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Earning a Living: Factors for Success in Local Economic Assessment

A Survey of Local Authorities

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Planning Design Economics

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Introduction

This research summarises how county and unitary authorities are responding to the Local Economic Assessment (LEA) duty and defines key success factors to increase its impact on key economic outcomes.

What?
is LEA

The Local Democracy, Economic Development and Construction Act 2009 places a new duty on County Councils and Unitary Authorities to assess the economic conditions of their area by preparing a Local Economic Assessment (LEA). This research study investigates current progress and issues in fulfilling the new duty.

Why?
carry out this research

LEA has landed within an already congested landscape of centrally and locally generated requirements for economic evidence and strategic narrative. New guidance/toolkit material exists for LEA, notably that produced by I&DeA, but circumstances and performance vary between localities. This research seeks to identify key lessons for those currently gearing up for/or carrying out LEA and identify some key areas for consideration in applying the existing guidance.

Who?
did the work and analysis

The research and analysis was prepared by the Economics and Regeneration group at Nathaniel Lichfield and Partners (NLP), an independent development planning, economics and urban design consultancy.

How?
did we carry out the research

In December 2009, an email with a link to a web-based survey was sent to economic development officers in a sample of county and unitary authorities who are responsible for preparing the LEA. The survey comprised ten questions about the progress, approach, and issues being experienced by local authorities in carrying out the LEA. An initial survey deadline was extended due to the extreme weather conditions experienced in the first part of January 2010. 20 completed surveys were received and analysed. Respondents included a mix of unitary and county council authorities covering a range of different types of economy. Responding authorities ranged from a London Borough to largely rural shire county. A significant majority of respondents were from the authorities in the midlands and south of England meaning that those from the three northern regions are largely under-represented in the results. A number of follow-up telephone interviews were conducted to explore issues highlighted in some of the questionnaire responses.

TRIP
Targeted Research + Intelligence Programme

This research represents the first output from the Targeted Research and Intelligence Programme (TRIP) launched by Nathaniel Lichfield and Partners in 2009. TRIP comprises a series of research projects covering a range of the most topical issues facing planning and economic development professionals, in which NLP has identified a need for greater intelligence and thought leadership. Further research from the programme will be published over coming months.

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The Questions

The requirement for LEA presents a series of new requirements for local authorities. Guidance exists but there remain many questions.

The Local Democracy, Economic Development and Construction Act 2009 states that an LEA (or any part) can be revised at any time, or at the direction of the Secretary of State (SofS), and defines a series of consultation requirements between authorities and with named partners.

Draft statutory guidance published by CLG (December 2009) sets out the Government's intentions, namely that LEA should:

- 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; and
- identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth.

The guidance recommends that assessments should be reviewed annually and fully refreshed every three years.

More detailed guidance was developed on behalf of the Improvement and Development Agency (I&DeA) and Planning Advisory Service, and published in October 2009. This recognised that there is no 'one size fits all' approach to LEA, and identified a number of factors influencing how LEA may be progressed:

- the way in which economic development is positioned and currently resourced within the authority;
- the real economic geography that the authority is working within rather than that imposed by administrative boundaries;
- the capability and capacity of research and analysis support within the authority; and
- how authorities will use the assessment to influence strategies and interventions with their partners at local, sub-regional and regional levels.

This NLP research is therefore designed to consider four research questions:

- how prepared local authorities are for the LEA duty;
- what progress has been made to date;
- what will characterise their approach to LEA;
- what are the perceived opportunities and risks presented by LEA.

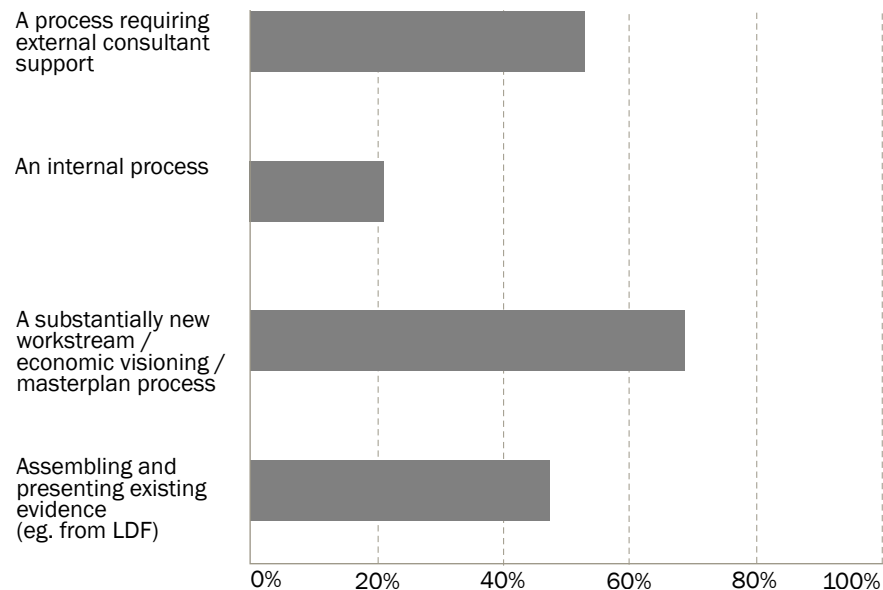
To explore these, a series of more detailed questions was developed:

1. **What does your authority's existing economic evidence base comprise?**
2. **Who is the lead economic development function in your authority that will be responsible for progressing Local Economic Assessment?**
3. **How would you rate the quality of your existing evidence base on the following topics relevant to Local Economic Assessment?**
4. **How would you rate the quality of your existing strategy on the following topics relevant to Local Economic Assessment?**
5. **Local Economic Assessment will become a statutory requirement in April 2010. Please indicate your authority's progress to date.**
6. **Which of the following best describe your authority's approach to Local Economic Assessment?**
7. **What are the potential barriers or risks to your authority completing a Local Economic Assessment?**
8. **Government guidance encourages joint working between authorities where this can better reflect functional economic/market geographies. Please describe your authority's approach to joint working for the purposes of Local Economic Assessment?**
9. **Describe the role of the following stakeholders in your Local Economic Assessment process.**
10. **How do you rate the emerging guidance (e.g. CLG draft guidance, iDEA etc). Is it sufficient in explaining the purpose, scope and methodologies required for Local Economic Assessment?**

Key Findings: Approach and Progress

Most authorities have begun the LEA process and, although many will draw upon existing evidence, it is generally seen as a substantial new workstream, requiring external support in around half of all cases.

Which of the following best describe your authority's approach to LEA?



Source: NLP

Progress

The survey results indicated that all respondents had at least begun the process of LEA, even if for 10% this amounted to having read the (at the time of the survey, draft) guidance. The vast majority (75%) had set up internal working arrangements and allocated resources, but only 15% had completed their LEA or made substantial progress.

Leadership

Nearly 80% of responses indicated that a dedicated economic development officer or team had taken on lead responsibility for LEA in their authority. In a small number of cases, responsibility rests with planning policy or regeneration staff. In one case, no lead function had been identified.

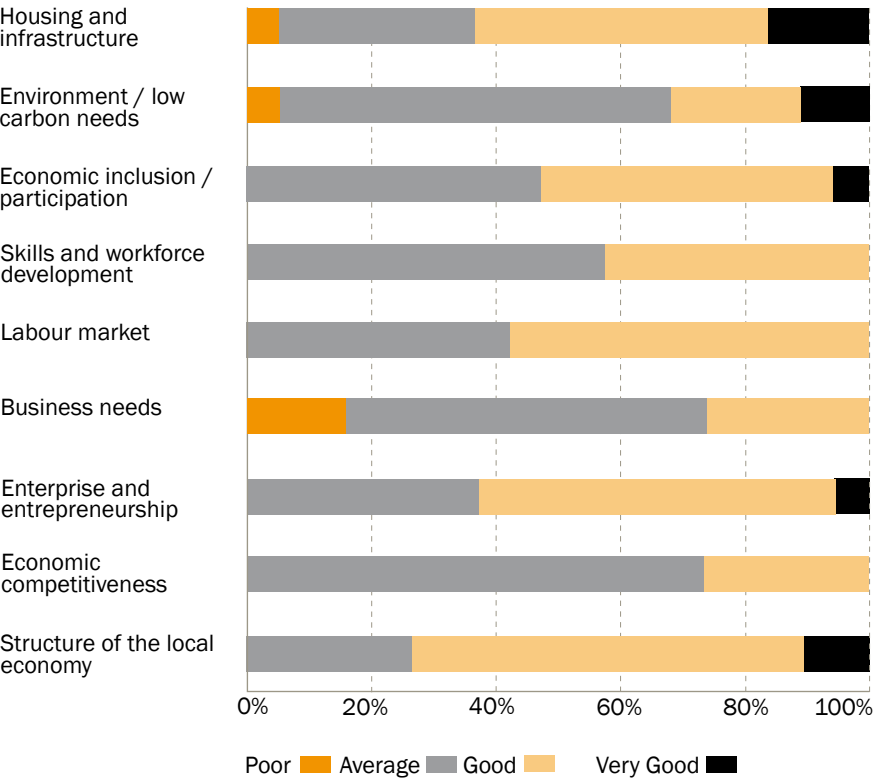
Process

Two thirds of respondents view LEA as a substantially new workstream, in terms of either an economic visioning and / or masterplanning process. This suggests the requirement for LEA is being taken seriously by many local authorities. At the same time, about half of respondents considered that their LEA process would be characterised by assembling and presenting existing sources of evidence, such as the authority's Local Development Framework. The issue of resources is important. Over 50% of responses indicated that external consultant support would be required.

Key Findings: Evidence

LEA has potential to fill gaps in existing economic evidence, particularly on the needs of business, low carbon economy, and housing and infrastructure.

How would you rate the quality of your existing evidence base on the following topics relevant to Local Economic Assessment?



Source: NLP

Quality

LEA is designed to encapsulate a wide range of different themes. It must draw together existing evidence, but also identify where gaps exist. Authorities were asked to reflect on the quality of their existing evidence for the purposes of LEA.

Responses indicated that existing evidence on enterprise and skills, the structure of the local economy, the labour market and general economic competitiveness was at least average, and in some cases good/very good. This likely reflects the fact that most LEA work is being led by economic development teams.

However, some gaps or weaknesses were identified in terms of business needs, the low carbon economy and housing and infrastructure.

No respondents rated their evidence on skills/workforce, labour market, business needs and economic competitiveness as being 'very good'.

Existing Evidence

This pattern to some extent reflects the type of evidence base and strategy architecture that authorities already have in place. 75% of respondents indicated an adopted economic development strategy, and 25% had prepared an employment land review. However, from the sample, none of the authorities had conducted a business survey, held inward investment reports or had a skills and workforce strategy.

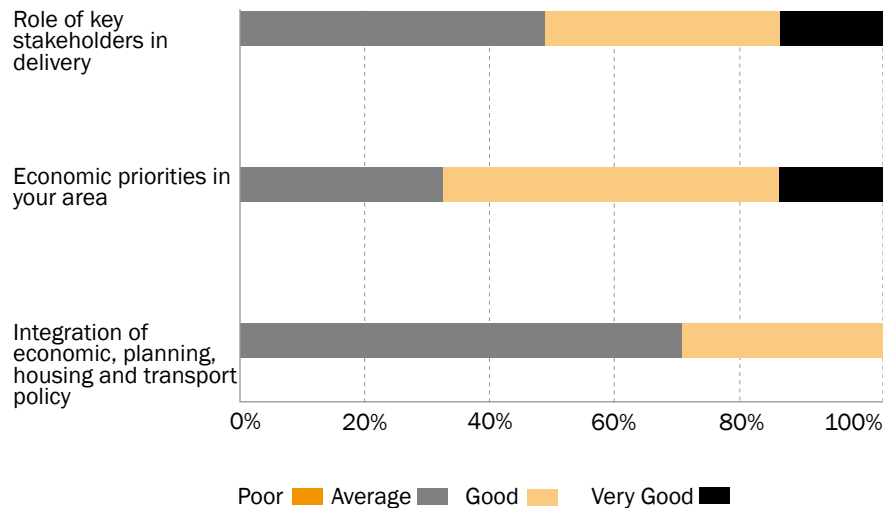
Scope

In this context, some responses noted the need to control the scope of LEA carefully, suggesting "narrow the scope; keep it realistic and not the be-all- and-end-all"

Key Findings: Strategy and Guidance

Economic priorities and the role of stakeholders in delivery is generally well established in existing strategy, but LEA can improve integration of planning, housing and transport policy. LEA guidance broadly welcomed.

How would you rate the quality of your existing strategy on the following topics relevant to Local Economic Assessment?



Integration

Ensuring an integrated approach to economic, planning, housing and transport policy is perhaps the most important component of a successful LEA. However, it is the area where respondents were least confident in the quality of their existing strategies. LEA provides a significant opportunity to improve the degree of integration, although the existing guidance is less clear on how to do this.

Guidance

Respondents were also asked for views on the quality of the existing guidance on LEA (e.g. CLG draft Statutory Guidance, I&DeA). The vast majority considered the guidance to be 'good', with only a limited number rating it as 'poor'.

In terms of the detail and scope of the guidance available, one authority commented: "Generally, we welcome the fact that the Government guidance is fairly flexible and non-prescriptive, enabling us to focus on sub-regional priorities. We would not particularly welcome any further formal guidance."

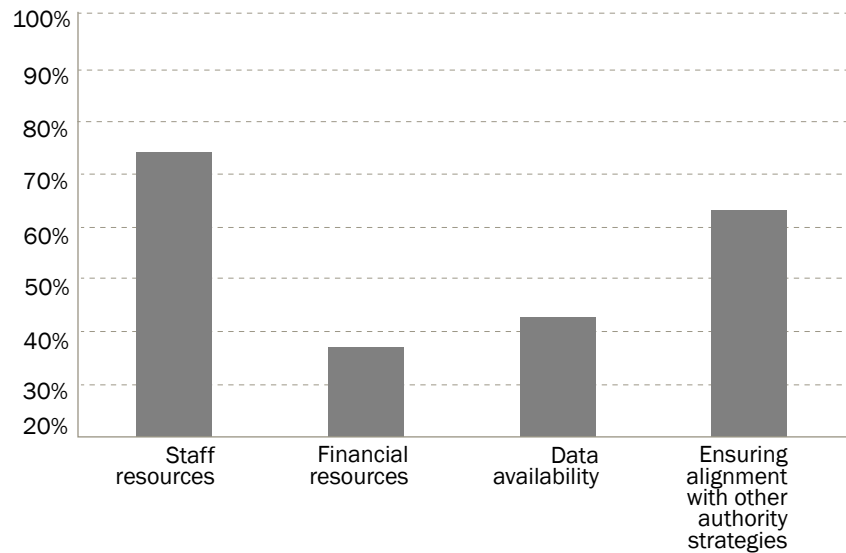
However, in some areas, additional detail was considered desirable – for example one respondent suggested additional guidance is needed to help "forecasting the future economic picture of local areas", and another sought "further advice/clarification on how to determine functional economic areas."

Source: NLP

Key Findings: Barriers and Risks

Ensuring sufficient staff resources and achieving strategic alignment are the major risks identified for completing LEA.

What are the potential barriers or risks to your authority completing a Local Economic Assessment?



Resources

Availability of staff resources was highlighted by nearly 75% of respondents as the most significant barrier to successful completion of LEA. It was noted earlier that about half of respondents considered that external consultant support would be required.

Financial resources was perceived as less of an issue, being cited by a third of respondents. This may reflect that specific funding allocations have been earmarked for LEA from government, to the value of about £60,000 per upper tier authority, and £6,000 per lower tier authority.

Data

Data availability was identified as a risk in about 40% of cases. As noted earlier, this may relate to perceived gaps in the existing evidence base. In some cases, however, the concern was technical – for example, one respondent suggested, “it would have been useful if BIS or the RDA had dealt with some of the technical issues, (e.g. which SIC codes are included in ‘high tech’ sectors) so we would have a standard framework for comparison.”

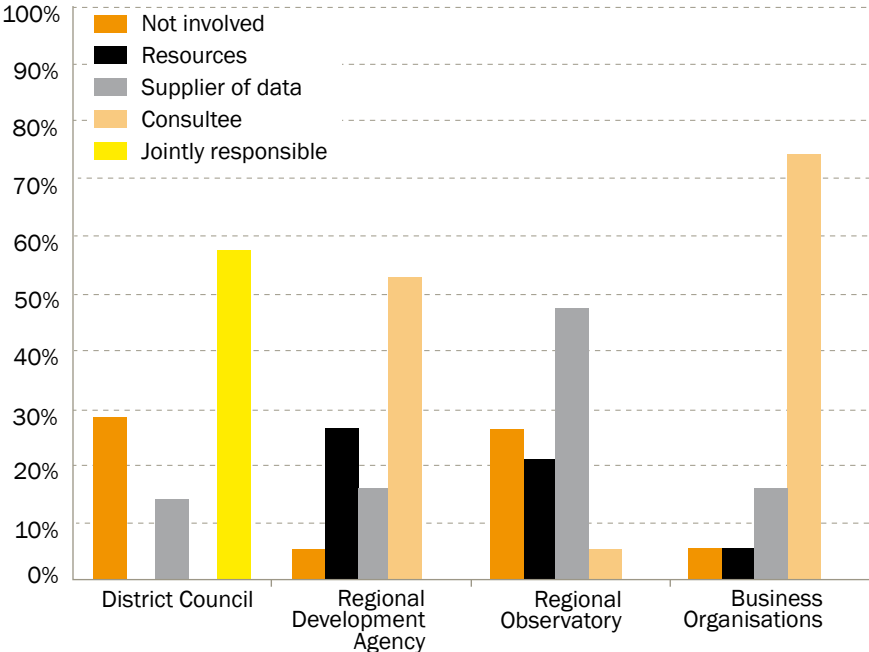
Alignment

As reflected in responses to other questions, integration and alignment is a key issue for LEA and is generally less well incorporated into many existing strategies. Two-thirds of authorities indicated this would be a significant risk to the implementation of LEA. However, the vast majority of authorities responded that they were either actively engaged in, or considering, joint working with other authorities, in some cases through Multi Area Agreements.

Key Findings: Joint Working and Engagement

The extent and type of involvement of Regional Development Agencies (RDAs) and district councils (where relevant) in LEA is not universal. Business organisations are widely regarded as a key consultee.

Describe the role of the following stakeholders in your Local Economic Assessment process



Districts

In over half of cases, district councils were considered to be jointly responsible for the delivery of LEA. However, perhaps surprisingly given the clear role for districts contemplated in the CLG guidance, some responses suggested they are not always being involved in cases where they should be.

Regions

At regional level, RDAs are widely regarded as a consultee, while Regional Observatories were identified as supporting LEA by supplying data and providing resources in some cases.

Business

Business organisations were highlighted as an important consultee in the vast majority of responses. As noted earlier, for many authorities business needs are less well documented in the existing evidence base, and so LEA provides a good mechanism for engagement with the business community.

Source: NLP

Conclusions

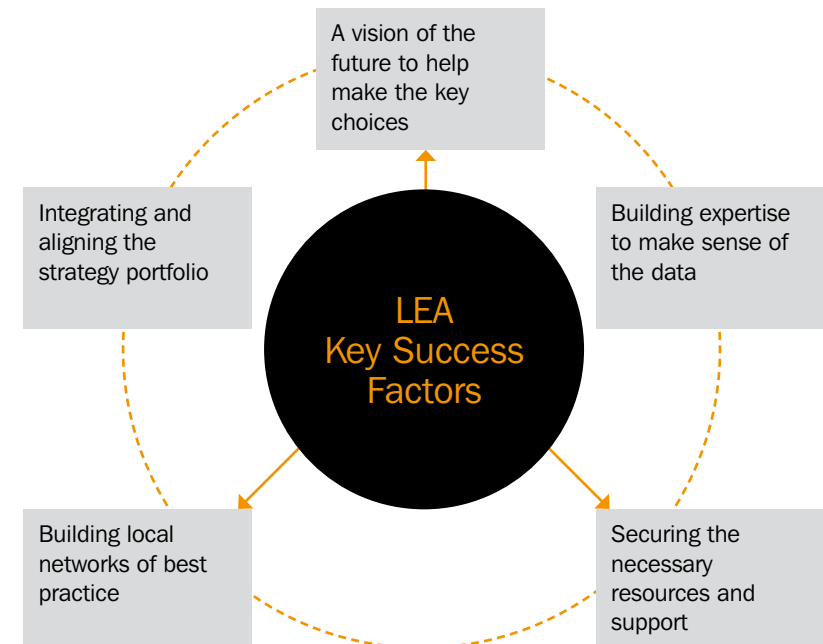
The research suggests good progress on LEA – a requirement that is being taken seriously by local authorities. However, there are a number of areas where there is scope to enhance the approach to LEA.

Key Messages

1. Two months before LEA becomes a statutory requirement, the picture is of widespread but mixed progress among respondents in developing LEA, which is generally being led by economic development functions.
2. It is widely regarded as a substantive new workstream that requires external support, but also builds on existing evidence.
3. LEA provides a major opportunity to bridge the quality gap that currently exists for integrating economic, planning, housing and transport strategy.
4. The LEA process will have most to add in addressing the weaknesses identified in the existing evidence for business needs, the low carbon economy and housing and infrastructure.
5. Evidential strengths are focused in the areas of enterprise and skills, economic structure, labour market and economic competitiveness.
6. Staff resources are identified as a key barrier to completing LEA, but financial resources are not (...at least not yet).
7. Data availability is not an issue, and although the existing guidance is seen as generally good, there are some detailed technical issues where further support may be needed.
8. Strategy alignment is also identified as a key barrier to LEA, but there is strong evidence of joint working, including through LAA and MAA.
9. Joint working on LEA between county and district authorities is the norm, but some Counties are not involving lower tier authorities in the LEA, contrary to the guidance.
10. LEA is seeing widespread engagement of district councils, RDAs, Regional Observatories and business organisations. The latter is important if the gap in business needs evidence is to be addressed.

Summary

So, things are moving. But there are areas of risk, alongside opportunities for moving LEA beyond what is largely the 'here and now' economic analysis that may emerge from current approaches and towards a future-facing narrative that a) understands the big forces shaping the economy; b) identifies the clear choices needed for economies to enhance their competitiveness in the face of these forces; and c) helps align key stakeholders around a coherent shared vision. For this, to be realised, some key success factors are needed:



Five Key Success Factors in LEA

The key success factors help drive a future-facing and policy shaping output, driven by intelligent evidence and expertise, and with senior level sponsorship.

A vision of the future to help make the key choices

The LEA guidance identifies the need to consider trends in the economy and the forces that drive it. However, in the face of tougher and uncertain times, with less public money likely to be available to address market failures, it will be important for the LEA process to augment this by defining (or at least beginning to define) the key strategy-making and investment decisions that will be needed in order to make a real difference.

It will often be important for the LEA to incorporate future-facing reflection, in which different views on where stakeholders might want the local economy to be can be identified, their outcomes generated, and the critical actions necessary to make them real brought out. By applying a clear logic chain analysis to realistic views of the future, the key choices and future priorities can be given sharper focus.

Integrating and aligning the strategy portfolio

Economic development exists in a congested stakeholder environment, with numerous different bodies operating across the LEA themes. Each stakeholder has its own (also often statutory) requirements to create policy and strategy to guide its decision making and investment, produced at different times and often with different time horizons. Attempts to 'join-up' are often simply exercises in semantics, and can result in a 'watering down' of clearly focused priorities or creation of deliberate ambiguity.

LEA provides an opportunity to give proper attention to alignment of different economic and place-based strategies and investment. A policy and investment mapping exercise across the stakeholder landscape should be a key work stream for the LEA, identifying what 'pinch-points' exist and need to be resolved.

Building expertise to make sense of the data

The digital revolution has transformed ready access to data compared with even ten years ago. But expectations of what can be achieved with information have also inflated, and there is a growing concern that too many evidence-base processes (like LEA) become pre-occupied by large quantities of data at the expense of intelligent analysis and synthesis. The broad ambit of LEA (including many housing, built environment topics) places a burden on economic development functions which do not always have significant experience of some of these issues (reflected in the lack of strategic alignment).

Those developing LEA should identify a key champion for selecting and making sense of the right data for each topic and ensuring that it is adding value to the LEA process, not swamping it.

Building local networks of best practice

By its very nature, LEA is about developing a local perspective on the economy. Excessive national prescription in how it is carried out is not desirable or necessary. However, some local authorities welcome support in tackling particular issues, both technical (e.g. around data sets) and strategic (e.g. how to define LEA process and outputs).

Because these will inevitably have a local dimension, and because there are significant merits in joint working on many issues (e.g. functional economic geographies), there are clear benefits in using regional/sub-regional bodies (e.g. the Observatories). But also, there is scope to create facilitated 'learning sets' for LEA practitioners to openly discuss and develop their approaches either with others in their locality or with comparator localities, mirroring the approach adopted in some regions (eg. the South West).

Securing the necessary resources and support

Many local authorities already have a significant body of economic intelligence. Those that don't may be in locations where the economy has not attracted high level political or senior officer attention. The critical juncture at which the UK economy finds itself means this must change.

Those leading LEA should consider securing three types of support:

- Senior level sponsorship - preferably at Chief Executive level to support internal and external alignment and give momentum to discussions around the big choices;
- Technical resources (perhaps from neighbouring authorities or consultants) to plug expertise gaps and/or share the load on sub-regional evidence gathering;
- An independent 'critical friend' or mentor to the process to minimise risk of 'group think' or ducking difficult issues.

About

Nathaniel
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NLP is an independent planning, economics and urban design consultancy, with offices in Cardiff, London, Manchester and Newcastle. NLP offers a range of skills in economic evidence, strategy and policy development, as well as assessment of the economic and regeneration benefits of investment and development proposals. Our clients include local authorities, government and regional bodies, as well as developers, landowners, and operators in the housing, retail, leisure, commercial and industrial sectors.

We prepare accessible and clear reports, underpinned by robust analysis and stakeholder engagement, and provide expert witness evidence to public inquiries and examinations.

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You can find more information on Local Economic Assessment and download further copies of this report at: nlplanning.com/lea

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