

EAST AYRSHIRE COUNCIL

DEVELOPMENT SERVICES COMMITTEE – 1 AUGUST 2000

FRAMEWORK FOR ECONOMIC DEVELOPMENT IN SCOTLAND ("THE WAY FORWARD")

Report by the Director of Development Services

1 PURPOSE OF REPORT

- 1.1 The Scottish Executive has recently published a report entitled "The Way Forward" presenting a framework for economic development in Scotland. This report reviews the report and recommends action to take forward issues arising.

2 BACKGROUND

- 2.1 The framework has three key elements:

2.2 Vision:

To raise the quality of life of the Scottish people through increasing economic opportunities for all on a socially and environmentally sustainable basis.

2.3 Outcome Objectives:

- International integration
- Regional development
- Social integration
- The sustainability of economic development

2.4 Enabling Objectives:

- A stable and supportive macro economic environment
- A facilitating national economic context encompassing the physical, human and electronic infrastructures
- A dynamic competitiveness in Scottish enterprises
- Economic policies and programmes to secure the social, regional and environmental objectives

3 POINTS RAISED IN COUNCIL SUBMISSION:

- 3.1 Although the framework for Scotland is not in itself presented as a discussion document inputs were invited before its preparation. Following consideration by the Development Services Committee the Council's submission suggested that the following points should feature in the framework:

- Positive national strategic policies are required to secure redistribution of growth in expanding sectors of the economy including service industries to avoid the development of a twin track economy.
- Public sector “pump priming” funds are essential to attract property investment funds into areas where returns to investors are relatively low
- The development of industrial ‘clusters’ needs to be managed carefully to avoid the intensification of ‘hot spots’ and the diversion of growth opportunities away from high unemployment areas
- Close working is essential with traditional industries such as clothing and textiles to assist them to adapt to global competition and technological change
- The national framework should build upon and reflect local and regional economic development strategies
- National economic planning must reflect European regional development priorities

3.2 The recognition of regional development as a key outcome objective is to be welcomed. This is consistent with the Council’s submission.

3.3 The structure of the framework is also very consistent with the Council’s economic strategy. This is built around “pathways” for economic development which correspond very closely to the enabling objectives (except the first relating to the macro economic environment).

Council Strategy	National Framework
<ul style="list-style-type: none"> ▪ Promote investment and enterprise ▪ Promote a positive image that attracts investment and supports the tourist industry 	<ul style="list-style-type: none"> ▪ Generation of entrepreneurial indices ▪ Mobilisation of entrepreneurial ideas ▪ Raising internal productivity of enterprises ▪ Nurturing of enterprises
<ul style="list-style-type: none"> ▪ Improved physical infrastructure and development opportunities 	<ul style="list-style-type: none"> ▪ Provision of appropriate transport infrastructure ▪ Provision of advanced electronic infrastructure
<ul style="list-style-type: none"> ▪ Enhanced education, vocational training and skills 	<ul style="list-style-type: none"> ▪ Securing human capital infrastructure through education and lifelong learning
<ul style="list-style-type: none"> ▪ Assist the unemployed to re-enter the employment market ▪ Support the regeneration of local communities with high levels of unemployment and deprivation 	<ul style="list-style-type: none"> ▪ Removing the barriers to regional and social development for all individuals ▪ Ensuring prosperity and a better quality of environment

4 SCOPE OF REPORT

- 4.1 It is stressed that the report is not a blue print which maps out a course to secure the overall aim. As a framework its purpose is to assist in organising the review and evaluation of relevant strands of government policy.
- 4.2 Secondly it focuses attention on functions within the remit of the Scottish Executive. In particular it reviews the extent of powers which are reserved to the European or UK levels and notes that while these may be open to influence by the Scottish Executive they must also be viewed as part of the context within which the Scottish Executive is required to operate.
- 4.3 Thirdly, the focus of the framework is on economic activities in which the public sector has a clear role. This is defined as economic functions in which there is a market failure preventing the achievement of agreed society objectives and economic activities which are supplied through public services.

5 THE FUTURE DEVELOPMENT OF POLICY

- 5.1 While the framework does not present a detailed programme for future policy development it contains an overview of “work in progress” which provides pointers to policy areas on which the Executive will focus. These cover:
- 5.2 **A stable and supportive macro economic environment:** Topics reviewed over:
- The planning system
 - Transport strategy
 - Skills training strategies
 - Promoting universal access to ICT services
 - Improving the health of the population
 - Investment in electronic infrastructure
- 5.3 **The Dynamic Competitiveness of Scottish Enterprises:** It is suggested that the focus of public policy should be on:
- Promoting more indigenous enterprises
 - Re-focusing government selective assistance to support investment in sectors with a growing role in the economy

- Promotion of new export markets
- Attraction of inward investment
- Promotion of science, innovation and commercialisation of new ideas
- Promotion of tourism

5.4 Programmes to secure the social regeneration and environmental objectives: This section reviews the development of the concept of “the social economy” and policy initiatives designed to enhance the countryside. The section also recognises the importance of promoting balanced economic development throughout all regions of Scotland. The framework makes a commitment that these issues will be “mainstreamed” into think and action across the Executive. The explicit recognition of regional development issues represents a significant advance in government policy in relation to economic development.

6 FUTURE PROGRAMME OF WORK

6.1 The framework sets out a number of topics which will be the subject of future operational policy statements. These are planned to cover:

- Skills for employment schools, FE and HE
- Rural Scotland
- Sustainable development and the environmental challenge
- Support for business: the creation and nurturing of enterprise
- Commercialisation of knowledge and innovation
- The demand of the information age including e-commerce
- Export promotion
- Inward investment
- Integrated transport services
- Cluster policy
- The promotion of tourism

6.2 While this captures many of the key areas for policy development it is disappointing that it does not include topics designed to take forward the theme of regional development, despite the fact that this is given explicit recognition for the first time. It is suggested that the Council should ask the Scottish executive to add this issue to the policy themes to be explicitly developed. A suggested outline of the issues which should be built into such a policy review are annexed.

7 FINANCIAL AND LEGAL IMPLICATIONS

7.1 There are no direct financial or legal issues arising from this report.

8 RECOMMENDATION

8.1 It is recommended that the Committee **agree that representations should be made** to the Minister for Lifelong Learning welcoming the Framework for Economic Development and asking for a commitment to develop **an** explicit policy for regional development within Scotland.

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Director of Development Services
20 July 2000
SC/JR

BACKGROUND PAPERS

Nil

For further information on the contents of this report contact Stephen Chorley, Director of Development Services, on 01563 576011.

FRAMEWORK FOR ECONOMIC DEVELOPMENT IN SCOTLAND PROPOSED POLICY REVIEW – THE REGIONAL DIMENSION

In section 5.2.4 the framework explicitly recognises the importance of achieving a regional balance in economic development. Table 3 of the framework provides a number of examples where promotion of national policy goals requires to be matched to policies designed to achieve balanced regional development. Suggested policy issues which require to be developed:

The property market:

While the provision of good quality factory and office accommodation is not in itself sufficient to attract business investment into the more disadvantaged areas of Scotland it is an essential component of policy. Experience shows that a high proportion of new indigenous or inward business investments favour existing quality accommodation. The availability of accommodation is very largely depend on the returns available to property owners and developers. Returns are many times more favourable in the most buoyant areas of Scotland, with a consequence that increasing disparities are emerging between these and more disadvantaged areas. While high property costs in these areas may deter some business investors this may be academic if good quality property is not available in disadvantaged areas. Some business investors may also view property ownership in buoyant areas a hedge against failure of their primary business. The availability of property will be particularly important in securing the regional distribution of service sector industries, which the framework identifies as the principal area of employment growth for the future. The issue also relates to a “market failure” which the framework identifies as critical to justifying public policy intervention.

Business finance:

East Ayrshire Council has experienced a number of occasions recently where commercially viable investments in local business have been frustrated by inability to raise private financial support. This reflects the short-term horizons which financial institutions tend to expect for returns on their investment. As a consequence funds tend to flow into business in industries with rapid growth potential and into geographical areas with rapidly expanding local economies. This issue also meets the framework’s test of whether there is a market failure.

Transport policy:

The policy summaries in the framework focus in particular on policies designed to contain the congestion and environmental consequences of rapid growth in road transport. The current government integrated transport strategy does not explicitly cover infrastructure improvements required to support economic regeneration in disadvantaged regions, although this was one of the factors taken into account in the prioritisation of trunk road projects which included the recent announcement on the

completion of the M77 to Kilmarnock. The development of a number of regions of Scotland requires to be assisted by improved external road and rail connections.

Community planning:

The framework contains no reference to the complementary process of community planning. The importance of “encouraging and facilitating the capacity of individuals to take full advantage of their access to economic opportunities is recognised. Community planning in areas of disadvantage provides a vehicle through which this objective can be supported. Consideration should be given to the extent to which frameworks for resourcing programmes emerging through community plans should reflect the objective of promoting regionally balanced development.

AGENDA