

# LOCAL ECONOMIC DEVELOPMENT

An overview of the economic development role of local authorities in selected jurisdictions

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# 1.

## INTRODUCTION

This report examines the role of subnational governments in local economic development. The report provides a brief overview of the current situation in Ireland, identifies international trends, and provides examples of the economic development role of local authorities in other jurisdictions. The OECD (2013) defines local economic development as “a cross cutting and integrated activity where the physical development of a place is linked to public service, place management, and wider drivers of change such as employment, skills, investment, enterprise, innovation, productivity, quality of life, and positioning” (p. 9). Local government plays a key leadership role in this kind of local integration.

While the functions of local government in Ireland are quite limited, they have traditionally played a significant role in relation to economic development, from planning and development services, to provision of transport, water and environmental infrastructure. The County and City Managers’ Association (2013) note that “local authorities retain functions essential for the promotion of economic development in a local area. Such functions include the physical planning remit to make towns and counties more attractive places to live, work and invest, the capacity to directly invest in roads, water, recreation, enterprise, tourism, heritage and cultural assets. Importantly, local authorities can acquire land/property in order to perform any of their functions” (p. 2).

In 2014, as part of a wider reform process, this role was strengthened through the creation of Local Enterprise Offices (LEOs) as offices within the 31 local authorities to provide enhanced resources to support start-ups and microenterprises in their areas. The National Oversight and Audit Commission (NOAC, 2016) reported that in 2015 the LEOs assisted businesses to create an additional 3,152 whole time equivalent jobs. In addition to direct financial assistance, the LEOs supported a wider cohort of entrepreneurs in 2015:

- 1,896 training programmes involving 27,187 participants;
- Provision of one-to-one mentoring to 8,175 participants;
- 399 referrals to Micro Finance Ireland, 200 of which were approved; and
- Promotion of the Trading Online Voucher Scheme with almost 1,700 businesses participating.

In 2016, the economic development role played by local authorities was furthered expanded; The newly established Local Community Development Committees (LCDCs) adopted Local Economic and Community Plans, which represent a coordinated approach to local community and economic development, led by the County and City Councils. This

approach improves the alignment of the actions of the local authorities, agencies and local community and voluntary groups involved in the economic and community development of their areas, ensuring that they are working to common objectives and shared goals. Local authorities, working with the Department of Business, Enterprise and Innovation, are also coordinating the implementation of the Regional Action Plans for Jobs.

As noted in an OECD review of local development in Ireland (OECD, 2013), the reforms presented Ireland with the opportunity to follow the path of many OECD countries in creating new environments for economic development. The next section provides an overview of international trends in local and regional economic development.

# 2.

## INTERNATIONAL TRENDS

Recent international governance trends have seen a shift from 'top-down' to 'bottom-up' approaches to local and regional development alongside a move from government to governance and devolution of powers to the subnational level (Pike et al. 2017). Early approaches to local and regional economic development were characterised by the central state delivering development to lagging regions through injection of resources from the outside on standardised, one-size-fits-all lines. Regions were often assumed to be devoid of entrepreneurial or other resources and had little input in the formation or implementation of the policies (Keating, 1997). In an increasingly globalised, neo-liberal economy bottom-up approaches to local and regional development are increasingly favoured, with the idea that regions compete in a global capitalist market.

Indigenous, place-based development approaches have become more prevalent over the last two decades due, in part, to the emergence of new endogenous growth theories<sup>1</sup>. Local and regional institutions play a central role in place-based policy in gathering and interpreting local and regional knowledge of economic and social needs and contexts, building relationships, working closely and providing on-going support as well as building networks and mutual learning and cooperation among peers (Pike et al, 2017). This development away from a system where government does everything to a system of institutional interdependence is what Rhodes (1996) terms the shift from 'government to governance'.

Haughton and Allmendinger (2008) outline some of the ways in which local economic development's traditional concerns with hard projects with hard outcomes are being complemented by softer approaches to foster 'soft' outcomes, in line with the shift from government to governance. While the formal 'hard' spaces of traditional local government functions are as important as ever, local governments are also providing local economic development functions, housing strategies, cultural strategies and so on.

However, as addressed by the OECD (2013, p.9) "... few, if any, administrative and government systems are designed with economic development in mind." National, local and regional governments are generally organised by sector (e.g. transport, environment, health). Over the past 20 years the roles of local governments as convenors, vision setters, coalition builders, and the primary local interlocutor with national governments and supra-national systems have been developing in most OECD countries. There is a strong rationale for local governments playing such roles:

- The integration imperative (efficiency, effectiveness, coordination) calls for a single point of primary coordination and this logically needs to be a primary organisation that can furnish leadership, promote partnership, and be accountable to the citizens.

<sup>1</sup> Endogenous growth theories incorporate formerly external or exogenous factors – particularly technological change and human capital – within their models to explain regional convergence and divergence and the spatial concentration of high and low growth regions. Despite criticisms, endogenous theory has reshaped the focus of local and regional development towards levelling-up the economic performance of all localities and regions to enhance local, regional and ultimately national development (Pike et al, 2006).

- It is helpful if the leading organisation also has wider responsibilities for key public services, quality of life, land use, infrastructure and other important factors and is therefore able to shape development actively and to internalise and resolve potential tensions and pressures.
- The leading organisation should have some level of fiscal connection to the economic performance of the locality and therefore be motivated to seek effective sources of sustainable growth.

It should be noted however, that not all local governments are equal and only broadly based and competent local government is able to integrate the different factors of local development such as liveability and amenity, infrastructure, skills, planning and land, and local identity with a market interface to employers, entrepreneurs, investors, and other mobile stakeholders (ibid). In general, local authorities' autonomy has increased over the years, and they now enjoy more freedom to take on new tasks, are legally protected and have more directly the possibility to make themselves heard when it comes to decisions on higher levels (Ladner et al, 2016). However, there is still remarkable variation in the extent of autonomy local government enjoys, and in a number of European countries, an increase in local autonomy has been weakened or cancelled out by simultaneous austerity policies and cutback measures (Schwab et al., 2017).

In recent times of austerity, local governments are often expected to 'do more with less' and central governments have introduced rationalisation measures to reduce and restructure government agencies and territorial structures in some countries (e.g. the rationalisation of local and regional bodies in Ireland (see Shannon, 2016) and the abolition of Regional Development Agencies in England (see Pike et al. 2016)). In many OECD countries both the size and transfer of payments between higher tier and local governments has reduced, and in many cases local governments are being asked to undertake a wider range of activities with fewer resources. In economic development the shift is towards connecting better with both growth markets and new sources of capital through enhanced local arrangements that can build strategies for the future (OECD, 2013).

In some areas, local communities have engaged in the process of revitalising their own communities; Community Economic Development (CED) emerged in the US in the 1960s in response to calls by activists in low income communities to incorporate local residents into the process of revitalising their own communities (Clay and Jones, 2009). CED describes a process of economic development within a specific geographic area, to make the economy in that area work well for that community. The process is led by people living, working and running businesses in that area. An analysis of a 2-year pilot of CED in the UK (Co-operatives UK, 2017) found that CED should be encouraged and supported because communities want to and can play a key role in shaping more sustainable economies. The CED model provides a useful framework to support communities in driving sustainable economic regeneration and provides a mechanism for meaningful participation within an area's economy.

## 2.1 LOCAL GOVERNMENT REORGANISATION (CITY REGION GOVERNANCE)

Many nation states have reformed their systems of local governance and in particular their arrangements for metropolitan governance and regional development in recent years. There is a growing awareness of the key role cities (and wider city regions) play in driving economic growth, however city region governance is complex.

Based on an international study of subnational governance reforms, Hambleton (2017) identifies three related sets of driving forces influencing the moves to strengthen city region governance:

1. The rise of challenges that reach beyond individual municipalities
2. Place-based international economic competition
3. The need to address growing economic and social inequalities and climate change.

Economic development plays a key role in each of these influencing factors, and therefore can be seen as an impetus for local government reform. There are various reform options for subnational governance, including greater inter-municipal cooperation through to amalgamation and mergers.<sup>2</sup> However, as Hambleton notes "... it is important to record that no single approach to city region governance, no matter how effective in a given socio-political context, is likely to be directly applicable to all city regions. It follows that city regions, in different countries and different contexts, need to design their own solutions to their own particular city regional and socio-political challenges" (2017, p. 24). In that regard, reorganisation of local government has taken many different forms internationally (and even within nation states) and this is demonstrated in the case studies outline in the following chapter.

## 2.2 JOB CREATION AND SERVICE INTEGRATION

A key aspect of local economic development is job creation. Many OECD countries are seeing widening gaps in the geographic distribution of skills and jobs. By supporting quality job creation from within and ensuring that all residents can benefit from and contribute to growth, local development is a key tool for addressing this problem (OECD, 2016a).

An increasing trend in many jurisdictions is the devolution of employment and skills systems to the local level. 'One Stop Shops' are a common feature of a number of international models identified by Wilson et al. (2017):

- In the Netherlands, the 'Employee Insurance Implementing Body' (UWV) and municipalities co-locate and coordinate service delivery through a national network of 'Work Squares'. These are co-managed by local UWV and Social Services Directors and include a range of agencies which could include other municipal services, welfare

organisations, reintegration companies, private employment agencies and temporary work agencies.

- In the United States, a national network of 'One Stop Centers' (now commonly referred to as American Job Centers) bring together employment, training, and careers support for individuals and employers. There are around 2,500 centres nationwide, operating at state, regional and local level. This has also led to greater coordination and integration, in particular with welfare and related services. States make use of contracts, Memoranda of Understanding, and service-level agreements to coordinate between welfare and workforce development. This has included co-location; blending of funding streams; and integrated case management, assessment, and information sharing.
- In Germany, federal and municipal government deliver integrated one-stop services for uninsured claimants in most parts of the country – which combine benefit administration, employment support, and access to training and other local services. These 'joint agencies' incorporate employment and benefit delivery as well as wider social services (e.g. debt advice, drug and psychological counselling and childcare provision).

The authors also outlined good examples where organisations have sought to better align and where possible integrate employment, skills, and other local provisions. In the UK, for example, the 'Universal Support delivered locally' trials from 2014-15 tested approaches to bringing together councils, Department of Work and Pensions (DWP) and local partners to design and deliver support for those likely to be less able to manage under Universal Credit. An evaluation of the trials (DWP, 2016) found they "successfully demonstrated how local authorities, Jobcentre Plus and wider networks of local partners can work together to identify, engage, assess, refer and support claimants to address digital, personal budgeting and often wider support needs" (p. 102).

In particular, the evaluation pointed to a number of critical success factors in joint working which are relevant across public services, around:

- Having clear and common success measures;
- Having the right governance, partnerships and management to oversee these locally
- Ensuring that those eligible for support are identified, engaged and screened through different channels;
- Exploring and harnessing the benefits of co-location and integration; and
- Putting in place the right systems and processes to enable effective delivery of support – in particular around data sharing, local service mapping and case management.

The next section will outline how the international trends identified have played out at the local level in a select few jurisdictions, namely Northern Ireland, England, Belgium, New Zealand and the United States.



# 3.

## ROLE OF LOCAL GOVERNMENTS IN ECONOMIC DEVELOPMENT

Although not intended to be a comparative analysis of the role that local authorities in other jurisdictions play in economic development, the case studies presented below were selected due to both the similarities and differences that can be drawn with the Irish experience.

### 3.1 NORTHERN IRELAND

Local government in Northern Ireland (NI) was extensively reformed in 2015. Structurally, 11 'super councils' replaced the existing 26 councils. With the exception of Belfast City Council, which was extended, all other councils were formed by merging two or more existing local authorities. The new councils were also provided with additional responsibilities and powers primarily in the areas of local planning, local economic and tourism development and off street parking. Specific functions impacting economic development transferred to the new councils are outlined in Table 3.1.

**TABLE 3.1                      ADDITIONAL FUNCTIONS TRANSFERRED TO NI LOCAL GOVERNMENT IN 2015, IN RELATION TO ECONOMIC DEVELOPMENT**

Planning	<ul style="list-style-type: none"><li>• Local development plan functions</li><li>• Development control and enforcement</li></ul>
Local economic development (transfer from Invest NI)	<ul style="list-style-type: none"><li>• Start a Business Programme and Enterprise Shows</li><li>• Youth Entrepreneurship (such as Prince's Trust and Shell Livewire)</li><li>• Social Entrepreneurship</li><li>• Investing for Women</li><li>• Neighbourhood Renewal funding relating to enterprises initiatives.</li></ul>
Local tourism	<ul style="list-style-type: none"><li>• Small scale tourism accommodation development</li><li>• Providing business support including business start-up advice along with training and delivery of customer care schemes</li><li>• Providing advice to developers on tourism policies and related issues</li></ul>

Alongside the devolution of specific functions, councils will also have a new general power of competence. This will allow a council to act with similar freedom to an individual, unless there is a law to prevent it from doing so. It will allow a council to act in its own interest and develop innovative approaches to help improve the economic, social and environmental well-being of its area (Northern Ireland Council for Voluntary Action, 2015). It was also originally intended that councils would be giving responsibility for urban regeneration, however it was announced in November 2016 that those powers would remain within the remit of the Department for Communities (Givan, 2016).

Councils will also lead a community planning process. The new duty of community planning will require councils as the lead partner to be responsible for making arrangements for community planning in their areas. They will work with statutory bodies and their communities to develop and implement a shared vision for promoting the well-being of an area, community cohesion and improving the quality of life of its citizens. The plans intend to encourage sustainable development by linking service delivery, long term objectives of an area, and physical planning and regeneration. Social, economic and environmental issues, and the well-being of citizens, can all be considered together within the framework provided by the collaborative approach of community planning (Department of the Environment, 2015).

Knox and Carmichael (2015) note that, in the absence of key functional responsibilities, community planning and the general power of competence offers significant opportunities for local government in Northern Ireland. The first set of community plans are beginning to emerge in 2017 following extensive consultation with citizens.

### **Derry City and Strabane Strategic Growth Plan**

This recently launched community plan (Derry City and Strabane District Council, 2017) seeks to drive inclusive, sustainable growth and prosperity across the city region. Following an OECD review of public governance in Northern Ireland (OECD, 2016b) there was a clear need for considerable reform across the public sector and in the way in which government engages with citizens. One of the key recommendations focused on enhancing outcomes for people by pursuing more outcomes-focused strategic planning. While this review was focused on the central government level, its recommendations are being carried through to the local level.

As a result of an extensive co-design process, nine outcomes were agreed and aligned to the three statutory pillars of wellbeing; economic, environmental and social. The economic outcomes focus on entrepreneurship, enterprise and regional competitiveness, education and skills, and tourism, arts and culture. The plan envisages a projected £3.4bn of capital expenditure over the lifetime of the plan, resulting in 10,000 additional people living in the region, and 15,100 additional jobs. The key signature projects include regionally significant infrastructural investment – such as roads, development of strategic sites and assets, the expansion of Ulster University at Magee, continued development of public health facilities, housing development, council's strategic leisure investment, parks, greenways and community facilities.

The representative body for councils in NI, the Northern Ireland Local Government Association (NILGA), while welcoming the additional powers transferred in 2015, believe that further functions should be considered for devolution including further economic development functions such as coordinating skills development, and regeneration powers (NILGA, 2016).

## 3.2 ENGLAND

The English system of local government is divided in some areas into county councils (the upper tier) and district councils (the lower tier). The two tiers have distinct functions, though they overlap in some matters. In other areas, “unitary authorities” carry out all local government functions. There are 353 local authorities in England, of which 27 are county councils, 201 are district councils, and 125 are single-tier authorities. Of the latter, 32 are London boroughs and 36 are metropolitan boroughs (Sandford, 2017).

One of the key focuses for central government in England in their approach to local growth is the shift of power to local communities and businesses:

“Localities themselves are best placed to understand the drivers and barriers to local growth and prosperity, and as such localities should lead their own development to release their economic potential. Local authorities, working with local businesses and others can help create the right conditions for investment and innovation. Critically, our new approach will enable places to tailor their approach to their circumstances and recognises that places can usefully compete with one another, harnessing self-interest and ambition to grow, increase prosperity and collectively increase the size of the national economy” (Department of Business, Innovation and Skills, 2010, p. 8).

### Local Authorities’ Role in Supporting Growth

Local authorities have a critical role to play in supporting the economy of their area and are uniquely placed, via politically accountable leadership, to bring stakeholders together from across all sectors. Key roles include:

- leadership and coordination using their community leadership role and planning powers to set out a clear framework for local development, helping to provide certainty for business and investment, overcome coordination failures and manage externalities and competing interests;
- supporting growth and development through ensuring a responsive supply of land that supports business growth and increases housing supply;
- using their significant land assets to leverage private funding to support growth. In many places, opportunities to include other parts of the public estate in asset-based vehicles exist;
- directly and indirectly influencing investment decisions via the use of statutory powers, particularly through the planning system, which are key determinants of businesses’ ability and confidence to invest;

- supporting local infrastructure - transport investment, in particular, is a key enabler of growth. The Spending Review prioritised economically significant local transport projects;
- support for local people and businesses, including regeneration, business support and employment programmes, working with nationally led schemes;
- providing high quality services, such as schools and transport, that directly support businesses' investment confidence and individuals' life chances;
- keeping markets fair by maintaining trading standards and provide wider services and investment that increase the attractiveness of an area; and
- leading efforts to support and improve the health and well-being of the local population, promoting independence and rehabilitation to ensure that all individuals have the maximum opportunity to benefit from work, and to contribute to the local economy

Source: Department for Business, Innovation & Skills (2010, p. 12).

### 3.2.1 Local Enterprise Partnerships (LEPs)

All parts of England are covered by (at least) one Local Enterprise Partnership (LEP). These are voluntary bodies, established in 2010-11 to coordinate economic development and growth policy in local areas. They have a close working relationship with local authorities (and any combined authority) in their area, frequently with councillors sitting on their management boards, but they are not formally accountable to local authorities. LEPs were established under the 'localism' agenda.

There are currently 39 LEPs across England. In many areas, a LEP was the logical continuation of existing partnership working across this geography (Harrison, 2011). The intention of LEPs was not to follow the path of the existing Regional Development Agency geography (which was largely administrative), but to be based on functional economic areas such as city regions. Some have questioned, however, whether the boundaries of LEPs actually reconcile with functional economic areas. Research by Pike et al. (2016) found that 22 (or 56.4%) of LEP areas are of questionable validity as functional economic areas, while 15 (or 38.5%) could be considered as plausible city regions.

To give an idea of the scale of LEPs, the average LEP population is 1.5 million with Pan London the largest (8 million), South East the largest outside London (3.4 million) and Cumbria the lowest (0.5 million). LEPs can overlap, and in a 2011 study, it was found that 29 local authorities are covered by more than one LEP (Harrison, 2011).

LEPs are the primary mechanism for channelling a £12 billion Local Growth Fund. This funding is negotiated between LEPs and central government through 'Local Growth Deals'. Alongside this share of the Local Growth Fund, LEPs also have responsibility for drawing up investment plans for over £5 billion of European Structural and Investment Funds for 2014 to 2020.

### 3.2.2 Devolution Deals and Directly Elected Mayors

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. The Act is intended to support delivery of the Government's manifesto commitment to devolve powers and budgets to boost local growth in England, in particular to devolve far-reaching powers over economic development, transport, and social care to large cities which choose to have elected mayors.

The Act also provides for an elected mayor for a combined authority's area. On 5 May 2017, six mayors were elected for the first time to lead combined authorities in Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, the Tees Valley, the West of England and the West Midlands. Devolution deals had previously been agreed with these areas.

Central government view LEPs as playing a key role in devolution deals, with their Strategic Economic Plans providing a key basis for investment decisions. The increased powers and funding for local areas secured through devolution deals present an opportunity for LEPs to provide a strategic business voice in a wider range of decisions.

#### **Manchester's approach to local economic development and governance: collaborative approach**

Manchester's approach to economic development and economic governance has proved well-designed to maximise the area's comparative advantages and so be a positive sum game that contributes to national economic development.

Greater Manchester was announced as the first Combined Authority (GMCA) in the country in April 2011. For the first time this gave Greater Manchester a statutory framework to coordinate key economic development, regeneration and transport functions across the conurbation. Shortly after the announcement of the Combined Authority, the Government also approved a proposal for a Local Enterprise Partnership (LEP), designed to support business and grow the local private sector. One of the Combined Authority and LEP's first achievements was the signing of the Manchester City Deal with government. The centrepiece of this deal is the government's agreement in principle to a hugely ambitious "earn back" model, where up to £1.2bn invested in infrastructure improvements by Greater Manchester authorities will be paid back as real economic growth is measured. The "earn back" agreement is significant because it starts to turn the tide of ever-increasing centralisation and gives Greater Manchester a tax lever to pull to support growth. Additional agreements on business support, inward investment and skills, alongside a £100 million investment fund, mean more weapons in the armoury than most to kick-start local growth.

Manchester is a useful learning model on how to build sub national capacity and develop economic development powers and responsibilities through local authorities coming together to create additional critical mass and lobbying power. It has built its tool kit over the last 20 years, serving as a reminder that economic development and investment are long term and thus reforms should be contextualised for short, long and medium objectives.

Source: [OECD, 2013, pp. 15-16]

### 3.3 BELGIUM

Belgium is a federal state consisting of 3 regions, 10 provinces (at the intermediate level) and 589 municipalities. Transfer of powers to the regions began in the 1970s and the process of state reform is still ongoing. There is no hierarchy between the federal, regional and community (municipal) governments: they each have their own specific competences allocated to them by the Belgian Constitution. The regions' competences are linked to the land (housing, agriculture, spatial planning, etc.), the communities' competencies are more linked to the individual (education, health, culture, etc.), and the competences of the federal government are those not explicitly attributed to regions or communities by the Constitution (CEMR, 2016).

Economic and employment policies are regional matters and the regions generally have powers related to active labour market policies, labour mediation, and the social economy. Due to the division of powers outlined above, regional governments each develop different policies and administrative practices. Cities and municipalities can cover everything that is in the interest of the collective needs of their inhabitants. They mainly implement decisions taken at the higher levels, and can develop initiatives of local importance. However, local authorities do not receive specific funding for labour market initiatives (with the exception of City Funds). Cities and municipalities usually have an alderman who is responsible for the local economy and some also have a local employment department. The box below provides an overview of the role of the City of Antwerp's Work and Economy department.

As well as local authorities, there a number of different actors and stakeholders involved with employment and skills policies at the local level:

- Public Social Welfare Centre (OCMW): OCMW is a local government agency which provides social assistance to individuals e.g. income support.
- Local Employment Agencies (PWA): These are agencies established by (or groups of) communities to assist the long-term unemployed by providing direct employment. PWAs are non-profit organisations and are embedded in one-stop job shops.
- Local services economy: This service, coordinated by the local authority, provides jobs for people who do not manage to find and keep a job in the regular economy.

#### The City of Antwerp - Work and Economy Department

The Work and Economy department is working on Antwerp's socioeconomic planning and development, mainly focusing on attracting new investors, facilitating start-ups and stimulating competitiveness for growth and employment. Through several projects and initiatives, the department is dedicated to creating a diverse and strong economic environment where efficiency and profitability go hand in hand with sustainability and social responsibility. The Department consists of various teams:

1. The Business Strategy and Innovation team focuses on economic strategy making the City of Antwerp as business-friendly as possible. The team support the development of city projects with an economic focus such as the industrial site of Blue Gate Antwerp, incubator BlueChem, and Start-up City.

2. The Investment Desk offers customised advice and support to investors and market players who wish to invest in the city. Location guidance is provided where a location manager helps entrepreneurs in their search for a location that matches their needs. The team also actively promotes the re-development of empty business and commercial premises.
3. The Retail and Hotels, Restaurant and Catering team reinforces the city's shopping and hospitality areas by supporting and advising how to start a business in hospitality, investing in the street view of commercial centres, and developing and supporting city projects with retail or hospitality focus.
4. The Business Desk is the contact point for new and established businesses, as well as for the self-employed. The Business Desk provides information on permits issued by the City of Antwerp as well as the application of a renovation subsidy for commercial properties.
5. The Business Promotion team focuses on promoting Antwerp as a city "open for business" in business press and publishing and through conferences and networking events.
6. The Work and Social Economy team offers customised services for filling vacancies and demand-oriented training. It coordinates the sectoral networks (hospitality, care) and the Talent houses as well as the development of actions to tackle youth employment.

The initiatives and projects are developed in collaboration with the VDAB (Flemish Public Employment Service), organisations for social welfare, other city departments (education, youth), representatives of economic sectors, other labour market actors and education and training providers.

Source: OECD (2015, p. 49).

### 3.4 NEW ZEALAND

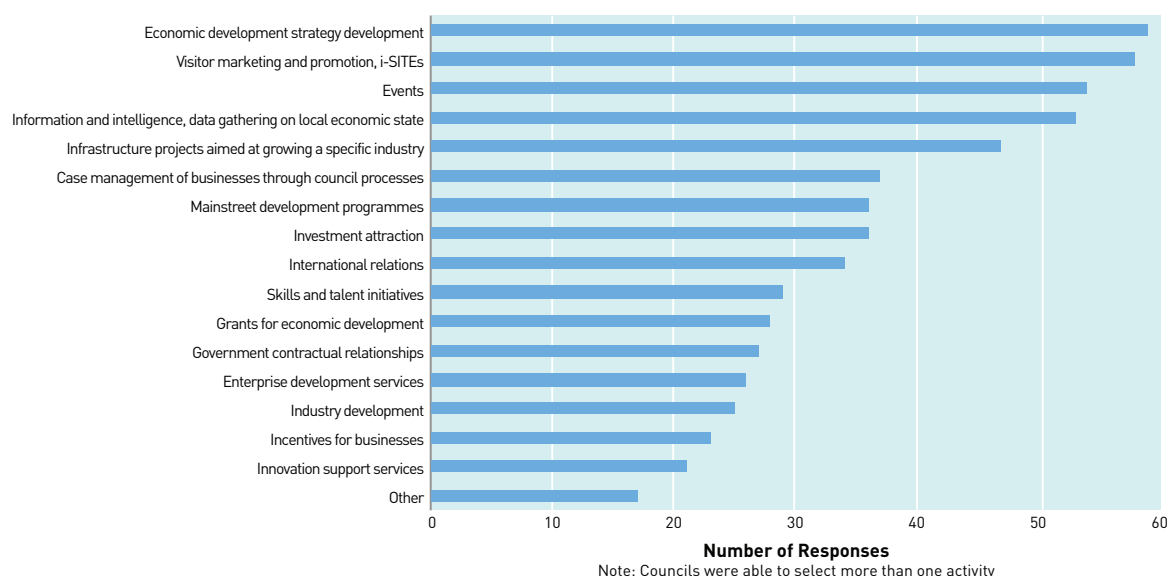
Local government in New Zealand consists of 61 territorial councils (11 city councils and 50 district councils), 11 regional, and 6 unitary councils (which are territorial councils with regional council responsibilities). Regional councils are primarily concerned with environmental resource management, flood control, air and water quality, pest control, and, in specific cases, public transport, regional parks, and bulk water supply. Territorial authorities are responsible for a wide range of local services including roads, water reticulation, sewerage and refuse collection, libraries, parks, recreation services, local regulations, community and economic development, and town planning.

Councils, however, can differ widely in relation to activities they undertake, as long as they have consulted their communities in making the decisions. As a result, there is considerable diversity in the range of activities that councils provide, reflecting the different circumstances that cities, towns and communities find themselves in.

For the 2014-2015 financial year, New Zealand’s local government sector spent an estimated \$248 million on the delivery of economic development services. The activities and interventions used by councils developed organically in response to challenges from the early 1980s to 2002. The introduction of the four “well-beings” (social, economic, cultural and environment) in the Local Government Act 2002 (LGA 2002) mandated councils to further develop services under the economic well-being setting. This legislative setting was deliberately broad, enabling councils to explore innovative ways to address issues impacting on local economic well-being. In 2012 central government removed the four well-beings from the LGA 2002. Many councils have continued with activities despite the changes in regulatory settings. However, as financial pressures for councils increase so does the requirement for greater accountability and transparency for investment of public money. This is particularly so for councils trying to maintain and renew economic infrastructure such as roads and water. This pressure makes decisions on how limited financial resources are applied even more acute (LGNZ, 2017).

Figure 3.1 outlines the range of economic activities provided for by councils, as indicated in a survey undertaken by LGNZ in late 2016 (LGNZ, 2017). As the figure shows, there is a wide range of activities undertaken by local authorities. The survey also indicated a wide range of institutional arrangements for managing the economic development work programmes. Most councils reported having in-house economic development expertise located within a single team or unit, or within multiple teams or units. The second and third most common arrangements were regional tourism organisations and council controlled organisations.

**FIGURE 3.1 ECONOMIC DEVELOPMENT ACTIVITIES PROVIDED FOR BY NEW ZEALAND COUNCILS**





### **Economic development in Auckland – The use of council controlled organisations**

Auckland Council was formed in 2010 through the merger of seven local authorities and one regional environmental authority; it is commonly referred to as a 'super-council'. The council comprises elected councillors, the mayor and local boards all working with a range of council controlled organisations (CCOs), which provide core services. Auckland Council has seven substantive CCOs<sup>3</sup> with responsibility for a wide range of services and activities including roads and public transport, water and waste water, and economic development activities. Auckland Tourism, Events and Economic Development (ATEED) is the Auckland region's economic growth agency and an Auckland CCO. ATEED is governed by the Auckland Council and partners with the Council and others such as corporates, government agencies, industry clusters, and universities.

CCOs are widely used across local government in New Zealand, however Auckland Council relies heavily on CCOs to provide many of the services that usually form the core activities of local authorities. There are opportunities and challenges associated with the use of CCOs. They give a local authority the opportunity to engage people with the right skills and experience to focus on operating a business or other undertaking on behalf of the authority. The challenge is that the local authority remains accountable to its community for the CCO's performance.

A report by the Controller and Auditor-General (2012) into Auckland Council's transition and emerging challenges in 2012 found that CCOs were generally seen as a good model and it 'was useful for each CCO to have its own area of focus and a board that bring relevant expertise to that focus'. On the other hand, some were concerned about accountability and the possibility for duplication, for example both ATEED and the Council have economic development functions.

## **3.5 THE UNITED STATES (US)**

Economic development in the US is an example of a bottom-up, decentralised approach to developing policy and delivering services (Eberts, 2005). Local governments often take responsibility for several aspects of economic development including regulations, infrastructure investment, marketing and tax incentives (Morgan, 2009). Historically, there has been a distinct separation between activities related to workforce development and those related to economic development. These activities are typically performed by different levels of government and by different non-government entities. However, in recent years, as employers have become increasingly frustrated with the lack of qualified workers, organisations responsible for economic development have recognised that workforce development is one of the top priorities of economic development. They have consequently turned their attention to forging closer working relationships with the workforce and educational systems. At the same time, workforce development agencies have come to recognise that their customers include not only job seekers and trainees but also businesses. The Workforce Investment Act of 1998 (WIA) called for greater involvement with

<sup>3</sup> A substantive CCO is unique to Auckland and is established under the Local Government (Tamaki Makaurau) Reorganisation Act 2009 or the Local Government (Auckland Council) Act 2009. A substantive CCO is a CCO that is responsible for delivering a significant service or activity on behalf of the Council, or that owns or manages assets with a value of more than \$10 million.

businesses by reserving the majority of seats on the state and local workforce investment boards (WIBs) for business representatives. These boards set workforce strategies for their respective areas, within the guidelines and requirements of the federal programmes that they administer (Eberts, 2005).

The WIA was updated and replaced in 2015 by the Workforce Innovation and Opportunity Act (WIOA) to provide a stronger alignment of the workforce, education and economic development systems and to improve the structure and delivery of the system. The legislation also integrated a number of separate federal skills and employment programmes and standardised performance accountability with the creation of six common core measures for adult programmes and a related set of measures for young people (Wilson et al, 2017).

State economic development and workforce leaders and staff are coordinating in some states by combining their economic development and workforce agencies, reflecting the close connection between economic development and workforce development. State economic development representatives also currently sit on many state and local WIBs. If so, they may have already been a part of previous state planning efforts under the Workforce Investment Act of 1998. Economic development and workforce agency staff may also participate in other strategic efforts, such as sector partnerships, in which leaders from business, government, and education coordinate workforce strategies to support the growth of a particular industry. The two agencies may also coordinate on labour market research, job-matching strategies, education and training, attracting talent, and reemployment strategies. Although combined agencies and strategic efforts offer opportunities for coordination between economic development and workforce development, it is unclear how coordination occurs and to what degree it is sustained over time. But WIOA provides a new impetus for economic development and workforce development collaboration (Eyster, 2015).

# 4.

## CONCLUSION

The literature examined identified the increasing trend towards bottom-up local and regional development, devolution and the shift from government to governance. These trends have resulted in the reform of subnational governance and the increasing role of local authorities in economic development. Alongside this, local service integration is resulting in the increasing use of one-stop shops for employment and job creation at the local level.

While devolution continues to be a policy objective internationally, and the autonomy of local authorities is, in general, increasing (albeit at extremely variable rates), in recent times of austerity local authorities are increasingly expected to do more with less. The range of economic development functions being carried out by local authorities is extremely diverse, and varies not only from country to country but also within nations. This reflects the increase in place-based economic development policy and the increasing capacity of local authorities to carry out their responsibilities to provide better environments for their citizens.

The international case studies detailed in this report demonstrate the diverse ways in which subnational governments are engaged in local economic development and the diverse structures and partnerships arrangements that are emerging. The increasingly important role of city regions is also highlighted, for example in the current devolution deals in England or the merger of local authorities in Auckland to create a 'super council' to cover the entire city region. This trend has been recognised in Ireland in the National Planning Framework – Ireland 2040 (<http://npf.ie/>) with the proposed introduction of metropolitan area strategic plans (MASPs) for each of our five cities. MASPs are designed to address the problem of the regional cities being spread over multiple local authority territories, and the fact that Ireland's current regional structures (Regional Assemblies) are arguably too broad to be able to efficiently focus on city and metropolitan issues. MASPs will be provided with statutory underpinning to act as twelve-year strategic planning and investments frameworks for the city metropolitan areas, in line with the Regional Spatial and Economic Strategies, addressing high-level and long-term strategic development issues including:

- physical development patterns and strategic growth areas
- strategic infrastructure, particularly in the transportation and water services areas
- large scale regeneration and the location of housing and employment
- metropolitan scale amenities such as regional parks and walking and cycling networks

This is a positive step towards more integrated planning for our city regions, however as Breathnach (2017) outlines there is no information on what governance structures will oversee these strategic plans and what powers, if any, they will have to secure active cooperation from relevant central government departments and organisations and participation of local authorities and private sector actors.

The literature and case studies examined in this report highlight the international trends towards place-based economic growth and devolution of functions to subnational governments. There is strong rationale for broadly based systems of local government, with a wide range of functions and fiscal autonomy, to be the drivers of growth in their local areas. These international trends are, to some extent, mirrored in Ireland's recent reform of local economic development at subnational level. Local authorities have been provided with increased responsibilities for economic development through the establishment of Local Enterprise Offices, the preparation of Local Economic and Community Plans and their involvement with Regional Action Plans for Jobs. The possible introduction of metropolitan planning provides a further opportunity for local authorities to drive growth and provide better environments for their citizens.

# 5.

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