

---

# **POLICY CONFLICT IN INTER- GOVERNMENTAL RELATIONS: THE CHANGING ROLE OF LOCAL AUTHORITIES IN THE GOVERNANCE OF LOCAL ECONOMIC DEVELOPMENT IN POST-DEVOLUTION SCOTLAND**

Mike Bennett

Society of Local Authority Chief Executives and Senior Managers and University  
of Strathclyde

and

John Fairley

Department of Environmental Planning  
University of Strathclyde

## **Abstract**

*This paper explores the impact of devolution on Local Economic Development with specific reference to the role of local authorities, and locates this study within broader debates about policy change. We explain the institutional framework for Local Economic Development in Scotland inherited by devolution and we consider the process of devolution to date and recent policy change in this area, including Community Planning and reform of the Enterprise Network. Throughout the paper looks at issues of fragmentation, divergence and power in inter-governmental relations between key actors and institutions. The findings of original research into the attitudes and perceptions of local government actors are located within this context and compared with existing data. The analysis outlines the main area of conflict between central and local government in this area and suggests that economic development activity is becoming increasingly centralised post-devolution. In conclusion we offer suggestions as to what this tells us about broader inter-governmental relations and the impact of constitutional change.*

## **Introduction**

---

In 2001, the authors (1) received funding from the Joseph Rowntree Foundation to research the impact of the new Scottish Parliament on local government. One strand of the project focused on the impact of the Parliament on the roles of local authorities in economic development.

Much of the recent literature on the nature of policy making and policy change has focused on the relationships between different institutions and actors in various policy communities. The key issues that arise from this literature concern the fragmentation and conflict within and between different levels of government. This “differentiated polity” (Rhodes 1997). The differentiated polity concept is used to describe the interdependencies between different institutions and actors including policy making and implementation agencies, specialised bureaucracies and different levels of government. Rhodes, for example, drawing on Wright, emphasises bargaining and dynamic exchanges between actors within structured political contexts. This emphasis on bargaining has recently been seen in the debate about the “dialectic” in policy networks in which agents interact with and change, yet are constrained by, their structural context (for example Marsh and Smith 2000; Dowding 2001; Marsh and Smith 2001).

The value of this description is that seems to take account of the agonistic (Mouffe 2000) nature of policy making in which policy values, conflicts over status and resources are all essentially contested. It is this understanding of power, conflict and politics between groups with different interests which informs our explorations of governance and change in the following sections.

In this context the paper explores the impact of devolution on Local Economic Development with specific reference to the role of local authorities, and locates this study within broader debates about policy change. We explain the institutional framework for Local Economic Development in Scotland inherited by devolution and we consider the process of devolution to date. We also consider key policy developments, including Community Planning and reform of the Enterprise Network. Our research into the attitudes and perceptions of local government actors is located within this context and compared with existing data. The analysis outlines the main area of conflict between central and local government and suggests that post-devolution economic development activity is increasingly centralised. In conclusion we offer suggestions as to what this tells us about broader inter-governmental relations and the impact of constitutional

change.

## **Local Economic Development in Scotland**

There is a long history of Local Economic Development in Scotland. By the mid-1960s, Scotland was developing a distinctive set of institutions for economic development (Fairley and Lloyd 1995 and 1998). This was one of a number of policy areas where Scotland had already acquired considerable autonomy (Paterson 1994) within the UK, prior to devolution.

The main institutions were the Highlands and Islands Development Board, set up in 1965; the Manpower Services Commission, a Britain-wide body set up in 1973 to oversee vocational education and training (VET) (Brown and Fairley 1989); and the Scottish Development Agency, which was established in the mid-1970s. In 1990, these bodies were abolished and replaced by Highlands and Islands Enterprise (HIE) and Scottish Enterprise (Fairley and Lloyd 1995, Danson 1999). These two bodies presided over 22 Local Enterprise Companies (LEC) which operated at local level.

Scottish Enterprise and HIE were set up during the Thatcher era when the rhetoric of neo-liberalism was the economic orthodoxy, and the political rhetoric was about 'rolling back the state'. There is an irony in this in that SE and HIE are the most powerful quangos ever to exist in the Economic Development field in Scotland. The two bodies provide strategic direction to the LECs in trying to achieve government objectives in Local Economic Development and VET.

The 22 LECs were set up as companies with management boards which were dominated by the private sector. They were intended to be executive bodies able to act quickly in response to local conditions, and to provide a degree of business-led autonomy in Local Economic Development. In 2000/01, changes were introduced to make the boards more representative of their communities, and to make the LECs less autonomous of Scottish Enterprise and HIE (Scottish Executive, 2000, 2001a). At this point the enterprise networks were spending around £450m per year.

Local authorities have a long history of involvement in Local Economic Development (Borrowman 2000, Fairley 1996, Fairley 1999, Davidson and Fairley 2000). Since the mid-1960s, local authorities increasingly worked in partnership with the Scottish agencies of central government, and it is likely that Local Economic Development became less of a grass roots process as a result. When local government was controversially restructured (Fairley 1995 and 1996), under legislation of 1994, to create 32 new unitary authorities, these were given a clear, permissive, legal power to act in Local Economic Development. Prior to this they had depended upon a discretionary power which was funded by the product of a 2p rate, (2) not that there is any evidence that any Scottish council was ever seriously constrained by this financial limit (Fairley 1999).

In terms of current activities, a partial survey of local authorities' Local Economic Development activities (EKOS 2000) showed a wide range of activity, including: small business support; support for micro-business and self-employment; provision of sites; provision of information; support for women entrepreneurs; trade fairs; tourism initiatives; cultural initiatives; and education and training. Local authorities declared direct spending on economic development was in excess of £100m per year. Furthermore, they tend to be very important to local economies as purchasers of goods and services, and as employers.

The creation of the Scottish Parliament therefore occurred against an historical context in which local economic development powers were shared (or divided?) between different organisations with little co-ordination or clear division of responsibilities.

## **The Scottish Parliament**

The 1998 Scotland Act, which established the Parliament left control over macroeconomic, monetary and fiscal policies with the UK government. The New Labour UK government centralised control over its various 'new deals' to combat unemployment and poverty. The largest of these – a manifesto 'flagship' policy in the 1997 UK elections - was a 'workfare' scheme for 18-24 year olds (Fairley 1998) which was implemented in 23 'delivery areas' in Scotland. (3)

However, the Scottish Parliament had most of the levers of regional and Local Economic Development at its disposal. It exercised control over the enterprise networks as well as much of the resourcing of local government, and it was the implementing authority for EU structural funds (Danson et al 1999). There is also some research evidence that the Scottish electorate expected the Parliament to act to improve the economy, and in particular living standards and jobs (Brown et al 1999, Paterson et al 2001).

Within the Parliament one of the most interesting innovations is the system of policy committees (Lynch 2000). These are intended to operate as a check on the Scottish Executive, (4) and they are empowered to conduct research, hold enquiries and initiate legislation. They are cross-party in membership. The main committee for Local Economic Development is the Enterprise and Lifelong Learning Committee (ELLC). Its deliberations very quickly brought unprecedented levels of political debate and public scrutiny to bear on Local Economic Development and aspects of VET.

In 1999/2000 the ELLC held its first enquiry (5) on the provision of business support services. The ELLC (2000) was critical of the current arrangements which were said to show a large amount of duplication, waste and confusion. The Committee made a number of recommendations (Cameron, Danson and Fairley 2000), one of which was to establish a network of Local Economic Forums (LEF) on the same boundaries as the 22 LECs. The government responded positively to these recommendations and endorsed the establishment of LEFs, issuing guidelines for this process in 2001.

The LEFs were intended to tackle a number of issues, in particular:

- To form broad Local Economic Development partnerships in each local area
- To involve further and higher education institutions as full partners in Local Economic Development for the first time
- To develop a local division of labour on the basis of what works best
- To identify and eliminate duplication, waste and confusion in service delivery
- To provide the major input to the economic theme of local Community Plans

Although local authorities generally welcomed the idea of local forums to

generate co-ordinated local economic strategy, our research, which we outline in the next section, shows deep concerns that LEFs are organised on LEC areas. As in many cases LEC areas are larger than local authorities, this was thought to undermine the councils' Community Leadership role with respect to Local Economic Development. However, before we consider the debate about LEFs directly, in the next section we first lay out some of the conflicting pressures that formed the context in which post-devolution Local Economic Development policy has been defined.

## **Divergent pressures in the recent policy context**

In this section we consider how the creation of the Scottish Parliament occurred against a complex and changing context, and how this context contained pressures and expectations pushing in two significantly different directions. While there was an impulse towards more central direction on the one hand, on the other there was a push for a more holistic approach in the hands of local authorities. In the following section we explore data from our recent research which may shed some light as to who the winners and losers from this conflict have been.

Prior to devolution being achieved, one key role envisioned for the Scottish Parliament by the Scottish Constitutional Convention was to bring a national focus and leadership to disparate economic development activities in order to create a "prosperous Scotland". The Convention Report (1995) said:

It will be the Scottish Parliament's responsibility to channel the energies and the knowledge of the people of Scotland into creating an economy of efficient, competitive companies providing worthwhile jobs.

After laying out its vision in more detail the Report went on to say that:

In all these ways the parliament will be able to ensure that the benefits which flow from a dynamic economy reach all the people of Scotland through the provision of decent services, quality products and fair opportunities for all.

This view has certainly been encouraged by business representatives who believe the Scottish Parliament/Executive should provide the national lead for economic development policy in Scotland. In its response to the Scottish Executive's consultation document *A Framework for Economic Development in Scotland*, the Scottish Council for Development and Industry said:

The hope is that the Executive and the Scottish Parliament, especially through the powerful Parliamentary Committee structure that has been put in place, will act as a catalyst to boost Scotland's economic performance fundamentally. The establishment of a Scottish Parliament provides the opportunity to produce a system of governance that will aid more effective design and assessment of public policy. (SCDI, 2000a)

CBI Scotland (2000) shared the view that it was national government's task to provide an overall economic development strategy. In their document *Competitive Scotland*, they wrote:

Those who take decisions about making or maintaining a foreign investment in Scotland, or able Scots who decide whether to pursue their careers in Scotland or elsewhere, are influenced as much by the tone of politicians as by detailed analysis of economic data. *The parliament must establish itself as a pro-business body beyond any doubt, something it has not yet done.*

These arguments seem to have had an effect on the Scottish Executive's thinking. In a report on the *Interim Conclusions of the Enterprise Network Review*, the Scottish Executive wrote:

The conclusion drawn from this [review] is that the most reliable approach to achieving competitive advantage in economic development is by concentrating on effective delivery of leading edge ideas, rather than searching for ideas which no-one else is implementing.

And later:

There are evident problems in using what was designed not to be a national delivery machine for delivering national programmes and priorities. (Scottish Executive 2000)

What this suggests is that this part of the Scottish Executive had concluded that greater central control and a more universal approach, concentrating on delivery rather than innovation, was needed.

Yet other parts of the Scottish Executive have initiated and developed other policy trends, with different conceptions of economic development that contradict the centralising impulse. The push in the other direction looks to consolidate the position of local authorities as taking the holistic view of their area's well being.

This has been largely done through Community Plans, which all 32 councils have been developing. The Plans, which attempt to integrate and co-ordinate public services at local level through a partnership of all major public sector providers and the community, are the outcome of joint work between COSLA and the Scottish Office/Executive (COSLA/Scottish Office 1998). Recent research shows that local economic development was a key theme in most Community Plans (Community Planning Task Force, 2001). After four years as a voluntary scheme, Community Planning is, at the time of writing, in the process of becoming a statutory obligation on local authorities. Section 16 (1) of the Local Government in Scotland Bill, introduced in May 2002, gives local authorities a duty

to initiate and, having done so, to maintain and facilitate a process [community planning] by which the public services in the area of the local authority and the planning of that provision takes place (a) after consultation [...] and (b) after and by way of such co-operation among those bodies and persons is appropriate.

Part 4 of the Bill also gives each local authority the "power to advance well-being". This is a power of first resort and will give a local authority the power to do anything in its area that it considers likely to promote or improve the well-being of that area or persons in the area. This will clearly include economic development activities. As a consequence, the 1994 permissive power for Local Economic Development is likely to become redundant. However, what is also striking here is that Community Planning, so conceived, embodies a conception of economic development which is as much about education, social inclusion,



community development and the provision of above minimum-wage employment as it is about a pro-business approach to investment opportunities. In other words, one of the issues raised by the different directions of Executive policy, is the question of what conception of Local Economic Development it wants to pursue.

The new devolved government therefore has inherited a hybrid system of Local Economic Development with a number of important characteristics. Firstly, it is a system in which power lies among a plurality of bodies, some of which are under direct control of the centre and some of which have local democratic mandates. Secondly, it is a system which is operating with two distinct orientations as regards Local Economic Development policy. Furthermore it suggests that the Scottish Executive itself, meaning different administrative departments within the Scottish Executive civil service, has sponsored contradictory policy ideas. Our research collected perceptions which may help us form a view as to which direction power is swinging in this example of inter-governmental relations.

## **The battle between central and local**

In the months between January and September 2001, we interviewed Chief Officers and politicians in 11 case study authorities, in order to assess the impact of the new Scottish Parliament on local government. Some of the interviewees were directly involved in the management of Local Economic Development. However, the issues of Local Economic Development and Community Planning featured more generally in these discussions.

In addition, with the co-operation of SLAED (the professional body for senior management of Local Economic Development in local government) we sent a detailed questionnaire via email to all of that body's 48 members. The questionnaire received a response rate of 50% in terms of individual members and drew responses from 22 of the 32 councils (69%). The 22 councils that responded cover the wide range of Scottish local authorities in terms of geography and political leadership, and are representative of urban, rural and island authorities. The database can therefore be taken as representative of senior professionals working in Local Economic Development in local councils. Above

all, however, it is worth noting that the quantitative data served to support the conclusions we were drawing from the qualitative research.

One of the clearest conclusions from our research is that local authorities perceive government policy as fragmented and ‘non-joined-up’. Therefore, while on the one hand, local government has been given this statutory role as Community Leader, and the power to advance well-being in any way it sees fit, on the other hand, another Executive policy - the creation of LEFs on LEC boundaries – is perceived by many in local government to contradict this policy explicitly.

The objection among those in local government was not one to the creation of local forums. Indeed, many in local government supported the establishment of an integrated and joined up approach to Local Economic Development. Rather our local government interviewees felt that the decision to create the LEFs on LEC areas was a mistake because it would cut across the holistic and strategic nature of Community Planning. In our survey of SLAED members, 65% said that LEFs were important as part of the Community Planning process and 87.5% said that LEFs should be coterminous with councils’ Community Planning areas. These views were also reflected in the case study research and interviews with chief executives and council leaders.

Local government was concerned that because in many cases LEFs covered larger areas than the Community Planning forums, the council’s ability to marshal economic development as part of the area’s overall social, economic and environmental strategy would be weakened. Therefore, local government, including SLAED members, was not against LEFs as such, only their current geographical locus and their disjunction from other important policy planning processes.

They argued instead that the LEFs should have been created on the same boundaries as the 32 local authorities. These views are mirrored in the Scottish Executive’s own report of the consultation it undertook prior to establishing the LEFs (Scottish Executive 2001).

If we consider the geographical relationship between councils, LECs and LEFs in a little more detail then the issue becomes clearer. In most of Scotland the boundaries of key Local Economic Development service providers are not the same. Highland, the Lothians and Tayside provide examples of the complexities that this may cause for Community Planning. At one extreme, Highland Council covers a land area (2,611,906 hectares) approximately the size of Belgium. This covers 5 LECs, meaning that the Council will have to participate and represent their interests in 5 LEFs. In turn, the Council will also have to incorporate thinking of the 5 LEFs in its Community Plan. By contrast, one LEC, Scottish Enterprise Edinburgh and Lothians, covers four local authorities. In Tayside, one LEC covers three local authorities.

In these latter areas there are concerns that some of the very local economic issues which are important to individual local authorities may be ignored or given lower priority in the larger LEF and that the priorities of the cities, Edinburgh and Dundee, will dominate these LEFs. One chief executive summed up the problems from a local government point of view:

I hoped for a closer working relationship between local partners as a consequence of devolution especially with the Local Enterprise Companies. However, the different geographic boundaries between them and us doesn't help matters. A key problem is that different Scottish Executive departments look at the Community Planning process in very different ways. I think local government has put in a lot of effort to Community Planning but I think a national level strategy feeding into local levels is what is missing. We need national ministers to agree their priorities with local government at the national and then local levels. I think health are better at this than local government. They have a national health plan that feeds down to the local level and ultimately into Community Plans. It is not the same in economic development. The Local Economic Forum has taken a dictatorial role and this does not sit well with the council. The Local Enterprise Company chief executive is a big barrier locally. His heart doesn't seem to be in genuine partnership. I think where the boundaries of the Local Enterprise Forum are coterminous with other partners relationships are better.

This was backed up by a Head of Economic Development in another council who added:

The LECs are traditionally not good partners. The Scottish executive has moved back to a 'one size fits all' approach across the network. In the Scottish Executive there is a lack of joined up thinking and history of poor implementation.

It contrasts however with a Head of Economic Development from a council that is co-terminous with its LEC. He remarked that:

We have had close links since the creation of [the LEC]. That's not to say we have not had problems but I think our relationships are better than elsewhere. I think we are more involved in training than other parts of Scotland. Overall we have good relationships.

Respondents were sceptical about a related policy area: the reforms to the Local Enterprise Companies. These reforms brought the Scottish Enterprise LECs more firmly under the direction of the parent body. They are widely perceived to have weakened LEC autonomy, as indicated by the name changes, for example, the Glasgow Development Agency became Scottish Enterprise Glasgow. In our survey of SLAED members, 65% did not think that these changes would improve Local Economic Development. A major concern in local government was that these reforms would reduce the ability of LECs to make or agree local decisions in the context of the LEF and Community Planning partnerships. Again this echoes the EKOS research that pointed out the importance of LECs recognising local issues. EKOS found that 75% of councils had a positive or very positive opinion of their LEC (EKOS, p35). One danger highlighted by our research is that the generally improved relationship between councils and LECs will be damaged by the perceived centralisation of economic development policy.

Our research therefore points to extremely divergent views on Local Economic Development. On the one hand there are SCDI, CBI Scotland and Scottish Enterprise, which emphasise the importance of a pro-business, 'single door' approach (SCDI 2000b) above all else and who broadly favour the nationally directed Local Enterprise Network as the engine of local economic development. On the other, there are local authorities, particularly those that are not contiguous with a LEC, that disagree with a universal approach on two grounds. Firstly that it does not take account either of the broader corporate policy as led by the council, and secondly that genuinely local economic

development needs will be overlooked by larger LECs.

### **Internal and external structures**

In this context, it is interesting to take an organisational perspective on the locus of Local Economic Development in local government. To do this the questionnaire asked respondents where Economic Development was situated within their council. The results give an interesting insight into some of the pressures and trends in recent public management and their effects on local government. Of the council responses the vast majority had integrated economic development into other larger service departments (91%). While it is impossible to establish from a survey of this kind what level of actual integration in terms of culture and service delivery has been achieved, the twin drives to slim down senior management structures and to achieve syntheses between services is evident. This mirrors the EKOS report, which also notes that Economic Development is normally a separate function within a larger department and that degrees of integration are variable (EKOS 2000, p3).

There is, however, an obvious pattern in terms of the most common services with which Economic Development has been integrated. Although the departments are often large and contain a range of services with no necessary connection, a trend does emerge that suggests when councils have merged departments they have done so with some strategic consideration. Of the 22 councils who responded, 64% had integrated Economic Development with their Planning service, 50% located Economic Development alongside other development services, and 50% combined it with other services connected with the built environment. Meanwhile, 27% combined Economic Development with transportation, roads or other infrastructure services and 14% combined Economic Development with tourism and leisure services. (6)

While these are the most common combinations there are two interesting aberrations that stand out. Firstly, that two councils (9%) have retained self-standing Economic Development departments – seemingly resisting the trend towards merged and rationalised management structures. Secondly, two councils (9%) have located Economic Development in their Chief Executive's Department. Both these councils are comparatively small rural councils in near proximity to a large city. As we have shown above, our research suggests that

councils such as these fear that the economic development agenda being set by the LEF in their area – which in both these cases corresponds to a far larger area than their local council – is perceived to be dominated by the cities. Furthermore, by overriding local Community Planning processes, LEFs insufficiently recognise the local needs of individual councils. By locating Local Economic Development under the Chief Executive, councils may feel that greater influence and greater corporate priority can be given to the service, thereby increasing its impact in the LEF and national arena.

Interestingly, this relates to a previous finding in the EKOS research on external structures. In that research it was found that relationships were generally more straightforward where boundaries were contiguous because there had been continuity from Regional Councils that previously held Economic Development functions. The research also found that “the improvement in relations partly reflects the recognition of the importance of each partner and the fact that it is in neither’s interests to pursue a wholly separate agenda” (EKOS, p35). This mirrors our finding above that where the council, the LEC and the LEF are contiguous, relationships and strategic planning are often more harmonious.

This suggests that both stability and recognition are important for making planning processes work, and that by being perceived to override Community Planning structures, the LEFs may go against both these principles.

## **Centralisation confirmed: broader research findings**

In terms of the broader survey we shall now try to outline what it can tell us about local government’s attitudes to devolution and the impact it has had on Local Economic Development.

The data from our survey supports the main thrust of the above analysis. While 66.7% of respondents thought that devolution had given greater priority to Local Economic Development than before, 69.6% said that the Scottish Executive had increased central control of Economic Development. This backs up points made earlier about the centralisation of policy and strategy through the *de facto* prioritisation of LEFs over councils’ Community Planning Partnerships.

Furthermore, while 75% of respondents thought that devolution had weakened the position of Economic Development as a local government service in Scotland, 79.2% believed that devolution had created more capacity for government to focus on Scottish Economic Development issues. This again shows that SLAED members believe that local authorities have lost out in the battle to retain influence over Local Economic Development.

These results show a clear consensus among SLAED members. The importance of Economic Development in Scotland has increased since devolution, but the trend is towards a national approach (even to local issues) rather than increased influence for local government.

Local government is also sceptical of the capacity of the Scottish Executive to tie all the policy ends together. In common with other professional and policy groups (Bennett, Fairley, McAteer 2002), local government is critical of the way in which the Scottish Executive co-ordinates the policy process. Only 21% of respondents said that the Scottish Executive's policy development and consultation processes were well co-ordinated and joined up with regard to Economic Development.

A further factor in local authorities' Local Economic Development is their inability to build allies and partnerships. Mobilising such resources are increasingly seen as important in modern public management (Rhodes 1985, 1997). However, while our research shows that other policy sectors have managed to identify allies and supporters in their battle to retain control against a stronger centre, SLAED members were more fearful of the Scottish parliament than other groups. Asked whether the Scottish Parliament had reduced the importance of local government's role in Economic Development the responses were split, with the largest group (38%) being unsure. While 83% said that the Parliament's Enterprise and Lifelong Learning Committee had raised the profile of Local Economic Development, only 13% thought that the Parliament understood local government's role in Economic Development. Moreover, only 21% thought that local government was a partner of the Parliament in developing national Economic Development policy. This is further supported by the fact that only 27% of SLAED members saw the Parliament as more open to local government than was

the Scottish Executive. Our research suggests that in other areas the Parliament was increasingly seen as a resource for local government to use as part of its strategy to influence the Executive.

A further illustration of local government's weakness in mobilising resources around Local Economic Development is the ineffectiveness of local actors at using their own council or COSLA to pursue local interests. Only 21% of respondents thought that their own council had been effective at influencing Scottish Economic Development policy since devolution. COSLA, the umbrella organisation for Scottish councils, fared a little better, with 29% saying it had been effective. On the other hand, asked whether COSLA had been effective at influencing policy in the interests of local government, only 14% agreed. This suggests that SLAED members did not believe that local councils had a strong voice, either individually or collectively, to assert their role in economic development.

However, perhaps the most striking reason for local authorities' difficulties in relation to Local Economic Development is due to finance. A stark 96% said that the financing of Economic Development had weakened since devolution. This contrasts with other professional associations, which, although acknowledging the centralising forces created by devolution, were broadly welcoming of recent changes in the local government finance regime. These changes include the introduction of three-year budgeting, real terms increases in finance and some tentative moves towards outcome agreements on the performance side. However, the other aspect of recent developments has been a greater targeting of resources on the government's priorities through hypothecation and ring-fencing – which in local government has meant education and social services (Midwinter 2002). These are the two largest services provided by local government and increases for these has meant disproportionately large cuts in “non-priority” services.

The CIPFA Rating Reviews for 1999-2000 and 2000-2001 show that cash expenditure in Scottish local government for planning and economic development has decreased from £122,257,000 in 1999-2000 to £115,197,000 in 2000-2001, representing a cash terms decrease of 5.78%. By contrast, education expenditure increased in cash terms from £2,660,925,000 to £2,791,706,000 over the same period. This constitutes a cash increase of



4.68%. These differences may explain the disjunction between those voices in local government who see the financing of local government as having improved and the more pessimistic view of SLAED members.

## **Conclusion**

In conclusion therefore, the research shows that local government's position in Local Economic Development is seen to have declined in the national context and to have fared less well than in other areas since devolution. The main factors identified by the research for this are: centralisation of policy by the Scottish Executive through the strengthening of Scottish Enterprise and the reorganisation of the Local Enterprise Network; concentration on a 'single door' approach through the LECs; the *de facto* prioritisation of the LECs over councils' Local Economic Development services – i.e. through the promotion of LEFs (based on LECs) rather than Community Planning Areas (based on councils); and the budget reductions in Local Economic Development within councils because of the imperative to prioritise funding streams nationally.

In addition, as a non-statutory service, few local authorities are being seen to give their Local Economic Development service the corporate prominence it may need to resist being further overlooked by the Enterprise Network. While a small number of councils have given Local Economic Development more structural priority by integrating it into the Chief Executive's Department, it is too early to tell what impact this will have against other currents. Furthermore, economic development managers in local government generally do not see local authorities, individually or collectively, as able to mobilise sufficient resources to bargain effectively with central government in this area.

Taken together these factors explain that while stakeholders in education and on the corporate side of local government are broadly optimistic about the effects of devolution, senior Local Economic Development professionals display the greatest fear of increasing centralisation in post-devolution Scotland.

What this suggests in terms of the broader governance and inter-governmental literature theory is twofold. Firstly, the impact of devolution as a

process of political, institutional and policy change will be different in different political, institutional and policy contexts. Our research suggests quite strongly that it would be a mistake to look at the institutions of devolved government, or local government, as unitary policy actors. Rather, both central and local government are divided into different groups with different interests. So while the overall impact of devolution may be judged to be positive (Bennett, Fairley, McAteer 2002), the impact on local authorities' Local Economic Development role has largely been to reduce its influence and capacity. In this part of the central-local relationship therefore, in terms of the inevitable competition for resources, power is swinging to central government. This suggests, secondly, that where central government can use different implementation mechanisms and draw support from other legitimising actors – in this case the business community - it can centralise power away from local government contrary to local government's expectations.

However, while it is not within the scope of this paper to settle the debate between the explanatory powers of different models of inter-governmental relations (Stoker 1995; Wilson and Game 1998), it seems to us that no one model of power, dependency and interaction will be sufficient to capture the variety and complexity of relationships that exist between inter-governmental actors and institutions. Rather, our picture of politics and policy suggest that there is a variety of policy networks and that devolution has impacted differently across this range. What this paper does show is some of the complexities and conflicts that have taken place in relation to Local Economic Development. It also suggests that post-devolution central government has consolidated its grip on Local Economic Development contrary to the expectations of local government.

## Notes

<sup>1</sup> The third member of the research team, Dr Mark McAteer, is a lecturer at the Scottish Local Authorities Management Centre, and the authors would like to thank him for his helpful comments. We would also like to thank our reviewers and Dr Kevin Orr for perceptive comments on earlier drafts. Finally, great thanks are due to Eleanor Malone who proof read the final draft and suggested numerous grammatical improvements.

<sup>2</sup> The available sum was frozen in the early 1980s when the infamous ‘poll tax’ replaced the rates in the financing system for local government.

<sup>3</sup> The LEC areas, except that Lothian is divided in two for New Deal purposes.

<sup>4</sup> The coalition government of Labour and Liberal Democrats is known as the ‘Scottish Executive’.

<sup>5</sup> John Fairley was an Adviser to the enquiry.

<sup>6</sup> In most authorities, Economic Development was combined with more than one service (e.g. with both planning and development) so there are various combinations, and the total does not sum to 100.

## References

Bennett, M., Fairley, J. & McAteer, M. (2002) *Devolution in Scotland: The Impact on local government*, York, Joseph Rowntree Foundation

Borrowman, S. (2000) *Capital of Silicon Glen; West Lothian – transformed for good?*, West Lothian: Drumduff Publications

Brown, A. and Fairley, J. (eds) (1989) *The Manpower Services Commission in Scotland*, Edinburgh: Edinburgh University Press

Brown, A. McCrone, D. Paterson, L. and Surridge, P. (1999) *The Scottish Electorate- the 1997 General Election and beyond*, London: MacMillan Press

CBI Scotland (2000), *Competitive Scotland*, London, CBI

Cameron, G. Danson, M. and Fairley, J. (2000) ‘Local Economic Development and Training in Scotland’, Conference Paper, *Regional Studies Association*, Aix-en-Provence

Community Planning Task Force Scotland (2001) *Organisations involved in Community Planning Partnerships: An analysis of Community Plans*,

Edinburgh, Scottish Executive

COSLA/Scottish Office (1998) *Report of the Community Planning Working Group*, The Stationery Office

CIPFA (2000) *Rating Review: Actuals of Income and Expenditure 1999-2000*, Edinburgh, CIPFA

CIPFA (2002) *Rating Review: Actuals of Income and Expenditure 2000-2001*, Edinburgh, CIPFA

Danson, M. (1999) 'Economic Development: the Scottish Parliament and the Development Agencies', in McCarthy J and Newlands D (eds) *Governing Scotland: Problems and Prospects; the Economic Impact of the Scottish Parliament*, Aldershot: Avebury

Danson, M. Fairley, J. Lloyd, M. G. and Turok, I. (1999) 'The European Structural Fund Partnerships in Scotland: New Forms of Governance for Regional Developments?', *Scottish Affairs*, Spring

Davidson, K. and Fairley, J. (2000) *Running the Granite City – Local Government in Aberdeen 1975-96*, Dalkeith: Scottish Cultural Press

Dowding, K. (2001) "There must be an end to confusion: Policy networks, intellectual fatigue, and the need for political science methods courses in British universities" *Political Studies*, Vol. 49, pp. 89-105

ELLC (2000) *Final Report of the Enquiry into the Delivery of Local Economic Development*, Edinburgh: the Stationery Office

EKOS (2000) *Survey of Scottish Councils' Economic Development Activity* (2 volumes)

Fairley, J. (1995) 'The Changing Politics of Local Government in Scotland', *Scottish Affairs*, Winter

Fairley, J. (1996) 'Scotland's New Local Authorities and Economic Development', *Scottish Affairs*, Spring

Fairley, J. (1998) 'Labour's New Deal in Scotland', *Scottish Affairs*, October

Fairley, J. (1999) 'Economic Development: the Scottish Parliament and Local Government', in McCarthy, J. and Newlands, D. (eds) *Governing Scotland: Problems and Prospects; the Economic Impact of the Scottish Parliament*, Aldershot: Avebury

Fairley, J. and Lloyd, M. G. (1995) 'Economic Development and Training in Scotland – The Roles of Scottish Enterprise, Highlands and Islands Enterprise and the Local Enterprise Companies', *Scottish Affairs*, June/July

Fairley, J. and Lloyd, M. G. (1998) 'Enterprise in Scotland – A Mid-term Assessment of Institutional Innovation for Economic Development', in Danson, M. and Halkier, H. (eds) *Regional Development Agencies in Europe*, London: Jessica Kingsley

Lynch, P. (2000) 'The Committee System of the Scottish Parliament', in Hassan, G. and Warhurst, C. (eds) *The New Scottish Politics; the first year of the Scottish Parliament and beyond*, Edinburgh: the Stationery Office

Marsh D. and Smith M. (2000) "Understanding Policy Networks: Towards a Dialectical Approach" *Political Studies*, Vol. 48, pp. 4-21

Marsh D. and Smith M. (2001) "There is More than One Way to Do Political Science: on Different Ways to Study Policy Networks" *Political Studies*, Vol. 49, pp. 528-541

Midwinter, A. (2002) "The New Politics of Local Spending: Central-Local Financial Relations Under Scottish Devolution" in *Public Money and Management* April-June 2002

Mouffe, C. (2000) "For an agonistic model of democracy" in *Political Theory in Transition*, Routledge, London

Paterson, L. (1994) *The Autonomy of Modern Scotland*, Edinburgh: Edinburgh University Press

Paterson, L. et al 2001 *New Scotland, New Politics?* Edinburgh: Edinburgh University Press

Raab C. (2001) "Understanding Policy Networks: A Comment on Marsh and Smith" *Political Studies*, Vol. 49, pp. 551-556

Rhodes, R. (1985) "Power-Dependence, Policy Communities and Intergovernmental Networks" in *Public Administration Bulletin*, Vol. 47 pp. 4-31

Rhodes, R. (1997) *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*, Buckingham, Open University Press

SCDI, (2000a), *Response to the Scottish Executive's consultation document: A Framework for Economic Development in Scotland*, Glasgow, Scottish Council for Development and Industry

SCDI, (2000b), *Response to the Enterprise Networks Review*, Glasgow, Scottish Council for Development and Industry

Scottish Constitutional Convention (1995) *Scotland's Parliament: Scotland's right: The Report of the Scottish Constitutional Convention*, Edinburgh : Scottish Constitutional Convention

Scottish Executive (2000) *Modernising the Enterprise Networks: The Interim Conclusions of the Enterprise Networks Review*, Edinburgh, Scottish Executive

Scottish Executive (2001a), *A Smart, Successful Scotland – Ambitions for Enterprise Networks*, Edinburgh, Scottish Executive

Scottish Executive (2001b), *Summary of responses to the consultation on draft guidelines for Local Economic Forums*, Edinburgh, Scottish Executive

Stoker, G. (1995) "Intergovernmental Relations," in *Public Administration* Vol. 73, Spring, pp. 101-122

Wilson D. & Game C., (1998) *Local Government in the United Kingdom*, Second Edition, Houndmills, MacMillan

Mike Bennett is the Assistant Director General of the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and an Honorary Research

Fellow at the Scottish Local Authorities Management Centre, University of Strathclyde

Address: SOLACE, Hope House, 45 Great Peter Street, London, SW1P 3LT

Email: [mike.bennett@solace.org.uk](mailto:mike.bennett@solace.org.uk)

John Fairley is Professor of Public Policy and Local Economic Development and Head of the Department of Environmental Planning, University of Strathclyde.

Address: Department of Environmental Planning, University of Strathclyde  
Graham Hills Building, 50 Richmond Street, Glasgow, G1 1XN

Email: [john.fairley@strath.ac.uk](mailto:john.fairley@strath.ac.uk)