



Local Democracy, Economic Development  
and Construction Bill  
Local Economic Assessments  
**Policy Statement**



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January 2009

Department for Communities and Local Government: London

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January 2009

Product Code: 08 SNED 05724

ISBN: 978 14098 1074 2

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# Chapter 1: Introduction

- 1.1 Part 4 of the Local Democracy, Economic Development and Construction Bill (clauses 63 and 64) places a new duty on county councils and unitary authorities to assess the economic conditions of their area.
- 1.2 The legislation states that:
  - all county councils and unitary authorities will be required to prepare an assessment of the economic conditions of their area. The duty will apply across the whole of England, including London, where the duty will apply to the London boroughs
  - a local authority may revise an assessment, or any part of it, at anytime. It must revise the assessment, or any part of it, if the Secretary of State so directs
  - in two tier areas, the county council will be required to consult and seek the participation of districts councils within its area. District councils will have a corresponding duty to co-operate with the county council. The county council will also need to have regard to any material produced by the district council in the discharge of their local planning functions
  - in conducting an economic assessment, the local authority will be required to consult certain named partners listed on the face of the Bill and other people and organisations they consider appropriate
  - local authorities will need to take account of any guidance published by the Secretary of State as to what an assessment should contain and how and when it should be prepared. The Secretary of State will be required to consult on any guidance
- 1.3 This policy paper sets out the policy context behind the new duty, the Government's views on how local economic assessments should be taken forward and the principles that should be applied in shaping them. The Government's intention is to publish draft guidance for consultation in early 2009. This policy paper is based on the draft guidance.
- 1.4 The Improvement and Development Agency (IDeA) are developing their own sector led package of support and guidance on local economic assessments. This will culminate in the publication of guidance covering the process of developing an assessment, the range of evidence required in a local economic assessment and advice on commissioning research and developing internal capacity. This guidance will complement and build on any guidance published by the Department.

# Chapter 2: Policy Context

## Strengthening the local authority role in economic development

- 2.1 The Government believes that local authorities should have a central role in leading economic development and regeneration. They have an important role to play in generating the potential for business growth and improving the attractiveness of an area to new and existing employers. They are well placed to develop and deliver support to local businesses – for example through planning and infrastructure provision – and to ensure that these activities are joined up with complementary activities to link local people to jobs. The local authority role in economic development is particularly important in an economic downturn.
- 2.2 The Local Government Act 2000 allows local authorities to do anything they consider likely to promote or improve the economic, social or environmental well-being of their area. This is commonly known as the well-being power. Statutory guidance *Creating Strong, Safe and Prosperous Communities*<sup>1</sup>, published last year, sets out the ways in which local authorities should provide strategic and political leadership and involve the full range of stakeholders in developing and delivering a shared vision for the economic, social and environmental well-being of their area through their Sustainable Community Strategy. As of 31 December 2008, the well-being power was extended to parish and town councils that meet certain prescribed criteria.
- 2.3 The Government's Review of Sub-National Economic Development and Regeneration (SNR) set out a series of proposed reforms that would enable regions and local areas to respond better to economic challenges. The SNR sought to ensure that:
- economic decisions are taken at the most appropriate spatial level
  - there is clarity of roles and objectives for sub-national bodies involved in economic development and
  - there is better integration of economic, social and environmental goals
- 2.4 The SNR stressed the need for local authorities to play a stronger role in local economic development and regeneration. In order to increase the focus on local economic development, the SNR proposed that a new duty be placed on all counties and unitary authorities to assess the economic conditions of their area.

<sup>1</sup> *Creating Strong, Safe and Prosperous Communities*, CLG, 2008

- 2.5 Building on the SNR, in July 2008 the Government published a draft regeneration framework *Transforming Places: Changing Lives – a Framework for Regeneration*<sup>2</sup>. This sets out the Government's draft proposals for shaping the way regeneration is carried out in future in England. The draft framework expresses the need for regeneration to focus on tackling underlying economic challenges and support people in the most deprived areas to access new opportunities so that investment is more effectively targeted and that no area is left behind. The Government is currently analysing responses to the draft framework and will publish a final version of the framework later this year.

## Building a robust economic evidence base

- 2.6 The Government believes that the new local economic assessment duty will help to ensure that local authorities have a clear understanding of the conditions required for business to flourish in their area and for people to take advantage of economic opportunities. The duty will underpin local authorities' power to promote the economic, social and environmental well-being of their area. It will ensure that all future economic and regeneration interventions are informed by a thorough and robust place based assessment of the comparative economic strengths and weaknesses of their area. A substantial amount of economic analysis is already undertaken by many local authorities and underpins existing strategies. The new duty would build on this existing work.
- 2.7 In 2008 Ministers invited Councillor Stephen Houghton, Leader of Barnsley Council, to examine how English local authorities and their partners can do more to tackle worklessness. In November 2008 Councillor Houghton published his interim report *Tackling Worklessness – A Review of the Contribution and Role of Partnerships – An Interim Report*<sup>3</sup>. Councillor Houghton recommended that upper tier local authorities should be required to assess the causes of worklessness in their area and the capacity of key agencies to deliver key employment, skills and enterprise programmes. The Government broadly accepts this recommendation.

2 CLG, July 2008

3 Councillor Stephen Houghton, Claire Dove & Iqbal Wahhab, CLG, November 2008

# Chapter 3: Shaping Local Economic Assessments

## Core Principles

- 3.1 A local economic assessment should provide local authorities and their key economic partners with a clear understanding of local economic conditions at all spatial levels, from urban through to rural areas. It should map economic linkages and identify the key factors enabling and constraining sustainable economic development. This understanding, embedded in the activities of the local strategic partnership, should lead to improved economic intervention including better spatial prioritisation of investment, and contribute to the overall aim of delivering sustainable development.
- 3.2 In undertaking their assessments, local authorities will need to take account of the broad range of factors that impact, both positively and negatively, on the economic well-being of individuals and communities. These factors will vary in importance between places, but could include the impact of demographic change, sparsity and peripherality, environmental opportunities and pressures, housing and infrastructure and skills levels.
- 3.3 The Government believes that there are a number of broad principles that should be applied to local economic assessments to ensure that they have maximum impact. In particular, a local economic assessment should:

- **Identify the economic linkages, including the links between the urban and rural economies, within the area of the assessment and between it and the wider economy.** This should involve analysing ways in which local areas fit into wider sub-regional and regional markets, recognising that economic markets rarely reflect administrative boundaries.
- **Identify the comparative strengths, weaknesses, opportunities and threats facing the local economy.** Assessing strengths and weaknesses should include analysis of the sectors in which local firms and employees specialise as well as the geographical and social features of places, such as rurality, peripherality and sparsity, that drive their economy. An assessment of challenges and opportunities should include consideration of the local impact of national and regional demographic trends, infrastructure and expenditure. It should also look at how economic, social and environmental trends will affect local conditions under a number of different economic scenarios. Any analysis could include both qualitative as well as quantitative evidence.



- **Review the key ways in which local authorities and their partners influence local economic development and their impact.** Successful economic development requires strong and effective partnership, built on a clear understanding of how different partners contribute towards local economic development. The assessment could also take account of the economic role of the local authority itself, including its procurement policies and the role its regulatory service can play in supporting local businesses.
- **Review the regeneration challenges of the area.** The Government's draft regeneration framework *Transforming Places; Changing lives – A Framework for Regeneration* sets out the need for regeneration to tackle underlying economic challenges, thereby increasing social mobility and supporting people to reach their potential; regardless of where they live. The assessment should improve understanding of local regeneration challenges and assist in identifying priority areas. It should also improve a local authority's understanding of how economic development can support regeneration priorities.
- **Analyse causes of worklessness.** In applying the principles above, local authorities should examine the key weaknesses of the local labour market and the nature of labour market exclusion. These assessments should feed into any resultant work and skills plan, which would take account of the capacity of key agencies to deliver across employment, skills and enterprise programmes.
- **Consider the impact of local economic development on the environment, and how the local economy will be affected by the transition to a low-carbon economy.** Economic growth can have detrimental consequences on the local and global environment, which will need to be considered. The UK is committed to becoming a low carbon economy, and the transition towards this will provide new opportunities and challenges to local firms and change the skills needs in local labour markets.

3.4 Regional issues, including the priorities set out in regional economic strategies, regional spatial strategies and future regional strategies should also be considered as part of local assessments.

## Geographic Scope

3.5 The Government believes that economic assessments should not be constrained by local authority boundaries. They should seek to identify the functional economic areas<sup>4</sup> within and across boundaries. Local authorities that cover large geographical areas should, in particular, avoid a blanket approach and ensure that their assessments reflect the diversity of their areas. Many local authorities are already collaborating

<sup>4</sup> Functional economic market areas are spatial areas that can be mapped by a combination of the key indicators of economic activity in and across areas

successfully across administrative boundaries in supporting economic development. Where the economic links are strong, the Government would encourage joint assessments, especially where there is existing cross-boundary collaboration on economic development. Where joint assessments are undertaken, the relevant local authorities will have discharged their economic assessment duty. Existing powers under section 101 of the Local Government Act 1972 would allow such joint assessments.

- 3.6 Joint assessments could cover both single tier areas and two tier areas. It is likely that a county area will include more than one functional economic area. In such circumstances the Government believes that county councils should identify the separate economic areas as part of a wider assessment of the whole county. County councils may also wish to undertake a joint assessment with neighbouring unitary authorities.
- 3.7 In some cases, functional economic areas may cross regional boundaries. Where this is the case, local authorities may wish to collaborate in the preparation of their respective assessments and draw out the economic links between the two areas.
- 3.8 Local authorities that have formed a multi-area agreement on economic development, involving more than one upper tier authority, should normally conduct a joint assessment. The Local Democracy, Economic Development and Construction Bill includes new provisions that would enable the establishment of economic prosperity boards and combined authorities (that provide the economic development functions of an economic prosperity board and the transport functions of an integrated transport authority). Where the constituent local authorities are in agreement, the economic prosperity board or combined authority would be well placed to conduct an economic assessment on their behalf.

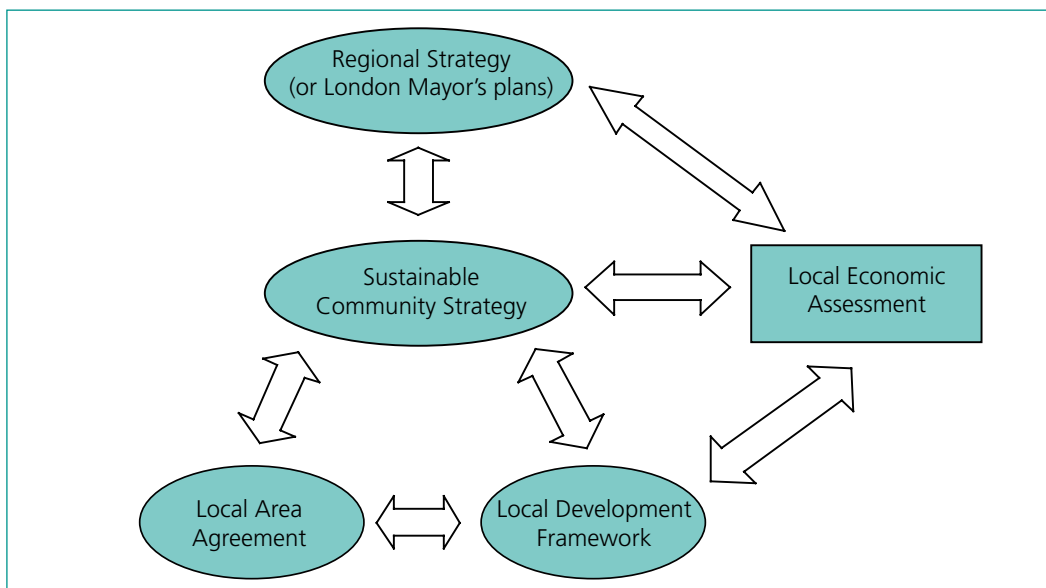
# Chapter 4: Informing Strategy Development

## Informing Local and Regional Strategies

- 4.1 Assessments should form a significant element of the evidence base underpinning local and regional strategies. To achieve this will require a high level of co-operation amongst local authorities in the region and with other regional partners, such as the Regional Development Agency (RDA).
- 4.2 An assessment should form part of the evidence base for the Sustainable Community Strategy. Flowing from this, the assessment should also inform local area agreement (LAA) and multi-area agreement (MAA) negotiations.
- 4.3 Local economic assessments should also inform Local Development Frameworks. Conversely, in two tier areas, any economic data that district councils assemble to underpin their local plans will also help to inform the county council's wider economic assessment. Section 13 of the Planning and Compulsory Purchase Act 2004 requires local planning authorities to keep under review the matters which may be expected to affect the development of their area or the planning of its development, including the principal economic characteristics. Linked to this, the Government consulted upon a new Planning Policy Statement (PPS4) *Planning for Sustainable Economic Development* in December 2007. This explained how local planning authorities should draw upon a wide evidence base to understand both existing business needs and likely changes in the market, so that they can prepare policies to support sustainable economic development in all of their areas.
- 4.4 In view of these linkages, the Government believes it is important that in two tier areas both tiers collaborate in support of the county wide economic assessment. In that context, the Local Democracy, Economic Development and Construction Bill includes a proposed duty on county councils to consult and seek the participation of district councils in their area and a corresponding duty on district councils to co-operate with the county. In addition, counties will be under a duty to take account of any material prepared by the district council in the discharge of its functions under the Planning and Compulsory Purchase Act 2004. This will ensure that economic assessments in two tier areas take into account land use planning issues and enable both tiers to work from a shared or consistent economic evidence base.

- 4.5 The Government's response to the SNR consultation confirmed the Government's intention to legislate for a new single regional strategy. The strategy would set out the region's economic, social and environmental priorities and should contribute to sustainable economic development. It also set out the Government's proposal to give the RDA and the local authority leaders' board joint responsibility for drafting and agreeing the regional strategy, its implementation and monitoring. Part 5 of the Local Democracy, Economic Development and Construction Bill will bring these changes into effect. The consultation response also confirmed the Government's intention to work with the RDAs, local authorities and other sub-regional partners to develop an investment planning approach to delivering the strategy's priorities. Local economic assessments should also form part of the evidence base for the preparation of the regional strategy and regional implementation plan – including joint RDA and local authority investment planning for the strategy's delivery
- 4.6 Figure 1 below illustrates how local economic assessments would fit into local and regional strategy development.

**Figure 1**



## Establishing a Regional Framework

- 4.7 Local authorities will have the freedom to determine how best to carry out their assessments. However, the Government believes that if local economic assessments are to inform both local and regional strategies effectively then there needs to be some consistency in terms of the scope and use of data and methodology used across each region.
- 4.8 Local authorities and regional partners (including those listed as partner authorities under clause 64 of the Local Democracy, Economic Development and Construction Bill) should establish a structured regional dialogue to agree a framework for taking forward the local

economic assessments. This should be developed in alignment with the regional governance structures set up to develop and implement regional strategies. The local authority leaders board should have a key role in agreeing the framework within which local authorities operate. The Regional Improvement and Efficiency Partnerships (RIEPs) have indicated their willingness be co-ordinate initial activity within each region to support local authorities taking forward the new assessments. They will be organising regional seminars for local authorities and other partners in early 2009. These events will enable local authorities to explore common objectives and how they could collectively make best use of knowledge and expertise, whilst preserving local autonomy and variation.

## London

- 4.9 In London, the Mayor will continue to be responsible for preparing a suite of strategies for London, including its Spatial Development Strategy (the London Plan) and transport and economic development strategies. The Greater London Authority proposes to work with London Councils and the London boroughs individually to help achieve a consistent approach to assessments so they can effectively inform the Mayor's suite of strategies.

## Timing and frequency of assessments

- 4.10 The Government believes that it should be for each local authority to decide when it needs to review or revise its assessment, taking into account local circumstances. Authorities may wish to revise or review all or part of their economic assessments as part of any review of their Sustainable Community Strategy or ahead of LAA or MAA negotiations or annual LAA refreshes.
- 4.11 Local economic assessments will also need to inform the preparation or revision of the regional strategy and its implementation plan. Local authorities and other regional partners should, through regional governance structures, explore how this can best be achieved and the implications this has for the timing of local economic assessments.

## Measuring impact of assessments

- 4.12 The new Comprehensive Area Assessment (CAA) will be introduced from April 2009. The local economic assessments will complement the national indicator set in providing a useful source of evidence for inspectorates in carrying out a CAA. Inspectorates are also likely to look at how local authorities and their partners have built on this work to inform development of their local priorities and strategies.

# Chapter 5: Engaging Stakeholders

## Partner Bodies

- 5.1 The proposed measures in the Local Democracy, Economic Development and Construction Bill will place a duty on local authorities undertaking local economic assessments to consult certain named partners. Clause 64 of the Local Democracy, Economic Development and Construction Bill lists these partner bodies. They are:

Regional Development Agencies

Integrated Transport Authorities

Jobcentre Plus

Homes and Communities Agency

Highways Agency\*

Learning and Skills Council (to be replaced by the proposed Young Persons Learning Agency and Skills Funding Agency through the forthcoming Children, Skills and Learning Bill 2009)

Economic prosperity board or a combined authority ( as set out in part 6 of the Local Democracy, Economic Development and Construction Bill)

National Park Authorities

The Broads Authority

The Arts Council of England

Environment Agency

Sport England

English Heritage

Natural England

Museums, Libraries and Archives Council

Greater London Authority (where the principal local authority is a London borough council)

Transport for London (where the principal local authority is a London borough council)

Fire and rescue authority which is not a principal local authority

\*technically, the Secretary of State exercising various functions

- 5.2 Local authorities should only need to consult all partners when they are undertaking their first assessment or a comprehensive revision of an existing assessment. When reviewing their assessment or refreshing an element of it, consultation with all partners may not be required, however, local authorities may wish to consult those partners that have a particular interest in the element of the assessment being refreshed. Where appropriate, engagement with these named partners should best take place within the existing local strategic partnership framework.
- 5.3 In December 2008, the Department established its new housing and regeneration agency, the new Homes and Communities Agency. Housing investment and regeneration can enhance economic performance and competitiveness and, therefore, the Government believes that local authorities should consult with the Homes and Communities Agency on the housing and regeneration aspects of their assessment. This consultation will help to inform the agency's 'single conversation' with an area.

## Engaging other key partners

- 5.4 The legislation also requires local authorities to consult such other persons as they consider appropriate. The Government would encourage local authorities, in conducting local economic assessments, to consult a full range of social, environmental and economic partners, including local businesses, the voluntary and community sector, social enterprises, parish and town councils and their representative organisations, such as local County Associations of Local Councils.
- 5.5 The Government believes that it is particularly important that local authorities actively engage with the key segments of the local business community early on in the process so as to test the commercial reality of any assessment. Social enterprises, which are businesses with primarily social or environmental objectives, have a clear role to play in supporting better integration of economic, social and environmental goals and should also be actively engaged alongside other business groups.
- 5.6 The new 'duty to involve', introduced by the Local Government and Public Involvement in Health Act 2007 and which comes into force in April 2009, requires local authorities to take those steps they consider appropriate to involve representatives of local persons in the exercise of their functions. Within the context of this duty, 'local persons' includes local citizens, local third sector groups and businesses. Local authorities will need to take account of this duty in determining who they should consult on any economic assessment.
- 5.7 Local authorities should also consult neighbouring local authorities on their economic assessments, especially where there are strong economic linkages.

# Chapter 6: Commencement of Duty and Financial Implications

- 6.1 We expect local authorities will be required to start preparations for a new assessment from April 2010. Local authorities that already have an economic assessment in place would need to consider whether their assessment accords with the principles set out in any future Government guidance. The Government welcomes the preparations that many local authorities and partners are already making for local economic assessments, both at a local level and regional level.
- 6.2 The Local Democracy, Economic Development and Construction Bill includes an impact assessment of the proposed new local authority economic assessment duty. Communities and Local Government has also carried out an assessment of the potential costs the new duty would place on local authorities. The Government intends to fund any net costs identified through this assessment.



ISBN 978-14098-1074-2



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