Conducting a Local Economic Assessment

Workshop 11 May 2009

Context

A policy statement on Economic Assessment has been made, but detailed guidance is not expected until the summer/autumn, depending on when the bill gets royal assent. Legislation will make this a statutory duty of local authorities (Counties & Unitaries). This will be used to inform inputs into documents such as LDF/LAA/MAA/Comprehensive Area Assessments.

This needs to build on the theme of *evidence-based policy making*. Need for a strong evidence base for policy-making in order to attract funding.

There are a number of other drivers of an economic assessment:

- Recession and local response to global recession
- Post-recession growth is likely to be different to pre-recession growth. There will be different levels of credit and investment, and different high-growth sectors. The emergence of the 'green' technologies and industries will change growth trends. Longer-term growth will also be driven by social change – e.g. ageing population will drive increase in demand for healthcare.
- There is a drive towards improving local competitiveness – e.g. draft Planning for Prosperity/BERR intervention initiatives/National Regeneration Framework. Economic prosperity and place-making are being given increasing prominence both strategically, and also in response to recession.
- The emergence of city-regions as a pragmatic and coherent economic geography.
- Cut-backs in government spending (expected over next two years, particularly with a change of administration), and decline in developer contributions mean that funding for development regeneration is scarce (HCA is only well-funded discretionary source) and so prioritisation of spend is absolutely essential.
- Sustainability in its true sense is emerging as a key driver – need to ensure that this covers economic, social and environmental sustainability.

The aims of a local economic assessment are twofold: firstly to build the best possible understanding of the local economy; and secondly to use this to set priorities to shape local and regional economic, social and physical/environmental development plans. Both parts are equally important, and the first without the second runs the risk of just being a 'dump' of data.

Of key importance is the need to build a consensus in the local area about what the key issues are, and what the coherent responses to these issues are. There is a need for coordinated activity. The roles and functions of different stakeholders within this need to be clarified.

Principles of an Economic Assessment

Need to identify all issues facing a local area; but then focus in on those that can be tackled locally. This is where you need to focus your actions. For those that need to be tackled regionally or

nationally, then your role is a lobbying role. The right organisation for the geographical level needs to be leading the action or lobbying.

From the Economic Assessment you need to understand what your *true local competitive advantages are*. Local economic growth will come from trading goods and services outside the local area; so you need to understand which parts of the local economy are truly globally competitive. Not every local area can have a globally competitive cluster in Environmental Technology, Biotechnology, Creative Industries, ICT or Tourism & Leisure, despite these being the bedrock of many local economic development strategies.

Branding and brand-value are important. This means a clear proposition for the local area, which is distinctive and well communicated.

Any aspiration for economic growth needs to be ambitious but realistic. An over-ambitious growth strategy is wasteful.

It is important to understand the difference between an economic cluster and a concentration of employment. In a cluster, there will be strong supply chain and research linkages between a number of businesses and institutions in different sectors, and movement of workers between these businesses and institutions. A truly functioning cluster offers a large potential growth opportunity. This is not the same thing as a concentration of employment in a single sector (possibly even a single large employer).

When looking to the future, it is important to consider different scenarios for growth (or even decline). This means considering potential local scenarios (e.g. high growth, low growth, decline, different sector growth etc); and potential global scenarios (different growth rates, different growth sectors etc). Whilst we would not expect any of these scenarios to play out exactly, by considering them all, any future use of the findings of an economic assessment should be more robust.

This leads to the question about how far the economic assessment should progress into setting a vision or direction for the local area. It will be important to draw some common conclusions from the economic assessment and set out a high-level way forward, otherwise different stakeholders could draw different conclusions from the data and use it to undertake different activity.

Any objectives emerging from the Economic Assessment need buy-in from all regional stakeholders who are going to use the Economic Assessment.

It is important to understand the function of each town, and what that town contributes to the local economy. Some will be employment centres (potentially with a different focus in each town), whilst others could be more focused on residential or leisure activities.

It will be important to consider the strategic role of the local area, within the context of the regional and possibly even national economies. There will be a balance between understanding the function and potential of the local area, and understanding the role that it can play in regional growth prospects.

The local economic assessment should be carried out in such a way that it contributes to the regional economic assessment (which in turn is used to inform the integrated regional strategy). This means coordinating local economic assessments within a region, both between local authorities, but also with the regional stakeholders (e.g. RDA, HCA, GO etc.) to ensure commonality and consistency.

Data, Analysis and Interpretation

The Economic Assessment must not simply be a 'dump' of easily accessible data.

The Economic Assessment needs to tell a story in a coherent and straightforward manner if people are going to engage with it and make use of it. Extensive presentation of data can be provided in appendices.

Good quality analysis to understand the issues facing the local area is critical. Need to ask 'so what?' of every data set. What does it tell us, what does this mean? A range of stakeholders need to be involved in interpreting the data to reach commonly agreed conclusions.

Need to use qualitative as well as quantitative data – consulting with employers, employees, local stakeholders in order to properly understand the meaning of the secondary data that is collected. Without qualitative information, the data risks bring one-dimensional.

Data and information should be triangulated to ensure that there is robust evidence for all conclusions reached. Where data sets do not concur then this requires further investigation.

All data must be presented on a comparative basis. Data on its own is meaningless. Comparison with the region and the UK is helpful; and comparison with similar types of place is also useful.

Data needs to be collected (as far as possible) on a functional economic basis. Economic growth is all about growing functionally coherent economies, and not sticking rigidly to administrative boundaries.

The robustness of data at a local level needs to be questioned. The Allsopp review of national statistics has raised questions about the robustness of data sets below the regional level. This increases the importance of data triangulation, and the importance of collecting qualitative information through consultation as well as secondary quantitative data.

The use of primary data collection is an important issue. Where there is insufficient secondary data, this may be required. However, it can be costly, and there are issues about consistency with other data sets.

Skills (especially demand for skills) is one area where there is a lack of good quality, consistent data

Different types of area (e.g. urban and rural) will need to consider using different data sets and analysing these in different ways.

Data can be obtained from a variety of sources (regional, national etc) – you just need to ask.

Looking forward – you do need to think about what might happen and not rely on historic backward-looking data – but scenarios are probably more useful than forecasts.

Resourcing and Delivery

Need resources and expertise at the local level in order to carry out an effective economic assessment. How many local authorities have the level of resource available, and the level of expertise internally in order to be able to do this?

There are concerns about the number of statutory consultees and the amount of resource needed to effectively engage all of these consultees.

Make use of sub-regional, regional and national data, resource and skills where they are available e.g. RDA, GO, sector bodies, BERR

Cost of additional data?

Local Economic Assessments will need to be reviewed and updated frequently, particularly at the present time, when the economy is in recession, but hopefully shifting to a recovery phase soon.

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