



Centre for Local  
Economic Strategies

# bulletin

## Local Economic Assessments and Regional Strategies: The next chapter

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### INTRODUCTION

The Sub-National Review of Economic Development and Regeneration<sup>1</sup>, published by HM Treasury, Communities and Local Government (CLG) and the Department for Business, Enterprise and Regulatory Reform (BERR, now the Department for Business, Innovation and Skills), marked the start of a process of structural and operational change for economic development and regeneration affecting local areas. The Sub-National Review was driven primarily by the impetus of the 2007 Comprehensive Spending Review and government commitments to devolve more powers from Whitehall. The Review detailed a number of proposals to change both governance structures and economic-related functions at local, sub-regional and regional levels.

The primary aim of this bulletin is to summarise and review the latest statutory guidance that has been published by CLG, on both Local Economic Assessments<sup>2</sup> and Regional Strategies.<sup>3</sup> The paper discusses CLES' thoughts regarding how local authorities and partners implement the agenda locally and the opportunities that the statutory Local Economic Assessments provide for re-defining future economic development and regeneration strategic processes and decision making.

The passing of the Local Democracy, Economic Development and Construction Bill will be the culmination of over two years of central government policy activity relating to sub-national economic development as detailed in Table 1.

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<sup>1</sup> HM Treasury, Communities and Local Government, and Department for Business, Enterprise and Regulatory Reform (2007) *Sub-National Review of Economic Development and Regeneration*.

[http://www.hm-treasury.gov.uk/d/subnational\\_econ\\_review170707.pdf](http://www.hm-treasury.gov.uk/d/subnational_econ_review170707.pdf)

<sup>2</sup> Communities and Local Government (2009) Local Economic Assessments: Draft Statutory Guidance  
<http://www.communities.gov.uk/documents/localgovernment/pdf/1314939.pdf>

<sup>3</sup> Communities and Local Government (2009) Policy Statement on Regional Strategies and Guidance on the establishment of Leaders' Boards

<http://www.communities.gov.uk/publications/planningandbuilding/regionalstrategiesconsultation>

**Table 1: Timeline of developments concerning the Sub-National Review**

Date	Milestone
July 2007	Review of Sub-National Economic Development and Regeneration
March 2008	Consultation document on Review of Sub-National Economic Development and Regeneration
November 2008	Government response to consultation on Review of Sub-National Economic Development and Regeneration
December 2008	Start of legislative process of Local Democracy, Economic Development and Construction Bill
January 2009	First policy statement on statutory Economic Assessment Duty and Regional Strategy and sub-regional governance
August 2009	Latest guidance on statutory Economic Assessment Duty and Regional Strategy
Autumn 2009	Local Democracy, Economic Development and Construction Bill expected to be passed through parliament

The Local Democracy, Economic Development and Construction Bill was put to parliament in December 2008<sup>4</sup>, following the publication of an initial consultation paper and the government's response to the consultation, which was published in November 2008.<sup>5</sup> This bill is due to be passed by parliament in Autumn 2009. This is crucial in that economic development will now become a core and statutory function for local authorities and their public partners, aligning with recent national government policy leading towards economic-led priorities.

## REGIONAL STRATEGIES

### *Rationale of the strategy*

The Sub-National Review included proposals to streamline arrangements at the regional level, in order to ensure closer alignment between local economic development and spatial planning, and address fragmentation of regional level strategic documents and replace them with a single Regional Strategy. The Regional Strategy will be used to prioritise investment in enterprise, the environment, infrastructure, regeneration and communities between places, and will have an important statutory role as part of the planning system.

### *Nature of the strategy*

The strategies are expected to set out an agreed vision for the region over a 15-20 year time period and identify the key regional challenges. They are expected to be concise and succinct, supported by a robust evidence base with a deliverable Implementation Plan. Each strategy is expected to have a strong spatial element, focusing on sustainable economic growth delivery across the region in terms of land use, jobs, skills, regeneration initiatives and investment.

The Regional Strategies will need to be consistent to national policies, and regionally specific policies should translate national policy to regional or sub-regional challenges –it is stipulated though that practitioners should not simply apply national policy through the Regional Strategy.

### *Engagement with a range of stakeholders*

The policies outlined in the Regional Strategy will be influenced by local plans and programmes and by how local authorities exercise their service responsibilities – therefore there is a clear link between the Regional Strategies and the Local Economic Assessments. This process will require extensive engagement with both sub-regional agencies and local authorities to promote the implementation of the Regional Strategy at the local level. The guidance outlines that local development documents need to be in *general* conformity with the Regional Strategy, with a conformity test being applied by inspectors through examination of local documents. There is also a large emphasis on partnership working and engaging stakeholders from across the region, to ensure that all priorities and cross

<sup>4</sup> Local Democracy, Economic Development and Construction Bill (2008)  
<http://www.publications.parliament.uk/pa/ld200809/ldbills/002/2009002.pdf>

<sup>5</sup> Department for Business, Enterprise, and Regulatory Reform & Communities and Local Government (2008) Prosperous places: taking forward the review of sub-national economic development and regeneration  
<http://www.berr.gov.uk/whatwedo/regional/sub-national-review/page40430.html>

cutting concerns are accounted for. Consultation needs to be cross sectoral, incorporating the interests of social, health, economic and environmental bodies.

### ***What the Regional Strategy should include***

The guidance states that the policies and priorities should incorporate:

- An overview of the key regional and sub-regional opportunities and challenges over the period of the strategy, covering economic, environmental, social, health and well being, infrastructure and spatial characteristics across the region;
- Delivery of sustainable economic growth - with regards to employment and the key drivers of productivity;
- How the region can meet its housing needs and demand, creating a wide choice of quality homes;
- Taking innovative actions on meeting the challenges around climate change mitigation;
- Identifying areas/communities within the region that are a priority for economic growth, investment and regeneration;
- Ensuring the policy around sustainable economic growth and housing takes into account the wider infrastructure, and its capacity;
- Priorities for the protection, enhancement and access to the built and natural environment

### ***Implementing the strategy***

The Implementation Plan, prepared in conjunction with the Regional Strategy, is central to the process and highlights where the commitment to partnership working is translated into practical actions. It is important in assessing how realistic the strategy is, in terms of resources for example. It needs to focus on the actions, priorities and programmes required to deliver the strategy over the timeframe of the first 'run' of the strategy (3-5 years). The plan needs to be specific in its actions and allocations of responsibility, and in the delivery timescales of each action.

### ***The importance of sustainability***

The Regional Strategy is also required to be subject to a sustainability appraisal – the key objective of the strategy itself is to set out a plan for sustainable economic growth across the region. The rationale behind this appraisal is to report on the social, environmental and economic effects of the strategy, including costs, benefits and risks for testing and improving its sustainability. It is to be important when considering environmental limits in the strategy, and crucially should not be viewed as a 'bolt on' to the strategy, but rather an integral element of the process.

### ***Monitoring performance***

Annual monitoring reports are viewed as key in ensuring that the evidence base is up to date and will inform any revisions in the Regional Strategy. The monitoring will be around the policies in the Regional Strategy and the delivery of the policies in the Implementation Plan. They will also measure progress against core output indicators set out in the Regional Spatial Strategy and Local Development Framework Core Output Indicators Update 2/2008.

### ***Governance***

The development of the Regional Strategy will not just be a Regional Development Agency led process, but a true collaboration between the Regional Development Agency and local authorities through the Local Authority Leaders' Board. The joint and collaborative responsibility will be for drafting, implementing and monitoring the strategy. The Local Authority Leaders' Board is a replacement of what were known as Regional Assemblies and are, in many regions, in the developmental stage. The Government's response details three core criteria for developing the Leaders' Board:

- It should be streamlined and manageable, able to make strategic long term decisions, and able to engage effectively with their region's Regional Development Agency;
- It should be representative of local authorities across the whole of their region including representing key sub-regions, upper and lower tier authorities and the political balance of leaders;
- It should be comprised of local authority leaders, with sufficient authority to act on behalf of all the local authorities in the region.

## **CLES' thoughts**

The following provides a reflection upon the CLG guidance on Regional Strategies, together with a number of issues that Regional Development Agencies and partners should be considering from the outset.

### ***Local Economic Assessments informing Regional Strategies?***

There is still a time lag between the Local Economic Assessments and Regional Strategies – the statutory guidance on the local economic strategies indicates an April 2010 implementation date, whereas many of the Regional Development Agencies are at an advanced stage in the Regional Strategy development process. The guidance states that the Regional Strategies should be informed by the Local Economic Assessments – this clearly will not be the case in the first wave of Regional Strategies, therefore it is vital that the Regional Development Agencies at least draw upon a range of local evidence and ensure that all relevant stakeholders have been consulted from local authorities.

### ***The need for sustainable economic development, not just sustainable growth***

Sustainable growth underpins the guidance on Regional Strategies, not just in land use terms, but also through wider initiatives such as jobs, skills, regeneration initiatives and investment. There is a sustainability appraisal of the strategy required, and the guidance states that this is not a “*separate add-on process and forms and important part of the evidence base for the Regional Strategy*”. The latest guidance however, still does not address the issue of sustainable *growth vs development*. In the longer term the need for growth, whether sustainable or not, will result in increased use of resources and consumption. There is a tension evident here between growth and development, with development being about ensuring good quality of life and ensuring that local markets work effectively – this is different from pure growth, and would require a change in economic thinking to redistribution of wealth throughout society. The latest guidance fails to consider these inherent tensions.

### ***Risks around a strategy for all***

This policy statement also re-emphasises the requirement for a strategy which covers many elements, including the economy, planning, land use, environment, health etc. CLES re-affirms the view that this is a risk, in that by covering so many areas and requiring so much information, the quality of the strategies may be diluted. There are also many contrasting localities within a region, all faced with different opportunities and challenges – urban, rural, industrial, service-based etc. – it will be difficult for any strategy to encompass and address these competing issues. This has been a key failure of foresight from government, and there is an inherent issue that is evident around economic linkages between and within places, which may be difficult to address.

### ***Potential tensions between regional local economic strategies***

The above point correlates to the potential tensions that will exist between local and Regional Strategies. Although the aim is for Local Economic Assessments to inform the Regional Strategy, in practice this will be difficult, with many competing priorities and resources across different areas.

### ***Importance of fusion between monitoring indicators and outcomes***

An important element of the strategy is to develop a set of indicators which will monitor progress towards the delivery of actions. CLES believe that it is important to ensure that there are soft elements within these indicators, or that these outcomes should be complementary to indicators, in order to properly gauge the progress of actions within the strategy – indicators on their own do not serve a particularly useful purpose and progression towards *outcomes* rather than just *outputs*, which are longer term and link into the wider vision of the strategy, is a crucial element of measuring the success of delivery actions.

### ***Myriad of organisations at the regional level***

A potential strategic and operational issue effecting the development and delivery of Regional Strategies is the number of organisations who are involved at the regional level – these include the Regional Development Agencies, leaders' forums, regional improvement and efficiency partnerships, and other regional bodies relating to cross cutting areas such as health and the environment. This myriad of bodies could potentially hinder the development of a cohesive document with too many competing regional interests with different priorities and agendas. Also related to this is the issue of accountability – the inclusion of the Leaders' Boards in partnership with the Regional Development

Agencies responsible for delivery of the strategy, does not ensure effective accountability. Indeed the presence of leaders from the sub-regions may actually dilute accountability at the regional level.

### ***Inter-linkages of the different components of the Regional Strategy***

A key consideration is around how the various elements of the Regional Strategy will be linked together. The connectivity between each of the themes is crucial in developing a strategy that will deliver sustainable economic development. It will be important to ensure that the themes are not dealt with in isolation and that there is clear practical recognition of inter-linkages both within the strategy and Implementation Plan.

## **LOCAL ECONOMIC ASSESSMENTS**

### ***What economic assessments should cover***

One of the key recommendations of the Sub-National Review was to set out a series of reforms to enable local areas to respond better to economic challenges and play a more significant role in the promotion of economic development. The Local Democracy, Economic Development and Construction Bill will implement these recommendations, making it statutory for county councils and upper tier and unitary councils to prepare an assessment of the economic conditions of their area. The intention is that the duty will come into force in April 2010, providing local authorities and partners at the local, sub-regional and regional scale a common understanding of local economic conditions and economic geography, and of economic, social and environmental factors which impact upon growth. The rationale is that this will lead to improved strategic thinking and subsequent policy interventions.

The guidance provides an overview of the principals and issues local authorities will need to consider in preparing their Local Economic Assessments, and indicates that the process for the assessments are primarily around data collection and analysis. It is important though to recognise that elements of the guidance may alter as necessary to reflect any changes effected to the legislation by further parliamentary scrutiny of the Bill, and the government is formally consulting on this guidance.

### ***Thematic focus***

The guidance sets out a number of themes which local authorities are expected to measure economic performance against:

- **Business and Enterprise**, including:
  - *Structure of the local economy* – sectoral structure and comparative strengths of particular industries;
  - *Competitiveness* – economic competitiveness and productivity of the area;
  - *Enterprise and innovation* – business start ups and closures, self employment, growth of SMEs etc, and linkage of FE and HE institutions to local economic activity;
  - *Business needs* – gauging views of businesses to understand the key constraints and levels of local public sector engagement with business networks and effectiveness of business support services.
  
- **People and communities**, including:
  - *Labour market* – occupational structure, employment and unemployment, levels of worklessness;
  - *Skills* – assessing local skill levels, including educational attainment and evidence of skills gaps;
  - *Economic inclusion* – identification of highly deprived areas and economic exclusion.
  
- **Sustainable economic growth**, including:
  - *Environmental sustainability* – how local economies need to adapt to mitigate climate change issues and understanding the challenges and opportunities for local firms through the move to a low carbon economy;
  - *Housing and infrastructure* – how local housing provision and infrastructure supports economic sustainability of a locality.

### ***The scale of Local Economic Assessments***

The guidance provides clarity as to the scale at which the Local Economic Assessments should be undertaken. It states that "*local economic assessments should, as far as possible, match real economic geographies or functional economic market areas.*" This reflects the growing importance of the sub-regional and city-regional agenda (emphasised by the choice of Greater Manchester and Leeds city regions to be pilots for devolved powers), but also the linkages between the local economic assessment and the Regional Strategy. The guidance states that "*where strong economic links are identified, local authorities should consider the benefits of collaborating with neighbouring local authorities...collaboration could take the form of a joint local economic assessment.*" This provides clear encouragement for cross-authority collaboration. Indeed, government expects that those areas that have come together to produce MAAs should prepare a joint assessment, or at the very least demonstrate close collaboration in preparation of individual statements.

### ***Local strategic importance of the economic assessments***

The Local Economic Assessments are designed to be strategically important for wider local strategy and delivery. The primary purpose of the assessments is to inform sustainable community strategies, which in turn, informs Local Area Agreements (LAAs) and work of the Local Strategic Partnerships (LSPs). They are also expected to inform planning officers in the preparation of Development Frameworks (LDFs) and the Comprehensive Area Assessment (CAA), which provides an independent assessment of how well people are being serviced by their local public services.

### ***Consistency of approach***

The previous guidance in January 2009 also outlined how the Local Economic Assessments are to inform Regional Strategy and delivery. They will form part of the evidence base of the strategies and their Implementation Plans. In order to accomplish this, the guidance states that assessments need to be carried out in a consistent manner, with a need for regional and local bodies to agree on how this is carried out, and will need to include a commonality in the evidence base.

### ***Timescales***

The new duty is expected to be passed through parliament in April 2010, with local authorities required to complete their first wave of Local Economic Assessments within six to nine months of the duty coming into effect. This is so that assessments can inform the preparation for the next set of LAAs for 2011-12 to 2013-14. There should also be correlation with the cycles of revision of the Regional Strategies. Although there is no specific guidance on how often the assessments will need to be updated, it stipulates that they should be kept up to date and fit for purpose, to enable sustainable community strategies to be updated, and to help strengthen LAA negotiations.

### **CLÉS' thoughts**

The following provides a reflection upon the CLG guidance on Local Economic Assessments, together with a number of issues that local authorities should be considering whilst planning how the work will be undertaken.

### ***Assessments should be about strategic thinking and not just data collection***

The new guidance, published in August, does not provide much in the way of new insights compared to the previous policy statement paper, published in January 2009. However, it is particularly notable that the guidance has an increased emphasis on quantitative data, with some elements of commonality within them so this primarily focuses on indicators that are relatively measureable. It is important for practitioners to recognise early on that Local Economic Assessments are not simply a data gathering exercise – they should be a strategic assessment of both the economic performance of a locality but also of the nature of how economic development is undertaken within that locality. The Local Economic Assessment should be the foundation of an economic strategy; therefore it is a necessity that local practitioners and policy makers are involved in the process from the outset. Without this involvement the process of developing the assessment is bound to become too data heavy, with the end result a document that is overloaded with too much data, negating the impact of effective strategic decision making. This is not to say that data collection and collation is less important – it is a crucial element of the Local Economic Assessments – but other process based considerations and consultations are just as essential.

### ***Misrepresentation of the agendas***

The themes against which local authorities will be expected to collect data are relatively prosaic. Whilst sectoral structure within the private and public sectors is important to understand within a locality, there are two key facets to the local economy which are underplayed within this guidance:

- **The third sector:** given the impact of the recession and the increasing importance placed in other central government agendas around the role of the third sector in service delivery, there is a distinct lack of consideration for this important component of the economy – this document may serve to underline a lack of understanding and regard from central government for its importance. The third sector can play an important role in growing both local and sub-regional economies, fostering skills and enterprise, delivering public sector services and empowering local communities through skills and enterprise, meaning it should be properly represented in any Local Economic Assessment. In many localities, the third sector makes a significant contribution to the local economy, employing local people, delivering local services and contributing to local supply chains;
- **The public economy:** Similarly, the size, scale and value of the public economy together with the expenditure upon procurement appear to be significant omissions from the proposed data requirements. Public procurement, in particular, is an important aspect of a local economy. It can be used to support small businesses and third sector organisations access contracting opportunities and to develop employment and skills clauses in large scale contracts. CLES has undertaken significant research to understand the potential benefits of public procurement on the local economy,<sup>6</sup> and this should be a key theme within Local Economic Assessments, understanding the power of public procurement in influencing local supply chain activity.

### ***Lack of sectoral linkages***

Following on from the above theme, a key inhibitor of the data focused approach is that it could restrict the potential of the Local Economic Assessment to change practices around local economic strategies. Recent research from CLES examines new ways in which we can develop local economic strategies which foster local economic resilience<sup>7</sup> – we have called for a more balanced approach which closely examines the linkages between the commercial, public and social economies, the latter two outlined in the above point. The guidance does not provide adequate reflection on how assessments can consider how these inter-related facets of the wider economy link together. This model of resilience is revisited later in the bulletin.

### ***Stakeholder and community consultation and engagement***

CLES welcomes the guidance on gauging the views of other partners, particularly those of the local business community (social enterprises are also briefly mentioned within the document). Business activity is the cornerstone of economic growth in an area, especially from SMEs. Understanding business needs will be valuable in accumulating a wealth of important information which can feed into subsequent strategy development. In addition to consulting with the local business base, there should also be a conscious effort to engage with third sector enterprises, identifying the biggest constraints on growth within this sector and how well they view local authority engagement with them. The inclusion of other strategic partners is also key in the process, including the Regional Development Agencies and LSPs, and crucial in building up the evidence base.

### ***The importance of forward thinking***

CLES also welcomes the principle that the Local Economic Assessments should be forward looking, and that reliance on detailed econometric forecasts is not advised (forecasts only provide broad trajectories, and are most uncertain in the current economic climate). ‘Visioning’ scenarios, which CLES has considerable experience of undertaking, would be a useful tool in developing an understanding of possible alternative futures based on different combinations of assumptions, facts and trends, allowing practitioners to develop detailed conceptions of the possibilities for future

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<sup>6</sup> Association for Public Service Excellence, Centre for Local Economic Strategies and Institute of Local Government Studies (2008) Creating resilient local economies: exploring the economic footprint of public services. Manchester, APSE

<sup>7</sup> Centre for Local Economic Strategies (2009) – Toward a new wave of local economic activism: The future for economic strategies [http://www.cles.org.uk/information/104257/copy\\_of\\_pp26/](http://www.cles.org.uk/information/104257/copy_of_pp26/)

development. Forward thinking can be a valuable tool in scoping the wider economic strategic thinking of an area.

### ***The importance of joined up decision making***

The element of the guidance linking Local Economic Assessments with the Local Development Frameworks (LDFs) is particularly pleasing to see, being recognition that it is important for all local authorities to have a good understanding of how land is to be used for economic development. CLES views this as an opportunity to overcome a common flaw in local economic strategies highlighted in our research – the lack of regard for spatial planning.<sup>8</sup> While many local economic strategies include considerations of the availability of land and premises in their content, this is rarely more than a general point rather than a clear identification of spatial priorities and named sites. More detailed spatial priorities have previously been addressed at the regional level through the Regional Spatial Strategy (RSS), and the suggestion that this should be done at the local level is a positive development. However we would welcome more detailed guidance on the spatial elements of the assessments, as in its current form it is limited.

### ***Natural economic geography***

The guidance recommends collaboration in areas where strong economic links have been identified – for example, those sub-regions which have signed up to MAAs, suggesting an over-arching sub-regional assessment of the broad economic conditions of functional geographical areas such as these. There is a clear risk here of the scale being too large, moving away from the *local*, and the analysis losing focus of communities within individual authorities – capturing the economic conditions of small local economies would be a challenging exercise under such an arrangement. Another key consideration is that there are often areas/districts within sub-regions that do not necessarily fit into the wider economic area; therefore, sub-regional assessments may not necessarily capture a fully cohesive economic geography.

### ***Understanding the role of place***

Internal considerations need to be accounted for by policy practitioners at the beginning of this process, in order to lay the foundations of the subsequent economic strategy. This is partly about understanding the role of a place – many local economic strategies and assessments discuss the need for knowledge intensive activities, having high level digital and innovative assets and so on. The fact is that not all places will achieve such ambitions, there is no uniform way of achieving economic growth, and there is no rationale in trying to redistribute economic activity at the expense of other areas which are more productive - local solutions are required to maximise the local drivers. Acknowledging the reality of economic demand is therefore important, and using the assessments to form strategies containing policy that is not demand led will ultimately fail.

Local Economic Assessments should help develop an understanding of how a place fits into a broader economic structure. Developing an understanding of what activities within a place are important for the wider economy, and not just within a local authority, is crucial – this will enable authorities to understand their area's economic role spatially and plan to fit in within wider economic structures. It is through first understanding their role spatially, and then planning to maximise the economic and social assets and therefore competitive advantage, that improvements in productivity and living standards can increase.

### ***Understanding the connectivity between local economic drivers***

There are a number of drivers to economic growth which need to be assessed. It is important not to treat these drivers as independent variables, rather as a number of interrelated factors which need to be addressed strategically to raise productivity and create stronger, resilient localities. For example, important drivers with which to influence through varying policy levers may include skills, increasing investment and employment, housing, planning and connectivity (both digital and transport infrastructure). To improve skills means addressing underlying worklessness issues at one level (which are also related to housing markets and education provision) and improving transport and housing provision for higher skilled workers at another. Furthermore to attract higher levels of investment high levels of skills are a requirement, as is ensuring good levels of digital connectivity.

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<sup>8</sup> Centre for Local Economic Strategies (2009) – Ibid

This is just a basic example, but thinking in a multi-layered way is important from the beginning of the assessment stage through to forming economic strategy.

In considering economic drivers, practitioners also need to understand the costs and benefits related to growth of their localities. Benefits of economic growth and concentration of activity (which can result in increased productivity in an area) are likely to be offset by a number of costs. These can include, for example, an increase in prices of land, rising housing costs, firms facing more competition, roads and public transport becoming more congested, and an increase in pollution. Local authorities will need to begin to determine how they plan to manage these costs and benefits of growth in their Local Economic Assessment, so these key issues can be addressed in an effective economic strategy.

### ***Risk of sector based policies***

The guidance states one of the drivers is to support priority sectors. Asking which sectors should be supported is the wrong type of question – conventional sector based policies are unlikely to add value and create an environment conducive to growth. It is about ensuring that the conditions are in place to help business growth, no matter the sector. The public sector has a poor record of picking ‘winners’ and this should be considered at the beginning of the assessment process – in some cases support can be useful, for example if there are certain profitable niches or specialities within an area or where sectors depend on large infrastructure investments (such as Media City in Salford, the country’s first ‘media city’, located in Salford Keys, designed to provide a purpose built home for creative and digital businesses - the BBC are relocating 2,500 staff to the area).<sup>9</sup>

### ***The decision making processes within local authorities and sub-regions***

Another potential consideration for the assessments is governance and leadership. Although the economic strategy is likely to cover this facet in some depth, the link between assessments and strategies necessitates that this is accounted for – after all, governance is a key influence on economic performance and quality of life for residents of an authority and sub-region. Effective governance and leadership needs to be in place to make good policy choices possible, ensuring the right policy levers are being used to maximum effectiveness. This is an opportunity for local authorities to be flexible and use their leadership to be less prosaic about Local Economic Assessments.

### ***The role of I&DeA (improvement and development agency)***

It should be noted that despite the limited information and guidance that is available in the CLG’s statutory guidance document, there is further guidance available from I&DeA which has been developed in consultation with the Planning Advisory Service (PAS), designed to accompany the CLG statutory guidance.<sup>10</sup> This is a ‘diagnostic’ designed to assist local authorities in fulfilling their enhanced role in promoting economic prosperity and place shaping, and to help them distinguish between the processes, mechanisms and drivers of economic prosperity. The guidance provided is detailed and gives local authorities a good base on which to build their Local Economic Assessments and subsequent economic strategies.

## **THE OPPORTUNITY FOR A NEW ERA OF LOCAL ECONOMIC STRATEGIES**

CLES has undertaken research to explore what is missing from local economic strategies and to develop a new model for local authorities to adopt when forming their economic strategies of the future.<sup>11</sup> The research found that many economic strategies are not fit for purpose, and that there is an opportunity through Local Economic Assessments to reshape economic development.

CLES proposes the need to adopt a resilience model as an approach to framing local economic assessment – indeed this could act as a framework for future economic development practice, feeding into strategic decision making. By using this model, local authorities can foster a sense of resilience in their economies that is more adaptable to external shocks.

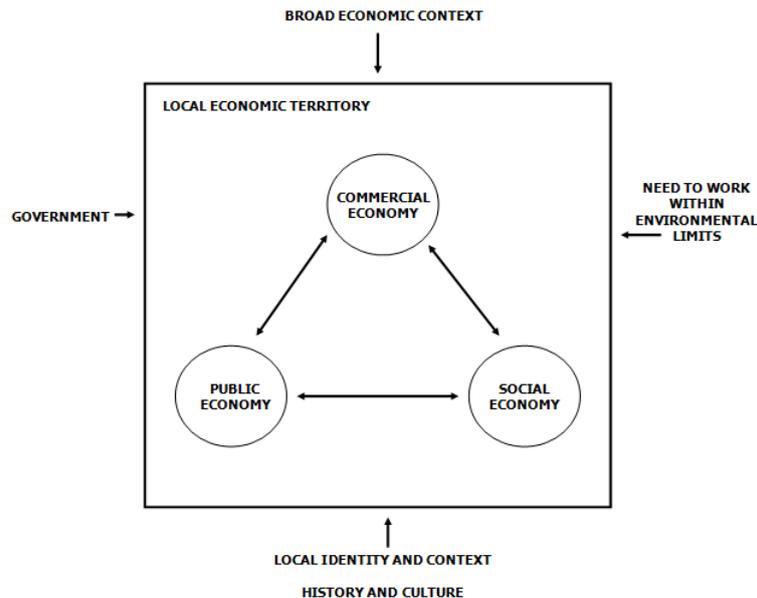
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<sup>9</sup> Salford City Council <http://www.salford.gov.uk/living/regeneration/geographicareas/quays-regen/mediacityuk.htm>

<sup>10</sup> Communities of Practice for Local Government <http://www.communities.idea.gov.uk/login.do>

<sup>11</sup> Centre for Local Economic Strategies (2009) – Ibid

**Figure 1: The Resilience Model**



There are three key economic facets to this model:

- **Commercial economy** – the wealth creation of the private sector, which is reliant on elements of the public and social economies. This is already well assessed within local strategies;
- **Public economy** – the public economy with the fiscal powers of local government (such as procurement) has a considerable influence on the commercial and social economies, impacting on local supply chain activity. The importance of public sector employment is also important, but often downplayed, neglected in assessing the multiplier effects upon the local economy – CLES has ongoing work in this area using the LM3 model via a public economy multiplier;
- **Social economy** - activity that is driven by social and environmental purposes, generally carried out by the community and voluntary sector. In many areas the social economy makes a significant contribution to the local economy, employing local people, delivering local services and contributing to local supply chains. They are close to local communities, increasing knowledge and capacity at the local level and making a real difference to neighbourhoods. Again, this is often overlooked as part of assessments.

Aside from the mutually-dependent elements described above, there are another four significant influences upon a local economy, beyond what would be conceived as traditional economic factors:

- **Governance** – governance structures within an area and relationships between the locality and sub-regional/regional/national policy;
- **Local identity, context, history and culture** – the sense of place that binds areas, and the local conditions in terms of society and labour market; individual histories, identities culture and places;
- **Broad economic context** – the wider national and global economic forces are key influences upon any local economy, though there is variation in the extent of influence these forces can have on a national and local economy – this could potentially be down to the size of an area or how open the economy is;
- **Working within environmental limits** – the importance of the environment as a factor in decision making, this has grown rapidly and will be of increasing importance in the future of economic development strategy at all spatial scales.

This model can be used as a framework for understanding and doing Local Economic Assessments, providing the foundations for producing subsequent local economic strategies. The coverage of the model is broad, and will ensure that important aspects of a local economy are not neglected – using the resilience model will mean a new way of doing local economic development is adopted.

## TOWARDS A NEW APPROACH IN ECONOMIC DEVELOPMENT

The statutory Local Economic Assessments and Regional Strategies are a vital step towards increasing the importance given to economic development (together with the concept of sustainability) in both local areas and at the regional level as a whole. It emphasises the centrality of economic prosperity and resilience for achieving better places, better quality of life, and ties in with the increasing importance that central government has been placing upon economic growth over recent years.

There is a clear relationship between the two mandatory documents and both are likely to have an impact on economic development practice at different spatial scales, although in the case of the Local Economic Assessments, this will vary depending on how the individual authorities interpret the guidance and use it as a fundamental foundation for their economic strategy. The Local Economic Assessments will, on the whole, improve economic understanding and strategy at local authority level, which will feed into cooperation across larger economic geographies at the sub-regional or city-regional level. The work at the local level should better inform Regional Strategies, although there may be inherent tensions between the regional and local scales. The levels of partnership working between the regional and local bodies are likely to increase however, with local intelligence ultimately strengthening the regional priorities emerging from the strategies.

This bulletin has identified some of the key issues around the guidance for both Local Economic Assessments and Regional Strategies, and outlined key concerns, in particular around the process turning into a data collation exercise as opposed to the foundation of an economic strategy, and the relatively prosaic themes that are being proposed. Another major concern remains the engagement of local authorities with sub-regional bodies during this process, and all parties will need to ensure that when working across larger spatial scales and functional economic geographies, the 'local' element of the analysis is not lost – it is up to local authorities to decide what method is best for them. Local policy makers also need to carefully consider the role of their 'place' and how their various local economic drivers inter-relate when beginning to draw up policy options.

CLES would encourage local authorities to consider the Local Economic Assessments as an opportunity to re-think traditional approaches to local economic development. We believe that a new wave of local economic activism is required, in which local authorities and other bodies work in partnership to understand the tangible economic links between their priorities and the local communities they serve. We believe that the resilience model outlined in this bulletin should become core in producing Local Economic Assessments and resulting strategies. The only way of being able to adapt to change in a globalised economy is through fostering resilience within our local areas.

**Bulletin** is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and Briefing on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

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