

## **Briefing Paper**

### **The Role of Local Authorities in Regenerating the Community Economy**

**October 2003**

One of the major challenges facing us as a society is how to regenerate those areas of our country – often but not exclusively in inner cities – where the local economy seems to have collapsed. In these areas the major financial inflows seem to come either through state benefits or the proceeds of somewhat unofficial activities!

A number of groups – voluntary bodies and registered social landlords often being prominent – have sought to bring about the regeneration of the economies in these areas. However a frequent criticism has been that funds attracted into such communities often leave again in the wage packets of ‘professionals’ from outwith the community who frequently live and spend their money outside the community economy.

Recently, government has suggested that social enterprises (perhaps constituted as Community Interest Companies) could make a contribution by delivering a range of ancillary and complementary public services on contract to statutory bodies.

The Institute of Public Sector Management is bringing together managers in local government, town and parish councils, voluntary bodies, social landlords, health and police authorities at their annual conference on 23rd October 2003 to examine how each group – individually and in partnership with others – can contribute to generating cash within our communities and at how that cash may be retained within those communities to the benefit of all. Adrian Waite, the Managing Director of ‘AWICS’ will address the conference on the role of local authorities in regenerating the community economy.

Regeneration has a number of aspects: Creating employment, reducing social exclusion, increasing educational attainment, improving health and reducing mortality rates, reducing vacant and non-decent housing and improving the quality of life. Any strategy for regeneration needs to address all these aspects.

Deprivation is suffered in all parts of Britain. Indices show the most deprived areas as including some central London boroughs and northern cities such as Liverpool and Manchester. However, they also show significant deprivation in smaller towns and comparatively rural areas including Easington, Hartlepool, Doncaster and Halton.

The local authority can be said to have three roles in regeneration: An agent of economic regeneration, a key player in the local economy, and a community leader in creating a sustainable local economy.

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The traditional role as an economic development agent is well known. Local authorities have played an important role in successive government schemes to promote regeneration, that have increasingly linked different aspects of deprivation, different services and different agencies. These have progressed from the Single Regeneration Budget schemes to the New Deal for Communities to the Neighbourhood Renewal Fund. Local authorities have tended to concentrate their efforts on maximising investment and have looked at promoting inward investment (particularly from large overseas companies), creating sites for development, promoting tourism and drawing down funds from the European programmes.

However, there are signs that disillusionment with this approach is growing. Despite significant investment in some areas, deprivation continues to be experienced and the money that has been invested does not appear to have reached the deprived local community.

As early as 1999 the audit commission criticised this traditional approach, and said that:

- ❖ Developing opportunities for employment and enabling local people to benefit are crucial elements in the fight against social exclusion
- ❖ Employers and jobseekers – key clients of economic development – often have to navigate a course through duplicative and fragmented service delivery.
- ❖ A strategic and integrated approach to regeneration and economic development is vital, but many strategies and partnerships remain superficial.
- ❖ Regeneration funding systems can promote short-termism and opportunism, and divert resources from regeneration into administration
- ❖ Local authorities must challenge their role in promoting economic development and economic regeneration to ensure that they can develop efficient, effective and innovative solutions to local problems

In the National Strategy for Neighbourhood Renewal, the government recognised that:

*“The problem is not necessarily that too little money flows into a neighbourhood. Rather it is what consumers, public services and businesses do with that money. Too often it is spent on services with no local presence, and so immediately leaves the area.”*

There are a number of reasons why investment does not necessarily deliver expectations. Competition between different areas means that incentives need to be offered that can be more costly than the advantages of investment. Footloose businesses can be the ones that are attracted and they can leave as easily as they arrived. New businesses may not be able to use local labour. Furthermore, new businesses may not link with the local economy. For example, an electronics company that was persuaded to locate in Scotland was found to buy 88% of its inputs from outside Scotland.

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A local authority is a key player in the local economy and therefore its own activities can either help or hinder economic regeneration. These activities go far beyond the traditional regeneration function of drawing down resources to support investment. A local authority is a major employer, a major purchaser of goods and services, a provider of services, a provider of housing and council tax benefits and the owner of significant social and economic assets. If it organises itself to ensure that the money that it spends and the services that it provides are directed towards the local economy, and especially to communities that are deprived then it can make a major contribution to regeneration. If it does not, then its inaction can increase the deprivation that is experienced. The local authority is also uniquely placed to act as a facilitator as it is responsible for planning and the preparation of strategies for things including economic development and housing.

The contribution that a well managed welfare benefits service can make to regeneration is often under-estimated. Housing and council tax benefits represent significant public expenditure that is placed into the pockets of local people and is mainly funded nationally. It is also placed into the pockets of local people who are likely to spend locally. Newham Borough Council is an authority that has recognised the importance of this and their Social Regeneration Unit ran a welfare benefit take-up campaign from 1998 to 2002 using a data warehouse that integrates benefits, council tax, housing and social services data. Community Groups can also be involved in maximising benefit take-up by providing free confidential advice.

We need to be aware of the local multiplier. If a local authority pays £1 to a contractor from another area the only local benefit is what was purchased for that £1. However, if they pay £1 to a local contractor who pays wages to a local person who spends it in a local shop that buys its stock from a local manufacturer the money is spent four times in the local economy and four people benefit. The multiplier is said to be four. Spending outside the local economy is known as 'leakage'. The more 'leakage' there is, the smaller the multiplier will be and the less the benefit that will be gained from expenditure. So, how do we create a higher local multiplier in a deprived area?

Knowsley Borough Council now assesses the effect of tenders for construction contracts with reference to the local multiplier having identified that only 8% of their construction work reaches local businesses. They have found, though, as part of this process that locally based contractors do not necessarily have the highest multipliers – it is the extent of integration into the local economy that is important rather than just location!

In seeking to maximise the local multiplier there are a number of questions that a local authority should ask:

- ❖ What proportion of the budget is spent locally?
- ❖ Where contracts are not awarded to local businesses, what stops local businesses from being used?
- ❖ Which products or services cannot be sourced locally?
- ❖ Is there a policy on local procurement?
- ❖ Are local businesses that wish to apply for contracts actively supported?
- ❖ Are local people encouraged to buy local products?
- ❖ Does the council promote entrepreneurship?

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- ❖ Does the council assess the local availability of skills and take steps to meet any skills gaps?
- ❖ Are courses on contract tendering run?
- ❖ How are people encouraged to take up training?
- ❖ Could any services be transferred to the community sector?

The local authority should act as a community leader in creating a sustainable local economy. The community plan is clearly a good vehicle for doing this, and should contain an informed vision for the future of the local economy. A shared understanding of goals and processes should be developed and agreed with partner agencies and local communities. Local people and businesses must be made aware of relevant support services and duplication of effort between agencies should be eliminated. The local authority also needs to ensure that these economic development and regeneration objectives are reflected in the way that mainstream services are delivered.

It has been suggested that local authorities should take a new approach to physical regeneration. This could include avoiding the use of external contractors, undertaking construction work more slowly and building capacity in the local community so that local businesses can carry out the work themselves!

In developing an inward investment strategy, consideration needs to be given to the types of businesses that are wanted. These should be businesses that link with the local economy, businesses with customers outside the local area and – most importantly – businesses that are sustainable. One example of this is 'AWICS' itself. We are based in rural Cumbria in an area that was badly affected by the foot and mouth outbreak in 2001, but with customers nationwide we are a net contributor to the local economy!

Working in partnership with the community is important, and three stages to this can be identified. First, there needs to be a project inception that can be achieved through assembling a core group, identifying all stakeholders and their interests and identifying the boundaries to the area that it is intended to regenerate. Secondly, it is a good idea to hold a workshop, at which the problems would be analysed, opportunities identified and an action plan prepared. Third, and most importantly there is a need to implement the action plan and this is where the local authority can play a critical role as the facilitator.

Easington – in County Durham - is an example of a deprived area where a comparatively small district council has made successful attempts to regenerate the local economy. Since 1951 the district has lost 75,000 jobs principally due to the closure of the coal industry and the decline in manufacturing. The population is declining; unemployment is twice the national average and the district ranks sixth most deprived in England. The district council, with a staff of 1,170, a revenue budget of £13million and a capital programme of £8million established a Department of Strategic Policy and Regeneration with a mission to 'make the district great'.

The four main initiatives taken in Easington have been to develop Seaham Harbour, Peterlee Town Centre, Dalton Flatts shopping and leisure complex and capacity building through community development. The strategy has been to use the resources in local communities to create economic centres that retain purchasing power within Easington. These have been largely successful.

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In fact the audit commission recently congratulated Easington on its approach to regeneration, and commented that:

- ❖ Clear and challenging aims that are widely accepted and understood
- ❖ Works well with partners and is well respected
- ❖ Contributed to massive physical transformation of district
- ❖ Engaging with the community in a wide variety of ways
- ❖ Staff are skilled and motivated
- ❖ Partnerships and frameworks are established to tackle economic and social problems
- ❖ Performance compares well and services are well thought of by users
- ❖ Service has been thoroughly reviewed and important issues identified
- ❖ Improvement plan addresses key issues and contains targets, deadlines and accountabilities
- ❖ Council committed to change management, continuous improvement, performance management and alignment of resources to objectives

It is clear that regeneration is an important function of a local authority, especially in a deprived area. However, the traditional approaches to regeneration based on departmentalism, multiple agencies and maximising investment are not always successful. Regeneration needs to become a mainstream activity at corporate level and in the delivery of every service. Priority needs to move away from maximising investment to maximising the local multiplier in partnership with the community. The objective of regeneration must be to create sustainable communities. The role of the local authority is of critical importance.

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