

# LAAs & Economic Development – State of Play and Key Issues

*“LAAs are about improving local services and increasing economic prosperity for local people”*

*“As LAAs will now cover the whole sweep of outcomes, they start to count towards the delivery of regional priorities set out in Regional Economic Strategies”*

Negotiating New Local Area Agreements<sup>1</sup>, September 2007, pp 5 & 26

## Key Points - summary

*Growing attention to economic development within LAAs*

- LAAs are expected to feature economic development strongly, aligned with the Regional Economic Strategy. There are signs of growing recognition within LSPs of economic development and employer engagement as themes to run through LAAs and Sustainable Community Strategies

*Interest in how LAA can be used to improve delivery*

- Major concern of LSP theme leads on economic development: how to use LAAs as a means of improving delivery and strengthening partner commitment. Scope recognised for joint commissioning and better co-ordinated, targeted services
- Further attention needed to strengthening the contribution of economic development to reducing inequalities, whether amongst equalities groups or in poorer neighbourhoods

*Current concerns around readiness to finalise LAAs and ensure effective delivery arrangements*

- Immediate issues relate to readiness to finalise LAAs and ensure effective delivery arrangements and risk management of LAA improvement targets – evidence for reviewing trends, setting targets and improving action planning
- Some problems in setting effective LAA targets, given weaknesses in baseline and monitoring data, and only partial fit of the National LAA Indicators and WMES performance measures
- Concerns also that there are important LAA outcomes which are not covered by the national indicators, and may be given less importance as a consequence

*Many uncertainties about developments at sub-regional level*

- Still a challenge for practitioners in interpreting and helping to shape sub-regional developments in different parts of the region – such as Multi-Area Agreements/ Joint Investment Plans/ City Strategy, and how Regeneration Zones relate to these and LAAs

*Looking ahead: business engagement*

- Big medium- to long-term challenge of strengthening business involvement in LAAs, economic development service delivery, and wider engagement with relevant LAA themes (eg, business crime, healthy workplaces)

*Looking ahead: the evidence base for greater impact through local delivery*

- Typical need to review the evidence base for economic development: what will be required in order to undertake strategic needs assessments? – information on service delivery, value for money and impact as well as labour market and business needs and opportunities

## Introduction

In preparation for the LAA support on economic development to be provided through Learning to Deliver, we interviewed representatives of 12 out of 14 LAAs and have since followed up with the 12 in order to arrange one-to-one support, to take advantage of AWM funding for tailored assistance to develop economic development aspects of LAAs, aligned with the Regional Economic Strategy. This paper draws on these discussions as well as those at the subsequent L2D economic development events on 4 October (Scene Setting workshop) and 29 November (on the National Indicator Set).

## Diagnostic stage

The main issues raised at the diagnostic stage were:

### *local context*

- *most importantly*, how can we ensure that all partners pull together fully behind the LAA? And what difference will the 'duty to co-operate' make?
- what are the opportunities for making significant improvements in the ways that services are delivered across partner organisations?
  - ◆ what should we be doing to strengthen our delivery planning?
  - ◆ what is the scope for pooling funds and joint commissioning in pursuit of economic development goals?
  - ◆ how can we improve internal arrangements, for communications, governance and cross-theme working, so that we gain more synergy across the LSP?
- what will be contained in the national indicator set in relation to economic development,
  - ◆ what issues will arise in relation to selecting indicators and setting targets to go into the new LAA?
  - ◆ how will the national indicators for LAAs fit with what's emerging in the revised Regional Economic Strategy?
- what, in practice, can we do to strengthen business engagement (in the theme partnership, in the work of other partnerships, and in the LSP itself)?

### *wider policy context*

- uncertainties in context of Comprehensive Spending Review:
  - ◆ how will the Review of Sub-National Economic Development and Regeneration be translated into policy and funding decisions?
  - ◆ how will RDA funding be devolved, given delivery capacity at sub-regional and local authority level?
- how can we best interpret and help to shape cross-LAA developments in different parts of the region?
  - ◆ how will Multi-Area Agreements, Joint Investment Plans and City Strategy relate to LAAs? And the new Regional Economic Strategy? What about Regeneration Zones? And where is the scope to shift spending, over and above existing commitments – not least in a situation where more and more contracts are moving on to a three-year basis?

The diagnostic stage also highlighted:

- the varying degrees to which economic development is embedded and a priority within current LAAs in the region
- ...linked to the extent of shared understanding about the place and importance of economic development (and business) within the local authority/ LSP's approach to 'place shaping'
- the wide range of targets currently in use (from town centre redevelopment, employment floorspace and inward investment to wage levels, claimant rates and enterprise culture) with some existing targets not fit for purpose (difficult to measure, or influence)
- some concerns about:
  - ♦ levels of resources devoted to partnership working
  - ♦ recalcitrant partners (concerns which vary by locality)

### Subsequent LAA policy developments

Some but not yet all of the policy jigsaw has fallen into place, with the publication of the operational guidance on LAAs<sup>2</sup>, the draft statutory guidance relating to sustainable community strategies and the 'duty to co-operate' to be placed on LAA partner Agencies<sup>3</sup>, and the Single National Indicator Set<sup>4</sup> (forming the basis for agreeing the core indicators and targets in the new LAA), and the consultation on Comprehensive Area Assessment (CAA)<sup>5</sup>. Further information is expected in January regarding reward targets.

### Steers from the guidance

The immediate stages in agreeing the content of the new LAAs are now clearly mapped out, with partners moving to the stage of negotiating improvement targets in February, aiming for Ministerial 'sign-off' by the end of June. Thereafter there will be a focus on the Autumn LAA performance review with GOWM and the requirement to provide, by the end of December 2008, information on:

- delivery arrangements for the designated LAA targets
- an assessment of the risks to the achievement of the targets, with identified risk management actions

The draft statutory guidance, *Creating Strong, Safe and Prosperous Communities*, expects LSPs to be instrumental in ensuring:

- a shared understanding of the totality of resources that local partners can bring to bear
- identifying what works and what does not in term of service provision
- exploiting opportunities for economies of scale and sharing services
- stimulating delivery capacity from all partners

The same guidance has more to say about the new 'duty to co-operate', the purpose of which is to involve all partner agencies in identifying the right mix of targets for the LAA and longer-term priorities in the sustainable community strategy – with an acknowledgement that the type of involvement "will vary by the body in question and the characteristics of the locality". The obligation on partner agencies is to "have regard, in the exercise of their functions, to both designated and non-designated targets which they have signed up to help deliver" – ie, to cover all the targets in the LA not just the those set out by the Department for Communities and Local Government (CLG) in the

National Indicator set.

There is also a new duty (from 1 April 2009) on local authorities to involve ‘local persons’ (defined to include people who live work or study in an area; service users; businesses; third sector organisations), whether through information provision, consultation or participation, in relation to the ‘exercise of local authority functions’. This comes together with proposals relating to local government finance and spatial planning which significantly raise the importance of effective engagement with local business – which many LSPs have found difficult.

The introduction of Comprehensive Area Assessment is seen as a critical mechanism to support successful implementation of LAAs and Sustainable Communities Strategies, recognising the importance of local authorities in leading and shaping the communities they serve. CAA will focus on outcomes (including reducing inequalities and discriminatory outcomes for all members of the community), and seek to challenge how local priorities have been set and whether these are rooted in a genuine understanding of diverse local needs. It will contain a forward-looking risk assessment on the prospects for the local area and judge the likelihood of targeted improvements being achieved. It will also be influenced by the views of residents and service users, and of partner organisations that are commissioning and providing local services. In due course, the expectation is that the Audit Commission will focus inspection on those partnerships most at risk of failing to deliver, or being unambitious.

## Implications of the Sub-National Review

The wider backdrop is provided by the Sub-National Review of Economic Development and Regeneration, now being implemented in a range of ways<sup>6</sup>, including the creation of the Working Neighbourhoods Fund<sup>7</sup> to sharpen the economic aspects of neighbourhood renewal.

The government will consult in 2008 on the creation of a “focused statutory economic development duty”, which would place a requirement on upper tier LAs “whether on their own or jointly with other authorities and in consultation with other key partners” to carry out an assessment of the “economic circumstances and challenges of their local economy” – set in the context of the wider economy, labour and product markets and drawing out dimensions relating to neighbourhoods, client groups and communities of interest. This, along with other proposals (eg, for delegation of RDA funds and for business rate supplements) is intended to counterbalance factors within local authorities which tend to reduce the priority accorded to economic development.

Government expectations include:

- greater importance placed on *sustainable* economic development at local level
- enhanced local authority leadership on economic development issues
- more effective prioritisation of economic development goals (at local authority *and* sub-regional levels), with co-ordinated action “across markets, not municipalities”
- increased capability, capacity and confidence in the system supporting local/ sub-regional delivery
- improved engagement with the private sector

Multi-area agreements are seen as an essential development, with the City Employment Strategy in the West Midlands the first to get the green light to proceed. Work is underway on other MAAs, though there is apparent scepticism amongst a number of LSPs about the difference that MAAs are likely to make in practice. (Further information on MAAs is provided in the LAA Operational Guidance, and the LGA publication<sup>8</sup>, ‘Pushing back the frontiers: the multi-area agreement pioneers’ which usefully describes some of the possibilities and how local authorities and their partners are seeking to take advantage of these in different parts of the country.

**Other policy developments**

CSR 07 and the Sub-National Review have also provided the platform for a raft of new policy announcements relevant to economic development and the new LAAs, including:

- ‘Ready to Work: full employment in our generation’ DWP White Paper<sup>9</sup>
- ‘Opportunity, employment and progression; making skills work’ (joint statement from DIUS and DWP on how to ensure that people have the right skills to be in work, now and in the future)<sup>10</sup>
- transfer of LSC funding for 16-19 year olds to local authorities from 2009
- publication of Planning Policy Statements on Planning and Economic Development<sup>11</sup> and Planning and Climate Change<sup>12</sup>
- the White Paper on business rate supplements<sup>13</sup> (to enable local authorities to raise and retain local supplements on the national business rate in order to fund projects that will promote economic development) and consultation on the Local Authority Business Growth Initiative<sup>14</sup> (which provides an incentive for local authorities to expand the business rate base, with scope to align LABGI with the LAA and have LABGI payments within Area-Based Grant)

**Alignment with the Regional Economic Strategy**

The development of the new LAAs has been proceeding in parallel to the review of the West Midlands Economic Strategy, now published, along with the draft Delivery Framework<sup>15</sup>. AWM have recently circulated a note outlining how they see the RES and LAAs coming together, highlighting those elements of the WMES which appear most relevant to setting LAA priorities. The following table sets these out.

**Table 1 WMES objectives relevant to LAAs**

Region-wide with some element of spatial focus (mainly RZs)	Region-wide with a significant local dimension to delivery
1.3 Creating economically sustainable new businesses	1.2 Competing in the global economy
1.5 Investing in business processes and enterprise	2.2 Improving transport and communications to increase accessibility, efficiency and competitiveness
1.6 Stimulating employer investment in skills and training	2.4 Supporting a secure, low-carbon energy infrastructure for the region
2.3 Sustainable management and utilisation of our land and property assets	2.5 Developing sustainable communities
3.3 Driving up ambition and aspiration	2.7 Maximising our cultural offer and natural assets
3.4 Skills for employment and enterprise	3.1 Changing attitudes to sustainability and consumption
3.5 Defining employability	
Explicit spatial focus	
2.1 Birmingham competing as a global city	
2.6 Regenerating our most deprived communities	

The West Midlands Regional Observatory has carried out an exercise<sup>16</sup> to match the performance measures attached to these: close in some cases, and less so in others, such as ‘global competition’ and ‘changing attitudes to sustainability and consumption’. Alignment of targets matters, as this should drive partners more in the same direction (and save time and effort on monitoring).

AWM have indicated that they would like to see, as a minimum, LAAs containing as priority improvement targets the indicators from the National Indicator set on:

- *business*: VAT registrations; VAT registered businesses showing growth; skill gaps
- *people*: employment rate; working age population qualified to level 4; average earnings<sup>17</sup>
- *place*: working age benefit claimants; brownfield land

They are also concerned to ensure that LAAs cover more than employment/ worklessness priorities and feature other aspects which relate to Regeneration Zone and High Technology Corridors strategies (where relevant in the region), including physical development. Development of existing sites could often provide an example of a *local* improvement target in LAAs; the national set only contains an indicator for brownfield land. The WMES goal of a low carbon economy can, however, be picked up by the National Indicator on per capita CO<sub>2</sub> emissions.

## Other current and emerging LAA issues

Other current and emerging issues on economic development and LAAs include:

### **‘Economic development’ as a cross-cutting priority**

Several LSPs are currently thinking through how ‘economic development’ might appear more strongly as a cross-cutting priority underpinning their LAA, recognising the importance of economic development activities to future prosperity *and* to tackling root causes of inequality, whether manifested at neighbourhood level or amongst equalities groups. This line of thinking might lead to priorities – in addition to the AWM suggestions – relating to the indicators on:

- proportion of young people in poverty
- inequality gaps in achievement of Level 2 and Level 3 qualifications by age 19
- learners achieving a Level 1 qualification in literacy and numeracy
- working age people on out of work benefits/ in the worst neighbourhoods
- people falling out of work and onto incapacity benefits
- 16 to 18 year olds not in education, employment or training
- employment for adults with learning needs, adults in contact with secondary mental health services, for offenders under probation, and for care leavers

This interest also leads to giving greater priority across theme partnerships, eg, to the ‘economic well-being’ strand of Children’s Plans (eg, in strengthening careers advice and developing enterprise education provision) and, within community safety partnerships, to reducing business crime – in each case prompting exploration of how businesses might be more involved in the work of these partnerships. In many areas, there is further potential to explore, eg, how employers, through family

friendly practices and workplace health initiatives might improve health outcomes and reduce flows of people onto Incapacity Benefit, what more employers might do to gain from environmental improvements and reduce their risks of being effected by crime.

### **Policy proofing**

The need for effective ‘policy proofing’ of LAAs and Sustainable Community Strategies will become increasingly prominent, as partners have to demonstrate under CAA how they are taking account of all relevant interests within their areas. The launch of the Equality and Human Rights Commission in October 2007 and proposals for a Single Equalities Act are encouraging public sector organisations to refocus on their equalities duties, and how equalities need to be embedded in strategies and service delivery<sup>18</sup>, looking at partnership-wide opportunities as well as individual organisational compliance. The government is currently considering the most appropriate framework for a single public sector Equality Duty, focused on improving outcomes and strengthening the relationship between equality and good public procurement. There is a new Equalities Public Service Agreement (PSA) which aims to address disadvantage that individuals experience because of their gender, race, age, sexual orientation, religion or belief, or disability – and this will promote action to reduce the extent to which people feel that they experience discrimination in employment, encounter unfair treatment from public services, and tackle other barriers which limit independent living and choice and control in their lives.

There are spatial dimensions too, in relation to geographical concentrations of poverty in urban areas and pockets – and important access issues – in rural areas<sup>19</sup>. Some aspects bring ‘communities of place’ and ‘communities of interest’ together: the Commission for Racial Equality, in its formal inquiry into Regeneration<sup>20</sup> was damning of typical practice in failing to recognise the impacts of physical regeneration on BME communities living in areas affected. There is scope to include disaggregated targets (at group or neighbourhood level), though with, currently, some significant constraints on the data available<sup>21</sup>.

### **Support/ development needs**

Support and learning needs emerging from this analysis and the work of L2D to date include:

#### *short term for the LAA*

- advice on selection of indicators and setting targets
- strengthening the evidence base for setting realistic targets (eg, access to trends and trajectories for comparisons)

#### *understanding and anticipating*

- guidance on how the ‘duty to co-operate’ will function in practice (or rather, how to work in partnership such that it is not necessary to remind partners that the duty exists!)
- strengthening delivery planning arrangements
  - ◆ understanding the ‘supply chain’ and how to develop it
  - ◆ adopting a risk management approach – especially for reward targets
  - ◆ joint commissioning

- planning ahead for the new duty to prepare economic assessments – what further data needs to be available for making informed choices, eg, information on service delivery, take-up, value for money and impact?
- what actions are needed to develop capacity and capabilities at LAA level for a bigger role in economic development? This is a strategic issue in its own right.

*operational*

- continuing challenge – inherent in the approach to Regeneration Zones – of how best to ensure that disadvantaged people and areas benefit from development
- what more needs to be done to improve business engagement, in sustainable ways that bring about mutual benefit?
- similarly for third sector organisations, in ways which recognise the breadth of their roles?

<sup>1</sup> [www.communities.gov.uk/publications/localgovernment/negotiatingnewlaas](http://www.communities.gov.uk/publications/localgovernment/negotiatingnewlaas)

<sup>2</sup> Development of the new LAA framework - Operational Guidance 2007

[www.communities.gov.uk/publications/localgovernment/laaoperationalguidance](http://www.communities.gov.uk/publications/localgovernment/laaoperationalguidance)

<sup>3</sup> Department for Communities and Local Government (2007) Creating Strong, Safe and Prosperous Communities Statutory Guidance: Draft for Consultation

[www.communities.gov.uk/publications/localgovernment/statutoryguidance](http://www.communities.gov.uk/publications/localgovernment/statutoryguidance)

<sup>4</sup> Department for Communities and Local Government (2007) The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of National Indicators

[www.communities.gov.uk/publications/localgovernment/nationalindicator](http://www.communities.gov.uk/publications/localgovernment/nationalindicator)

<sup>5</sup> Audit Commission (2007) Comprehensive Area Assessment – joint inspectorate consultation. [www.audit-commission.gov.uk/caa/consultation.asp](http://www.audit-commission.gov.uk/caa/consultation.asp)

<sup>6</sup> CLG/BER (2007) Taking forward the Review of Sub-National Economic Development and Regeneration

[www.communities.gov.uk/publications/citiesandregions/snr](http://www.communities.gov.uk/publications/citiesandregions/snr)

<sup>7</sup> CLG/DWP (2007) The Working Neighbourhoods Fund

[www.communities.gov.uk/publications/communities/workingneighbourhoods](http://www.communities.gov.uk/publications/communities/workingneighbourhoods)

<sup>8</sup> LGA (2007) Pushing back the frontiers: the multi-area agreement pioneers

[www.lga.gov.uk/Publication.asp?lsection=761&ccat=28&id=5X96F3-A7848AD7](http://www.lga.gov.uk/Publication.asp?lsection=761&ccat=28&id=5X96F3-A7848AD7)

<sup>9</sup> [www.dwp.gov.uk/welfare-reform/ready-for-work/](http://www.dwp.gov.uk/welfare-reform/ready-for-work/)

<sup>10</sup> [www.dius.gov.uk/publications/7381-TSO-Skills.pdf](http://www.dius.gov.uk/publications/7381-TSO-Skills.pdf)

<sup>11</sup> PPS4 for consultation [www.communities.gov.uk/publications/planningandbuilding/consultationeconomicdevelopment](http://www.communities.gov.uk/publications/planningandbuilding/consultationeconomicdevelopment)

<sup>12</sup> PPS1 Supplement on Planning and Climate Change

[www.communities.gov.uk/publications/planningandbuilding/ppscclimatechange](http://www.communities.gov.uk/publications/planningandbuilding/ppscclimatechange)

<sup>13</sup> [www.hm-treasury.gov.uk/pbr\\_csr/documents/pbr\\_csr07\\_businessrate.cfm](http://www.hm-treasury.gov.uk/pbr_csr/documents/pbr_csr07_businessrate.cfm)

<sup>14</sup> Treasury/ CLG (2007) Building better incentives for local economic growth: reforms to the Local Authority Business Growth Incentives scheme [www.communities.gov.uk/publications/localgovernment/labgischemereforms](http://www.communities.gov.uk/publications/localgovernment/labgischemereforms)

<sup>15</sup> [www.advantagewm.co.uk/what-we-do/connecting-to-success/delivery-framework-consultation.aspx](http://www.advantagewm.co.uk/what-we-do/connecting-to-success/delivery-framework-consultation.aspx)

<sup>16</sup> Available on the Learning to Deliver ‘Basecamp’ site. Material relating to the West Midlands Economic Strategy Monitoring Framework can be found at:

[www.wmro.org/standardTemplate.aspx/Home/GeneralResearch/WestMidlandsEconomicStrategyMonitoringFramework](http://www.wmro.org/standardTemplate.aspx/Home/GeneralResearch/WestMidlandsEconomicStrategyMonitoringFramework)

<sup>17</sup> Average earnings also serve as a proxy measure for business productivity

<sup>18</sup> CRE and Race Equality West Midlands and GOWM have produced Promoting Race Equality And Community Cohesion Through Local Area Agreements and an accompanying Equality Assessment Toolkit.



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<sup>19</sup> Commission for Rural Communities (2007) Notes for local/regional discussions on the rural proofing of Local Area Agreements

[www.ruralcommunities.gov.uk/publications/notesforlocalregionaldiscussionsontheruralproofingoflocalareaagreements](http://www.ruralcommunities.gov.uk/publications/notesforlocalregionaldiscussionsontheruralproofingoflocalareaagreements)

<sup>20</sup> Commission for Racial Equality (2007) Regeneration and the Race Equality Duty: report of a formal investigation in England, Scotland and Wales. Available at:

[www.equalityhumanrights.com/Documents/Race/Formal%20investigations/CRE%20Regeneration%20Formal%20investigation.p  
df](http://www.equalityhumanrights.com/Documents/Race/Formal%20investigations/CRE%20Regeneration%20Formal%20investigation.pdf)

<sup>21</sup> CLG (2007) National Indicators for Local Authorities and Local Authority Partnerships: Handbook of definitions - Draft for Consultation [www.communities.gov.uk/publications/localgovernment/indicatorsdefinitions](http://www.communities.gov.uk/publications/localgovernment/indicatorsdefinitions)