

# Middlesex University Research Repository

An open access repository of

Middlesex University research

<http://eprints.mdx.ac.uk>

Syrett, Stephen ORCID: <https://orcid.org/0000-0003-1965-6256>, North, David J., Owen, Robyn ORCID: <https://orcid.org/0000-0003-4241-3367>, Etherington, David and Engelbert, Sue (2009) Local area agreements and local economic development. Project Report. Department for Communities and Local Government, London. ISBN 9781409816744. [Monograph]

UNSPECIFIED

This version is available at: <https://eprints.mdx.ac.uk/4161/>

## Copyright:

Middlesex University Research Repository makes the University's research available electronically.

Copyright and moral rights to this work are retained by the author and/or other copyright owners unless otherwise stated. The work is supplied on the understanding that any use for commercial gain is strictly forbidden. A copy may be downloaded for personal, non-commercial, research or study without prior permission and without charge.

Works, including theses and research projects, may not be reproduced in any format or medium, or extensive quotations taken from them, or their content changed in any way, without first obtaining permission in writing from the copyright holder(s). They may not be sold or exploited commercially in any format or medium without the prior written permission of the copyright holder(s).

Full bibliographic details must be given when referring to, or quoting from full items including the author's name, the title of the work, publication details where relevant (place, publisher, date), pagination, and for theses or dissertations the awarding institution, the degree type awarded, and the date of the award.

If you believe that any material held in the repository infringes copyright law, please contact the Repository Team at Middlesex University via the following email address:

[eprints@mdx.ac.uk](mailto:eprints@mdx.ac.uk)

The item will be removed from the repository while any claim is being investigated.

See also repository copyright: re-use policy: <http://eprints.mdx.ac.uk/policies.html#copy>



## Local area agreements (LAAs) and local economic development



## Local area agreements (LAAs) and local economic development

Centre for Enterprise and Economic Development Research (CEEDR)  
Middlesex University Business School

July 2009  
Department for Communities and Local Government

Report completed for Regeneration and Economic Development Analysis (REDA), DCLG by Centre for Enterprise and Economic Development Research (CEEDR), Middlesex University, November 2007.

Project Leader: Stephen Syrett.

Project team: David North, Rob Baldock, David Etherington and Sue Engelbert

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 020 7944 4400  
Website: [www.communities.gov.uk](http://www.communities.gov.uk)

© Crown Copyright, 2009

*Copyright in the typographical arrangement rests with the Crown.*

*This publication, excluding logos, may be reproduced free of charge in any format or medium for research, private study or for internal circulation within an organisation. This is subject to it being reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the publication specified.*

Any other use of the contents of this publication would require a copyright licence.

Please apply for a Click-Use Licence for core material at [www.opsi.gov.uk/click-use/system/online/pLogin.asp](http://www.opsi.gov.uk/click-use/system/online/pLogin.asp), or by writing to the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU

e-mail: [licensing@opsi.gov.uk](mailto:licensing@opsi.gov.uk)

If you require this publication in an alternative format please email [alternativeformats@communities.gsi.gov.uk](mailto:alternativeformats@communities.gsi.gov.uk)

Communities and Local Government Publications  
Tel: 030 0123 1124  
Fax: 030 0123 1125

Email: [product@communities.gsi.gov.uk](mailto:product@communities.gsi.gov.uk)

Online via the Communities and Local Government website: [www.communities.gov.uk](http://www.communities.gov.uk)

July 2009

Product Code: 09ACST06034

ISBN: 978 1 4098 1674 4

# Contents

|  |    |
|--|----|
| <b>Executive summary</b>   | 5  |
| <b>Chapter 1</b>   | 11 |
| Introduction   |    |
| 1.1 Context for study  | 11 |
| 1.2 Study objectives   | 12 |
| 1.3 Study method   | 13 |
| <b>Chapter 2</b>   | 17 |
| Economic related indicators  |    |
| 2.1 Definition of 'economic related' indicators                            | 17 |
| 2.2 Different types of indicators  | 21 |
| 2.3 Use of local targets and indicators                                    | 29 |
| 2.4 Styles of indicators: outcome and process                              | 31 |
| 2.5 Indicators and targets   | 31 |
| <b>Chapter 3</b>   | 33 |
| Selection of economic related indicators                                   |    |
| 3.1 The selection process  | 33 |
| 3.2 Areas of selected economic indicators                                  | 34 |
| 3.2.1 Economic growth  | 34 |
| 3.2.2 Economic inclusion   | 35 |
| 3.2.3 Skills   | 36 |
| 3.2.4 Housing  | 37 |
| 3.2.5 Transport  | 38 |
| 3.2.6 Environment  | 39 |
| 3.2.7 Value for money/efficiency   | 39 |
| 3.3 The 'story of place'   | 39 |
| 3.4 Economic growth and inclusion: the balance between selected indicators | 40 |
| 3.5 The sub-regional dimension   | 41 |
| <b>Chapter 4</b>   | 43 |
| Role of stakeholders   |    |
| 4.1 Local level  | 43 |
| 4.1.1 Local strategic partnerships   | 43 |
| 4.1.2 Local authorities  | 44 |
| 4.1.3 District councils  | 44 |
| 4.1.4 Other local stakeholders   | 44 |
| 4.2 Government offices (GOs)   | 45 |
| 4.3 Central government departments   | 46 |
| 4.4 Sub-regional partnerships  | 46 |

|  |   |    |
|--|---|----|
| 4.5  | Regional development agencies (RDAs)  | 47 |
| 4.6  | Private sector  | 47 |
| 4.7  | Voluntary and community sector (VCS)  | 48 |
| 4.8  | Trade unions  | 48 |
| <b>Chapter 5</b>   |   | 49 |
| Factors influencing the selection of economic indicators                         |   |    |
| 5.1  | Capacity and deliverability   | 49 |
| 5.2  | Types of indicators available   | 50 |
| 5.3  | Data availability and analysis  | 50 |
| 5.4  | Funding   | 51 |
| 5.5  | Macroeconomic conditions  | 52 |
| <b>Chapter 6</b>   |   | 53 |
| Conclusions  |   |    |
| 6.1  | Economic indicators and their relation with local economic contexts                   | 53 |
| 6.2  | The national indicator (NI) set   | 54 |
| 6.3  | Local indicators  | 55 |
| 6.4  | Economic growth and Local area agreements (LAAs)                                      | 55 |
| 6.5  | Resources and capacity  | 55 |
| 6.6  | Local-central relations   | 56 |
| 6.7  | Sub-regional working  | 56 |
| <b>Chapter 7</b>   |   | 57 |
| Options for consideration  |   |    |
| 7.1  | Revision of national indicator set  | 57 |
| 7.2  | Development of local indicators   | 57 |
| 7.3  | Develop local capacities for economic development                                     | 58 |
| 7.4  | Strengthen the relationship between LAAs and<br>Multi-area agreements (MAAs)          | 58 |
| 7.5  | Consistency from central government departments towards<br>local/sub-regional working | 58 |
| <b>Appendix 1</b>  |   | 60 |
| LAAs and local economic development research questions                           |   |    |
| <b>Appendix 2</b>  |   | 62 |
| All economic development related indicators currently active in case study areas |   |    |

# Executive summary

## Introduction

- This study explores the variations in the number and types of economic indicators adopted across different localities within the 2008 Local Area Agreement (LAA) process by identifying the factors that influenced indicator selection and the extent and nature of the relationship of the adopted indicators to processes of local economic development. It does not cover subsequent negotiations on the refresh of LAAs.
- Ten case study localities characterised by different numbers and types of economic indicators were purposively selected to reflect different types of local economic conditions and governance arrangements. These comprised: Bournemouth, Cornwall, Hammersmith and Fulham, Norfolk, Nottingham, Reading, Rochdale, Sheffield, South Tyneside and Wolverhampton.
- Data were assembled through face-to-face and telephone interviews conducted with key stakeholders involved in the LAA process (e.g. local authority, local strategic partnership (LSP) and government offices (GOs)) and other local bodies as appropriate. This provided insights into the role of different stakeholders and enabled the identification of competing perspectives on the nature of the process and its outcomes. Central Government departments were not interviewed, as the aim was to focus on the local dimension.

## Economic related indicators in LAAs

- A wide definition of 'economic related indicators' was used for this study. The list is not definitive and was developed for the purposes of this report. This was drawn from the national indicator (NI) set and included indicators related to skills, economic inclusion and economic development as well as housing and transport.
- A range of different types of indicators are currently operating at the local level. These include national indicators, local indicators, indicators still operating from previous LAAs and multi-area agreement (MAA) related indicators (both from the NI set and locally derived). Analysis of any given locality requires the identification of *all* of these different types. Analysis based only on the designated NIs is likely to lead to misleading conclusions.

- The 2008 set of LAAs contains a much stronger presence of economic related indicators than previous rounds. Economic indicators included within the LAAs comprised three main groups; economic growth, economic inclusion, and skills, recognising that there is a strong inter-relationship between these groups. In addition other indicators related to housing, transport and the environment were seen to be variably linked to the local economic development process. There was a relatively low number of economic growth related indicators included within LAAs but a larger number of indicators related to issues of economic inclusion and skills.
- Indicator selection was in most cases closely related to the development of the local sustainable community strategy (SCS). Local area agreements are a short-term delivery mechanism for the longer term SCS<sup>1</sup> and this relationship was strongly apparent in a number of authorities with regard to the selection of economic indicators. Most areas pursued a balanced approach to indicator selection seeking to combine economic growth and inclusion agendas.
- The higher presence of economic inclusion indicators reflected the stronger development of this policy agenda at the local level. The inclusion of skills indicators reflected increasing local emphasis upon this agenda as a means of pursuing economic growth and inclusion.
- The inclusion of relatively few indicators directly related to economic growth, as opposed to skills and economic inclusion, reflected that:
  - few indicators included within the NI set related to economic growth or key determinants (e.g. innovation, productivity, investment)
  - economic growth related indicators included in the NI set were often lacking in data, poorly defined or not particularly relevant to the local economic process
  - local authorities and GOs reported that the Department for Business, Enterprise, and Regulatory Reform (BERR) (now the Department for Business, Innovation and Skills (BIS)) seemed less well prepared than other departments to advance their indicators and took a less prescriptive approach
  - problems existed in delivering on these indicators over a three-year period
- There was evidence of increasing interest in the relationship between local economic development and environmental sustainability and a desire for indicators appropriate to taking forward this agenda.

<sup>1</sup> The relationship between local area agreements and Sustainable Community Strategies is set out in Communities and Local Government (2007) *Creating Strong, Safe and Prosperous Communities*, page 34.



## Use and contribution of evidence

- Two main forms of evidence provided the basis for the LAA process: local consultation related to the SCS and local and/or sub-regional economic analysis. Economic analysis feeding into the LAA process was of a broad brush nature even though more sophisticated analysis often did exist.
- Priorities identified under the community strategy consultation provided much of the basis for the selection of indicators. These reflected a variable concern for economic issues principally focused on issues of work and worklessness and increasingly skills.
- ‘Stories of Place’ were prepared and played a significant role in driving the LAA process in all cases. In relation to economic development these set out a broad vision and were variably developed. The translation of the ‘story of place’ into the selection of economic indicators was a partial process that often did not fully communicate the wide range of local economic understanding and activity. No single story of place exists, rather there are multiple and overlapping narratives arising from different stakeholders.
- There was generally a large degree of consensus between partners about the choice of economic indicators. The strongest debates focused predominantly on agreeing the related targets.

## Role of different stakeholders

- LSPs are non statutory bodies bringing together the public, voluntary, community and private sectors. LSPs provide the forum for setting the strategic vision for an area, for setting this out in the SCS and for agreeing priorities for improvement in the LAA. LSPs played a central role in selecting economic related indicators, normally via, economic related sub-groups that took the lead in agreeing local economic priorities and delivering on them.
- Critical to the effectiveness of LSPs and local authorities in engaging with the LAA process was the quality and extent of their relationships with other local stakeholders. Local economic development departments within local authorities often had limited influence reflecting their relatively small size. The Learning and Skills Council (LSC) role was of growing importance, reflecting the increasing importance of the skills agenda.

- There was widespread recognition by local stakeholders of the important role of local partners like Jobcentre Plus and the LSC. There exists a perception across a range of local actors and GOs that although this role has developed positively it often remains constrained by the national targets that they operate to and the limited understanding of some central government departments about how things work locally.
- GOs play a positive and pivotal role in the LAA process acting as a conduit for information as well as negotiator between central government departments and LSPs/LAs.
- There was limited consideration of issues beyond the local area even where sub-regional partnerships were in existence, although recognition did exist that some issues (e.g. higher level skills) are more appropriately dealt with at a sub-regional level. Where MAAs were being negotiated the sub-regional dimension was normally more apparent. The engagement of regional development agencies (RDAs) was limited in extent reflecting a lack of priority afforded to this process by some, a lack of clarity over their role and their limited capacity to engage.
- Engagement of the private sector was limited to wider partnership working and specific projects, normally via the LSP. Across all the case study areas, both local authorities and the private sector displayed little interest in more direct involvement of the private sector in the LAA process, which they perceived as a largely bureaucratic exercise. The voluntary and community sector (VCS) was similarly involved through the wider LSP process, particularly in relation to the economic inclusion agenda.

## Factors influencing indicator selection

- There is an inherent challenge in delivering economic targets through LAAs due to their relatively short time frame and the limited capacity of local stakeholders to deliver outcomes. Given the limited resources of local authorities in relation to economic development, their ability to deliver is strongly rooted within their effective mobilisation of local stakeholders and the private sector. This context influenced the scope of economic indicator selection. Strong incentives exist to avoid adopting indicators where local councils and partners feel they have little control over the outcomes as a result of the workings of performance assessment frameworks and reward funding.
- Economic indicators related to economic inclusion and skills are relatively well represented in the NI set whilst in contrast there is limited choice in relation to the areas of economic growth and sustainable economic development. Those indicators included often reflect ease of data availability rather than

appropriateness to local economic development processes. There were a number of issues related to the measurement and definition of specific indicators that created concerns within local partners about their accuracy and appropriateness.

- Data availability and analysis was normally adequate for the development of an overview of economic conditions but more limited in terms of developing a more sophisticated understanding of the local economy.
- Funding was not a primary driver of indicator selection. However where certain funding streams were available locally (e.g. working neighbourhood fund (WNF) and local enterprise growth initiative (LEGI)) local areas felt there was an expectation from central government departments and GOs that indicators related to these would be included within the LAA.
- The economic downturn did not significantly impact upon the process of indicator selection because this took place at the start of the downturn.

## Lessons from indicator selection

- Commonly selected indicators within LAAs (and MAAs) provide only a crude approximation of overall economic activity within a locality. Any mismatch between designated targets and local economic issues is likely to reflect the LAA process which requires indicator selection from the NI set, rather than poor local understanding.
- The current NI set is limited with respect to economic activity. Major areas of economic development activity are not covered by existing indicators and a number of indicators require improvements in relation to their definitions and measurement.
- The development of locally determined indicators provides insights into the limitations of the NI set and examples of more creative and locally sensitive indicators. Over 1,200 local indicators were adopted across all LAAs, of which around one-quarter related to the local economy. Nevertheless, ease of use encourages the adoption of 'off the shelf' national indicators whilst the development of locally determined indicators is limited by available resources.
- Whilst economic development has a high profile in LAAs, indicators directly relating to economic *growth* struggle to assert a strong presence within the current LAA process. Economic development agencies and the private sector are often only marginally involved and sustainable community strategies are often underdeveloped in relation to this issue.
- Limited local capacity to deliver outcomes and the short term scale of LAAs can significantly constrain the scope of indicators adopted.

- The LAA process is valued locally in terms of priority setting and partnership working. However local stakeholders did express concerns over the bureaucratic nature of the process and a strong element of central control. Where local partners experienced a dialogue between their local area needs and the wider objectives of government department they were positive about the process. However some local partners felt that certain government departments still saw their role principally in terms of imposing their priorities and targets upon the local level.
- Sub-regional working currently only demonstrates a restricted impact on the economic dimension of the LAA process which remains strongly localised in focus. MAAs do appear to provide a mechanism to take sub-regional working forward more effectively in the future, however some local partners perceive a lack of clarity over the nature of the relationship between LAAs and MAAs, and how MAAs can add value.

## Options for consideration

- Revision of economic indicators in the NI set to cover key elements of economic growth and sustainable economic development and ensure their relevance to local economic development processes through developing appropriate definitions and improving data availability.
- Improve the use of economic related local indicators as a means for reflecting local economic needs more precisely and developing new and more innovative indicators.
- Develop the capacities of local economic development stakeholders in relation to key areas such as sub-regional working, local analysis and private sector engagement, and to ensure that sustainable community strategies have a strong economic element and effective partnership arrangements to deliver this.
- Strengthen the relationship between LAAs and MAAs to maximise synergies between them and demonstrate the added value of sub-regional working.
- Promote greater consistency in approach from central government departments with respect to the local and sub-regional impacts of their policies and targets and a stronger lead role in relation to economic development from BERR.

# Chapter 1

## Introduction

### 1.1 Context for study

Local area agreements (LAAs) comprise a set of priorities for a local area agreed between central government and key stakeholders at the local level, namely local authorities and other main partners, including the main public service agencies, all brought together in a local strategic partnership (LSP). LAAs have developed through a number of phases. The first pilot LAAs (Round One) were announced in October 2004, leading to the original 20 LAAs in March 2005. A further 66 LAA areas (Round Two) were signed in 2006, with the refreshed guidance for this second round of LAAs placing stronger emphasis upon improving central-local relations, strengthening partnership working and service delivery and developing stronger local leadership by the local authority. A third round in 63 areas followed in March 2007.

The most recent round of 150 LAAs signed in 2008 (what ministers have referred to as the “new LAAs”, due to the changes introduced through the 2006 Local Government and Public Involvement in Health Act 2007) was signed in 2008 and saw further evolution in the scope and nature of the agreements. The main objectives informing change for this third round comprised a greater emphasis on area based service delivery, more freedom in spending decisions and priorities, streamlined reporting systems, a removal of centrally imposed targets and a strengthening of local partnership working by underpinning LAAs with a new statutory duty to co-operate. In this latter respect, the 2008 LAAs were part of a wider reform that replaced previous requirements to report on more than 1200 performance indicators under multiple national performance frameworks with the introduction of a national indicator (NI) set comprising a list of 198 indicators<sup>2</sup>. Each of the LAAs agreed in 2008 were comprised of not more than 35 designated (or negotiated) indicators and associated targets (alongside 16 mandatory statutory education and early year indicators<sup>3</sup>) for the three-year period of the agreement. Progress in relation to these targets is to be assessed through a separate comprehensive area assessment (CAA), with progress taken forward in a subsequent annual review.

<sup>2</sup> CLG (2007) *The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of National Indicators*. London: CLG.

<sup>3</sup> The number of mandatory indicators was subsequently reduced to nine, and the total number of indicators in the NI set to 188.

Local economic development related activity within LAAs has witnessed a marked shift in emphasis across these different rounds, Whilst initially indicators and targets related to economic development were entirely absent for the new LAAs the economic dimension is now a well established element of these agreements. In the first round most LAAs had few or no indicators and targets related to economic development. Round Two LAAs saw the addition of a new block on economic development and enterprise which extended the scope of LAAs beyond the existing three blocks related to children and young people, healthier communities and older people, and safer and stronger communities. The introduction of this so-called 'fourth block' related to economic development and enterprise not only expanded the scope of LAAs but also required engagement with a wider range of partners than before and raised issues related to the most appropriate scale of intervention for this type of activity. In practice the extent of local economic development activity within round two LAAs often remained limited. The integration of the local enterprise growth initiative (LEGI) into the fourth block was problematic for many localities as it meant that much activity was focused on bidding for LEGI funding which was central to their fourth block activity, only for the bid not to be successful in many instances. As a result, this factor along with other 'teething problems' led a CLG (2006:p.8) report to conclude that the *"full potential of this part of the scheme is yet to be realised"*<sup>4</sup>.

For the new LAAs a significant proportion of the new NI set related directly and indirectly to economic development and regeneration activity (see 2.1). This period also saw agreement of the first round of multi-area agreements (MAAs) in July 2008 which aim to develop co-ordinated responses, particularly in the areas of economic development, housing, planning and transport, at the sub-regional and city-region scale. These developments were informed by the thinking set out in the Review of Sub-national Economic Development and Regeneration (SNR) which recognised a need to better co-ordinate interventions at various spatial levels and strengthen local roles with regard to economic development and regeneration, in order to provide greater flexibility to deliver responses clearly aligned to local economic needs.

## 1.2 Study objectives

Following the sign off of the new scheme round three LAA agreements in June 2008, initial analysis of these agreements identified notable variations in the number and types of economic indicators adopted in different types of areas and a set of issues arising from the process of indicator selection. In order to develop a greater depth of understanding as to how this process unfolded in practice under different local circumstances, and what factors influenced the

<sup>4</sup> CLG (2006) *Local Area Agreements Research: Round 2 Negotiations and Early Progress in Round 1*. London: CLG

adoption of particular numbers and combinations of economic indicators, it became apparent that more in depth study of different localities was required. In addition there was also a wider need to understand how the latest round of the LAA process was contributing to local economic development activity in line with the recommendations set out in the SNR. These included the need for an improved definition of local priorities on the basis of local economic analysis, greater recognition of the importance of wider functional economic areas, the development of effective multi-level partnership working and more effective delivery.

Within this context this report has two objectives:

1. To understand what factors influenced the selection of indicators related to local economic development within the most recent round (2008) of LAA agreements
2. To understand the extent and nature of the relationship of the indicators adopted to the particular dynamic of local economic development within different localities

### 1.3 Study method

In seeking to meet the overall project objectives, a series of research questions were identified. These related to process of selecting economic indicators, the importance of the local/sub-regional context, the role of different stakeholders, and the key factors driving indicator selection (see appendix 1). In order to answer these questions and gain a better understanding of how the LAA process played out in different contexts, the research method focused upon in depth analysis of 10 local areas. Initial analysis of indicators indicated significant local variation in terms of the numbers and types of economic related indicators within LAAs. In seeking to understand this variation it appeared that economic conditions were one important factor as was the nature of local governance arrangements.

On this basis a sample was purposively selected to include a range of local areas with:

- different numbers and types of economic indicators selected within LAAs
- different types of local economic conditions
- different types of governance arrangements

The ten case study locations selected comprised:

### **Bournemouth**

Bournemouth is a relatively prosperous coastal resort, albeit with some pockets of deprivation, located within a wider conurbation area that has experienced significant economic growth in recent years. Bournemouth is a main partner in the Bournemouth, Dorset and Poole (BDP) MAA which was agreed in July 2008 as part of the first round of MAA agreements. Whilst the LAA focuses on issues of economic inclusion and issues of service delivery in the short term the MAA focuses on economic development in a more strategic and long term manner

### **Cornwall**

Cornwall is an upper tier, county level LAA treated as a separate sub-region because of its distinct identity and peripheral location within the South West. As an area where GDP per capita is significantly below the EU average, Cornwall was an EU designated Objective One region (2000-2006) and is now a Convergence region (2007-2013). The status has led to the development of a model of partnership working involving a range of public agencies and non-governmental organisations and an established economic development strategy. This is led by the Cornwall and Isles of Scilly Economic Forum and has resulted in a LAA that incorporates a large number of local indicators.

### **Hammersmith and Fulham**

The London Borough of Hammersmith and Fulham (H&F) is the fourth best economically performing Borough within London. Despite considerable prosperity it also has areas and communities that suffer high levels of deprivation. As one of the first two London pilot LAAs in 2005, H&F has considerable experience of the LAA process. The latest LAA seeks to take forward the revised Community Strategy and focuses strongly upon issues of economic inclusion and social wellbeing as areas of underperformance whilst paying limited attention to issues of economic growth.

### **Norfolk**

Norfolk's County Council is a two-tier authority, containing seven District Councils. Norfolk is the most deprived county in the East of England, exhibiting pockets of urban and rural poverty, particularly characterised by high levels of worklessness. The 2008 LAA for Norfolk, 'Norfolk Action' is seen as the three-year delivery plan for the county's 10 year SCS, operating under the established brand 'Norfolk Ambition' and managed by Norfolk County Strategic Partnership (NCSP).



## **Nottingham**

Nottingham City Council is a unitary authority with a tightly drawn boundary, containing a population of 286,400, 44 per cent of the wider Greater Nottingham area's population. Although more than half the city's jobs are in 'knowledge intensive' industries and Nottingham is one of six 'Science Cities' nationally, nearly half of the city's residents live in super output areas that are within the 10 per cent most deprived in England. The 'One Nottingham' LSP and theme partnerships played a central role in the development of the Nottingham LAA.

## **Reading**

The rapid economic development of Reading has been based upon its ability to attract private investment and develop a skills base around a knowledge economy, as well as through its integration into the London and wider sub-regional economy. However Reading also has a large proportion of poorly qualified residents. The economic development element of the LAA has been led by Reading UK Community Interest Company (CIC), with a Board made up of non-executive directors from private sector companies and Reading Borough Council. The focus has been on sustaining and enhancing Reading's dynamic and successful economy with a particular emphasis upon improving skill levels.

## **Rochdale**

Rochdale, located within the wider Greater Manchester City-Region, has seen its economy shift from a traditional manufacturing based economy towards an increasingly low wage, low skill service based economy. The consequent problems of worklessness and low incomes have led to a LAA focused upon increasing jobs and improving the education and skills of the working population to enable them to access jobs. The selection of LAA indicators and targets was led by Rochdale Borough Council (RBC) and closely tied to the work of the LSP and the community strategy, 'Pride of Place'.

## **Sheffield**

Sheffield's economy has undergone significant changes and restructuring since the early 1980s with large scale job losses occurring in the traditional industries (steel, engineering). Whilst there has been some improved performance in the local economy, low pay, skills and high levels of worklessness characterise the labour market. Sheffield has a long established and dynamic LSP which works closely with the local authority, and which has taken the lead in the LAA process and directing economic regeneration in the city.

## **South Tyneside**

South Tyneside has experienced major economic restructuring of its traditional industries (coal, engineering and shipbuilding) causing deep rooted poverty and worklessness. The LSP has a national reputation as being an effective partnership

(receiving the Improvement and Development Agency (IDeA) Beacon Award), and has also been involved in a previous LAA round. The local authority is an active partner in the Tyne and Wear City Region and work is underway to align the LAA targets with the more recently produced MAA.

### **Wolverhampton**

The city of Wolverhampton faces significant economic challenges and major problems of deprivation due to processes of deindustrialisation. It has a strong tradition of partnership working through its LSP (the Wolverhampton Partnership) and has developed strong community engagement through a series of Local Neighbourhood Partnerships. Wolverhampton is part of the Black Country sub-region and the wider Birmingham, Coventry and Black Country city-region. The current LAA was taken as an opportunity to prioritise key economic issues, notably the need to increase job opportunities, skill levels and income levels, and enhance cross-cutting working.

Within each of the 10 case study areas, primary data was assembled through face-to-face and telephone interviews conducted with key stakeholders involved in the LAA process (e.g. the local authority, LSP, the relevant Government Office) and other bodies as appropriate (e.g. sub-regional partnerships, district councils (DCs), Jobcentre Plus, the Learning and Skills Council (LSC), regional development agencies (RDAs), further/higher education institutions, private sector, voluntary and community sector organisations etc.). This enabled the research to gain insights into the role of different stakeholders and identify competing perspectives on the nature of the process and its outcomes. Specifically the purpose of these stakeholder interviews (see Appendix 1) was to ascertain:

- the local context of the LAA process: how understanding of the local economy, local priorities and particularities influenced the process
- the role of key stakeholders at different spatial levels
- specific factors that drove the selection of indicators
- an overview of key issues relating to the process

In addition to data obtained from primary sources, relevant secondary data was analysed from community strategies, economic development strategies and other documents, to help ascertain the nature of the economic context and existing economic strategy.

# Chapter 2

## Economic related indicators

### 2.1 Definition of 'economic related' indicators

The identification of what constitutes an 'economic related' indicator is problematic. Away from a number of what might be commonly identified as core economic indicators, there is a range of indicators which relate to wider economic processes (whether to do with transport, housing, the environment, social inclusion etc.) and consequently can be included in any wider definition. This research used a wider definition of economic related indicators as established by CLG for the purposes of this research. This list, which is not intended as a definitive list, was drawn from the NI set of 198 indicators (see Table 1) and includes indicators related to skills, economic inclusion and economic development.

With respect to this working definition, two points are worth noting. First within the LAA process different stakeholders operate with different definitions as to what constitutes 'economic related indicators'. For example, some focused upon a very narrow definition of economic development related indicators in terms of the five that originated from the Department for Business, Enterprise and Regulatory Reform (BERR) (now the Department for Business, Innovation and Skills (BIS)) (NIs 166, 171, 172, 182, 183). For others, economic related indicators are those referred to as the 'Local Economy and Environmental Sustainability' indicators within the NI set, which comprise all indicators from 151 to 184 inclusive. Finally, GOs derived their own working definitions. For example Table 2 details the indicators used under different categories by the GO for London within the LAA process. Although within the research process it was made clear that a wider definition was being used, it is important to recognise that the response of different stakeholders was influenced by their own particular working definitions as to what constitutes an economic related indicator.

Second, in terms of the definition used, there were some omissions with respect to the analysis of local issues and development of 'stories of place' that arose within particular local areas. Within the case study areas there were a number of examples of NIs clearly associated with the economic development process but not included within the CLG definition. A notable example here was NI155 (number of affordable homes delivered), which was seen as a key economic development related issue in some areas. The absence of environmental

indicators from the CLG definition, including: NI 185 (CO2 reduction from local authority operations); NI186 (per capita reduction in CO2 emissions in the local authority area); NI 187 (tackling fuel poverty); NI 188 (planning to adapt to climate change) was also considered an important omission for a number of areas that were focusing on developing a 'sustainable' local economic strategy (e.g. Cornwall, Nottingham). There were also cases where specific factors, for example the issue of accessibility to employment in rural areas, led to the selection of a related indicator (e.g. in Norfolk the selection of NI175 – access to services by public transport, walking and cycling). In this analysis NI 155 (number of affordable homes) has been included due its widespread use and where other indicators have been important locally this is made clear in the discussion. These definitional related issues serve to demonstrate that indicators from across the NI set are used in varying ways in seeking to develop local economic strategies derived from particular 'stories of place'.

**Table 1** List of economic related indicators (definition used in this study)

|        |   |
|--------|---|
| NI 116 | Proportion of children in poverty   |
| NI 117 | 16-18 year olds not in education, employment or training (NEETs)  |
| NI 118 | Take up of childcare by low-income working families   |
| NI 146 | Adults with learning disabilities in employment   |
| NI 148 | Care leavers in education, employment or training   |
| NI 150 | Adults in contact with secondary mental health services in employment   |
| NI 151 | Overall Employment rate (working-age)   |
| NI 152 | Working age people on out of work benefits  |
| NI 153 | Working age people claiming out of work benefits in the worst performing neighbourhoods   |
| NI 154 | Net additional homes provided   |
| NI 157 | Processing of planning applications   |
| NI 159 | Supply of ready to develop housing sites  |
| NI 161 | Number of Level 1 qualifications in literacy (including ESOL)   |
| NI 162 | Number of Entry level qualifications in numeracy achieved   |
| NI 163 | Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher   |
| NI 164 | Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 3 or higher   |
| NI 165 | Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher   |
| NI 166 | Median earnings of employees in the area  |
| NI 167 | Congestion – average journey time per mile during the morning peak  |
| NI 168 | Principal roads where maintenance should be considered  |
| NI 169 | Non-principal classified roads where maintenance should be considered   |
| NI 170 | Previously developed land that has been vacant or derelict for more than 5 years  |
| NI 171 | New business registration rate  |
| NI 172 | Percentage of small businesses in an area showing employment growth   |
| NI 173 | Flows on to incapacity benefits from employment   |
| NI 174 | Skills gaps in the current workforce reported by employers  |
| NI 176 | Working age people with access to employment by public transport (and other specified modes)  |
| NI 177 | Local bus and light rail passenger journeys originating in the authority area   |
| NI 178 | Bus services running on time  |
| NI 179 | Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year |
| NI 180 | The number of changes of circumstances which affect customers' HB/CTB entitlements within the year  |
| NI 181 | Time taken to process Housing Benefit/Council Tax Benefit new claims and change events  |
| NI 182 | Satisfaction of businesses with local authority regulatory services   |
| NI 183 | Impact of local authority regulatory services on the fair trading environment   |

**Table 2** Government Office for London's list of economic related indicators

| <b>Employment</b>                |  |
|----------------------------------|--|
| NI 45                            | Young offenders engagement in suitable education, employment or training MoJ DSO   |
| NI 117                           | 16 to 18 year olds who are not in education, training or employment (NEET) PSA 14  |
| NI 118                           | Take up of formal childcare by low-income working families DWP DSO   |
| NI 144                           | Offenders under probation supervision in employment at the end of their order or license PSA 16                            |
| NI 146                           | Adults with learning disabilities in employment PSA 16   |
| NI 148                           | Care leavers in employment, education or training PSA 16   |
| NI 150                           | Adults in contact with secondary mental health services in employment PSA 16   |
| NI 151                           | Overall employment rate PSA 8  |
| NI 152                           | Working age people on out of work benefits PSA 8   |
| NI 153                           | Working age people claiming out of work benefits in the worst performing neighbourhoods DWP DSO                            |
| NI 173                           | People falling out of work and on to incapacity benefits DWP DSO   |
| <b>Investment/Infrastructure</b> |  |
| NI 157                           | Processing of planning applications as measured against targets for 'major', 'minor' and 'other' application types CLG DSO |
| NI 166                           | Average earnings of employees in the area BERR DSO   |
| NI 167                           | Congestion – average journey time per mile during the morning peak PSA 5   |
| NI 170                           | Previously developed land that has been vacant or derelict for more than 5 years CLG DSO                                   |
| NI 175                           | Access to services and facilities by public transport, walking and cycling DfT DSO   |
| NI 176                           | Working age people with access to employment by public transport (and other specified modes) DfT DSO                       |
| <b>Skills</b>                    |  |
| NI 90                            | Take up of 14-19 learning diplomas DCSF DSO  |
| NI 91                            | Participation of 17 year-olds in education or training DCSF DSO  |
| NI 161                           | Learners achieving a Level 1 qualification in literacy PSA 2   |
| NI 162                           | Learners achieving an Entry Level 3 qualification in numeracy PSA 2  |
| NI 163                           | Working age population qualified to at least Level 2 or higher PSA 2   |
| NI 164                           | Working age population qualified to at least Level 3 or higher PSA 2   |
| NI 165                           | Working age population qualified to at least Level 4 or higher PSA 2   |
| NI 174                           | Skills gaps in the current workforce reported by employers DIUS DSO  |

**Table 2** Government Office for London's list of economic related indicators**Business**

|        |  |
|--------|--|
| NI 10  | Visits to museums or galleries DCMS DSO  |
| NI 171 | VAT registration rate BERR DSO   |
| NI 172 | VAT registered businesses in the area showing growth BERR DSO                          |
| NI 182 | Satisfaction of businesses with local authority regulation services BERR DSO           |
| NI 183 | Impact of local authority regulatory services on the fair trading environment BERR DSO |

**General/Community**

|        |  |
|--------|--|
| NI 17  | Perceptions of anti-social behaviour PSA 23  |
| NI 110 | Young people's participation in positive activities PSA 14   |
| NI 154 | Net additional homes provided PSA 20   |
| NI 159 | Supply of ready to develop housing sites CLG DSO   |
| NI 179 | Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year CLG DSO |

## 2.2 Different types of indicators

In seeking to understand how economic related indicators are being used within any given local area, it is important to recognise that a range of different types of indicators may be in operation. The main types comprise:

- national indicators from the NI set – these could take the form of targets negotiated and agreed with Government (Table 3) or of targets agreed with local partners but not with Government (Table 4)
- locally determined local indicators (not from the NI set) (Table 5)
- pre-existing indicators established under previous LAAs and still operational (i.e. relating to agreed stretch targets with reward grant element) (see Table 6)
- MAA related indicators (combining indicators from the NI set and locally determined indicators) (Table 7)

Of these types, the national indicators from the NI set negotiated and agreed with government (commonly referred to as designated national indicators) are of primary importance. However there is considerable variation in the balance between these different types of indicators and their numbers across localities (see Appendix 2). Importantly analysis of any given locality requires the identification of *all* of these different types in order to get a full picture of how indicators were being used in practice. Analysis based on the designated NIs only could lead to misleading conclusions for given areas where other types of indicators are in active use. For example in Bournemouth, the restricted number of designated NI economic related indicators within the LAA needs to be understood alongside the ongoing operation of a number of stretch targets from

the previous LAA and the indicators developed under the MAA which include both indicators drawn from the NI set and locally determined ones.

Where indicators were still in operation from previous LAAs (i.e. relating to agreed stretch targets) these were dealt with in different ways. In some LAAs such existing indicators were converted into indicators from the NI set (e.g. South Tyneside converted the pre-existing new business registration indicator into NI171) to produce one overall package, whereas elsewhere they were kept entirely separate (e.g. Bournemouth) in order to avoid potential confusion and double counting of outcomes.

| Title of national indicators  | Bournemouth | Cornwall | Hamm & Fulham | Norfolk | Nottingham | Reading | Rochdale | Sheffield | South Tyneside | Wolverhampton |
|---|-------------|----------|---------------|---------|------------|---------|----------|-----------|----------------|---------------|
| 116 Proportion of children in poverty   |             | X        |               |         |            | X       |          |           |                | X             |
| 117 16-18 year old NEETs  |             | X        |               | X       | X          |         | X        | X         | X              | X             |
| 118 Take up of childcare by low-income working families   |             |          |               |         |            |         | X        |           |                |               |
| 146 Adults with learning disabilities in employment   |             |          |               |         |            |         |          | X         |                |               |
| 148 Care leavers in education, employment or training   |             |          |               |         |            |         |          |           | X              |               |
| 150 Adults in contact with secondary mental health services in employment                                       | X           |          | X             |         | X          | X       |          | X         |                |               |
| 151 Overall Employment rate (working-age)   |             |          |               |         | X          |         | X        |           |                | X             |
| 152 Working age people on out of work benefits  |             |          | X             | X       | X          | X       |          | X         | X              |               |
| 153 Working age people claiming out of work benefits in the worst performing neighbourhoods                     |             | X        | X             |         |            |         | X        |           |                | X             |
| 154 Net additional homes provided   | X           |          | X             | X       | X          | X       |          |           |                | X             |
| 155 Number of affordable homes delivered (gross)  |             |          |               |         |            | X       | X        | X         |                |               |
| 163 Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher |             |          |               | X       | X          | X       | X        | X         |                | X             |



| <b>Table 3</b> Economic related national indicators included in case study LAAs  |                    |                 |                          |                |                   |                |                 |                  |                       |                      |
|--|--------------------|-----------------|--------------------------|----------------|-------------------|----------------|-----------------|------------------|-----------------------|----------------------|
| <b>Title of national indicators</b>  | <b>Bournemouth</b> | <b>Cornwall</b> | <b>Hamm &amp; Fulham</b> | <b>Norfolk</b> | <b>Nottingham</b> | <b>Reading</b> | <b>Rochdale</b> | <b>Sheffield</b> | <b>South Tyneside</b> | <b>Wolverhampton</b> |
| 164 Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 3 or higher  |                    |                 |                          |                |                   |                | X               | X                | X                     | X                    |
| 165 Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher  |                    | X               |                          |                |                   | X              |                 |                  |                       | X                    |
| 166 Median earnings of employees in the area   |                    |                 |                          | X              |                   |                |                 |                  |                       |                      |
| 167 Congestion – average journey time per mile during the morning peak   | X                  |                 |                          |                | X                 |                |                 | X                |                       | X                    |
| 171 New business registration rate   |                    |                 |                          | X              | X                 | X              | X               | X                | X                     | X                    |
| 173 Flows on to incapacity benefits from employment  |                    |                 |                          |                |                   |                |                 |                  | X                     |                      |
| 176 Working age people with access to employment by public transport (and other specified modes)   |                    |                 |                          |                |                   |                |                 |                  | X                     |                      |
| 178 Bus services running on time   |                    |                 |                          |                |                   | X              |                 |                  |                       |                      |
| 179 Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year |                    |                 | X                        |                |                   |                |                 |                  |                       |                      |

**Table 4** Economic related local targets drawn from the national indicator set included in case study LAAs

| Title of national indicators  | Bournemouth | Cornwall | Hamm & Fulham | Norfolk | Nottingham | Reading | Rochdale | Sheffield | South Tyneside | Wolverhampton |
|---|-------------|----------|---------------|---------|------------|---------|----------|-----------|----------------|---------------|
| 45 Young offenders engagement in suitable education, employment and training                |             | X        |               |         |            |         |          |           |                |               |
| 116 Proportion of children in poverty   |             |          |               |         |            |         | X        |           |                |               |
| 146 Adults with learning disabilities in employment   |             |          | X             |         |            | X       |          |           |                |               |
| 148 Care leavers in education, employment or training                                       |             |          | X             |         |            |         |          |           |                |               |
| 151 Overall Employment rate (working-age)   |             | X        |               |         |            | X       |          |           |                |               |
| 155 Number of affordable homes delivered (gross)  |             |          | X             |         |            |         |          |           |                |               |
| 168 Principal roads where maintenance should be considered                                  |             |          |               |         |            |         |          | X         |                |               |
| 171 New business registration rate  |             |          | X             |         |            |         |          |           |                |               |
| 174 Skills gaps in the current workforce reported by employers                              |             |          |               |         |            | X       |          |           |                |               |
| 181 Time taken to process Housing Benefit/ Council Tax Benefit new claims and change events |             |          | X             |         |            |         |          |           |                |               |
| 188 Planning to adapt to climate change   |             |          |               |         | X          |         |          |           |                |               |
| 192 Percentage of household waste sent for reuse, recycling and composting                  |             |          |               |         | X          |         |          |           |                |               |

**Table 5** Locally determined local indicators (not taken from NI set) in case study areas

| Case Study Area  | Locally determined local indicators  |
|------------------|--|
| <b>Norfolk</b>   | <ul style="list-style-type: none"> <li>• Better business regulation (based on local business satisfaction surveys)</li> <li>• Employment in higher level occupations (based on Standard Occupational Classifications 1-3)</li> </ul>   |
| <b>Sheffield</b> | <ul style="list-style-type: none"> <li>• State of the roads (adaptation of NI168)</li> <li>• Buying locally: measuring council spending and procurement in the Local Economy</li> <li>• New business registrations below VAT level</li> <li>• Economic value of culture</li> </ul> |

**Table 6** Pre existing indicators established under previous LAAs and still operational in case study areas

| Case Study Area    | Other Indicators  |
|--------------------|---|
| <b>Bournemouth</b> | <ul style="list-style-type: none"> <li>• CYP1 Reduce the percentage of NEETs (16-18 year olds not in education, employment or training)</li> <li>• ED1 Support to work: Increase the number of people in sustainable employment.</li> <li>• ED6 Customer care skills: Improve customer care skills in preparation of 2012 Games by increasing the number of people in Poole and Bournemouth who are employees in small businesses (49 employees or less) in the boroughs gaining an NCFE Level 2 Certificate in Customer Service for hospitality leisure, travel and tourism.</li> </ul>  |
| <b>Cornwall</b>    | <ul style="list-style-type: none"> <li>• Number of people on Incapacity Benefits for more than 2 years helped back into work (Target 250 overall)</li> <li>• KW installed capacity – heat, electric, cooling</li> <li>• Sustain 5.1 Number of businesses securing green accreditation</li> <li>• Growth in number of business sector organisations linking into regional and national sector organisations</li> <li>• Development of business clusters to promote learning near to the workplace</li> <li>• Increase number of adult population with Skills for Life numeracy qualifications at level 2</li> <li>• Increase number of adult population with Skills for Life literacy qualifications at level 2</li> <li>• Number of the working age population having a first full level 2 qualification</li> <li>• Number of the working age population having a first full level 3 qualification</li> <li>• Number of the working age population having a first full level 4 qualification</li> <li>• % of adults accessing the internet in the last three months</li> <li>• % businesses selling goods/services online</li> <li>• % availability of high speed next generation broadband networks</li> <li>• Employment Space Created for B1, B2, B8 uses</li> <li>• Employment Space in development for B1, B2 and B8 uses (new or upgraded)</li> <li>• % of B1, B2 and B8 employment in development receiving public sector funding targeting BREEAM (or equivalent) Excellent standard</li> <li>• Sq. mtr of vacant floor space generated</li> <li>• Shopping centre yield</li> </ul> |

**Table 6** Pre existing indicators established under previous LAAs and still operational in case study areas

| <b>Case Study Area</b> | <b>Other Indicators</b>  |
|------------------------|--|
| <b>Nottingham</b>      | <ul style="list-style-type: none"> <li>• Number of VAT registered businesses in Nottingham</li> <li>• Number of IB Claimants in the 9 Department of Work and Pensions (DWP) priority wards</li> <li>• Number of sustainable job outcomes for IB &amp; ISLP Claimants</li> </ul>  |
| <b>Rochdale</b>        | <ul style="list-style-type: none"> <li>• Number of IB claimants moved off benefits into work</li> <li>• Number of residents aged 50+ moved from benefits into work</li> </ul>  |
| <b>South Tyneside</b>  | <ul style="list-style-type: none"> <li>• LAA 110 New Business Registration Rate (converted to NI 171)</li> <li>• LAA 113 Self Employment Rate</li> </ul>   |
| <b>Wolverhampton</b>   | <ul style="list-style-type: none"> <li>• Number of business start-ups in Wolverhampton created and surviving after 12 months following Business Link Intensive Assistance</li> <li>• Number of adults from priority wards of Wolverhampton aged 19-64 achieving and NVQ Level 1 qualification or equivalent</li> <li>• Number of adults from priority wards of Wolverhampton achieving NVQ Level 2 qualification or equivalent</li> <li>• Number of people aged 17-64 not in employment helped into work for a sustained period through jobs projects in eight priority wards</li> </ul> |

| <b>Table 7</b> Economic related indicators included in MAAs related to case study areas |   |
|---|---|
| <b>Case Study Area</b>  | <b>Other Indicators</b>   |
| <b>Bournemouth</b>  | <p><i>From NI set:</i></p> <ul style="list-style-type: none"> <li>• NI 165 Secure a higher proportion of the population aged 19-64 to at least Level 4 or higher (PSA 2)</li> <li>• NI 167 Reduce growth in congestion (PSA 5)</li> </ul> <p><i>Locally determined (still under development):</i></p> <ul style="list-style-type: none"> <li>• Percentage growth in GVA per employee (PSA 7 reduce gap in economic performance)</li> <li>• Convergence between median earnings in Great Britain and the sub-region (PSA 7 reduce gap in economic performance)</li> <li>• Raise graduate retention and employment within the local economy (PSA2 Improve the skills of the population)</li> <li>• Provide new key employment sites with good access (PSA 8 overall employment rate)</li> <li>• Improved connectivity to South Hampshire and London (PSA 5 Deliver reliable and efficient transport networks)</li> <li>• Improve connectivity to Bristol and the North (PSA 5 Deliver reliable and efficient transport networks)</li> <li>• Maximise the synergies between the environment and economic growth and the minimisation of environmental impacts</li> </ul> |
| <b>Rochdale</b>   | <p><i>From NI set</i></p> <ul style="list-style-type: none"> <li>• NI 151 Overall employment rate (% of working age population)</li> <li>• NI 153 Working age people on out of work benefits in worst performing neighbourhoods (% of working age pop)</li> <li>• NI 163 Proportion of adults qualified to Level 2 or higher (% of adult pop)</li> <li>• NI 165 Proportion of adults qualified to Level 4 or higher (% of adult pop)</li> </ul> <p><i>Locally determined indicators):</i></p> <ul style="list-style-type: none"> <li>• Total annual real Gross Value Added (GVA) output (£Million)</li> <li>• GVA per hour worked (£ per head)</li> <li>• Total employment (000s)</li> <li>• Stock of VAT registered companies</li> </ul>   |

**Table 7** Economic related indicators included in MAAs related to case study areas

| Case Study Area | Other Indicators   |
|-----------------|--|
| South Tyneside  | NI 151 Overall Employment Rate   |
|                 | NI 174 Skills Gap in the Workforce reported by employers                                   |
|                 | NI 106 Young people from low income backgrounds progressing to higher education            |
|                 | NI 152 Working age people on out of work benefits  |
|                 | NI 153 Working age people claiming out of work benefits in worst performing neighbourhoods |
|                 | NI 163 Proportion of people aged 19-59/64 qualified to at least level 2 or higher          |
|                 | NI 164 Proportion of people aged 19-59/64 qualified to at least level 3 or higher          |
|                 | NI 165 Proportion of people aged 19-59/64 qualified to at least level 4 or higher          |
|                 | NI 117 – 16-18 year olds who are not in education, employment or training (NEET)           |

### 2.3 Use of local targets and indicators

The case studies demonstrate a wide-ranging use of local targets and indicators (see Tables 4 and 5). A number of the case studies made no use of local indicators (e.g. Norfolk, Rochdale, South Tyneside and Wolverhampton), others made use of a small number from the NI set (e.g. Cornwall, Hammersmith and Fulham, Nottingham, Reading, Sheffield). In addition there were a smaller number of instances of locally determined indicators (i.e. not taken from the NI set) (e.g. Cornwall, Norfolk, Sheffield, the Bournemouth Dorset Poole (BDP) MAA) (see Tables 5, 6 and 7). Such variation illustrates that different local authorities, LSPs and GOs adopted quite different stances to the use of local indicators. Whilst some saw local targets and indicators as merely adding unnecessary complexity, others saw them as playing a critical role in developing an LAA better aligned to local needs and strengthening partnership working around key local economic priorities.

Where locally-agreed targets were adopted based on the NI set (see Table 4), this often reflected issues that were recognised as of being importance locally but where there were concerns related to: (a) whether the local authority had the necessary resources to effect change (e.g. NI 151 overall employment rate); (b) whether the definition and measure of the proposed indicator was appropriate and the necessary data available (e.g. NI 171 new business registration rate; NI 174 skills gaps in the current workforce reported by employers); and (c) the need to keep down the total number of NIs within the LAA (e.g. Reading, Hammersmith and Fulham).

Where locally determined local indicators were included (see Tables 5 and 6), this reflected local concerns as to the appropriateness of the indicators within the NI set to their needs and a desire to develop alternatives better suited to taking forward local/sub-regional economic development strategies in a meaningful manner. This situation was seen notably within Cornwall, but also within Sheffield and the BDP MAA. In these cases, the identified local indicators are often yet to be formalised reflecting that the development of such indicators requires resources and consultation with relevant data providers. In a number of the case studies, the need for indicators better oriented to local needs was identified but a decision was taken not to pursue locally determined indicators as this might require a considerable resource input, not only with regard to setting up the indicator but also in terms of getting hold of the data, determining baselines and subsequent monitoring. In addition, the pursuit of locally determined indicators raised issues of comparability with other areas. As a result the easier route was to use NIs which could be taken 'off the shelf'.

However, the desire for more relevant locally determined indicators does provide important insights into the limitations of the NI set, the desire for more local precision in indicator use and the existence of local creativity with respect to indicator development. In a number of cases there is evidence of partnerships developing a more comprehensive list of performance indicators in relationship to their own economic strategy. For example, in Reading, a mix of 70 nationally set economic regeneration performance indicators; quality of life indicators published by the Audit Commission and local performance indicators collected by Reading Borough Council and partner organisations is currently under development.



## 2.4 Styles of indicators: outcome and process

The economic related indicators included in the NI set comprise differing types. Some relate to outcomes (e.g. NI 166 median earning of employees; NI 151 overall employment rate; NI 116 proportion of children in poverty; NI 117 16-18 year old NEETs), and are useful in terms of 'taking the temperature' of local economic performance relative to other areas. In contrast other indicators relate much more to particular elements of the process of local economic development (e.g. NI 182 the satisfaction of businesses with local authority regulatory services or NI 118 take up of child care by low income working families). Other indicators serve both these purposes to some degree (e.g. NI 163 proportion of the population qualified to Level 2 or higher). That indicators are not all of the same type had some influence with regard to their inclusion within the LAA, given different local approaches (i.e. some localities placing a greater emphasis on outcomes, others on processes). However other factors, such as the restricted range of indicators available and the perceived need for a degree of balance in the coverage of different areas (e.g. skills, economic inclusion, economic development etc), were often as important as the style of the indicator within the selection process.

## 2.5 Indicators and targets

This study focused primarily upon the selection of economic related indicators within the LAA process, rather than the agreement of specific targets. However the relationship between indicators, target setting and the achievement of targets (with resulting reward grants) is clearly important. Differing approaches across the case studies were evident here. Where the LAA process was focused very narrowly on performance and the ability to meet targets, not surprisingly the types of targets generated by particular indicators became a major influence on the selection of indicators (e.g. Hammersmith and Fulham, Sheffield). In other situations the emphasis was rather more upon getting the right indicators for take forward local economic development, with less concern about the targets per se, as was evident within Cornwall. In these situations where a larger number of locally derived indicators have been identified but not always fully developed, there are consequent impacts for the agreement and achievement of targets. Such differences in approach reflect the continuation of different views of the LAA process identified in previous LAA evaluations<sup>5</sup>. Although increasingly LAAs are seen as all embracing agreements that provide a means for taking forward the community strategy, certain stakeholders still see them in narrower terms as a more tightly focused formal agreement to tackle particular key areas where local partners can add value.

<sup>5</sup> CLG (2006) *Local Area Agreements Research: Round 2 Negotiations and Early Progress in Round 1*. London: CLG

A significant finding of the research across the case studies was that there was often considerable consensus over the selection of economic related indicators, with relatively few examples of strong disagreement between stakeholders. Where disagreement over indicator selection was evident this was usually because the GO, on behalf of a central government department, had sought to negotiate the inclusion of an indicator which local stakeholders had not originally chosen or considered inappropriate.

In contrast, debates over the setting and meeting of targets were often more intense, with different bodies concerned about their ability to deliver, fearing failure might result not only in a loss in reward funding but also to a poor rating in terms of performance management. A considerable tension was often apparent between wanting to develop an LAA which was aspirational and ambitious and the perceived need to adopt realistic and manageable targets. With the LAA operating over a short three year period, the preference was towards setting 'manageable' targets. As a result a number of stakeholders across the case studies pointed out that on occasions the final targets were sometimes rather too unambitious. However, in other cases, notably when there was strong pressure from GOs or central government departments on a particular issue, local areas sometimes agreed to what they considered to be overly ambitious targets (e.g. Rochdale).

# Chapter 3

## Selection of economic related indicators

### 3.1 The selection process

Although there is some variation evidently related to the selection process of economic related indicators for LAAs across the case studies, the common pattern was to build upon two major sources of input. First, the use of various types of local/sub-regional economic analyses. These were of varying levels of sophistication ranging from basic economic overviews, through to more detailed work undertaken as part of an economic development strategy or in relation to a particular issue (e.g. on enterprise if the area had bid for LEGI funds). These were used in the preparation of the 'story of place' which underwrote the LAA (see 3.3). Second, the use of wider local consultation processes, normally led by the LSP and centred upon the production or revision of the SCS. Such processes typically involved consultation with key stakeholders and local residents and communities (the latter via mechanisms such as local meetings or resident surveys) in relation to all elements of local development including issues relating to skills, economic inclusion, regeneration and economic development. Where a MAA was being developed and/or there was a well developed sub-regional dimension, then consultations with these stakeholders also formed some part of this process.

In a number of cases there was a very close relationship between the development of the SCS and the LAA (e.g. Norfolk, Nottingham, Wolverhampton, Rochdale, Hammersmith and Fulham, South Tyneside), with a number of authorities talking of the LAA in terms of it being a short term delivery plan for the longer term delivery of the SCS in line with current guidance. In these situations, the priorities identified under consultation for the SCS provided the basis for the selection of indicators. As a result, the extent of the economic dimension of the SCS and the LSP arrangements for delivering on it, were key elements shaping the process (see 4.1). In most cases this process was public sector led normally by the local authority. However where a different stakeholder led on this issue, for example in Reading via a private sector led economic development arm of the Council (Reading UK CIC), or by the MAA (as in Bournemouth, which had a private sector majority board), the orientation was

somewhat different, with an economic development agenda informed by private sector interests coming through more strongly.

The process of deciding upon precise indicators was normally undertaken by a relatively small number of individuals drawn from the LSP, local authority and GO. The GO played a pivotal role in communicating the agendas of central government departments and providing a context of what combinations of indicators would be acceptable to central government, as well as feeding back issues from individual authorities to government departments (see 4.2). Normally the process was one of whittling down the choice from a relatively large number of indicators to a small number of 5 or 6 economic related indicators, which in most cases were considered to represent an appropriate balance within the overall LAA. However, in some cases a small core of indicators was identified first and then further indicators were added in around these (e.g. Wolverhampton). The full range of factors that influenced the choice of indicators is discussed in section 5.

## 3.2 Areas of selected economic indicators

### 3.2.1 Economic growth

As noted in 3.1, there is a range of indicators which relate directly and indirectly to economic development. Within this range, there was a notable lack of indicators selected within the case study localities that directly relate to the area of economic growth. Of these, by far the most popular was NI 171 (new business registration rate) which was selected by seven of our ten case study areas as a designated NI and by one as a local target. This is in line with national figures where it was included as a designated NI in 76 out of 150 LAAs. Aside from this indicator, other growth indicators, such as overall employment rate (NI 151, included in four out ten case study areas) and median earnings of employees (NI 166, one area) had a relatively weaker presence.

The lack of selection of economic growth related indicators can be explained with reference to a combination of factors. First, and of particular importance, was the fact that the NI set contained only a very small number of indicators that related directly to economic growth and these were partial in their coverage. The NI set includes no indicators relating to key elements of the economic growth process such as investment, innovation and productivity whilst those that are included were often perceived to relate to aspects of economic development that were of limited importance. In the case studies, of BERR's five indicators, aside from NI171 (new business registration rate), there was no use of NI183 (impact of local authority regulatory services on the fair trading environment) NI182 (satisfaction of businesses with local authority regulatory services) or NI172 (percentage of small businesses in an area showing employment growth), and only one use

of NI166 (median earnings) – figures broadly in line with national patterns of adoption. Consequently, even where partnerships prioritised the economic growth agenda it was frequently difficult for them to identify indicators relevant to their local economic development strategies.

Second, those indicators included in the NI set often did not have the data required to measure them in place or there were problems relating to definition and measurement which made them unattractive for selection, particularly when there was a desire to use them for target setting. Even with respect to the most used indicator, NI 171, there was considerable dissatisfaction with the initial definition used and pressure for its modification. Third, compared to other central government departments BERR appeared to be less well prepared with respect to the definition and measurement of its preferred indicators and less assertive in getting them adopted. Fourth, for certain more economically successful areas, economic growth was not seen necessarily as a priority area, with instead a greater focus on economic inclusion (e.g. Hammersmith and Fulham). Also this arena of activity was seen by some to be better pursued at the sub-regional level (e.g. via the MAA in the case of Bournemouth). However for most local areas economic growth was considered to be of central importance to their future, particularly in the more deprived localities (e.g. Cornwall, Rochdale, Wolverhampton, Sheffield) where it was recognised it had a key role alongside economic inclusion. Finally, the challenge of delivering targets related to economic growth across a short three year period made these unattractive indicators to adopt for some authorities. Most LAs/LSPs felt that they had limited ability to effect change in relation to indicators such as increasing median earnings within the local area in a three year period.

### 3.2.2 Economic inclusion

Economic growth and inclusion are clearly related and not incompatible. However, there is a much larger number of indicators relating directly to economic inclusion within the NI set. These comprise more general measures including NI152 (working age people on benefit), which six case study areas adopted, NI 116; (proportion of children in poverty – three areas), through to more specific indicators relating to particular groups including NI117 (16-18 year old NEETS – seven areas); NI 153 (claimants of out of work benefits in worst performing neighbourhoods – three areas and NI150 (adults in contact with secondary mental health services into employment – six areas).

Indicators NI 151-153 were commonly treated as a cluster of indicators with the LAA process including at least one, often two and sometimes all three (e.g. South Tyneside). Overall, given the fact that the NI set includes a number of indicators and that the causal relationships between factors are often complex and poorly understood, there is scope for considerable overlap between these indicators.

Consequently, in different localities there were differing rationales provided as to why a particular set of indicators provided an appropriate response to economic inclusion, but also recognition that a different combination of indicators might be equally acceptable. For example, NI116 the indicator related to child poverty appears in only three case study LAAs as either a national or local indicator, with some respondents arguing that this issue is dealt with through other indicators, such as increasing the employment rate. In contrast, it was argued by others that such broad indicators of poverty are important as they focus attention on this issue and a range of other related ones (e.g. low pay, high childcare costs and employer discrimination).

The relative popularity of economic inclusion indicators within LAAs reflected a number of factors. First this area relates to a major plank of current economic and social policy, that sees employment as the route out of poverty. It includes three major areas of national government policy (notably in relation to raising the employment rate, reducing child poverty, and reducing the number of NEETs) which were strongly communicated from central government departments through GOs. Second, given the importance of local consultation in producing the community strategies that frequently shaped the priorities of LAAs, issues of work and worklessness were commonly identified as key themes. Third, problems of worklessness were an issue identified in all localities, even the more prosperous ones (e.g. Hammersmith and Fulham, Reading, Bournemouth). Finally, for those areas in receipt of WNF funding there was an accepted practice that NI153 needed to be included.

### 3.2.3 Skills

The development of skills within the local economy was commonly seen as a key area of activity linking together the economic growth and inclusion agendas. A notable feature of a number of the case studies was a very strong emphasis upon skills. This was evident across economic contexts, from prosperous areas, such as Reading and Bournemouth, through to more deprived areas such as Wolverhampton and South Tyneside (through both the LAA and MAA),

With regard to skills there were three central indicators relating to level 2 (NI 163), level 3 (NI 164) and level 4 (NI 165). The Level 2 indicator was the most popular selection (included in 6 of the case study LAAs), reflecting the priority given to this level by the LSCs, whilst the Level 3 indicator was included in four case studies and Level 4 in three. In all but one case study areas there was recognition that there was a need for an improvement of skills levels across all levels, a view reflected in Wolverhampton where all 3 were selected. However, more commonly, given the overall constraints on the numbers of total indicators and a strong reliance on LSC resources, the choice became whether to include 1 or 2 of these main skills indicators, with a prevailing view that influencing skills at Levels 2 and 3

was more achievable at the local level and in the short term. Whilst a need to improve higher level skills related to developing a knowledge based economy was widely recognised in most 'stories of place', there was recognition that these skills operated across wider labour markets and were perhaps better dealt with sub-regionally. Where MAAs were in operation in Bournemouth, South Tyneside and Rochdale, the skills agenda was commonly pursued at this sub-regional level including indicators related to Level 4 skills (NI 165).

Where higher-level skills were recognised to be of fundamental importance locally, as for example in the high growth Reading economy, NI 165 was included. In the case of Cornwall NI 165 (Level 4) was made the skills priority within the LAA because of the area's underperformance both regionally and nationally at this level. The development of high level skills was recognised as a priority area for Cornwall within its Convergence Programme, with consequent access to European Social Fund (ESF) investment to support skills delivery at this level which was not available to other areas. Furthermore, some stakeholders pointed out that as there was already a high level of activity aimed at raising skills at Levels 2 and 3 within the area via existing LSC and ESF funds the LAA could add greatest value by prioritising Level 4. In contrast Hammersmith and Fulham did not include any skills indicators, reflecting a strong focus on economic inclusion and school age education agendas.

In addition to the major skills indicators there are a number of other indicators relating to economic inclusion. These include NI 117 NEETs (selected in 7 of the case studies) and others such as the skills gap in the current workforce reported by employers (NI 174), which was used as a local indicator in Reading. However there were widespread concerns about the data used for measuring skills levels. These centred upon the use of an annual population survey with a considerable sampling error as a means of measuring NVQ level attainment. Furthermore, other concerns related to the fact that whilst progress might be made improving the skill levels of individuals, this might not be reflected in any indicators/targets if these people then move out of the area and commute to their work places. There was also evidence that there is a need for more precise indicators in relation to particular local skills issues. For example in Bournemouth (and the wider MAA area), there was concern that graduate retention in the area was low and under the MAA a local indicator relating to this issue is currently being developed.

### 3.2.4 Housing

Issues surrounding housing were often the source of some of the most politically sensitive debates related to the selection of indicators. A large number of the case studies (6) included net additional homes (NI 154), a selection strongly driven by central government policy targets for large increases in house building within particular areas. However given that there was often local opposition to large

scale housebuilding, considerable debate ensued over target levels, particularly in the absence of agreements for overall numbers within wider regional spatial strategies. The issue of the provision of affordable housing was also evident in a number of areas, in terms of its relationship both to social deprivation and economic development, particularly where house prices were very high and this was impacting upon quality of life and the availability of certain levels of medium and higher level skills (e.g. Bournemouth, Cornwall, Reading), However there were concerns as to whether the current measure was the most appropriate to deal with locally constituted housing market issues and their relation to economic development . The current economic downturn also has had a marked impact on recent projections for housing provision, particularly where the private sector was the principal supplier.

### 3.2.5 Transport

Relatively few transport indicators were selected across the case study areas. In part this reflected a widespread feeling among local authorities and other stakeholders that they had only a limited ability to influence decisions related to major road improvements and other key transport infrastructures. However it also reflected issues related to the definition and measurement of transport indicators, particularly where sub-regional congestion targets were to be included within local agreements.

Where indicators were included these primarily focused upon congestion – average journey time per mile during the morning peak (NI 167), which was included in four of the case studies, and reflecting particular problems of congestion in urban areas such as Nottingham and Bournemouth. Indicators related to transport issues with regard to access to employment were included in two cases; working age people with access to employment by public transport (NI 176) in South Tyneside; and the wider access to services by public transport (NI175) in Norfolk. In the case of Norfolk, as a predominantly rural area with a more dispersed population, the issue of transport in relation to economic development and inclusion was seen as a particularly important issue.

The prevailing view at the local level was that action on transport needed to be taken at the wider sub-regional and regional level. The BDP MAA includes transport as a major theme and is developing two indicators relating to improving connectivity. However elsewhere there is little evidence of linking up local and wider transport agendas. Notably Wolverhampton did include NI167 due to pressure from the GO to try to develop a sub-regional approach on this issue but other Black Country authorities did not agree to include this indicator. Conversely, Rochdale resisted pressure to include this indicator as locally it was not considered to be a major priority.



### 3.2.6 Environment

The definition of economic related indicators adopted by CLG for the purposes of this report did not include environmental indicators. However, as noted in section 2.1, in many areas where there was an attempt to move towards a more sustainable local economic development process (e.g. Nottingham, Cornwall, Bournemouth, Norfolk) the inclusion of environmental related indicators was considered to be an important part of the overall strategy. In the case study areas a range of environmental indicators (e.g. CO2 reduction from local authority operations (NI 185); per capita reduction in CO2 emissions in the local authority area (NI 186); tackling fuel poverty (NI 187); planning to adapt to climate change (NI 188)) were included, and were variously seen to contribute towards the development of a model of sustainable development. Notable in this respect was Nottingham, where there was strong political leadership on this issue, and in the development of the BDP MAA, where the promotion of economic growth within environmental means was part of the central vision. As a result there is a desire to develop indicators appropriate to taking forward the sustainable economic development agenda via indicators that link together productivity growth and environmental impact or relate to the attainment of a low carbon economy.

### 3.2.7 Value for money/efficiency

Indicators related to efficiency and value for money (Value for money NI 179, and time taken to process housing benefit/council tax benefit new claims and change events – NI 181) were only included in one of the case studies, Hammersmith and Fulham. This reflected the strong local orientation towards improved efficiency/ value for money given a commitment by the political leadership of the council to reduce the level of council tax year on year over a three-year period.

## 3.3 The 'story of place'

In all the case studies respondents were keen to stress that the development of a 'story of place' informed the LAA process and the selection of relevant indicators. Given that there was an expectation to produce such a 'story of place' to inform the LAA process it is perhaps not surprising that stakeholders wanted to communicate that the process had been undertaken in accordance with expectations.

In all cases there was clear evidence that a 'story of place' had been developed, however these were variable in their level of sophistication and the analysis that underpinned them. As these 'stories' were being used to inform the overall LAA they tended to be broad-brush in approach, often informed by the outcomes and consultations that had/were taking place in relation to the development of sustainable community strategies.

Further analysis of the nature of the 'stories of place' raised two key issues. First, whilst a broad brush overview may be appropriate to informing the wider LAA process in terms of selecting the most appropriate indicators and related targets, there is a need to relate this to a much clearer specification of processes of local economic change. At times the economic analysis that informed the LAA process appeared somewhat superficial, even where more detailed analysis existed. Notable in this respect was that the economic analysis that underwrote local economic development strategies (where these existed) was rarely at the centre of the process. In large part this was because the selection of economic indicators was limited to a relatively small number across the whole LAA. Therefore it was not possible to map out any wider economic strategy into indicator selection, unless a large number of local indicators were selected (e.g. Cornwall). The translation of the story of place into the selection of indicators is therefore a partial process which in many cases does not necessarily communicate the full range of economic understanding and activity being undertaken within an area.

Second, the notion of one, overarching story of place is problematic. Talking to different stakeholders it is evident that there exist multiple stories of place. There may be considerable overlap between these different local narratives, but given the different positions and interests of a wide range of actors, these cannot be reduced neatly into one universally accepted and uncontested view of a given place and its economic trajectory. Where a more forceful local story is present, this is likely to represent a particular and partial analysis of local change often driven by a specific and dominant local interest.

### 3.4 Economic growth and inclusion: the balance between selected indicators

The approach to indicator selection adopted in all the case studies was informed by a notion that a balanced approach to the pursuit of economic growth and social inclusion is required, very much in line with current government policy thinking. In areas which face considerable economic challenges there is clear acceptance that there needs to be action both in terms of economic growth to produce more jobs and investment, as well as on economic inclusion in order to tackle problems of widespread poverty and deprivation through access to employment. In areas of economic growth (Reading, Hammersmith and Fulham, Bournemouth) there is evidence of greater specification of what is needed to promote further economic growth (e.g. in Reading and Bournemouth through an emphasis upon improving higher level skills) or a view that this is not a priority area for action relative to other more pressing concerns (e.g. Hammersmith and Fulham).

In terms of the balance between economic related indicators within the LAA, the tendency was towards rather more economic inclusion and skill oriented indicators and fewer oriented towards economic growth. The reasons for the varying selection of these groups of indicators were discussed previously (see sections 3.2.1, 3.2.2 and 3.2.3) but the limited input of the economic development agenda via RDAs, sub-regional economic partnerships and the private sector into the LAA process compared to more widely-based local consultation with stakeholders around community strategies, is one important factor here. Notably where there was greater input or a lead role from bodies more specifically focused upon the economic development agenda (e.g. Reading, BDP MAA), this is reflected in the resulting LAAs.

With respect to recognising the particular needs of deprived neighbourhoods, there was widespread recognition of this issue and in three cases NI153 (working age people claiming out of work benefits in the worst performing neighbourhoods) was included. When this specific indicator was not included in some cases this was in recognition that there were widespread problems of worklessness across the locality (e.g. Sheffield, Nottingham, South Tyneside, Norfolk). Furthermore, respondents pointed out that the pursuit of either NI 151 and/or NI 152 (when NI 153 had not been selected) would lead to the issue of localised deprivation being addressed given spatial imbalances in issues of worklessness within all areas and the need for some degree of spatial targeting of resources in order to meet targets set. In the case of Norfolk this issue of how best to deal with this issue led to the inclusion of NI 152 but with a specification that it would focus on the 31 most deprived lower super output areas within the county.

### 3.5 The sub-regional dimension

The role of the wider sub-region in influencing the selection of economic related indicators within the case study LAAs varied quite considerably. In certain cases the focus was entirely upon the local area with little or no consideration given to relationships with any wider sub-regional strategies, indicators or targets (e.g. Hammersmith and Fulham). A second group comprised a situation where there was a varying degree of existing sub-regional working and strategy development which informed economic thinking but in practice this had limited impact upon the actual indicators selected within the LAA (e.g. Wolverhampton, Reading, Nottingham, Sheffield). A third group comprised County Councils (e.g. Norfolk and Cornwall), authorities that operate across a sub-region and take this wider view as the starting point for their action. Finally three of the case studies were part of MAA agreements (Bournemouth – Bournemouth, Dorset and Poole MAA; Rochdale – Greater Manchester and South Tyneside – Tyne and Wear City Region).

Even within the localities incorporated into MAAs, there was notable variation in relation to how the MAA process related to the LAA process. For example in the case of Bournemouth there was a clear attempt to develop complementary agreements, with the economic inclusion agenda pursued via the LAA and the MAA focused upon the economic development agenda, specifically in relation to skills, transport, housing and environmental issues. Notably in this case, Bournemouth and Poole were the two key drivers of the development of the MAA. In contrast in Rochdale, whilst the Greater Manchester sub-regional economic agenda is well developed and there is considerable cross-referencing between Rochdale's LAA and the wider economic agenda of the MAA, there is local concern that its particular interests may be lost within Greater Manchester's pursuit of economic growth. An example of this was Rochdale's resistance to including an indicator related to traffic congestion across all authorities within the MAA, on the basis that Rochdale did not have a major congestion problem. In the case of South Tyneside, whilst there was discussion of how best to align priorities between the LAA and MAA, in fact the LAA process which had started much earlier, was taken forward with very little input from the development of the MAA.

# Chapter 4

## Role of stakeholders

Within the LAA process it is possible to identify a number of key stakeholders operating at different spatial levels, who had varying degrees of influence over the economic related aspects of these agreements.

### 4.1 Local level

#### 4.1.1 Local strategic partnerships (LSPs)

LSPs have statutory responsibility for LAAs and played a key role in the process. In many cases the activity of the LSP in developing a sustainable community strategy provided the basis for deciding upon the overall priorities of the LAA, which was used to guide the selection of indicators (e.g. South Tyneside, Wolverhampton). Most of the case studies stressed the strong degree of consensus that existed between stakeholders with respect to the identification of economic priorities and that there was little strong disagreement over indicator selection.

Although the structure of LSPs varies, they commonly operate with a number of themed sub-groups/committees, which normally includes one, or more, in the area of economic development, inclusion and skills. These economically focused sub-groups, which comprise key stakeholders (such as Jobcentre Plus, the LSC, higher education (HE) and further education (FE) institutions, private and voluntary sector representatives etc.) normally had the key role in deciding upon local economic priorities which informed indicator selection. As a result, the extent and nature of the economic dimension included in the SCS and the local arrangements for its delivery via themed partnership groups were of central importance not only in the process of selecting indicators but also in the effectiveness of local delivery. Where economic related activity was dealt with by different sub-groups this could act to limit the degree of integration across the LAA. In the case of Wolverhampton, the action plan for skills and worklessness pursued in the current LAA has required a much closer working relationship between the LSPs Economic Partnership and Learning Partnership, which local stakeholders felt provided a stronger basis for effective local action. In general these sub-groups are dominated by public sector bodies. However in the case of Reading, the economic development arm of the LSP and Borough Council is handled by a private sector led body, Reading UK CIC.

### 4.1.2 Local authorities

In practice it is often difficult to disentangle the relationship between LSPs (as the responsible body) and local authorities (as the lead partner on LSPs), with their interests closely aligned or indeed largely inseparable. Within local authorities the departmental set up with regard to different aspects of economic development and regeneration was sometimes influential in terms of arguing for the inclusion of indicators and related targets. In general, the lack of strength of economic development departments within overall local authority structures limited the extent to which this agenda was advanced. Furthermore, because the economic development strand of LAAs was the last to be developed (see 1.1) and in earlier LAA rounds money was available to facilitate the participation of local partners, this agenda has sometimes struggled to be seen as a priority by some stakeholders.

Although the evidence from the case studies emphasised the degree of political consensus, the impact of strong political leadership from within the Council was also apparent in certain cases. This was particularly notable in Nottingham (Labour leader) and Hammersmith and Fulham (Conservative leader) where leaders with strong personalities and views had an important impact in terms of setting the local political agenda.

### 4.1.3 District councils

Where district councils (DCs) formed part of the local government structure (e.g. Norfolk, Cornwall, and as part of the wider BDP MAA), there was acceptance by DCs that economic related analysis and activity needed to be pursued at a level higher than that of the District Council given that there was little capacity at this level. However, there was evident concern among DCs about the pursuit of wider sub-regional/county level strategies in terms of how this related to their own particular interests. There was often a rural/urban dimension to this tension, with rural DCs worried that development agendas were dominated by urban agendas.

### 4.1.4 Other local stakeholders

A range of local stakeholders (e.g. Jobcentre Plus, the LSC, HE and FE institutions, private and voluntary sector organisations etc.) were routinely involved in the process of developing local economic priorities and policies, normally through the relevant LSP themed group(s). However the impact of these different stakeholders upon the process varied considerably, often reflecting the nature of individual personalities. Perhaps most notable was the central role played by the LSC given the high priority placed on developing skills in many of the case studies. Overall the role of key agencies such as the LSC and Jobcentre Plus remained constrained by the fact that they were operating to nationally set targets and expectations which often left them with limited ability to adjust their policies and practices to local circumstances. For example, in this respect the strong emphasis upon Level 2 skills within LAAs reflects the priority afforded this level by the Leitch review as

the minimum entry point to the labour market and that improvement at the level is a principal target for the LSC. More recent evidence suggests that Jobcentre Plus is becoming more engaged in LAAs following national guidance from the Department for Work and Pensions (DWP).

## 4.2 Government offices (GOs)

GOs occupy a pivotal place in the LAA process through their role as the principal conduit of information between central government and local authorities (LAs) as well as negotiator when problems arise. Across the case study areas the reported working relationships between GOs and LSPs and local authorities were generally positive and valued. LSPs/LAs routinely recognised the central and valuable input of the GOs within the LAA process.

A primary GO role was (via their locality managers) to represent central government departments at the local level. However, they also had an important role in terms of facilitating the development of agreements that were locally based, to communicate issues back to central government departments, and to work closely with LSPs/LAs to challenge their thinking and provide wider regional/sub-regional perspectives.

Across GOs differences were apparent in how the balance between these various roles was interpreted in practice, particularly in terms of the balance between representing the interests of central government and seeking to develop genuinely well-rooted local agreements. For example in the situation where trends within local economies diverged from the national picture (i.e. where employment rates were falling) and hence created problems with regard to setting appropriate local targets based on average regional performance, it was notable that whilst in the case of Wolverhampton the GO actively advanced the case for targets that recognised local trends, in the case of Rochdale the GO acted to negotiate targets that the LA/LSP had originally felt did not reflect local circumstances. Similarly whilst in some cases the GO role was reactive, in certain cases the GOs took a more pro-active stance, as was seen in Bournemouth in the important role the GO took in the development of the MAA. Such differences in part appeared to reflect differences in the personalities and experience of locality managers, as well as the wider relations between the LA and the GO, and the GO and central government departments.

All GOs undertook their own particular analysis of different localities, normally including analysis of an areas performance relative to the regional average, as the start of the process. The manner in which the various NIs were dealt with by GOs, particularly in terms of how various indicators were grouped together, also had some influence on the particular patterns of indicator adoption. Having

established different clusters of indicators around key themes (see for example Table 2 with reference to the groupings developed by GOL), negotiations often then proceeded on the need to have at least one indicator relating to each cluster.

### 4.3 Central government departments

Given the mediating role played by GOs, the amount of contact that LAs/LSPs had directly with government departments within the LAA process was quite low. Respondents did note that certain government departments (e.g. the Department for Children, Schools and Families (DCSF)) appeared much better organised in terms of the development of 'their' particular indicators and in communicating strongly what indicators they wanted adopted locally. In contrast a common view of local stakeholders and GOs was that there was a lack of effective championing of the role of LAAs in local economic delivery by Whitehall. It was repeatedly identified by GO officials that BERR lacked a strong presence due to the poor development of the indicators for which it was responsible and that it failed to communicate a clear agenda. Furthermore it was widely noted that a number of government departments (such as BERR, DIUS, DWP) continue to have little understanding of how things work locally/regionally and demonstrate little flexibility around negotiating briefs and listening to local concerns.

Given this context, the role of GOs was particularly crucial. However, the period of time available for negotiation between GOs and LAs/LSPs was short given that baseline data and the final target negotiating briefs only became available from central government relatively late in the process. In some cases this acted to limit discussion of certain economically related indicators and led to local areas dropping targets altogether, or more commonly maintaining their targets as placeholders with a view to finalising negotiations during the forthcoming refresh process.

### 4.4 Sub-regional partnerships

The influence of the sub-regional dimension was variable across the case studies reflecting the uneven development of sub-regional partnerships. Notably even where quite well established sub-regional partnerships did exist (e.g. the Black Country Consortium; the Nottingham Partnership; the Sheffield City-Region) the actual LAA process was essentially inward looking and focused on the local area. Only where MAAs existed was there evidence of a more concerted attempt to look outwards to co-ordinate the selection of indicators, but even here the situation was highly variable (see 3.8). Despite this, there was widespread recognition of the need for certain areas of activity to be pursued sub-regionally, especially transport, but also skills development (particularly in relation to higher skills levels) and housing.



## 4.5 Regional development agencies (RDAs)

A consistent finding across the case studies was the limited engagement of RDAs in the LAA process. In general RDAs were described as distant and reactive, becoming more actively involved only where there was some coincidence between particular RDA identified interests (such as economic opportunity areas) and the development of LAAs. However, more positive experiences were evident in some localities, notably Nottingham and Cornwall. This lack of engagement was often interpreted locally and by GOs as reflecting a lack of understanding by RDAs of the LAA process and its potential importance as a mechanism to develop more effective outcome based delivery in the economic sphere, as well as a lack of certainty over their role given the changes proposed within the SNR. From an RDA perspective the low level of engagement with LAAs reflected a lack of resources to get more actively involved across a large number of local areas, as well as a view that its primary role is that of setting strategic priorities and developing large projects at the regional and sub-regional level. In this respect, the fact that BERR had not placed great emphasis upon the role of LAAs in the effective delivery of economic development meant that RDAs were not put under pressure to develop this aspect in their corporate plans and strategies.

However, there is some evidence that RDAs are becoming more aware of the potential importance of LAAs in the economic development process and the delivery of a more outcome led programme of place based activities as envisaged by the SNR. In the South West, the South West RDA (SWRDA), in conjunction with the GO, has become increasingly engaged through a process which has aligned the development of local economic development partnerships with LSPs and LAAs, as well as actively promoting dialogue about LAAs within the region. More broadly it is also noteworthy that earlier in 2008 a RDA network in relation to LAAs was established to facilitate the communication of practice and experiences.

## 4.6 Private sector

A consistent finding across the case studies was a low level of direct engagement of the private sector with the LAA process. Local authorities and private sector bodies displayed little interest in pursuing more direct involvement of the private sector given the largely bureaucratic nature of the LAA process. In fact, a number of local authority respondents stressed that getting private sector interests involved in the LAA process would be the quickest way of losing their engagement more generally. The predominant private sector view of the LAA process was as a largely incomprehensible, public sector led exercise of minimal importance to their interests.

Although direct involvement of the private sector in the LAA process was limited there was evidence of varying degrees of private sector engagement with other forms of local governance. LSPs typically demonstrated some level of private sector engagement, although this was variable in extent whilst the representativeness of private sector participants to the wider business interest was often questionable. Private sector engagement proceeded most effectively around concrete based projects where there was a clear private sector rationale for involvement (e.g. business improvement districts), and around developing a longer term strategic view for a local/regional economy, normally done at a wider sub-regional/regional scale. In the case studies, where more private sector involvement was evident this reflected a more active role of the private sector in leading activity, for example at the level of the private sector majority board for the MAA in Bournemouth, Dorset and Poole, and in Reading, where the economic development arm of the Borough Council/LSP is private sector led.

## 4.7 Voluntary and community sector (VCS)

The basis for the development of LAAs in the work of LSPs in relation to their Community Strategies has meant that there has been a voluntary and community sector input to this process. The VCS is generally reasonably well represented within LSP arrangements, although the extent of their engagement and influence is more variable. In certain case studies the role of the VCS was strongly recognised (e.g. Wolverhampton, South Tyneside, Cornwall) and a commitment to its development was evident elsewhere (e.g. in Bournemouth through the inclusion of the indicator for environment for a thriving third sector (NI 7)). However, although involved in the wider process there was little evidence of VCS participating in the more specific discussions relating to indicator selection. Whilst a VCS body currently leads on environmental indicators in Cornwall, it is exceptional for the VCS to have a lead role in the economic sphere.

## 4.8 Trade unions

Across all the case studies there was no evidence of any significant trade union involvement in the LAA process. This reflects the low level presence of trade unions in local governance arrangements, such as LSPs, more generally.

# Chapter 5

## Factors influencing the selection of economic indicators

The findings of this study identify a number of factors that were significant in influencing the selection of economic indicators within LAAs.

### 5.1 Capacity and deliverability

The capacity to deliver outcomes related to selected indicators is a key factor influencing the overall adoption of indicators. Given stakeholders and council departments are performance assessed and receive reward funding in relation to meeting targets there is a strong incentive to avoid indicators where there is limited control over potential outcomes or to sign up to ambitious indicators and targets. In certain case studies this focus on deliverability was explicit. In the case of Hammersmith and Fulham where a strong emphasis upon effective, value for money performance prevailed, the criterion of deliverability was central to the selection of indicators within the LAA process. Elsewhere, this emphasis may have been less explicit but in all the case studies the capacity to deliver was a key factor shaping the process. In this context certain indicators which might be considered more aspirational and long term in nature (e.g. NI 166 – raising median earnings) were effectively excluded from serious consideration in certain localities. Furthermore, where such indicators are included, there is often a sense of vulnerability among stakeholders and a hope that the 'refresh' process will be sensitive to any difficulties encountered in the pursuit of related targets.

The limited capacities of LAs in terms of personnel, knowledge and resources, to engage in local economic development, makes them strongly reliant on a range of partners to deliver against indicators (e.g. regional observatories for data, the LSC in relation to actions on skills; Jobcentre Plus with regards to worklessness; the private sector for employment and investment etc). Where partnership arrangements are strong, this enhances capacity and provides the confidence to pursue more strategic and ambitious action. In contrast, where trust between partners is weak, then the scope for action is significantly reduced.

## 5.2 Types of indicators available

The range of economic related indicators included within the current NI set provides a constrained and unbalanced choice to local stakeholders. Whilst the inclusion of local indicators does offer the possibility to pursue alternatives, in practice within the case study localities the clear preference was to make use of the NI set, as this provided a simpler and less resource intensive means of negotiating the LAA process. In terms of omissions, with respect to some key drivers of economic development (e.g. productivity, investment, innovation) there are currently no indicators within the NI set. There are also areas, such as sustainable economic development, where there is considerable scope for more creative indicators to be developed (e.g. in terms of indicators that link economic growth with its environmental impact or those that measure the adoption of sustainable environmental practice by business or the development of a low carbon economy). However even where certain indicators are present in the NI set, because they are poorly defined, (e.g. NI 171 new business registration rate), do not yet have relevant data available, or, as constituted, are not particularly useful within the local economic development process (e.g. NI183 Impact of local authority regulatory services on the fair trading environment), they are unattractive selections. A view expressed by a minority of stakeholders was that as a result of the adoption of a standardised national approach to measurement and performance management, they felt that there was now less flexibility in relation to baselines and the measurement of indicators than under previous LAA rounds, although such views did not recognise the potential role of local indicators.

## 5.3 Data availability and analysis

In terms of providing a broad brushed overview of economic conditions to inform a story of place, available economic data is adequate. However, to develop a more sophisticated understanding of the local economy data availability and analytical capacity provide significant constraints. In general data related to the neighbourhood level is greatly improved with respect to issues of worklessness, benefit claimants and skills, which means there is often much greater clarity in identifying the target population than previously. However there remain problems of tracking individuals through training and the labour market and limited data in relation to levels of entrepreneurial activity, productivity, innovation and investment. The development of regional/sub-regional/local observatories has improved data availability, but there remain limited resources to process and analyse much of these data in any meaningful way.

In terms of economic related indicators, those included in the NI set often appear to reflect ease of data availability rather than any attempt to develop measures related to local processes or needs. The initial intention to measure NI171 new business registration rates using VAT data was objected to on a number of grounds, especially its failure to capture activity by smaller, non VAT registered enterprises. In a number of cases there was a lack of confidence that the data used to measure certain indicators was capable of providing an accurate and timely measure. In this respect the use of the annual population survey to provide data for the skills indicators was a source of widespread concern.

The development of local indicators provides examples of attempts to develop more innovative and precise indicators and measures, but these are confronted by considerable challenges in terms of obtaining and managing the data necessary to define, measure and monitor them. Specifically, there are issues relating to the availability of data at different geographic levels and that different data sets are updated over different time periods.

## 5.4 Funding

Within the case study areas funding availability was not the primary driver of indicator and target selection. The new LAA framework removes the linkage between LAA indicators and funding streams and it was widely recognised that the principal aim for local areas was to better align funding resources of different stakeholders around agreed priorities. This was also the case in the development of MAAs, as no central government funding was provided either for their preparation or with regard to 'reward' funding against meeting agreed targets.

Funding availability did however influence specific indicator selection. For those areas in receipt of WNF and/or LEGI funding there was an expectation that NI 153 and NI 171/172 respectively would be included within the LAA. In the case of Cornwall, where considerable EU funding is available, this has provided the context for the development of a more detailed and wide ranging set of national and local indicators within the LAA. Reward grant funding also becomes important in the process of target selection, providing a context which might in theory favour the adoption of achievable and sometimes less ambitious targets.

The introduction of area-based grant (ABG) aims to provide greater flexibility over local spending, replacing a number of specific grants related to particular programmes with a non-ringfenced block grant. Our research revealed that the introduction of ABG had only had a limited impact to date in meeting this aim. Much of the money now contained within the ABG had already been allocated or committed to existing programmes and projects within the case study areas at time of the original indicator selection in 2008. As a result the greater flexibility of

the ABG was often not yet evident in practice although stakeholders were aware of its significance in the future in terms of aligning funding with local priorities.

## 5.5 Macroeconomic conditions

Although the economic downturn started during the LAA process, in general the limited impact at this time meant it did not greatly influence the selection of indicators and targets.

# Chapter 6

## Conclusions

### 6.1 Economic indicators and their relation with local economic contexts

The economic related indicators (both from the NI set and those locally determined) that form part of the LAAs provide only a partial mapping of the nature of local economic development activity within a given area. That a particular aspect of either economic development, inclusion or skills is absent from the set of indicators selected cannot be interpreted as evidence that this issue is not recognised as either being significant locally or that no related activity is taking place. Beyond the national set, locally-agreed indicators have the same legal status as designated national indicators. However local stakeholders have often been reluctant to include local indicators because of the additional resources this can require. That only a relatively small number of economic related indicators are commonly included in LAAs means there is a clear possibility that those local economic activities not covered by LAA targets may become marginalised over the time period of the LAA as those targets that are included are prioritised.

Commonly selected indicators provide only a crude approximation of local economic activity. This reflects certain basic constraints under which selection takes place: (1) that there is limited choice available from the national indicator set and a degree of overlap between some indicators; (2) that most local authorities starting point is to keep down the overall number of indicators within the LAA so that only a certain number are available related to economic activity; (3) that central government departments put pressure to ensure that at least one of 'their' indicators is included within a LAA; and (4) that there is pressure to deliver targets related to the indicators in a short (3 year) time span. The result is often a highly constrained choice with little room for discretion within the national indicator set, although local areas are able to select additional local indicators to cover areas outside the 35 agreed with the Government Office. The constrained nature could be one reason why the case studies demonstrate relatively little disagreement over the selection of indicators between different stakeholders, although this is also consistent with a high level of shared priorities. Disagreement between local partners tended to centre on specific localised local issues (e.g. related to housing or the environment).

At times the selection of indicators can be reduced to little more than choosing one indicator related to each major area of activity (economic development, skills, etc). This type of approach, as exemplified by a case such as Norfolk where there is a need to produce county wide coverage across a range of economic and political contexts, produces a set of broad and balanced indicators, which necessarily lack any strong sense of local specificity. In such cases the choice may be whether to select 152 (working age people on out of work benefits) rather than 153 (working age people claiming out of work benefits in the worst performing neighbourhoods), or between an indicator related to level 2 (163) or level 3 (164) skills. In these situations the selection of one indicator rather than another is of little great consequence and provides little insight into local priorities and concerns.

In other cases the selected indicators do provide a more accurate reflection of local priorities, as for example in Cornwall where a large number of targets agreed with local partners (and not with Government) have been included to achieve this, or in Wolverhampton where a relatively large number of indicators from the national set are included in the overall LAA. However, even in these cases the indicators do not capture all elements of local economic activity. In all cases it is important to stress that this imperfect mapping of indicators to local economic realities should not be interpreted as demonstrating that there is little understanding of local issues or that activity is similarly constrained. Despite the progress of the LAA process in developing local-central relations, many local stakeholders still experience it as a centralised process which provides them with limited opportunity to select or develop economic indicators more 'surgically' aligned to local economic needs. This research reflects local views and did not set out to assess the perspective of central government departments.

## 6.2 The national indicator set

There are a number of major limitations with the economic related indicators included in the NI set, particularly in relation to economic growth. First there are significant gaps where there is no relevant indicator included in the set, notably in relation to drivers of economic growth (e.g. investment, innovation, productivity). Second, some of the economic indicators included have been little used or not used at all (e.g. NI 183 Impact of local authority regulatory services on the fair trading environment; NI 182 satisfaction of businesses with local authority regulatory services) indicating that they are of limited use as currently constituted within the LAA process. Third, the adoption of certain key indicators, most notably in relation to entrepreneurship and business start up (e.g. NI 171 on new business registration rate), has been affected by worries over the data sources used and that the relevant related data is not yet available. Fourth, there is some overlap/duplication between indicators, particularly related to the economic inclusion agenda.



### 6.3 Local indicators

The variable adoption of local indicators reflects quite different interpretations by different stakeholder as to their use, and reflects a degree of confusion over their role. Where local indicators were selected (and not taken from the NI set), they can provide the opportunity for more locally sensitive and creative responses to avoid the development of broad brush LAAs only loosely aligned to the 'story of place'. Furthermore the areas in which they have been developed provide insights into the limitations of the NI set. However, currently local areas often prefer to take 'off the shelf' indicators from the national set given that this is the easier option and that developing local indicators requires additional resources to develop and monitor them.

### 6.4 Economic growth and LAAs

Economic related indicators, particularly those related to economic growth, can encounter a number of difficulties in ensuring they are strongly represented within LAAs. In large part this reflects the lack of appropriate indicators within the NI set (see 6.2). However it also reflects a number of other factors. First, where LAAs are closely aligned to the development of the LSPs SCS, they reflect the fact that economic growth activities in some localities receive less attention from local residents and politicians, compared to more immediate and everyday concerns related to crime and the environment. Second, the key agent for delivering local economic development is the private sector, but this remains only variably and often poorly integrated into the process, which contrasts markedly with other sectors where service delivery is dominated by public services. Third, in some localities, the economic development function is weak and therefore poorly positioned to assert its agenda compared to other stronger departments. Fourth, indicators remain weakly developed and key central governments demonstrated differing levels of engagement with the process. Finally, economic development and regeneration is a long term process not easily achieved within the narrow three year time frame of a LAA.

### 6.5 Resources and capacity

The need to deliver outcomes with limited resources in a short time frame acts to strongly influence the scope of indicator selection. This can result in certain indicators where local actors have little or limited control over outcomes being excluded from the outset, particularly where the ability to deliver becomes a principal driver of indicator selection. This approach can militate against the inclusion of indicators that might be more aspirational, long term, or require co-operation outside of the local authority. Where more challenging indicators

are included, for example in relation to raising median levels of earnings or employment, there is often considerable anxiety expressed by local stakeholders that they are risking failure; a perception not helped by the current economic downturn.

## 6.6 Local-central relations

There is widespread support for the principle of LAAs within local areas. There is clear recognition of their potentially powerful role in bringing stakeholders together to decide upon local priorities and the subsequent requirement for co-operation in their delivery which is greatly valued in the areas of economic inclusion, skills and economic development. However, local stakeholders continue to voice concerns over the bureaucratic nature of the process and the strong element of central control that some feel still pervades it. Although the current stated policy agenda is to encourage greater devolution and decentralisation of power and resources to local levels in order to facilitate more flexible and localised responses, local stakeholders still perceive that certain government departments see their role principally in terms of imposing their priorities and targets upon the local level rather than as a dialogue between their objectives and local area needs. Furthermore, targets of key actors in the delivery of economic related public services at the local level, such as the LSC and Jobcentre Plus, remain largely centrally determined and local stakeholders perceive only limited opportunities to influence these. For example, one outcome of the Leitch review evident in the case studies has been the contracting out of the delivery of employment and training services to single large providers. This has to date resulted in an erosion of local capacities and knowledge alongside an emphasis upon national targets (e.g. welfare to work).

## 6.7 Sub-regional working

The LAA process in the case study areas demonstrated only a restricted amount of sub-regional working. Given the close association in many cases of the LAA with the development of the Community Strategy by the LSP, and that the first wave of MAAs has only just been agreed, it is perhaps not surprising that the LAA agenda tends to be locally focused. The case of Bournemouth within the BDP MAA demonstrates that it is possible to develop a LAA alongside an MAA to pursue economic related activity across both levels. However in other case studies (such as Nottingham or Wolverhampton) where sub-regional economic partnerships are well established, there was little progress in taking forward sub-regional working via the LAA process. In the absence of set-up or reward funding for MAAs, there remains considerable scepticism from some partners as to what the added value of a MAA actually is.

# Chapter 7

## Options for consideration

### 7.1 Revision of national indicator set

There is a need to revise the economic related indicators within the national set. Currently the economic related indicators contained in the NI set do not clearly relate to all of the central elements of the local economic development process and some of those included merely reflect that particular data sources are easily to hand. Revisions need to ensure that the NI set includes indicators relating to all major areas of economic activity, notably in the areas of economic growth (e.g. productivity, investment and innovation) and sustainable economic development. The economic related indicators included also need to be defined appropriately and the necessary data available so they are fit for use. Any changes to the NI set need to be introduced in a way that allows local authorities to pursue recently agreed LAAs and avoid demoralising change for those involved in the LAA process, as well as to ensure that this process does not lead to a proliferation of indicators.

### 7.2 Development of local indicators

The adoption of local indicators provides the potential for LAAs to be better aligned to local economic needs and to act as a development site for new and more innovative indicators. Whilst local indicators are being used in these ways in a minority of localities in others they are largely ignored. Improved dissemination and discussion between local authorities and other stakeholders through the IDeA and regional improvement and efficiency partnerships over the potential role and possible use of local indicators in relation to the local economic development process would therefore be beneficial. Given that the development of local indicators has been constrained to date by a lack of resources, the provision of central government support to localities wishing to pursue local indicators, including the encouragement of localities and sub-regions to exchange ideas and experiences related to their use, would allow the development of new and more flexible indicators. Some such indicators might be appropriate for inclusion in a revised NI set.

### 7.3 Develop local capacities for economic development

Following the long term decline of local economic development capacities within most local authorities, there is a need to reinforce these capacities to ensure that necessary actions can be pursued. With regard to the current agenda these capacities relate to a number of important issues including, local economic analysis and assessment, the development of sub-regional working and the active engagement of the private sector. These capacities need to be developed not only within the local authority itself but also within other partners involved in the delivery of local economic development targets. Given the key role of LSPs within the LAA process and the emphasis upon LAAs as short term delivery strategies for Sustainable Community Strategies, there is a need to ensure that the economic development element of these strategies is strengthened and that local partnership structures are in place for effective delivery. In this respect there is a need for better understanding of the factors that lead to effective economic and skills related thematic partnerships within LSPs, and how to ensure that these have the necessary capacity and capability for effective action within the LAA and MAA process.

### 7.4 Strengthen the relationship between LAAs and MAAs

Areas would benefit from a clearer understanding about how LAAs and MAAs should be mutually developed within a given area to achieve more effective local and sub-regional economic activity. The case studies demonstrated quite different approaches to this issue (for example the extent to which indicators should overlap between LAAs and MAAs) and in the relationship between the economic related thematic partnerships of LSPs and those operating at the sub-regional level. Whilst local stakeholders were keen to develop locally appropriate responses they also voiced concerns over their lack of clear understanding as to how the objectives and synergies of LAAs and MAAs should best be achieved in practice. Greater clarity as to how the introduction of an MAA complements and adds value to a LAA would be useful in this respect and would also contribute to convincing sceptical local stakeholders about the overall added value of MAAs and sub-regional economic working.

## 7.5 Consistency from central government departments towards local/sub-regional working

There remains an uneven response of central government departments to the importance of local and sub-regional economic development that is reflected in the development and use of indicators. All major government departments involved in economic related indicators (DWP, BERR, CLG, DIUS, DCSF, DfT) need to build upon existing arrangements (e.g. the Whitehall Director-Generals' Group) to actively pursue greater consistency in their actions towards the development of LAAs and MAAs through more active consideration of the local and sub-regional impacts of their policies and targets. BERR (now BIS), as the lead department in relation to economic development, has a particularly important role in leading the development of appropriate and effective indicators and encouraging better integration of the regional economic activity of RDAs with local and sub-regional LAAs and MAAs.

# Appendix 1

## LAAs and local economic development research questions

### Local context

- What types of evidence and analysis was used to inform the selection of economic indicators and targets in the LAA process?
- Were local indicators used?
- How important was an understanding of the local 'story of place' in shaping the choice of indicators?
- Were LAs/LSPs more focused on economic inclusion or economic growth, or vice-versa?
- Were LAs/LSPs more focused on the interests of deprived neighbourhoods than on economic growth overall, or vice-versa?
- Did considerations of the role of the local area in the wider sub-regional economy have any influence on the selection of indicators and targets?

### Role of stakeholders

- What role did negotiations with GOs and central government departments play in shaping the choice of economic indicators?
- At the local level:
  - How did relations between LAs and LSPs influence the choice of indicators?
  - What was the role played by other local bodies? (e.g. LSCs, JCPs, HE/FE institutions etc)
  - What was the role of District Councils? (where appropriate)
- What role, if any was played by sub-regional bodies? Were MAAs seen as a more appropriate vehicle for economic indicators?
- Were RDAs involved, and if so, how?
- Did discussions with the private sector play any role?
- Did discussions with the trades unions play any role?
- Did discussions with the voluntary and community sector play any role?

## Specific factors influencing choice of indicators:

- Was the quality and suitability of data an important factor in the selection of indicators, and if so, for which indicators?
- Was the extent of local capacity to deliver an important factor? If so, in what way and how was this capacity assessed?
- Was the availability of external funding important (e.g. WNF, LEGI)?
- To what extent was the choice of indicators influenced by external (macro-economic) factors? If so, what factors and which indicators were influenced?

## Overview

- Were stakeholders content with the economic indicators within the national set and were there any major omissions?
- What procedures have been put in place to monitor progress against the selected economic indicators?
- What other factors lie behind the choice to use, or not use, the LAA targets process to take forward the process of local economic development?

## Appendix 2

# All economic development related indicators currently active in case study areas

| Case Study Area    | Indicators  |
|--------------------|---|
| <b>Bournemouth</b> | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 150 Adults in contact with secondary mental health services in employment</li> <li>• NI 154 Net additional homes provided</li> <li>• NI 167 Congestion – average journey time per mile during the morning peak</li> </ul> <p><b>Indicators still being actively pursued from previous LAA round</b></p> <ul style="list-style-type: none"> <li>• CYP1 Reduce the percentage of NEETs (16-18 year olds not in education, employment or training)</li> <li>• ED1 Support to work: Increase the number of people in sustainable employment. ED6 Customer care skills</li> <li>• Customer care skills in preparation of 2012 Games by increasing the number of people in Poole and Bournemouth who are employees in small businesses (49 employees or less) in the boroughs gaining an NCFE Level 2 Certificate in Customer Service for hospitality leisure, travel and tourism.</li> </ul> <p><b>MAA economic development indicators</b></p> <ul style="list-style-type: none"> <li>• NI 165 Secure a higher proportion of the population aged 19-64 to at least Level 4 (PSA 2)</li> <li>• NI 167 Reduce growth in congestion (PSA 5)</li> </ul> <p><i>Local indicators (still under development)</i></p> <ul style="list-style-type: none"> <li>• Precise local indicators are not yet in place for all aspects of the MAA. The list below includes the main intended outcomes where relevant indicators are either in place or will need to be developed.</li> <li>• Percentage growth in GVA per employee (PSA 7 reduce gap in economic performance)</li> <li>• Convergence between median earnings in Great Britain and the Sub-region (PSA 7 reduce gap in economic performance)</li> <li>• Raise graduate retention and employment within the local economy (PSA2 Improve the skills of the population)</li> <li>• Provide new key employment sites with good access (PSA 8 overall employment rate)</li> <li>• Improved connectivity to South Hampshire and London (PSA 5 Deliver reliable and efficient transport networks)</li> <li>• Improve connectivity to Bristol and the North (PSA 5 Deliver reliable and efficient transport networks)</li> <li>• Maximise the synergies between the environment and economic growth and the minimisation of environmental impacts</li> </ul> |



| Case Study Area | Indicators  |
|-----------------|---|
| Cornwall        | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 116 Proportion of children in poverty</li> <li>• NI 117 16-18 year olds who are not in education, training or employment (NEET) PSA 14</li> <li>• NI 153 Working age people claiming out of work benefits in the worst performing neighbourhoods</li> <li>• NI 165 Working age population qualified to at least level 4 or higher</li> <li>• NI 186 Per capita CO2 emissions in the LA area</li> <li>• NI 187 Tackling fuel poverty – people receiving income based benefits living in homes with a low energy efficiency rating</li> </ul> <p><b>Local indicators (taken from NI set)</b></p> <ul style="list-style-type: none"> <li>• NI 45 Young offenders engagement in suitable education, employment or training MoJ DSO (previously in Safe5)</li> <li>• NI 148 Care leavers in employment, education or training PSA 16</li> <li>• NI 151 Overall employment rate</li> </ul> <p><b>Indicators still being actively pursued from previous LAA round</b></p> <ul style="list-style-type: none"> <li>• Number of people on Incapacity Benefits for more than 2 years helped back into work (Target 250 overall) (</li> <li>• KW installed capacity – heat, electric, cooling</li> <li>• Sustain 5.1 Number of businesses securing green accreditation</li> <li>• Growth in number of business sector organisations linking into regional and national sector organisations</li> <li>• Development business clusters to promote learning near to the workplace</li> <li>• Increase number of adult population with Skills for Life numeracy qualifications at level 2</li> <li>• Increase number of adult population with Skills for Life literacy qualifications at level 2</li> <li>• Number of the working age population having a first full level 2 qualification</li> <li>• Number of the working age population having a first full level 3 qualification</li> <li>• Number of the working age population having a first full level 4 qualification</li> <li>• % of adults accessing the internet in the last three months</li> <li>• % businesses selling goods/services online</li> <li>• % availability of high speed next generation broadband networks</li> <li>• Employment Space Created for B1, B2, B8 uses</li> <li>• Employment Space in development for B1, B2 and B8 uses (new or upgraded)</li> <li>• % of B1, B2 and B8 employment in development receiving public sector funding targeting BREEAM (or equivalent) Excellent standard</li> <li>• Sq. mtr of vacant floor space generated</li> <li>• Shopping centre yield</li> </ul> |

| Case Study Area                 | Indicators   |
|---------------------------------|--|
| <b>Hammersmith &amp; Fulham</b> | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 150 (adults in contact with secondary mental health services in employment),</li> <li>• NI 152 (working age people on out of work benefits)</li> <li>• NI 153 (working age people claiming out of work benefits in worst performing neighbourhoods)</li> <li>• NI 154 Net additional homes provided</li> <li>• NI 179 Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year</li> </ul> <p><b>Local indicators (taken from NI set)</b></p> <ul style="list-style-type: none"> <li>• 146 Adults with learning disabilities into employment</li> <li>• 148 Care leavers in employment, education or training</li> <li>• Number of affordable homes delivered (gross)</li> <li>• 171 New business registration rate</li> <li>• 181 time taken to process Housing Benefit/Council Tax Benefit, new claims and change events</li> </ul> |
| <b>Norfolk</b>                  | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI117 16-18 year old NEETs</li> <li>• NI152 Working age people on out of work benefits</li> <li>• NI154 Net additional homes provided</li> <li>• NI163 Proportion of working age population qualified to Level 2 or higher</li> <li>• NI166 Median earnings of employees in the area</li> <li>• NI171 New business registrations rate</li> <li>• NI175. Access to services by public transport, walking and cycling</li> </ul> <p><b>Locally determined indicators (not from NI set)</b></p> <ul style="list-style-type: none"> <li>• Better business regulation (based on local business satisfaction surveys)</li> <li>• Employment in higher level occupations (based on Standard Occupational Classifications 1-3)</li> </ul>   |

| Case Study Area   | Indicators  |
|-------------------|---|
| <b>Nottingham</b> | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI117 16-18 year old NEETs</li> <li>• NI147 People killed or seriously injured in road traffic accidents</li> <li>• NI150 Adults in contact with secondary mental health services in employment</li> <li>• NI151 Overall employment rate</li> <li>• NI152 Working age people on out of work benefits</li> <li>• NI154 Net additional new homes provided</li> <li>• NI163 Working age population qualified to Level 2 or higher</li> <li>• NI167 Congestion – average journey time per mile during morning peak</li> <li>• NI171 VAT registration rate</li> <li>• NI186 Reduce per capita CO2 emissions in Local Authority area</li> <li>• NI187 Tackling fuel poverty – people receiving income benefits living in homes with low energy efficiency rating</li> </ul> <p><b>Local indicators (taken from NI set)</b></p> <ul style="list-style-type: none"> <li>• NI188 Adapting to climate change</li> <li>• NI192 Household waste recycled and composted</li> </ul> <p><b>Indicators still being actively pursued from <i>previous</i> LAA round</b></p> <ul style="list-style-type: none"> <li>• Number of VAT registered businesses in Nottingham</li> <li>• Number of IB Claimants in the 9 Department of Work and Pensions (DWP) priority wards</li> <li>• Number of sustainable job outcomes for IB &amp; ISLP Claimants</li> </ul> |
| <b>Reading</b>    | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 116 Proportion of children in poverty</li> <li>• NI 150 Adults in contact with secondary mental health service in employment;</li> <li>• NI 152 Working age people on out of work benefits</li> <li>• NI 154 Net additional homes provided</li> <li>• NI 155 Number of affordable homes delivered</li> <li>• NI 163 Working age population qualified to at least level 2 or higher</li> <li>• NI 165 Working age population qualified to level 4 or higher</li> <li>• NI 171 New business registration rate</li> <li>• NI 178 Bus services running on time</li> </ul> <p><b>Local indicators (taken from NI set)</b></p> <ul style="list-style-type: none"> <li>• NI 151 Overall employment rate</li> <li>• NI 146 Adults with learning disabilities in employment</li> <li>• NI 174 Skills gap in the current workforce reported by employers</li> </ul>   |

| Case Study Area  | Indicators  |
|------------------|---|
| <b>Rochdale</b>  | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 117 16-18 year olds who are not in education, training or employment (NEET)</li> <li>• NI 118 Take up of childcare by low-income working families</li> <li>• NI 151 Overall employment rate (working age)</li> <li>• NI 153 Working age people claiming out of work benefits in the worst performing neighbourhoods</li> <li>• NI 155 Number of affordable homes delivered (gross)</li> <li>• NI 163 Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher</li> <li>• NI 164 Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 3 or higher</li> <li>• NI 171 New business registration rate</li> </ul> <p><b>Local indicators (taken from NI set)</b></p> <ul style="list-style-type: none"> <li>• NI 116 Proportion of children in poverty</li> </ul> <p><b>Indicators still being actively pursued from previous LAA round</b></p> <ul style="list-style-type: none"> <li>• Number of IB claimants moved off benefits into work</li> <li>• Number of residents aged 50+ moved from benefits into work</li> </ul> <p><b>List of MAA economic development indicators</b></p> <ul style="list-style-type: none"> <li>• Total annual real Gross Value Added (GVA) output (£Million)</li> <li>• GVA per hour worked (£ per head)</li> <li>• Total employment (000s)</li> <li>• Stock of VAT registered companies</li> <li>• NI 151 Overall employment rate (% of working age pop.)</li> <li>• NI 153 Working age people on out of work benefits in worst performing neighbourhoods (% of working age pop)</li> <li>• NI 163 Proportion of adults qualified to Level 2 or higher (% of adult pop)</li> <li>• NI 165 Proportion of adults qualified to Level 4 or higher (% of adult pop)</li> </ul> |
| <b>Sheffield</b> | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 117 16-18 year old NEET</li> <li>• NI 146 Adults with learning disabilities in employment</li> <li>• NI 150 Adults in contact with secondary mental health services in employment</li> <li>• NI 152 Reduce Out of Work Benefit Claimants</li> <li>• NI 155 Number of affordable homes provided</li> <li>• NI 163 Delivering Skills (increasing proportion of EA population on Level 2)</li> <li>• NI 164 Proportion of EA population reaching level 3</li> <li>• NI 167 Congestion – average journey time per mile during the morning peak</li> <li>• NI 171 Increasing Business Start ups</li> </ul> <p><b>Economic development related local indicators within 2008 LAA</b></p> <ul style="list-style-type: none"> <li>• State of the roads (adaptation of NI168)</li> <li>• Buying locally: measuring council spending and procurement in the Local Economy</li> <li>• Number of new business start ups in Sheffield (business registrations below VAT level)</li> <li>• Economic value of culture: Advertising Value Equivalent (AVE) of regional and national media coverage of major cultural/sporting events</li> </ul>  |

| Case Study Area | Indicators   |
|-----------------|--|
| South Tyneside  | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 117 16-18 year olds not in education, training or employment (NEET)</li> <li>• NI 148 Care leaver in employment, education and training</li> <li>• NI 152 Working age people on out of work benefits</li> <li>• NI 154 Net additional homes provided</li> <li>• NI 164 Proportion of population (19-64 males and 19-59 females) qualified to at least Level 3 or higher</li> <li>• NI 171 New business registration rate</li> <li>• NI 173 Flows on to incapacity benefits from employment</li> <li>• NI 176 Working age people with access to employment by public transport (and other specific modes)</li> </ul> <p><b>Indicators still being actively pursued from previous LAA round</b></p> <ul style="list-style-type: none"> <li>• LAA 110 New Business Registration Rate (converted to NI 171)</li> <li>• LAA 113 Self Employment Rate</li> </ul> <p><b>MAA economic development indicators</b></p> <ul style="list-style-type: none"> <li>• NI 151 Overall Employment Rate</li> <li>• NI 174 Skills Gap in the Workforce reported by employers</li> <li>• NI 106 Young people from low income backgrounds progressing to higher education</li> <li>• NI 152 Working age people on out of work benefits</li> <li>• NI 153 Working age people claiming out of work benefits in worst performing neighbourhoods</li> <li>• NI 163 Proportion of people aged 19-59/64 qualified to at least level 2 or higher</li> <li>• NI 164 Proportion of people aged 19-59/64 qualified to at least level 3 or higher</li> <li>• NI 165 Proportion of people aged 19-59/64 qualified to at least level 4 or higher</li> <li>• NI 117 – 16-18 year olds who are not in education, employment or training (NEET)</li> </ul> |
| Wolverhampton   | <p><b>National indicators</b></p> <ul style="list-style-type: none"> <li>• NI 116 Proportion of children in poverty</li> <li>• NI 117 16-18 year olds who are NEET</li> <li>• NI 151 Employment rate</li> <li>• NI 153 Working age people on out of work benefits in worst performing neighbourhoods</li> <li>• NI 154 Net additional homes provided</li> <li>• NI 163 Working age population qualified to at least Level 2</li> <li>• NI 164 Working age population qualified to at least Level 3</li> <li>• NI 165 Working age population qualified to at least Level 4</li> <li>• NI 167 Congestion average journey time per mile during the morning period</li> <li>• NI 171 New business registration rate</li> </ul> <p><b>Indicators still being actively pursued from previous LAA round</b></p> <ul style="list-style-type: none"> <li>• Number of business start-ups in Wolverhampton created and surviving after 12 months following Business Link Intensive Assistance</li> <li>• Number of adults from priority wards of Wolverhampton aged 19-64 achieving and NVQ Level 1 qualification or equivalent</li> <li>• Number of adults from priority wards of Wolverhampton achieving NVQ Level 2 qualification or equivalent</li> <li>• Number of people aged 17-64 not in employment helped into work for a sustained period through jobs projects in eight priority wards</li> </ul>  |

ISBN: 978 1 4098 1674 4

