



Local Economic Assessments
Consultation on draft statutory guidance



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Contents

Ministerial foreword	5
About this consultation	6
Section 1 Introduction	10
Section 2 Legislative requirements	12
Section 3 Creating a shared evidence base	13
Section 4 Shaping local economic assessments	14
Section 5 Use of data	19
Section 6 Working across local authority boundaries	20
Section 7 Informing local strategy and delivery	22
Section 8 Informing regional strategy and delivery	25
Section 9 Timing and frequency of assessments	27

Ministerial foreword

Councils are at the heart of their communities and have a pivotal role to play in promoting economic development and regeneration. More and more councils are finding innovative ways of attracting business investment in their area and improving the employment opportunities of local communities.

The new economic assessment duty from 1 April 2010 will help to cement councils' increasingly active role in economic development. It will strengthen the capacity of councils, working with their partners, to support the delivery of sustainable economic growth in their areas. Many councils already work from a strong evidence base in developing their economic policies. But the new duty aims to ensure that they all have a comprehensive understanding of their economic strengths and weaknesses. With the current economic challenges we all face, never has the need for councils to fully understand local economic challenges and opportunities been so crucial.

Partnership working is crucial to effective economic development. Local economic assessments are key to ensuring that the work of councils and their partners is built around a common and shared understanding of local economic challenges and what needs to be done to address them.

Economic activity straddles local authority boundaries, which is why more and more councils are seeing the benefits of working together to tackle their economic challenges through multi-area agreements and other sub-regional partnerships. Councils need to understand the economic linkages and dependencies between their areas and so should consider the benefits of working with neighbouring authorities in preparing their assessments.

This draft guidance sets out the legislative context for the new duty and the broad principles that should underpin local economic assessments. However, I look to councils to use their experience and knowledge of their areas in deciding how best to take forward this important work for their communities.



Rosie Winterton MP
Minister for Local Government

About this consultation

Scope of consultation

Topic of this consultation:	Draft guidance for consultation on local authority economic assessment duty, established through Part 4 of the Local Democracy, Economic Development and Construction Act 2009.
Scope of this consultation:	Purpose of consultation is to get stakeholders' views on how local economic assessments should be taken forward, the key issues they should address and how they should inform local and regional strategy and delivery.
Geographical scope:	England.
Impact Assessment:	Impact assessment of local authority economic assessment duty published in December 2008.

Basic information

To:	Local authorities, public and private sector bodies involved in local economic development and regeneration, businesses of all sizes and the general public.
Body/bodies responsible for the consultation:	Economic Development Division Local Economic Development and Renewal Directorate Communities and Local Government.
Duration:	12 week public consultation (22 December 2009 to 15 March 2010)
Enquiries:	Colin Lovegrove Communities and Local Government Economic Development Division Zone 3/G10 Eland House Bressenden Place London SW1E 5DU Telephone 0303 4443147 Or by email: colin.lovegrove@communities.gsi.gov.uk
How to respond:	To either of the addresses above.
Additional ways to become involved:	Not applicable.

After the consultation:	CLG will take into account the responses to this consultation in preparing final guidance on local economic assessments, which it intends to publish in early 2010.
Compliance with the Code of Practice on Consultation:	The consultation complies with the Code.

Background

Getting to this stage:	The Review of Sub-National Economic Development and Regeneration, July 2007, stated that local authorities should play a more central role in local economic development. It proposed that a duty should be placed on upper tier and unitary local authorities to assess the economic circumstances of their area. The new duty is covered in Part 4 of the Local Democracy, Economic Development and Construction Act 2009. The Government's intention is that the duty should come into effect from 1 April 2010.
Previous engagement:	<i>Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration</i> , March 2008, consulted on how to take forward some of the key proposals set out in the review, including the local authority economic assessment duty. The Government held a series of regional events for stakeholders in April and May 2008 around the consultation.

This consultation document and consultation process have been planned to adhere to the Code of Practice on Consultation issued by the Department for Business Enterprise and Regulatory Reform and is in line with the seven consultation criteria, which are:

1. Formal consultation should take place at a stage when there is scope to influence the policy outcome.
2. Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Representative groups are asked to give a summary of the people and organisations they represent and, where relevant, who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

The Department for Communities and Local Government will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please contact:

CLG Consultation Co-ordinator
Zone 6/H10
Eland House
London SW1E 5 DU

or by e-mail to: consultationcoordinator@communities.gsi.gov.uk

Consultation process

Communities and Local Government invites comments on this draft guidance. The consultation will run until 15 March 2010.

When responding please state whether you are responding as an individual or representing the views of an organisation. Responses to this consultation must be received by 15 March 2010.

You can email your response to: colin.lovegrove@communities.gsi.gov.uk

Or in writing to:

Colin Lovegrove
Communities and Local Government
Economic Development Division
Zone 3/G10 Eland House
Bressenden Place
London SW1E 5DU

Consultation questions

1. Do you agree with the Government's view with regard to what should form the key elements of local economic assessments?
2. Do you agree with the Government with regard to the proposed scope of local economic assessments?
3. Do you agree with the Government's proposals on how local economic assessments should inform local and regional policy making?
4. Do you agree with the Government's view on the timing and frequency of local economic assessments?

Section 1

Introduction

- 1.1 The Local Democracy, Economic Development and Construction Act 2009 places a new duty on county councils and unitary district councils to prepare an assessment of the economic conditions of their area.
- 1.2 The Government published pre-consultation draft statutory guidance in August 2009¹, ahead of the enactment of the relevant provisions, in order to give local authorities and other partners early sight of the Government's thinking on how the duty might be fulfilled. Now that the relevant provisions have been enacted, the Government is formally consulting on statutory guidance on the duty. In preparing this draft we have sought to take on board comments we received on the earlier draft published in August.
- 1.3 This statutory guidance explains what the new local economic assessment duty is intended to achieve, how assessments should be taken forward and sets out, in broad terms, what the Government believes they should contain. It is primarily aimed at local authorities, but will also be of interest to local authorities' partners.
- 1.4 Alongside this guidance, local authorities should also have particular regard to the following policy publications in preparing their local economic assessments:
 - *New Industry New Jobs*² sets out the Government's view of how future policy development can best meet the needs of business and the global economy, with a specific emphasis on industrial competitiveness.
 - *Partnerships for Growth: A National Framework for Regional and Local Economic Development*³ sets out how the Government expects local authorities, Government agencies, including the Regional Development Agencies (RDA), and partnerships to work together to strengthen economic growth. It stresses the leading role that local authorities can play working with business and others, in identifying and setting out the current and future economic needs and aspirations of local people, reflecting local economic geographies and potential growth sectors.

¹ Local Economic Assessments – Draft statutory guidance, CLG, August 2009

² New Industry, New Jobs, HM Government, April 2009

³ Partnerships for Growth: A Framework for Regional and Local Economic Development, HM Government, December 2009

- *Transforming Places; Changing Lives: Taking Forward the Regeneration Framework*⁴ sets out the Government's long term commitment to regeneration and its expectations of key delivery partners. It provides a clear definition of regeneration as "reversing economic, social and physical decline in areas where market forces will do not do this without support from government". The Government's aim is to reprioritise regeneration investment to where there are opportunities for transforming the economic prospects of areas with lower economic performance. In that context, the framework sets out the Government's three priority outcomes for regeneration:
 - improving economic performance and tackling worklessness, particularly in deprived areas
 - creating the right conditions for business growth which could include investment in infrastructure, land use, and a better public realm; and
 - creating sustainable places where people want to live and can work and businesses want to invest.

⁴ Transforming Places Changing Lives, CLG, May 2009

Section 2

Legislative requirements

- 2.1 Part 4 of the Local Democracy, Economic Development and Construction Act 2009 requires county councils and unitary district councils in England, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly to prepare an assessment of the economic conditions of their area. These councils are referred to as principal local authorities for the purposes of the duty.
- 2.2 The Act states that:
- A principal local authority may revise an assessment, or any part of it, at any time.
 - In undertaking an economic assessment a principal local authority should consult those organisations it considers appropriate.
 - Local authorities should also have regard to any guidance published by the Secretary of State with regard to what an assessment should contain, how it should be prepared and when to prepare and revise it. Before publishing any guidance, the Secretary of State must consult representatives of local government and such other persons as the Secretary of State considers appropriate.
 - In two tier areas, the county council is required to consult and seek the participation of non-unitary district councils within its area. District councils have a corresponding duty to co-operate with the county council.
 - The county council should also have regard to any material produced by a non-unitary district council within its area in the discharge of that council's local planning functions under section 13 of the Planning and Compulsory Purchase Act 2004.
- 2.3 The new duty will commence from 1 April 2010. This means that from that date local authorities should begin to prepare an assessment, if they do not have an up to date assessment in place.

Section 3

Creating a shared evidence base

- 3.1 Statutory local economic assessments are analytical documents that provide a comprehensive picture of the local economy. Their primary purpose should be to provide local authorities and partners with a robust analysis of local economic conditions. This analysis should, in turn, inform their economic policies and interventions.
- 3.2 Local economic assessments should equip local authorities and their partners with a common understanding of economic flows and the cumulative effect a variety of factors have on sustainable economic growth⁵ and employment. Assessments should complement local authorities' power to promote the economic, social and environmental well-being of their area and contribute to the Government's overall aim of delivering sustainable development.
- 3.3 Local authorities, regions and other partners already assemble a range of data and evidence to support their economic interventions. Local economic assessments should bring all this evidence together within a common economic evidence base that tells a shared story of place. This should provide an economic profile of the area including the economic linkages and dependencies with other areas. This evidence will inform local, sub-regional and regional economic strategies including the framework for the future development of the region as set out in the regional strategy⁶ – or the Mayor's suite of strategies in the case of London. This should ensure that policy making at all levels is based around a shared understanding of local economic challenges and economic geography and help to ensure that the economic interventions of different partners are aligned and complementary.

⁵ Economic growth that can be sustained and is within environmental limits, but also enhances environmental and social welfare and avoids greater extremes in future economic cycles

⁶ Part 5 of the Local Democracy, Economic Development and Construction Act 2009 provides for the preparation of regional strategies for all regions in England, except London

Section 4

Shaping local economic assessments

4.1 In shaping their local economic assessments local authorities should take account of a broad range of factors that impact, both positively and negatively, on business in their area and the economic well-being of individuals and communities. This should not just be a data gathering exercise, authorities should bring all available evidence together to draw together a shared story of place and an understanding of the factors driving economic trends. Local authorities will need to work across different service areas, such as economic development and regeneration, employment patterns and local barriers to work, education and skills, planning, housing, transport, and sport and culture in preparing their assessments.

Objectives of assessments

4.2 The core objectives of local economic assessments should be to:

- Provide a sound understanding of the economic conditions in the area and how they affect the well-being of residents and businesses.
- Identify the economic linkages between the area assessed and the wider economy.
- Identify the comparative strengths and weaknesses of the local economy and the nature and form of local economic challenges and opportunities.
- Identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth.

Issues to be covered in assessments

4.3 Local authorities in each region should seek to adopt a broadly consistent approach so that economic assessments are comparable and can readily inform sub-regional and regional strategies. Local authorities should work with the RDA and other regional partners to achieve this consistency across their region.

4.4 To help ensure consistency, the Government proposes that local economic assessments should address a core set of themes that are minimum ingredients essential to any assessment of local economic conditions. These themes are not exhaustive and local authorities are free to decide what other issues they wish to address in their economic assessments to reflect local circumstances and priorities.

4.5 Assessments should, in some form, address the following themes:

Economic Geography

Economic linkages: Identify the economic linkages within the area assessed and between it and the wider economy. This should involve analysing ways in which local areas fit into wider sub-regional and regional markets and the links between urban and rural economies.

Business and Enterprise

Structure of local economy: Identify the sectoral structure of the local economy, including the comparative strengths of sectors and the significance of particular businesses. Local authorities should also identify any economic specialisms and/or sectoral clusters.

Enterprise and innovation: Gauge the levels of and trends in business start ups and closures, growth of small and medium-sized enterprises and self employment; and gauge the challenges and opportunities to employment and growth in knowledge intensive industries and other high growth sectors. Local authorities should also explore the extent to which universities and other higher education institutions are linked up to local businesses.

Business needs: Gauge the views of local businesses on what is contributing to and what is hindering business investment and economic growth, how well local authorities engage local businesses and local business networks, and the extent to which their core services, such as their regulatory services, support local businesses.

People and Communities

Demography and geography: Take account of the demographic profile of the area (including trends) and its geography, such as population density and location, and the impact this has on economic performance.

Labour market: Assess the local occupational structure, including employment and unemployment rates and earnings. In analysing labour market conditions, local authorities should give particular regard to levels of worklessness and the economic and social factors behind these, including travel to work patterns. Worklessness assessments, recommended under the Houghton Review⁷, should be integrated into the wider local economic assessment. Local authorities should develop a detailed understanding of numbers and characteristics of benefit claimants to ensure wider economic development planning considers the needs of these groups.

⁷ Tackling Worklessness: A review of the contribution and role of English local authorities and partnerships, March 2009

Skills: Assess local skills levels, including educational attainment. Local authorities should also analyse any evidence of skills gaps and explore the extent to which local skills levels match the current and future needs of local business and businesses in neighbouring areas; and where lack of basic skills acts as a significant barriers to work – considering particularly whether these are concentrated by area or group. This should include consideration of the skills needed to support the move towards a low carbon economy and meet the demand of future growth sectors.

Economic and social exclusion: Identify communities or particular demographic groups that face high levels of deprivation, economic and social exclusion and identify the key underlying economic and social barriers to economic participation. Where applicable, local authorities should draw out the connections between economic exclusion and wider social issues around child poverty, risks to deep seated social exclusion, health and crime.

Sustainable Economic Growth

The natural and historic environment: In considering the sustainability of the local economy, assessments should consider and make a judgement over the extent to which economic activities are supported by or impact negatively on the natural and historic environment and the positive contribution the natural and historic environment makes to sustainable economic growth. Local authorities should use their first assessments to relate economic activity levels and environmental indicators and limits such as carbon emissions, waste production and use of natural resources. This information might be collected for particular sectors. Where environmental risks and opportunities have been identified, including risks from the impacts of climate change and opportunities from enhancing the natural environment and making the best use of environmental assets, authorities should consider their impact on future economic activity. In that context, local authorities should consider the resilience of infrastructure and business to withstand environmental shocks.

Low carbon economy: The Government has set ambitious plans for the low carbon economy⁸. Local authorities should, in particular, examine the trends, challenges and the opportunities in environmental goods and services in the local economy, and how well placed local infrastructure is for the needs of such an economy.

Transport provision and other infrastructure: Examine how intra and inter-urban transport provision, together with the provision of transport in rural areas, supports sustainable economic growth. Local authorities should examine what improvements, as part of a package of non-transport measures, would open up new economic opportunities and facilitate regeneration, by for instance, enabling people in deprived areas to access job opportunities elsewhere or by reducing congestion. Local authorities should also consider whether other infrastructure, such as energy and broadband provision, is sufficient to meet the current and future needs of the local economy.

⁸ Low Carbon Transition plan, July 2009. Low Carbon Industrial Strategy July 2009

Housing: Examine the extent to which local housing provision meets the needs and demands of the economy. Drawing on the evidence assembled to underpin local development frameworks, such as housing market need assessments, local authorities should as far as practicable examine whether there is sufficient housing of the right size and affordability to support sustainable economic growth and economic inclusion.

Economic Competitiveness

Overall economic competitiveness of area: Taking account of the evidence gathered in relation to the above themes, as well as any evidence gathered around economic productivity, local authorities should seek to reach a judgement about the overall economic competitiveness and productivity of the area, drawing out specific strengths and weaknesses of the local economy.

Other principles

- 4.6 **Local economic assessments should be place based.** Local authorities should avoid a blanket approach to their local economic assessments. They need to draw out the economic diversity of their area.
- 4.7 **Where applicable, local economic assessments should draw out the inter linkages between economic performance and other wider social and environmental issues.** Local economic assessments should interact with other local evidence assembled around issues such as health, crime and child poverty⁹, social exclusion, housing and education and environmental goods and services. Although the focus of local economic assessments should be on local economic conditions, they should also highlight where social or environmental conditions have an economic impact and vice versa.
- 4.8 **Local economic assessments should contain a worklessness assessment.** Some local authorities will want to go further and develop a work and skills plan with local partners which will establish the local approach to addressing the issues defined in an area's worklessness assessment and create a consistent framework through which a unified partnership response to local priorities on worklessness can be developed, delivered and managed. It is a condition of the Future Jobs Fund that participating partnerships complete satisfactory Work and Skills Plans. Non-statutory guidance on completing work and skills plans is being developed by Communities and Local Government and the Department for Work and Pensions.

⁹ The Child Poverty Bill, going through Parliament in 2009 and 2010, proposes duties be placed on local authorities and their named partners to: co-operate on child poverty; undertake local child poverty needs assessments; and to produce local child poverty strategies.

- 4.9 **Local economic assessments should be forward looking.** Local authorities need to have a clear understanding of the economic origins of their area, its current economic conditions and what they see as the future direction of their local economy under different likely economic scenarios. It is not necessary for local economic assessments to include detailed economic forecasts. However, assessments should include consideration of social and environmental trends (eg. ageing population and climate change) and how different economic scenarios might impact on the local area.
- 4.10 **Assessments should be based on appropriate and proportionate evidence and data.** In addition to national sources of data, assessments can draw on data held by local, sub-regional and regional partners, survey evidence and the knowledge and expertise of local, sub-regional and regional partners and key stakeholders, including the business community. Lower super output area level data¹⁰ would, for example, be particularly helpful in identifying priority areas for intervention. However, assessments should not be seen as purely data collection exercises.
- 4.11 **Assessments should explain the methods employed, with any limitations noted.** Local authorities should ensure that assumptions, judgements and findings are justified and presented in an open and transparent way. Forecast results and data should, as a minimum, be replicable.

Building on existing economic evidence

- 4.12 Many local authorities already assemble a significant amount of economic evidence to support their local economic development, social and environmental policies. Where appropriate, local authorities should build on this existing evidence base in preparing their statutory local economic assessments. Local authorities will, however, need to ensure that any assessments are consistent with the principles set out in this guidance.

¹⁰ Lower Super Output Areas (LSOAs) are a geography designed for the collection and publication of small area statistics. LSOA units are similar in size of population (around 1500 people) which allows for reliable comparisons between them. Their boundaries are also stable, enabling the improved comparison and monitoring of statistics over time.

Section 5

Use of data

- 5.1 There are a wide range of data sources available to inform local economic assessments.
- 5.2 National sources of data will be valuable in providing comparable data that will be useful in establishing a core evidence base. There is a substantial amount of data available that relates to local authority geography. In addition, there have been considerable improvements in the availability of statistics that relate to smaller geographic areas. These can help produce a far more detailed understanding of places and identify characteristics of individual neighbourhoods.
- 5.3 The majority of nationally provided data sets for local development are signposted on data4nr.net (data for neighbourhoods and regeneration) and these are updated as new sources become available.
- 5.4 Data held by regional and local partners (such as administrative data, local survey results and local consultation and planning exercises) are also of relevance to assessments. Local data sources may provide more timely information than national sources, help fill gaps, and be available at smaller geographical levels. These can provide insights not possible from national data sets.
- 5.5 Regional observatories will, for example, be able to signpost regionally and locally held data sets which may be appropriate. Private sector sources of data may also be considered if these effectively meet local needs. Some local partnerships have established local data observatories or local information systems. These may also be valuable sources of data. Data4nr.net provides links to regional and local data sources, including local information systems and observatories.

Section 6

Working across local authority boundaries

- 6.1 Economic flows often overlap local authority boundaries, so that the functional area over which the local economy and its key markets operate does not necessarily adhere to these boundaries. Instead these markets broadly correspond to sub-regions or city-regions – functional economic market areas.
- 6.2 There is not a universal approach to defining functional economic market areas but there are a widely used set of indicators (e.g. labour markets measured by travel to work areas, retail markets by catchment areas, supply chains and housing market areas) which should be viewed as a suite from which local authorities can pick a combination which best reflects the key drivers of their local economy. Local authorities will also be dependent on infrastructure and resources that come from another area. As the boundaries of a functional economic market area will vary depending on the definition, local authorities will need to judge which features of the economy should be considered.
- 6.3 Local authorities should work with neighbouring authorities to identify cross-boundary risks, opportunities and economic and infrastructure linkages. This economic mapping will be integral to any local economic assessment and will, to a large extent, determine the shape of the assessment. MAAs and city-region pathfinders already have an evidence base covering the wider area in place. However, where sub-regional co-operation is less developed this work should be carried out at an early stage of the process. Evidence assembled will inform the consideration of sub-regional economies in the context of the regional strategy.
- 6.4 Where strong economic links are identified, local authorities should consider the benefits of collaborating with neighbouring local authorities in preparing their local economic assessments. In some cases this may involve working across regional boundaries. Collaboration could take the form of a joint local economic assessment and in doing so local authorities would be meeting their statutory obligations in relation to the duty. It is important, though, that any joint assessment covering a functional economic market area identifies the economic diversity of various localities as well as provide a broader picture of the wider economy.

- 6.5 The Government would expect local authorities that have come together to agree and deliver an MAA or city-region pilot to prepare a joint assessment, or at least to collaborate closely in the preparation of their own individual assessments. MAA and city-region partner authorities should, however, not lose sight of the economic linkages between their sub-region and the wider economy.
- 6.6 Where local authorities have established an economic prosperity board or combined authority¹¹ for an area, this body would be well placed to conduct an economic assessment on their behalf.
- 6.7 Where pan-regional partnerships are established, for example in the Thames Gateway, the local authorities concerned should look to develop a common and joined up evidence base for the partnership area.

¹¹ Part 6 of the Local Democracy, Economic Development and Construction Act 2009 enables the creation of economic prosperity boards and combined authorities outside London. These are new governance structures for sub-regions and will enable groups of local authorities to drive forward activity on economic development issues (and transport in the case of combined authorities) across the whole of their area.

Section 7

Informing local strategy and delivery

- 7.1 *Creating Strong, Safe and Prosperous Communities*¹² sets out the framework by which local authorities and partners should work together to improve local well-being. Local economic assessments should support these ambitions and should be embedded within this framework.
- 7.2 The primary purpose of local economic assessments should be to inform counties' and unitary and non-unitary district councils' sustainable community strategies. This, in turn, will inform local area agreements (LAAs) and, where appropriate, any subsequent LAA revision proposals. Local economic assessments should also inform other local strategies such local development frameworks (LDF), local transport plans, housing strategies and, where applicable, work and skills plans as well as relevant local authorities' commissioning role for 16 to 19 learning, following the transfer of responsibilities from the Learning and Skills Council in 2010.
- 7.3 Future revisions of local economic assessments should provide a useful tool for tracking the effectiveness and progress of local strategies in terms of economic outcomes.

Local planning

- 7.4 It is important that all local authorities have a good understanding of how land is to be used for economic development. As part of their planning responsibilities, local authorities are required to identify land for economic development in their LDFs. This requirement is being strengthened through *draft Planning Policy Statement 4: Planning for Prosperous Economies*¹³, which sets out the Government's framework for planning for sustainable economic growth. It requires regional and local planning authorities to identify a good supply of land for economic development, which includes preparing and maintaining a robust evidence base to understand both existing business needs and likely change in the market to inform their planning policies. In preparing local economic assessments, it will be important for local authorities to take account of this evidence in terms of the demand for employment land and potential supply.

¹² *Creating Strong, Safe and Prosperous Communities*, Statutory Guidance, HM Government, July 2008

¹³ Consultation paper on new Planning Policy Statement 4: Planning for Prosperous Economies, CLG, May 2009

- 7.5 Sections 13 and 14 of the Planning and Compulsory Purchase Act 2004 require counties and local planning authorities to keep under review matters which may affect the development of their area, or the planning of its development, including principal economic characteristics. The Local Democracy, Economic Development and Construction Act 2009 requires county councils, when preparing their local economic assessments, to have regard to material assembled by district councils in their area under section 13 of the Planning and Compulsory Purchase Act 2004. In two tier areas, county councils and local planning authorities should seek to integrate the preparation of the county's local economic assessment with the assembly of economic evidence used to inform local planning policies. This should help to avoid duplication and ensure that both tiers establish a shared and consistent evidence base. Most of the evidence assembled by district councils as local planning authorities will be sufficient for the purposes of the county's wider local economic assessment.

Informing the Comprehensive Area Assessment

- 7.6 Comprehensive Area Assessment (CAA), which came into being in April 2009, provides an independent assessment of how well people are being served by their local public services. It focuses on how well these services, working together, are achieving improvements and progressing towards long-term goals. The first assessments were published in December 2009.
- 7.7 As an element of CAA, inspectorates will consider the performance of local economies and the effectiveness of local partners' actions in support of sustainable economic growth. It will specifically seek to answer the question 'How strong is the local economy?'
- 7.8 Once completed, local economic assessments will complement the national indicator set and other sources of evidence in providing a useful source of evidence for inspectorates in carrying out this work. In drawing on this evidence, inspectorates will consider how local authorities and their partners have conducted and used the economic assessment to inform the development and delivery of their local priorities and strategies.
- 7.9 Inspectorates may highlight with a red flag areas where local action to achieve an important outcome, such as sustainable economic growth, is unlikely to deliver the required or expected improvement. Local authorities would need to take account of such current risks identified through Comprehensive Area Assessment when revising their economic assessment. Equally when exceptional outcomes have been achieved green flags will be awarded by the inspectorates. A local economic assessment is not, of itself, an outcome, but might be a prerequisite for the delivery of good outcomes.

Role of non-unitary district councils in two tier areas

7.10 The Local Democracy, Economic Development and Construction Act 2009 requires the county council to consult and seek the participation of district councils within its area in preparing its local economic assessment. The Act also requires district councils to co-operate with the county council. So, although the duty applies to county councils in two tier areas, it is important that the county council works in close partnership with district councils in preparing a county wide economic assessment. District councils have a central role in local economic development, which goes beyond just their local planning role, so it is important that county councils take account of any appropriate local knowledge and evidence that district councils hold that would help to inform local economic assessments.

Working with other local partners

- 7.11 The Local Democracy, Economic Development and Construction Act 2009 requires principal local authorities for local economic assessments to consult such persons as they consider appropriate. Local authorities should seek to actively engage partners, involving them from the start of the process.
- 7.12 As a minimum, local authorities should consult those LAA partners with functions particularly related to economic development in the preparation of their local economic assessments. Ideally, local authorities should engage their local strategic partnerships, and sub-regional partnerships across MAA and city-region areas, in the preparation of their assessments.
- 7.13 It is particularly important that local authorities consult representatives of local business and social enterprise in the preparation of their assessments. The views of businesses should be reflected in the assessments. Local authorities should also consult statutory advisers for the natural and historic environment and also take account of views of parish and town councils, which are often responsible for providing local services.
- 7.14 Government Offices will work with local authorities in their areas to help ensure assessments meet the objectives set out for them in this guidance and to assist brokering relationships.

Section 8

Informing regional strategy and delivery

- 8.1 The Local Democracy, Economic Development and Construction Act 2009 provides for new integrated regional strategies for each region outside London. Each strategy should set out a region's economic, social and environmental priorities. The Government's draft policy statement on regional strategies sets out the Government's policy framework for the preparation of regional strategies¹⁴.
- 8.2 Local economic assessments should form part of the evidence base for the preparation of the regional strategy and the implementation plan that accompanies it. The Examination in Public Panel may also draw upon the evidence assembled through local economic assessments in testing the soundness of the draft regional strategy. The responsible regional authorities¹⁵ will be required to prepare annual monitoring reports for the regional strategy in order to monitor the implementation of the strategy and to keep the regional evidence base up to date. Local economic assessments should also inform the preparation of these reports.
- 8.3 There should be a two way flow of information between local economic assessments and regional strategies. Local economic assessments should be a key tool for ensuring that the regional strategy connects properly with localities and is informed by local issues. Assessments should also highlight the key issues of regional significance for each locality. By the same token, local economic assessments should take account of regional policies as set out in the regional strategy. Future revisions of local economic assessments should also provide a means by which to measure the progress of regional strategy commitments in terms of economic outcomes.

Structured regional dialogue

- 8.4 The responsible regional authorities, local authorities and other regional partners should establish a regional dialogue to establish how local economic assessments should best inform regional strategies. Where practicable, this should involve the development of a common approach to local economic assessments across the region and a core evidence base common to all local economic assessments that enables the economic conditions of different areas to be compared and tracked over time. The development of local and regional economic evidence bases should be aligned as much as possible.

¹⁴ Policy Statement on Regional Strategies – Consultation, CLG & BIS, August 2009

¹⁵ Section 72(1) of the Local Democracy, Economic Development and Construction Act 2009 refers to the RDA for the region and the Leaders' Board for the region acting jointly as responsible regional authorities

London

- 8.5 In London local economic assessments will inform the Mayor's suite of statutory strategies prepared under the Greater London Authority Act 1999, including the London Plan and the Mayor's Strategies for Economic Development and Transport. The London boroughs, the Greater London Authority and the London Development Agency should agree on how local economic assessments should best inform the Mayor's suite of strategies and seek to develop a common approach to all borough assessments. The London boroughs should also take account of the wider perspective of the Mayor's suite of strategies in preparing their local economic assessments.
- 8.6 As a major economic driver, London has an economic impact well beyond its boundaries. Where applicable, local authorities outside London should draw out the economic linkages between their area and the capital. Likewise, London borough assessments should seek to draw out economic linkages with central London and, where applicable, neighbouring areas outside London and beyond.

Section 9

Timing and frequency of assessments

- 9.1 The new duty will come into force on 1 April 2010, at which point local authorities should begin to prepare their assessments. Local authorities should aim to complete their first assessments within six to twelve months of the duty coming into force so that the assessments are able to inform the preparation for the next suite of LAAs for the period 2011-12 to 2013-14.
- 9.2 Local authorities should keep assessments up to date and fit for purpose, to enable local authorities to keep their sustainable community strategy up to date and to help strengthen their LAA negotiations. How often local authorities refresh their assessments will be largely determined by the timescales for the preparation or updating of relevant local strategies. Local authorities should also work to a timescale that complements the cycle for the development of the regional strategy, which assessments will support. They should, however, also ensure that they are updated as major new data is made available and if economic events or shocks, such as the closure of a major local employer, require it. The 2011 census, the results of which should be available in 2013-14, will provide a particular opportunity for local authorities to update their economic evidence base.
- 9.3 As a benchmark the Government believes that assessments should ideally be reviewed annually and fully refreshed every three years. Future Government funding to meet the additional net costs expected to fall on local authorities as a result of the duty will be based on this assumption.

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