

## DRIVING ECONOMIC GROWTH

a summary guide

***Driving economic growth – a summary guide*** has been produced by the LGID for local authorities, Local Enterprise Partnerships and other sub-regional partnerships.

The economic, financial, institutional and policy context has changed radically in the last two years, through the recession and since the election and the formation of the coalition government. Funding for councils to intervene directly in tackling unemployment and supporting business growth is massively reduced. Councils recognise the importance of supporting local economic growth, and some areas such as supporting the growth of the low carbon economy, have increased in importance. With significantly reduced resources, interventions will need to be prioritised. They will be delivered by councils working through new structures, including Local Enterprise Partnerships (LEPs), and in ways that are very different to how they have worked up to now.

LEPs will require a new form of partnership between the private sector and local councils. They will be chaired by private business people and be instrumental in leading and delivering economic development in the future. Councils will need to agree how to work across local authority boundaries to share services and co-ordinate interventions. Influence over partners such as Work Programme contractors and colleges will increasingly be more important than direct delivery or planning provision. It will be crucial to use mainstream services such as housing, planning, community provision and procurement across the authority to support local economies and tackle worklessness.

This short guide provides a structure for analysing the processes, mechanisms and drivers of economic prosperity, in a way that can help councils to manage resources effectively and help to direct responses within the new environment.

### 1. INTRODUCTION AND COALITION GOVERNMENT POLICY CONTEXT

#### Introduction

- 1.1. The importance of economic development for local authorities has grown as a result of the recession. The reduction in council budgets, and supplementary funding previously available through Regional Development Agencies (RDAs) and for example, Working Neighbourhoods Fund has been withdrawn. The task of driving economic prosperity requires council leadership to ensure that all service departments and partners at local and sub-regional level align their work to support it.
- 1.2. Local government is rising to the challenges inherent in increasing the impact of economic development interventions with significantly reduced resources, by developing new ways of working. Councils are developing new relationships with businesses through LEPs, and the Regional Growth Fund bidding process. New approaches to sharing service provision across local authority boundaries are being established, and councils are identifying how best to continue to support those furthest from the labour market into employment through the operation of the Work Programme.
- 1.3. There is no single approach to supporting local growth and there will be increasing variation in the way that councils respond. Economic development practice will look very different in 2015 to how it looks in 2010. Priorities for employment growth, housing growth, tackling worklessness, increasing connectivity and making more attractive town centres vary according to geography and socio-economic circumstances.

#### Policy context

##### *Realising every place's potential*

- 1.4. The focus of government support is on rebalancing the economy towards private sector employment, particularly in those places that have been heavily reliant on the public sector. Government policy, as set out in the Local Growth White Paper<sup>1</sup> now emphasises driving and removing barriers to economic growth at the sub-national level, recognising that places have different potential for growth.
- 1.5. The aim is to rebalance the economy both sectorally and geographically. The White Paper sets out the approach to sub-national growth, and provides details about the operation of Local Enterprise Partnerships and the Regional Growth Fund. It has three themes:
  - Shifting power to local communities and businesses;

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<sup>1</sup> Local growth: realising every place's potential, BIS, 28 October 2010.

- Increasing confidence to invest - creating the right conditions for growth through allowing market forces to determine where growth takes place and providing incentives to ensure that local communities benefit from development; and,
- Focused intervention – tackling barriers to growth that the market will not address itself, supporting investment that will have a long term impact on growth and supporting areas with long term growth challenges manage their transition to what is appropriate for the local area.

### ***Local Enterprise Partnerships***

- 1.6. At the time of writing 28 LEPs had been approved across the country, but further announcements are expected. There is an expectation that the majority if not the entirety of the country will be covered by a LEP in the near future.
- 1.7. The government envisages that LEPs will have a wide range of economic development, regeneration, housing and transport-related functions. They should take a strategic investment planning role within the sub-region, co-ordinate proposals or bidding for Regional Growth Fund, co-ordinate project delivery, support business growth, run the new proposed growth hubs, pool and align funding streams to support housing development, support local residents into jobs in conjunction with Jobcentre Plus, lever private sector funding, support the growth of the low carbon economy, and get involved in delivering improved digital infrastructure.
- 1.8. The establishment of LEPs significantly alters the organisational infrastructure for local economic development and regeneration. Although the details of their responsibilities is yet to be finalised, a number of things are already clear:
- LEPs will be the primary bodies undertaking economic development at a sub-national level over the coming years;
  - They will vary significantly in size and responsibilities across the country. Some such as the Manchester LEP will take on many of the roles previously undertaken by the RDAs and have a robust executive/secretariat structure to support their work;
  - In some other areas they are likely to have to operate with a skeleton, or virtual staffing structure, and maintain a strategic and leadership function but with little in the way of responsibilities or funding;
  - The relationship between councils, the private sector, government and other agencies will be changed as a result, and the level of collaboration and sub-regional leadership required from local government to make LEPs effective will be demanding.

- 1.9. The government launched the Regional Growth Fund (RGF) in the White Paper. The RGF is designed to encourage private sector enterprise, create sustainable private sector jobs and help places currently reliant on the public sector make the transition to sustainable private sector led growth. Details about the fund, including bidding guidance and application forms, are available on the BIS website at: <http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund>.

### ***Innovation and Access to Finance***

- 1.10. The government has set out its approach to innovation and high technology industries in The Current and Future Role of Technology and Innovation Centres in the UK, available at <http://www.bis.gov.uk/assets/biscore/innovation/docs/10-843-role-of-technology-innovation-centres-hauser-review.pdf>. Technology and Innovation Centres (TICs) will help translate research into economic benefit. They will support key new technologies in areas where the UK has the potential to gain substantial economic benefit. These include stem cells and regenerative medicine, future internet technologies, plastic electronics, software and technologies addressing renewable energy and climate change, satellite communications, fuel cells, advanced manufacturing and composite materials. The government will develop TICs over the coming years to drive growth in these industries by supporting businesses to develop and commercialise new technologies. They will be accompanied by opening up access to finance through venture capital funding and getting banks to lend to small businesses again. There will also be funding for offshore wind manufacturing at ports.
- 1.11. The government is also committed to investing in the low carbon economy by creating the Green Investment Bank developing carbon capture and storage demonstration projects, and grants for increasing the uptake of electric vehicles; providing new investment in superfast broadband; and investing in high speed rail, Crossrail and other transport improvements.

### ***Supporting small businesses***

- 1.12. There will be two primary routes in the future for access to government funded business support. These will be via the national Business Link website – [www.businesslink.gov.uk](http://www.businesslink.gov.uk); and the national call centre for telephone assistance for people without access to the internet or with other queries. The New Enterprise Allowance scheme will give an unemployed person entering self-employment support for starting up a business. This will include continuation of JSA, mentoring and access to loan finance.
- 1.13. The government suggests that LEPs will be able to harness local businesses and partners to support enterprise through promoting an enterprise culture, supporting business starts including in disadvantaged communities, assisting business survival and growth, and encouraging networks.

- 1.14. The Enterprise Finance Guarantee will continue to provide finance for small companies; there will also be support directed to high growth companies including support for equity investments. Businesses will be supported in accessing government contracts, and social tenants will be able to run businesses from their homes.
- 1.15. Growth hubs will provide access to specialist strategic advice, coaching and mentoring to firms with high growth potential. They will also bring together these firms with finance and equity networks and other professional and knowledge services. They will work closely with Technology and Innovation Centres as well as with high growth firms who are not technology based. They will be led by specialist business support providers.

### ***Welfare Reform***

- 1.16. Welfare reform is a key priority for the new government. A new single Work Programme will be introduced offering targeted, personalised help. Underlying reform is the need to make work pay for more people. The Work Programme Prospectus, available at <http://www.dwp.gov.uk/docs/work-prog-prospectus-v2.pdf>, sets out details of the Government's new flagship scheme, and emphasises the importance of building appropriate delivery partnerships and consider the role of the voluntary sector in tackling worklessness. Contracts will be typically be around £10m and £50m in value with the intention is to let around 40 regionally based contracts, with the smaller companies and "consortia" competing with each other for sub-contracts.
- 1.17. Ministers have said that they would like to see more flexibility for Jobcentre Plus and more local decision-making. While final decisions have yet to be made, this could include more flexibility in delivery, opportunities for District Managers to shape the nature and level of support to suit local need, possibly including co-design and commissioning of local partner services, and a focus on delivering outcomes rather than following established processes.
- 1.18. There will be other measures provided under the "Get Britain Working" banner for people who have been out of work for shorter periods including support for self-employment, volunteering, and increased numbers of work placements and apprenticeships.

### ***Support for families and Community Budgets***

- 1.19. The government has launched a programme to help troubled families by addressing multiple problems including health, drug and alcohol misuse, children's behavioural issues and unemployment. In sixteen areas the local authority will be able to pool budgets to provide more integrated support for families with complex needs through Community Budgets. There are also proposals to boost the Early Intervention Grant in a number of authorities for trialling new approaches to family support, and providing

personalised employment-related support for up to 500 families. The programme will also include additional government funding for relationship support.

### ***Skills Policy***

- 1.20. The government sees the development of the country's skills base as fundamental to supporting economic growth, and improving individual life chances. The policy is to remove central planning and increasing the drive towards responding to learner demand. Funding support will prioritise low skilled and disadvantaged people and those seeking work. Learners and employers will be expected to co-invest alongside government in meeting intermediate and high level training costs. The Skills for Sustainable Growth strategy sets out the Government's reform of the further education and skills system. <http://www.bis.gov.uk/skillsforgrowth>
- 1.21. There will be one combined careers service for all ages, and Lifelong Learning Accounts will be introduced. FE loans will be introduced from 2013/14 to support intermediate and higher level skills, on a similar model to those available for higher education. FE colleges will be freed from planning, and able to offer more HE courses.
- 1.22. Adult apprenticeships will be expanded to more than 200,000 people per year by 2014/15. They will also be reshaped so that technician level – Level 3 – becomes the target level, and there will be clear progression routes into Level 3 Apprenticeships and through into Level 4 or higher education.
- 1.23. To support vocational education, the government will work with groups of employers in a sector to introduce new professional standards. A Growth and Innovation Fund will support employers to raise skills, co-funded with businesses.
- 1.24. Councils will also need to consider the implications of future significant increases in fees for higher education. The previous government commitment to move towards 50% of young people attending higher education has been dropped, and this will have implications for the levels of graduate and intermediate skills available.

### ***Localism***

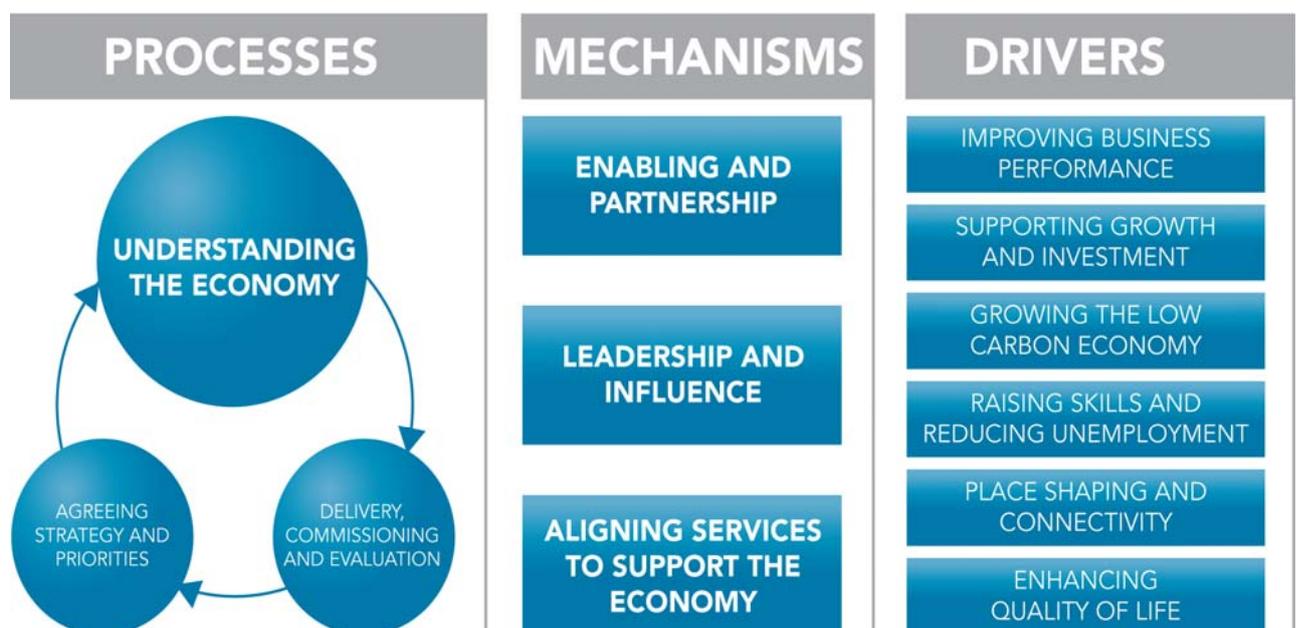
- 1.25. The Localism Bill was published in December 2010 and contains a number of measures to strengthen local democracy. A guide to the Bill was also published and is available at: <http://www.communities.gov.uk/documents/localgovernment/pdf/1793908.pdf>. The Bill proposes to give councils a general power of competence, and allow the creation of directly elected mayors in 12 cities. It will allow local people and communities to take over services and bid to buy local assets. It will also reform the planning system and enable local neighbourhood plans where communities have the power to grant planning permission if a local majority agrees. It will also provide a new Community Right to Build,

giving communities the freedom to build new homes and amenities, and give councils greater control over allocation and tenure of social housing.

- 1.26. In relation to economic development, the Bill will allow local councils to grant discretionary business rate discounts, and make small business tax breaks easier. It will also require councils to allocate a proportion of Community Infrastructure Levy revenues back to the neighbourhood from which it was raised to allow those most directly affected by development to benefit from it.
- 1.27. The government is introducing Community Budgeting to enable budgets to be pooled within an area. These are place-based community budgets, and are scheduled to be available everywhere by 2013.
- 1.28. In advance of the government's Localism Bill, local authorities have been invited to apply to become Neighbourhood Planning Vanguard. The government is looking to identify around a dozen places to trial an approach to neighbourhood planning. They will be expected to work closely with a parish council or community group to prepare a draft plan or order, provide that group with technical assistance to produce the plan, and appoint an independent person to examine any proposed order.

**A structure for local economic development**

- 1.29. The diagnostic distinguishes between the processes, mechanisms and drivers of economic prosperity, and is shown in the diagram below.



1.30. Each of the drivers is subdivided in the diagnostic into a series of headings incorporating a comprehensive range of interventions to support local economies:

**DRIVER 1: IMPROVING BUSINESS PERFORMANCE**

- Increasing business formation and survival
- Encouraging innovation and Improving productivity
- Trade development and accessing new markets
- Developing networks and inter-firm trading
- Promoting local procurement

**DRIVER 4: RAISING SKILLS AND REDUCING UNEMPLOYMENT**

- Working with employability providers
- Co-ordinating local provision around mainstream employability services
- Promoting local recruitment and workforce development
- Improving skills and aligning provision

**DRIVER 2: SUPPORTING GROWTH AND INVESTMENT**

- Promoting social enterprise and an enterprise culture
- Branding and marketing
- Developing and promoting sites and premises
- Removing barriers to enterprise

**DRIVER 5: ENHANCING QUALITY OF LIFE**

- Managing public assets
- Strengthening communities
- Improving the environment and local facilities
- Developing town centres and access to culture

**DRIVER 3: GROWING THE LOW CARBON ECONOMY**

- Greening business
- Growing the low carbon supply chain
- Developing low-carbon and sustainable energy infrastructure
- Attracting green investment
- Learning and skills for the low carbon economy

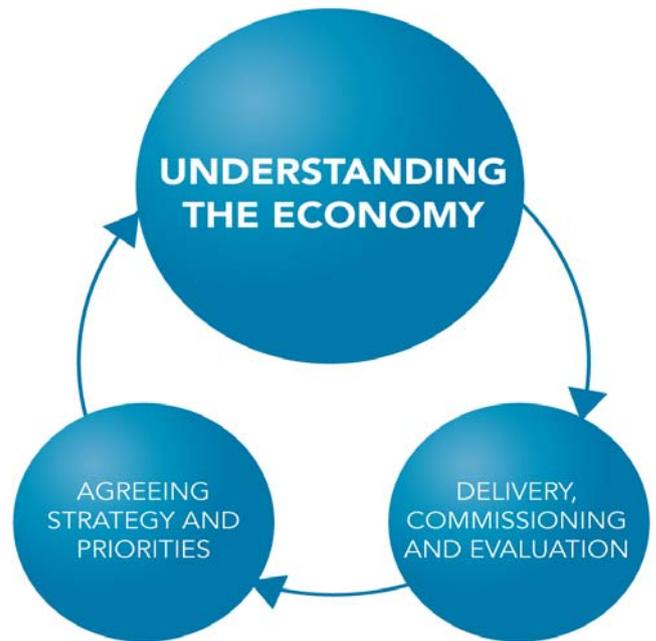
**DRIVER 6: PLACE-SHAPING AND CONNECTIVITY**

- Planning for sustainable growth
- Improving the quality and supply of housing
- Improving transport and accessibility
- Improving communications infrastructure
- Improving regional and international connectivity

1.31. This guide identifies some of the main changes in the policy, institutional, financial and economic environment that have influenced changes in the types of economic interventions made by local authorities and LEPs at the local level. It then summarises each of the processes, mechanisms, and drivers in turn, and identifies key changes and points to updates in the full diagnostic document where appropriate, including the new section on supporting the development of a low carbon economy.

## 2. ECONOMIC DEVELOPMENT PROCESSES

- 2.1. The diagnostic identifies a set of processes for framing local economic development. This starts with analysis and interpretation of information on the local economy in order to understand the local economy and the factors driving change. This assessment is used to inform strategies and identify priorities for intervention, and finally interventions in the form of projects and programmes are put in place, which may involve commissioning or direct delivery, monitoring and evaluation. The ways in which these processes are changing are discussed below.



### Understanding the economy

- 2.2. While the duty to produce local economic assessments remains, there is now more flexibility over what these should contain, and indeed the geographical area covered by assessments, following the clarification by the government that it is no longer necessary for LEAs to conform to the guidance. Understanding the economy is just as important as it was, although that has become more difficult as economic trends become increasingly uncertain. The key changes in this area are in the area covered by LEAs, and the range of trends examined within them.
- 2.3. There is a strong rationale for the Local Economic Assessment. It should help councils and their partners understand the way in which local economic circumstances either hold back or encourage economic growth. It should help identify the infrastructure needed to catalyse change in an area's economy, and the key challenges in supporting unemployed residents into work. It should ensure that strategies and priorities for intervention are grounded in evidence.
- 2.4. The basic data required for an LEA is:
- **Economic linkages** – how the area fits into wider sub-regional, regional, national and international markets.
  - **Structure of the local economy** – key sectors and industries, sectors with growth potential or vulnerability, and the contribution of social enterprise.
  - **Enterprise and Innovation** - trends in business start ups and closures, growth of small and medium-sized enterprises and self employment.

- **Business Needs** - views of the local business community on what is contributing to and what is hindering business investment and economic growth.
- **Demography** – demographic profile including breakdowns by race, gender and disability, and by geography including an assessment of population density.
- **Labour Market** – labour market participation with analysis of worklessness levels and barriers to employment.
- **Skills** – skills profile, educational attainment, skills gaps match between skills provision and current and future needs of business.
- **Economic and social exclusion** – communities or groups that face high levels of deprivation, economic, financial and social exclusion and barriers to economic participation.
- **The natural and historic environment** – the extent to which economic activities impact upon the natural and historic environment and vice versa.
- **Low carbon economy** - challenges and opportunities in low carbon and environmental goods and services.
- **Transport and infrastructure** – how transport provision supports sustainable growth.
- **Housing** – the extent to which housing provision meets the needs of the population and economy.

### *Coverage of local economic assessments*

- 2.5. Some sub-regional partnerships have already prepared LEAs based on the functional economic area of the sub-region. In some cases councils have also produced an LEA looking at the individual local authority area. With the development of Local Enterprise Partnerships the development of sub-regional LEAs is likely to continue, and local authorities are likely to wish to consider more carefully the need for, or the purpose of, individual local assessments.

### *Understanding uncertainty*

- 2.6. There is greater uncertainty around employment growth and economic recovery, and around those sectors that are likely to thrive in the coming years. Attitudinal and societal changes may also have an unexpected impact on employment. For example the growth of home working and flexible work patterns may have an increasing impact, particularly in rural areas, and migration patterns are likely to change in response both to changes in relative economic performance and government policy.
- 2.7. This leads us to two conclusions. Firstly that LEAs should help councils and their partners to consider a wider range of data and information, some of which will not be so easily measured, and the implications of which will not be so clear cut.

- 2.8. Secondly, councils will need to find ways to operate in an increasingly uncertain environment. A structured approach to considering a range of possible future scenarios could help them to identify which interventions are most effective in dealing with the widest range of circumstances, and therefore may be the best options in times of uncertainty.

***Understanding the economy - Issues to consider:***

Over what geographical area should an LEA be produced?

Does your LEA help partners to understand what factors are driving change in the local economy, what are the local assets and locational opportunities, and what interventions should be prioritised at local or sub-regional level?

Does it provide sufficient information about economic, social and environmental trends to help partners identify a range of possible futures for the area?

A more detailed step-by-step guide to undertaking a local economic assessment can be found at [www.idea.gov.uk/economicassessments](http://www.idea.gov.uk/economicassessments)

**Agreeing strategy and priorities**

- 2.9. 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, local authorities require a framework for making decisions on key economic priorities and agreeing interventions with partners, and will continue to do so. The importance of place in relation to local economic prosperity means that the LDF should clearly relate to your economic priorities.
- 2.10. However, the financial, economic, policy and institutional environments are far more uncertain than we have become accustomed to over recent years, and this provides scope for far greater variation in potential responses. There is also less scope for long (and expensive) deliberation and strategy preparation.

***Managing uncertainty***

- 2.11. Developing a strategy requires building the understanding among Members and partners of drivers of change in the local economy, building a shared vision for the future, and agreeing shared priorities. In recent years, an increasing level of uncertainty around the future of the economy has meant that Councils and their partners may need to explore the ways in which their responses to their economic conditions would play out in a range of possible futures.

- 2.12. Partners should plan to take advantage of any opportunities that might arise and to mitigate against the risks that may arise in a range of possible future scenarios. Proposed interventions should be assessed in terms of the way that they would work in a range of different future scenarios. This might include nightmare scenarios (such as the collapse of a large firm or local industry), and the potential for successful growth of new sectors (such as low carbon, or visitor industries).

### ***Reducing the length, and time involved in strategy preparation***

- 2.13. Moving towards deeper partnership engagement in strategy development may require mechanisms to involve partners in joint strategy building processes, through a sharper and more structured approach. This might involve facilitated discussion aimed at building consensus around priorities and approaches, and moving away from officers presenting long documents following lengthy consultations for signing off by partnership groups.

### ***Geographical scale of activity***

- 2.14. Councils will need to consider the geographical scale at which they should be working in relation to each economic driver. It may well be that it is necessary to prepare a comprehensive strategy to shape their local area based on their economic assessment for the area covered by their authority boundary. This will help to ensure that their own services are all aligned to support residents at a local level.
- 2.15. However, for particular types of intervention it will be sensible to assess the geographical scale at which they can most effectively work. For example, while approaches to tackling unemployment will need to take into account neighbourhood level circumstances, needs and opportunities, this information may need to be fed into wider sub-regional approaches to working with Work Programme prime contractors and in respect of predicting and promoting employment and skills requirements.

#### ***Agreeing strategy and priorities - Issues to consider:***

At which partnership and geographical level do we need economic strategy?

Which partners do we need to engage, in which elements of our strategy and how is this best achieved?

Are we prepared for a range of likely and possible economic futures?

How will our proposed interventions work across the range of possible future scenarios?

## **Delivery, Commissioning and Evaluation**

- 2.16. Many of those councils who had previously managed in-house delivery functions supporting local enterprise or helping those further from the labour market into work are now scaling back or ceasing this activity in the light of the reductions in public expenditure. The impact of this will be to reduce the amount of direct delivery, and shifting the emphasis towards influencing other provision, sharing services across local authority boundaries, and increasing the need for commissioning at local and sub-regional level through LEP or other sub-regional partnerships, or if at a local level, with partnerships involving other agencies, such as Jobcentre Plus.

### ***Shared services***

- 2.17. Councils are starting to develop shared services. Shared services will become increasingly important over the coming months and years as resources are stretched, and are already being implemented across local authority boundaries. These may be with neighbouring councils or sub-regional partnerships. An alternative approach is to develop ways of working across teams to create a virtual team approach, which could be applied across a county and district councils, or groups of councils together.

### ***Commissioning***

- 2.18. Commissioning, and joint commissioning has become part of local government processes over recent years across all services. In the economic development field, there will be increasing emphasis on joint commissioning with partners and influencing the commissioning programmes of other agencies such as Jobcentre Plus. This will highlight the need for robust evidence of local need and mapping of existing and planned activity. Where councils are able to deliver or directly commission employability or enterprise support services, they should be careful to ensure that they are linked and complementary to that provided by other agencies in the area.

### ***Performance monitoring and evaluation***

- 2.19. When resources are scarce, evaluation and impact assessment become increasingly important as mechanisms to justify spending allocations. This may be for directly managed council or partnership activity, but can also apply to partnership programmes. For example the council and Jobcentre Plus should have a role in monitoring the delivery of the Work Programme locally, and in calling the providers to account if the needs of local residents are not being met. Social return in investment methodologies are now being used to allow a wider range of social impacts to be included in assessments of the value of programmes and projects.
- 2.20. As the performance regime for local government is relaxed, there is likely to be increasing emphasis on joint partnership monitoring of a different range of indicators. In addition to key

local issues such as crime or child poverty, they are likely to include measures relating to the performance of Work Programme contracts, with responsibility for collecting these being the responsibility of Jobcentre Plus.

***Delivery, Commissioning and Evaluation - Issues to consider:***

Avoid duplication, fragmentation or confusion in relation to service provision;

Are there effective links between services and client management or referral systems in place?

Ensure clear structures for monitoring the impact of important programmes such as the Work Programme, and influencing changes in provision;

Consider whether there are efficiencies that could be made by sharing services across local authority areas, or within LEPs;

Consider whether a virtual team approach to delivering economic development could release resources for greater impact.

### 3. ECONOMIC DEVELOPMENT MECHANISMS

- 3.1. The introduction of LEPs and the need to work effectively at sub-regional level will place new demands on politicians, the executive teams within sub-regional partnerships and LEPs, and officers within the constituent councils. Although the extent of eventual devolution of responsibilities to LEPs is still unclear, there is potential for a wider range of interventions to take place at this level, including some of those previously undertaken by RDAs, including business advice to SMEs, developing low carbon economies, inward investment, tourism and administration of ERDF.

**ENABLING AND  
PARTNERSHIP**

**LEADERSHIP AND  
INFLUENCE**

**ALIGNING SERVICES  
TO SUPPORT THE  
ECONOMY**

#### **Partnership and Enabling**

##### ***Changes in governance structures***

- 3.2. In many places partnership structures have grown up in response to government requirements and in a period when resource was available to support them. The relaxation in the performance management regime under the new government means that in many places partnership structures are being reviewed against current needs and becoming more specialised and focussed.

##### ***Changes in the expectations of and level of engagement of private sector***

- 3.3. A greater degree of involvement from the private sector is expected by government in LEPs, and for Regional Growth Fund submissions. For many councils and partnerships, this will entail quite a different way of working. New models of business engagement are already starting to emerge across the country.
- 3.4. These models may involve a more hands-off approach to local business and local area improvements, and greater encouragement of business-led initiatives including for example, Business Improvement Districts. They will also include a different range of partnership arrangements within LEPs which will be chaired by the private sector, and partnership arrangements at council level and in relation to specific initiatives, where a more collaborative approach is being developed.
- 3.5. This is an area where practice across much of local government is in need of development, with many councils concerned about how and who to engage, for what purpose, and how to retain appropriate governance and accountability for decision-making and public funding.

- 3.6. Partnerships work effectively where there is a clear understanding of the role and objectives of each participant, and where time and experience have resulted in a high level of trust. The culture of the partnership, often driven by the Council leadership, and increasingly now from the private sector, should focus on the strengths that the members of the partnership can bring to the table. Instilling a positive culture should be something that receives attention in its own right, in addition to considering the membership of the organisation.

### ***Capacity building and enabling, and the Big Society***

- 3.7. As funding for local employment support is reduced and provision for the long-term unemployed is provided through Work Programme Primes and their supply chains, it may be necessary to provide additional support for those local agencies providing essential services for priority groups of residents to continue to deliver. This might include engaging them in discussions with Primes, including them in consortia of local specialist provision to make an offer to the Primes, or assisting them to identify sources of funding themselves.
- 3.8. Equally, as business support funding is scarce, there may be mechanisms of capacity building and enabling business-led initiatives to make specialist support available, establish networks, or help to improve the local trading environment, or co-ordinate marketing for example.
- 3.9. The government is still developing policy propositions to translate the Big Society approach into tangible interventions around social action, public service reform, and enabling community action. Among the first practical moves have been strengthening the role of communities at the neighbourhood level in local planning decisions, and increasing community control over local services. The Government has also pledged to get businesses and charities much closer involved in meeting social and community outcomes. At one end of the spectrum will be hard incentives towards commissioning and outsourcing, at the other are softer incentives for the private sector to 'share the burden' of improving social outcomes through partnership action and in some cases philanthropy. Either way the relationship between local government and the third sector, local communities and businesses are all likely to change.
- 3.10. As communities become increasingly engaged in developing their own local priorities for an area, and potentially to be running local services or facilities, local partnership approaches to tackling worklessness and supporting local economic growth will need to tap into these initiatives and engage with these new structures.

- 3.11. In addition, as approaches to “more for less” strategic budgeting are developed, there may be opportunities for local partnerships to address economic issues more effectively through new arrangements that cut across existing service and agency boundaries.

***Partnership and enabling - Issues to consider:***

If you have established a LEP, is it clear what its functions will be and how it will relate to local economic development activity?

Do local agencies need support in continuing to provide high quality specialist employability support?

Can you support local business-led initiatives to improve the local trading environment and support business growth?

Could new arrangements for working with partners help to address pressing local issues more effectively and at less cost?

Do your partnership arrangements engage all key partners including businesses in ways that help you achieve your key priorities?

**Leadership and influence**

***Leading and influencing local partners***

- 3.12. Councils are responsible for using their community leadership role and planning powers to provide a clear framework for housing and employment development. This helps to provide certainty for business and investors. They support and co-ordinate local infrastructure improvements, and provide services with their partners to provide high quality services – a key determinant of economic growth.

***Developing the sub-regional leadership role***

- 3.13. 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. Leading at different spatial levels – whether City Regional, or sub-regional level is a new and increasingly important feature of local government in England, and this will increase over the coming years with the establishment of LEPs. This has implications for the role of elected Members and how they spend their time.

- 3.14. There is evidence that leadership at sub-regional level is “different” to leadership of a local authority. The level of complexity is greater, the organisations are different and the nature of the tasks varies<sup>2</sup>. Diplomacy is increasingly important, and party-politics reduced as consensus-building is critical to achieving sub-regional priorities.

### ***Changes in relationships with schools, colleges and employability providers***

- 3.15. As colleges are being given more freedom to determine their provision, councils will need to find ways of working with them closely to influence local learning opportunities and help to align them with local business and economic needs.
- 3.16. As the funding for direct provision of employability support to those furthest from the labour market becomes increasingly scarce, councils will also seek to influence the Work Programme providers to operate through local specialist agencies and in ways that have been shown to meet the needs of their residents.
- 3.17. Schools now have more autonomy over working with children’s trusts and engaging with the Connexions service, which will be integrated with adult advice and guidance. Again, this puts the onus on councils to develop a local consensus on the needs and priorities of young people and businesses, in order to ensure a comprehensive range of appropriate support is available for them.

#### ***Leadership and influence - Issues to consider:***

Is it clear at which geographical level key priorities need to be progressed?

Are the roles of business and political representatives on LEPs defined?

Do LEP Members need support to develop their strategic, diplomatic and leadership skills?

Is the balance of responsibilities between the LEP and the constituent councils (and other neighbouring councils) clear to all parties?

Have you identified which agencies you need to influence to ensure your worklessness and skills priorities can be met, and how you will achieve this?

### **Aligning services to support the economy**

- 3.18. As council and other public funding resources for economic development is curtailed, the importance of using the corporate powers and resources of local authorities to support

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<sup>2</sup> Leading at different spatial levels, LGID, July 2010

and facilitate business growth is increased. Over recent years the inter-relationship between service areas has been viewed as more and more important, and most service leads now recognise the relationship between their service, place-shaping and economic development.

- 3.19. There are a wide range of policy and service areas that can impact on the area's potential for economic growth and support the local business community. These include aligning housing, planning and transport strategies and using procurement to improve access to contracts for local SMEs. These are dealt with throughout section 4 of the document. To maximise the impact on the local economy across its services requires strong and effective corporate management across the authority.
- 3.20. The reduction in economic development resources should also prompt further consideration of the essential strengths and weaknesses of an area and its services. Fundamentally important to the economic success of an area, for example, is the attractiveness of the environment; the performance of its schools, and the quality of its cultural and leisure facilities. In some areas, renewing the emphasis on improving services and facilities may make more difference to the future economic performance of the place than providing any amount of advice to local businesses.

### ***Business-friendly services***

- 3.21. Councils can support local businesses through efficient provision of services and their regulatory functions as well as through their approach to procurement. They can provide clear information on their websites for local businesses about services such as waste, licensing and other regulations. They can also signpost other local services including business support and skills provision.
- 3.22. Councils can also facilitate inward investment through providing information about business premises, and help to promote the area for investment by highlighting issues of importance to businesses including transport and access, quality of services, and local facilities. Crucial to development is providing clear and helpful information about planning frameworks.
- 3.23. A local authority may create a level playing field for SMEs in order to help them compete with larger companies from outside the area by increasing transparency and information about contracts, and through setting up appropriate criteria for the award of different sizes of contracts. They can simplify systems, provide information and training to increase the capacity of local firms to compete for contracts, and work with partner agencies to do likewise. This is developed further in the next section under *improving business performance*.

### ***Policy and Service Alignment***

- 3.24. Increasingly, senior managers and politicians are recognising the need to align policies to support economic development. The relationships between health, child poverty and employment are well understood, as is the scope for supporting the economy through planning and housing policies.
- 3.25. It is also essential that managers and front-line staff throughout the council are able to identify these links and make appropriate referrals.

### ***Working through partners***

- 3.26. The public sector is, and will remain, important for providing local employment. Although at times of budget and staff reductions this is very hard to prioritise, the local authority can itself wield significant power as an economic agent, and work with its partner agencies. Examples of the types of initiatives that can make a real difference to local areas include:
- supporting local recruitment, creating work placement opportunities and apprenticeships;
  - workforce development - offering and encouraging employee training;
  - ensure local labour is used in major construction contracts and promoted to the end users of the developments; and,
  - ensuring that the maximum local benefit is achieved from the use of public assets.

#### ***Aligning services to support the economy - Issues to consider:***

Do your policies clarify the relationship between housing and employment growth?

Do planning policies encourage development and clarify what investment the council is looking for in relation to infrastructure and private development?

Do service managers understand the connections between child poverty, health and employment in a way that helps services to be integrated where helpful?

Does the council encourage and support businesses and aim to improve the local trading environment in its information provision and the application of its regulatory services?

Are procurement policies designed to support SMEs and the third sector to deliver improved services?

Are employment policies supportive of local recruitment, apprenticeships and raising skills levels?

## 4. ECONOMIC DEVELOPMENT DRIVERS

### Driver 1 - improving business performance

- 4.1. Developing the existing business base and increasing entrepreneurial activity are widely recognised as critical drivers of economic prosperity. Enterprising and innovative businesses and entrepreneurs increase productivity by improving their processes and bringing new products and services to the market. Councils have played a significant role in recent years in providing various forms of business support.
- 4.2. Even with fewer resources to provide business support, councils can make a difference to the local trading environment. They can communicate with businesses to understand the local business environment and co-ordinate the provision of those services that are available. They can provide information, responsive services for businesses, and encourage business growth through its planning policies, whilst also engage with business leaders at a senior level.
- 4.3. Councils will increasingly wish to explore ways of providing support more effectively by working with sub-regional partners. This may include sharing services across local authority boundaries or within a sub-region, or commissioning support through a LEP structure across a wider area.
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- IMPROVING BUSINESS PERFORMANCE
  - SUPPORTING GROWTH AND INVESTMENT
  - GROWING THE LOW CARBON ECONOMY
  - RAISING SKILLS AND REDUCING UNEMPLOYMENT
  - PLACE SHAPING AND CONNECTIVITY
  - ENHANCING QUALITY OF LIFE

### *Increasing business formation and survival*

- 4.4. The coalition government has recently set out the ways in which it intends to support business growth in the UK. Business Link, previously managed by the RDAs will be a national service. The primary routes across England for access to government funded business advice from 2012 will be through a national website, and a national call centre.
- 4.5. The Local Enterprise Growth Initiative will no longer be funded, and councils will have significantly less scope within their budgets to fund business support directly. Nevertheless, the local growth white paper (discussed above) states that “we expect local authorities will have a very important role in supporting enterprises and businesses in their areas. Their role in bringing together public and private, under business leadership at a local level, means that they will be well placed to develop strategies and take action on a range of issues”.

- 4.6. DWP support for enterprise start ups amongst the unemployed – the New Enterprise Allowance scheme will give an unemployed person entering self-employment the support to start a successful business. This will include business to business mentoring.

### ***Encouraging innovation and improving productivity***

- 4.7. New Growth Hubs, to be established by BIS, will provide access to specialist strategic advice, coaching and mentoring to firms with high growth potential as they go through periods of rapid and dynamic change and bring a package of growth related services into one place around the firm. Growth hubs will act as a catalyst for growth by bringing together firms with high growth potential with finance and equity networks and other professional and knowledge services. Growth hubs will work closely with Technology and Innovation Centres as well as the majority of high growth potential firms who are not technology based. In order to target firms that have the greatest potential for growth, growth hubs will need to be delivered by specialist business support providers operating a highly distributed model that reaches across the areas covered by local enterprise partnerships.
- 4.8. In some areas innovation support will be enhanced by sub-regional activity through the LEP. In many areas though, the council could take the opportunity to develop its relationship with any higher education institutions in the area to explore the potential for joint work in this area at the local level.
- 4.9. Grants for Business Investment (GBI), previously supported through the RDAs in assisted areas will now cease. However this form of support could be continued through the Regional Growth Fund subject to successful individual or group application.

### ***Trade development and accessing new markets***

- 4.10. Increasing international trade for both products and services will be important for the country's economic success, as well as that of individual areas and industries. Support for business growth through international trading is led at the national level by UKTI with a number of contracted local delivery organisations. This will continue, although LEPs may have a role, with local partners, in bidding to be a delivery agent for nationally commissioned trade development support.
- 4.11. In any case they will have a role in signposting and integrating any local initiatives with national support, and in ensuring the international trade needs of local companies are fed into the development of national support programmes. UKTI is committed to liaison with LEPs to ensure that this happens.
- 4.12. There may be significant opportunities arising through the support for the green economy for local firms in relation to new supply chain opportunities. For example in relation to the

increased emphasis on insulation and improving the energy efficiency of private sector housing stock under the “Green Deal”<sup>3</sup>.

### ***Developing networks and inter-firm trading***

- 4.13. While many councils have in the past provided support for this type of activity, this type of support for local business could in the future increasingly be provided in some form by local organizations such as the Chamber of Commerce, or Federation of Small Businesses. It is likely to be an area that would benefit from discussion with the local business community around the form of networks that they find most useful, and how the council can best support these networks to continue.
- 4.14. The role of the council, or the LEP, could be to provide information, capacity building for business groups, or promotion and access to government or higher education expertise and support.

### ***Promoting local procurement***

- 4.15. A local authority may create a level playing field for SMEs in order to help them compete with larger companies from outside the area. It can do this firstly by increasing transparency and information, and secondly through setting up appropriate criteria for the award of different scales of contracts.
- 4.16. Councils can support local firms by simplifying systems, providing information and training to increase the capacity of local firms to compete for contracts, and work with partner agencies to do the same. It will consider the value added by local firms when making procurement decisions in relation, for example, to quicker response times, and greater responsiveness to local requirements. It can also promote innovation and the development of local SME supply chains by seeking life-time value rather than exclusively low-cost solutions. The forthcoming Public Services (Social Enterprise and Social Value) Bill will require public sector contracts to factor in social outcomes alongside price and organisations’ track records.
- 4.17. LEPs could take the approach of identifying those sectors in the local economy that are particularly dependent on public sector contracts, and target these sectors to increase their competitiveness. With the increasing withdrawal of local government from direct service provision and moves towards facilitating individual customer purchases, there will be opportunities for intervention to achieve cost reductions.
- 4.18. Local authorities can also encourage collaboration among local firms to reduce costs, and consider how to promote innovation among small firms through its procurement

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<sup>3</sup> [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/consumers/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/green_deal/green_deal.aspx)

requirements. Continuing public sector contracts may be particularly valuable for small firms during a recession since they provide stability and continuity.

- 4.19. As mentioned in the previous section, there may be significant scope to develop local businesses and indeed support the development of specific skills and expertise within social enterprises in relation to local business opportunities.

### ***Improving business performance - Issues to consider:***

Have you clearly signposted all locally available business support and clarified what support is available through the LEP?

Have you explored the potential for greater links between businesses and any HE institutions?

Does your approach to procurement support local SMEs and voluntary sector agencies through an overall strategy of improving local services?

Is there scope to develop new business opportunities through public procurement policies?

## **Driver 2 - supporting growth and investment**

- 4.20. Competitive local economies tend to be those with clearly identifiable specialisms or clusters of business activity, which evidence suggests stimulate productivity growth. However, excessive specialisation can leave an area vulnerable to changes in global demand, for example, the decline of the mining industry led to a collapse in a number of local economies in the 1980s. Councils should aim for a balance between specialised, competitive and export orientated clusters and ensuring a diverse range of other sectors are creating growth and jobs.
- 4.21. Attracting and retaining investment is critical to the economic performance of an area. This is especially true for today's knowledge-based economies that require risk investment from both indigenous entrepreneurs and external investors. Entrepreneurs, who increase competitiveness by bringing new ideas to the market, also need to have access to capital to develop their business ventures. As global and national competition for investment intensifies, areas increasingly need to provide attractive locations to enable investment, and a distinctive offer to promote the area.
- 4.22. Reducing risk and increasing confidence in the public sector's ability to deliver planned infrastructure improvements, environmental improvements, or planning frameworks, can be significant for business. Councils can help by providing clarity concerning their commitments to support businesses through public investment in transport and social infrastructure.

### ***Promoting enterprise and an enterprise culture***

- 4.23. The lessons learned as a result of the Local Enterprise Growth Initiative are that increasing the level of enterprise in those areas where it has been relatively low, requires intensive support. This can include increasing enterprise awareness, through outreach, working in schools, and marketing enterprise as an alternative to employment. This needs to be linked into enterprise coaching for individuals, and into more mainstream start-up, survival and development support<sup>4</sup>. The extent to which this type of provision will be continued is uncertain, but support for unemployed individuals to go into business will be progressed through the New Enterprise Allowance scheme<sup>5</sup>.
- 4.24. Supporting the growth of social enterprise is seen by the government as a way of developing the third sector and as an alternative to large scale publicly managed service delivery. Social enterprises can have a role in filling gaps in the market for provision of local services, and the development or support of social enterprise can form a plank of local business development work related and linked to the council and other partners' procurement policies. For example, they could be encouraged to provide a range of care services in an area with no representation in the existing business community.

### ***Branding and marketing***

- 4.25. This is another area where consideration will need to be given to the geographical level and agency that will be responsible in the future for this area of activity.
- 4.26. It is also an area that could be developed by encouraging local business-led initiatives, either through a Business Improvement District type scheme, or a less formal local business group.

### ***Developing and promoting sites and premises***

- 4.27. A crucial function of local planning policy is to facilitating the availability of suitable sites and premises. Analysis of demand and supply combined with an assessment of likely future trends can be provided through conducting an employment land review. Guidance on the production of an employment land review is available at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/147540.pdf>. These reviews will also assess the suitability of sites for employment development, and provide information to help councils safeguard the best sites in the face of competition from other higher value uses and identify those which are no longer suitable for other uses.
- 4.28. Where the market has failed to do so, local authority support for the assembly and preparation of land for employment use has been, and is likely to continue to be a crucial

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<sup>4</sup> <http://www.idea.gov.uk/idk/core/page.do?pageId=24021927>

<sup>5</sup> <http://www.dwp.gov.uk/adviser/updates/new-enterprise-allowance/>

element of an economic development function. As the work of RDAs draws to a close this area of work may become increasingly important in some areas for councils and for LEPs. It is a key area in which the engagement of private sector partners will be essential, particularly where Regional Growth Fund can provide assistance.

- 4.29. Local government development of sites and premises for business incubation or provision of affordable workspace will be more difficult to finance in the future. Some councils will still have significant local assets that could be exploited for this purpose either as a result of reviews of their property portfolios or in conjunction with other partners through the development of Local Asset-Backed Delivery Vehicles. It may also be possible to develop small affordable business units as part of larger development schemes, possibly in conjunction with partners either as social enterprises, or through joint venture arrangements.
- 4.30. There may also be opportunities for continuing in this area of work where there are assets transferred from RDAs that could be continued through LEPs.

### ***Removing barriers to enterprise***

- 4.31. Supporting business growth through removing barriers to enterprise is a key theme of government policy, as expressed in the local growth white paper, under the heading of promoting efficient and dynamic markets and increasing confidence to invest<sup>6</sup>. Their approach to this includes reforming the planning system to introduce a national presumption in favour of sustainable development and will apply to decisions on all planning applications; and giving communities new Right-to-Build powers to remove the requirement for planning approval for small-scale developments. They have also removed the Regional Strategic Planning structure and are proposing to further reduce the regulatory burdens on the development industry. The Localism Bill will introduce a new statutory duty to co-operate in plan making. This will apply to infrastructure providers, and LEPs could play a role in developing strategic planning frameworks to support infrastructure delivery, overcome barriers to development and co-ordinate approaches to investment.

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<sup>6</sup> Local growth: realising every place's potential, BIS, 28 October 2010

### ***Supporting growth and investment - Issues to consider:***

Are there local barriers to investment and development that could be tackled through a more co-ordinated approach to planning with strategic partners?

Are there any mechanisms for promoting and developing sites for enterprise through joint venture schemes, or Local Asset-Backed Vehicles?

Could local business groups be supported or encouraged to co-ordinate marketing and area branding?

Are there any opportunities likely to arise for local businesses or new social enterprises from the council's understanding of future markets in for example social care, or housing improvements?

Can support for business starts be co-ordinated more effectively to integrate the New Enterprise Allowance programme?

### **Driver 3 - growing the low carbon economy**

- 4.32. We have included a discussion about supporting the development of the low carbon economy as a key Driver in its own right for a number of reasons. Firstly because it has been promoted by a large proportion of the LEPs in their proposal documents as a key area of activity. Secondly as well as potential for supporting the local economy, it relates to broader local and central government objectives of creating a more sustainable economy and reducing the footprint. Thirdly it has been apparent from the research undertaken for this document that there is a lack of existing guidance in this area. A transition towards increasing use of sustainable energy sources, greater energy efficiency, and producing a greater proportion of goods and services for low carbon industries is a challenge that many local authorities are taking on, and we aim to provide, in this section of the document, a structure for thinking about progress in this area.
- 4.33. Whilst all places will have different assets and challenges related to the low carbon economy, all places will be able to engage in one form or other. Particular locations will have the opportunity to support the growth of sustainable energy through wind generation and others will be able to attract investment from green industries based on the growth of existing clusters of specialist firms. The introduction of the Green Deal will see millions of homes and businesses benefit from energy saving investment after 2012. This has the potential to create employment opportunities in construction and building sectors in all local areas in the UK. A more detailed diagnostic in Growing the Green Economy is also available [\[insert link\]](#).

### ***Greening Business***

- 4.34. The UK's low carbon sector is already valued at £112 billion with almost 910,000 jobs and it is projected to grow to almost £165 billion by 2015/16. The government's Green Deal identifies that jobs in the sector will rise to 250,000 over the next 20 years. There are therefore significant opportunities for local businesses to benefit from new markets in low carbon goods and services. Councils should identify the potential for the growth of the green economy locally through the local economic assessment, and work with businesses to promote opportunities and exploit available sources of funding.
- 4.35. A first essential element of a strategy is to encourage businesses to adopt energy-efficient measures and, where appropriate, environmentally sustainable energy generation as well. The government estimates that homes and businesses in the UK lose up to £3bn per year through ineffective building insulation. Local authorities, in combination with public sector partners, can take a local lead on implementing energy sustainability, thus generating local demand for low carbon goods and services and demonstrating what can be achieved.

### ***Growing the Low Carbon Supply Chain***

- 4.36. Developing successful and competitive low carbon clusters necessitates developing effective supply chain linkages. Local authorities can play a valuable part in supporting these supply chain linkages and helping to build complementary networks of low carbon businesses, both in the immediate local area and across the wider sub-region.

### ***Delivering Low Carbon and Sustainable Energy Infrastructure***

- 4.37. An important facet of building a low carbon economy is shifting the production and distribution of energy towards sustainable methods and sources. There are important opportunities for local economies in developing microgeneration at a business, community and residential level that can be encouraged by local authorities. Councils can put in place the policy structures that ensure that new developments incorporate low carbon features wherever possible, both to enable investment by low carbon companies and to support more sustainable patterns of living at a local level.

### ***Attracting Investment from environmental industries***

- 4.38. Attracting green investment can be part of a wider process of inward investment encouragement. Local authorities can look to the appropriate private sector funds to attract finance as well as the Regional Growth Fund and the Green Investment Bank. In some cases, there may be more scope for action at the LEP level, so local authorities should look to wider partnership structures where possible to support low carbon investment promotion.

### ***Learning and Skills for the Low Carbon Economy***

- 4.39. The level of low carbon specific and other skills will be a key enabler of and constraint on low carbon economic growth. Rolling out the green deal will require existing and new construction workers to gain specific skills related to the low carbon sector. Work by BIS suggests that as well as specific low carbon industry skills, the low carbon economy will also require large numbers of people with science, technology, engineering and mathematics (STEM) skill-sets. Greater autonomy for local authorities and local education and training providers means that local authorities can facilitate and support greater provision of relevant skills training in their local area.

#### ***Growing the low carbon economy - Issues to consider:***

Have you considered whether there are any particular local strengths in relation to the growth of low carbon industries?

Is there the potential to kick-start retrofit of housing stock under the Green Deal with the social housing stock?

Are local construction firms equipped to take advantage of opportunities for low carbon construction, repair, maintenance and improvement?

Is there clear signposting of advice for businesses on energy saving measures for improving productivity?

Are you encouraging local schools, colleges and HE institutions to provide skills relevant to the growth of the low carbon economy?

### **Driver 4 - raising skills and reducing unemployment**

- 4.40. It has long been recognized that skills raise productivity through a number of channels: increasing the complexity of tasks workers can carry out, increasing the returns to investing in innovation and technology, increasing the flexibility of the workforce and spillovers in learning from worker to worker. Low educational attainment and skills levels are often cited as one of the principal reasons for productivity gaps between different areas of Great Britain, and between Britain and other countries. Local educational attainment and the level of available adult skills in an area are fundamental issues for the economic prospects of an area, impacting both on the potential for local business growth and productivity improvement and the attractiveness of an area for inward investment.
- 4.41. The abolition of RDAs and area based grants including the Working Neighbourhoods Fund mean that local councils are having to face up to the implications of massive reductions in their ability to directly support local residents, and in particular those furthest from the labour market. This is a particularly severe blow in areas with high

levels of deprivation and where there are large numbers of people facing significant barriers to employment. They will need to address, through their corporate structures, the implications for those neighbourhoods previously in receipt of significant additional public funding, combined with a radically changed support system through the Work Programme.

### ***Working with employability providers***

- 4.42. As the elements of the government's new approach to welfare provision are introduced, local councils will need to find new ways of working in order to ensure that the needs of their residents are met. The single Work Programme will offer targeted, personalised help through a number of Prime Contractors and a range of sub-contracted local providers. At the same time the role of Jobcentre Plus will become more streamlined and flexible, and include management of the New Enterprise Allowance.
- 4.43. Local councils will need to adjust to a new role in relation to the employability agenda, moving in most cases away from direct delivery and into an influencing and performance management role. They can provide significant assistance to Prime Contractors in relation to information about local worklessness and skills, experience in working with local specialist agencies and from local venues to support local residents, and in some cases existing co-ordination and performance management arrangements are already in place. They also have links with employers, and are able to offer employment opportunities themselves and through existing partnerships.
- 4.44. There are likely to be a number of emerging types of roles for councils, and these may in some cases include continuing to deliver employability services under sub-contracts to Work Programme Prime Contractors. More commonly they are likely to include agreeing partnership and performance management arrangements, working on co-commissioning of local wrap around provision and use of ESF, and influencing delivery agents to ensure that the needs of local residents are met.
- 4.45. These roles might be pursued either at individual Council level or through LEPs or other sub-regional partnerships. Certainly given the geographical coverage of the Work Programme contracts, work across sub-regional areas is likely to be more influential than within a small local authority area.

### ***Co-ordinating local provision around mainstream employability services***

- 4.46. Councils should also have a role in co-ordinating other existing local provision to wrap around the Work Programme and Jobcentre Plus employability (and enterprise) support. This should involve both local voluntary sector and health services, and also their own services. For example, they can facilitate links between employability support services and social housing tenants and housing benefit claimants.

- 4.47. Current Incapacity Benefit claimants will be assessed for transition to Employment Support Allowance or Job Seekers' Allowance, with the implication that there will be increased numbers of residents, many suffering from mental health problems, required to seek work after sometimes long periods of inactivity. There is a danger the implementation of this programme, and the proposed sanctions for those JSA claimants who do not obtain work, will increase demand for health and care services, and councils should be both aware of this and develop a response to it. In addition, the imposition of the housing benefit cap may increase demand for services in some areas.

### ***Promoting local recruitment and workforce development***

- 4.48. One key role for councils will be engaging with local employers. Many councils have contacts with both public and private employers in their area and have been promoting local recruitment, identifying placement opportunities and developing apprenticeships. These contacts will be crucial for new employability providers.
- 4.49. Councils will also wish to continue to promote workforce development, and can facilitate dialogue between colleges and skills providers as well as employability providers and employers.
- 4.50. The government is committed to increasing the numbers of apprenticeships available over the coming years, and both councils and LEPs could usefully encourage their public, private and third sector partners to provide apprenticeship places and promote their take up with their residents and education providers.

### ***Improving skills and aligning provision***

- 4.51. As discussed above, school, colleges and other training providers are being given more freedom, and flexibility in planning their provision. However, adult further education will experience significant funding cuts over the coming years, and a consequence of this is that further education and skills providers and Colleges must change the way they do business.
- 4.52. Recent Government consultations<sup>7</sup> emphasise an increasing need to create a joint enterprise between learning providers, employers and individuals and strengthen the relationships between colleges, local authorities, charities, voluntary organisations and social enterprises. Colleges must drive to become more efficient and effective with a focus on quality. Colleges will be incentivised to deliver the outcomes that their customers want. Both individuals and employers will be expected to make a greater financial contribution to learning.

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<sup>7</sup> Skills for Sustainable Growth, BIS, July 2010

A Simplified Further Education and Skills Funding System and Methodology, BIS, July 2010

A Strategy for Sustainable Growth, BIS, July 2010

- 4.53. In relation to young peoples' education the role of local government in skills planning has been removed. Schools are to have more autonomy, money will no longer be ring fenced with schools free to make their own decisions about how to spend their budgets. An education bill expected in early 2011 is set to deregulate the system, freeing schools from the statutory duty to work with children's services professionals in children's trusts. Councils instead will act as "champions of social justice", with a strategic function, overseeing admissions, special educational needs and school improvement. Local authorities are also expected to play a role in ensuring that the system is responding to the needs to the economy and community, and to use labour market intelligence to "nudge" provision in the right direction if they perceive market failure.
- 4.54. With less direct levers over skills planning, local government will need to extend its influencing role into the skills arena. They will have information through their LEA on economic need, and can develop relationships with the business community to facilitate collection of information on employer demand. They can use this information to work with providers to generate a consensus around priorities for now and into the future, to help shape their areas and support employment growth.
- 4.55. Graduate retention will continue to be an issue for a number of authorities. The mechanisms to achieve this will not have changed as a result of the changing policy context. They will continue to depend largely on the overall attractiveness of the area as a location, and the range of employment opportunities available. Some councils have worked with local HE institutions to develop and market opportunities for enterprise development and self-employment as another way to support graduate retention.

***Raising skills and reducing unemployment - Issues to consider:***

Are you engaging with Work Programme contractors to ensure that provision meets the needs of local workless residents?

Are you working closely with Jobcentre Plus to identify priority groups and align provision?

How are you monitoring and influencing skills provision in schools and colleges in relation to identified existing and future local economic need?

Are you promoting take up and provision of apprenticeship places directly and through your partners?

Can you work with GP consortia to align them with new employability provision to respond to increased demand for support?

Have you explored ways to increase the level of workforce training supported by local businesses and public agencies?

## **Driver 5 - place-shaping and maximising connectivity**

- 4.56. Local authorities play a key role in creating sustainable communities and enhancing the quality of life. This requires well-connected communities with thriving economies, well served by services across public, private and third sectors, and with well-protected environments. It also requires high quality housing at an appropriate range of prices including affordable housing.
- 4.57. Successful economies tend to be well connected. They have good physical road, rail and air connections, as well as a high speed digital communications infrastructure and business networks. Likewise, broadband and the adoption of ICT has transformed business processes, and has been a principal enabler in the knowledge economy by increasing productivity, innovation and supply chain efficiencies.

### ***The role of the Homes and Communities Agency***

- 4.58. The Homes and Communities Agency is being restructured, and its core business is to support local priorities through:
- Investment in new housing and communities;
  - Providing enabling support to local partners;
  - Utilizing HCA and public sector land assets; and from April 2012;
  - Economic regulation of registered housing providers.
- 4.59. HCA intervention will be through three programmes – affordable housing, decent homes, and property and regeneration. Local Investment Plans (LIPs) will continue where requested by local authorities. They will identify how investment can be aligned and land assets and other funding streams can support housing and regeneration. LIPs will combine HCA investment with innovative uses of public land assets, and align them with RGF where appropriate.
- 4.60. In the transition to LEPs, the HCA will be working with RDAs and local partners to develop plans for RDA land and property assets.

### ***Planning for sustainable growth***

- 4.61. Planning for sustainable economic growth is central to the planning process. Local Development Plans should set out a clear economic vision and strategy “which positively and proactively encourages sustainable economic growth identifying priority areas with high levels of deprivation that should be prioritised for regeneration investment, having regard to the character of the area and the need for a high quality environment”.<sup>8</sup> PPS4 goes on to discuss the need to support existing business sectors and plan for growth,

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<sup>8</sup> Planning Policy Statement 4: Planning for sustainable economic growth, DCLG Dec 2009

and identify strategic sites for key developments. Local planning frameworks can help to provide clarity for business and potential investors and remove some of the risks inherent in the development process.

- 4.62. The government is simplifying the planning system, and has removed the requirements for regional planning frameworks. The Local Growth White Paper referenced earlier in this document sets out proposals for a new national planning framework. This will incorporate a presumption in favour of sustainable development that will apply to decisions on all planning applications. Local communities will be given a new Right-to-Build, and place a new statutory duty to co-operate on councils and all other bodies involved in plan-making, such as infrastructure providers. LEPs will be free to work with partner planning authorities to develop planning frameworks to address economic development and infrastructure issues. They may also take on other functions, including co-ordinating processing of applications for strategic development and infrastructure.
- 4.63. The government intends through these measures to increase incentives for councils to support economic growth, and these will be assisted by the New Homes Bonus scheme which will provide financial incentives to councils supporting new housing development, develop options for councils to retain locally-raised business rates, and offer discounts on business rates. The government is also exploring the introduction of Tax Increment Financing to enable councils to borrow against future business rate revenue increases.

### ***Improving the quality and supply of housing***

- 4.64. Inward investment and the expansion of existing firms is closely connected with the quality and supply of housing for the workforce. An adequate supply of housing of a range of tenures is therefore essential for economic growth. Housing can play a key role in delivering regeneration in under-performing areas with a potential for growth. Successful housing regeneration can attract longer-term private sector investment and increase the long-term viability of an area.
- 4.65. Highly skilled and mobile workers will require high-quality housing to attract them to the area, in addition to employment opportunities. Some areas, such as parts of inner London, have had difficulty in attracting skilled workers for key posts because of a shortage of affordable housing.
- 4.66. The Housing Green Paper 'Homes for the future: more affordable, more sustainable' called on all local authorities to play a stronger role in addressing the housing needs of all residents. It encourages authorities to develop their strategic housing role by using the full range of housing and land use planning powers.
- 4.67. In a recession, as house building slows, local authorities may need to consider encouraging development through mechanisms that reduce risk for developers. This

might mean providing clear planning frameworks, and/or setting up joint investment vehicles.

### ***Improving transport and accessibility***

- 4.68. A local authority should consider physical transport infrastructure in relation to its overall vision and for the sustainable economic development of the area. Councils can develop a strategic approach to the transport improvement planning process, and connect strongly with other plans within the sub-region and region. They can work with the business community and across the region to explore new mechanisms for funding transport improvements including supplementary business rates and the community infrastructure levy to fund improvements.
- 4.69. Councils can reduce dependence on the private car by encouraging development in areas of high public transport accessibility, and incorporating sustainable development principles in its planning policies.
- 4.70. Councils and LEPs may become increasingly critical to improving transport infrastructure in the future through implementing the new Tax Incremental Finance scheme once introduced.

### ***Maximising community benefit from development***

- 4.71. Where development is taking place it will be increasingly important to ensure that the benefits for local communities are maximized. While the emphasis in Section 106 agreements will continue to require a balance of priorities to be struck, this balance may need to be reassessed in relation to the resources available from other sources.
- 4.72. The Community Infrastructure Levy (CIL) came into force in April 2010. Local planning authorities will be able to raise funds from developers to fund a wide range of infrastructure needed as a result of development. Levy rates will be set out in a charging schedule contained within the Local Development Framework. Authorities will need to strike a balance between the desirability of funding infrastructure through the levy and the potential effects of the levy on economic viability of development in the area. They should identify the types of infrastructure likely to be funded, and must consult widely on it prior to examination in public. The levy will then be charged on commencement of development. Details are set out in The Community Infrastructure Levy available at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1772940.pdf>.
- 4.73. CIL is intended to provide infrastructure to support the development of an area. Where appropriate Section 106 planning obligations can operate alongside the CIL to mitigate the impact of development on specific sites.

### ***Improving communications infrastructure – superfast broadband***

- 4.74. Many of the LEP submissions identify the need to improve broadband connectivity. This has also been identified as a key priority by the government, which has now set out its vision for broadband in Britain's Superfast Broadband Future, available at <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/b/10-1320-britains-superfast-broadband-future.pdf>.
- 4.75. The government has identified fast broadband accessibility as vital to achieving its growth objectives, and is committed to ensuring virtually all homes will have access to a minimum level of service of 2Mbps by 2015. The market is already delivering rapid improvements, and community broadband schemes are helping in its deployment across the country. A mix of fixed, wireless and satellite technologies will be needed, with high-capacity fibre optic cables being a key feature of the network in the future, alongside the next generation of mobile broadband services based on new wireless technology. In less densely populated areas, this will require access to utility infrastructure, including the BT network. Local authorities will be engaged in identifying the scope for streetworks and microtrenching to reduce the cost of rolling out superfast broadband, and overhead telecoms cables will be allowed where appropriate. In remote areas, the government will invest funding and a pilot programme will commence in four areas to provide a network infrastructure upgrade.
- 4.76. The government's proposals include developing a digital hub in every community, and investing in a number of projects to test how this will be delivered. Councils can support residents and businesses in increasing access to the latest communications technology particularly in remote rural areas, and encourage learning and communication across all its businesses and communities. The government will support local approaches where communities can lead in demand stimulation and assisting access through building their own networks. Councils can also promote the use of online technology for businesses for use in marketing, management and sales.

### ***Improving regional and international connectivity***

- 4.77. A well performing local authority will develop links with other cities and regions in order to exchange learning and experience with other local authorities, and to develop opportunities for trade links with local businesses. It might receive support for this through European programmes or use existing networks, and in relation to trade links through regional inward investment bodies and the RDA.

### ***Place-shaping and connectivity - Issues to consider:***

Are planning frameworks in place to provide clarity and confidence in relation to supporting business growth, and identifying priorities for infrastructure and investment?

If there are infrastructure issues acting as a barrier to development, have you explored the potential for promoting co-ordinated investment in infrastructure through the LEP or implementing a TIF scheme?

Are you maximising the benefits from development by working with developers around a wide range of issues including employment and training?

### **Driver 6 - enhancing quality of life**

- 4.78. Councils are responsible for enforcing environmental and waste regulations, and the state of the public realm. They are also responsible for providing or influencing the way in which the majority of local services are provided, and therefore key to enhancing the quality of life for local residents and the business community. To support this role the government is preparing to introduce a general power of competence for local authorities through the Localism Bill.
- 4.79. Although quality of life is difficult to define and measure, there is evidence to suggest that it affects investment decisions. Firms continue to rank transport and skills highly in their investment decision-making, but they also seek good quality housing for their workers, good schools and a high quality environment with attractive open spaces. Highly skilled and mobile labour is attracted to locations with stable and cohesive communities, a strong cultural offer and attractive and well- provided town centres.

### ***Managing public assets***

- 4.80. Councils have been rationalising their assets over recent years, in order to maximise the use of their office and other service bases. Some have also been working with other public agencies to provide joint facilities, and others have identified surplus assets that could provide the basis for regeneration and development schemes through Local Asset-Backed Vehicles.
- 4.81. This process is likely to continue, although the slowing of market conditions through the recession has impacted on the speed with which this rationalization and regeneration can take place.

- 4.82. The Localism Bill is proposing a Community Right to Buy, which will give local groups the right to name assets such as shops, pubs, libraries and leisure centres on a council “most wanted list”. If it is put up for sale, local people will be able to prepare a business plan and be given time to raise the funds they need to bid for it.

### ***Strengthening communities***

- 4.83. For the past decade Government policies have been geared toward councils empowering local residents and community organisations to improve neighbourhoods and local services and thereby strengthen communities. The current Government is intent on continuing to empower local people to take action. Some elements of policy are designed to encourage action independent from the framework of formal municipal structures. The proposals for Neighbourhood Planning for instance will give residents freedom to create plans which could be different from the direction set by planning officials and elected Members. The intent is similar in the new powers for private citizens to take over public services, bid to purchase council buildings and set up Free Schools.
- 4.84. Other elements of policy continue the Total Place agenda of encouraging the co-ordination and merging of budgets, by focusing on users and external outcomes rather than internal bureaucratic structures. From April 2011, the first phase of Community Budgets will be introduced in pilot areas across the country. This will pool various government budgets into a single funding stream for tackling social problems around families with complex needs. This is intended to enable councils to respond more flexibly to local needs, and it is intended that these budgets will be available across the country from April 2013.
- 4.85. In addition, there will be a further programme of flexibility that will involve communities in designing and commissioning services that better meet local needs.
- 4.86. Councils will need to support community and business led improvement activity at the local level, through enabling and capacity building, as they move away from direct delivery. This will include supporting local community enterprises to manage local facilities and assets.

### ***Improving the environment and local facilities***

- 4.87. While environmental improvements and provision of facilities may be seen as luxuries that councils are increasingly unlikely to be able to afford in the time of austerity, councils should continue to recognise that they are important to the quality of life of business owners and employees as well as local residents.
- 4.88. They could identify the scope for supporting investment in this type of infrastructure as part of their CIL (see above).

### ***Developing town centres and access to culture***

- 4.89. Town centre management has long been recognized as being beneficial to local businesses through improving the local physical and trading environment. Business Improvement Districts may become increasingly important as mechanisms for managing and funding town centre management and improvement. Councils may wish to encourage business led schemes and explore ways of supporting them to lead town centre management programmes.
- 4.90. Access to culture and cultural facilities is another important factor in making places attractive not only to residents, but to the business community, and to help to attract business investment to the area. The quality of life and facilities of local town centres plays a key part in location decisions, as well as the quality of service provision.

#### ***Enhancing quality of life - Issues to consider:***

- Have you made the best use of public assets in planning regeneration schemes and reviewing local management of facilities?
- Are there ways in which local services could be provided better, for less cost?
- Is the best use being made of natural environmental assets for local people and the wider business and visitor community?
- Could local businesses be supported to lead improvements to local centres?

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