The policy framework for urban regeneration is constantly developing at the national level. Authorities must be responsive to changing circumstances, and review their own strategies in turn. In particular the current recession as it affects the land and property market has had an adverse impact on local authorities' efforts. But the principles remain the same. To be effective, local economic development efforts need to be based on realistic strategies which should be prepared in consultation with, and have the support of, others active in the local economy. In particular, local authorities need to work closely with large employers in their area.

Since the publication of the Audit Commission's report on urban regeneration and economic development in 1989, local auditors have been reviewing the activities of individual authorities. Auditors' reports from over 80 authorities, completed in the 1990-91 audit year, reveal patchy performance. Over half the councils studied do not appear to have involved outside organisations in the preparation of their own economic development (ED) strategy. A significant proportion have not based their ED strategy on a wide ranging analysis of the general economic circumstances of their areas or recognised the potential role of the major local authority services. Without these considerations, strategies are likely to be limited in their scope and usefulness.

It is also clear that there are still some problems in the administration of the Urban Programme. At the time of the local audits many submissions were late, with approvals often not emerging within the set timetable. Recent changes to streamline the process are only now beginning to have any impact. The Government's Task Forces, on the other hand, were found to be working very effectively with local authorities.

This report is the third in a series produced by the Audit Commission on urban regeneration and economic development. The first two, also available from HMSO (see back page for details of how to order), are:

Urban Regeneration and Economic Development: the Local Government Dimension (price £8.20)
ISBN 011 701451 6

Urban Regeneration and Economic Development: the European Community Dimension (price £4.50)
ISBN 011 886050 X
1. **THE CONTEXT**

1 In September 1989 the Audit Commission issued a report, *Urban Regeneration and Economic Development: The Local Government Dimension* (Ref. 1) on the role of local authorities in urban regeneration. The report was prepared under section 27 of the Local Government Finance Act 1982, which empowers the Commission to examine the impact of central government legislation on the economy, efficiency and effectiveness of local authorities.

2 At the time of the report many local authorities argued that their contribution was undervalued by central government. The Commission’s report generally supported that contention and highlighted a number of problems. Though relations were improving, there was still a poor climate for co-operation between central and local government. The switch of resources to initiatives such as City Grant and Urban Development Corporations (UDCs), (which are largely outside the control of local authorities), and the cursory mention of local authorities in the *Action For Cities* documentation (Ref. 2), reinforced this view. Despite the more positive attitude to the local authority role in *Progress on Cities* (Ref. 3) and the new economic development powers defined in the 1989 Local Government and Housing Act, suspicions still remained. Defensiveness on both sides made a true partnership – essential to regeneration and the perception of an area by the private sector – difficult to achieve.

3 At the national level, the report commented on the multiplicity of agencies active in economic development, and the wide variety of schemes for assistance and advice. In particular, government support programmes were seen as a ‘patchwork quilt’ of complexity and idiosyncrasy. There was also inadequate co-ordination of local strategies. At the level of the individual urban area there was often an overkill of individual government schemes and programmes within a strategic vacuum.

4 The Commission reported that individual programmes such as the Urban Programme (UP) assistance from central government were unnecessarily bureaucratic. This led to difficulties and delay in compiling and approving expenditure bids. Many UP bids were not approved until well after the start of the financial year in which the money was due to be spent. In addition, expenditure was restricted to particular activities, not all of which were felt by the authorities to be of the highest priority.

5 More recent research by other bodies supported these conclusions. A report by Coopers & Lybrand Deloitte and Business in the Community (with the support of the CBI) (Ref. 4) talks of ‘confusion and uncertainty’ and an ‘absence of co-ordination’.

6 Following the publication of the Commission’s report, the National Audit Office (NAO) produced its own report (Ref. 5) on the Government’s inner city programmes, which was discussed by the Committee of Public Accounts in February 1990 (House of Commons, February 12 1990). The PAC (Ref. 6) supported the conclusions of the Audit Commission’s report and commented in particular on ‘insufficient liaison between departments at national level’, and on ‘the multiplicity of bodies and initiatives’ as ‘potentially a recipe for confusion and overlap’.

7 Since 1989, there has been considerable evolution within urban policy. The Government has responded to the criticisms expressed, and improvements have been made to the arrangements for co-ordination at local and national level. Early in 1990 the Government issued *People in Cities* (Ref.7), the second follow-up to *Action for Cities*. This places less emphasis on regeneration of the built environment and more on partnership and the role of people living in the inner cities. In terms of policy management the main change has been the establishment in December 1989 of a team of junior ministers each taking responsibility for a City Action Team or Inner City Task Force in England. The team consists of existing junior ministers in the department most concerned with inner cities. Each has the responsibility of representing an area in government discussions, and also acting as the focal point within their ‘home’ departments for inner city matters. This arrangement replaces the original concept of ministers being directly involved with UP partnership authorities, which had fallen into disuse in most cases.

8 The Local Government and Housing Act 1989 strengthens the recognition of a role for local auth-
orities in economic development. Part III of the Act now provides a specific power for local authorities to promote the economic development of their areas. Section 35 requires authorities to produce a document before the beginning of each financial year setting out their proposals, their intended achievements and the expenditure and income involved. The council must consult local organisations and private companies over these plans.

9 In April 1989 the Department of the Environment (DoE) issued an updated Urban Programme User Guide which represented a full restatement of the UP management system in England. (The Welsh Office issues its own guidance.) The User Guide contained a reinforced commitment to the principles of management by exception – largely welcomed by the local authority associations – and a new and more formal statement of the timetabling for the preparation, submission and approval of UP documents. It also called for the establishment of Action Statements setting out operational objectives for the forthcoming programmes, and a renewed emphasis upon the importance of the Annual Strategy Report. The User Guide was, as previously, supplemented by detailed guidance to local authorities but in a new, clearer and more comprehensive form.

10 Other urban policies and programmes have evolved. Estate Action has taken on a more explicit economic regeneration and local employment creation dimension. The 11 UDCs in England and Wales are two years further into their time-limited programmes, struggling on the one hand with the development task at a time when the property market is in severe depression, and on the other with the questions of exit and handover, which are now explicitly on their management agenda. Government funding to the UDCs in 1991-92 totalled £470m to purchase and reclaim land, provide infrastructure, encourage development and improve the environment. The Government is currently reviewing the lifetimes of the UDCs and their success in achieving their original objectives, in the light of market trends and future resource requirements. The NAO also intends to review the achievements of the second and third generation UDCs as a follow-up to its earlier report on the first development corporations in London Docklands and Merseyside.

‘...The 11 UDCs in England and Wales are two years further into their time-limited programmes...’

11 The rotation of Task Forces continues. By the end of 1991 nine of the original sixteen Task Forces will have been closed. New Task Forces in Hull, South Tyneside and Hackney are due to open in Autumn 1991. The Safer Cities Programme (Ref. 8) now operates in sixteen areas, involving over 650 local crime prevention schemes.

12 Training and Enterprise Councils (TECs), almost all of which have local authority representatives on their boards, are now widely established. They have begun to shape local training supply, often with a significant adverse impact on existing inner city training providers – the TECs have so far tended towards mainstream providers of training rather than the voluntary sector. All TECs are required to undertake a full assessment of the needs of their area and develop strategies accordingly, taking account of special needs and equal opportunities issues. The longer term impact of TECs and the extent to which they can address urban regeneration objectives as an integral part of their overall labour market objectives, remain to be seen.

13 Private sector involvement with urban regeneration programmes has been sustained, albeit with growing difficulty, at a time of economic downturn. In the wake of the CBI's report Initiatives Beyond Charity (Ref. 9) there is a growing number of Local Business Leadership Teams (usually involving also the Chamber of Commerce) working with councils in the development of local regeneration strategies and programmes. The private sector will also be more closely involved in inner city regeneration through involvement with the TECs.

14 Urban policy in England has also begun to be more open to influence from other countries. In particular, New Life for Urban Scotland (Ref. 10) and the establishment of four major regeneration partnerships in Scottish cities has emphasised the relevance of concentrated area-based initiatives, the role of community involvement in local regeneration and the significance of peripheral estates in urban policy. In the rest of Europe, the European Commission (EC) supported Quartiers en Crise (Ref.11): a programme of exchange between ten cities, which is to
be extended to a further fifteen cities, one of which may be in England. (The DoE has hitherto not participated in the programme.) Again, the EC funded 'London Initiative' is (with Marseilles, Hamburg and Rotterdam) one of the very few specifically urban regeneration pilot programmes being supported at the European level. The impact of European funding (Regional Development Fund and Social Fund) on local authority spending has been discussed in an earlier Audit Commission paper (Ref. 12).

15 The most recent innovation has been the City Challenge initiative – the invitation in May 1991 to selected English UP authorities to submit competitive bids for inclusion as pace-makers in a new area-based approach to urban regeneration. Eleven bids have been successful; six authorities failed. City Challenge involves the 'top slicing' of £82.5m a year of inner cities and housing programme funding from 1992-93 to 1996-97. Consistent with the Audit Commission's own recommendations, City Challenge requires the development both of a strategy which relates the area in question to the larger city economy, and the involvement of the widest range of local organisations in its preparation and implementation. The Government intends, subject to the success of this year's pilot round, to hold a wider competition in 1992, open to all 57 Urban Programme authorities. An increasing proportion of Urban Block funding is likely to be used in this way and main programme expenditure will be directed towards successful City Challenge areas wherever possible.

16 These developments reflect a number of underlying themes. Concentration upon small areas and disadvantaged groups has become even more accentuated. DoE research publications over the last year on Getting People in Jobs and Targeting Urban Employment Initiatives emphasise this policy direction. There has been some rehabilitation of the local authority role and it is now accepted – as the City Challenge initiative illustrates well – that it is the local authority which must take a lead in establishing and sustaining collaborative partnerships. Nevertheless fragmentation continues, and the patchwork quilt which was the hallmark of policy and programmes two years ago remains only loosely sewn together. And Part V of the Local Government and Housing Act, governing local authority companies, has still not come into effect.

* * *

17 It is within this general context of urban policies that local authorities have been addressing the problems of local economic development. Following the 1989 study, external auditors appointed by the Commission have carried out local 'value for money' (VFM) reviews at authorities where economic development is important. The VFM audits varied in scope and depth, depending on local circumstances. Nearly all covered an assessment of the way in which authorities had developed their economic strategies and the quality of working relations with other agencies. The reviews concentrated on these wider issues rather than the value for money achieved from individual schemes. It was not part of the auditors' remit to review, for example, the outcome of a decision to provide individual financial assistance.

18 Conclusions from the VFM reports form the basis of this paper. Audits were carried out in 1990-91 in 83 authorities (Table 1), including 31 councils in England which are invited to submit an Inner Area Programme (IAP) as part of Urban Programme assistance from central government. The audits were mainly concentrated in the larger urban areas, but also included a number of smaller districts where there are severe problems of economic decline. About half the Welsh counties and districts were also included. Some authorities, (for example Bradford) were not included in the local reviews because they had

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already been major contributors to the Commission's earlier study.

19 These value for money audits represent a much larger body of experience than was available from the Commission's original study. The auditors' reviews contain their judgements on a wide range of local authorities' urban regeneration and economic development activities. The aim of this paper is to draw together the main messages. It firstly puts local authorities' economic development activities in context, then looks particularly at the preparation of economic development strategies and their implementation, including the relationship of the authority with other organisations. Finally, the paper comments on trends which will have an impact on local authority economic development activity.

2. ECONOMIC DEVELOPMENT IN LOCAL AUTHORITIES

20 In many urban areas local authority officers and members make the case that everything the authority does can be seen as contributing to urban regeneration. Some authorities have explicit resolutions covering economic development. For example, in the early 1980s, Rotherham MBC resolved that 'projects resulting in the creation of employment are the council's first priority'. Norwich City Council is 'committed to ensuring that all Norwich residents have access to secure and worthwhile employment'. In some authorities, reports to committees generally comment on the potential impact on urban regeneration of any proposals. This is becoming increasingly common.

21 Where there are severe economic problems this is easy to justify. In many cases the local authority has a potentially crucial role. It can be the one organisation with a necessarily long term commitment to the area which can take the lead in bringing together public agencies and the private sector around a regeneration strategy. This is especially the case where business leadership is weak.

22 The auditors' local reviews confirmed the high profile of economic development in many authorities. In over a quarter of the authorities examined the Chief Executive and leading members were reported to have extensive involvement in economic development matters. In a further half of authorities the Chief Executive and leading members were involved in at least the major strategic issues. The picture for those authorities receiving UP assistance was similar. Bolton is a good example of an authority with a high level commitment to economic development, with both the Chief Executive and leading members having extensive involvement (Case Study 1).

CASE STUDY 1: Bolton – Roles of Members and Chief Officers

Up to the 1980s Bolton relied heavily on declining manufacturing sectors, principally textiles, vehicles and engineering. The legacy of old infrastructure and largely obsolete buildings was evident. Unemployment was already over 10% and set to rise much higher over the next few years.

In 1980 the council brought into clear focus the deep-rooted problems that the area faced. Now, there is a striking consistency of purpose in the council's key strategy documents: the Corporate Strategy, the Service Commentaries (which guide the budget process) and the Agenda for the 90s document – the basis for the public discussions that have recently taken place. Members, the Chief Executive, and officers combine well in smoothing the process of taking decisions about economic development matters and so ensure a common sense of purpose. Local communities and the business community are being brought into partnership with the council to get things done.

A similar spirit of involvement is evident within the authority. The Economic Policy Working Party, chaired by the leader of the Council, provides a forum for discussing economic development activities. Chairs (or vice chairs) of service committees are involved in policy matters at a formative stage.

The Economic Activities Steering Group then brings together officers (usually deputy directors), and senior representatives of external bodies in the training and enterprise fields. This group formulates detailed proposals for action and delegates specific ownership of the various initiatives to main line departments. The need to impose a heavy-handed corporate economic strategy on 'unwilling' service departments is avoided and, similarly, economic strategy is not isolated from the more specific interests of spending departments.
23 Not all authorities follow this example. Traditionally local authority elected members have devoted much of their energy to matters of service planning and delivery. Local economic development is not a long-standing or traditional function and the skills and expertise that members can bring are relatively new. The need to think strategically about the future of the local economy, and the contribution which different local agencies could or should bring to the management of economic change also pose a challenge to elected members. In many authorities the strategic role of councillors requires further consideration. In particular, elected members face a difficult challenge in meeting the new representational role – in relation to UDCs, TECs and local Business Leadership Teams, for example – which strategic economic development work demands.

GROWTH OF ECONOMIC DEVELOPMENT ACTIVITY
24 In parallel with the increasing involvement by members and Chief Executives, the number of councils providing an economic development service (or department) grew dramatically in the 1980s. At the end of the 1960s, only a handful of authorities provided an economic development service. By the end of 1979 this had increased to nearly 50%, but in the 1980s the number of authorities engaged in economic development activities increased fourfold to over 200. Of these, three-quarters had economic development units staffed by full time specialists.

25 Economic Development units are generally small. Nearly two thirds of councils with economic development services employ fewer than five people on this activity. But some units are much larger – one in ten employs over 20 staff. The range of activities varies from supplying commercial property information, which most councils undertake, to tourism development, inward investment promotion, and European liaison. The Planning Department is often the most favoured location, particularly for small economic development services, followed by the Chief Executive’s Department. A small number of units operate as stand-alone departments.

26 Auditors examined the role of such units and how they contributed to the urban regeneration/economic development effort of the authority as a whole.

3. PREPARATION AND IMPLEMENTATION OF ECONOMIC DEVELOPMENT STRATEGIES
27 A major constraint on the effectiveness of councils in economic development derives from a lack of coherent strategies within which to position individual schemes. In particular, co-ordination is frequently poor when many agencies are active locally. It is important that the local authority knows what it is doing and why, and has a sense of strategic purpose.

28 The Commission’s 1989 report argued that such specific local authority strategies should be set within a broader ‘regeneration audit’ for the whole area. The audit should include a wide-ranging and objective appraisal of the local economy (Exhibit 1), undertaken with local agreement, leading to a consensus for action by the key participants. It places the emphasis on a partnership between the main players in the area, including local authorities, local offices of central government, the Chamber of Commerce, large firms and organisations, the voluntary sector and community groups. Councils would then, having consulted widely, frame their own economic development (ED) strategy in the context of the

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* Figures taken from a survey of local authority economic development activities, carried out for the Audit Commission by Urbecon Economic Development Consultants in the Spring of 1990. Nearly 300 authorities responded to the survey.
audit. An example of the recommended approach is to be found in Norwich (Case Study 2).

29 Reviews of this type are not merely statements of the obvious – they can produce new insights into the local economy and economic development activities. For example, as a result of such a review, one authority decided to cease providing business advice when it discovered that over twenty other organisations were providing a similar service in the local area. Another authority found that major industry in its area was not as well placed to withstand competition as previously assumed, and tailored its support programmes to reflect this.

30 These local regeneration audits are not to be confused with the VFM audits referred to above, carried out by the external auditor in agreement with the authority concerned. The regeneration audit involves all partners in the local economy, but it is not the auditors' role to evaluate individually the contribution of each of these partners. Rather, auditors have reviewed the ED strategy and activities of the authority in relation to the results of the regeneration audit.

31 The ED strategy should go substantially further than simply a statement of objectives, which might be no more than a 'wish list' incapable of being fulfilled. It should relate the objectives to the practicalities of achieving them. A council's ED strategy should be based on a wide-ranging local economic appraisal (ideally forming part of the local regeneration audit), (Exhibit 2, overleaf). The strategy should also recognise the contribution of other organisations active in the local economy. These three components – a local economic appraisal, liaison with other organisations and the ED strategy itself – are fundamental to success. An ED strategy statement prepared without the other two components is unlikely to meet the real needs of an area and will be of limited value. A strategy should also involve all relevant services of the authority and set out the deployment of the resources available to the authority. Finally, it should be regularly monitored and reviewed in the light of changing circumstances.

32 The recent legislation should encourage the preparation of such strategies. The section 35 plans under the Local Government and Housing Act undoubtedly help to formalise an authority's contribution to local economic development, although the requirements of the Act do not constitute an ED strategy of the type described above. They necessarily concentrate on short term expenditure plans and the inputs and outputs of individual schemes. However, in practice, the plans prepared by many councils will form an essential input to a wider ED strategy document. The more explicit strategy statements required by the City Challenge are also a step in the right direction, although as yet only for a limited number of authorities.

CASE STUDY 2: 'Norwich – A Time of Opportunity'

In 1981 the Norwich Area Economic Study was undertaken to provide a forward looking overview of the local economy of the Norwich area. The study had its origins in doubts by the members and officers of the four local authorities in the area that the full potential of the local economy was being realised. A consensus emerged that there was a need to bring together existing and new information in a single report. The report was sponsored by the four authorities, the University of East Anglia, and twenty local companies. It had the full support of the Norwich and Norfolk Chamber of Commerce and Industry. Most of the work was undertaken by the Economics Research Centre at the University of East Anglia.

The study was set up in the context that many Norwich companies seemed well placed competitively following the recession of the early 1980s. Some of the aspects highlighted by the study were: difficulties in recruitment of skilled staff, a growing (and ageing) population, an outdated perception of the area by companies in other regions, and increasing problems of car parking and traffic congestion.

The study was followed by a joint policy statement by the four local authorities and the Chamber of Commerce. This encouraged growth in the local economy, and outlined broad policies on aspects such as retailing, tourism, industrial sites, offices and the image of the area, and the effects of these policies on the local infrastructure. This formed the background for the more detailed and specific Norwich City Council economic development strategy statement Norwich at Work.
PROGRESS TO DATE

33 Of the 83 authorities involved in the audits, 70 (84 per cent) had either produced an economic development strategy document by the end of 1990-91 or were preparing one. But further analysis reveals a rather mixed picture. Only 39 (47 per cent) had the three key components – local economic appraisal, liaison with other organisations (including other local authorities), and the council’s own ED strategy statement – either completed or in progress (Exhibit 3).

34 These authorities have made at least some progress in producing soundly-based economic development strategies. But there is more work to be done in many of them. Local economic appraisals need to be completed, and the results used as a basis for ED strategies – only 20 authorities had actually completed the task. And the resulting economic development strategies are not necessarily adequate – some, for example, are written in too general terms, without a clear statement of the objectives and costs of the schemes proposed by the authority.

35 But auditors found more serious problems in the remaining 44 authorities reviewed (53 per cent), none of which had had significant involvement with outside organisations (Exhibit 4):

- 17 of the 44 authorities had completed (or were in the process of) an appraisal of the local economy on their own, and of these 15 also had already produced their own ED strategy.
- 16 had not started an appraisal of the local economy but either had or were actively developing their own ED strategy.
- 11 authorities had made no progress at all.

36 Thus, in total, 31 of these 44 authorities already had their own economic development strategy or were preparing one, but without significant input from other organisations. Without this input (ideally via the mechanism of a local regeneration audit), or at least an awareness of other organisations’ potential and actual contribution, these strategies are un-
None of these 44 authorities had significantly involved outside organisations likely to provide a coherent framework within which to place individual schemes. It is unlikely that other organisations will feel any commitment to the resulting ED strategy if they have not been actively involved.

**URBAN PROGRAMME AUTHORITIES**

37 Councils receiving Urban Programme assistance from central government are recognised as having severe economic and social problems. Good economic development strategies are especially important in these areas. All UP authorities in England* need to produce a strategy, an action statement and a programme of projects as part of their annual bid for funds. But this in itself is not a full economic development strategy. The statement concentrates on the problems of the defined programme area rather than the whole authority and does not take account of the role of other organisations.

However, the general picture in the 31 UP authorities in England covered in this review is no better than that for the other authorities. Eighteen of the 31 authorities had either not started an appraisal of the local economy or, where such an exercise is complete or in preparation, have not involved other relevant organisations. The total Urban Programme allocation for these 18 councils for 1990-91 was over £42 million.

38 The 1989 Commission report commented that one of the prime areas of friction between central and local government was the bureaucracy of the process for submission and approval of UP funds. Up to 1988-89 few approvals were given before the start of the financial year to which they related. The effect of late approval is to delay the start of projects and, in some cases, to condense work into a few months at the end of the financial year. This obliges staff not only to deal with current projects, but also to prepare the submission for the next year and write the annual report for the previous year, all at the same time. This can cause major difficulties. Late approval can also cause problems in, for example, maintaining the enthusiasm of voluntary groups or recruiting staff.

39 Despite the improvements in the new User Guide the management of the urban programme still tends to be dominated by the detail of project management rather than by the underlying strategy. Results from the audits show that late approvals were still causing difficulties in some authorities. Discussions with authorities suggest that if an UP approval is received just after the start of the financial year, the consequences are not too serious. However, a significant proportion of decision letters were very late, delaying the start of the projects (Exhibit 5, overleaf). Twenty-three authorities were able to provide the auditors with information on the dates of submission and approval for their UP bids for 1989-90 and 1990-91. In 1989-90 six approvals out of the 23 were received over one month after the start of the financial year; in 1990-91 this had risen to nine out of 23.

40 Figures from the DoE for all UP authorities confirm the auditors’ findings. In 1990-91 only 22 per cent of local authority draft programmes were received on time and 25 per cent approved on time. (Since the auditors completed their reviews in 1990-91, there is some evidence that the position is improving as a result of the revised guidelines. Latest DoE information for the current year (1991-92) show 64 per cent of submission received on time and 60 per cent approved on time. Authorities and the DoE regional offices will need to maintain this improvement.)

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*The arrangements for urban programme in Wales are different. All authorities are eligible for assistance, and bids are made for particular projects rather than as part of an overall strategy. The Secretary of State for Wales’ decisions for each financial year are announced the previous December.
URBAN PROGRAMME – DATES OF SUBMISSION AND APPROVAL

A significant proportion of decision letters were very late, delaying the start of projects.

Exhibit 5

[Graph showing dates of submission and approval]

Source: Auditors’ reports (1990-91)

Late submission by local authorities and the time taken to process IAP submissions both contribute to late approvals. Submission by the end of December allows three months to process the claim so that approval can be given before the start of the financial year. Submission of a bid after December 31st will inevitably make it less likely that approval will be achieved by March 31st in time for the start of the new financial year. However, over half of the submissions in both years were after the end of December – the deadline outlined in the guidance issued by the DoE – and half of all submissions took more than three months to process. The problem is worse in London with an average time between submission and approval of five months, whereas in the North East it is less than three months.

A submission that did not contain all relevant information required by the DoE would inevitably result in requests from DoE at regional or national level for supplementary information, to enable the evaluation to be carried out. But whatever the reason for late approvals, the evidence suggests that there is still room for improvement, even in the light of the 1991-92 data.

IMPLEMENTATION

Forty authorities in total had completed an ED strategy statement (although only 20 were based on a local economic appraisal involving other organisations). For these 40 authorities auditors reviewed how well the strategies were being implemented. Two authorities, Bolton and Newport (Case Study 3), were considered to be implementing their strategies very well, with a further 24 authorities fairly well (Exhibit 6). However, for the other 14 councils, over a third of the authorities with a completed strategy, the local auditors had reservations. (The remaining 43 authorities either had not yet completed their strategy or had not yet started.)

CASE STUDY 3:
Strategy Implementation – Newport Borough Council

The council’s economic development strategy identified three specific problems: high unemployment, a large amount of derelict land and a poor image for the area generally. Newport Borough Council has worked in partnership with other agencies, including Gwent County Council, the Welsh Office, the Welsh Development Agency and British Steel to address the problems in order to regenerate the Newport area. The council has produced an economic development strategy, which outlines six interrelated action plans. The auditor’s local review concluded that the council was implementing the strategy very well.

One of the action plans covers the Usk river front regeneration, with the aim of revitalising the area adjacent to the river. Work has already started on the riverside promenade area in the centre of the town. The next stage is an ambitious plan to construct a barrage across the River Usk, the benefits of which are expected to be improvements to local infrastructure and encouraging the development of riverside land. In the judgement of the auditor the council has taken all reasonable steps to assess the feasibility of the project.

Of course, delays in receiving approval can also result from inadequacies of the bids themselves.

Of course, delays in receiving approval can also result from inadequacies of the bids themselves.
thought out strategy is unlikely to gain the commitment required for full implementation. For example, some strategies are written in very general terms, looking to the medium and long term, and do not relate well to the immediate activities of the economic development unit and other departments. In some cases the strategies include a list of actions which are desirable but are unlikely to be carried out (due to resource limitations). As discussed above, some are not based on an appraisal of the local economy involving other organisations.

For many councils their current economic development strategy is their first and they have not been able to draw on previous experience. With the new discipline of producing annual economic development plans under the Act, councils should be able to improve their performance in preparing and implementing economic development strategies. The Association of District Councils is currently preparing a review of the section 35 plans produced by district councils and, together with the other local authority associations, is considering holding seminars to increase awareness in authorities. Other organisations, too, will increase experience in dealing more closely with local authorities and will be able to contribute more constructively to the process in future plans.

Finally, auditors looked at the arrangements for monitoring and review of ED strategies. In only 16 authorities (40 per cent of the sample of 40 authorities which had completed ED strategies) were procedures in place. The economic development plans required by the 1989 Act will be submitted annually, but this should not deflect attention away from the need to undertake a major review of the authority’s wider ED strategy at least every three years.

WORKING WITH OTHERS

Local authority economic development units need to work effectively with a wide range of organisations – including departments in the same council, other local authorities (including other tiers), local offices of central government, private firms and the voluntary sector. In Wales, the Welsh Development Agency (WDA) must also play an integral part – the medium term strategies of the WDA for the areas in which it is working recognise the contribution of all these bodies.

OUTSIDE ORGANISATIONS

The 1989 Audit Commission report commented on the multiplicity of agencies active in economic development and stressed the need for a coherent approach. Auditors assessed the quality of local authorities’ relations with a range of other agencies – interviewing those agencies directly – as well as taking the views of the local authority concerned. Councils have no control over the existence of many of the agencies operating in their area and must attempt to forge links where possible. One authority was of the opinion that there was no point in developing its own strategy for training and education ‘until the [newly formed] TEC had put together its own strategy’. But this was precisely the time to make contact with the TEC – so that the strategies are at least complementary, and, better still, so that the authority can influence the TEC’s thinking as far as possible.

Nearly a third of the local authorities reviewed were considered to have good relations with other agencies. For example, in Rotherham all the agencies contacted during the local audit were able to confirm pro-

Exhibit 6
IMPLEMENTATION OF ED STRATEGIES

Auditors considered only 2 of the 40 authorities with completed strategies were implementing them very well.

Source: Auditors’ reports (1990-91)
ductive working relationships (Case Study 4). But about a dozen authorities (15 per cent of the sample) were thought to have consistently poor relations, which is bound to affect economic development adversely. This could show itself in number of ways, such as in a strategy which does not take account of the role of other agencies, or in difficulties with getting agreement for an Inner Area Programme or in duplication of the work of other agencies.

50 Overall, the quality of contacts with the various individual agencies was broadly similar. An authority experiencing poor relationships with its business sector, for example, was found to have equally poor relations with other local organisations, such as agents of central government. But auditors found, generally, one exception to this. The local Task Forces set up by the Government to stimulate small business activity in defined inner city areas were generally found to work much more closely with local authorities. This may reflect the fact that Task Force teams work with the agencies active in economic development locally on a partnership basis, and some include a secondee from the local authority.

51 In some cases authorities are themselves active in trying to co-ordinate and rationalise activities locally in order to provide a better service to the customers for the services. Nottingham City Council has reduced the number of separate agencies for business advice by operating a business bureau – a one-stop shop for local small firms – which has a number of agencies in one building with a single reception point (Case Study 5).

**CASE STUDY 4:**

**Rotherham: Links with other agencies**

During the review of economic development at Rotherham MBC, a number of organisations were contacted by the auditor carrying out the study, including British Coal Enterprises, the Rotherham Chamber of Commerce and Industry, Rotherham Enterprise Agency Ltd and the local Training and Enterprise Council. All of the agencies were happy to confirm that they had good working relationships with the authority. In particular, there was common agreement that the main thrust of the economic development strategy should be to reclaim for industrial and commercial use the derelict land left by the former coal mining and steel making industries, and to improve the skills base of the local workforce. (During the 1980s, employment in the coal and steel industries – which in 1979 accounted for over a third of all jobs in the borough – declined dramatically.)

The Rotherham Economic Forum brings together senior representatives from the main agencies and provides a regular meeting at which matters such as the council’s economic development strategy, ‘who does what’ questions and research initiatives can be discussed. The council is committed to working in partnership with others to achieve the regeneration of the Rotherham area. In the Dearne Valley, part of which lies in the north of the borough, the council is working with the neighbouring local authorities of Barnsley and Doncaster and the private sector to regenerate an old mining area which is one of the most rundown areas in the country. A combined bid from the three Dearne Valley authorities has been chosen as one of the successful City Challenge submissions.

**WITHIN THE COUNCIL**

52 Successful economic development requires good internal as well external co-ordination. Most council activities have an impact on economic development and the activities of the various departments should be linked. The local reviews have indicated that in one aspect at least there are problems.

**CASE STUDY 5:**

**Nottingham Business Bureau**

A key feature of the co-ordination of agencies in Nottingham is the Nottingham Business Bureau which houses a range of business advisory and information services in a centrally located office building. The bureau was established in 1985 with the help of Urban Programme funding to create a 'one stop' business centre. Prior to this a variety of organisations providing advice and assistance to small firms existed independently in the city. This confused the managers of small businesses. It was felt that bringing them together would enhance their effectiveness and improve co-ordination.

The City Council provides an envelope for the bureau by funding the premises and reception facilities. Among the agencies in the bureau is the Nottingham Business Venture, a local enterprise agency founded in 1983, which as a main activity provides counselling to small businesses. Other organisations include the Action Resource Centre (a national charity which mobilises business skills in support of community development), the Training Access Point, and a representative of the City Council's Economic Development Unit.
There is a potential conflict in some authorities between 'pure' planning interests and economic development. It is not suggested that this is widespread but it was highlighted in four of the councils taking part in the review. For example, if potential developers initially approach the Planning Department they may be discouraged by formal planning restrictions and feel that they are forced to look elsewhere. Where the economic development unit becomes involved it may be possible to find alternative sites for the company or organisation. North Tyneside MBC is one authority which has avoided this problem by developing protocols for the handling of enquiries to ensure that all relevant departments are kept informed. Other authorities could benefit from a similar approach, which also allows a reliable database of enquiries to be established.

4. THE FUTURE

Neither central nor local government should think that a regeneration audit or ED strategy preparation are one-off exercises. Strategies need constant review as economic circumstances change, and the 1990s bring a range of new challenges to authorities.

In the first place the current recession is not a re-run of the structural reorganisation of the early 1980s. Then, manufacturing industry in the older industrial areas – and particularly the inner-city areas of the Northern and Midlands regions, Scotland and Wales – bore the brunt of the job losses. Other parts of the country – particularly the South East, South West and East Anglia – were less markedly affected. In the current recession, the first areas to suffer a reversal of fortunes were in the South, reflecting the sensitivity of consumer demand to high interest rates, the relatively vulnerable position of the service sector in that area and the depressed state of the housing market. In relative terms the South has experienced the greatest increases in regional unemployment (Exhibit 7). Between June 1990 and June 1991, unemployment nearly doubled in the South East (to 6.7 per cent) compared with an increase of only a fifth in the Northern region (to 10.0 per cent). But the recession has now spread to all parts of the country and has affected all major sectors of the economy.

In some areas the impact may be cyclical as local investment and job prospects closely mirror the national economy. In other areas change is related to trends in the structure of demand. Thus some areas will be affected by the run-down of defence spending, and financial services will be dependent upon the future structure of financial and professional service activity in the post-1992 European market. Other cities again will be more dependent upon patterns of change in consumption, as the recent DoE research study illustrates in relation to the potential impact of Tourism and the Inner City (Ref. 13).

A major short-term feature is the decline in the development and property market. The total number of property transactions monitored by District Valuers has fallen by a third since the last quarter of 1988.
(Exhibit 8). Many of the regeneration success stories of the 1980s derived from, and were dependent upon, a buoyant property market which provided the stimulus and impetus for physical redevelopment. The Urban Development Corporations in particular have operated on the assumption that land sales and the development of property for sale or lease would provide the financial basis for continued redevelopment. Thus public sector financing would not be necessary. Much City Grant supported activity was also planned on similar assumptions of a buoyant property market, as were a number of the local authority redevelopment schemes, central to the regeneration strategies of many smaller towns and cities. Change in the development climate forces local authorities to rethink the basis upon which development proposals were put together only a year or two ago. They must re-examine their assumptions about land-holding and release, development finance, and disposal terms which lay behind the numerous public and private partnership schemes which were in the pipeline.

58 There are many other changes in local economies which will affect the way in which councils need to approach economic development. For example, the opening of a new out-of-town shopping centre can have a serious impact on an existing town centre. Councils will need to consider ways in which the threat can be countered, by revitalising inner city shopping precincts. Measures such as pedestrianisation and a review of car parking policy could be considered. In some areas the ending of Enterprise Zone status will have an impact on the firms operating in these zones. Local authorities must strive to keep these firms rather than allowing them to close or move elsewhere. New firms moving into an area will require skills which the local population do not necessarily have.

59 Consequently the need for councils to have a soundly based corporate economic development strategy, which is reviewed at regular intervals, is in no way diminished. The audits have shown that while many councils have made good progress along these lines, there is much that still needs to be done.

60 Councils have a crucial role to play in local economic development. But in some ways this has been an act of faith, with councils having economic development strategies stated in very general terms with the benefits difficult to judge. Some have had unrealistic objectives far beyond their real ability to alter the local economy.

61 In the 1990s, local authority economic development activities must be consolidated within a much firmer strategic framework. The emphasis will need to remain upon partnership with other local agencies to develop a clearer common understanding of the local economy within a changing regional, national, European and world context. Councils themselves will need to define their activities more clearly in relation to other agencies as well as be more explicit over the costs and expected impacts of individual schemes. The economic development plans required by the Local Government and Housing Act will be the specific vehicle through which local government sets out its own plans for local regeneration, but these plans will need in turn to be developed within an ongoing review of local economic circumstances. These must take account of the perspectives and plans of a wide range of local agencies from public, private and voluntary sectors.

62 Changes on these lines would make an important contribution in
improving the value for money from the considerable resources devoted to economic development by local authorities and their regeneration partners in the local economy. It is not always easy to achieve a consensus among all the partners, and there will always be differences of opinion and substance. But local authorities, as one of the key players in a local economy, need to build working relationships, particularly with new agencies or those which in the past may not have been supportive of the councils' efforts. Auditors will continue to review progress where already examined and will look at more authorities in the coming year.

R E F E R E N C E S


