'main';

aims

targets

activities

#### **(B) Theoretical Validity**

(1) The Overall Role Of Theory

#### Qualitative Observation A

Justification for intervention in the local economy is implicit in local economic strategies, partly based on the scale of local problems.

#### Qualitative Observation B

Justification for intervention by the local authority is also implicit in local economic strategies, through claims of success.

#### Qualitative Observation C

Justification for local authorities 'working with others' is also implicit in local economic strategies, based on added value and avoidance of duplication.

#### (2) Particular Theories

##### Conclusion 3

The comprehensive nature of local authority economic development activity suggests that a whole range of theories may be embraced.

##### Conclusion 4

Whilst economic base theories are clearly 'central' in the 'approach' of local authorities, there is clear use of supply side theories and discernible 'interest in' leisure, retail projects, etc.

##### Conclusion 5

It is possible to identify particular types of theories which may lie behind various;  
objectives, qualitative targets.

#### 9.8

The conclusions arrived at are examined closely to try and identify possible processes and factors. The questionnaires (Appendix B) have been used to get beyond the documentation, to the processes in operation in a sample of the local authorities.



#### 9.9

The processes and factors in operation which determine both the nature of local authority economic development activity and its management can be divided into three basic elements; political and economic forces and management practices.

#### 9.10

Of these factors, one (management practice) is most easily open to innovation by a local authority. A second (political forces) may require Central Government support for any change to be made, if change is at all possible. Political reality is a term sometimes used to indicate inevitability i.e. turkeys don't vote for Christmas. Justification on the grounds of the 3 Rs (Economy, Efficiency and Effectiveness) might secure some Central government change. It is debateable whether the third factor (economic forces) is easily influenced by local government, central government, or international government (EU, OECD) for that matter. For example, does local authority economic development practice reflect the reality of the global economy, changes in the nature of work, etc? Is it geared to the provision of well-paid, full-time jobs rather than low-paid, part-time ones? To what extent do local authorities aim for the former rather than the latter? To what extent are they justified in doing so?

The conclusions are now examined, in more detail, to try and get at reasons/explanations.

#### Conclusion 1

**There is considerable overlap in what local authorities are doing in local economic development.**

#### 9.11

A first explanation for this is political/economic, widespread agreement on the aims (political) of local economic development and widespread agreement on the most appropriate means (economic) of achieving aims (objective/activities). Strangely, there may be more consensus on means at local than at national level.

No one would argue against local supply side measures concerned with improving the skills of the workforce and developing infrastructure. There is considerable national debate about how to bring down unemployment, more flexibility in the labour market versus neo Keynesian approaches. Lloyd et al (1995) point out that the five Objective 2 Plans they evaluated (for West Cumbria & Furness, North West England, West Midlands, Yorkshire and Humberside, East Midlands) are all remarkably similar. All address inward investment, the SME sector, the knowledge based industries and community based development. All have strong priorities for building tourist industries. Lloyd et al (1995) see them as relatively orthodox blueprints for development, tacking well tried areas of activity with, for the most part, well tried measures.

#### 9.12

Both these explanations may, in turn, reflect a lack of ideas/good diffusion of ideas. The former may reflect approaches to the selection of options which are narrow and don't take account of the wider view. This is a management issue.

#### 9.13

Another explanation for overlap is a political one the tight restrictions on the powers and resources of local authorities [Appendix A]. It is not just a question of powers (see 2.2.) but also of resources. Local Authorities have no blank cheque in relation to either capital or revenue expenditure. Both items are 'controlled' by Central Government.

#### 9.14

Another explanation for overlap is the difficulties in concentrating/targetting at a local level, not surprising when one considers that local economies consist of numerous firms and individuals.

This fourth reason may reflect the role of a local authority and its capacity to focus in terms of; sectors [economic], groups [political], sizes [economic], areas [economic/political].



sectors:-

To the extent that there are obvious and significant economic sectors operating in a local authority area (e.g cars, defence, coal, steel, textiles), there is clear justification for local authority sectoral action (even if it only amounts to the lobbying of Central Government or the EU, by combines of local authorities). The most appropriate scale of action may be regional, national or international.

groups:-

To focus economic development on key groups of the population, particularly the most obvious one, the unemployed, is also easily justified.

sizes:-

In terms of sizes of firms, the dilemma lies in the fact that, whilst there is logic in local authorities concentrating their activities on small firms (particularly with the type of grant regimes they are likely to operate), with development agencies/development corporations/central government concentrating on the large firms, it is the latter that are often seen as the key to economic success. Action is often required by the local authority to secure these projects i.e. planning permission, land sale (by Derbyshire County Council to Toyota).

areas:-

Focus on areas can be justified where there are clear disparities between different parts of a local authority. However, the reality is that, because of travel to work patterns, action in a 'healthy;' part of a local authority area can impact on disadvantaged areas (and vice versa). The political reality is that it is unlikely that elected members will countenance too much concentration of resources. They may be prepared to take their turn.

The problem is not one of focus or concentration but the ability of a local authority to say to an industry, a group of the population, firms of particular sizes, sorry, we can do nothing for you.

There may be an overriding tendency to 'do a bit of every thing' in the hope that each initiative will achieve something, however little. This may explain the interest in tourism, films, etc. in the most unlikely locations. The missed opportunity is to concentrate on activities which provide best 'bangs for bucks' (in the short and the long term) or which have 'strategic fit', (strategies which fit the situation identified in the strategic analysis, the strategy capitalises on the area's strengths, overcomes its weaknesses, exploits its opportunities and counters its threats). There is a clear difference between capital and revenue spending in this matter. The former is, by its very nature, concentrated.

A final explanation for the overlap is that there is insufficient variety in the areas studied.

There is a concentration on 'distressed industrial areas', areas largely in receipt of development area assistance (regional selective assistance, regional enterprise grants, etc.). A study of local authorities in more 'affluent areas' might indicate less focus on direct land and property development (substituting for an absent private sector) and on inward investment and more focus on relying on the private sector to produce industrial land and property, indigenous growth and 'taking industry into account' in environmentally sensitive areas.

In conclusion, it is considered that there is not widespread agreement on the aims of local economic development, but on the means. This is partly due to a lack of ideas and the lack of the wide view. It is also true that the powers and resources available to local authorities severely restrict their capacity for innovation. Local authorities do suffer from some difficulty in focussing and a tendency to try and do a bit of everything.

## Conclusion 2

There is some interesting innovation in what local authorities are doing in local economic development.



9.15

The explanation for this is managerial/political- the fact that 500 different systems are inevitably going to produce more variations than 1.

This reflects the capacity of local authorities, despite Central Government controls to experiment, to try new approaches, and abandon them quickly (see Mills 1994) rather than having to introduce on a national scale (and suddenly stop, with loss of credibility). This is not always the case with Central Government, with local initiatives being tried out e.g. 'Workstart, the government initiative which pays employers who take on the long term unemployed, is to be extended to the North West and West Midlands, with another £75 m. Pilot schemes in Tyneside, Devon and Cornwall, London and Kent resulted in 80 % of employers keeping on the jobless person', The Guardian, 3 June 1995).

#### **Qualitative Observation A**

Justification for intervention in the local economy is implicit in local economic strategies, partly based on the scale of local problems.

9.16

There is some justification for intervention in terms of the economy 'not working', as evidenced by unemployment, etc. Whilst there may be justification for intervention because of the perceived problems of unemployment, it has been argued that unemployment is a social problem rather than an economic one, that high unemployment might sit alongside an extremely efficient economy and low unemployment alongside an inefficient one.

#### **Qualitative Observation B**

Justification for intervention by the local authority is also implicit in local economic strategies, through claims of success.

9.17

The explanation for this is political.

There is a need to be seen to be doing something. Very few local authorities take a purely lobbyist stance on their role.

It may be possible to identify those local economic development activities which are zero sum games (e.g. retail and leisure projects) from those which have a clear net positive effect on the local economy (e.g. export support, training (some sorts of), inward investment). However, there are justifications in terms of regional, national or European policy for zero sum games, if they lead to the the avoidance of overheating or the better utilisation of human resources . It was also argued at the time of the 1992 British General Election, that national economic performance could be enhanced by action at a local level, particularly in view of the disengagement of Central Government (the DTI) from 'support for industry'. The idea was that the combination of support which improved the performance of a large number of smes would, as a consequence, improve the performance of 'UK plc' ie the micro approach to economic management. A similar argument is used by Turok (1989) at a very local level. At the EU level, it could be argued that the only ways to reduce unemployment are:-

- (a) export base/ import substitution activities in relation to trade with non EU countries;
- (b) sharing work out (early retirement, reduced working hours, job share);
- (c) Keynesian reflation;
- (d) changing the capital/labour mix (the opposite of the Channel Tunnel);
- (e) changes in the social security system.

#### Qualitative Observation C

Justification for local authorities 'working with others' is also implicit in local economic strategies, based on added value, avoidance of duplication.



9.18

Added value needs to be demonstrated. Avoidance of duplication is self evident, though a division of workload could lead to missed opportunities.

Different approaches to similar activities can yield a best solution. In Blaenau Gwent, industrial units have been built by the WDA, Gwent CC, Blaenau Gwent BC. There is an element of complementarity in size, but a different approach in terms of quality between the actors.

### Conclusion 3

The comprehensive nature of local authority economic development activity suggests that a whole range of theories may be embraced.

9.19

This assumes theory lies behind activity. To the extent that theories are based on empirical evidence, could it be argued that initiatives based on good practice are theoretically based?

### Conclusion 4

Whilst economic base theories are clearly 'central' in the approach of local authorities, there is a clear use of supply side theories and discernible interest in leisure, retail projects, etc

9.20

The explanation for this is economic.

The concern for inward investment suggests economic base theories are to the fore. However, there is also recognition that the pattern of spend on such items as shopping, leisure, the arts, etc. by employees of firms in the local authority area may be more wide ranging, due to:

- (i) travel to work patterns (in-commuters),
- (ii) increasing car ownership and the propensity to travel and shop resulting in local wage earners not automatically spending in local shops.

So that, the health of constituent town centres is often now seen as central to the role of local authority economic development officers in job advertisements.

It is not possible, in what is a static analysis to determine trends ie whether this is a new feature of local economic development.

There is scope for further study here, a longitudinal analysis of changes in theories used in local economic development.

#### Conclusion 5

It is possible to identify particular theories which lie behind various;  
objectives  
qualitative targets.

9.21

The simple distinction between demand and supply side theories made by Howland (1993) can be used to categorise objectives, qualitative targets, :-

TABLE 3

CONSISTENCY OF THEORIES WITH OBJECTIVES AND QUALITATIVE TARGETS

		Theories	
		Demand Side	Supply Side
Objectives	(1) attract mobile industry	(5)	improve skills
		(6)	enhance image
		(7)	develop infrastructure
		(8)	improve environment
Qualitative Targets	industrial sectors		

Goldstein and Lugar (1993) classify high tech development programmes into 5 categories of policy approach:-



recruitment	<p>To attract net new business to a region, recruitment programmes must reduce costs that are relatively important to the target business. In the case of high-tech industry, those include labour, information, specialised research equipment, and labs. Consequently, recruitment programmes consist of a smorgasbord of programmes that reduce the cost of labour and information, including subsidized job training, employment tax credits, publicly provided telecommunications hook ups, and a good transportation infrastructure, and provide government-funded research centres in particular application areas.</p>
modernization	<p>The economic bases of many localities contain a large number of traditional manufacturing businesses that have either closed or shrunk considerably because they have not been able to compete in the global economy. To help that sector, local governments have established programmes to help existing businesses through the provision of labour training, grants and loans for new equipment, and technical assistance.</p>
incubation and nurturing	<p>These programmes are aimed at increasing the number of individual entrepreneurs who start their own high tech business and assisting young, small businesses. Programmes include the provision of venture capital, incubator facilities, and management training/assistance.</p>
innovation	<p>Incentives are used to encourage businesses and universities to conduct more R&amp;D. These typically include tax credits, building the research capability of the region's universities, engaging in joint university-industry research/technology centres, and increasing the region's supply of highly skilled scientists and engineers.</p>

milieu

The objective of programmes under this umbrella is to attract and retain the creative, talented and risk-taking individuals for the region. Policy/programme targets might include the quality and costs of public services, environmental quality, degree of development of organisational networks and cohesion, and quality of community leadership.

Goldstein and Lugar (1993) indicate the degree to which each category is consistent with the theories that relate to high tech development

TABLE 4

CONSISTENCY OF THEORIES AND POLICY APPROACHES

<u>Recruitment</u>	<u>Modernization</u>	<u>Incubation</u>	<u>Innovation</u>	<u>Milieu</u>
Neoclassical			Neoclassical	
	Waves		Waves	Waves
	Cycles		Cycles	Cycles
	Stages		Stages	Stages
Production			Production	
Organization			Organisation	
Entrepreneur	Entrepreneur		Entrepreneur	
Creativity	Creativity		Creativity	

In terms of meeting the economic denelopment aims identified in this research, it could be argued that (Table 5):-

- () only recriutment is likely to reduce unemployment;
- ()modernization and innovation should lead to a more robust economy and higher quality jobs;
- () recruitment, incubation and innovation are most likely to lead to a dynamic economy;
- () milieu is no guarantee of meeting any of the aims;
- () none of the policy approaches can improve access to jobs.



TABLE 5

CONSISTENCY OF POLICY APPROACHES WITH AIMS

<u>Aims</u>	<u>Policy Approaches</u>			
	recruitment	incubation	milieu	
		modernization	innovation	
reduce unemployment	P			
broader economic base				
robust economy		P		P
dynamic economy	P		P	P
economic growth	P		P	P
quality jobs		P		P
range of jobs				
access to jobs				

P consistent with

## CHAPTER TEN

### STRATEGIC PLANNING FINDINGS

#### 10.1

This phase was dealt with by establishing a basic model of Strategic Planning and assessing whether local authorities include each element of the model in their strategies i.e:-

SA Strategic Analysis

#### Environment

The Long View

Opportunities & Threats

Annual Review of the Economy

#### Resources

The Wide View

Strengths & Weaknesses

#### Values

Mission

SC Strategic Choice

#### Generation of Options

Key Issues

Vision

#### Evaluation of Options

Monitoring and Evaluation of Performance

#### 10.2

Each of these elements were examined in the Strategies. The results are contained in Table F.

Alternative approaches could entail asking authorities if they adopt a strategic approach or they utilise a particular strategic planning model. The former is considered too vague and might lead to a false conclusion that strategic planning is more widespread than it really is. The latter is considered too narrow, as local authorities may actually be using elements of strategic planning without associating it with a model (vision, SWOT, the long view, the wide view).



TABLE F

## STRATEGIC APPROACH

LOCAL AUTHORITY	LONG VIEW	OPPORTUNITIES THREATS	REVIEW ECONOMY	WIDE VIEW	STRENGTHS WEAKNESSES
BLAENAU GWENT					
ISLWYN					
(TORFAEN)					
NEWPORT	✓	✓	✓		✓
MONMOUTH	✓		✓		
GWENT	✓		✓		
BRECKNOCK					
RADNOR			✓		
MONTGOMERY					
POWYS			✓		
BIRMINGHAM	✓				
COVENTRY			✓		
(DUDLEY)			✓		
SANDWELL			✓		
SOLIHULL					
WALSALL					
WOLVERHAMPTON					
LIVERPOOL	✓	$\frac{1}{2}$ 0	✓		
E. KILBRIDE	✓	✓	✓		✓
STROUD	✓		✓		
DOVER					
TOTAL	7	$2\frac{1}{2}$	11		2

TABLE F (CONT'D)

LOCAL AUTHORITY	MISSION	KEY ISSUES	VISION	MONITORING	TOTAL
BLAENAU GWENT					0
ISLWYN					0
(TORFAEN)					
NEWPORT		✓	✓	✓	3
MONMOUTH		✓			2
GWENT	✓		✓	✓	5
BRECKNOCK					0
RADNOR				✓	2
MONTGOMERY				✓	1
POWYS					1
BIRMINGHAM	✓				3
COVENTRY			✓		2
(DUDLEY)					
SANDWELL	✓	✓			3
SOLIHULL		✓			1
WALSALL		✓	✓		2
WOLVERHAMPTON			✓		1
LIVERPOOL		✓		✓	5½
E. KILBRIDE	✓	✓	✓	✓	7
STROUD		✓			3
DOVER		✓			1
TOTAL	4	9	6	6	47½



## The Long View

Definition:-

10.3

The obvious distinction is between authorities that 'handle' economic development on an annual basis and those with a longer term strategy.

10.4

A second distinct is between authorities that look for a quick fix and those that show some appreciation of the longer term nature of the problems and solutions. There is a problem here. Is there any agreement on what are short term and long term solutions?

Frequency:-

10.5

7 out of 19 authorities have strategies for more than one year.

The remaining authorities 'appear' to work on an annual basis, though Blaenau Gwent does have long term policy targets and refers to longer term projects (post 1994/5) in its 1994/5 Strategy. Powys appears to rely on its Structure Plan to provide longer term policy direction.

10.6

In terms of the appreciation of the long term nature of the problems and solutions, every local authority would forecast future job needs as part of the development plan process. Examples are given of authorities which take a very long term view of the solutions, i.e.

Birmingham:- 'the strategic goal is a long term goal of closing all the gaps in the City's economic performance. This may take 15-20 years or more'.

Conclusion:-

10.7

It is the minority (less than 40%) of authorities that operate with a longer term strategy than an annual one, though some argue that the Structure Plan provides this longer term perspective.

## SWOT- Opportunities and Threats

Definition:-

10.8

Opportunities and threats focus on likely trends and developments in the external environment to the local economy (as opposed to the organisation), the national-global economy.

Frequency:-

10.9

2 out of 19

authorities, Newport and East Kilbride, are the only ones which appear to have undertaken a SWOT analysis which included Opportunities and Threats. Liverpool highlights opportunities.

Conclusion:-

10.10

There is little evidence of a formal adoption of a full Swot analysis in Strategies, though this may have been undertaken 'at some time'. There are, however, frequent references in strategies to the need to 'take opportunities' and 'counter threats'

## Annual Review of the Economy

Definition:-

10.11

This involves reviewing the recent performance of the local economy in order to inform strategy.

Frequency:-

10.12

It is not easy to draw a distinction between authorities that do not review their economies and those that do (11 out of the 19 are taken to 'do something'). Rather, it is a question of degree, from a sentence, to a paragraph, to a page, to a chapter.



East Kilbride is one authority which is more 'innovative' in its monitoring, looking at such elements as new company formation rather than the more obvious ones (of unemployment, employment, vacancies, etc.). Birmingham forecasts output growth in sectors.

Islwyn does not include an annual review in its Strategy but does mention developing a data base of appropriate economic indicators and also stresses its role in research on the local economy.

Some authorities do not appear to be reviewing the recent performance of their local economies and one wonders whether their strategies are informed by recent intelligence.

Conclusions:-

10.13

It is reasonable to suggest that some strategies are noticeably short on analysis of recent economic performance. Such analysis may have been produced elsewhere, in other documents.

#### The Wide View

Definition:-

10.14

There are two elements to the wide view, the range of activities undertaken and the degree of involvement of a variety of key players in strategy formulation and implementation.

10.15

It is not proposed to look at the second element, the concept of partnership, etc. which has been explored in much recent research (Mackintosh 1992, Bennett&Krebs 1991).

Frequency:-

10.16

The wide view in its first sense can be identified in virtually all strategies, to varying degrees, in aims, activities.

## Aims

10.17

Powys, in using its Structure Plan as its long term strategy, is 'seeking to reduce the need for out migration and to improve/supplement incomes' (Aims 9&10).

Newport and several others see attracting investment as an aim (Aim11). Sandwell seeks 'to increase local control in the Sandwell Economy' (Aim 12).

Birmingham wishes to create a sustainable economy (Aim 13).

Liverpool hopes 'to make a significant impact on the levels of unemployment and poverty in the city' (Aim 14).

Coventry aims 'to tackle the growing poverty evident in the City' (Aim14).

Birmingham aims 'to regenerate local communities' (Aim 15).

## Activities

Even within the very basic activities (Nos 1-8), treatment of infrastructure in its 'modern' sense represents a wide view.

Liverpool and East Kilbride have programmes focussed on telecommunication (Activity 7).

Urban regeneration is seen in many authorities as a key component of economic development. Specific programmes are undertaken by; Blaenau Gwent, Islwyn, Newport, Gwent, Birmingham, Solihull, Liverpool (Activity 9/10).

Community development is seen by several authorities as a key component of economic development. Specific Programmes are undertaken by Powys and Sandwell (Activity 11).

Europe is seen by certain authorities as warranting a specific programme; Brecknock, Powys, Walsall, Dover (Activity 12).

Whilst improvement of the environment is widely recognised as important for economic development (Activity 13), a wider view is taken with respect to helping firms to 'take on board' environmental concerns, including new legislation, by; Birmingham, Sandwell, Solihull, Walsall, Wolverhampton (Activity 14).



## WOT Strengths and Weaknesses

### Definition:

10.18

Strengths and weaknesses involves looking internally at the local economy (as opposed to the organisation).

### Frequency:

10.19

2 out of 19

authorities, Newport (1991) and East Kilbride appear to be the only ones to have undertaken a full SWOT, including Strengths and Weaknesses.

Islwyn considers that 'the direction of strategy should be to build on existing successes'. For example, it considers that 'the provision of small units is an area where the role of the Council has been at its most effective'.

### Conclusions:

10.20

SWOT may have been undertaken at sometime (for the preparation of a particular years strategy, perhaps using consultants). There are, however, frequent references, in strategies, to the need to 'build on strengths' and 'remedy weaknesses'.

## Mission

### Definition:

10.21

A mission statement is a broad statement of purpose and direction which sums up what the organisation should seek to be.

### Frequency:

10.22

4 out of 19

authorities have a mission statement, to guide strategy;

Gwent, Birmingham, Sandwell and East Kilbride.

Conclusion:

10.23

Very little use is made of mission statements to guide strategies, though much is made of identifying the particular role of the the local authority as enabler, facilitator, provider, catalyst, lobbyist, etc.

### Key Issues

Definition:

10.24

The fundamental question is how are strategic options generated. One method is to identify key issues and take measures to deal with them.

Frequency:

10.25

9 out of 19

authorities appear to use a key issues approach to the generation of options.

Conclusion:

10.26

The mechanism whereby key issues are translated into strategy requires further exploration.

### Vision

Definition:

10.27

A second method of generating options is to have a vision and take measures to move towards it.

Frequency:

10.28

6 out of 19

authorities have adopted a vision approach;  
Newport, Gwent, Coventry, Walsall, Wolverhampton and Liverpool.



Conclusion:

10.29

This concept of vision appears to be more warmly embraced in the West Midlands (3 out of 6) than in Wales (2 out of 9). **The mechanism whereby vision is translated into strategy requires further exploration.**

#### Monitoring and Evaluation of Performance

Definition:

10.30

A key element of any evaluation process is monitoring and evaluation (coupled with programme budgeting, referred to in 8.29). The combination of the two facilitates choice based on knowledge of both costs and benefits. Admittedly, the focus is on ex post rather than ex ante evaluation. Martin and Pearce (1995) suggest that ex ante evaluation is an area of appraisal which has been neglected and may be one of the key benefits of strategic planning.

Frequency:

10.31

As with reviewing the local economy, it is not easy to identify which local authorities monitor and evaluate and which don't, rather it is a question of degree, though comments on achievements in previous years are a good guide. 6 out of the 19 Local Authorities are assessed as having undertaken monitoring and evaluation.

Newport seems able to work out how many jobs have been created as a result of its strategy and how much investment has been undertaken, though the 'obsession' with the latter is curious as it is not fundamental to job creation.

Gwent identifies its achievements in 1993/4, under all 9 of its principal activities.

The districts in the area covered by the DBRW seem able to provide evidence of that Agency's achievements in 1993/4 but little (Radnor) or no evidence of their own performance.

In contrast, districts in the area covered by the WDA make no reference to the performance of the Agency in 1993/4. This may reflect a lack of information available from the Agency which, in turn, may reflect the potential political impact of such information.

#### Conclusions:

10.32

There is a distinct absence of thorough monitoring and evaluation of the outputs/outcomes of economic development activity as a whole and of particular programmes/projects.



## CHAPTER ELEVEN

### EVALUATION OF FINDINGS

#### 11.1

The strategic approach as a whole is considered first.

#### Conclusion 6

There are few examples of local authorities taking a full strategic planning approach to local economic development.

Out of the 8 elements of strategic planning 'sought', East Kilbride displayed 6, Newport 7, Liverpool 4.5. Some local authorities displayed very few, Blaenau Gwent none. It is the larger Authorities which appear 'willing' in this regard

#### 11.2

There are five possible explanations. The first is managerial, a lack of knowledge of strategic planning on the part of officers. Economic development officers come from various backgrounds, land use planning, business, marketing, finance, etc and may not be acquainted with strategic planning. THE INTERVIEWS [Q2] SUGGEST THAT THIS IS THE CASE (3 out of 4). Larger authorities would be more likely to engage on this basis.

A second explanation is political, a lack of willingness on the part of elected members to 'do business that way'. For example, an approach based on fair shares is often adopted to capital projects, each ward taking turns in receiving capital projects THE INTERVIEWS [Q2] SUGGEST THAT THIS IS NOT THE CASE (3 out of 4), THAT MEMBERS ARE NOT A BREAK TO THE INTRODUCTION OF STRATEGIC PLANNING. THE REALITY OF MANAGERIALISM MAY BE DIFFERENT, HOWEVER. THE WILLINGNESS OF MEMBERS TO LEAVE EVERYTHING TO OFFICERS IS UNCERTAIN. What is member interest and role in economic development (chairman and ordinary members), protecting the total budget from the advances of other committees, pet projects relating to their area, largess, scrutiny of spend? Are they interested in strategy per se?

A third explanation is managerial, the basic difficulties in adopting rational comprehensive models, the information requirements, the effort involved when faced with day to day work pressures.

THE INTERVIEWS [Q2] SUGGESTS THAT THIS IS THE CASE, WITH MANY (4 out of 4) OF THE WELSH AUTHORITIES HAVING VERY LIMITED STAFF RESOURCES.

Larger authorities would be more likely to 'engage' on this basis.

A fourth explanation is also managerial, the fallacies of predetermination, and formalization outlined in the literature review (Mintzberg) {Q2 (II)}

THE INTERVIEWS [Q2] CERTAINLY SUGGEST THAT MOST(3 out of 4) AUTHORITIES HAVE BEEN UNDERTAKING A CONSIDERABLE AMOUNT OF ACTIVITY BEFORE ANY STRATEGY HAS BEEN PREPARED AND 2 OUT OF 4 HAVE NEVER PREPARED A FULL STRATEGY, FROM FIRST PRINCIPLES. STRATEGIES ARE SEEN AS SERVING A VARIETY OF PURPOSES [Q2/III/Q4].

A fifth explanation is managerial, that Strategic Planning is inappropriate for local economic development due to such factors as turbulence (no agreement on what works). this may accord with the classification of strategies referred to earlier (3.2.2).

3 officers see the satisfaction of statutory requirements as very important; 3 see the hope that others will complement Council activity as very important; 3 see the justification to the Public as important. There are more mixed views on their role in; justifying expenditure to members; as promotional tools and in the hope that others will follow the Councils approach.

In conclusion, at least 3 of these explanations appear valid. It is suggested that 'the ball is in officers' courts' to introduce strategic planning, indeed to introduce strategy, with little likelihood of objection from members. Whether strategic planning should be used is another question?

A longitudinal study would be able to suggest whether the adoption of strategic planning by local authorities engaged in economic development was on the increase.



There is no automatic progression, judging by the experience of corporate planning in the UK local authority sector which was in vogue in the 1970's and then virtually abandoned.

#### **Conclusion 7**

**There is a wider adoption of some of the key elements of the strategic approach.**

The wide view (everybody)  
review of the economy(10/19)  
the key issues approach (9/19)  
the long view (6/19)

#### **11.3**

The interviews shed some light on explanation, though it is difficult to gain much knowledge on the benefits/drawbacks/impediments to elements of strategic planning which have not been adopted by a local authority (Question 3).

**There is scope for further study of benefits/drawbacks, focussed on local authorities which have adopted Strategic Planning Elements.**

#### **The Long View**

The long view represents a common sense, rational approach . It enables authorities to predict future problems, not just current ones, and plan ahead. It enables authorities to go for long term solutions, including projects which have long gestation periods and/or increasing returns to scale. There are impediments to the long view, related to uncertainty over future budgets, including difficulties in committing funds for several years to major or long term projects.

The Single Regeneration Budget in England (Up to 7 years funding) and the Special Development Scheme in Wales (3 years funding) represent attempts to overcome these uncertainties by providing longer term financial support for urban regeneration projects. Is there any justification for the long view without long term budgetting-yes.

### **Reviewing the Local Economy**

This is also a common sense and rational approach which provides knowledge of what is happening in the local economy and what are the problems. Impediments to its adoption include the shortage of up to date local economic information and absence of reliable forecasts of what is likely to happen in the future.

### **The Wide View**

The wide view is also a common sense and rational approach, facilitating a wide range of solutions to problems. It may also encourage dabbling in a whole range of areas rather than focussing on ones that a local authority can influence. An economic development strategy may have very little influence over a wide range of activities which affect economic development. It would be naive to expect housing to see economic development as its major concern, or to see transportation or land use policy dictated by the economic development agenda (would it?). Public Transport Plans, which guide Local Authority expenditure, do focus on travel to work services, with subsidies being concentrated in this area.

### **Mission**

Is a mission any 'better' than Aims?-probably not-though it may be a means to establishing key aims . A look at some missions may reveal:-

#### **Gwent**

'Gwent will work with all other organisations to make Gwent one of the major growth centres in the United Kingdom over a five year period whilst protecting and enhancing the environment'.

#### **Birmingham**

'Birmingham is committed to promoting the economic regeneration of Birmingham. We aim to create quality opportunities for people to realise their potential and for business to develop and increase their competitiveness'.



## Sandwell

### 'The Councils Approach to Economic Development'

The purpose of the Council's economic development activity is to improve job and training opportunities for Sandwell residents, particularly for those from less advantaged sections of the community. In order to make the best use of resources (financial and human) the Council will work with local agencies, community groups and employers to achieve the aims of the Economic Development Strategy'.

## East Kilbride

'To secure the future of East Kilbride as a highly successful and dynamic local economy, capable of sustaining high quality internal growth and inward investment competitiveness, in order to make a significant contribution to the regeneration of Lanarkshire and the international competitiveness of Scotland as a business location'.

Gwent's mission clearly focusses on one of the aims, concerned with growth as well as stressing the longer view of economic development. Birmingham's mission has two prongs, one concerned with quality opportunities (though this is not particular to economic development activities), the second concerned with industrial competitiveness. East Kilbride mission also focusses on one aim, concerned with dynamism and growth.

## Key Issues

This is another common sense, rational approach enabling a focus on decisions that matter. It may however lead to a partial approach to the local economy rather than an holistic one.

## Vision

Is vision any better than problem solving or planning by objectives?-possibly-if the tackling of individual problems will not achieve the desired effect [Bennett et al 1994], if the vision provides a correct and sophisticated view of a future local economy and the relationship between individual components-a tall order.

A look at one vision may reveal:-

## Liverpool

'The Plan sets out a clear vision for the City, towards which the City Council wishes to work in partnership with others:

a quality workforce and a good supply and choice of jobs

a more robust and diverse technology based business sector

equality of opportunity and access for all the city's residents

a strong and durable partnership between government, citizens and business

a growing international status and a positive image to the outside world

a gateway to regional, national and international markets

a centre of excellence in all aspects of education and training

The vision also seems to focus on certain aims, related to jobs, a robust economy. The vision is short on means, other than a focus on image (an objective) and a reference to partnership. Where is the vision of a future economy that is defensible and coherent? In the case of Merseyside it seems to be a series of separate aims, redefined in terms of what the city will have in Year X.

## SWOT

Appendix C gives an example of a SWOT taken from East Kilbrides Strategy. SWOT may serve the purpose of making it clear to a local authority that economies compete, to view the process as a competitive one, particularly regarding inward investment. It may also serve to focus a local authority on a suitable strategy, one that has strategic logic i.e. builds on strengths, tackles weaknesses, takes opportunities and counters threats. It doesn't tell a Local Authority whether to focus on a Strength, a Weakness, an Opportunity or a Threat.



## Monitoring & Evaluation of Performance

This is another common sense rational approach which enables us to see which are the most effective programmes/projects, to get best bang for bucks.

To summarise, many of the elements of the strategic planning model examined (the long view, the wide view, reviewing the local economy, monitoring and evaluation of performance, key issues) are common sense or rational approaches, not peculiar to strategic planning.

Proponents of the 'strategic approach' would need to prove that encompassing all the elements of strategic planning would add something extra in order to convince Local Authorities to use the whole model rather than individual elements.

A particular aspect of the strategic approach is now considered, strategic choice

## Conclusion 8

There is little evidence of a systematic approach being adopted to the generation, evaluation and selection of options, (particularly at the programme level).

### 11.4

There are six possible explanations. The first is political.

This process is undertaken by Central Government, which then allows expenditure on certain 'approved' projects. This is particularly the case for projects where Central Government provides actually capital resources to local authorities. Local authorities have some choice, though only of a limited number of items on a limited menu, rather than being able to dine a la carte. One wonders how sophisticated is the C. Government selection of suitable projects. Private sector leverage may be attractive to the present government but does this mean that projects are 'better for the local economy'. Logically, the overall approach is commendable, with experience gained in one area being passed to another without learning costs. Experience gained may relate to national surveys of small firm policy (Storey 1994). However, how do innovative and effective projects ever get off the ground. King (1988) pleads for local autonomy to allow experimentation at a local level.

Subsequent explanations are managerial.

The second is that very few projects are purely economic and therefore judged purely in economic terms. This makes evaluation a complex process where, for example, a project's capacity to meet multiple objectives requires prioritisation (weighting) of objectives (a political process). An example is provided by Commercial Improvement Grants for the improvement of shop premises, which may not be particularly cost effective in job creation terms but also fulfil environmental (the appearance of the street) and social (the maintenance of local shopping centres) objectives.

11.5

The third explanation is that

In order to make choices, it is necessary to understand both the cost and benefits of alternative courses of action. This requires both project and programme budgeting and evaluation. In this regard, project evaluation is easier to undertake than policy/programme evaluation. One programme, by itself, may achieve very little (eg promotion) without combination with others (e.g. grants). A firm may be initially attracted to an area as a consequence of promotion programme (having been impressed by the environmental improvement programme) occupy a Council owned factory building and receive a Council grant, etc.

Mair(1993) points to a specific arsenal of policies constituting the active side of a JIT LED Strategy. These include:-

targetting particular companies to recruit (promotion),  
new land use policies,  
new labour training initiatives (training),  
assurance of reliable transportation (infrastructure),  
positive interventions to help existing local manufacturers restructure their operations towards JIT techniques (advice, finance, building).

The fourth explanation is that there is little scope for change between years in terms of budgets, an extra 5% if your lucky, more likely standstill or cut. Is each budget examined in the annual budgeting process or merely multiplied by the appropriate factor (1, 0.95).



The fifth explanation is that there is little scope for change between years in terms of manpower, unless a local authority is ruthless (unlikely) and willing to sack one set of staff (e.g. tourism experts) and take on another (e.g. Telecommunications experts) in order to change tack. To what extent can a new strategy be implemented with the same staff.

The sixth explanation is that preparation of the strategy may not be the appropriate time to make choices. A local authority may need to react to a new initiative, when announced, and decide whether to go for it. Such a decision, once taken and if successful could lead to a whole refocussing of the local authorities economic development strategy, perhaps on to a particular area of the Authority (Regional Challenge). In conclusion, all these explanations are valid, though the general theme is one of choice limitation by; Central Government, budget, staff.

#### **Qualitative Observation D**

**It is difficult to separate out generation, evaluation and selection of options.**

11.6

The explanation is managerial.

Strategic choice is an iterative process with broad options being generated , evaluated and selected, before a narrower range of preferred options are subject to a more refined process.

## CHAPTER TWELVE

### OVERALL CONCLUSIONS AND RECOMMENDATIONS

#### 12.1 CONCLUSIONS

##### 12.1.1

What has been achieved in this Study. Let's refer back to the original objectives:-

- (a) To discover what British Local Authorities are actually doing these days in the economic development field, including variations between them. This has been done (CONCLUSIONS 1 & 2).
- (b) To discover what is the justification for local authority economic development activity. This has been done (QUALITATIVE FINDINGS A, B & C).
- (c) To determine the theoretical basis for local authority activity in the economic development field. This has been done (CONCLUSIONS 3, 4 & 5).
- (d) To determine the extent of adoption of the strategic approach, both in total and in part. This has been done (CONCLUSIONS 6 & 7).
- (e) To determine the extent of adoption of a systematic approach to the generation, evaluation and selection of options. i.e. strategic choice. This has been done (CONCLUSION 8 & QUALITATIVE FINDING D).
- (f) To explore the key resisting forces to the adoption of the strategic approach and its benefits and drawbacks, both in total and in part. This has been explored in the interviews and referred to (11.2).
- (g) To develop a methodology for the analysis of economic development strategies both in terms of what the strategy is and the extent to which a strategic planning approach is used in its preparation. This has been done. So that, with the framework developed, it is possible to interrogate any local economic development (or indeed other) strategy.
- (h) To determine the relationship between local economic development and strategic planning (chicken or egg?) i.e:-
  - (a) does the adoption of strategic planning lead to a better view of local economic development?



(b) does a better view of local economic development lead to the adoption of strategic planning?

This has not been done. It is an important but difficult area, requiring further study.

#### 12.1.2

It may be possible to 'speculate' on (a) by identifying good practice ( 9.5) (e.g. logical consistency) and assessing whether it is more prevalent in local authorities embracing strategic planning (part two). **There is scope for further study here, of the relationship between the use of strategic planning and the performance of local authorities in economic development.** What is difficult to do is compare the actual performances of local authorities, to be able to separate out the influence of the local authority from other actors in the local economy (Training and Enterprise Councils, Development Agencies, Development Corporations, Individual Firms, Landowners, etc.). How would you measure performance anyway? Jobs created? Reduction in unemployment? GDP increased? The Audit Commissions performance indicators tend to focus on inputs rather than outputs (no of company visits, no of enquiries generated). **There is scope for further study here, of the specific contribution of local authorities to local economic performance.**

One approach is to ask decision makers (inward investors) to rank the relative contribution of different actors to their decision to move. Are they in a position to know the full story?. It is doubtful. Who is responsible for a particular industrial estate, the development agency which built it or the local authority which lobbied for it, etc.?

#### 12.1.3

In one sense, at least, the adoption of strategic planning may actually impair performance. For example, the long view which results in long term commitments may reduce the ability to change tack. The effort of strategic planning may drain valuable manpower resources. Mintzberg (1994) suggest that planning's obsession with control can breed a climate of conformity and inflexibility that favours incremental generic change focussed on the short run.



## 12.2 RECOMMENDATIONS

### 12.2.0.

If central government is serious about encouraging the adoption of strategic planning as a whole in local authority economic development, it could spread knowledge on the nature of strategic planning and demonstrate its benefits (Economy, Efficiency, Effectiveness?). This has obviously not yet been done, otherwise everybody would be doing it. This research suggests that there is no clear consensus on what strategic planning model or approach is appropriate for local economic development nor has it been demonstrated that adoption of whatever model is chosen improves local authority performance. Convincing local authorities that the adoption of strategic planning will lead to a better view of local economic development, for example, would be a major achievement. It could also require strategies to be prepared in this way before agreeing to major and/or long term funding. In a sense, this is what has been done in the case of Regional Challenge and City Challenge bids in England. In Wales, the Secretary of State has focussed Strategic Development Scheme funding on areas where a strategy has been prepared in accordance with its guidelines and agreed. This indicates a sea change in the view of the Conservative Government on the role of Strategy compared with the view of Lloyd and Meegan (1996). EU structural funds are now channelled with reference to a Single Programme Document which bears many of the hallmarks of strategic planning such as SWOT. Individual projects are assessed in relation to the Strategy. The current legislative requirements regarding preparation of Economic Development Strategies do not yet specify in detail how they are to be prepared. This is in marked contrast to Central Government Requirements regarding the preparation of (Land Use) Development Plans where detailed requirements regarding the use of particular methods of environmentally appraising Plans are in place, for example. This may be symptomatic of a Central Government view that Local Authorities are marginal players, in economic development'. Mintzberg (1994) cautions that planning can serve influencers outside the organisation who share the same obsession with, and illusion of control. If only the organisation plans formally, then all will be well. Governments often behave this way, imposing planning processes on their own agencies as well as on other organisations to which they give money.



#### 12.2.1.

It is possible to utilise individual elements of the strategic planning without taking on the whole package.

#### 12.2.2.

If central government is serious about encouraging the adoption of individual elements of strategic planning in local authority economic development, there are certain measures which it could undertake:-

- (i) enhancing up to date local economic information would assist in the annual review of the economy;
- (ii) long term commitments of Central Government funding/loan sanctions would enable authorities to take a long view;
- (iii) providing a block grant which enables Local Authorities to tackle problems by whatever measure is appropriate rather than grant aiding specific projects or services. In the context of economic development, an authority could spend its money on training, transport etc. instead of the more orthodox measures. To some extent this is done with the rate support grant settlement, though national requirements on levels of service (and the voters) make it difficult for local authorities to vary there spend on basic services. Again the Single Regeneration budget in England represents a move in this direction, with approx. 29 specific grants replaced by a block grant, leaving the local authority to decide (provided it can justify) the particular mix of spend.

Other elements (Mission, Vision, SWOT) are most likely to be adopted if the whole shooting match is embraced.

#### 12.2.3

If local government is serious about encouraging the adoption of strategic planning as a whole in economic development, members/officers need to be convinced of its advantages and provided with appropriate training.

If local government is serious about the adoption of individual elements of strategic planning in local economic development, and there are good arguments for some, there are certain measures which it could undertake:-

- (i) taking as wide a view of local economic development as possible;
- (ii) improving knowledge of the workings of the local economy, not just employment/unemployment/activity rates, but new company formation, etc.
- (iii) using SWOT, in order to appreciate the competitive nature of economies;
- (iv) generation and evaluation of options rather than the presentation of one strategy with the implication that there is no alternative;.
- (v) monitoring and evaluation of performance.

Local authorities are notoriously remis at putting forward several alternative courses of action and systematically evaluating them (ex ante), or evaluating projects/ programmes either in progress or completed (ex poste).

#### 12.2.4

Given the potential benefits of the strategic approach, there is scope for its application to other areas of local authority activity, particularly where a wide view or a long view is required (housing, leisure, heritage) and to other areas of public policy making. Unlike land use planning, where the strategic planning approach has always been a significant element of activity, some of these other areas of local authority activity have often been dominated by annual budgetting and muddling through. Health is a classic area where the 'wide view' has been attempted and could pay dividends i.e. health education can be more cost effective than treatment. There are limits to this approach, however. Whilst it may be possible to devote part of the health budget to education, sport/fitness, etc., the sheer spending demands of health makes this difficult. Moreover, whether the demand for health care diminishes in 25 years time is not of particular concern for current NHS managers. It should be a concern to Central Government.



NHS managers are likely to work on the assumption that whatever gains are made in the health of the population will be reflected in future Government funding i.e. reduced budgets.

#### 12.2.5

A more fundamental approach could be adopted. What, from the research findings, improves local economic development, outwith the adoption of strategic planning. Chapter 9 is the place to look, to the concepts introduced at that stage of logical consistency/coherence and theoretical validity. In broad terms, Local Authorities should be looking for logical consistency/coherence in their approach to local economic development. What are the aims? Are there qualitative targets for these aims? Do the objectives/activities match the aims? The choice of aims, and the implication for activity/expenditure would appear to be critical, as there are some fundamental choices. On the one hand, the focus could be on economic growth/firms (which could be jobless growth). On the other hand, the focus could be on jobs/residents. Having decided the main aims, the choice of objectives/activities is perhaps more easily made, though some useful objectives/activities are missed by local authorities e.g. housing investment, telecommunications, local sourcing, adult education. Theoretical validity is another matter. Do local authorities do things because other local authorities are doing them, because they are seen to work, or because there is a theoretical basis for the actions.? The first two are more likely explanations than the last.

There is the question of overall theoretical validity and of particular theoretical validity. On the former, it is debateable whether any local authority can accept classical theory, and wait for an upturn. 'In the long run we're all dead' said JM Keynes. On the latter, there is a case for different areas pursuing strategies based on particular theories; urban v rural, city v suburb, assisted v non- assisted area. For example, whilst some local authorities can embrace demand side theories (particularly where the grant regime favours inward investment) others will need to focus on supply side theories. There is also a question of the right size of local authorities.

For example, if a local authority covered the whole of a city, how would this affect local economic development? Would any particular concern be shown for retailing or local services, apart from fears of the effects of regional/metro centres in adjacent cities. Conversely, a human resource approach to economic development could still be justified, equipping the workforce for jobs which emerge somewhere in the city, helping marginalised groups enter the labour market. There would be less of an imperative, than for say 10 metropolitan districts, to provide jobs locally within their 'artificial' boundaries.

#### Scope for further study

##### 12.2.6

Several areas worthy of further study have been identified at the various stages in this report ie:-

- (a) strategic implementation (7.15);
- (b) variations in local authority economic activity within specific categories (types of building, types of promotion, etc.) (8.2.7);
- (c) the distribution of expenditure between different economic development programmes of local authorities (8.2.8);
- (d) relationships between all the elements of strategies (9.6);
- (e&f) the mechanisms which operate to translate vision (10.29) and key issues (10.26) into the economic development strategies of local authorities;
- (g) a longitudinal analysis of the change in theories used in local economic development (9.20);
- (h) a longitudinal analysis of the adoption of strategic planning for economic development by local authorities in the UK (11.2), a follow up study of the new Welsh Unitary Authorities could assess whether strategic planning of economic development is more popular and why;
- (i) a study of the experience of local authorities which have adopted strategic planning elements, to identify drawbacks and benefits;



- (j) the relationship between the use of strategic planning and the performance of local authorities in local economic development (12.1.2);
- (k) the specific contribution of local authorities to local economic performance (12.1.2).

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- (2) The Secretary of State may revise or withdraw a code issued under this section.
- (3) The Secretary of State, before issuing, revising or withdrawing a code, shall consult—
- as respects England and Wales, such representatives of local government, and
  - as respects Scotland, such associations of local authorities, as appear to him to be appropriate.
- (4) A code shall not be issued unless a draft of it has been laid before and approved by a resolution of each House of Parliament.
- (5) Where the Secretary of State proposes to revise a code, he shall lay a draft of the proposed alterations before each House of Parliament and—
- he shall not make the revision until after the expiration of the period of 40 days beginning with the day on which the draft is laid (or, if copies are laid before each House of Parliament on different days, with the later of those days); and
  - if within that period either House resolves that the alterations be withdrawn, he shall not proceed with the proposed alterations (but without prejudice to the laying of a further draft).
- (6) In reckoning any period of 40 days for the purposes of subsection (5) above no account shall be taken of any time during which Parliament is dissolved or prorogued or during which both Houses are adjourned for more than four days.
- (7) The form of declaration of acceptance of office under section 83 of the Local Government Act 1972 or section 33A of the Local Government (Scotland) Act 1973 may include an undertaking by the declarant to be guided by the National Code of Local Government Conduct in the performance of his functions.
- (8) In this section—
- "local authority" means—
- as respects England and Wales, a county council, a district council, a London borough council, a parish council, a community council, the Common Council of the City of London or the Council of the Isles of Scilly;
  - as respects Scotland, a regional, islands or district council or a joint board or joint committee within the meaning of section 235(1) of the Local Government (Scotland) Act 1973; and
- "member", in relation to a local authority, includes any person who, whether or not a member of the authority, is a member of a committee or sub-committee of the authority or of any joint committee of theirs.

## DEFINITIONS

"local authority": subs. (8).

"member": subs. (8).

## GENERAL NOTE

This section empowers the Secretary of State to issue a National Code of Local Government Conduct (currently operative by agreement without status at law: see Department of Environment, Circular 94/75) for members of local authorities (subs. (1)), which may subsequently be revised or withdrawn (subs. (2)), in each case after consultation with appropriate local authority associations (subs. (3)): see *Widdicombe*, paras. 6.7-6.23; *Government Response*, paras. 4.7-4.19. The Code requires an affirmative Parliamentary resolution (subs. (4)), save in the case of a revision (subs. (5) and (6)). The form of declaration of office may include an undertaking by the member to be guided by the Code (subs. (7)): see *Government Response*, paras. 4.20-4.21 (cf. *Widdicombe*, paras. 6.20-6.22). The (limited) enforcement effect of the new Code is to be found in the next section.

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## Anonymity in reports on investigations

- 32.—(1) In section 30 of the Local Government Act 1974 (reports on investigations by Local Commissioners)—
- Commissioner thinks it necessary), after the words "shall not" there shall be inserted the words " , except where subsection (3A) below applies.", and
  - the following subsection shall be inserted after subsection (3)—
- "(3A) Where the Local Commissioner is of the opinion—
- that action constituting maladministration was taken which involved a member of the authority concerned, and
  - that the member's conduct constituted a breach of the National Code of Local Government Conduct,
- then, unless the Local Commissioner is satisfied that it would be unjust to do so, the report shall name the member and give particulars of the breach."
- (2) In section 28 of the Local Government (Scotland) Act 1975 (reports on investigations by Commissioner)—
- in subsection (3) (report only to identify a person if the Commissioner thinks it necessary), after the words "shall not" there shall be inserted the words " , except where subsection (3A) below applies.", and
  - the following subsection shall be inserted after subsection (3)—
- "(3A) Where the Commissioner is of the opinion—
- that action constituting maladministration was taken which involved a member of the authority concerned, and
  - that the member's conduct constituted a breach of the National Code of Local Government Conduct,
- then, unless the Commissioner is satisfied that it would be unjust to do so, the report shall name the member and give particulars of the breach."

## GENERAL NOTE

The current position is that reports of the Commissioners for Local Administration do not identify individuals, unless the Commissioner considers it necessary: the new position is that the Commissioner, or in Scotland the Commissioner, is to identify a member, where the member was involved in maladministration in circumstances such that his or her conduct constitutes a breach of the National Code of Local Government Conduct (see s.31), and give particulars of the breach, unless the Commissioner is satisfied that it would be unjust to do so.

## PART III

## ECONOMIC DEVELOPMENT AND DISCRETIONARY EXPENDITURE BY LOCAL AUTHORITIES

## Promotion of economic development

- 33.—(1) Subject to sections 34 and 35 below, the functions of every relevant authority shall include the taking of such steps as they may from time to time consider appropriate for promoting the economic development of their area.
- (2) Subject to those sections and without prejudice to any other provision made by or under this Act, those steps may include participation in and the encouragement of, and provision of financial and other assistance for—
- the setting up or expansion of any commercial, industrial or public undertaking—

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- (i) which is to be or is situated in the authority's area; or
  - (ii) the setting up or expansion of which appears likely to increase the opportunities for employment of persons living in that area; and
  - (b) the creation or protection of opportunities for employment with any such undertaking or with any commercial, industrial or public undertaking opportunities for employment with which have been or appear likely to be made available to persons living in that area.
- (3) For the purposes of this section a relevant authority shall be treated as providing financial assistance to any person if they do or agree to do any of the following, that is to say—
- (a) make a grant to that person;
  - (b) make a loan to that person or provide him with any other form of credit;
  - (c) guarantee the performance of any of that person's obligations;
  - (d) indemnify that person in respect of any liability, loss or damage;
  - (e) invest in that person's undertaking, in the case of a body corporate, by acquiring share or loan capital in that body or otherwise;
  - (f) provide that person with any property, services or other financial benefit (including the remission in whole or in part of any liability or obligation) for no consideration or for a consideration which does not satisfy such conditions as may be specified in regulations made by the Secretary of State;
  - (g) join with any other person in doing anything falling within paragraphs (a) to (f) above;
  - (h) enter into such other transaction, in the nature of anything falling within paragraphs (a) to (g) above, as may be specified in regulations made by the Secretary of State.
  - (4) Regulations under this section may contain such incidental provision and such supplemental, consequential and transitional provision in connection with their other provisions as the Secretary of State considers appropriate.
  - (5) In this section and sections 34 and 35 below—  
 "financial year" means the twelve months ending with 31st March;  
 "relevant authority" means the council of any county, district or London borough, the Common Council of the City of London in its capacity as a local authority or the Council of the Isles of Scilly.

## DEFINITIONS

"financial year": subs. (5).

"relevant authority": subs. (5).

## GENERAL NOTE

Under s.137 of the Local Government Act 1972 (in Scotland, s.83 of the Local Government (Scotland) Act 1973), local authorities have a general, discretionary spending power, subject to financial limits (currently, the product of a rate of 2p in the pound: s.137(4), but see now s.36 of this Act), which permits them to incur expenditure "which in their opinion is in the interests of their area or any part of it or all or some of its inhabitants," provided that the authority do not "by virtue of this subsection, incur any expenditure for a purpose for which they are, either unconditionally or subject to any limitation or to the satisfaction of any condition, authorised or required to make any payment by or by virtue of any other enactment" (L.G.A. 1972, s.137(1), but again see s.36 of this Act, for amendment).

In other words, the authority may incur such expenditure provided that they do not use the power in substitution for, or in order to avoid controls on, other statutory powers. See, generally, *Manchester City Council v. Greater Manchester Metropolitan County Council* (1980) 78 L.G.R. 560; See also *R. v. District Auditor, ex p. West Yorkshire Metropolitan County Council* [1985] 26 R.V.R. 24, and *Lobenstein v. Hackney London Borough Council* (D.C., July 16, 1980, unreported).

A study commissioned by the Widdicombe Committee (see Research Volume IV) found that "measures designed to tackle unemployment, to assist industry or otherwise to promote the local economy are by far the largest single uses of ss. 137 and 83, accounting for over two-thirds of all expenditure under these sections in 1984-85" (Widdicombe, para. 8.36). The range of all activities pursued is wide. They include assistance by way of grants, loans, rent subsidies and guarantees to individual firms; the acquisition of equity in firms which have been unable to raise finance in the private market; support for co-operative ventures; capital investment in starter and other industrial units; and the provision of a variety of training schemes. The provision of advice—for the unemployed, for small or ailing businesses or for those thinking of starting up in business—is another important area of activity" (para. 8.37).

The Widdicombe Committee "reached no view about whether specific powers for promotion of the economy are desirable" (para. 8.41) but recommended (para. 8.43) that the government should review the proper role of authorities in economic development, with a view to identifying whether additional powers should be introduced.

The *Government Response* noted that although economic development formed such a large part of ss.137/83 spending, it nonetheless formed only about 38 per cent. of the spending by authorities on economic development as a whole, including other powers, e.g. ss.2 and 3 of the Local Authorities' Land Act 1963, ss.144 and 145 of the 1972 Act, s.95 of the Weights and Measures Act 1985 (para. 7.9). Most authorities would in practice, it concluded, have adequate power to continue their economic development activities without ss.137/83 (para. 7.11), but "the present position is clearly unsatisfactory. An authority's ability to spend on economic development is governed not by properly focussed powers or an objective assessment of what is needed and likely to be cost effective; but by the detailed interpretation of an assortment of powers that are, or are perceived to be, available" (para. 7.12).

This section is the first of three sections dealing with economic development. This section introduces the specific power to take "such steps as they may from time to time consider appropriate for promoting the economic development of their area," a phrase which is not defined and is therefore to be interpreted by authorities themselves, subject, however, to the power of the Secretary of State to restrict or prohibit steps by regulation (s.34 of this Act) and to have regard to guidance issued by the Secretary of State (s.35).

The basic power is to found in subs. (1).

"Steps" (but cf. s.34) includes participation in and the encouragement of, and the provision of financial and other assistance, for setting up or expansion of a commercial, industrial or public undertaking situated in the authority's area or likely to increase employment opportunities for people living in the area (so that the activity may itself be outside their area). They also include the creation or protection of employment opportunities with a commercial, industrial or public undertaking they have assisted, or any other commercial, industrial or public undertaking: subs. (2).

Financial assistance is defined in subs. (3), and includes grants, loans, guarantees, indemnities, investment in share or loan capital, the provision of property, services or other financial benefit (including rent remission)—alone or with others—and anything else which may be specified in regulations made by the Secretary of State.

## Restrictions on promotion of economic development

34.—(1) The powers of a relevant authority by virtue of section 33 above, and their powers by virtue of other enactments, shall not include power, for the promotion of the economic development of their area, to take any such steps as may be specified or described for the purposes of this section in regulations made by the Secretary of State.

(2) Without prejudice to the generality of subsection (1) above, the Secretary of State may by regulations impose such conditions, and such other restrictions, as may be specified in or determined under the regulations on the exercise, for the purpose of promoting the economic development of their area, of any power of a relevant authority by virtue of section 33 above or any other enactment to provide financial assistance to any person.

(3) The Secretary of State may by order made by statutory instrument impose such a financial limit as may be specified in or determined under the order on the following expenditure, that is to say, such expenditure as—



- (a) is or is of a description so specified or determined; and
- (b) by virtue of section 33 above or any other enactment is incurred in any financial year for the purpose of promoting the economic development of their area by a relevant authority so specified or determined.
- (4) A statutory instrument containing an order under subsection (3) above shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (5) Regulations under this section may contain such incidental provision and such supplemental, consequential and transitional provision in connection with their other provisions as the Secretary of State considers appropriate.

DEFINITIONS

"financial year": s.33(5).  
"relevant authority": s.33(5).

GENERAL NOTE

Unusually, instead of prescribing what does or may constitute economic development, powers are reserved to the Secretary of State to determine what steps may not be taken by an authority, under s.33 or otherwise, for the promotion of economic development: subs. (1). But the regulations may only constrain economic development. If they purported to restrain activity under other powers which did not so qualify, they would not bite. Economic activities for another purpose, e.g. to assist the disabled, will not be affected (see also Consultation Paper on New Economic Development Power for Local Authorities in England and Wales, DoE/W.O., August 3, 1989). The regulations may include conditions and related restrictions on the exercise of s.33 or other powers for the promotion of economic development: subs. (2). The Secretary of State may limit the amount of economic development expenditure, under s.33 or otherwise, either as a whole in any given financial year, or on descriptions specified: subs. (3). The regulations are subject to negative Parliamentary procedure: subs. (4). For further details of the very broad restrictions which the government proposes, see the aforementioned Consultation Paper.

Guidance and consultation about promotion of economic development

- 35.—(1) It shall be the duty of a relevant authority, in determining whether and in what manner to incur any expenditure for the purpose of promoting the economic development of their area, to have regard to such guidance with respect to expenditure for that purpose as may have been given by the Secretary of State to that authority, to relevant authorities of a description applicable to that authority or to relevant authorities generally.
- (2) It shall be the duty of a relevant authority, before the beginning of each financial year, to determine whether they will take any steps in that year for the promotion of the economic development of their area.
- (3) Where under subsection (2) above a relevant authority make a determination in relation to any financial year that they will take steps in that year for the promotion of the economic development of their area, it shall be the duty of that authority, before the beginning of that year—
- (a) to prepare a document setting out their proposals as to the steps to be taken and setting out the other matters mentioned in subsection (4) below;
  - (b) to make that document available—
    - (i) to such bodies as are representative of commercial or industrial undertakings in their area;
    - (ii) to such of the persons carrying on commercial, industrial and public undertakings in their area as they consider appropriate; and
    - (iii) to such other persons as they think it desirable to consult about the proposals contained in it; and

- (c) to consult the persons to whom the document is made available about the proposals contained in it.
- (4) The other matters which are required to be set out in the document relating to a relevant authority's proposals as to the taking of any steps are—
  - (a) the authority's proposals as to the expenditure to be incurred by them in taking those steps and as to the extent to which that expenditure is to be capital or revenue expenditure and is to be attributable to different proposals;
  - (b) the authority's estimate of any income likely to accrue from the implementation of their proposals; and
  - (c) what the authority intend the implementation of their proposals to achieve.

DEFINITIONS

"financial year": s.33(5).  
"relevant authority": s.33(5).

GENERAL NOTE

Authorities determining whether and how to incur expenditure for the purpose of promoting the economic development of their areas, whether under s.33 or otherwise, are bound "to have regard to" such guidance as the Secretary of State may issue to authorities generally, classes of authority or a specific authority: subs. (1). The phrase "have regard to" is a well-used phrase, and does not require the authority to follow the guidance, so that they may if they wish, depart from it, provided they have first considered it: see, e.g. *de Falco, Silvestri v. Crawley Borough Council* [1980] Q.B. 460, C.A.; *In Re Butts* [1983] 2 A.C. 613, H.L. The Code may, however, be useful in illustrating policy or "correct practice": e.g., *Parr v. Wyre Borough District Council* (1982) 2 H.L.R. 71; *R. v. West Dorset District Council*, ex p. *Phillips* (1984) 17 H.L.R. 336. Deviation may even constitute a prima facie case of failure to have regard, which in practice if not law then requires the authority to justify the departure or at least to prove that regard was had to the Code: *Padfield v. Minister of Agriculture, Fisheries and Food* [1968] A.C. 997. Of course, if there is a conflict between the Code and the Act, the latter prevails: see, e.g. *R. v. Waveney District Council*, ex p. *Bowers* [1983] Q.B. 238.

Subs. (2)-(4)

Every relevant authority, before the commencement of each financial year (as to which, see s.33(5)) are bound to reach a decision whether they will take any steps in that year for the economic development of their area and, if so, also before the beginning of that financial year, to prepare a document setting out their proposals as to the steps to be taken, and such other matters as the amount of expenditure applicable to their different proposals (including whether to be capital or revenue expenditure), their estimate of income likely to accrue from implementation, and their objectives, and to make the document available to representatives of commercial and industrial undertakings in the area, and to such of those carrying on commercial, industrial and public undertakings in their area as they consider appropriate, and others they consider desirable to consult about their proposals.

There has been a number of cases on the meaning of consultation: see, e.g. *Rollo v. Minister of Town and Country Planning* [1948] L.J.R. 817, 1 All E.R. 13; *Re Union of Benefices of Whittingham and East Cowes, St. James* [1954] A.C. 245, H.L.; *Sinfield v. London Transport Executive* [1970] 1 Ch. 550, and *R. v. Sheffield County Council* ex p. *Mansfield* (1978) 37 P. & C.R. 1. Most recently, the question was considered in relation to consultation on amendments to the Housing Benefits Regulations, as (then) required by s.36 of the Social Security and Housing Benefits Act 1982, in *R. v. Secretary of State for Social Services* ex p. *A.M.A.* (1985) 17 H.L.R. 487, Q.B.D.

The thoroughness of the decision, and its apparent applicability to a number of instances in which consultation is required under this Act, suggest that it is worth consideration of the judgment in some detail.

(1) The essence of consultation is the communication of a genuine invitation to give advice and a genuine receipt of that advice; to achieve consultation, sufficient information must be supplied by the consulting to the consulted party to enable it to tender helpful advice; sufficient time must be given by the consulting to the consulted party to enable it to do so, and sufficient time must be available for such advice to be considered by the consulting



party. Sufficient in this context does not mean ample, but at least enough to enable the relevant purpose to be fulfilled. Helpful advice means sufficiently informed and considered information or advice about aspects of the form or substance of the proposals, or their implication for the consulted party, being aspects material to the implementation of the proposal as to which the consulting party might not be fully informed or advised and as to which the party consulted might have relevant information or advice to offer.

(2) Where insufficient consultation is alleged, the challenge is to vices (in that case, of the subordinate legislation). Accordingly, the correct test is whether there has been sufficient consultation, rather than whether the consultation process fails to satisfy the test known as "rationality," or the "unreasonable" test in *Associated Provincial Picture Houses Ltd. v. Wednesbury Corporation* [1948] 1 K.B. 223, C.A.

(3) The power to make the Regulations was conferred on the Secretary of State, and his was the duty to consult. Both the form or substance of new Regulations and the time allowed for consulting before making them, may well depend in whole or in part on matters of a political nature, as to the force or implications of which the Secretary of State rather than the court is the best judge. When considering whether or not consultation has in substance been carried out, the court should have regard not so much to the actual facts which preceded the making of the Regulations, as to the material before the Secretary of State when he made the Regulations, which material includes facts or information as it appeared or must have appeared to the Secretary of State acting in good faith, and any judgments made or opinions expressed to him before the making of the Regulations about those facts which appeared or could have appeared to him to be reasonable.

(4) The urgency of the need for the Regulations as seen by the Secretary of State was such, taking into account the nature of the amendments proposed, that the Department was entitled to require that the views in response to its invitation for comments should be expressed quickly; the urgency of the need for the Regulations, as seen by the Secretary of State, taking into account the nature of the amendments proposed, was not such that the Department was entitled to require views to be expressed within such a short period that those views would or might be insufficiently informed or insufficiently considered so that the applicants would or might be unable to tender helpful advice.

(5) Taking into account both the urgency of the matter, as seen by the Department, and the material features of the Regulations, and bearing in mind that the applicants had no knowledge until after the Regulations were made of one of their features, the Secretary of State failed to fulfil his obligation to consult before making the Regulations. The time allowed was so short, and the failure to provide amendments was such that, as the Department must have known even without imputing to them precise knowledge of the applicants' internal arrangements for formulating a response, only piecemeal, and then only partial, assistance could be given.

(6) In the ordinary case, a decision made *ultra vires* is likely to be set aside; in the present case the applicants sought to strike down Regulations which had become part of the public law of the land. It may be that when delegated legislation is held to be *ultra vires*, it is not necessarily to be regarded as normal practice to revoke the instrument. As a matter of pure discretion, the Statutory Instrument would not be revoked for the following reasons: only one of the six associations which had been and habitually were consulted had applied for revocation, and that one applied only on the ground that it was not properly consulted; the Regulations had been in force for about six months and authorities must have adapted themselves as best they could to the difficulties which had been imposed on them; if the Regulations were revoked, all those who had been refused benefit because of them would be entitled to make fresh claims, and all authorities would be required to consider each such claim; the Amendment Regulations had been consolidated into the Housing Benefit Regulations 1985 (S.I. 1985, No. 677) and which had come into operation, which Regulations were not challenged.

#### Amendments of existing power to incur discretionary expenditure

36.—(1) Section 137 of the Local Government Act 1972 (power of local authorities to incur expenditure for certain purposes not otherwise authorised) shall be amended in accordance with subsections (2) to (8) below and, accordingly, after the coming into force of this section, shall have effect as set out in Schedule 2 to this Act.

(2) In subsection (1), after the words "in the interests of" there shall be inserted "and will bring direct benefit to"; after the words "incur any expenditure" there shall be inserted "(a)" and at the end there shall be added the words "nor

(b) unless the direct benefit accruing to their area or any part of it or to all or some of the inhabitants of their area will be commensurate with the expenditure to be incurred."

(3) After subsection (1) there shall be inserted the following subsection—

"(1A) In any case where—

(a) by virtue of paragraph (a) of subsection (1) above, a local authority are prohibited from incurring expenditure for a particular purpose, and

(b) the power or duty of the authority to incur expenditure for that purpose is in any respect limited or conditional (whether by being restricted to a particular group of persons or in any other way),

the prohibition in that paragraph shall extend to all expenditure to which that power or duty would apply if it were not subject to any limitation or condition."

(4) Subsections (2A) and (2B) (which relate to the giving of financial assistance to persons carrying on commercial or industrial undertakings) shall cease to have effect and, in subsection (2C), paragraph (a) (which relates to publicity on the promotion of the economic development of the authority's area) shall also cease to have effect.

(5) In subsection (3) (contributions permitted to charitable and public service funds etc.)—

(a) for the words "as aforesaid" there shall be substituted "to the following provisions of this section";

(b) in paragraph (b) after the words "public service" there shall be inserted "(whether to the public at large or to any section of it)"; and

(c) at the end of paragraph (c) there shall be added "or by such a person or body as is referred to in section 83(3)(c) of the Local Government (Scotland) Act 1973".

(6) In subsection (4) (expenditure not to exceed the product of a 2p rate) for the words following "not exceed" there shall be substituted "the amount produced by multiplying—

(a) such sum as is for the time being appropriate to the authority under subsection (4AA) below, by

(b) the relevant population of the authority's area"; and subsection (8) (which relates to the computation of a 2p rate) shall cease to have effect.

(7) After subsection (4) there shall be inserted the following subsections—

"(4AA) For the purposes of subsection (4)(a) above, except in so far as the Secretary of State by order specifies a different sum in relation to an authority of a particular description,—

(a) the sum appropriate to a county council or the council of a non-metropolitan district is £2.50;

(b) the sum appropriate to a metropolitan district council, a London borough council or the Common Council is £5.00; and

(c) the sum appropriate to a parish or community council is £3.50. (4AB) For the purposes of subsection (4)(b) above the relevant population of a local authority's area shall be determined in accordance with regulations made by the Secretary of State; and a statutory instrument containing such regulations shall be subject to annulment in pursuance of a resolution of the House of Commons."

(8) In subsection (4B) (amounts deductible in determining expenditure under the section) for paragraph (a) there shall be substituted the following paragraph—

"(a) the amount of any expenditure which forms part of the author-



ity's gross expenditure for that year under this section and in respect of which any grant has been or is to be paid under any enactment by a Minister of the Crown, within the meaning of the Ministers of the Crown Act 1975 (whether or not the grant covers the whole of the expenditure)".

(9) In section 83(3) of the Local Government (Scotland) Act 1973 (contributions permitted to charitable and public service funds etc.), at the end of paragraph (c) there shall be added "or by such a person or body as is referred to in section 137(3)(c) of the Local Government Act 1972".

#### GENERAL NOTE

This section amends s.137 of the Local Government Act 1972 (see GENERAL NOTE to s.33) in a number of respects, including so far as calculation of the spending limit is concerned; see also *Widdicombe*, Chapter 8; *Government Response*, Chapter VIII. §.37, as amended by this section, and by earlier legislation, is now set out in Sched. 2 to this Act (a keeling schedule).

#### Subs. (2)

Section 137 expenditure has to be in the interests of the area, or a part of the area, or some of the inhabitants of the area; it must now not only be in these interests, but also of direct benefit to them. Section 137 expenditure cannot be used in substitution for, or to circumvent restraints contained in, other powers; nor, now, may the expenditure be disproportionate to the benefits the expenditure is intended to bring.

#### Subs. (3)

The purpose of this amendment is to clarify and strengthen the prohibition on use of s.137 to circumvent restrictions contained in other statutory powers: see *Government Response*, para. 8.8(c).

#### Subs. (4)

By the Local Government (Miscellaneous Powers) Act 1982, s.44, s.137 was expressly extended to clarify that it could be used to give financial assistance to people carrying on commercial or industrial undertakings, by lending, guarantee or grant: s.137(2A), (2B). By the Local Government Act 1986, s.3(3), a restriction on the use of s.137 for publicity was introduced, save where it was for the purpose of promoting the economic development of the area, and incidental to other activities undertaken by the authority for that purpose (s.137(2C)(a)) or by way of assistance to a public body or voluntary organisation, incidental to the main purpose for which the assistance was given (s.137(2C)(b)). In the light of ss.33-35 of this Act, s.137(2A), (2B) and (2C)(a) are repealed.

#### Subs. (5)

Section 137(3) permits contributions to the funds of any charitable body in furtherance of its work in the U.K., the funds of any body providing a public service in the U.K. otherwise for the purposes of gain, and any fund raised in relation to a particular event directly affecting people resident in the U.K., on behalf of whom a public appeal for contributions has been made by the Lord Mayor of London, the chairman of a principal council, or a committee of which either the Lord Mayor or Chairman is a member. These powers are, however, subject to the preceding limitations in s.137 (as unamended by this Act), i.e. prohibition on use where there is another power, and prohibition on publicity.

By the first of these amendments, the prohibitions are now to be found in the (amended) subsequent provisions of s.137: bodies providing a public service in the U.K. to which contributions may be made, need only provide the service to a section of the public; and, contributions may be made to public appeal committees even if the Lord Mayor of London or chairman of a principal (England or Wales) committee is not a member, if instead there is a member who is a person or body within s.83(3)(c) of the Local Government (Scotland) Act 1973.

#### Subs. (6) and (7)

In accordance with the substitution of community charge for domestic rates (Local Government Finance Act 1988), and indeed in accordance with the views of the Widdicombe Committee (*Widdicombe*, para. 8.61(a)), the financial limit on s.137 expenditure is now

based on population, and comprises an amount (which may be varied by the Secretary of State by order: see also *Widdicombe*, para. 8.61(b)) multiplied by the population of the area. The retention of a financial limit was recommended by the Widdicombe Committee (*Widdicombe*, para. 8.35), and is based on a figure of £200 million as the national aggregate (Government Response, para. 8.18).

Population is to be determined in accordance with regulations to be made by the Secretary of State.

#### Subs. (8)

When determining whether the expenditure limit under s.137 has been exceeded, central government grants under the Local Government Grants (Social Need) Act 1969, repayment of principal of loans used to fund s.137 expenditure, amounts raised by public subscription, specified European grants, repayment of others' loans and specified descriptions of expenditure, are deducted. The first of these deductions (the 1969 Act) is hereby withdrawn, but there is substituted the more general provision that the amount of any expenditure in respect of which a grant has been or is to be paid by a Minister of the Crown under any enactment is deducted. The earlier provision permitted only deduction of the amount of the grant; the new provision permits deduction of any expenditure in respect of which a grant has been or is to be paid.

#### Subs. (9)

This makes the corresponding provision for Scotland as is made in England and Wales by subs. (5)(c).

### Conditions of provision of financial assistance

37. After section 137 of the Local Government Act 1972 there shall be inserted the following section—

"Financial assistance to be conditional on provision of information 137A.—(1) If in any financial year a local authority provides financial assistance—

- (a) to a voluntary organisation, as defined in subsection (2D) of section 137 above, or
  - (b) to a body or fund falling within subsection (3) of that section, and the total amount so provided to that organisation, body or fund in that year equals or exceeds the relevant minimum, then, as a condition of the assistance, the authority shall require the organisation, body or fund, within the period of twelve months beginning on the date when the assistance is provided, to furnish to the authority a statement in writing of the use to which that amount has been put.
- (2) In this section "financial assistance" means assistance by way of grant or loan or by entering into a guarantee to secure any money borrowed and, in relation to any financial assistance,—

- (a) any reference to the amount of the assistance is a reference to the amount of money granted or lent by the local authority or borrowed in reliance on the local authority's guarantee; and
  - (b) any reference to the date when the assistance is provided is a reference to the date on which the grant or loan is made or, as the case may be, on which the guarantee is entered into.
- (3) The relevant minimum referred to in subsection (1) above is £2,000 or such higher sum as the Secretary of State may by order specify.

(4) It shall be a sufficient compliance with a requirement imposed by virtue of subsection (1) above that there is furnished to the local authority concerned an annual report or accounts which contain the information required to be in the statement.

(5) A statement (or any report or accounts) provided to a local authority in pursuance of such a requirement shall be deposited with the proper officer of the authority.

(6) In this section "local authority" includes the Common Council."



## GENERAL NOTE

This is a straightforward provision requiring authorities to impose accounting conditions on the provision of any financial assistance within the Local Government Act 1972, s.137(3) (see notes to s.35(5), above), or any voluntary organisation, as defined in s.137(2D), which means "a body which is not a public body but whose activities are carried out otherwise than for profit." The body must provide a written statement to the authority, within 12 months of when the assistance is given, of the use to which it has been put: s.137A(1). The duty may, however, be complied with if the body's annual report or accounts contain this information: s.137A(5). For these purposes, financial assistance includes grant, loan, and guarantee: s.137A(2).

The obligation only arises, however, if the amount equals or exceeds "the relevant minimum" (s.137A(1)). This is defined in s.137A(3) as £2,000 or such higher amount as the Secretary of State may specify. The amount means the amount of money granted or lent by the authority, or borrowed on the strength of the guarantee: s.137A(2)(a). The 12 months run from the date of the grant or loan is given, or guarantee entered into: s.137A(2)(b). The proposals derive from the Widdicombe Committee, as adopted by the government: see *Widdicombe*, para. 8.109; *Government Response*, para. 8.27.

## Information etc. on individuals' rights

38.—(1) Section 142 of the Local Government Act 1972 (provision of information, etc.) shall be amended as follows.

(2) There shall be inserted after subsection (2)—

"(2A) A local authority may assist voluntary organisations to provide for individuals—

- (a) information and advice concerning those individuals' rights and obligations; and
- (b) assistance, either by the making or receiving of communications or by providing representation to or before any person or body, in asserting those rights or fulfilling those obligations."

## GENERAL NOTE

Section 142 of the Local Government Act 1972, permits an authority to make, or assist in making, arrangements for providing information to the public concerning the services available within the area (whether provided by the authority, central government, charities or other voluntary organisations), together with other information relating to the functions of the authority. They may also make available information about the services provided by other authorities specified in s.142(1B). As to the meaning of "information," as distinct from "persuasion," see *R. v. Inner London Education Authority*, ex p. *Westminster City Council* [1986] 1 W.L.R. 28, Q.B.D.

By this amendment, s.142 can now be used not merely to publicise the services available from voluntary organisations, but also to assist the organisation to provide advice concerning individuals' rights and obligations, and assistance (including representation) in asserting those rights or obligations, e.g. a C.A.B., Law Centre or other advice agency.

## PART IV

## REVENUE ACCOUNTS AND CAPITAL FINANCE OF LOCAL AUTHORITIES

## Introductory

## Application of Part IV

39.—(1) For financial years beginning on or after 1st April 1990, this Part has effect with respect to the finances of the following authorities (in this Part referred to as "local authorities")—

- (a) a county council;
- (b) a district council;
- (c) a London borough council;

- (d) the Common Council of the City of London;
- (e) the Council of the Isles of Scilly;
- (f) an authority established under section 10 of the Local Government Act 1985 (waste disposal authorities);
- (g) a joint authority established by Part IV of that Act (police, fire services, civil defence and transport);
- (h) a joint or special planning board constituted for a National Park by an order under paragraph 1 or paragraph 3 of Schedule 17 to the Local Government Act 1972;

- (i) the Broads Authority;
- (j) a combined police authority established by an amalgamation scheme under the Police Act 1964; and
- (k) any other body prescribed by regulations under subsection (3) below.

(2) The reference in subsection (1)(d) above to the Common Council of the City of London is a reference to that Council in their capacity as a local authority, a police authority or a port health authority.

(3) The Secretary of State may by regulations prescribe for the purposes of subsection (1)(k) above any body which is (or any class of bodies each of which is)—

- (a) a levying body, within the meaning of section 74 of the Local Government Finance Act 1988;
  - (b) a body to which section 75 of that Act applies (bodies having power to issue special levies);
  - (c) a body to which section 118 of that Act applies; or
  - (d) a precepting authority, as defined in section 144(2) of that Act.
- (4) Regulations under subsection (3) above may provide that, in relation to a body prescribed by the regulations, the following provisions of this Part shall have effect subject to such modifications as may be specified in the regulations.

(5) For the purposes of the application of this Part, the Secretary of State may by order make provision for treating things done by or to—

- (a) a company which, in accordance with Part V of this Act, is under the control of a local authority, or
- (b) a company which, in accordance with that Part, is for the time being subject to the influence of an authority, or
- (c) a trust to which, by virtue of an order under section 72 below, the provisions of section 69 below are applicable, or
- (d) a Passenger Transport Executive and any company which, in accordance with that Part, is either under the control or for the time being subject to the influence of such an Executive,

in such cases and to such extent as may be provided in the order as if they were done by or to the local authority specified or determined in accordance with the order; and, where an order so provides in relation to a local authority, that authority together with any companies and Executive concerned are in subsection (6) below referred to as members of a local authority group.

(6) Without prejudice to the generality of subsection (5) above, an order under that subsection—

- (a) may provide for the application of the provisions of this Part to the members of a local authority group subject to such modifications as may be specified in the order;
- (b) may make provision as to the way in which dealings between members of a local authority group and changes in the capitalisation or capital structure of any company in a local authority group are to be brought into account for the purposes of this Part; and
- (c) may contain such incidental, supplementary and transitional provisions as the Secretary of State considers appropriate.



APPENDIX B  
QUESTIONNAIRE

Introduction

My research is concerned with the adoption of the strategic planning approach to local economic development. For the purpose of the project, the strategic approach is taken to include the following elements:-

the long view  
opportunities and threats analysis  
reviewing the local economy  
(the wide view)  
strengths and weaknesses analysis  
a mission statement  
a key issues approach to the generation of options  
a vision  
monitoring and evaluation of performance

QUESTION 1

From reading your Economic Development Strategy for 1994/5, I have identified strategic planning elements included in the document (Column 1). I would welcome confirmation (Column 2).

{please delete as appropriate}

	Col 1	Col 2
	(evidence- strategy)	(LA confirmation)
the long view	Yes/No	Yes//No
opportunities and threats analysis	Yes/No	Yes/No
reviewing the local economy (the wide view)	Yes/No	Yes/No
strengths and weaknesses analysis	Yes/No	Yes/No
a mission statement	Yes/No	Yes/No
a key issues approach to the generation of options	Yes/No	Yes/No
a vision	Yes/No	Yes/No
monitoring and evaluation of performance	Yes/No	Yes/No

KEY P Powys B Blaenau Gwent N Newport G Gwent + agree - disagree

QUESTION 2

To the extent that your Authority has not adopted a full blown strategic planning approach to local economic development, please indicate reasons

{please tick one column}

Agree      No view      Disagree

reasons

- |   |      |   |     |
|---|------|---|-----|
| (a) a lack of knowledge of strategic planning                                   | PBG  |   | N   |
| (b) a lack of desire on the part of members to indulge in strategic planning    |      | G | PBN |
| (c) the basic difficulties in adopting rational comprehensive models, such as:- | PBGN |   |     |
| (i) large information requirements  | PBGN |   |     |
| (ii) the amount of time required when faced with day to day work pressures      | PBGN |   |     |
| (d) other reasons   |      |   |     |

I. Has a full economic development strategy ever been prepared [from first principles] for the whole local authority area?  
{If yes please give details}

YES	GN
NO	PB

II. Would you describe your authority's approach to economic development as:



A. considerable activity followed eventually by preparation of a formal strategy

or PBG

B. preparation of a formal strategy before any significant activity  
{please indicate whether A or B, or another alternative}

N

III. What do you see the roles of the annual Economic Development Strategy as?

{please score between 0 and 3 :0 unimportant, 1 fairly important, 2 important, 3 very important}

	P	B	N	G
To satisfy statutory requirements	3	3	1	3
To justify expenditure to Members	1	2	1	1
To justify expenditure to The Public	1	2	2	2
To act as a promotional tool	2	0	1	0
To set out an approach in the hope that others will follow	3	1	0	0
To set out an approach so that others will complement Council activity	3	2	2	2

QUESTION 3

What do you perceive to be the benefits/drawbacks/impediments to the adoption of the key elements of the strategic approach to local economic development?

	P	B	N	G
the long view	+	+		+
opportunities and threats analysis	-	+	+	+
reviewing the local economy	+	+	-	+
(the wide view)				
strengths and weaknesses analysis	+	+	+	+
a mission	-	-	-	+
a key issues approach to options	+	-	+	+
a vision	-	-		+
monitoring and evaluation of performance	+	+	+	+

QUESTION 4

Could you describe your Authority's economic development strategy in a few words

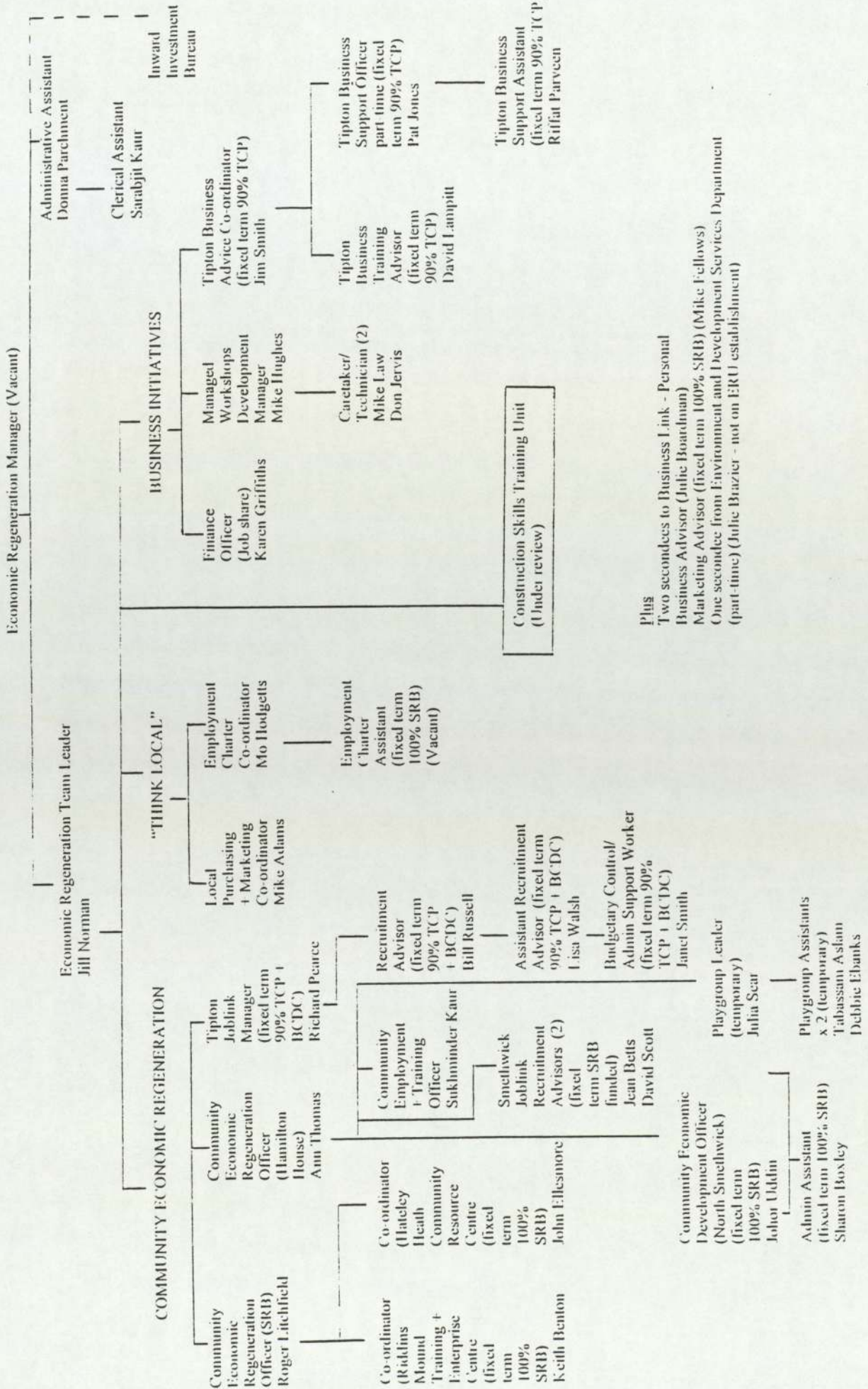
QUESTION 5

Who actually writes the Economic Development Strategy?

Who actually draws up the Economic Development Budget?



# ECONOMIC REGENERATION UNIT



# SWOT ANALYSIS ON EAST KILBRIDE'S ECONOMY

## - LOCAL AND REGIONAL ISSUES -

### STRENGTHS

- An established International business location image.
- Well developed business support infrastructure.
- High quality general environment.
- Skilled adaptable workforce.
- Good Industrial property portfolio.
- Diverse manufacturing base.
- Diverse economic structure.
- Company stock with a high proportion of small and medium sized enterprises.
- Internationally oriented company base.
- Assured supply of industrial development land.
- Availability of financial assistance.
- Latent entrepreneurial potential.
- Good national and international communications.
- The National Engineering Laboratory Campus.
- An established local economic development agency network.
- Local training providers.
- Ongoing local economic development initiatives.

### OPPORTUNITIES

- Development of the National Engineering Laboratory's R & D infrastructure/Technology Park.
- Expansion of service sector companies eg - those linked to the district's manufacturing base and export markets.
- The Entrepreneurial profile of the local population.
- Development of tourism and visitor attractions and markets.
- Multi National and Large company spin-out potential.
- Development of local supplier networks serving larger businesses.
- Emergence of an 'East Kilbride Partnership'.
- Existing and proposed District Council initiatives.
- The Single European Market.
- Business development opportunities in growing markets e.g - the environment, biotechnology, software, computer applications and engineering.
- Expansion/Consolidation of existing companies ('EK as a European base').
- Further rounds of Inward Investment.
- Human resource development and training provision to meet business needs.
- Further development of established local economic development initiatives.
- Further integration into the Lanarkshire economy.

### WEAKNESSES

- Low rate of entrepreneurship.
- Low rate of indigenous company formation.
- Dependence on Inward Investment.
- Limited availability of land/property for start-up enterprises..
- Poor public transport links.
- Peripherality in Europe.
- A Branch Plant economy and external ownership of a large part of the company base.
- Limited District Council resources for economic development.
- Under representation of service sector companies (eg in key 'export related' activities).
- Limited availability of quality office and business accommodation for service sector businesses.

### THREATS

- Wind up of the Development Corporation and loss of New Town status.
- Reduced resources for local economic development initiatives.
- Increased local and International competition for Inward Investment.
- Increased competition for local investment.
- Increased global competition to retain economic activity.
- Reduced profile of East Kilbride as a business location.
- Privatisation of the local industrial and commercial property market.
- Public expenditure constraints.
- Defence expenditure cuts.
- Local impact of globalisation of the economy e.g. - company retrenchment, downsizing, or closure.
- Impact of the Single European Market and Scottish peripherality.
- Downsizing of the National Engineering Laboratory.
- Limited environmental awareness in the business community.
- Local Government re-organisation and the loss of a local voice.
- The Introduction of statutory industrial development powers controlling Local Authority economic development activity.
- A maturing population.