
By: Kevin Lynes
Cabinet Member for Regeneration and Economic Development

David Cockburn
Executive Director, Economic Development, Strategy and ICT

To: Regeneration and Economic Development
Policy Overview and Scrutiny Committee
12 November 2009

Subject: Local Economic Assessment, partnership structures and devolution

Classification: Unrestricted

Summary:

New legislation presents opportunities for increased economic devolution to sub-regional level. These include a new duty on Kent County Council to prepare a Local Economic Assessment for the county and new proposals for partnership structures at sub-regional level with greater democratic accountability.

This report summarises these opportunities. It sets out the purpose and anticipated scope of the Local Economic Assessment and the likely mechanisms for taking it forward in partnership with Medway Council and the Kent Districts.

1. Introduction

- 1.1. In 2006, the Government carried out a review of economic development activity at the regional and sub-regional levels. This concluded that local authorities should play a stronger role in economic development and regeneration, and that economic decision-making should be increasingly devolved to local and sub-regional level, with democratic leadership. KCC responded positively to the general direction of this review.
- 1.2. Since then, the Government has brought forward the Local Democracy, Economic Development and Construction Bill, which is currently going through Parliament and is likely to be implemented from April 2010. This contains a number of measures intended to facilitate increased devolution to sub-regions, including:
 - A new requirement on county and unitary authorities to carry out assessments of the economic conditions of their areas;

- The introduction of new 'single regional strategies' linking economic development and spatial planning, which the local economic assessments will inform;
 - The development of joint approaches to investment planning between local authorities, regional development agencies, the Homes and Communities Agency and other partners, again informed by local economic assessments; and
 - A series of possible arrangements for the delivery of economic development at sub-regional level.
- 1.3. In addition, a number of additional developments have given added impetus to the devolutionary agenda. In particular:
- Commissioning powers for 16-19 skills provision will be transferred to KCC from the Learning and Skills Council in 2010. In exercising these powers, KCC will work closely with Medway Council as part of a Kent and Medway sub-regional commissioning group;
 - The recent review of the role of local authorities in tackling worklessness recommended an enhanced role for local authorities, largely working on a sub-regional basis; and
 - SEEDA has recently made substantial spending cuts and is withdrawing from a number of areas of activity, some of which may need to fall to partner organisations.
- 1.4. There is therefore a strong movement in the direction of sub-regional devolution in which KCC can play a leading role. However, much of our ability to lead this will depend on the extent to which we can develop effective and sustainable economic partnership structures with Medway and the county's district authorities.

2. The Local Economic Assessment duty

- 2.1. Under the Local Democracy, Economic Development and Construction Bill, upper tier authorities will be required to produce Local Economic Assessments for their areas. The Assessment is intended to be a robust and evidence-based exercise, which will provide KCC and its partners with a strong understanding of the economic character of the county, including its strengths, weaknesses, opportunities and challenges, as well as diversity within the county.
- 2.2. The Local Economic Assessment will also have a role in informing:
- Future Local Development Frameworks, developed by District planning authorities
 - Future Regional Strategy
 - Future Local Area Agreement negotiations
 - The establishment of new arrangements for the delivery or coordination of economic development in Kent (see Section 3 below).

- 2.3. Within draft guidance from Government, it is expected that the Assessment will take a broad approach to the economy, and will cover:
- An analysis of the county as an employment and business development environment, including its sectoral composition
 - Enterprise and innovation
 - An analysis of current skills levels and identified skills gaps
 - Worklessness (linked with the duty on authorities – including KCC - gaining Future Jobs Fund monies to prepare preliminary worklessness assessments)
 - Deprivation (linked with the future duty on the County Council to prepare an assessment of child poverty)
 - Commercial and residential development
 - Infrastructure provision and needs
 - Environmental constraints and opportunities
- 2.4. Responsibility for producing Local Economic Assessments clearly rests with upper tier authorities. However, District Councils will have a duty to co-operate with KCC, and KCC will have a duty to engage and fully involve the Districts. This relationship will be important, given that the Assessment will need to inform District Local Development Frameworks, and given that the Assessment will also need to consider evidence gathered at local level.
- 2.5. As a unitary authority, Medway Council also has a responsibility to prepare a Local Economic Assessment. However, the draft legislation permits neighbouring authorities to prepare a joint Assessment, and encourages them to do so where there are close economic links and a history of joint working. Given the sub-regional emphasis of the Government's approach and the strong existing linkages between Medway and the KCC area, there is a clear logic in developing a Joint Assessment.
- 2.6. In order to manage a joint Assessment between KCC and Medway, and to ensure the full involvement of the Kent Districts, it is proposed that a Joint Commission is established between Medway and KCC, to which District representatives would also be invited. This will be the subject of a report to Cabinet in November.
- 2.7. Although the Economic Assessment duty is unlikely to become a statutory responsibility until 1 April 2010, we are encouraged to progress it sooner, and it would be in Kent's interests to do so, bearing in mind the potential value of the Assessment as the basis for future resource prioritisation. It is therefore anticipated that a significant amount of the work will be completed (at least in draft form) by the end of March next year.

3. Arrangements for the delivery of economic development activity at sub-regional level

- 3.1. The current Bill proposes a range of possible arrangements for the delivery of sub-regional economic development. Essentially, these fall into two main types of arrangement:

- Multi-Area Agreements: voluntary arrangements between local authorities, partner agencies and central Government, within which the partners commit to targets in exchange for specific policy freedoms and flexibilities
 - Economic Prosperity Boards (EPBs): statutory, local government-led sub-regional bodies for economic development and regeneration. The purpose of an EPB is to provide a more stable partnership-based mechanism for decision-making, as well as a more accountable one. Elsewhere in the country, a number of counties have established non-statutory Leaders' Boards (generally replacing their existing economic partnerships) as precursors to an eventual EPB.
- 3.2. In the Regeneration Framework, KCC has made a commitment to pursuing an Economic Prosperity Board. Establishing this is likely to require a review of existing economic partnership arrangements at county-wide level, as well as further analysis of the roles that the EPB (or equivalent body) would undertake.

4. Other impacts of current legislation

- 4.1. The Local Democracy, Economic Development and Construction Bill also contains two other measures which are relevant to regeneration in Kent.
- 4.2. Firstly, the Bill proposes single regional strategies to supersede the current South East Plan and Regional Economic Strategy. Responsibility for producing the single strategy will rest with local government and SEEDA, and Local Economic Assessments are expected to inform it. In the South East, a Partnership Board has already been established between SEEDA and the local authorities to take forward regional planning duties.
- 4.3. Secondly, the Bill anticipates a joint investment planning approach between local authorities, the Regional Development Agency and other partners. This aims to enable partners to plan and deliver interventions related to the single regional strategy and identified through Local Economic Assessments. Within Kent, KCC, Medway and the Districts are working with the Homes and Communities Agency on a pilot local investment plan for North Kent, which is due to be completed this financial year. Looking to the future, enhanced mechanisms for joint working (as outlined in section 3) are likely to support Kent's ability to benefit from any future joint approach.

5. Potential change of government

- 5.1. While there may be a change of government during the next year, there is a partial consensus between the two main parties on the desirability of devolution of economic development powers to local authorities. The Conservative Party's Green Paper, *Control Shift: Returning Power to Local Communities* proposes the establishment of local enterprise partnerships covering groups of local authorities to take over economic development powers from the RDAs. There is therefore a logic in proceeding with the Local Economic Assessment in advance of the duty going 'live', and in reviewing

economic partnership arrangements in preparation for a continued localisation agenda (probably based on groups of local authorities) regardless of the outcome of the next general election.

6. Opportunities for Kent

- 6.1. Emerging from the Local Democracy, Economic Development and Construction Bill there are two key opportunities for Kent.
- 6.2. Firstly, the new Local Economic Assessment duty provides a new opportunity to work jointly with District authorities and with Medway to develop a stronger understanding of the dynamics of the local economy, and to ensure that this understanding has a substantive impact by informing the local (and regional) planning processes. Kent does have something of a 'head start' in relation to this work, given the previous work that has been carried out on Kent Prospects and, more recently, the analysis contained in the Regeneration Framework and the strategies sequential to it.
- 6.3. Secondly, an Economic Prosperity Board or a similar vehicle may have the potential to aggregate at Kent and Medway level funding currently allocated at national or regional level, and to channel funding more effectively to joint priorities. This is likely to be increasingly valuable in the context of falling national regeneration budgets.
- 6.4. However, given that the approach of Government recently has been to grant additional economic powers on a variable basis to those groups of local authorities that have put in place workable mechanisms to deliver them (for example through the Multi Area Agreement process), developing an effective economic partnership between the local authorities is likely to be an essential precursor to any form of EPB. As noted in Section 1, KCC's ability to lead in areas that may potentially be devolved will also depend to some extent on the creation of local authority partnerships within the county. It should also be noted that authorities in some other parts of the country (primarily in the Northern and Midland city regions) are somewhat more advanced in developing new models of sub-regional working than we are in Kent. While this is partly linked with the urban focus of the Government's agenda, it does also mean that we need to move fairly quickly to establish the right mechanisms if we are to take advantage of the potential devolutionary offer.

7. What next?

- 7.1. Discussions have taken place with Medway Council to undertake the Local Economic Assessment jointly, and in conjunction with the Kent Districts. These envisage the establishment of a joint commission as an informal task-and-finish body jointly chaired by KCC and Medway to oversee the development of the Local Economic Assessment.
- 7.2. It is anticipated that a paper will be taken to Cabinet in November to confirm KCC's involvement in this approach.

8. Recommendations

8.1. The Policy Overview and Scrutiny Committee is recommended to:

- Note the duty on KCC to carry out a Local Economic Assessment and the potential new mechanisms for sub-regional economic development set out in the Local Democracy, Economic Development and Construction Bill; and
- Consider the opportunities and issues that these present for Kent

Background documents

Department for Communities and Local Government (August 2009), Local Economic Assessments: Draft Statutory Guidance

<http://www.communities.gov.uk/publications/localgovernment/localeconomicassessments>

Author contact details:

Ross Gill

Economic Strategy and Policy Manager

Research, Strategy and International Division

01622 221312 (7000 1312)

Ross.gill@kent.gov.uk