

Driving economic prosperity

a practical guide for lead members



Driving economic prosperity – a practical guide for lead members has been produced by the IDeA for elected lead members across all portfolios. It provides background information and a summary of the practical things you can do to drive economic prosperity in your area. It is not guidance and does not set out a prescriptive to-do list.

The guide is organised under five headings which reflect the core economic development tasks for local authorities. If you want more detailed information, it links to other tools and case studies, including IDeA's *Driving Economic Prosperity – a benchmark and diagnostic for local authorities*. The final section sets out the six drivers of economic prosperity which many areas will find useful in determining their approach.



1. Introduction

A vibrant and healthy local economy is a common aspiration of all councils. Prosperity underpins the success of places in terms of employment, social cohesion and its attractiveness to residents and businesses.

The importance of economic development for local authorities has grown in recent years, in response to national and international economic turmoil and the introduction of new duties and powers through the local government performance framework. **All councils are expected and empowered to do more to promote economic prosperity.**

Elected lead members, as decision makers and community leaders, have a key role to play in driving prosperity as part of the long-term vision set out in your Sustainable Community Strategy.

The task of driving economic prosperity cuts across all portfolios and all parts of the authority should align their work to support it. To name just a few, there are strong links with education and lifelong learning in terms of the local skills base; with culture and leisure in terms of the economic contribution of the cultural sector and the importance of local facilities; with housing and regeneration in terms of the quality of local neighbourhoods and the affordability of homes; and with health in terms of supporting a healthy and mobile workforce. There are stronger links between the economy and the environment, as councils lead the way in creating a new 'green economy', especially in the wake of the recession.

However, local authorities face very different economic challenges. Some are grappling with massive economic restructuring. Others are dealing with economic challenges to rural areas and peripheral towns. Many have weak rates of new business formation and survival, or concentrations of worklessness, low skills and low wages. Others have experienced high levels of economic growth, but face severe skill shortages and areas of severe deprivation. **There is no single approach to enhancing economic prosperity.**

To assist local authorities to fulfil this enhanced role, the IDeA has produced Driving Economic Prosperity – a benchmark and diagnostic for local authorities (the diagnostic). The diagnostic sets out a framework and a set of question to help fill gaps in knowledge and improve the performance of the local economy.

This practical guide has been produced to help elected lead members understand some of the key economic development issues for their authorities and what you can do to help promote prosperity. This document is structured as follows:

- Context – Local Government and Economic Prosperity;
- Understanding the economy;
- Economic strategy;
- Engagement;
- Partnership; and,
- Organisational and civic leadership.

Sustainability, in its broadest sense, cuts across each of these headings. In the context of economic turmoil and environmental threats to local quality of life, local authorities are increasingly leading the way in ensuring that their services are delivered and their targets are met in a way that improves the quality of life for people today and in the future.



2. Context – local government & economic prosperity

Economic development is not a 'new' service for local authorities but traditionally it has been a discretionary and specialist activity in most councils. So it is not a surprise that many elected members do not feel very well informed or 'up to speed' on it, given recent changes in local authorities' economic development powers and duties.

When we talk about economics, we often think and talk in terms of sectors or trends. But for elected members, economic prosperity is fundamentally about **the places in which we live and work**: where companies are looking to invest, where households and workers want to live, which areas are moving ahead, and offer clean, safe and attractive places to live; where there are neighbourhoods with high levels of poverty and worklessness.

A whole set of economic factors affect your ward and the wider authority every day. Some are obvious and have immediate impacts, such as a factory closing or opening, whereas others are less obvious but no less important, such as local skills levels.

So while 'economic development' might seem like a new and unfamiliar agenda, the things it covers – house prices and house building, getting people off benefits and into work, renewing poorer neighbourhoods – will be very familiar to you in your lead member role.

In this context, **promoting economic development is more and more a core task for local authorities**. The LGA sees a "pressing need for an enhanced local authority role in promoting thriving local economies and unlocking the economic potential of our cities, towns and counties". Central government now looks to local authorities, individually and in cross-boundary partnership, to play a much stronger role in promoting the economic development of their communities.

The publication of the **Sub-national Review of Economic Development and Regeneration (SNR)** in July 2007 started a significant overhaul in the way economic development is delivered started. SNR made broad recommendations around:

- Streamlining the regional tier, focusing on bringing together regional spatial and economic strategies;
- Promoting collaboration across sub-regions; and,
- Strengthening the regional tier, focusing particularly on Regional Development Agencies (RDAs).

SNR has been followed by a number of recent national policy framework documents that fundamentally changes and enhances the role of local authorities. Local authorities are still grappling with the implications of these changes, some of which have not yet come into force, but will make new demands of them.

To put the rest of this practical guide into context, the most important developments are briefly outlined below.

The Government's response to SNR, **Prosperous Places: taking forward the review of sub-national economic development and regeneration**, published in November 2008, starts to take SNR forward. It outlines the government's proposals for a **statutory economic assessment** duty on top tier local authorities, as well as powers to establish Local Authority Leaders' Boards and Economic Prosperity Boards.



The **economic assessment duty**, when in place, will require authorities to develop a thorough understanding of their local economies, and to work in partnership where appropriate with other authorities in their sub-region, whether that is across counties or in city-region arrangements in metropolitan areas. It is important to be aware of **the need to work with neighbouring places where appropriate – to think and act outside your own boundaries**, when jobs and housing markets cut across them and require co-operation across different places.

Councils will be expected to use the intelligence generated by the economic assessment to underpin their Sustainable Community Strategy and Local Area Agreement (LAA). They will need to work together, through the Leader's Forum and with the RDA, to ensure that local economic assessments are developed in a way that will enable them to feed into the development of Regional Strategies.

In addition, **responsibility for planning and commissioning 16-19 education** is being transferred from the Learning and Skills Councils to local authorities, and arrangements are currently being established to take on this new function. The 14-19 plans produced by local authorities should incorporate an understanding of changing local skills needs in order to reflect economic priorities in the courses they commission.

Linked into the growing local authority around skills, Cllr. Stephen Houghton, the leader of Barnsley Metropolitan Council, led a review of the **contribution and role of local authorities and partnerships in tackling worklessness**. The final report was published in March 2009. It emphasised the importance of co-operation at different levels, and made recommendations around greater flexibility from central government and better integration locally – including the production of 'worklessness assessments' as part of the local economic assessment discussed above. A response to the Houghton review is expected in summer 2009.

Shortly after its response to SNR, the Government published the **Local Democracy, Economic Development and Construction Bill** on 5 December 2008. The proposed legislation would give communities and local people new rights to have a say in local services, reform local and regional governance arrangements and implement measures to drive economic regeneration. It **continues to strengthen the role of local authorities in promoting and delivering economic development**, including tools for local authorities to assess economic conditions and support greater collaboration between local authorities in an area, such as statutory Multi-Area Agreements.

The new local government performance framework and in particular the introduction of the **Comprehensive Area Assessment (CAA)** in April 2009, reinforces the role of local authorities in leading local partnerships, with an emphasis on "place" rather than individual services, and underlines councils' responsibilities to support local economic prosperity.

As well as these new duties, the government and its agencies are now also looking for local councils to play a part in supporting businesses and residents in **coping with the recession**, as well as putting in place support to help businesses when the recession comes to an end.



3. Understanding the economy

Subject to parliamentary approval, a **new Duty for Local Economic Assessments** is likely to come into affect from April 2010. The duty will apply to all upper tier and unitary authorities, and in two tier areas there will be a statutory requirement on the county councils to seek the involvement of district councils. In London the duty will fall to the London boroughs.

There is a strong economic rationale for the Local Economic Assessment. It should help public bodies, businesses and third sector organisations to understand the way in which places impact on productivity, and what barriers may be holding back economic growth. It will also help partners understand what public infrastructure will be required to support or catalyse changes in an area's economy.

Importantly for elected members, it should help to ensure that existing strategies – such as the Sustainable Communities Strategy – and partnership decisions are **firmly grounded in evidence and contribute to the goals you have set out**. In turn, this can help ensure that all of your authority's activities and functions, which flow from the Sustainable Community Strategy, are making a strong contribution to the shared task of driving prosperity.

The assessment should cover the geographic, demographic and historical trends; overall economic performance and structure; and labour markets, skills and enterprise data. Economic assessments should relate with spatial planning and this can be achieved through ensuring the evidence base for local development frameworks feeds into the economic assessment and vice-versa. Case studies set out in the diagnostic from [Tees Valley Partnership](#) and [Knowsley Metropolitan Borough Council](#) illustrate in more detail what a strong analysis may look like. The IDeA will be producing further guidance on the economic assessment duty in early summer 2009.

It is not the responsibility of members to do the analysis, but you can do a number of things to ensure it is robust and underpins good decision making:

- Championing a strong assessment and challenging partners to demonstrate they are contributing to and drawing on it;
- Ensuring that the evidence base gets down to the neighbourhood level and reflects different places and communities
- Scrutinising the quality and coverage of the analysis that will feed into the assessment, to ensure it covers and reflects key priorities in your portfolio.

In two-tier areas, elected members will have a role to play in ensuring the county involves the districts and the districts make a full contribution to the assessment.

The second chapter of the IDeA's diagnostic for driving economic prosperity looks at understanding the economy in more detail. To access this chapter, please follow this [link](#).



4. Economic strategy

Whether in the form of an explicit Economic Strategy, or in the context of the Sustainable Community Strategy or Local Development Framework (LDF) Core Strategy, many local authorities recognise the need for a framework for making decisions on the key economic priorities and agreeing interventions with partners. As set out above, the importance of place in relation to local economic prosperity means that the LDF should clearly relate to your economic priorities.

In the absence of such a framework, priorities and interventions will lack a clear evidence base, rationale and direction.

Lead councillors should be involved in the process of developing an Economic Strategy, or other strategic documents, by:

- Setting a clear strategic framework in your portfolio area and across the administration;
- Challenging all parts of the authority and key partners to ensure their decisions are guided by the strategy; and,
- Using local knowledge to ensure the strategy is 'reality checked' and can make a real difference on the ground.

In two-tier areas, it will be more important to ensure that the economic development strategy reflects the needs and opportunities across the different districts and the county as a whole. In two-tier areas, district and county councils may have their own economic development strategies so it will be more important to ensure that they nestle with each as appropriate to reflect different needs and opportunities at both levels.

It is also helpful for members to understand what a good strategy may look like, and what the process to develop such a framework may involve. The process of developing an Economic Strategy should involve the following steps:

1. **Review of the strategic context** – ensuring that the strategy feeds into and

sits within regional, sub-regional and local strategies.

2. **Assess the state of the economy** – as mentioned in the previous section, the assessment should set the context for the interventions, ensuring that policies flow logically from the evidence base.
3. **Build a shared vision** – a statement of aspirations describing a desired future, around which the strategic objectives are organised.
4. **Develop the strategy** – by identifying the main policies, interventions and projects required to achieve the vision.
5. **Develop an Action Plan** - providing further information on the proposed interventions; and how the actions will be delivered and resourced. Actions may also be linked back to LAA targets.

Once you have developed your strategy and action plan, it is crucial that you **monitor and review it**. This enables you to ensure that actions have been delivered (or spot when they haven't and do something about); identify and spread good practice where things are working particularly well; and keep the aspects of the strategy and action plan under continuous review to make sure it is relevant and up-to-date. You should consider how you will review and monitor the implementation of the strategy as you develop it.

It is also important to note that this process should involve engagement with a wide range of public, private and third sector agencies including the local Council for Voluntary Services and / or Community Empowerment Network, the local Chamber of Commerce, and other groups like traders associations.

Examples of good economic strategies are provided in the main diagnostic. A particularly strong strategy is the [Sheffield Economic Masterplan](#).

To access the Economic Strategy chapter, please follow this [link](#).



5. Engagement

Working closely with local people and businesses is now recognised as fundamentally important for the development of local government services. The LGA has argued that “an important element of local democracy is that people have opportunity to engage in and influence local developments”.

As an elected member you’ll speak to, hear from and work on problems with people in your area every day. It is important to have an understanding of why it is crucial for the local economy that **the authority as a whole is engaged with businesses and communities**.

Business engagement can help the authority in a number of ways. It aids understanding of local business issues and challenges; helps to improve the connections, for example, between skills demand and supply in local colleges and universities; and makes it easier to tailor services in response to local business support priorities. Businesses can provide important intelligence of the state of the local economy and of business confidence.

Similarly, **community engagement** can support economic development by helping to reach vulnerable groups, ensuring local ownership of regeneration schemes, and making sure programmes meet local needs.

As an elected member, you can do many things to ensure your authority is working with local business and communities, including:

- Encouraging participation in, or even establishing, local mechanisms like surveys and neighbourhood forums
- Getting people directly involved in decision-making through opportunities like participatory budgeting
- Using the intelligence you pick up from casework and surgeries to inform local strategies and decisions
- Holding local conferences, breakfast briefings and other events to involve the business sector.

The IDeA’s diagnostic for driving economic prosperity has a chapter dedicated to engagement. The chapter looks at how engagement supports economic prosperity, before setting out a series of diagnostic questions and a number of useful case studies. The case studies range from successful initiatives aimed at [engaging with an ethnically diverse population](#) in Tower Hamlets, to a [Community Business Club](#) in Yorkshire, and a group of [Business Champions](#) in the London Borough of Bexley. To access the whole diagnostic chapter and see the full range of case studies, please follow this [link](#).



6. Partnership

In light of the publication of SNR, a growing number of local authorities are working through their Leader's Forums and with RDAs to feed into new regional strategies, and collaborating at the sub-regional level to produce **Multi Area Agreements (MAAs)**. MAAs are a wider and more strategic form of area agreement, developed at sub-regional or 'functional economic area' level, with economic development at their core. The importance of working at the level of the functional economic area has been recognised as increasingly important over the last decade. **Housing and job markets cut across administrative boundaries – so it is important that councils do the same to take advantage of economic opportunities and response to common challenges.**

Partnership working between local authorities is therefore becoming much more important. Groups of local authorities also need to bring together a wide range of community, business support and other public agencies - including Business Links, Enterprise Agencies, Inward Investment and Tourism agencies - at an appropriate geographical level to plan, co-ordinate and deliver economic development.

While members and leaders will undoubtedly be involved in some form of partnership working, it is important to understand what an effective partnership should look like. This is one that:

- allows partners to face joint problems and agree responses to complex issues;
- creates a joint focus and aligns strategies;
- delivers co-ordinated packages of services;
- enhances the ability to bid for, or gain access to, new resources; and,
- supports personalisation of services through effective cross-agency responses.

Like an effective strategy, partnership arrangements also have to be continually refreshed and improved, so there is an important role here for scrutiny.

A number of case studies that share these attributes are outlined in the diagnostic, and include, amongst others: [Neighbourhood level partnerships in Westminster](#); a successful [district LAA partnership in Harlow](#); and, [delivering employment and skills interventions](#) through partnership working in Waltham Forest.

In this context, you can do a number of things as a lead member to drive effective partnership working:

- Leading the engagement of key partners in delivering your portfolio priorities;
- Challenging the different parts of the authority and key partners to work together in effective and productive ways;
- Highlighting areas where more effective and joined-up partnership working is needed; and
- Challenging partners to ensure they are using their partnership powers to address 'wicked' issues in all parts of the authority.

In two-tier areas, effective partnership working is crucial between districts and between the county and districts.

More details on partnership working – including diagnostic questions and case studies – can be found by following this [link](#) to the IDeA's diagnostic for promoting economic prosperity.



7. Organisational and civic leadership

Strong leadership is critical to the success of modern local economies in the UK. Effective civic leadership has made a demonstrable difference to some of the UK's key cities, sub-regions and boroughs, where **local authority leaders have achieved consensus on a vision for the future, and provided the leadership needed to implement change.**

The Leadership Centre for Local Government with the Work Foundation and the British Chamber of Commerce have published research on what strong leadership should look like. The key messages from this work are that local authority leadership should:

- Be grounded in a realistic understanding of the current conditions and future challenges facing the area;
- Look to the long term and promote sustainable economic development;
- Be supported by partnership working;
- Influence stakeholders;
- Ensure alignment with other local strategies and documents; and,
- Coordinate interventions by a range of other public sector partners.

Leaders and lead members will play a particularly crucial role in making sure there is the leadership and capacity to drive economic development by:

- Setting a clear and inspiring vision for your portfolio and across the administration through the Sustainable Community Strategy;
- Linked to the section above on Economic Strategy, challenging all partners to ensure their activities are aligned to deliver that vision;
- Constantly challenging and improving the robustness and fitness for purpose of partnership and delivery structures.

In two-tier areas, it is crucial that all partners recognise and value the respective leaderships role of district and county lead members.

Civic leadership will become increasingly important as local authorities take increased responsibility for coordinating partner activity, especially in the areas of improving skills, getting people back into work and driving up the quality and sustainability of local neighbourhoods.

The IDeA's diagnostic for promoting economic prosperity has a chapter dedicated to leadership. Similarly to the other diagnostic chapters, the leadership chapter outlines a range of diagnostic questions and useful case studies. The case studies illustrate innovative leadership programmes underway in [Kent](#) and [Herefordshire and Worcestershire](#). For more details, please follow this [link](#).



8. Six drivers of economic prosperity

The diagnostic also highlights **six drivers of economic prosperity**. The six drivers are set out below, with further sub-headings that describe out the specific actions that authorities can take – depending on the characteristics, priorities and challenges of the local area - to drive economic prosperity in their area.

When you are using this practical guide e.g. to challenge partners' understanding of the local economy, to review your Economic Strategy and partnership arrangements to deliver it, you can use these six drivers to get a better understanding of the kind of things that you and your partners could be doing.

For more details, please see the relevant chapters of the diagnostic.

The six drivers of economic prosperity

Driver 1: Improving business performances

- Increasing business formation and survival
- Encouraging innovation and Improving productivity
- Increasing environmental sustainability
- Developing new markets
- Support for and retention of key firms

Driver 2: Supporting priority sectors and supply chains

- Developing growth sectors and established clusters of firms
- Promoting social enterprise
- Developing networks, inter-firm trading and supply chains
- Promoting procurement opportunities

Driver 3: Raising skills and reducing worklessness

- Addressing barriers to work
- Improving basic skills and employability
- Encouraging local recruitment and development opportunities
- Raising educational attainment
- Workforce development
- Retaining graduates and highly skilled workers

Driver 4: Maximising connectivity

- Improving transport and accessibility
- Improving communications infrastructure
- Improving regional and international connectivity

Driver 5: Enhancing quality of life

- Strengthening communities
- Improving the quality and supply of housing
- Improving the environment and green space
- Developing town centres and access to culture

Driver 6: Stimulating investment

- Branding and marketing
- Developing and promoting sites and premises
- Trade development and access to markets
- Effective management of public assets
- Coordinating social infrastructure investment



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Local Government Association

The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.

