Kent and Medway
Local Economic Assessment

Scoping Report

March 2010
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1. Introduction: Background to the Local Economic Assessment duty

Introduction

1.1. Under the Local Democracy, Economic Development and Construction Act (LDEDCA) 2009, Kent County Council (KCC) and Medway Council will each have a duty to prepare Local Economic Assessments of their areas. Local Economic Assessments are intended to set out a robust analysis of the state of the local economy and to inform future Regional Strategy.

1.2. KCC and Medway Council intend to prepare a joint Local Economic Assessment for the whole of Kent and Medway. This paper sets out KCC’s and Medway’s proposals for the scope of the joint Local Economic Assessment, in particular:

- The purpose of the Local Economic Assessment and the rationale for developing it jointly between Kent and Medway
- The geographical basis for the Assessment process
- The areas that the Assessment will cover and the data that will be used in support of them
- Mechanisms for prioritising investment and considering options for sub-regional economic governance
- The process and timetable for taking the Local Economic Assessment forward

1.3. The Government published draft statutory guidance on Local Economic Assessments in December 2009. This scoping report reflects the draft guidance and covers all those areas that Government envisages should be considered in an Economic Assessment. However, the draft guidance allows for considerable flexibility, enabling the scope set out in this paper to be responsive to Kent and Medway’s specific local circumstances.

1.4. Within the Act, KCC has a duty to “consult and seek the participation of” the Kent District Councils on the preparation of the Local Economic Assessment. Districts will in turn have a duty to cooperate. Views on an earlier draft of this scoping report were sought in autumn 2009 and have been incorporated into this revised scope.

1.5. Government guidance anticipates that we should complete the first Local Economic Assessment within twelve months of the duty coming into force (i.e. by the end of March 2011).

1 Local Democracy, Economic Development and Construction Act (2009), Part 4, Section 69(5).

2 KCC/Medway (February 2010), Consultation on the draft scope of the Kent and Medway Local Economic Assessment: Analysis of Responses
Purpose of the Local Economic Assessment

1.6. The Local Economic Assessment (LEA) duty emerges from the Government’s Review of Sub-National Economic Development and Regeneration (the Sub-National Review, or SNR), which concluded that local authorities should play a stronger role in economic development and regeneration and that economic decision making should be increasingly devolved to local and sub-regional level. Specifically, the duty is contained within the Local Democracy, Economic Development and Construction Act. There is a broad political consensus on the need for increased local devolution, with the Conservative Party's Green Paper, Control Shift generally continuing the approach of the SNR.

1.7. The Local Economic Assessment duty is intended to support the reforms proposed under SNR by:

- Providing local authorities and other stakeholders with an understanding of how economic conditions shape places at a range of spatial levels, in order to inform priorities, resource allocations and actions
- Reflecting the economic character of the area (including the diversity within the area); and
- Adding and contributing to other strategies and plans

1.8. The core objectives of the Local Economic Assessment, as set out in the draft guidance, are to:

- Provide a sound understanding of the economic conditions in the area and how they affect residents and businesses
- Identify the economic linkages between the area assessed and the wider economy
- Identify the comparative strengths and weaknesses of the local economy and the nature and form of local economic challenges and opportunities
- Identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth

1.9. Given these objectives, it is clear from the draft guidance and the Act that while Assessments are intended to be robust and evidence-based, they are not intended to be purely statistical exercises, and this intent is reflected in this draft scoping document.

Linkages with statutory and other key strategic documents

1.10. The Local Economic Assessment is intended to inform and be informed by a number of key strategic documents:

1.11. **Sustainable Community Strategies:** The assessment should form part of the evidence base for Sustainable Community Strategies (within
the KCC area at both county-wide and district level), and should inform future local area agreement and multi area agreement negotiations

1.12. **Local Development Frameworks:** The Local Economic Assessment should both inform and be informed by LDFs. The Assessment must take account of evidence prepared by local authorities in the development of Local Development Frameworks\(^3\). In addition, PPS4 requires that LPAs should work with authorities preparing local economic assessments to maintain a sound economic evidence base\(^4\).

1.13. **Regional Strategy:** The assessment should form part of the evidence base for the integrated Regional Strategy and the Regional Implementation Plan (although the development of the assessment will also have to have regard to existing strategies at regional level).

1.14. Future **sub-regional economic development strategy.** There is no formal requirement for the Assessment to lead to a Kent and Medway economic development strategy. However, given that Kent Prospects (the overall framework for the KCC area) is now outdated and, given likely changes in the economic development policy landscape, there would be a logic in producing a Kent and Medway economic strategy following the Local Economic Assessment. This will however be a decision for the Kent and Medway local authorities in due course.

**Rationale for a joint Kent and Medway approach**

1.15. As upper tier authorities, both Medway Council and KCC will have duties to prepare local economic assessments, and there is no requirement on us to prepare a joint assessment.

1.16. However, the Government’s Policy Statement takes the view that economic assessments should not be constrained by administrative boundaries, and encourages joint assessments where economic links between authorities are strong. In particular, the draft statutory guidance notes that county councils may undertake joint assessments with neighbouring unitaries\(^5\).

1.17. Given this encouragement, there is a strong rationale for carrying out a joint assessment between Medway Council and KCC. This is reflected in both:

- Strong economic linkages (with for example Medway forming part of the same travel to work area as Maidstone and much of Swale and Tonbridge and Malling), and

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\(^{3}\) LDEDCA (2009), Part 4, section 69(5)(b)

\(^{4}\) CLG (2009), PPS4: Planning for Prosperous Economies, Policy EC1.

\(^{5}\) CLG (January 2009), draft statutory guidance, p.20
• A history of cooperation in economic governance (for example through the Multi-Area Agreement for North Kent and joint coverage by agencies such as Locate in Kent)

1.18. In addition, given Medway’s geographical position, much of the analysis needed to inform the economic assessment for Kent will need to take account of Medway, and vice-versa, so a joint assessment will reduce potential duplication.

1.19. Finally, the LDEDCA contains provisions for greater sub-regional economic cooperation. Should KCC, Medway Council and the Kent Districts wish eventually to establish such an entity, a joint local economic assessment will help in setting out a common evidence base to support a strategy for it.
2. Content and scope of the Local Economic Assessment

Overall structure

2.1. The Economic Assessment will need to deliver a comprehensive analysis of the area’s economy. This is intended to be as objective and complete as possible, and will therefore need to cover a wide range of topics, set out in Section 2.3 below.

2.2. The Assessment will be produced through a series of topic papers. These will largely be freestanding and will be revised as appropriate as new intelligence comes to light.

2.3. The approach to combining the topic papers into the overall Economic Assessment is an iterative one. As the topic papers are being produced, we will publish interim drafts of the Economic Assessment setting out the intelligence that we currently have and identifying areas for further analysis. This will help to ensure ongoing consultation with partners, as well as enable an interim Assessment to be in place as soon as possible.

Geographical scope

2.4. The Assessment will cover the whole of Kent and Medway. However, the Assessment will seek to use the 12 Districts and the Medway Council area as the fundamental building blocks, recognising that the Assessment will need to be of practical value in informing LDFs, which are district responsibilities, and Sustainable Community Strategies, developed at sub-county level on a district or multi-district basis. The Assessment will therefore seek to provide accessible district economic assessments within the context of an overall sub-regional assessment.

2.5. This approach will also enable aggregation to sub-regional partnership level (for example, North Kent, East Kent or West Kent). The Assessment will therefore seek to be relevant at a range of spatial levels. This is particularly important given the economic diversity of Kent and Medway.

2.6. The Assessment will also need to take into account functional economic areas, recognising that these cut across administrative boundaries and are also likely to overlap. In this context, the assessment will also need to consider the economic links beyond Kent and Medway (into London, Essex/ Thurrock, Surrey and East Sussex), taking into account the extensive inter-county travel to work areas. In the preparation of the Assessment, we will therefore need to work closely with neighbouring authorities (and with SEEDA).
2.7. The following paragraphs set out proposed topic areas, with the key areas that these will seek to analyse. Each of the topic papers cover fairly broad areas and will be supported by a range of additional technical papers. For each of the topic papers, detailed briefs will be drawn up, setting out existing data (and other information) that will be drawn upon and gaps in intelligence which will need to be filled. The topic papers approach allows for district-by-district breakdown and the use of locally-specific information where appropriate (for example, district or multi-district economic development strategies and the evidence bases prepared for them). In many cases, the information yielded by the topic papers may be of greater relevance at district level than at the level of Kent and Medway as a whole.

2.8. All topic papers will obviously draw on available data, including forecasts. However, they are not intended to be purely repositories of data, and will also contain an overview of the relevant strategic context as well as qualitative analysis (including business views) where appropriate. Where relevant, topic papers will also draw on evidence from outside Kent and Medway (for example when considering the potential implications of an observed trend or policy change). In particular, each topic paper is intended to be forward looking, setting out how different scenarios might impact on the future of Kent and Medway, rather than purely setting out a snapshot of the current state of the area.

2.9. As well as reflecting the areas set out in the Government’s draft statutory guidance and the responses received on the first draft of this scope, these topic areas also broadly reflect the challenges identified by the South East England Partnership Board in the early stages of the preparation of the Regional Strategy.

**Topic Paper 1: Demographic change**

2.10. This will establish the implications of population change and migration for the future workforce, and more generally the impacts of demographic change (especially an ageing population) on the local economy.

**Topic Paper 2: Economic growth and innovation**

2.11. This paper will seek to analyse the strengths and weaknesses of Kent and Medway as an employment and business development environment and the drivers of future economic growth. In particular, it will consider:
• the sectoral composition of the county’s economy, including diversity and concentration and the implications of decline and growth in different sectors of the county’s economy;
• opportunities and constraints on economic growth;
• enterprise development in Kent and Medway, including levels and trends in business start-ups, levels and trends in self-employment;
• innovation and levels of knowledge intensity (including enterprise-focused links with higher education and the wider economic impact of HE);
• resilience and adaptability to economic change;
• the public sector contribution to business support and economic development (including the impact of regulation)

**Topic Paper 3: Climate change, environmental limits and the low carbon economy**

2.12. This paper is likely to overlap somewhat with other topic papers, and is to some extent a cross-cutting theme. It will cover:
• The environmental and resource limitations restricting certain forms of economic activity;
• The potential economic impacts of climate change;
• Economic opportunities for the county emerging from increased environmental regulation and the need to develop new technologies;
• Energy efficiency and the opportunities presented by greater use of renewable energy sources

**Topic Paper 4: Employment and skills**

2.13. This paper will form a core element of the Assessment, and will cover a series of inter-related sub-topics:
• An analysis of the Kent workforce and labour market
• Skills levels, trends and identified shortfalls
• Worklessness

2.14. Taking each of these in turn:

**Analysis of the Kent workforce and labour market**

2.15. This aims to provide a broad understanding of the local occupational structure at county-wide, district and sub-regional level, including:
• Employment, unemployment and economic activity;
• Employee earnings and diversity across the county;
• Travel to work and commuting patterns. These may be subject to considerable change given the start of High Speed 1, and the paper will seek to consider the impacts of HS1.
Worklessness

2.16. The final report of the Tackling Worklessness Review (the Houghton Report) published in March, recommended that local authorities carry out worklessness assessments.\(^6\) Emerging guidance states that these should form an integral part of local economic assessments. Given the obvious overlap between an analysis of worklessness and its causes, the wider labour market and skills attainment, it makes sense to incorporate the worklessness assessment within the wider employment and skills topic paper.

2.17. Building on the workforce analysis in the earlier part of the paper, the worklessness assessment will aim to:
- Consider how labour market conditions are changing
- Set out a demographic profile of those claiming out of work benefits
- Identify those people most at risk of redundancy and long term unemployment
- Identify districts, towns and neighbourhoods suffering from (or at risk of) worklessness
- Identify concentrations of young people not in education, employment or training
- Consider existing capacity to support those who are unemployed or made redundant

Skills

2.18. This will provide an analysis of current skills levels, including:
- Current workforce educational attainment levels
- Identified skills gaps (taking advantage of the sector-based analysis in Topic Paper 2)
- School and further education attainment levels and trends
- Higher education progression, attainment and retention

2.19. The outcomes of the skills analysis may in due course help to inform the workings of the Employment and Skills Board and/ or other commissioning bodies.

Topic Paper 5: Economic disadvantage

2.20. This paper will inevitably overlap somewhat with the worklessness assessment in Topic Paper 3. However, it will be important in setting out the wider nature of deprivation in Kent and Medway, including:
- Factors leading to concentrations of multiple deprivation at district, ward and neighbourhood level
- Patterns and impacts of concentrated and dispersed deprivation

2.21. This paper will also take account of the proposed duty set out in Section 21 of the Child Poverty Bill for KCC and Medway Council to undertake an assessment of the needs of children living within poverty and will take account of and contribute to evidence prepared in the course of the development of the Child Poverty Assessment.

**Topic Paper 6: Commercial and residential development**

2.22. This paper will consider:
- The nature of local housing markets in Kent and Medway, future housing development and its economic impacts
- Employment land, including current availability by amount, type and quality
- Major development sites

2.23. Much of the information on which this topic paper will be based will be incorporated within existing Employment Land Reviews and Strategic Housing Market Assessments (indeed, a Kent and Medway-wide SHMA has already been prepared in the course of the development of the Kent & Medway Housing Strategy). Given the volume of existing information, Topic Paper 6 may be presented as two sub-papers.

**Topic Paper 7: Infrastructure**

2.24. This paper will consider:
- Utilities provision and potential constraints on development
- The impact of new transport provision on economic development (e.g. HS1) and the wider impact of international transport links
- Existing transport infrastructure constraints
- Telecommunications infrastructure and constraints

**Topic Paper 8: Rural economic development**

2.25. This paper will examine specific economic issues and opportunities for rural Kent and Medway. It will also be ‘cross-cutting’, taking into account the impacts on rural areas of the issues examined in the preceding topic papers.

**Overall Local Economic Assessment summary and interim documents**

2.28. The eight topic papers will overall provide the evidence base for the Local Economic Assessment, which will then be produced as an overarching summary document.

2.29. As set out in para. 2.3, it is intended that interim Local Economic Assessment reports will be produced periodically, setting out the current state of evidence at the time and highlighting (and promoting debate about) further areas of work. A timetable for this is set out in the next section.
3. Local Economic Assessment process and timescales

Governance arrangements

3.1. Responsibility for taking forward the Assessment duty rests with Kent County Council and Medway Council. However, this is accompanied by a clear duty to engage with the Kent District Councils, as outlined earlier in this paper.

3.2. To facilitate this consultation and oversight, a joint consultative forum is proposed. This will be jointly chaired by the relevant Cabinet members at Medway Council and KCC, with the Leaders of the Kent Districts (or their representatives) invited to participate. The Forum will be an informal, ‘task and finish’ body, the work of which will cease once the Assessment is complete.

3.3. The Forum will be supported by a small Joint Project Group (JPG), made up of officers from Kent County Council and Medway Council. This shall include designated Lead Officers within each Council and a single nominated Project Manager for the Assessment. The JPG will have the responsibility of managing the Assessment.

3.4. In addition to the local authorities represented at the Forum, it is intended that ongoing consultation will also take place with:

- Kent Economic Board and Medway Economic Board, especially in relation to the views of the business community;
- Kent Economic Development Officers’ Group (KEDOG), which brings together District, County and Medway EDOs at operational level, together with SEEDA, Locate in Kent, Business Support Kent and Business Link;
- Kent Planning Officers’ Group (KPOG) and its sub-groups;
- Kent Housing Group; and
- Sub-regional partnerships and relevant external agencies

3.5. The diagram overleaf sets the ongoing consultation process.

3.6. Given the diverse range of issues covered in the proposed topic papers, a wide range of officers from various organisations will need to be involved at some point. However, the general intention is to minimise bureaucratic processes: as such, ad hoc groups will be convened to support specific actions through the Assessment process, but standing sub-committees will not be established.
Dissemination and communication

3.7. All the output of the Local Economic Assessment will be publicly available, potentially via an online observatory facility. However, the overarching Local Economic Assessment summary document will be presented as a relatively short document, designed for a general audience.

Consultancy support

3.8. Overall co-ordination of the Local Economic Assessment will be carried out by officers with KCC and Medway Council, via the governance and consultative mechanisms set out above. Where possible, specific analysis and research will also be undertaken in-house where there are the expertise and resources to do so.

3.9. However, specific consultancy support will be required for individual pieces of work. This will be set out in the briefs for the individual topic and technical papers and where required, specific client groups will be established.

Budget

3.10. Resources available for the Assessment are currently being finalised within KCC and Medway. Use of a joint budget will be based on the content of this Scoping Report and will be determined by the Joint Project Group.
Project timetable and review

3.11. The duty to prepare the Local Economic Assessment formally comes into force on 1 April, with completion anticipated within twelve months.

3.12. In the meantime, it is intended that periodic interim reports will be produced to set out the current state of work, highlight areas for further work and demonstrate to Government (if necessary) that substantive work is underway to discharge the duty.

3.13. With the topic papers proceeding over the course of the year (and with more detailed timetables to be drawn up for them), interim and final reports will be produced as follows:

- First Interim Report: May 2010
- Second Interim Report: October 2010
- Complete summary LEA: March 2011

3.14. The LEA will however be regularly reviewed following March 2011 as the intelligence base is developed further. There is flexibility within the draft guidance regarding review, with local authorities asked to “ensure that they are updated as major new data is made available and if economic events or shocks, such as the closure of a major local employer, require it”. The iterative approach set out in this Scoping Report enables us to retain such flexibility beyond the preparation of the first complete summary.