



Office of the
Deputy Prime Minister

Creating sustainable communities

*Guide to Improving the
Economic Evidence Base
supporting Regional Economic
and Spatial Strategies*



Office of the
Deputy Prime Minister

Creating sustainable communities

Guide to Improving the Economic Evidence Base supporting Regional Economic and Spatial Strategies

September 2005

Ove Arup & Partners Ltd

Office of the Deputy Prime Minister: London

PROJECT TEAM

Christopher Tunnell – Project Director
Tom Bridges – Project Manager
Corinne Swain OBE
Lynne Miles – Arup
Richard Crabtree – Arup
Professor Phil Allmendinger, University of Reading
Dr Graham Gudgin, Regional Forecasts

The Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU
Telephone: 020 7944 4400
Website: www.odpm.gov.uk

© *Queen's Printer and Controller of Her Majesty's Stationery Office*

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.

This is a value added publication which falls outside the Class of the HMSO licence.

For any other use of this material, please write to HMSO Licensing, St Clements House,
2-16 Colegate, Norwich NR3 1BQ. Fax: 01603 723000 or e-mail: licensing@hmso.gov.uk.

Further copies of this publication are available from:
Office of the Deputy Prime Minister Publications
PO Box 236
Wetherby LS23 7NB
Tel: 0870 1226 236
Fax: 0870 1226 237
Textphone: 0870 1207 405
E-mail: odpm@twoten.press.net
or online via the Office of the Deputy Prime Minister's web site:
www.odpm.gov.uk

ISBN 1 85112 792 5

Printed in Great Britain on material comprising 75% post-consumer waste and 25% ECF pulp.

September 2005

Reference number: 05PD03361

CONTENTS

Chapter 1

Introduction	7
1.1 Purpose of this Guide	7
1.2 Structure and overview of the Guide	8
1.3 Wider Context for this Guide	11

Chapter 2

Preparing RES and RSS	14
2.1 Key Tasks	14
2.2 Interrelationship Between Strategies	14
2.3 Joint Working Between the RDA and RPB	15
2.4 'Soundness' Tests and the Implications for the Evidence Base	16
2.5 Developing the Evidence Base	16

Chapter 3

Areas for Strengthening the Use of Economic Evidence	18
3.1 Introduction	18
3.2 Key Lessons from Current Practice	19
3.3 Main Findings in Relation to Current Practice	19
3.4 Main Areas for Strengthening the Analysis and Use of Economic Evidence	21

Chapter 4

The Strategy Development Process	23
4.1 Introduction	23
4.2 Key Tasks	23
4.3 The General Framework	23
4.4 The Role of Alternative Scenarios	25
4.5 Drivers of Change	27
4.6 Managing Relationships between the RES and RSS	27

Chapter 5

Establishing an Economic Baseline	29
5.1 Introduction	29
5.2 Key Tasks	29
5.3 Developing the Evidence Base	30
5.4 Challenges for Future Practice	31
5.5 Issues to be Addressed through Evidence	31
5.6 Evidence Checklist	32
5.7 Practical Issues Relating to Economic Data	34

Chapter 6	
Establishing the ‘Business as Usual’ Projection	36
6.1 Introduction	36
6.2 Key Tasks	37
6.3 Demographic Projections	37
6.4 Economic Projections	38
6.5 Population and Economy Relationships	38
6.6 Spatial Implications of the Business as Usual Projection	39
Chapter 7	
Testing Alternative Economic Scenarios	40
7.1 Introduction	40
7.2 Key Tasks	40
7.3 Brainstorming of Future Scenarios and Drivers of Change	41
7.4 Further Analysis and Quantification of the Scenarios	43
7.5 Testing Realism	45
7.6 Selecting the Preferred Scenario	47
Chapter 8	
Economic Development Policy	49
8.1 Introduction	49
8.2 Key Tasks	50
8.3 Developing the Evidence Base and Challenges for Future Practice	51
8.4 Policy Issues to be Addressed through Evidence	52
8.5 Evidence Checklist	54
Chapter 9	
Supporting the Economy through Housing	58
9.1 Introduction	58
9.2 Key Tasks – Housing	59
9.3 Developing the Evidence Base	59
9.4 Challenges for Future Practice	61
9.5 Policy Issues to be Addressed through Evidence	62
9.6 Evidence Checklist	62
Chapter 10	
Supporting the Economy through Transport	70
10.1 Introduction	70
10.2 Key Tasks	71
10.3 Developing the Evidence Base	72
10.4 Challenges for Future Practice	74
10.5 Policy Issues to be Addressed through Evidence	74
10.6 Evidence Checklist	75

Chapter 11

Town Centres as Prime Nodes of Economic Activity	79
11.1 Introduction	79
11.2 Key Tasks	80
11.3 Developing the Evidence Base	81
11.4 Challenges for Future Practice	82
11.5 Policy Issues to be Addressed through Evidence	84
11.6 Evidence Checklist	85

Appendices

A	Specific Requirements for Soundness for the RSS and RES and Implications for the Evidence Base	89
B	Techniques for Economic Analysis and Forecasting	92

CHAPTER 1

Introduction

1.1 Purpose of this Guide

This document provides guidance on improving the use of economic evidence in preparing Regional Spatial Strategies (RSSs), and the spatial components of Regional Economic Strategies (RESs). It gives advice on how Regional Planning Bodies (RPBs) and Regional Development Agencies (RDAs) can strengthen the evidence base to enable them to develop and justify more robust and regionally distinctive policies and strategies for regional development. It reflects the importance the Government attaches to the need for plans and policies to be properly based on analysis and evidence.

Planning Policy Statement 1: Delivering Sustainable Development (PPS1) emphasises that regional spatial and economic strategies should draw upon and be supported by a common, robust, evidence base. The importance of an improved economic evidence base for RSS revisions is also emphasised in Planning Policy Statement 11: Regional Spatial Strategies (PPS11) (paragraph 2.12). The Guidance to RDAs on Regional Strategies states that RDAs should have regard to the guidance set out in this document.

This guidance supports the policies in PPS11 and other statements of Government planning policy and is supplementary to the RDA Guidance on Regional Strategies.

Regional planning and regional economic development policies play an important role in delivering economic development in a region. These policies should set out a consistent and positive framework for sustainable economic growth to support efficient, competitive and innovative business, commercial and industrial sectors. It is important that these policies are based on a sound evidence base and that they take full account of the principles of sustainable development set out in PPS1, including the need to ensure the potential impacts, positive as well as negative, of development proposals on the environment are taken into account. Regional policies should promote the efficient use of land and bring forward sufficient land of a suitable quality in appropriate locations to meet the expected needs for economic development across a region, whilst ensuring that infrastructure and services are provided to support new and existing economic development.

This guidance has been produced in response to findings of earlier research carried out for the inter-departmental Regional Economic Performance team and Planning Directorate in ODPM. This stressed the importance of planning to regional economic development, and identified the need for increased consideration by RDAs of spatial planning issues as part of the development of RESs, and the need for RPBs to strengthen thinking on the economic implications of RSSs.

Significant progress has been made in recent years by RDAs and RPBs in improving the evidence base for regional planning. The challenge is to build on this progress by strengthening further the economic evidence base and the way in which it is applied to developing regional strategies. Whilst much of the advice in this guide is based on recent good practice, it also seeks to question assumptions, progress thinking, and challenge aspects of existing practice.

Through the research undertaken for this project, five main areas have been identified where there is significant scope for strengthening the economic evidence base for regional planning:

- **Understanding underlying causes.** The challenge is to build on (largely quantitative) analyses of current regional conditions and recent trends, to strengthen the understanding (partly through a greater focus on qualitative issues and evidence) of underlying causal factors, structural issues and drivers for change.
- **Using Longitudinal Evidence.** As well as analysis weighted towards cross-sectional evidence of current conditions, there is scope for greater use of longitudinal evidence on past trends and future projections. This would enhance understanding the nature of structural trends, causal factors, and relationships across different policy areas, and would provide a more robust basis for the development and testing of future scenarios.
- **Better interpretation of data analysis and modelling.** There is scope to develop clearer, more transparent and participative approaches to the way in which evidence informs policy choices. There is a need for evidence to be based on realistic and consistent assumptions, and for it to be used to consider and test the implications of a range of likely outcomes.
- **Testing the economic implications and market reality of policy.** It is important that policy-makers use a strengthened economic evidence base and a more robust approach to market-testing, to improve understanding and questioning of the economic implications of adopting specific policy positions on the scale, type and location of development.
- **Integrating evidence across different policy areas and policy-making exercises.** There is scope for better integration and synthesis of thematic, sector-based, and spatially-focused evidence and studies to strengthen understanding of linkages and inter-relationships between policies in different areas (for instance, understanding of how housing provision impacts on economic competitiveness).

1.2 Structure and overview of the Guide

1.2.1 CONTEXT (CHAPTERS 2 – 3)

The context for advice on strengthening the economic evidence base for regional planning is considered in section 1.3 below, and in chapters 2 and 3.

Chapter 2, 'Preparing RES and RSS', includes points on the inter-relationship between the two strategies, observations on joint working between RDAs and RPBs, and introduces the various tests of 'soundness' derived from ODPM Guidance on Regional Spatial Strategies and DTI Guidance to RDAs on Regional Strategies. Further details of these tests of 'soundness' is provided in Appendix A. The chapter concludes by setting out the types of information and analysis that can usefully inform the different stages of strategy preparation. More detailed examples of topic-specific analytical techniques at different stages of strategy preparation are set out in a similar format in Chapters 5 – 8.

Chapter 3, 'Areas for Strengthening the Use of Economic Evidence', sets out main findings in relation to current practice, including an overview of the types of evidence collected currently, and recent progress in strengthening the evidence base for regional planning. The chapter concludes by elaborating on the main points introduced in section 1.1 above on areas for strengthening the analysis and use of economic evidence.

1.2.2 THE OVERALL PROCESS AND ANALYTICAL FRAMEWORK FOR STRATEGY DEVELOPMENT (CHAPTERS 4 – 7)

The overall process and analytical framework for strategy development is considered in chapters 4 – 7 of the guide.

Chapter 4, 'The Strategy Development Process' introduces the concepts involved in defining and testing alternative scenarios, and identifying drivers of change, and the working methods involved in coordinating such work. It sets out advice based on a recommendation that there should be a core exercise of forming the regional strategy, supported by topic based studies and stakeholder engagement. This approach should be based on analysis of drivers of change, the development and testing (including through Sustainability Appraisal) alternative scenarios.

Chapter 5, 'Establishing the Economic Baseline', sets out practical advice on types of evidence and analytical techniques for establishing the economic baseline for a region. The aim is to develop a robust analysis and understanding of: the composition of the regional economy and its strengths and weaknesses in terms of sectors and sub-regions; how the performance of the region relates to other comparators; and past trends that have influenced the current position.

Chapter 6, 'Establishing the 'Business as Usual' Projection', provides advice on the development of projections that represent a continuation of existing trends (i.e. a 'do minimum' scenario). These are likely to be a mix of market trends influenced by existing policy. The main objectives of establishing a business as usual projection are to: establish a practical view of how the economy is likely to develop; provide a quantitative base against which the relative position of alternative scenarios can be considered; and to assess the extent to which the existing trends are compatible with policy aims and targets, and if not to estimate the scale of change and policy intervention required. This exercise will require interpretation and synthesis of demographic and economic projections, and an understanding of their spatial implications.

Chapter 7, ‘Testing Alternative Economic Scenarios’, sets out advice on how alternative economic scenarios can be developed, the testing of the realism and implications of scenarios, and on the selection of the preferred scenario. The main aim should be to explore different regional futures to assess how different levels of growth may be achieved, other than through ‘business as usual’. It is suggested that this should be achieved by means of a process of developing internally coherent ‘stories’ or scenarios about the future Region, and focusing on implications of each of these for the region, for policy and stakeholders.

1.2.3 DATA AND ANALYTICAL TECHNIQUES FOR FORMULATING POLICIES FOR PARTICULAR TOPIC AREAS (CHAPTERS 8 – 11)

The final part of the Guide explores the data and analytical techniques that can usefully be considered in formulating policies for particular topic areas. Chapters 8–11 give practical guidance on identifying and testing the main policy levers to support economic development (Chapter 8), and to influence economic performance through policy on housing (Chapter 9), transport (Chapter 10) and town centres (Chapter 11). Many of the greatest challenges of course arise at the interface between these topic areas, and ways of bringing them together have been covered earlier in the document in Chapters 6 and 7).

Chapter 8, ‘Economic Development Policy’, focuses on the use of evidence to identify the economic development policy levers to deliver the broad strategy for the region, including any planned step change in economic competitiveness and performance. The role of the RDA is to lead and coordinate economic development interventions, within the framework provided by the RES, and having regard to the spatial planning framework set out in the RSS. Key issues include using evidence to inform policies to: ensure an appropriate supply of employment land; inform land and property regeneration interventions; identify priority areas for economic regeneration initiatives; and to provide a spatial dimension to business support, sector and cluster development, and inward investment and aftercare initiatives.

Chapter 9, ‘Supporting the Economy through Housing’, sets out advice on how a strengthened evidence base can inform the development of policies aimed at ensuring the right quantum, quality and location of housing, and better functioning housing markets to support regional economic growth. The challenge is to develop a stronger understanding of: housing – economy links, including the economic implications of policies on development of housing on brownfield land; and of market information. In particular, there is scope for greater appreciation of the issues and implications for housing of the knowledge economy, including a need for greater use of qualitative evidence and ‘softer’ market intelligence.

Chapter 10, ‘Supporting the Economy through Transport’, outlines brief advice on how analysis of transport trends, the transport network, and transport improvements can inform and support wider economic and spatial development policies. It is important that these wider policies are based on a sound understanding of current and likely future constraints in relation to the transport network, and on the outcomes that can be delivered by realistic policies and priorities for transport improvements.

Chapter 11, 'Town Centres as Prime Nodes of Economic Activity', provides advice on understanding the role and competitive position of centres within the regional economy. The challenge is to develop a transparent and robust use of evidence to inform policies for development and change in centres that are realistic in terms of the market, appropriate in terms of higher-level policy, and recognise and respond to the different issues, prospects and characteristics of different types of centres.

1.2.4 USING THE GUIDE

Evidence is used in different ways depending on the stage in the process of preparing RES and RSS. This is a theme running through this Guide. The general principles are identified first in table format in Chapter 2. This format is then repeated in Chapters 5 and 8 – 11 in more detail for particular topic areas.

The data and techniques relevant to these topic areas are also summarised in consistent format in tables in Chapters 5 and 8 – 11. These are focused around a checklist of issues to be considered. It is for individual regions to select those of relevance to their circumstances. The tables are not intended to be a prescriptive or an exhaustive list of evidence to be used. Each chapter starts with a summary of key tasks for ease of use.

In developing their strategies regions will need to consider wider evidence relating to people and the environment and undertake a Sustainability Appraisal. In this respect the Guide is not intended to be a comprehensive guide to improving evidence for regional strategies. It focuses on economic aspects and regional economic performance, covering background work to justify economic development policies.

Because of the origins of the guidance it focuses in some detail on the areas of housing, retail and transport – but all economic development has implications for spatial planning. Other areas are not discussed in detail but the general approaches described here will also be relevant.

The Guide is intended to complement other guidance on RES, and RSS preparation, such as monitoring and Sustainability Appraisal¹. Signposts are given to this other guidance in relevant sections.

1.3 Wider Context for this Guide

1.3.1 CONTEXT OF THE POST-INDUSTRIAL ECONOMY

The broad coverage of this Guide is because the success of regions in the post industrial economy is likely to depend on a much broader range of issues than included in some traditional economic analysis.

¹ Monitoring RPG: Good Practice Guide on Indicators and Targets, 2002; Core Output Indicators for Regional Planning, March 2005; Sustainability Appraisal of RSSs and LDFs – consultation paper, September 2004.

Box 1.1: Implications of the Post Industrial Economy

In the post-industrial economy employment is no longer tied to specific places where for instance raw materials are available. Economic systems have become footloose, i.e. more and more flexible and this implies that they can develop and prosper in all kinds of location. Labour supply is a major element of the location decision, with prosperous regions containing the most skilled and creative regions and competing on the basis of success in attracting and retaining the most creative people, while poorer performers will be competing on costs.

One of the increasingly acknowledged requirements or drivers for achieving competitive success is in making a region attractive to a talented and creative workforce to support all sectors. Today's talented and creative people can be encouraged to relocate, but many have high expectations of the places where they choose to live. These requirements often include a high quality of housing supply, public realm, heritage and culture, as well as a tolerant, liberal and outward looking community.

Understanding these requirements and identifying the range of realistic steps to achieve such a creative community may be crucial among many other factors in identifying policy capable of delivering regional economic growth.

1.3.2 APPROACH TO DEVELOPING THE GUIDE AND MAIN BENEFITS OF A STRENGTHENED ECONOMIC EVIDENCE BASE

The researchers have developed advice on improving the economic evidence base through a comparative analysis of existing practice, seeking to identify leading edge practice and current shortfalls. It has been set within a wider understanding of forces driving economic and demographic change, in part influenced by the findings of recent research by the same team².

² Regional Futures: England's Regions in 2030. Arup for the English Regions Network, RDA Planning Leads Group, ODPM & DfT, January 2005

Box 1.2: The benefits of a strengthened economic evidence base

- Understanding the nature and implications of drivers of change and their implications for the region.
- Ensuring that the supply-side is responsive to drivers in terms of demand/need, and/or to guiding supply-side interventions or effort to achieve this in respect of aspects influenced by planning particularly land or labour (employment, housing etc). Other aspects necessary for economic growth, including labour, finance, and enterprise are influenced by other mechanisms.
- Feeding into the evaluation of national policy, and justifying regional departures from higher-level policy, where a region-specific policy approach is required.
- Making informed decisions where trade-offs apply, e.g. growth and the environment, but within a framework that integrates sustainability considerations.
- Helping to target competitiveness improvements, by understanding un-competitiveness.
- Identifying comparative advantage and clusters.
- Enabling regional bodies to demonstrate sound strategies when these are tested at the examination in public or by the Secretary of State.

1.3.3 REGIONAL ECONOMIC PERFORMANCE OBJECTIVES

The Government is committed to improvement in the economic performance of all the English regions. This is expressed in current ODPM, DTI, HM Treasury Regional Economic Performance target that seeks to:

Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gaps in growth rates between the regions, demonstrating progress in 2006³

The RES and RSS have complementary roles in seeking to further the regional economic performance agenda. They interrelate especially in terms of the spatial policies to support *economic* growth.

In addition to inter-regional disparities, most regions also exhibit significant intra-regional disparities which are frequently an issue for regional policy to resolve, particularly as 'raising the game' in poorly performing areas is likely to be a major element of improving overall performance.

Typically these disparities are between those areas with buoyant economies attractive to growth sectors such as financial and business services and knowledge-based industries, and areas dominated by former manufacturing and extractive industries now in decline. Addressing the needs of such underperforming areas will often be a priority.

³ ODPM, HM Treasury, DTI letter to Regional Economic Performance stakeholders, 27 July 2004. E.g. Gross Value Added per head in London is currently 20% above the UK average, with the South East and East of England being the only other regions above the UK average. This reflects the higher than average productivity (GVA per employed worker) and the high employment rates in these regions.

CHAPTER 2

Preparing RES and RSS

2.1 Key Tasks

- **Ensure early liaison between the RDA and RPB, including joint scoping, identification of data gaps, and identifying areas of common evidence that could be used in both strategies.**
- **Consider whether the resources of the Regional Observatory are being used in the most effective way.**
- **Plan and schedule the process of assembling the evidence base, taking account of the soundness themes set out in Annex A.**
- **Define any work necessary with adjacent regions on cross-boundary issues.**
- **Consider how stakeholders will be involved in developing the evidence base.**
- **Identify the different types of analytical techniques needed for each stage of strategy development.**
- **Explore the feasibility of regionally specific policy approaches as part of creating the evidence base.**

2.2 Interrelationship Between Strategies

The RES and RSS have a complementary but non-hierarchical role, and the resulting strategies should be mutually reinforcing. PPS11 states:

'It is essential that the RSS both shapes, and is shaped by, other regional strategies. If the RSS and other strategies are not aligned in their key objectives and vision, and support one another, the region's ability to deliver will be compromised. The RSS provides the longterm spatial planning framework for these other strategies.'

The RES seeks to improve economic performance and enhance the region's competitiveness, addressing market failures that prevent sustainable economic development, regeneration and business growth in the region. This includes building capacity in the region to improve performance on the drivers of productivity innovation and knowledge transfer, skills, enterprise, investment

and competition. Underlying problems such as unemployment, skills shortages, inequalities, social exclusion and access to services and physical decay are addressed in the strategy where they are of importance to the region⁴.

The RSS provides the long-term spatial planning framework for the RES and other regional strategies. It covers a range of issues including the:

- identification of the scale and distribution of provision for new housing;
- priorities for the environment, such as countryside and biodiversity protection; and
- transport, infrastructure, economic development, agriculture, minerals extraction and waste treatment and disposal⁵.

The preparation of both has a statutory basis. The RES should set out the economic ambitions and needs of the region. In doing so it should take account of the spatial priorities of the RSS. The RSS should put in place spatial planning, transport and housing priorities that will support and enable the aspirations of the RES to be met.

Both the RES and RSS have sustainable development at their heart. Both are therefore informed by the Regional Sustainable Development Framework or Integrated Regional Strategy that underpins and thus helps join up all the other regional strategies. For example, some regions have found that establishing joint objectives for both strategies through the Regional Sustainable Development Framework or its equivalent can be a useful process.

Both the RES and RSS should be tailored to the characteristics and needs of that region. Exploring the feasibility of regionally specific policy approaches is an important part of creating the evidence base. The RSS undergoes an independent testing in public, before it is adopted, but the preparation processes of the two strategies should be broadly similar.

2.3 Joint Working Between the RDA and RPB

There are several stages at which joint working between the RDA and RPB can be useful:

- understanding the up-to-date context of the region, including interpretation of annual monitoring and identifying drivers of change;
- identifying issues and objectives;
- commissioning specific studies to identify gaps in the evidence base;
- market testing strategy and policy options, and ensuring that RES and RSS spatial policies are aligned; and
- coordinating evidence to be given at the RSS EIP.

⁴ Guidance to RDAs on Regional Strategies, Para 4, DTI, 2005

⁵ Planning Policy Statement 11: Regional Spatial Strategies para 1.3, ODPM, Sept 2004

In respect of data collection, most regions now have Regional Observatories, sponsored by the RDA and other partners, to which the RPB has access. There are different models for such Observatories, ranging from a repository function, e.g. East Midlands and East of England, to a more proactive role in commissioning studies, e.g. Yorkshire and the Humber. Both models have advantages and disadvantages and it is for the region to determine which best suits its needs.

2.4 ‘Soundness’ Tests and the Implications for the Evidence Base

PPS11 sets out guidance on the content of and process for producing the RSS, and statutory guidance on the production of the RES is set out in the DTI Guidance to RDAs on Regional Strategies. These guidance documents stress the importance of a robust evidence base to underpin the strategies, and set out advice/criteria relating to the soundness of the strategies.

In addition to the need for meeting the requirements set out in Guidance, when producing the RES, there is a statutory requirement for the RDA to have regard to the views of the Regional Assembly (which is also the RPB). The Regional Assembly will typically input at all stages of the process, including responding formally to consultation on drafts of the RES.

The RSS process includes an independent testing phase involving Examination in Public before a Panel appointed by the Secretary of State. The RPB should ensure that the draft RSS is ‘sound’ before submission. The EiP is an opportunity for discussion and testing in public of matters arising from the draft policies including their justification. This now includes assessing the ‘soundness’ of the RSS (paragraph 2.49 of PPS11 sets out the main criteria for assessing soundness).

Appendix A outlines the main criteria and advice from Guidance that relates to soundness of regional strategies, and indicates the implications for developing and using the evidence base.

2.5 Developing the Evidence Base

It is important that the process by which a region gathers the necessary evidence base is carefully planned and scheduled in advance, and that early liaison between the RDA and the RPB establishes areas of common evidence that can usefully be built up. Early consideration should also be given to work with adjacent regions on cross-boundary issues, and when and how stakeholders will be involved in the process.

Developing the evidence base is not just something to be done at the beginning of the strategy development process – it should be integral throughout. Table 2.1 below identifies illustrative types of information and analysis that can usefully inform the different stages of strategy preparation. The importance of unconstrained thinking about alternative futures for a region is discussed in Chapter 4. More detailed examples of analytical techniques for particular topic areas are given in a similar format in Chapters 5-8.

Table 2.1: Illustrative use of evidence at different stages of strategy development		
Strategy Formulation Stage	Key Questions	Evidence
Scoping	<p>What are the main issues and challenges for the region</p> <p>To what extent has the previous strategy been delivered</p>	<p>Existing studies</p> <p>Monitoring feedback</p> <p>Stakeholder views</p>
Baselining/benchmarking	<p>What are the major global and national trends – which could benefit or be detrimental to this region</p> <p>What is driving these trends – how significant are they</p> <p>Which drivers can we influence</p>	<p>Analysis of trends</p> <p>Informed expert views</p> <p>Comparisons with other regions in UK and internationally</p>
Scenario development and testing	<p>What are the alternative futures that could be realised in this region</p> <p>If we were to pursue a particular scenario what would be the implications</p> <p>Which of the scenarios will best meet broader policy objectives</p>	<p>Results of past policy interventions.</p> <p>Forecasts of likely outcomes.</p> <p>Impacts on other regions.</p> <p>Views of a representative mix of stakeholders</p>
Strategy development	<p>Where a preferred scenario involves significantly higher or lower growth rates than current trends, what are the policy levers that could be used to implement it</p> <p>How should this growth be distributed across the Region</p>	<p>Testing realism of delivery including a market perspective.</p> <p>What has worked well in this region and elsewhere.</p>
Policy options and testing	<p>What topic based policies are needed to complement the preferred strategy</p>	<p>Economic impact testing</p>

Monitoring and evaluation of the strategy and component policies is the final stage in this process, the results of which feed back into the scoping stage for the subsequent review.

CHAPTER 3

Areas for Strengthening the Use of Economic Evidence

3.1 Introduction

This chapter provides a critical review of current practice, identifying the areas where there is scope to strengthen the evidence base and the way in which evidence informs the development, testing and delivery of spatial policies. It specifically seeks to present a challenge to existing practice, reflecting concerns expressed in previous studies commissioned by ODPM and Treasury as to the extent to which the current use of evidence in developing planning policies is sufficient to meet Government economic objectives.

The wider use of evidence in justifying policy will also help make the process of policy development more transparent, helping RDAs and RPBs present a credible and authoritative case to their stakeholders.

The findings outlined in this chapter are based on interviews with RDAs and RPBs in each region, and a review of relevant documents. The intention of this research was to identify general issues for improving the development and use of the evidence base. The intention was not to provide a detailed factual profile of practice in each region.

Observations on improving practice in relation to specific policy topics are set out in Chapters 8 to 11.

3.2 Key Lessons from Current Practice

- **Consider the benefits of assembling qualitative evidence as well as quantitative.**
- **Build capacity to engage the business community in developing the evidence base and in market testing options, using development agents as proxies if necessary.**
- **Devote resources to understanding longer term structural trends and underlying drivers, as well as to understanding the current state of the region and its characteristics.**
- **Beware of the limitations of different datasets, but do not over rely on particular data sources because they are readily available and up to date.**
- **Use judgement to interpret the outcome of data analysis and any modelling, but make this explicit. Do not rely on a ‘technical black box’. Avoid the use of jargon.**
- **Be transparent on how evidence is used to justify a preferred strategy or policy.**

3.3 Main Findings in Relation to Current Practice

3.3.1 TYPES OF EVIDENCE TYPICALLY COLLECTED

There are many standardised and relatively easily available sources of data, which are consistently used across regional bodies. These may be analysed internally or via the Regional Observatory. One-off studies are also commissioned from consultants, academics or research institutes. In some regions County Councils have been commissioned on a consultancy basis to provide regional bodies with evidence. The main types of evidence are set out below.

- **Official statistics** on demographic, economic, commercial, social, and environmental issues. They are typically sourced from the Office for National Statistics and central government departments. They are usually made available at some or all of national, regional and local authority levels. There is a problem in sourcing reliable data for functional sub-regions or city regions type areas, which cut across local authority boundaries.
- **Regional Monitoring** of the performance of a region, including its relative position against national trends is an important part of the evidence base. Most regions now have monitoring systems in place, although they are in significantly different stages of evolution, and there is still scope for improving the coordination of data collected at local level. There is scope for improvement in monitoring the effectiveness of existing regional policy, while recognising the limitations if this has only been in existence for a few years.

- **Topic-based studies** are often commissioned to fill data gaps or where non-standard patterns and trends have been identified. Examples range from sector specific assessments to centre hierarchy studies.
- **Qualitative evidence** also has an important role. There has been a strong tendency to underplay the usefulness of qualitative techniques. There have been developments in the theory and use of such approaches recently that have overcome some of the previous criticisms. Carefully analysed qualitative, non-traditional data sources can be important in understanding behavioural aspects of regional patterns and trends, for example where people prefer to live and why.

Good Practice Example: South West and South East Opinion Research

The South West Regional Assembly commissioned research to undertake public opinion research on key regional issues, priorities and aspirations for their region. This research covered a broad spectrum of issues, unusually including a section on intra-regional migration. Participants were asked their opinion on where housing growth should be concentrated in the region, and about the type of area they personally would prefer to live in (in terms of urban, rural, or market town).

The survey found there was a mismatch between the two responses (people think new housing should be concentrated in urban areas whilst wishing to live in rural areas themselves). The policy implication of this finding is to address the mismatch between opinions and personal aspirations by discovering what might encourage residents to either remain in, or move to, an urban area in the South West.

In the South East an email questionnaire was conducted of councillors on planning committed, followed by a series of workshops to probe attitudes in more detail. The work was designed to reveal attitudes to higher density development and assist in unlocking obstacles to delivery. Findings were discussed with volume housebuilders. This represented an innovative action research approach⁶.

3.3.2 RECENT PROGRESS

Over the past 2 to 3 years, RDAs and RPBs have made significant advances in strengthening the evidence base for regional policy-making in planning and economic development.

- **Increased resources** have benefited RDAs and RPBs in terms of a strengthened funding framework. Most RDAs and RPBs have expanded their staff teams and research budgets, and have increased their work to collect and analyse evidence.
- **Difficult issues** are now addressed more frequently. There has been a general move towards producing regional strategies that are more spatially specific, and increasingly seek to address challenging issues. This is leading to an increased recognition of the importance of a robust evidence base.

6 Attitudes to Higher Density Developments in the South East, URBED and MORI for SEERA, February 2004

- **RDA – RPB joint-working** has increased. There are signs of increased cooperation between RDAs and RPBs in developing the evidence base, and activities such as joint studies, economic forecasts, and monitoring are leading to a better shared understanding of economic issues. Nevertheless it will not always be the case that the RES and RSS are being reviewed at the same time.
- **Stakeholder engagement** is improving. An increasingly wide range of stakeholders are now involved in regional policy. There are particular challenges however with finding people that can ‘represent’ the business community. In developing evidence it may be necessary to use proxies, e.g. development agents who have frequent contact with particular sectors of business, e.g. distribution, retail and manufacturing. There is a need to build capacity to engage private sector stakeholders in market testing options.

3.4 Main Areas for Strengthening the Analysis and Use of Economic Evidence

Despite recent progress there remains scope for significant strengthening of the economic evidence base for regional planning in five main areas.

- **Understanding underlying causes.** Much evidence gathering and analysis focuses on current or recent conditions and in some cases trends, but not on the underlying causes (drivers for change). There can be a tendency to produce large statistical compendia on regional conditions, with supporting commentary, but little in-depth analysis of causal factors and relationships. A feature of current practice is the ‘quantitative pull’ with insufficient focus on qualitative issues or evidence. This can lead to a weak understanding of structural issues behind current conditions and recent trends, and a weak analytical basis for assessing how the extent to which policy could make a difference in the future, and if so how and where (recognising intra regional differences).
- **Using Longitudinal Evidence.** Many existing studies are weighted towards cross-sectional evidence of current conditions, taking the form of baseline studies (often driven by the availability of quantitative data), rather than also including *longitudinal* evidence on past trends and future projections⁷. This approach has limitations in understanding the nature of structural trends and relevant causal factors, and relationships across different policy areas. It does not provide a robust basis for the development and testing of future scenarios. This leads to an insufficiently strong understanding of the extent to which the ‘policy-led’ scenario underpinning the regional strategy differs from trend-based projections.

⁷ Prime Ministers Strategy Unit, Strategy Survival Guide.
<http://www.strategy.gov.uk/downloads/survivalguide/index.htm>

- **Better interpretation of data analysis and modelling.** In some regions analytical work has been treated almost as a ‘technical black box’ where quantitative data and the use of jargon obfuscates what are clear political choices. The National Audit Office has criticised policy evaluations in the past particularly in presenting decision makers with single point estimates of costs and benefits rather than providing them with, more realistically, a range of likely outcomes. Careful consideration needs to be given to realistic and consistent input assumptions when several modelling exercises are being done in a given region.
- **Testing the economic implications and market reality of policy.** In some regions the strategy appears to be driven by unchallenged assumptions of business as usual or pre-conceived political aspirations. There is a danger that policy-makers do not ask fundamental questions about the economic implications of adopting specific policy positions on the scale, type or location of development. In formal options testing processes, environmental and social issues have tended to outweigh economic considerations and evidence. There are no generally clear mechanisms for testing the market reality of the strategy, and there is significant scope to improve the quality of the engagement of the private sector in this respect. There is clear scope for greater transparency in marshalling the evidence that supports the chosen strategy.
- **Integrating evidence across different policy areas and policy-making exercises.** Current experience tends to focus on (i) topic or sector based studies, or (ii) spatially- focused studies, rather than the integrating or resolving the outcome of these two types of study. RDAs and RPBs need to consider how to synthesise evidence on different topics. For instance, improving the understanding of housing provision impacts on economic competitiveness, or how the nature of the transport network and realistic prospects for its improvement impacts on economic potential, as discussed further in Chapter 7.

CHAPTER 4

The Strategy Development Process

4.1 Introduction

This chapter introduces the recommended process of developing strategy for a region. The main processes are shown in the diagram in Figure 4.1 below. The approach shown assumes that there is a core exercise of forming the regional strategy (shown in Figure 4.1), supported by a series of topic-based studies, stakeholder engagement and the wider processes of Sustainability Appraisal.

4.2 Key Tasks

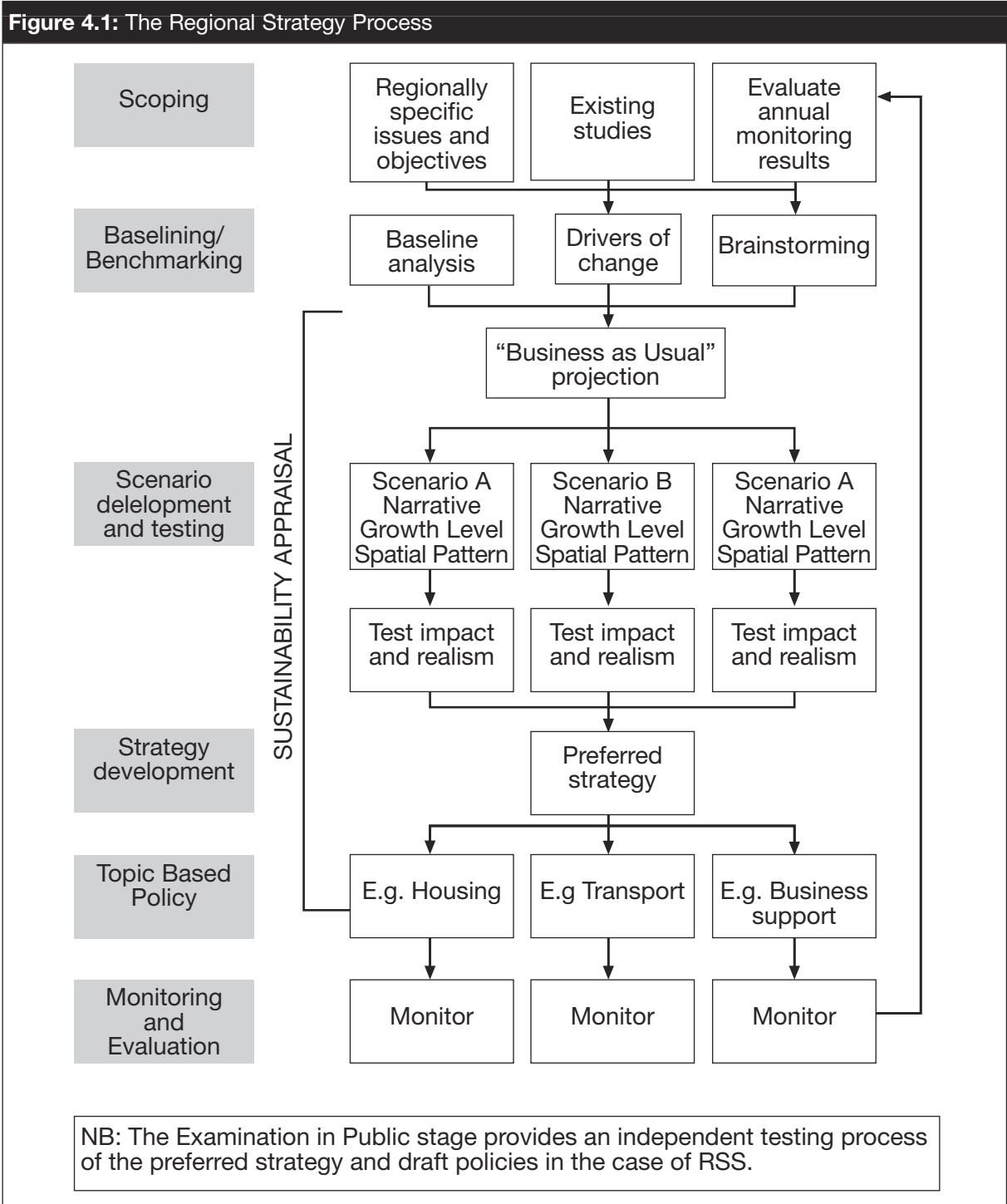
- **Analyse baseline conditions in the region.**
- **Establish an economic and demographic projection of ‘business as usual’.**
- **Identify and test alternative economic scenarios, with the aim of raising performance, which can be used to explore what may be possible in terms of raising performance, and policy responses to address ‘what if X happens, where X is an envisioned possibility.**
- **Identify the underlying factors that are driving change in the region and the implications of these, including national and international drivers that will influence a region’s economic development.**
- **Develop and test strategic policy options.**
- **Complete topic-based and other studies around issues thrown up by the alternative scenario exercise.**

4.3 The General Framework

The strategy development process shown in the diagram below is based on the establishment of a ‘business as usual’ projection, alongside alternative development scenarios. These should be tested:

- first, in terms of the implications of the growth assumptions for raising levels of regional economic performance, in line with the DTI, HM Treasury, ODPM shared target on Regional Economic Performance;
- second, in terms of their spatial implications; and

- third, in terms of the realism of their implementation in terms of policy options that could be deployed to support their achievement.



The assumption is that all regions would wish all the alternative scenarios to support economic growth, but they may differ in terms of the overall economic ‘future’ that is proposed, especially:

- the way in which ambitions for raising levels of regional economic performance are achieved, e.g. through employment growth and raising economic activity rates, or so-called ‘jobless growth’ based on raising productivity within existing employment levels;

- the sectoral and cluster composition of that growth; and
- the spatial distribution of growth and associated development.

Meeting targets and aspirations for regional economic performance will mean both maximising economic opportunities in areas of strong growth and addressing areas characterised by low productivity and worklessness. Economic restructuring may mean that specific locations may have a very different type and scale of economic role than in the past, and policies to manage decline in particular parts of the region may be appropriate as well as policies to deliver growth.

It is assumed that the scenarios will also be considered in terms of their ‘wider than the economy’ implications. This is not covered by this Guide as the emphasis is on economic performance, but is likely to be assessed through the broader Sustainability Appraisal exercise.

Subsequent chapters address the tasks of establishing an economic baseline, developing ‘business as usual’ projections, the means of testing and developing alternative scenarios and policy options. The emphasis of this chapter is on establishing the recommended scenario-based approach and in considering issues of coordination in terms of RES and RSS relationships.

The key tasks to implement the approach are identified in the box below and aspects of the approach elaborated in the remainder of this Chapter.

4.4 The Role of Alternative Scenarios

Consideration of alternative scenarios is common in existing regional strategy practice, but there are subtle differences in the way that both the concept and terminology is used.

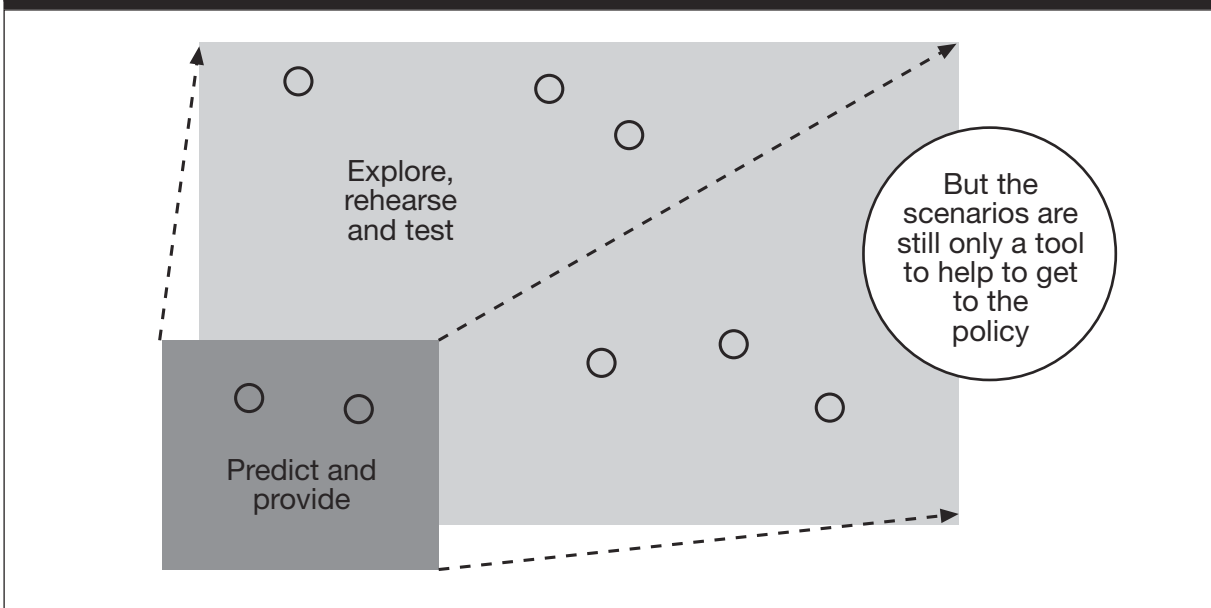
One major difference is between what are essentially narrative accounts or ‘stories’ of the future and those which are essentially variants of different quantitative forecasts. In practical terms the best practice approach involves a combination of the two. Our suggested approach envisages three practical inputs to the development of these scenarios as described below.

- **Baseline analysis**, including a mix of cross sectional and longitudinal analysis, studies into specific issues or topics, monitoring data, secondary literature, high level policy guidance, etc. with the aim of identifying both entrenched and emerging trends.
- **Brainstorming with key actors and stakeholders to establish thinking on alternative futures.** The aim is not to predict the ‘right’ answer, but to force people to think of economic and social possibilities that stretch current thinking in the Region. This would be followed up by additional research into the important questions raised by these futures.

- As a consequence of the above, **the identification of the underlying factors that have been and will be ‘drivers of change’ in the future**, derived largely as a consequence of the baseline analysis and brainstorming and further investigation.

From the perspective of this Guide, the central purpose of scenarios is thus first, to integrate existing evidence including stakeholder views and then second, to guide the process of further evidence gathering. The aim is to iterate this process to arrive at a situation where there is a preferred strategy including a vision of the future and the necessary policy actions that may be deployed toward the goal of higher levels of economic performance.

Box 4.1: The more divergent the scenarios – the greater the scope for exploration and challenging conventional wisdom.....



Source: The Henley Centre 2004

Other initial advice on the role of scenarios, which is expressed in more detail in subsequent chapters, is as follows.

- **Scenarios should be used as a basis for developing and testing policy options in both sector and spatial terms**, bearing in mind the consequences of past policy in the region and elsewhere. Testing of these options would then result in both the adoption of a preferred strategy and policy to achieve implementation. Monitoring would be used to provide feedback on progress for future review. Successful economic policy intervention generally seeks to address supply-side or structural issues, which affect a region’s ability to respond to the dominant economic drivers. This can often be by way of improving the competitiveness of the region to benefit from these drivers and associated wider changes.

- **Quantitative analysis of possible growth levels in variables such as employment, population and GVA** is likely to form part of the development and testing of scenarios. This is necessary, particularly to provide the quantitative parameters for setting of associated spatial policy in RSS, e.g. housing provision figures at district level. Further detail on this is provided in subsequent chapters. Additionally, it is suggested that early quantification of elements of the scenarios may be helpful in terms of their development and assessment.

4.5 Drivers of Change

The nature of change drivers influencing regional development is wide, encompassing economic, social, technological, and demographic factors such as labour supply issues, in addition to environmental, political and organisational issues. They can rarely be represented by quantitative data alone, and some will depend on the relative position of the region against other regions or the creation of suitable environmental or social conditions.

Examples of drivers of change affecting regional prospects are the increasing sophistication of electronic working, the influence of the European Union succession countries, the trend towards off-shoring of some clerical tasks, capacity constraints such as congestion, housing shortages, and a general ageing of the population.

Within the analysis it will be important to distinguish between those drivers over which the region has little or no influence or control, and those over which the region may have influence. This will allow the implications of trends to be understood, and judgements made about the scope for policy interventions.

Identification of drivers should be based on existing trends and evidence, as well as on unconstrained thinking which can usefully be undertaken within the RDA and RPB, together with external stakeholders early in the process. This process may be assisted by external facilitators. The aim should be to develop a shared understanding of the different ways in which the region could develop as well as to explore, test and rehearse responses, based on a wide range of evidence.

4.6 Managing Relationships between the RES and RSS

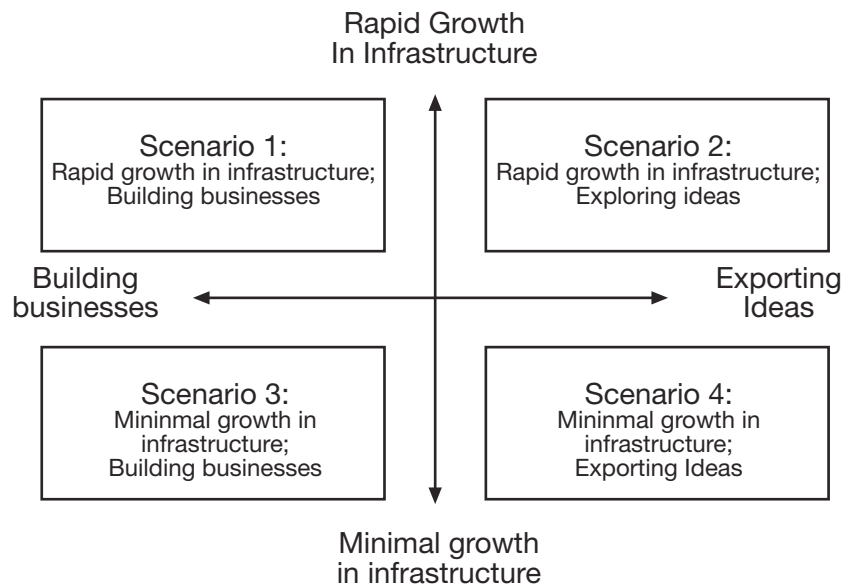
Figure 4.1 aims to provide a general framework to show relationships between different evidence exercises. It is not necessarily envisaged that the exercise will be undertaken either as a sequential process or a continuous process. While it is envisaged that the RDA and Assembly will work in partnership and additionally with other stakeholders, in practical terms the RES and RSS may be being produced in different timescales, and the organisation of relationships between the two are a matter of regional discretion. What is important is that there is clear co-ordination of effort and that elements move forward, based on the strategy that is under review at the time. It is preferable that results are not duplicated or that policy submissions do not present competing strategy, without clear explanation of how the other strategy that has been left behind will be reviewed to maintain consistency.

Overall, there is a need for **joint multi-disciplinary working** and for clear arrangements in terms of the **technical leadership** and coordination of particular evidence gathering and interpretation.

Of course, to some extent the perspectives of the RES and RSS may differ slightly, but should largely overlap. For example, existing good practice tends to suggest that the adoption of a clear unifying economic vision for the region, is central in terms of the RDA role in coordinating the actions of other stakeholders, and in signalling its response to regional issues. The RSS by definition is, of course, likely to focus more on the spatial realisation of that vision.

Good Practice Example: Scenarios used to inform the East of England RES

Identifying alternative futures collectively helped to understand the drivers that could impact on the region’s economic development. These drivers were assessed in terms of their relative impact to assess those that were dominant and those that are dependent, the latter being less certain in their impact. The two axes that emerged from this process were the relative pace and quality of infrastructure development and the relative balance of the region’s economic focus.



<http://www.eastofenglandobservatory.org.uk/>

CHAPTER 5

Establishing an Economic Baseline

5.1 Introduction

This chapter discusses the data and techniques that can usefully be employed in establishing the economic baseline of a region. By baseline, we mean understanding:

- the composition of the regional economy and its strengths and weaknesses in terms of sectors and sub-regions;
- how the performance of the region relates to other comparators; and
- past trends that have influenced the current position.

As discussed in Chapter 3, practice has traditionally been stronger on the cross-sectional components than the longitudinal components. Analysing the economic baseline will assist, together with the outcome of brainstorming, in identifying the drivers of change as a precursor to defining scenarios.

The evidence that is assembled in understanding the economic baseline also feeds into the identification and testing of policy levers for economic development, as discussed further in Chapter 8.

5.2 Key Tasks

- **Use the Economic Baseline Evidence Checklist to inform evidence collection and analysis.**
- **Seek a common understanding between RDA and RPB on the prognosis for different sectors within the economy.**
- **Use evidence to understand the distinctive characteristics, challenges and prospects for the economies of specific locations within the region.**
- **Ensure that timeseries analysis is based on consistent definitions, e.g. industrial categories, spatial boundaries.**
- **Use a best fit approach to the definition of functional sub-regions that do not coincide with local authority boundaries. Beware of potential unreliability of small area data.**

5.3 Developing the Evidence Base

Table 2.1 has already set out a staged approach to strategy development. The stages up to and including the establishment of the baseline economy are summarised in Table 5.1.

The **scoping stage** provides an opportunity to:

- identify and bring together evidence and analysis already available, and to identify gaps;
- to assess progress with implementation of previous strategies, and the content of the previous strategy in the context of recent trends and future challenges; and
- identify areas where further evidence collection and analytical work is needed to strengthen the understanding of key issues.

The benchmarking stage should be used to address gaps in information on the type of issues discussed in this chapter.

Table 5.1: Economic Baseline Evidence and the Strategy Development Process	
Strategy Formulation Stage	Evidence and Analysis
Scoping	Reviewing existing evidence to establish gaps. Assessing progress with previous strategies. Identifying areas for further evidence collection. Establishing need for one off studies into 'live topics'.
Baselining/Benchmarking	Analysis of trend drivers. Analysis of economic trends. Intra-regional differences in economic performance. Identification of possible capacity for growth. Trend based forecasts and analysis of impact. Sector studies. Skills audits. Other studies as implied by the Evidence Checklist – Economic Baseline.
Scenario Development and Testing	See Chapters 6 & 7
Strategy Development	See Chapter 7
Policy Options and Testing	See Chapter 8
Monitoring and evaluation	See Chapter 8

5.4 Challenges for Future Practice

A significant amount of work is already undertaken to analyse evidence relating to regional economic conditions. In some cases the Regional Observatory lead this work. Some important work is undertaken (particularly by RDAs) on the dynamics and drivers for change of particular sectors of the economy. However, in general the majority of economic evidence informing regional policy making (particularly RSS production), tends to be statistical, focusing on effects rather than causal factors. Analysis of past trends tends to focus on the recent past, rather than long-run structural trends.

There is greater scope for drawing on the **experience and knowledge of stakeholders**, including business commentators. This will assist in strengthening understanding of the main causal factors and underlying competitiveness issues behind past trends, and the challenges and prospects for the region.

There would also be value in a stronger **spatial dimension to evidence and analysis**, to inform an understanding of the distinctive (and often varied) characteristics, challenges and prospects for the economies of specific locations within the region.

5.5 Issues to be Addressed through Evidence

A variety of evidence is needed to understand the structure of the regional economy, its performance in terms of past trends, and its spatial distribution. Much of this data will have been analysed in earlier rounds of preparing RES and RPG, and may simply need updating or partially expanding. This information will complement background work in other topic areas such as retail and housing.

- **Sectoral profiles** to development on understanding of not only which industries are important wealth creators for the region, but what the economic and locational needs of those sectors are, how they are changing. The aim should also be to understand the dynamics of the regional economy including which sectors are increasing or declining.
- **Recent economic performance**, including analysis of recent trends and of longer term structural trends (at a regional level but also by sector and sub-region).
- **Distinctive challenges for the region**, including analysis of where and why the region has competitive strengths or is underperforming against other regions and/or the national average, e.g. in terms of productivity (GVA/head) and success in attracting or retaining graduates.
- **Sub-regional profiles**, used to develop understanding of how sub-regions function within and between themselves (including issues of economy, commuting, retail and housing). The aim should also be to understand areas of success and pressure, as well as the areas of relative disadvantage.

- **Labour market characteristics**, understanding the characteristics of the labour force at regional and sub-regional level – how does this sit with the sectoral profile of the region, in terms of the location of sectors with the most growth potential.

Good Practice Example: Study into Financial and Related Services in Leeds

Yorkshire Forward commissioned this report, to analyse the role of the financial and business services in the Leeds and regional economies, and identify strengths and potential opportunities as well as threats to the sector.

The report is based on statistical as well qualitative information. It includes an assessment of data on employment in the sector (mainly Annual Business Inquiry data), the nature of the workforce, both current and potential (based mainly on Census and Labour Force Survey data), and comparative data in relation to other locations in the UK and overseas.

Employment in Leeds in financial and related services grew by 22 per cent between 1995/97 and 2000/02, well above the national rate and similar to the levels of growth experienced in Manchester and Edinburgh. The report draws on forecasts to predict that the rate of job growth will slow down over the next ten years, the sector is still set to expand significantly faster than the forecasted growth of the UK economy as a whole and the rest of the city's economy.

The report also draws on information from interviews with 30 of the leading figures in the sector in the city. This provides insights into the structure, dynamics and drivers for change in the sector, as well as pointers to potential policy interventions to support the further growth of the sector in the Leeds City region. These include, transport improvements on the commuter network, the need for better cultural and conferencing facilities, and ensuring an attractive range of housing choice is available within the Leeds catchment to help the city attract and retain highly skilled individuals.

<http://www.yorkshire-forward.com/images/3048.pdf>

5.6 Evidence Checklist

Collection of the following types of evidence will allow a robust analysis of many of the major drivers of change. The table is not intended to be prescriptive or exhaustive, nor is it intended to apply to every region. Rather it is presented to prompt consideration of whether such evidence gathering is appropriate.

Table 5.2: Evidence Checklist – Economic Baseline

Issue	Justification for Evidence Gathering	Suggested 'Benchmark' Evidence Gathering	Current/Potential Evidence Source	Required Geographical Disaggregation	Main use in strategy development
Sectoral composition and growth prospects	Need to understand underlying change in key sectors (growth/decline)	Typically interpretation of one off or periodic sector or cluster studies and direct business consultation	Analysis of ABI data. Studies, cluster working groups, and consultation exercises	Dependent on sector and distribution	Identification of sectors with growth potential, their location and any constraints to operation
Entrepreneurship	Understand how well region performs in terms of generating new start up business	Comparison of intra-regional rates and regional rates with national trends and other regions	ABI data on start ups VAT registration/deregistration data	Typically by sub region /district	Allows realistic assumptions to be made about growth of knowledge based industries, and subsequently scope for more targeted support, supply side initiatives, etc.
Economic change	Need to understand how region's economy will change given current trends	Analysis of past trends	One off commissioned forecasts, by main sector	District or TTWA level	Will allow assessment of extent to which economic performance will be improved with existing development trends and then provide basis for testing more aspirational scenarios
Geographic distribution of economic activity, e.g. Economic activity in urban cores Economic activity at suburban nodes Rural economic trends	Geographic analysis of employment change by sector across urban – rural spectrum	Understanding of relative growth trends between urban and rural areas and sector locational choices and mix	ABI data analysed by sector by locational type	Urban, suburban and accessible and remote rural areas identified by using wards as building blocks. – precise split dependent on regional circumstances and spatial functional relationships	Allows identification of major opportunity areas and areas of disadvantage, and subsequently scope for targeted support, particularly at extremes, e.g. decline and growth pressures.

5.7 Practical Issues Relating to Economic Data

A number of practical issues will arise from adopting the Evidence Checklist, which are described below.

Use of ABI data. A large element of the evidence gathering involves detailed analysis of data on long term trends together with forecasting exercises to establish future trends. The Annual Business Inquiry available through the National Online Manpower Information Service (NOMIS) will be a major source of workplace-based employment data to ward level and will allow both cross sectional and time series based analysis. It will also provide data to allow analysis of unemployment. However, care is required to ensure that time series analysis is based on a consistent Standard Industrial Classification (SIC) and spatial boundaries, e.g. for districts and wards, as both have changed in recent years. Use of SIC codes may also distort some trends, through the use of a classification based on main activities in particular locations.

Sub regional analysis. Disparities within regions can often be as great, or greater, than disparities between regions. It may be necessary to analyse functional sub-regions that do not coincide with local authority boundaries and/or small areas where conditions will have a bearing on regional performance. A best fit approach may be necessary to fit the spatial building blocks for which data is available, e.g. wards, enumeration districts and super output areas to the identified spatial area for analysis. For example analysis of commuting patterns (see Chapter 10) may help to define city region boundaries in terms of the area of employment dependence. Identification of poor performing local areas might be supported through analysis of the ODPM Indices of Deprivation. Care should also be taken in relation to small area data in terms of its reliability, given that some data are based on 10% samples.

Qualitative sources. Alongside quantitative analysis there is a strong role for qualitative evidence, particularly in the form of the opinions of key stakeholders, particularly the private sector although productive engagement of this group at regional level is often a particular challenge and needs to be highly focused and efficient to retain interest.

Use of studies. The commissioning of studies from acknowledged experts may also be useful. In the example of the East Midlands FRESA (see box below) the development of the evidence base was focused on identifying and analysing main drivers for change, through commissioning papers from leading academics, and securing the input of stakeholders.

Good Practice Example: FRESA: The East Midlands Approach

The East Midlands Development Agency have built upon the Framework for Employment and Skills Action to create the Employment, Skills and Productivity (ESP) partnership. This will be formally launched in Summer 2005. The methodology used for collection of evidence base and its translation into emerging policy options has worked particularly well for them, and they are planning to use the same approach for their upcoming RES review.

Having identified a series of policy themes, EMDA (which has a significant in-house research capability including a labour market economist) combined its own evidence collected and interpreted internally with that supplied by sub-regional partners (including sub-regional partnerships, the Regional Observatory, the Regional Assembly and others). In addition to this, academics recognised as leaders in their field were commissioned to submit a range of policy position papers. These three strands of evidence were synthesised, and fed into an externally facilitated one-day workshop specifically held to examine evidence on the labour market. The purpose of this day was to debate policy options and test scenarios, rather than to post-rationalise policy.

The combination of internal and partner inputs, as well as that of respected academics provided the necessary legitimacy and contributed to a sense of joint ownership of the emerging strategy.

Further Advice

Evidence on productivity is considered in the HM Treasury document, *Productivity in the UK (No.1): The Evidence and the Government's Approach*.

CHAPTER 6

Establishing the ‘Business as Usual’ Projection

6.1 Introduction

The term ‘business as usual’ is used here loosely to refer to the development of projections that represent a continuation of existing trends. They are similar to ‘do nothing’ or ‘do minimum’ in transport methodology. These are likely to be a mix of pure market and trends influenced by existing policy. The precise definition of the term is a matter for regional decision, but the important issue is that the resulting projections should generally be recognisable by stakeholders as a continuation of existing trends and should be based on a clear and explicit methodology.

The main objectives of establishing a business as usual projection are:

- first, to establish a practical view of how the economy is likely to develop;
- second, to provide a quantitative base against which the relative position of alternative scenarios (Chapter 7) can be considered; and
- third, to assess the extent to which the existing trends are compatible with targets and aspirations for regional economic performance, and if not to estimate the scale of change required.

Here, the term **projections** is used to refer to the view of the future based on existing trends, but they may alternatively be termed **base forecasts**. As with any forecasts or projections they are, of course, only one view of how the future may develop. In this sense they are ‘a scenario’, but using different terminology, and hence they should be regarded as a practical starting point and not necessarily the ‘core scenario’.

It is helpful if the results of such an exercise are written up as a background issues paper so that they can be circulated and discussed with other stakeholders as part of the subsequent testing of alternative scenarios.

In completing this and any subsequent forecasting exercise regions will be faced with choosing between a range of techniques and sources to address this task. Some forecasts and projections will be available already, e.g. in relation to demography from ONS and the economy from HM Treasury. More details are given below.

6.2 Key Tasks

- **Undertake economic and demographic projections based on 'business as usual'.**
- **Establish the past and future relationship between population (demography) and the economy.**
- **Establish the spatial implications of 'business as usual'.**
- **Write up and publish results as an issues paper.**

6.3 Demographic Projections

The usual starting point will be to examine population forecasts from the Office of National Statistics. These are trend-based, regularly produced and available at local authority level. The latest are 2003-based. Of more significance for planning policy are the household projections produced by ODPM from time to time, and available down to county level. The latest set are interim 2002-based⁸, and bear no direct relation to the ONS 2003 based population projections. These interim forecasts incorporate household formation rates derived from demographic trends up to the mid 1990s, i.e. the same assumptions that underlay the previous 1996-based household projections, but applied to more recent population forecasts. The resulting projections show a continuation of the long term reduction in average household size. This contrasts with an observed stabilisation of household size, particularly in London, over the last few years. The projections also assume that housing supply is unconstrained.

New 2003-based household projections are expected later in 2005. They will be consistent with the 2003-based sub-national population forecasts, will incorporate household formation rates from the 2001 Census, and updated marital status projections.

In most cases these will be adopted as the base position, although in some cases they may be further tested, particularly in terms of economic projections to assess overall compatibility, especially in terms of the phasing of migration. Many regions currently produce their own population and household projections based on sensitivity tests or updating of the above ONS/ODPM projections or via alternative commercial models, such as the Chelmer model developed by the Population and Housing Research Group at Anglia Polytechnic University in Chelmsford. The emphasis of specialist studies commissioned is often on the factors underlying migration, using alternative modelling techniques or through surveys of recent in-migrants. Any significant departures from ONS or ODPM sources typically need to be justified by a robust and transparent methodology and be nationally resolved, with the source or destination of any additional or reduced growth identified.

⁸ ODPM Statistical Release, News Release 2004/0206, 8 September 2004

6.4 Economic Projections

It is necessary to have the output of some base economic forecasts for the region. At a simple level, straightforward trend-based analyses, based on extrapolation, can be a sufficient and valuable starting point and should be relatively easy for stakeholders to relate to. Given the availability of trend-based data the focus will be on employment trends.

Many regions have commissioned work from recognised forecasting houses in recent years and this has undoubtedly improved practice in enabling subsequent discussions of economic scenarios to take place in an evidence-based and informed environment. These include both employment and GVA, and many models also consider demographic outcomes.

Models vary in their approach and it is not appropriate to endorse any single approach. However, it is important that regions explore the limitations of any adopted approaches taking into account considerations given in Appendix B.

Additional guidance on commissioning forecasts is that:

- Forecasts should generally be commissioned, owned and supported by both RDAs and RPBs. The practice of offering competing forecasts is rarely productive in terms of policy development.
- The approach used to step down forecasts to sub-regions should be explicitly identified and any weaknesses acknowledged.
- Models used to develop forecasts should generally be resolved nationally and generally be consistent with HM Treasury forecasts.

6.5 Population and Economy Relationships

A much neglected area of current analysis seems to be the **relationship between demographic and employment trends**. It is desirable upfront to determine the primacy of economy or demography in the region based on evidence of past relationships, e.g. will future job growth drive population growth or will an increase in population help to stem the fall in jobs. This can then be used to test the implications of the parallel economic and demographic forecasts on net migration, activity rates, and unemployment. For example there may be scope to alter demographic trends where, say housing supply has been constrained through policy over many years and there is pent up demand. In other more traditional cases demographic change, especially in terms of migration, will be strongly influenced by economic opportunities. The aim of such analysis is to ensure whether demographic considerations will constrain or support economic growth.

This analysis should thus focus on tracking historic relationships, particularly between population of working age and employment, and then considering how this relationship holds or changes for future projected change in the two variables. From this, it should be possible additionally to inform the debate as to the demographic implications of alternative economic scenarios as described in the next chapter.

It is a relatively straightforward exercise to make comparisons between the results of economic and demographic analyses at the regional level, for example considering the extent of quantitative match or mismatch between labour supply and demand on a spreadsheet. It is, of course, more challenging to consider issues of mismatch in terms of qualitative aspects such as skills.

6.6 Spatial Implications of the Business as Usual Projection

Given that spatial interventions feature strongly in the toolkit for regional policy makers, it is also useful to represent projections spatially. Demographic projections are available to county level from ONS, and most of the established economic and demographic forecasting that occurs at present, is usually stepped down to county or district. By necessity this is often based on the assumption of existing 'shares', i.e. making the assumption that the sub region or local area share of total employment or population remains the same. In some regions, in this exercise population figures are adjusted to take account of development capacity.

Again much of the basic analysis could be completed on a spreadsheet. But it is also particularly helpful if results could be presented on a map base. This would ideally show aggregate population and employment levels (e.g. by County, TTWA, district, or functional area) as well as the projected sector composition of employment. Typically this kind of representation will help to stimulate thinking and responses, from sub regions and stakeholders in relation to the desirability of continuing past trends. It will also inform a range of reviews. For example, any obvious spatial mismatches will also help stimulate thinking on transport implications (see Chapter 10 of this Guide) and housing (see Chapter 9 of this Guide), while the sectoral composition might trigger thinking on the viability of existing employment land strategy and likely skill requirements (see Chapter 8 of this Guide).

CHAPTER 7

Testing Alternative Economic Scenarios

7.1 Introduction

The main objectives of developing and testing alternative policy should be to explore different regional futures to assess how different levels of growth may be achieved, other than through 'business as usual'. Reflecting current best practice, this Guide suggest this should be achieved by means of a process of developing internally coherent 'stories' or scenarios about the future Region, and focusing on implications of each of these for the region, for policy and stakeholders.

The key stages for developing and testing scenarios fall into three main areas:

- **brainstorming and research** to specify a small range of scenarios,
- **testing the realism of the scenarios** in terms of implied policy levers and spatial implications; and
- **identifying a preferred scenario** and policy response.

These stages are necessarily inter-related and their realisation will involve successive iterations. In practical terms the specification of tasks is intended to facilitate a process which is as logical as possible, whilst acknowledging the need for informed judgement, drawing on the professional expertise of regional bodies and wider stakeholder groups, as to how the various elements are iterated together.

7.2 Key Tasks

BRAINSTORMING AND RESEARCH

- **Brainstorm future scenarios drawing on the results of baseline studies as well as new and unconventional external ideas to stretch current thinking in the Region.**
- **Develop narrative accounts of the scenarios, which can evolve through the scenario process.**
- **Identify the underlying drivers of change.**

- **Commission or undertake research into the important questions raised by the identified leading scenarios and change drivers.**
- **Analyse or replicate the main scenarios quantitatively to assess their impact and inform spatial distribution and spatial relationships.**

TESTING THE REALISM OF THE SCENARIOS

- **Identify and test the realism of scenarios in terms of the factors that need to be in place, including policy and public interventions, for that scenario to be realised.**
- **Identify the spatial implications of each scenario in terms of the distribution of development.**
- **Translate the leading scenarios into quantitative assumptions**

IDENTIFYING THE PREFERRED SCENARIO AND THE POLICY RESPONSE

- **Iterate the process of scenario definition and testing to arrive at a situation where visions of the future, decisions and actions cohere into a preferred scenario.**
- **Specify the preferred scenario in narrative, quantitative and spatial terms and identify strategic policy.**
- **Develop policy for specific topics as required.**
- **Monitor implementation.**

Scenarios will be unique to a region and its history as well as to timing. Thus it is not possible to define any standard set of scenarios that can be pulled of the shelf, nor the exact evidence that will be needed to inform them. However, the types of investigations are likely to comprise many of the areas of evidence gathering identified in subsequent topic chapters.

7.3 Brainstorming of Future Scenarios and Drivers of Change

The aim of the exercise should be to gather as much existing evidence as possible, and to combine this with lateral thinking to identify a range of possible future scenarios.

The process is largely one of organised brainstorming, ensuring that participants are as informed and knowledgeable as possible and ensuring that there are opportunities to go away and iterate thinking. The process is best illustrated with reference to existing good practice. For example, the Shaping Horizons in the North East (ShiNE) offers good practice in organisation of such a process.

Good Practice Example: Shaping Horizons in the North East (SHiNE)

This included a series of scenario planning events and seminars, the management of a specific research programme and widespread practical involvement in the scenario development process. The process and outcomes are well summarised in a published report, available on the One North East Website.

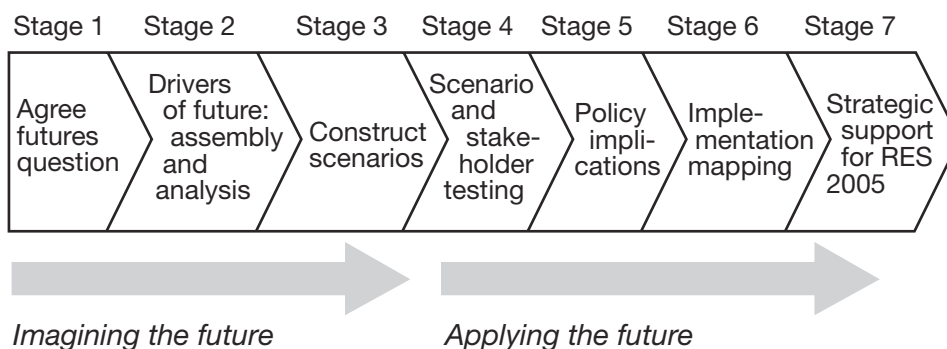
Crucial to the success of SHiNE was the buy-in from each of the partnerships involved in the development of the Regional Economic Strategy. These partners played a full role in the process through the formation and development of a scenario team including senior decision makers and broader representation.

The structures included:

- The SHiNE Project Team: A dedicated team within One NorthEast that provided a programme lead and managed the supporting research programme;
- The SHiNE Scenario Team: A group of stakeholders that were at the core of the scenario development and strategic ‘conversation’ process;
- The SHiNE Contact Groups: Wider, far-reaching contact groups and sounding boards that advised SHiNE in the development of scenarios and confirmation of the research findings;
- The SHiNE Management Group: A team of key personnel within One NorthEast and immediate partners that has been the test bed for each new phase of the project;
- The SHiNE Regional Council: A group of high-profile individuals from across the region that provided strategic guidance to the project throughout each stage.

At the heart of SHiNE was a series of workshops over the course of the project to develop and explore scenarios and the related decision-making framework. These workshops involved world-class experts as well as many groups and sectors across the region to advise and challenge the scenarios and the subsequent implications for the North East. The process has involved 100 participants directly in scenario building workshops and more than 2,000 people indirectly in 50 representative organisations in the Region.

The SHiNE process



Robust and proven process, based on best practice, designed to engage stakeholders and helps them take responsibility for the future

www.onenortheast.co.uk/page/reportspublications.cfm

Identifying drivers of change has also been an important output of a futures thinking process undertaken to inform the South East Plan. These drivers emerged from stakeholder workshops facilitated by Forum from the Future, and were then used to develop a 'futures proofing tool' to assist in formulating and reviewing policy⁹.

Within the East of England, a long list of some 50 change drivers was identified, from which 17 priority drivers were selected, including globalisation, importance of knowledge specialists, gateways to the sea and sky. A dependency analysis identified:

- those drivers that are dominant and therefore have a major impact; and
- those drivers that are dependent and thus relatively uncertain in their impact as they tend to follow change.

Dominant and dependent drivers were then grouped according to their dependency into two groups of drivers. This process was used to inform discussions around the significance of particular drivers and the likely scenarios that would arise.

7.4 Further Analysis and Quantification of the Scenarios

As in the above examples, the development of scenarios and underlying drivers should be informed by a wide range of sources, with the initial specification based on a narrative description, with which stakeholders can identify. In doing this it may be useful to develop a limited number of representative scenarios from which others can be estimated, to minimise the effort involved in analysing numerous cases. A typical process would be as follows:

- Between 1 and 4 scenarios would ideally be worked up to a robust state, by **undertaking or commissioning additional research** designed to inform consideration of critical aspects of the scenarios or drivers, as well as consideration of the spatial implications of each scenario identifying where development will take place, at what type and scale and so on.
- Although the scenarios will start as narrative stories, part of the exercise could usefully focus on **translating the leading scenarios into quantitative assumptions**. This would include employment, population and housing and, if possible, GVA. This is to inform the scale of future provision of key uses, such as employment land, housing, etc.

Additional research will depend on the scenario and might include in-house or externally commissioned work, or further input from stakeholders.

9 Planning for the Future, Strategic Partnership Work for SEERA, Forum for the Future, May 2004

7.4.1 QUANTIFICATION OF SCENARIOS

The most practical starting point for quantification is the business as usual projection outlined in the previous chapter, which can be adjusted to reflect the different futures for the projected variables suggested by the scenarios. This exercise is already found in common practice, with some regions commissioning forecasts to represent these scenarios. The approach leads to more robust analyses of GVA issues than is often possible in-house, but ultimately this depends on the skills available within regional institutions.

Alternative in-house processes of quantification are likely to be based on a spreadsheet, and involve manual adjustments to the business as usual projection. This will be most straightforward for employment, but more problematic in terms of analysing GVA. If done in-house this will be likely to require some intermediate level understanding of econometric principles. Practical methods can be based on employment and typical output levels per employee by sector, some of which may be determined from ONS sources¹⁰. In many cases it will be sufficient for the analysis to be capable of estimating the relative magnitude of effects on GVA or judging its effect. With the right knowledge, these types of analysis could prove as robust as their externally commissioned counterparts.

Similar approaches apply for **demography** with adjustments to the business as usual projection to reflect the scenarios taking the form of sensitivity analyses or adjustments. These would reflect the relationship with the economy identified during the production of the business as usual projection. Thus, population growth over time might be adjusted to reflect either the level of economic growth or the assumed phasing of growth, the latter in cases where population trends have been identified as economy-led.

Translating scenarios into quantitative economic and demographic assumptions in the way described above is not an exact science, and the aim should generally not be to attempt spuriously high levels of accuracy. In practical terms discussions with those responsible for producing the business as usual projection may be helpful in establishing what is possible and how this may be achieved.

7.4.2 TYPES OF SCENARIO TO BE ANALYSED

It is not necessarily the case that all the scenarios need be worked up in this way, rather the scenarios should be sufficient to represent the range of possible outcomes. This is especially the case because not all aspects of scenarios will be capable of being represented in this way. Scenarios worked up quantitatively are likely to include:

- **enhanced growth scenarios** representing different levels and types of growth, e.g. growth in jobs, growth in economic activity rates, or growth in productivity;
- **sharper focused scenarios** which seek to develop greater internal consistency in time, e.g. between employment and population trends; and

¹⁰ Economic Trends and Regional Trends

- **different spatial distributions** of population, employment and economic activities.

Assessing different spatial distributions will probably best be achieved by building on the analysis suggested in the last section of Chapter 6. Map based representation of the scenarios is likely to be particularly helpful in understanding the scenarios. This analysis will be complemented by similar analysis to test realism described below.

7.5 Testing Realism

By realism we mean the extent to which scenarios can be achieved through market or more policy-led processes. Regional strategy options are likely to focus on three main objectives:

- reinforcing the prospects for delivery;
- mitigating any adverse consequences; and
- seeking to achieve a spatial distribution of development that is acceptable in terms of broader policy objectives.

The extent to which scenarios suggest outcomes that raise economic performance, are consistent with national policy, and are coherent with broader regional objectives, is likely to be a major factor in identifying a preferred scenario and supporting policy options. However, other criteria are also relevant as described in sections 7.5.3 – 4 below.

7.5.1 REALISM OF IMPLIED POLICY LEVERS

In the first instance, aggregate analysis should be undertaken to show the extent to which **levels of planned growth differ from projected business as usual** growth both in terms of the absolute level of growth and the spatial strategy. This may imply a step-change in economic performance, in which case for the strategies to be realistic, they will need to outline in broad terms the interventions required to address weaknesses in regional competitiveness. There should also be a clear, consistent view on (a) sectoral dimensions – which sectors are likely to grow (e.g. financial and business services) and decline (e.g. heavy manufacturing); and (b) the broad sub-regional/location dimensions.

The emphasis of strategies and the policy used to support them is likely to be on strengthening and accelerating existing trends, by promoting **supply side responses** especially in terms of the supply of land, labour and services including transport. No region is likely to have the policy tools available to it to run entirely counter to existing entrenched trends, e.g. to establish a major renaissance in manufacturing employment and the regional policy may have to accept the national trend of long term decline, albeit it may also seek to mitigate and delay its impacts, as part of a balanced strategy. If an aspirational (often termed **policy-led** or **policy-on**) scenario, is to be taken forward, it must be clear as to which policy levers could be used to achieve a turnaround in trends.

Perspectives will differ between RES and RSS.

- From a **RES perspective** much of the interest will be on whether the scenario can be supported by the actions of the RDA and other economic development actors in the region. Relevant questions might be as to whether the region has the training capacity and resourcing necessary to achieve the higher skills necessary to achieve say, a higher jobless growth scenario focused on raising productivity, or whether entrepreneurship levels can be increased to meet the objectives for more business start ups identified in another scenario.
- From an **RSS perspective**, much of the interest will be based around the spatial distribution of population and jobs. This distribution of economic activity in particular will influence economic performance because locations vary in their competitiveness, especially in terms of the costs and availability of sites, premises and labour, as well as factors such as the perceived attractiveness of the location.

7.5.2 REALISM OF ASSUMED SPATIAL DISTRIBUTION

Much of the difference between scenarios is likely to be focused on different patterns of growth, as space is still the central medium of planning control. The control of the distribution of new development in space forms some of the most significant influence of the regional policy maker.

For example, it may be that labour demand and supply match at a region level, but if the employment demand is in the west of the region and labour supply (perhaps driven by new housing provision) then it will be important to assess the extent to which policy can achieve a more balanced distribution. The task here is to consider the balance between demography and employment at a sub-regional level in terms of supply-side capacity.

In many cases a simple spreadsheet-based **sub-regional accounting exercise** would be sufficient. This would set likely numbers of new jobs and workers (estimated from new dwellings) side by side. Where there are significant imbalances, judgements would then be made about the implications for objectives such as avoiding longer distance commuting and supporting higher activity rates by providing conveniently located employment opportunities. In buoyant economic conditions, implications for net migration and the likely affordability of new housing for existing residents would need to be considered.

This approach is used in the London Plan in tabulating indicative sub-regional population, housing and employment growth, 2001-2016 at the start of its chapter on its sub-regions¹¹.

The intention is not to be prescriptive about how the implications of economic and demographic forecasts are brought together at the sub-regional scale, since there is clearly no single technique. In reality judgements will need to be made from both a top-down regional perspective and a bottom up perspective based on considerations such as local transport and housing capacity. Testing the implications of alternative sub-regional strategies is likely to involve inputs from the constituent local authorities.

11 The London Plan, Table 5A.1, Mayor of London, February 2004

7.5.3 ADDITIONAL CONSIDERATIONS

A number of other issues would need to be considered, including those outlined below.

- In **considering scenarios that differ from trend levels of growth** it will be important to assess deliverability. This means addressing issues such as what realistically is the economic potential, and what should be the economic roles for certain areas, and what interventions are required to kick-start the economy to achieve the intended outcome. Such areas may be designated as Objective 1 or 2 areas, Assisted Areas or Rural priority Areas or be subject to other regeneration initiatives, in which case the strategies should take into account relevant programme documents as well as seeking to steer the implementation of funding programmes to help deliver the relevant parts of the RSS and RES.
- **In areas where neither market or policy drivers can be identified** to achieve growth, it might be appropriate to plan for a very different type and order of economic role than such areas have had in the past ('shrinking to grow') or consolidation of existing activities rather than, as often at present, identifying such areas as having major capacity for growth, but with limited means of achieving this.
- **In areas which are experiencing rapid growth** and there are potential constraints to accommodating this growth, e.g. through infrastructure, consideration should be given as to whether there should be an approach of further unconstrained or plan-led growth in jobs and/or housing and transport, or whether policies of restraint should be applied. However, the economic implications of the chosen scenario should be identified.

7.5.4 TESTING THE MAIN SCENARIOS AGAINST BROADER CRITERIA

It is assumed that the alternative scenarios will be subject to wider testing processes, especially through the Sustainability Appraisal.¹² As a part of this, formal consultation is also required.

In practice the scenarios may require adjustment to reflect the realities of what can be achieved, and what their wider effects and impacts are likely to be, before they can provide a sufficiently robust basis for regional strategy.

7.6 Selecting the Preferred Scenario

The choice of preferred strategy will be a matter of regional discretion, but will need to be justified in terms of considerations of 'soundness' identified in Chapter 2 and Appendix A for RES and RSS. It may be that as a result of iteration, the preferred scenario is constructed from the best performing parts of several of the original scenarios.

¹² Emerging Guidance is contained in the ODPM Consultation Paper: *Sustainability Appraisal of Regional Spatial Strategy and Local Development Frameworks*, issued in September 2004 and Interim Advice Note on frequently asked questions, April 2005.

7.6.1 SETTING OUT THE 'POLICY ROUTE MAP'

Once a preferred strategy has been identified, the 'policy route map' to achieve it needs to be articulated in terms of:

- Housing provision numbers, and guidance on the structure of this provision including affordable housing and housing to support the development of newer economic sectors and demographic change;
- Employment land provision, reflecting issues of scale and again more qualitative components to meet the needs of the growth sectors identified through scenario-building exercises and forecasting;
- The range of supporting services including public services, cultural and leisure facilities, retail provision, education, transport capacity and so on.

These issues are addressed in greater depth individually in the next part of this Guide.

7.6.2 MONITORING AND REVIEW

The extent of uncertainty as to outcomes also places considerable emphasis on the role of subsequent monitoring to establish whether the strategy is being implemented as planned, and whether it is having the intended consequences. Topics for monitoring are likely to relate to the evidence checklist suggested for economic baseline in Chapter 5, and those in the remaining topic based chapters (Chapters 8-11) of this Guide.

CHAPTER 8

Economic Development Policy

8.1 Introduction

This chapter focuses on the use of evidence to identify the economic development policy levers to deliver the broad strategy for the region. Chapter 5 has set out advice on establishing an economic baseline, and Chapters 4 – 7 suggest how economic evidence should inform strategy scenario development and testing.

The RES should set out the regional vision, policies and framework for intervention for economic development:

‘The role of the Regional Economic Strategy is to provide a shared vision for the development of the region’s economy, to improve economic performance and enhance the region’s competitiveness. The Strategy identifies measures that will lead to an improvement in economic performance, whether the region is already successful or seeking to improve its performance. These measures could be targeted at a regional or sub-regional level, or inter-regionally, as in the case of the Northern Way Initiative.’

Forward to Guidance to RDAs on Regional Strategies

Guidance to RDAs on Regional Strategies (paragraphs 27 to 30) stresses the importance of a clear spatial element of the RES, incorporating a degree of location specificity:

The RES should reflect the distinctiveness of the different parts of the region (including rural and urban areas), identifying the challenges and opportunities for these geographical areas. This might include, where appropriate, different policies for different locations of particular importance to economic development’

Guidance to RDAs on Regional Strategies (paragraph 27)

The RSS should inform and support the economic strategy. It will cover issues relating to the broad spatial strategy for economic development, ensuring an appropriate supply of employment land, identifying priority areas for regeneration, and other policies to support economic development.

8.2 Key Tasks

EVIDENCE

- **Use the Economic Development Evidence Checklist (p.37) to inform evidence collection and analysis.**
- **Undertake or update employment land reviews where necessary to provide evidence on the adequacy of current and planned future supply of employment land in terms of quantity, quality, location and type.**
- **Consider the use of property market studies to inform understanding of commercial property market trends, conditions and strengths and weaknesses at sub-regional level.**

USE IN STRATEGY DEVELOPMENT

- **Use information from employment land review research to set out advice on the broad quantum, location and type of planned employment land provision to be made in Local Development Frameworks.**
- **Use information on commercial property markets and from employment land review research to identify areas of market failure where land and property regeneration (e.g. site assembly, site preparation, site development) interventions are required to deliver the strategy.**
- **Ensure a common approach in the RES and RSS to the identification of priority areas for regeneration and economic development (broad locations only).**
- **Improve understanding of the spatial dimensions of business support, sector/cluster and skills initiatives.**
- **Provide a spatial focus for inward investment and investment support initiatives.**
- **Take account of relevant funding programmes (both mainstream programmes and targeted area programmes) when considering the delivery of strategies.**

8.3 Developing the Evidence Base and Challenges for Future Practice

Table 8.1: Economic Development Interventions and the Strategy Development Process	
Strategy Formulation Stage	Evidence and Analysis
Scoping	See Chapter 5
Baselining/Benchmarking	See Chapter 5
Scenario Development and Testing	See Chapters 6 & 7
Strategy Development	See Chapter 7
Policy Options and Testing	Evidence on intra-regional conditions, trends and drivers of change, and existing and likely future patterns of investment (by the public and private sectors) to inform the identification of appropriate economic development policy levers and interventions.
Monitoring and evaluation	Monitoring of actual trends against adopted scenario. Monitoring the effectiveness and impact of economic development policies and interventions. Assessing changing patterns of public and private investment. Assessing implications for implementation and review.

The advice in this chapter assumes that the main strategy and the planned quantum and spatial distribution of growth will have been developed and clarified through the processes and techniques suggested in Chapters 4 – 7. In most cases this strategy will aim for a step change in economic growth and performance of the region as a whole, with possibly a strong focus on addressing economic underperformance in particular sub-regions, or areas with particular characteristics (e.g. coastal towns).

The challenge is to develop an evidence base that informs the identification of policy levers and intervention frameworks required to deliver the planned step change in regional and sub-regional economic competitiveness and performance. The role of the RDA is to lead and coordinate economic development interventions, within the framework provided by the RES, and within the context of appropriate planning policies.

It is important that the policy levers and framework for intervention set in regional strategies are:

- Appropriate in terms of addressing an identified problem or market failure;
- Regionally and sub-regionally distinctive, taking into account the specific issues and characteristics within the region, and different trends, conditions and drivers of change within the region;
- Realistic, in terms of market conditions and prospects and the powers and resources of public bodies;
- Coherent and coordinated, for instance planning policies on employment land should be supported by the framework for land and property regeneration interventions, and the strategy for inward investment and business support; and

- Focused on adding value to the investment and actions of a wide range of public and private stakeholders, ensuring limited RDA resources are focused on where they can really make a difference.

8.4 Policy Issues to be Addressed through Evidence

8.4.1 ENSURING AN APPROPRIATE SUPPLY OF EMPLOYMENT LAND

A challenge for regional policy is planning for a supply of employment land of an appropriate quantum, type and spatial distribution. In several regions there is currently a considerable oversupply of employment land in terms of plan provision, and parts of this supply are not in ideal locations (in terms of wider locational policies as well as market interest) and are not of appropriate size or type in terms of the market.

There is an increasing need to justify provision in the context of increasing pressure (in terms of policy and the market) for housing development on sites designated as employment land. Further advice is set out in section 8.5.2 of this chapter.

8.4.2 DEVELOPING THE FRAMEWORK FOR LAND AND PROPERTY REGENERATION

The RSS will inform the identification, through LDFs, of key employment and regeneration sites, and the range of interventions required to bring them forward. These might include interventions by the RDA, English Partnerships, or other regeneration agencies. These might include site assembly, site preparation, and site development (likely to be through joint-ventures).

The RES is important in guiding land and property interventions to enhance the quality of supply of sites and premises. This will include offices policy. Both strategies should identify (in broad terms) priority areas for regeneration and economic development.

8.4.3 IDENTIFYING PRIORITY AREAS FOR ECONOMIC REGENERATION

Main considerations in identifying priority areas and interventions for economic development are set out below.

- **Existing capacity.** The issues of concern here are of the availability of land (i.e. existing plan provision) and transport capacity. It is also necessary to consider the challenges in bringing sites forward for appropriate types of economic development.
- **Previously-developed land.** The issue is to bring vacant or under-used land into use, both to reduce the need to develop greenfield land and to reduce blight. Previously-developed land includes both vacant or derelict land and land in use but with potential for redevelopment.

- **Potential new capacity.** This includes the scope and criteria for identifying new locations for plan-led growth and the interventions required (land, property, transport) to realise these.
- **Main areas of economic success and pressure.** The aim should be to identify where high levels of growth might be leading to ‘overheating’ of the property and labour markets. This is because these areas are likely to be the ‘powerhouses’ of the regional economy, with underlying features of competitiveness that will be difficult to replicate elsewhere.
- **Priority areas of economic need.** These are the areas that have been identified as being in particular economic need (e.g. areas with high unemployment, low wage-levels, high Indices of Multiple Deprivation scores), including areas where problems have been (or are being) caused by economic restructuring.
- **Main areas of economic potential.** These are the areas that realistically have the potential to be areas of economic success in the next 15 to 20 years.
- **Appropriate economic roles of key locations.** This includes the role of the main centres, and employment locations and the extent to which these have complementary and realistic economic roles.
- **Strategic fit with national policy.** The broad locations for economic development may need to be tested against national policy (particularly important in respect of greenfield sites, or sites with poor public transport access), to establish whether a departure can be justified.

Challenges for evidence and policy are posed by the current period of transition from the Single Regeneration Budget (SRB) programmes and in rural areas from the Rural Development Programme, in to RDA ‘single pot’ funding to address area regeneration priorities. This transition entails a more strategic needs and opportunities-led approach, moving away from the previous predominantly bidding-led approach. Decisions on where and how RDA area regeneration investment can make the most positive difference need to be informed by evidence on patterns of socio-economic need and drivers of change, as well as analysis of existing and likely future patterns of public and private sector investment.

8.4.4 PROVIDING A SPATIAL DIMENSION TO BUSINESS SUPPORT, SECTOR AND CLUSTER DEVELOPMENT, AND SKILLS POLICIES AND INITIATIVES

The RES should provide the framework for business support and sector/cluster development interventions aimed at stimulating business entrepreneurship, growth and innovation. The RES (and more specifically the FRESA) also provides a framework for education and skills policies and action to increase the competitiveness of the labour market. There needs to be a robust understanding of the spatial dimensions, implications and possible limitations of these policies.

8.4.5 PROVIDING A SPATIAL FOCUS FOR INWARD INVESTMENT AND INVESTOR SUPPORT INITIATIVES

It is important that inward investment and investor support initiatives are appropriate in terms of supply of sites and premises, and are realistic in the context of commercial property market conditions and trends. For instance, allocation of a major investment site should be supported by a strategy to promote that site to potential inward investors. In some areas, inward investment promotion may not be a realistic strategy due to weaknesses in investor interest and the commercial property market. In these cases, a more appropriate approach might be to support and safeguard existing private sector investments, and encourage re-investment by firms that are already located within the area.

8.4.6 COORDINATING AND ADDING VALUE TO PUBLIC AND PRIVATE SECTOR INVESTMENT AND ACTION

In several regions, attempts have been made at regional and sub-regional level to analyse and map patterns of public and private sector investment. This is then assessed against patterns of socio-economic need to identify investment gaps and priority areas for better targeting and/or coordination of public investment. This provides a useful evidence base for identifying how and where RDA funding and intervention can add value to other investment and action. This can prove particularly valuable in focussing the framework for area regeneration interventions.

8.5 Evidence Checklist

8.5.1 OVERVIEW

The following types of evidence could be useful in informing the definition of interventions to improve economic performance.

Table 8.2: Evidence Checklist – Economic Development					
Issue	Justification for Evidence Gathering	Suggested 'Benchmark' Evidence Gathering	Current/Potential Evidence Source	Required Geographical Disaggregation	Main use in strategy development
Employment Land supply	Need to understand the relationship between capacity for growth and competitiveness	Existing take up rates	Coordinated surveys of employment land take up (usually with Counties and Districts). Some land use change analysis based on monitoring of planning permissions. National Land Use Database of Previously-Developed Land	Typically by component sub region or district	Allows assessment of whether planned land allocation is competitive and whether alternative distributions would be more appropriate

Table 8.2: Evidence Checklist – Economic Development

Issue	Justification for Evidence Gathering	Suggested 'Benchmark' Evidence Gathering	Current/Potential Evidence Source	Required Geographical Disaggregation	Main use in strategy development
Offices	Ensure steady supply of premises to meet dominant office occupiers and viability of development in key growth locations. Support town centres and linked trips	Vacant and pipeline supply: qualitative and quantitative Recent trends in supply and take up. Location preferences by broad end user	Market commentaries by major agents and commissioned studies	By major centre and other accessible locations having regard to PPS6/PPG13	Allows consideration of viability of planned provision for employment growth Use in providing information to the market itself, where agents analysis is limited
Sector Analyses, e.g. Manufacturing and other industry Research and technology and Knowledge-Based industry	Need to understand current position of this often fragile sector, in order to allow remedial support or action Need to understand regional success or otherwise in attracting these modern sectors	Fine grain analysis of employment trends Major new investments and closures	ABI analysis at fine level SIC categories Information from County or district EDOs/economic partnerships etc Direct surveys as periodic exercises of existing firms and new investors	By sub region, district or functional area/location	Allows targeted support and anticipation of change Identification of niche parts with growth potential and supply-side initiatives to assist
Areas of disadvantage	Identification of priority locations for targeted action based on need	Indicators of deprivation	ODPM indices of local deprivation Analysis of drivers of change in underperforming areas Stakeholder perspectives	Mapped at ward level or output area	Fine spatial level of analysis required to pick up strategic pockets and clusters of deprivation, which will need to be targeted to achieve more balanced performance
Major zones of existing economic activity and capacity for growth	Understanding location of economic activity and their continuing competitiveness and capacity for growth	Broad understanding of occupiers by location and recent change, possibly occupier intentions	Interaction with district and county economic development officers Coordination of employer/business surveys (typically with other agencies, e.g. EDOs LSC, etc)	Map of strategic locations	Used to develop typology of locations to support future investment and subsequently to identify adequacy or otherwise of provision to meet needs

A number of practical issues arise from the Evidence Checklist, which are described below.

8.5.2 EMPLOYMENT LAND REVIEW STUDIES

In several regions employment land reviews have been undertaken or are underway. These exercises analyse the nature of the current supply of employment land in terms of quantum as well as quality. This is assessed against projections of future demand, analysis of the nature of market demand, and an assessment of fit with wider/higher-level policy on the location of employment development.

Monitoring data should be able to provide data on scale and pattern of take up of employment land. For instance, the West Midlands has well-established regional monitoring systems through their Regional Employment Land Survey (RELS).

ODPM recently produced a guide to undertaking employment land reviews¹³.

Good Practice Example: East Midlands Quality of Employment Land (QUELS) study

The Quality of Employment Land Study (QUELS) was jointly commissioned by the East Midlands Regional Assembly and the East Midlands Development Agency in 2002. The outputs in terms of economic development fed into the RES review, whilst the planning outputs fed into the development of the RSS. The focus was at the sub-regional level, and on the larger sites. At the sub-regional level, the study aimed to answer questions of:

QUANTITY: How much employment land will the market demand compared with current allocations?

QUALITY: What sites are and will be demanded by the market, and how does that match with current allocations? Where there is a mismatch, how can policy improve the match?

This is a good example of the benefits of joint working and a shared evidence base between regional partners. The study was notable in that it focused on quality as well as quantity of available land, incorporating an assessment of market conditions and prospects, and commercial requirements.

8.5.3 PROPERTY MARKET INFORMATION

Property market information, studies and input from property professionals will be useful to inform how well the existing supply of commercial property meets market needs. Issues will be driven by the economic characteristics of the particular region or sub-region. For instance, in the centres of major cities, a main concern will be the commercial office sector, and in areas with good access to the strategic road network a major concern could be the pressures and needs for distribution uses. These type of studies may also help to assess realism and deliverability of policy levers.

¹³ *Employment Land Reviews: Guidance Note*, ODPM, December 2004.

Good Practice Example: Property Market Input: The London Office Review

Ensuring that there is enough capacity to accommodate office based activities is a key concern not just for London but for the country as a whole. The office market is highly cyclical so it is essential that it is monitored regularly and authoritatively to check that the policies of the London Plan are tightly focused on achieving the Mayor's objectives. One of the key components of this monitoring process is the independent, annual London Office Policy Review.

Prepared by a consortium of office specialists the Review has charted the relationship between office demand and supply from 1997. It flags the emergence of 'green shoots' in the market. It relates market sentiment and take-up to availability of new and second hand space and the various elements of the development pipeline.

It then goes on to assess the longer term issues facing the market, especially at present the prospects for that in the suburbs and for secondary and tertiary centres. It also includes investigation of the implications of current strategic trends including most recently 'off-shoring', civil service decentralisation, mixed use development, changes of use, and changes in the way in which office space is utilised. The latest edition of the Review is specially designed to inform preparation of sub regional development frameworks.

www.london.gov.uk/mayor/planning/docs/London_office_policy_review_2004_2.pdf

Further Advice

ODPM recently produced a guide to undertaking employment land reviews: Employment Land Reviews: Guidance Note, ODPM, December 2004.
www.opdm.gov.uk

CHAPTER 9

Supporting the Economy through Housing

9.1 Introduction

Providing the right quantum and quality of housing and understanding how housing markets work is essential to the development of a housing strategy that supports regional economic growth. The Barker Review¹⁴ also concluded that housing is of macro economic significance.

Housing is central to RSS preparation as provision figures are the main land use lever within its control. Issues of housing type and affordability are also increasingly important for RESs as targets of economic growth and regional prosperity are often based on attracting skilled workers and encouraging start-ups. Such aspirations mean little if companies and workers cannot afford to, or do not want to move to or live in an area.

Balancing housing supply and demand more closely is also at the heart of policies to deliver sustainable communities. Government has accepted Kate Barker's central recommendation that there be a step change in housing supply and intends to respond to her recommendations by the end of 2005. Research is underway to model the relationship between affordability and additional housing, and to examine how different levels of housing supply can be achieved sustainably.

National policy in PPG3 also establishes a direct link between land for employment and housing. It says that employment land no longer needed for its original use is a wasted resource and LPAs should review all non-housing allocations to see if better use can be made for housing or mixed-use developments (PPG3, para 42).

¹⁴ *Review of Housing Supply*. Delivering Stability: Securing Our Future Housing Needs. Kate Barker, March 2005. www.barkerreview.org.uk

9.2 Key Tasks – Housing

EVIDENCE

- **Use the Housing Evidence Checklist (p.43) to inform evidence collection and analysis.**
- **Make greater use of house price data, since a competitive housing market is likely to be a major contributor to a strong economy.**
- **Consider the implications of new economic sectors on different housing market tenures.**
- **Make greater use of rigorous qualitative research which can provide useful pointers on drivers of housing market change, such as school catchment areas.**
- **Consider the usefulness of semistructured interviews with housing professionals, and private sector panels. Qualitative research provides a useful triangulation of quantitative data analysis.**

USE IN STRATEGY DEVELOPMENT

- **Consider economic and housing interrelationships explicitly, rather than just adopting a capacity driven approach to housing numbers and location.**
- **Give greater emphasis to testing the implications of the alternative strategies on the economy, particularly on labour supply. Using sub-regional balance sheets can improve transparency.**
- **Identify broad strategic themes for sub-regions and possibly zones of change within them to crystallise thinking and add clarity to the intended strategy.**
- **Consider the interventions required to deliver the housing strategy.**

9.3 Developing the Evidence Base

9.3.1 OVERVIEW

The following table seeks to summarise good practice in using economic evidence at different stages of the development of regional housing strategy and policy. It is not a comprehensive guide to producing housing strategy.

Table 9.1: Housing Evidence and the Strategy Development Process	
Strategy Formulation Stage	Evidence and Analysis
Scoping	Stakeholder consultation, especially of house builders and RSLs.
Baselining/benchmarking	Analysis of housing completions, against past policy projections/trajectories.
	Coordination of housing capacity studies. Coordination of comprehensive Local Housing Assessment studies. Analysis of stakeholder views and tacit market information, which should include understanding of the qualitative nature of current supply and future needs. Affordability analysis with respect to income.
Scenario Development and Testing	Liaison and brainstorming with wider strategy team to enable consideration of economy relationships, especially role of housing in supporting growth sectors, in facilitating economic regeneration, and of any “capacity” or brownfield land driven approach.
Strategy Development	Development of a strategy that is reconciled (quantitatively and qualitatively) with the level, location and nature of planned economic growth.
Policy Options and Testing	Identification of broad locations for plan-led housing growth.
Monitoring	Housing completions by type and locations. Intra and inter regional comparisons of house price change and relationships to national market trends. Migrant (in and out) behavior and patterns of loss and gain. Periodic behavioral and housing choice studies of in migrants and workers in leading edge economic sectors.

9.3.2 SCOPING AND BASELINE

A robust approach is required that identifies evidence needs through the scoping stage and implementing the evidence gathering exercises suggested in Table 8.1 as part of the baselining and benchmarking stage. This is to enable a robust understanding of housing issues, and for a coherent body of evidence to be brought to the table as part of the scenario and option development stage.

9.3.3 SCENARIOS

The scenario and option stage provides the opportunity to consider to housing economy relationships, in terms of the quantum of housing, the quality and type of housing, and the potential spatial distribution. There are many practical models of how this integration may be achieved. Practical brainstorming of the possible scenarios is likely to be the most transparent and practical approach. This brainstorming should involve evidence, stakeholders and professionals from different disciplines and strategy topics.

Having identified viable scenarios including spatial options, it is suggested that the implications of these are fully tested. In terms of the assessment of effects on the economy, this might be tested most practically through the production of a set of sub-regional “accounts” or balance sheets summarising intended employment and housing provision.

A more **qualitative analysis**, drawing on evidence already held will also be required. This will take account of the relationship between the type and quality of housing provision and the nature of the future economy. This may encompass issues such as housing size, tenure profile, types of housing products, design, and other factors that impinge on an area's attractiveness as a place to live.

Such details are mostly matters for Local Development Frameworks and regeneration interventions. Nevertheless, the identification of broad strategic themes or visions for broad sub regions and probably zones of change within them, at the regional level may help to crystallise thinking and add clarity and realism to the intended development strategy. They will also support more coordinated local strategy and delivery.

9.3.4 STRATEGY DEVELOPMENT AND MONITORING

Once a viable and integrated strategy has been identified, regional policy mechanisms to support the intended strategy should be identified. These should include any interventions necessary to deliver plan-led expansion and/or housing-led regeneration. This might include land and property regeneration interventions (see chapter 7) to address market failure in areas with weak housing markets and/or high development costs.

Monitoring will be important to assess progress and the success of such strategy to inform future strategic reviews and the focus of supporting policy interventions.

9.4 Challenges for Future Practice

Under the influence of policy including PPG3, regions already place considerable emphasis on the gathering and analysis of evidence on housing topics, with the emphasis on providing housing provision figures (to be included formally in RSS) and affordable housing. The main challenges for future practice are as follows:

- **Achieving a stronger and more integrated understanding housing-economy links**, through an approach that brings together and synthesises evidence, professional judgements and stakeholder perspectives across different topic areas;
- **Understanding the economic issues and implications of policies for housing development on brownfield land;**
- **Undertaking Local Housing Assessments**, including understanding price signals, and identifying housing market areas;
- **Giving greater weight to qualitative evidence**, developing a more robust approach to gathering softer intelligence on housing markets, the adequacy of housing supply in terms of type, size, mix, design and image, and understanding the implications for housing of the knowledge economy;
- **Using evidence to inform the implementation framework** through planning policies and action-focused planning at local level, and through land and property regeneration interventions.

9.5 Policy Issues to be Addressed through Evidence

Regional roles identified in PPG3 including the January 2005 consultation paper¹⁵ with economic evidence implications can be summarised as follows.

- Coordination of programmes of Local Housing Assessments to make timely input into RSS revisions and ensure consistency of approach.
- Identification of circumstances where joint work between LPAs is necessary.
- Support for regional stakeholders to work in partnership with LPAs in preparing Local Housing Assessments;
- RSS to set out the RPB’s strategic approach to achieving an appropriate mix of housing and any variations between constituent LPAs and/or local housing markets.
- Provision of indicative estimates of affordable housing at regional level and guidance for particular areas (but not targets or quotas).
- Identification of the spatial extent of local housing markets.

9.6 Evidence Checklist

9.6.1 OVERVIEW

A summary of an Evidence Checklist is provided in Table 9.2. This is not intended to be prescriptive or exhaustive, although several elements of evidence relate to guidance in PPG3.

Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Future housing demand	Need to ensure that supply broadly matches demand and facilitates choice	Household formation	ONS/ODPM population and household projections	Analysis by region	Inform housing numbers
Current needs for housing	Ensure that housing supply meets need	Household surveys	Commissioned research exercises	Preferably capable of disaggregation by sub region	Identify requirements for affordable housing especially in terms of housing type and tenure

¹⁵ Draft PPG3, Planning for Mixed Communities, consultation paper on replacement paras 9-17, ODPM, Jan 2005

Table 9.2: Evidence Checklist – Housing					
Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Affordability analysis	Ensure that house prices are affordable	Analysis of ratios of house prices to household income	Analysis of house price data from VOA or Building Society (e.g. HBOS/ Nationwide) against household income (from ONS Sources)	Regional, sub regional and local to reflect “local” nature of housing markets [NB – income data hard to come by at local level]	To inform housing numbers at the regional level and the need for affordable housing (sub-market housing) in certain areas
Housing market trends	Understand dynamics of the housing market	Understanding of the relationship between housing demand and supply	Local housing assessment in association with Regional Housing Boards and local authorities	Regional and sub regional analysis according to circumstances	Inform the steps to enable delivery of a balanced housing market Identify sub regional housing markets
Housing capacity	Assess the quantitative capacity for new housing and the distribution within the region	Identification of sufficient capacity to meet demand and promoting a range of housing environments that will facilitate choice and respond to changes in economic, cultural and lifestyle modes	Coordination of standard survey-based capacity methodology developed in consultation with housebuilders (e.g. HBF) surveys implemented through county and district authorities. HBF involved in interpretation National Land Use Database of Previously-Developed Land	Regional and district level	Inform spatial distribution/ apportionment of housing numbers Identify the extent to which development can be accommodated on previously-developed land
Housing preferences	Understanding of the factors that lead to the choice of particular housing types and the relationship of this to regional competitive advantage	Surveys of recent in-migrants and other recent movers	Periodic studies, typically commissioned as market research	Preferably to be representative of sub markets	Supports the identification of policy measures to achieve housing provision in particular areas and rebalance provision
Land with planning permission for residential development	Understand housing pipeline	Understanding of stocks and flows of residential permissions	Analysis of ODPM PS3 return data or estimates/or local authority monitoring sources	Region and district	Identifies trends in implementation of permissions

Table 9.2: Evidence Checklist – Housing

Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Housebuilding starts completions and housing conversions and demolitions	Understand housing pipeline	Understand take up of permissions and conversions	Analysis of ODPM P2 and PS3J statistics or estimates, or local authority monitoring sources – typically from Building control records.	Region and district	Help to assess realism, viability and likely build/market absorption rates for future provision.
Concealed demand for housing	To understand extent of latent demand for housing within the region	Analysis of the extent of hidden households/indigenous latent demand.	Analysis of the extent of take up of past provision	Analysis by sub region to understand “hotspots” and areas of low demand, etc	Helps to inform test realism of proposed spatial distribution of future provision

9.6.2 UNDERSTANDING HOUSING – ECONOMY LINKS

Most existing exercises are relatively standardised evidence based studies. On the supply side, these include spatial analysis of permissions and completions, and housing capacity studies. On the demand side, work is detailed on affordable housing needs, but less detailed on private housing demand (except from a demographic perspective). The approach to many of these studies is well understood, having been established in a variety of accompanying good practice guides^{16, 17}.

The challenge is to link these analyses to economic considerations and to go beyond a capacity driven approach. Achieving a better understanding of housing – economy links requires synthesis of different types of evidence across different topic areas, and the inputs of stakeholders from different sectors.

9.6.3 INFORMING POLICIES FOR HOUSING ON PREVIOUSLY-DEVELOPED LAND

Current approaches are partly a consequence of the need to address national policy objectives, particularly for the reuse of previously-developed land.

Areas with significant levels of vacant brownfield land are often those where there has been substantial employment decline. There is a need for a more robust and explicit approach to testing the implications for the economy and more specifically for labour supply of a strategy focused strongly on the re-use of previously-developed land. If the adopted approach is to locate housing on the available previously-developed land, then often a more proactive and managed approach is required for the economy to ensure that new housing supply is supported by new employment opportunities.

16 Tapping the Potential: Assessing Urban Housing Capacity – towards better practice, DTLR, December 2000

17 Monitoring provision of Housing through the Planning System: towards better practice, DETR, October 2000

It is also important that housing on previously-developed land is deliverable, and is of a quality and type that meets housing needs and is attractive to the type of workforce that the region is seeking to develop, attract and retain. Land and property regeneration interventions (see chapter 5) may be necessary to address areas of market failure, particularly in areas with high development costs to bring forward brownfield sites.

9.6.4 UNDERTAKING HOUSING MARKET ASSESSMENTS, INCLUDING UNDERSTANDING PRICE SIGNALS, AND IDENTIFYING LOCAL HOUSING MARKET AREAS

There has been encouragement to undertake **housing market assessment** exercises to redress the previous imbalance towards affordable housing need, and to understand how local markets work¹⁸ and this is a productive way forward. Existing evidence only provides a partial view of the local housing market, often providing a superficial view of the affordability of private housing, housing preferences and the characteristics and views of key players. To strengthen this evidence raises various challenges for data collection as outlined below. ODPM is developing practice guidance on producing Local Housing Assessments which will integrate housing need assessments and housing market studies.

The Barker Review also proposed the use of **price signals** in planning. A balanced and competitive housing market is likely to be a major contributor to a strong economy. House price data is critical to estimations of housing demand/need through measures of affordability (with income data), and to the identification of unpopular housing (area house prices differentials). Yet, little is known about house price data at a regional or local level. Finding usable house price data is gradually becoming easier with a number of sources including HM Land Registry, the Survey of Mortgage Lenders and various lenders (see box 9.1).

18 DTZ Peda Consulting Housing Market Assessment Manual. London, ODPM, 2004

Box 9.1: House Price Data: Current Sources

- **HM Land Registry** data has the advantage of almost complete coverage of the private housing market. It has recently become available at unit (transaction) level making it possible to construct indicators at a relatively local level (for instance, by postcode). Some information on property type (defined in 4 categories: detached, semi-detached, terraced and flats). The key drawback is lack of detailed property characteristics data, making it difficult to construct a properly mix-adjusted house price index. Potential linkage with Census data from very small areas on stock characteristics provides a partial solution.
- **The HBOS/Nationwide bank data** are a richer source of house price information, in that the data include fairly detailed physical characteristics. Both HBOS and Nationwide provide unadjusted, mix adjusted and seasonally/mix adjusted house price indices at UK and regional level. However, neither publish estimates of house prices or change below regional level. In the past, Nationwide have supplied data for the purposes of academic research. Two main problems however. First, the datasets represent housing transactions funded by a single lender. This gives rise to the possibility of sample selection bias. Second, the datasets are likely to include a relatively small number of transactions when disaggregated to local level.
- **The Survey of Mortgage Lenders (SML)** data include physical and location characteristics variables as well as transaction price, amount borrowed, some details of mortgage product and a limited set of descriptors relating to the borrower(s). In many respects this provides the best prospect of estimating house price indicators below the regional level, as the data have been available on what is effectively about a 25% sample basis for 4 years now (100% of some lenders, 5% of others). The datasets describe lending (new advances and re-mortgages) for the mainstream lenders.

Housing markets are not regional in nature and the **definition of housing market areas** is a first step in conducting housing assessments. The significance of housing market areas is that a majority of households moving or purchasing for the first time will do so within the same local housing market area (LHMA). There is no real consensus about how to define an LHMA although the two competing definitions focus on household migratory self-containment and the concept of household search areas – an LHMA is defined either as a geography in which a threshold level of migratory self containment is evident or a geography which represents the search area for moving households. The significance of LHMA is that boundaries are unlikely to be coincident with local authority boundaries. LHMA are generally defined as larger areas than local authority areas, which reinforces the need for regional analysis. It will therefore be an important function of RSS to co-ordinate policy responses where several local authorities exist within a single LHMA.

Good Practice Example: Analysis of Sub Regional Housing Markets in the South West

Understanding how housing markets work is essential to the development of a sustainable strategy and the Barker review concluded that housing is of macro economic significance. Housing, employment and travel to work patterns are all inter-related and it is particularly at the sub regional level that these relationships need to be understood. To complete a programme of housing market assessments, the South West Housing Board are promoting the development of effective Housing Market Assessment partnerships. The key requirements are to ensure joint working of housing, planning and economic development interests. To achieve this, consultants were commissioned to develop appropriate methodologies. They reported in July 2004.

<http://www.southwesthousingbody.org.uk/pdf/FullReport.pdf>

Good Practice Example: Housing Market Analysis by Birmingham University

The Centre for Urban and Regional Studies series of influential housing market analyses of regions of the North and Midlands provide an interesting model that identifies areas at risk of changing, or low demand¹⁹. This set of studies has provided base-line evidence for the Housing Market Renewal Pathfinders and local authorities across the North of England. They have used qualitative research to examine issues pertinent to some key client groups, such a single women and city living, or black and minority ethnic demand in core cities. This additional work has not been a comprehensive part of the methodology and has only been used to explore certain aspects of the local markets identified by the researchers. They have also used vacancy chain analysis to study the relationships between inner and outer city housing sub-markets, finding quite separate markets and no support for filtering theories. Cole et al (2003) provides an interesting use of interviews with key market actors, and a substantial resident survey, in a study of perceptions of change within the Leeds housing market. This provides both complementary information and some alternative explanations to indicators of changing demand in previous CURS research that included Leeds in its analysis.

9.6.5 UNDERSTANDING THE ISSUES AND IMPLICATIONS FOR HOUSING OF THE KNOWLEDGE ECONOMY

The development of a modern regional economy is increasingly dependent on the attraction and expansion of the knowledge economy and an associated creative population within the cities of the region²⁰. This implies the need for changes in the

19 Nevin, B., Lee, P., Goodson, L., Murie, A. and Phillimore, J. (2001a) Changing Housing Markets and Urban Regeneration in the M62 Corridor (Birmingham: CURS, University of Birmingham).
 Nevin, B. et al (2001b) The West Midlands Housing Market: Changing Demand, Decentralisation and Urban Regeneration (Birmingham: CURS, University of Birmingham).
 Nevin, B. and Lee, P. (2003) Understanding the Liverpool Housing Market: reversing decline and managing change (Birmingham: CURS, University of Birmingham).
 Lee, P., Leather, P., Murie, A., Phillimore, J. and Goodson, L. (2002) Yorkshire and Humberside: Changing housing markets and urban regeneration. Final Report (Birmingham, CURS University of Birmingham).

20 See Lee, P, Murie A (2004) The Role of Housing in Delivering a Knowledge Economy. Built Environment Vol 30, No 3 pages 235-245.

image and attractiveness of regions and sub-regions as places to live, in order to attract and retain this creative population and skilled workforce.

This poses a challenge for policy making. The growth of a “creative class” and the location of human capital is dependent on a number of factors, not least what is on offer in the housing market and the quality of housing and neighbourhoods. This is an important element particularly in regions and sub-regions that have largely developed under a different set of economic pre-conditions and socio-cultural expectations and assumptions. The issue at stake here is as much qualitative as quantitative.

A functioning housing market can be seen as one that offers choice for different households to form and move on through a housing “pathway” remaining within an area and network of dynamic and aspirational groups and communities. If these groups are not able to form or be retained within an area, the implication is that they will form or move elsewhere and their entrepreneurship may be deterred or displaced.

9.6.6 PLACING GREATER EMPHASIS ON QUALITATIVE EVIDENCE

DTZ Pieda Consulting (2004) for the ODPM Housing Market Assessment Manual place emphasis to date on capturing qualitative aspects of local markets, suggesting that;

“softer”, more contextual analysis will be required to consider in depth the specific factors and reasons beneath particular trends where required. The operation of housing markets is rather more than simple numbers, and to understand the actual how and why questions. Behind those numbers requires insight from all those involved in shaping, defining and consuming the housing market.” (DTZ, 2004: para 1.34).

Good practice tends to suggest that in addition to existing work a broader evidence-based analysis is required that addresses all tenures, and studies flows between them, trends in local population and employment changes, the implications of new economic sectors and their impacts on each tenure and seeks to identify tenure imbalances. Qualitative semi-structured interviews with other housing professionals, housing consumers, officers and private sector panels may make a considerable difference to the richness of the analysis. Moreover, more qualitative research may:

- fill gaps in the absence of data;
- fill gaps in the absence of relevance of that data to the local area;
- generate hypotheses;
- confirm hunches and intuition; and
- test the validity of the results.

House builders and **Registered Social Landlords** will have valuable tacit knowledge of regional and sub-regional housing markets. Collaborative working arrangements with private sector stakeholders will be a useful starting point in ascertaining this softer intelligence. The challenge is to build on this to develop carefully designed research strategies, to produce rigorous qualitative research. Qualitative research and stakeholder inputs can provide useful triangulation of the quantitative data analysis.

There are some notable and interesting examples emerging of comprehensive multi-method assessments of housing issues. Analysis of the Nottingham housing market area makes use of qualitative research²¹ which forms a distinct part of the methodology and was useful in identifying drivers of housing market change, such as school catchment areas, which were not picked up in the descriptive or analytical use of quantitative data.

21 Line, B., Golland, A. and Davey, A. (2002) Housing Market Study and Housing Needs Assessment-2002 (Nottingham, Nottingham City Council).

CHAPTER 10

Supporting the Economy through Transport

10.1 Introduction

Transport is a key issue for regional economic and spatial development. Most regional strategies identify the need for improvements in the capacity and performance of the transport network as vital for strengthening the economic performance and delivering policies for spatial development.

The transport network and services have the following main roles in supporting the regional economy.

- **Providing access to the labour market** (commuting), and in particular enabling access to key employment locations, and helping define catchment areas for their workforces (which may extend across regional boundaries).
- **Providing access to customers and suppliers**, in terms of both goods (the logistics chain) and business services (where face-to-face connections are vital) – in both cases national (via the strategic road, rail and domestic air networks) and international (via airports and ports), as well as intra-regional, connections are vital.
- **Facilitating development and regeneration** by helping unlock sites and locations for plan-led growth, and improving access to regeneration areas, helping to address market failures, and link areas of need with those of opportunity.
- **Contributing to the image and perceptions of the region**, and specific locations within it, as a place in which to live, and invest.
- **Facilitating tourism** by providing access to key visitor destinations.
- **Providing direct employment** through the construction and operation of transport infrastructure and services.
- **Promoting sustainable communities** by encouraging use of public transport, cycling and walking as alternatives to the private car.

10.2 Key Tasks

EVIDENCE

- **Use the Transport Evidence Checklist (p.53) to inform evidence collection and analysis.**
- **Make as much use as possible of data already assembled, e.g. through Multi-Modal Studies, SRA/DfT Rail Regional Planning Studies, other strategic transport studies and Local Transport Plan preparation.**
- **Identify main travel patterns and commuter flows, as one way of understanding and defining functional sub-regions (extent of employment dependency).**
- **Understand the constraints of the transport network (such as capacity constraints, routes with slow journey times, and areas of poor accessibility) and how these impair economic competitiveness.**
- **Understand the opportunities for the transport network in terms of likely improvements (committed schemes and national schemes), and potential further improvements in capacity, journey times and journey quality (which may entail management solutions).**
- **Understand the factors driving travel demand, and likely patterns of future travel demand.**
- **Address gaps in knowledge by commissioning technical work, or seeking advice from strategic transport bodies/operators.**
- **Develop an understanding of the broad range of costs and benefits of transport proposals.**

USE IN STRATEGY DEVELOPMENT

- **Give greater consideration to transport issues when identifying and testing alternative spatial strategies for the region. Paying particular regard to the opportunities to make better use or improve public transport linkages and interchanges. Take account of the wider economic, social and development impacts when identifying priorities the transport investment and management.**

10.3 Developing the Evidence Base

10.3.1 OVERVIEW

The following table seeks to summarise good practice at different stages of the development of transport strategy and policy.

Table 10.1: Transport Evidence and the Strategy Development Process	
Strategy Formulation Stage	Evidence and Analysis
Scoping	<p>Collecting existing information, e.g. Multi Modal Studies, SRA/DfT Rail Regional Planning Assessments, studies undertaken by the PTEs and Local Transport Authorities, Economic Impact Reports, Annex E appraisals etc.</p> <p>Identifying the role of stakeholders.</p> <p>Identifying gaps in existing understanding.</p>
Baselining/Benchmarking	<p>Understanding the role of the transport networks.</p> <p>Travel trends.</p> <p>Commuting trends.</p> <p>Assessing capacity and performance issues.</p> <p>Identifying opportunities for network development or improvement, in particular public transport networks.</p> <p>Monitoring and evaluation of previous strategies.</p> <p>Underlying factors driving demand and the need to travel.</p>
Scenario Development and Testing	<p>Liaison with wider strategy team to input transport perspectives into scenario and option development, e.g. on potential locations for growth based on current or possible transport network capacity.</p>
Strategy Development	<p>Development of integrated strategy for transport, economy and land use.</p>
Policy Options and Testing	<p>Option Identification in terms of capacity improvements and other policy changes, e.g. on parking, to support strategy.</p> <p>Consideration of options within a regional prioritisation framework.</p> <p>Consideration of options against national appraisal criteria, e.g. NATA outline assessment, together with more detailed testing as appropriate.</p>
Monitoring and evaluation	<p>Monitoring of network use capacity.</p>

10.3.2 SCOPING

As a part of the scoping stage several issues may be identified where further work is needed to better understand the impact of transport on economic and spatial development. Examples might include the role of transport in linking two main cities, issues relating to major distribution sites, or the role of transport in unlocking an area for regeneration.

10.3.3 BASELINE

A review of monitoring information will inform a review of progress in implementing policies from previous strategies. This is likely to include evidence on headline transport trends, such as average journey length and times, modal split, car

ownership, and public transport use. It will be important to consider any changes in higher-level policy as well as the likely resource framework for transport investment.

10.3.4 SCENARIO DEVELOPMENT AND TESTING

It is important that transport considerations are integrated within the wider process of developing and testing the main options for the level and spatial distribution of housing and economic change, and the formulation of policy.

Identification of the main potential locations for growth in terms of transport network capacity and transport accessibility can be based on a range of evidence. This includes the information on capacity utilisation, public transport accessibility levels, as well as more general profiling of the network, for instance the identification of major transport nodes around which there could be development potential.

It is important there is clarity in broad terms on the **transport assumptions** made as part of the main spatial and economic strategies. For instance, options will generally incorporate assumptions about transport improvements that might be delivered within the plan period.

Descriptive analysis, informed selectively by data can be used effectively to identify **the main functions and markets for various parts of the transport network**. Policy issues and options arising will depend on the balance between strategic long distance movements and commuting, the presence or otherwise of regional or national hub airports, the movement of freight through the region, and the commercial performance of particular routes/parts of the network.

When **testing broad spatial options** it will be important to consider the implications and risks relating to transport. It may be possible to draw on other modelling and demand forecasting work to consider the impact of different options and scenarios on the transport network (for instance in terms of congestion or crowding), and the extent to which this can be mitigated with infrastructure and management improvements.

It will be necessary to **test the options in the context of higher level national policy**, including PPG13 and national transport policy priorities. Relevant evidence will include a broad assessment of the main travel patterns that would be likely to be created, including impacts on journey times, journey length, and modal split.

As a separate but linked exercise there will also be a need to identify **regional priorities for transport** investment and management. This could be based on evidence on and a high-level assessment of the wider impacts of transport improvements and outcomes, taking into account broad costs and benefits of policy options.

Issues of affordability, risk and deliverability are particularly pertinent to transport, and an assessment of these factors can be informed by advice from funding/potential funding bodies, and a wider assessment of funding criteria and resource availability.

10.4 Challenges for Future Practice

Significant progress has been made over the past two to three years in RPBs and RDAs developing an integrated approach to assessing the inter-relationships between transport, the economy and spatial development. In particular, transport improvements are generally identified as vital to the delivery of the RES and RSS. There is a need for issues, constraints and opportunities relating to the transport network to be given greater consideration when identifying, testing and taking decisions on main spatial options and scenarios for change for the region.

The challenge is to identify how transport should influence and support levels and patterns of economic and spatial development. This requires an analytical process, underpinned by evidence, focused on identifying these wide impacts and outcomes. This in turn, can inform wider locational decisions, as well as choices in relation to regional priorities for transport investment and management.

Several regions have been developing methodologies for identifying priorities for transport investment and management, with greater consideration being given to the wider economy, social and development impacts and outcomes of transport interventions. This is a challenging process, often in the context of competing political aspirations. RDAs and RPBs will also play a key role in supporting Regional Transport Boards in advising on transport investment priorities. A robust evidence base will be important in informing these difficult decisions.

10.5 Policy Issues to be Addressed through Evidence

There is a requirement, set out in PPS11, that a Regional Transport Strategy (RTS) is prepared as an integral and clearly identifiable part of RSS. Analysis of transport issues and higher-level policies should inform the development of the spatial strategy, including the identification and testing of options. The transport policies and priorities for transport investment and management in the RTS should be focused on helping deliver the wider spatial strategy

Annex B of PPS11 sets out advice on the development of RTSs. The forthcoming updated version of the Guide to Producing Regional Transport Strategies, to be issued by Department for Transport (DfT), will set out detailed advice relating to the evidence base required to support the RTS.

This chapter does not attempt to summarise or duplicate the advice on assessing the economic impacts of transport set out in various other advice notes, nor does it seek to provide detailed advice on the evidence base needed for identifying regional priorities for transport investment.

10.6 Evidence Checklist

10.6.1 OVERVIEW

An Evidence Checklist is summarised in Table 10.2. The principal objective of evidence is to ensure that the transport network supports the spatial strategy in terms of linking housing and employment growth and promotes use of sustainable modes.

Table 10.2 Evidence Checklist – Transport					
Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Travel trends	Need to understand trends in travel behaviour and demand	Key trends such as modal split, journeys by purpose Demand forecasting	National Travel Survey Regional survey exercises (such as London Area Transport Survey) Output from transport models within the region Results of local transport surveys in key locations	National, regional and sub regional	Inform development of a spatial strategy that minimises and/or accommodates travel requirements and does not add to congestion
Network performance and capacity including implications of planned changes	Understand where capacity is or will be available and current congestion hotspots (that may constrain economy) Understand how the network might be improved in the future	Peak and off Peak flows on the strategic network	Highways Agency Website Highways Authorities stress maps Rail capacity utilisation data	By strategic transport links, road and rail	Help to inform broad capacity assessment and input to decisions on future spatial distribution of development, e.g. homes and jobs
Public transport accessibility	Understand some of the more sustainable locations for growth and inform regional parking strategy	Range and capacity of services in particular corridors and nodes	Analysis of public transport services and capacity derived from operators, timetables etc, and any work on PTALS	Main corridors and nodes	Scope to locate new and high density development at the most accessible locations. One basis for developing viable parking standards and approach. Also understand areas that are poorly serviced and that may be disadvantaged as a result

Table 10.2 Evidence Checklist – Transport					
Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Travel characteristics including commuting	Understand journey to work patterns		Census	Use information to define city regions and other “functional” sub regions	Inform spatial strategy in terms of the implications of particular patterns of new development
Wider impacts of transport	Importance and adequacy of transport infrastructure to the region’s economy, including, national and international connectivity by rail, air and sea	Broad indices of connectivity in terms of journey times to other economic centres by mode	Benchmarking exercises with comparator regions	Regional and sub regional	Inform regional transport strategy and prioritisation of new infrastructure proposals as well as identification of an indicator of competitiveness
Social inclusion	Understanding the role of transport for major areas of regeneration	Analysis of accessibility and journey quality to/from and within major regeneration areas	Sub regional analysis	Sub regional	Identify where and how transport improvements could facilitate regeneration and development

10.6.2 UNDERSTANDING COMMUTING

From an economic perspective much of the emphasis is likely to be on commuting and testing the extent to which the transport network can accommodate current and future flows and the availability of alternative modes of transport, especially public transport. The typical policy issue being the extent to which these flows can be managed through policy based on a different spatial distribution of new development and or planned or possible future changes to the transport network. Policy makers will wish to consider the impact of demand management measures on travel to work and location of housing and employment. This will require further consideration as part of prioritisation exercises within the Regional Transport Strategy.

Most RPBs seek to understand current commuting patterns based on analysis of Census of Population information, although there are both perceived and actual constraints relating to the use of relevant information from the 2001 Census, making analysis often complex and resource intensive. Information from public transport operators, major surveys of travel trends, as well as national information on rail travel (LENNON data) can be used to help identify main travel patterns and commuter flows. Information on public transport accessibility levels may be available.

Good Practice Example: Workplace and Commuting in the North East

The context of the study is to inform relevant regional policies frameworks such as The Northern Way, Regional Spatial Strategy, Regional Economic Strategy, Regional Transport Strategy and Regional Housing Strategy to the commuting patterns prevalent within the North East and the changes in commuting behaviours over time. The work builds on an earlier exercise involving an analysis of the Special Workplace Statistics (SWS) of the 2001 Census for partners within the region.

The work covers five areas of work and aims to answer the following research questions:

- Is the increased level of commuting activity between Local Authority districts due to increases in employment or because of residential population movements since the last census?
- What is the full list of key centres/concentrations for employment in the region in 2001 and how has it changed since 1991?
- For the top 20 regional key centres of employment, where do the workers travel from, how do they travel, what is the range of distances travelled to work, what are key ages travelling and is there a gender differential?
- Geographically, where in the region are the financial/business services industries located and growing, and where do its workers travel from, how do they travel and what is the range of distances travelled to work?
- For key locations of worklessness in the region, generally where do the residents of adjacent areas commute to for employment?

10.6.3 PROFILING THE TRANSPORT NETWORK

It will also be necessary to understand the constraints, opportunities, and future pressures for the network, including the public transport network. Although this issue is often addressed through transport modeling exercise, sometimes involving land use and transport models. Nevertheless, such exercises are typically at a high resource cost and require extensive data, and in many cases, may act to reinforce well known and specific issues, rather than identify new or especially innovative solutions.

10.6.4 UNDERLYING FACTORS DRIVING DEMAND AND THE NEED TO TRAVEL

Developing an understanding of the factors driving travel demand will need to be based on a range of different evidence. This could include assumptions on background growth, information relating to major drivers of travel demand (such as airports and ports expansion), and evidence on patterns of housing and employment change.

Relevant evidence includes information on road congestion (such as the Highways Agency stress maps), and congestion and crowding on the public transport network, and performance of services (such as information from operators and infrastructure providers). This can be used to identify major capacity constraints, as well as parts of the network with spare capacity.

10.6.5 ASSESSING THE COSTS AND BENEFITS OF TRANSPORT PROPOSALS

There will be a significant body of evidence from transport studies on options for improving transport infrastructure and management. However there may also be gaps in knowledge, particularly where there are strong policy aspirations for transport improvements in a specific area or corridor, but little detailed technical work has been undertaken. These gaps in knowledge might be addressed by commissioning technical work, or by seeking advice from strategic transport bodies/operators. The aim is to have a sound understanding of the nature and broad quantum of the range of costs and benefits of transport proposals.

Further Advice on Assessing the Costs and Benefits of Transport Proposals

NATA. At present, the standard method for assessing economic impacts of a scheme is through the Government's NATA (New Approach To Appraisal) Methodology. www.dft.gov.uk

Economic Impact Reporting. Consideration of the economic development impacts of transport infrastructure is presented in the Government's SACTRA report. More recently, the Department for Transport published a guide on carrying out Economic Impact Reports (EIRs) for transport schemes. www.dft.gov.uk

The SINEI project (Surface Infrastructure of National Economic Importance) undertaken for England's Regional Development Agencies identified a lack of consistent methodology to identify surface transport projects which are of national economic importance, and proposes a framework to fill this gap, as an enhancement to the existing NATA framework. A follow up project, undertaken for the Department for Transport – which finished recently – looked at strengthening the framework methodology, including taking account of environmental and social futures.

www.advantagewm.co.uk/sinei--surface-infrastructure-of-national-economic-importance--3602-738-k-.pdf

CHAPTER 11

Town Centres as Prime Nodes of Economic Activity

11.1 Introduction

In the past 20 years there has been a profound shift in the geography of retail, leisure and office development such that town centres are no longer the only choice for a range of shopping, leisure, entertainment and employment activities. The rise of new retail and leisure destinations and alternative office location such as business parks was for the first part of this period largely paralleled by a lack of investment in many town and city centres. In some locations poor management and marketing forced development out of centre and out of town. Against this background there has been a significant shift in Government policy in favour of town centres as prime locations for new development.

Within a region, the network of town centres provides a major focus for future development as well as fulfilling a number of key economic roles:

- Providing a convenient and highly accessible location for travel generating uses.
- Providing a focus for tourism and visitors and the capture of the expenditure of these groups.
- Providing the quality and higher order retail and leisure opportunities that only few out of centre locations have managed to achieve.
- Providing a focus for higher level cultural and leisure activities, which have been identified as crucial to the development of the knowledge economy, as “playgrounds” of the creative class.
- Providing an identifiable sense of place, differentiation and diversity in an increasingly urbanised and homogenised built environment.
- Facilitating competition of retailing and related services such as leisure leading to an efficient, competitive and innovative economic activity.

11.2 Key Tasks

EVIDENCE

- **Use town centre health check information collected at local level to help inform decisions.**
- **Use well established techniques to identify trends and drivers, including retail expenditure forecasts focusing on comparison shopping.**
- **Check recent research findings on data sources such as floorspace by location, for example using ODPM town centre statistics.**
- **Consider other factors influencing the town centre economy, in particular the opportunities and constraints to office development in strategic centres, and new leisure formats.**
- **Incorporate softer market information from the private sector, including discussions with major retailers, leisure operators and developers.**
- **Recognise the difficulties of overlapping catchment areas of higher level centres within regions.**
- **Consider the role of market towns within the network in more rural areas.**
- **Consider the implications of trends in centres in neighbouring regions, where catchment areas for regional centres overlap with those in the region.**

USE IN STRATEGY DEVELOPMENT

- **Be realistic in terms of allocating projected expenditure growth to centres, and consider sensitivity and analysis.**
- **Be transparent in justifying the proposed future roles of particular centres within the network, ie in translating the evidence into identifying those centres planned to receive most growth.**
- **Integrate policy choices on town centres into the wider consideration of alternative strategies, particularly the interface with housing and employment issues. Ensure that a consistent set of assumptions is assumed.**

11.3 Developing the Evidence Base

11.3.1 OVERVIEW

The following table seeks to summarise good practice at different stages of the development of regional town centre strategy and policy.

Table 11.1: Town Centre Evidence and the Strategy Development Process	
Strategy Formulation Stage	Evidence and Analysis
Scoping	Stakeholder consultation, especially of retailers and town centre operators and users. Analysis of national trends and the impact of existing policy. Analysis of the results of Annual Monitoring Reports (AMRs) produced by Districts and Counties.
Baselining/Benchmarking	Results of town centre health checks, undertaken by county councils and districts. Assessment of need for additional floorspace – in broad terms. Integration of forecasts with wider work on demography and economy – property market studies.
Scenario Development and Testing	Allocation of major growth. Realistic testing of policy scenarios against evidence with a transparent framework. Focus on higher level centres.
Strategy Development	Development of a strategic framework for a network of centres.
Policy Options and Testing	Development of policy and growth themes for higher level centres.
Monitoring	Results of AMRs. Town centre health checks undertaken by LPAs at regular intervals, e.g. every 2-3 years. Assessment of the implications of major development.

11.3.2 SCOPING

The scoping stage offers an opportunity to identify stakeholders able to provide a market and user perspective in town centre development. Given the regional scale these are likely to be the major operators involved across the region including the major national retailers and leisure operators who will have their own implicit town centre strategies. Front end consultation with major developers operating in the region could also yield perspectives. This would include the extent to which existing centres were considered viable locations for growth and investment, and if not, the steps required to make them more attractive. Such a process would also help with the identification of investment opportunities for regional-scale development in higher level centres.

11.3.3 BASELINE

As for other topics the baseline and benchmarking stage allows for completion of much of the evidence gathering suggested in the Checklist (Table 11.2). In undertaking this work, it is important that as far as practical scope is provided to reflect assumptions of growth in housing and employment and that these aspects are taken into account in growth projections.

One of the most important tasks in relation to retail expenditure is to allocate growth projections to individual centres. In many cases the approach is to allocate for the base year based on the expenditure required to support existing floorspace. This is then followed up with a kind of sensitivity analysis to adjust assumptions on the basis of the existing health of the centre, in the sense of whether centres are thought to be currently over or under trading. Different scenarios also should be tested, including plans for major new retail provision based on existing proposals or development plans, and through the identification of gaps in provision. In general these are highly informative exercises and provide a robust basis for policy.

11.3.4 STRATEGY DEVELOPMENT

The main focus will need to be on higher level centres and those centres whose position in the hierarchy is likely to change to become a higher level centre. Similar considerations apply in terms of the need for integration with other topics at the scenario development and testing stage. Most directly, town centres will need to be considered as locations for economic activity as identified through the economic evidence. They will also be locations for additional housing in most cases, principally as part of mixed use development and above ground floor commercial premises. The scenario development stage also provides an opportunity to ensure that a consistent set of assumptions is being used in the strategy, of that the implications of different assumptions are being tested. This is relevant to town centres because their growth and development will be sensitive to the location and level of growth.

In formulating the regional town centre strategy it is assumed that the preferred scenario will have been chosen. Ongoing periodic monitoring is important to assess how the strategy is being implemented and with a view to future policy review.

11.4 Challenges for Future Practice

Retailing is one area of regional strategy where there have been improvements in terms of adopting an evidence-based approach. There is also a reasonable level of agreement on the methodologies for assessing need and impact within a well understood and stable policy context. ODPM will be publishing three important practice guidance documents to support PPS6:

- assessing need and impact of new retail and leisure development,
- applying the sequential approach, and
- strategies for smaller centres.

The forthcoming practice guidance on assessing need and impact of new retail and leisure development will provide helpful guidance on how to undertake need assessments at regional level. Until the guidance is published there is scope for improving practice in the following areas:

Identifying targeted approaches for centres that are realistic in terms of growth and the market. One of the most important tasks is allocating projected expenditure growth to existing centres. This task is particularly challenging in dense

urban areas with large numbers of centres close to one another and where catchments overlap.

Transparency, referring especially to the extent to which methods are fully documented and presented. While it is common for regions to provide published reports summarising evidence in aggregate it is less common for these to show links with the intended strategy. The issues, once again, are (i) the uses to which such data and methods are put in the political and technical ‘black boxes’ and, (ii) the qualitative assessments involved. Qualitative considerations are set out in PPS6. The qualitative dimension at the regional level relates for example to assessments of and the significance placed upon, for example, retailer demand, the quality of floorspace and presence, quantity and function of other non-retail town centre uses. However, it is the strategic dimensions that generally prove problematic and, in particular in justifying the proposed future roles of particular centres within the network. At a regional level evidence should be used to support policy choices to identify the future role that individual centres should fulfil. Without this process there is no clear guidance to the market or to other agencies including plan-making authorities. Most regions to date have avoided such choices, instead adopting an approach that seeks to spread growth evenly in an attempt to avoid one centre’s growth being at the expense of others.

Realistic consideration of commercially viable scenarios. This relates to the previous point and concerns the extent to which the issues facing some centres are fully acknowledged, particularly in cases where “managed change” is the most realistic scenario. This may include the decline of certain town centre uses. Better practice would mean greater scope for the input of softer market information from stakeholders including the private sector.

Growth scenarios. Practical considerations, e.g. of timing and coordination, mean that these are often poorly integrated with other aspects of strategy development and that the analysis may not consider the most up to date forecasts and scenarios and, more especially, fails to consider the location of new growth and housing at a sub regional scale. In good practice terms this level of integration would be better achieved. This is particularly the case because the main challenges in preparing a regional town centre strategy, acknowledged by PPS6, involves the consideration of whether there is a need to rebalance the network of centres and encouraging growth to achieve wider policy aims and ensure that a region is not overly dominated by the higher level centres.

Consideration of town centre employment uses wider than retail or leisure sectors. Despite the fact that town centres are intended as major employment locations, particularly for office occupying sectors, there is often very little consideration of the scale, capacity or distribution of this growth. This refers to both the potential demand and supply of town centre office space and the extent to which such space can be provided through normal market processes. The latter is especially the case given the sensitivity of office development to achievable rental levels and to typically cyclical market conditions. Moreover, given the dominance of office occupying employment, in policy terms the current relative emphasis in regional strategy on strategic investment sites for industry is rather surprising. Overall it is difficult to draw on any existing practice, but good practice would suggest the need for a better overview of the opportunities and constraints to office development in strategic centres and the clear identification of broad locations

where such growth should be accommodated. This is likely to be through externally commissioned property market studies.

Ongoing monitoring of major developments and town centre health. Retail and leisure markets are highly dynamic and new developments can have major implications for strategy. Monitoring is highly important to assess the effects and to check on the continued relevance of the retail and town centre strategy, but is very patchy in practice. Co-ordination between regional and local level monitoring is essential to avoid duplication.

Greater emphasis on rural and market towns. The most comprehensive evidence gathering, particularly on the health of centres appears to be currently on the denser networks of centres, largely because strategic resolution of their growth strategies is a major issue. However, given the vital service roles played by market towns, good practice considerations suggest that greater emphasis should be placed on this type of centre to ensure that the strategy is finely honed to needs and development opportunities are maximised.

11.5 Policy Issues to be Addressed through Evidence

The concern of regional strategy is with the network of centres and the identification of strategically resolved themes that will ensure their sustainable development, as well as the identification of scope for new centres within the region.

PPS6 sets out the policy on planning for town centres and the main town centre uses that relate to them which should be taken into account by RPBs and LPAs in planning for town centres. PPS6 provides an overall objective for regional strategy:

“Regional spatial strategies should set out a vision and strategy for the region’s growth, particularly for higher level centres in the region and their role as the focus for major retail, leisure, office and other main town centre development of more than local importance, and provide a strategic framework for planning at the local level” (PPS 6 para 2.12).

RSSs are then required to:

“make strategic choices about those centres of regional and, where appropriate, sub-regional significance:

where major growth should be encouraged; and

where appropriate, the need for new centres in areas of planned major growth” (PPS 6 para 2.13).

11.6 Evidence Checklist

11.6.1 OVERVIEW

Fulfilling PPS6 requirements will usually require a range of evidence to be collected to inform the development of strategy. A summary of typical benchmark evidence is provided in Table 11.2. This assumes that regions play a role in terms of coordinating research by counties and districts, especially town centre health checks. This is not intended to reflect practice in every region or to be exhaustive or prescriptive, but to act as a prompt for typical studies. Additional evidence gathering may be appropriate to address specific issues.

Table 11.2: Evidence Checklist – Town Centres

Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
Town centre “health” in terms of vitality and viability. (Typically involving the coordination of research by counties and districts)	Understand current role and centre vitality and viability	<p>Various evidence typically derived in partnership with counties or districts as available including</p> <ul style="list-style-type: none"> Retail turnover Shopping rents Commercial yields on non-domestic property Indicators of uses, e.g. <ul style="list-style-type: none"> • Retailer representation and intentions to change representation • Proportion of vacant street property • Pedestrian flows • Accessibility • Total floorspace • Numbers of outlets • Total floorspace occupied by multiples • The size of outlets • Comparison retail floorspace • Leisure floorspace 	<p>ODPM/ONS but incomplete</p> <p>VOA or local agency source</p> <p>VOA, Investment Property Databank, or agency source</p> <p>Use information collected by LPA</p>	By higher level centre (preferably drawing on ODPM town centre statistics)	Inform development of strategic policy themes in terms of needs and opportunities as guidance for development of local strategy

Table 11.2: Evidence Checklist – Town Centres					
Issue	Justification for Evidence Gathering	Suggested “Benchmark” Evidence Gathering	Current/Potential Evidence Source	Required Geographical disaggregation	Main use in policy development
		<ul style="list-style-type: none"> Floorspace occupied by Department and other anchor stores Cafes and restaurant floorspace Customer perspectives Customer views and behaviour Perceptions of safety and occurrence of crime State of the town centre environmental quality 			
Town centre expenditure trends	Understand capacity for growth	Expenditure forecasts by sector for 5years periods, taking account of changes in employment, household spending and population	Work closely with LPAs. Where necessary commission forecasts from recognised sources, e.g. Experian	town centre network, focusing on centres where major growth should be encouraged	Informs growth prospects and allow assessment of capacity and impact of new development
Town centre capacity	Understand capacity to absorb new development	Physical capacity to accommodate additional provision	Site area or floorspace capacity derived from local assessments to support Local Development Documents, etc.		Informs identification of the role of strategic centres, locations for new growth and balance between in centre, edge of centre and out of centre development. Also to inform rebalancing of town centre networks

In applying the suggested “benchmark” approach a number of issues should be considered.

11.6.2 TRENDS AND DRIVERS

A starting point for most evidence assessments is to identify the major trends that are occurring in the retail, office and leisure sectors, and the major drivers of change underlying these trends. This includes national expenditure trends, trends in provision including especially innovative provision and the emergence of new

requirements and formats and in relation to retail and leisure “chains”, together with an analysis of the success of policy generally and within the region.

11.6.3 TOWN CENTRE QUALITY

Consumer loyalty has become a vital ingredient in the success of town centres, especially if they are to act as a destination location. This is of sufficient importance to mean that a key element of regional action is in monitoring evidence of town centre quality and attractiveness, often undertaken by coordinating the activities of county and local authorities. The methodology for such exercises and evidence requirements was established in the mid 1990s²² and enshrined in guidance in PPG6 on town centres from 1996 onwards. Such methodologies have subsequently been heavily tested, and there are productive and ongoing debates about the use and value of data, the spatial units of analysis and especially town centre boundaries. ODPM research has supported the provision of new data sources e.g. on floorspace.

Much of the data is available from commercial sources that undertake – or can be commissioned to undertake – regular surveys at reasonable cost. Data relating to individual centres are generally collected by local authorities often coordinated by regions, based on an agreed methodology.

11.6.4 EXPENDITURE ESTIMATES

Most regions also commission exercises to estimate the aggregate expenditure likely to be available in the region or sub regions, and in some way seek to distribute this to individual centres. However it is clear that to date, most regions have avoided making strategic choices about which centres should accommodate major town centre growth. The aim should be to ensure that forecast growth is accommodated in town centres in the most appropriate way to support the wider regional strategy and to make strategic choices about those centres of regional and sub-regional significance where major growth should be encouraged.

In relation to retailing, the work is typically undertaken through the use of **commercial retail expenditure forecasting models** of which there are several available. These models tend to have a particular structure as follows.

- The starting point is baseline population and existing estimated expenditure.
- Forecasts of population change (regionally and sub regionally) are combined with expenditure estimates derived from national expenditure surveys and household income projections to indicate how expenditure will change into the future.
- The expenditure is stepped down to existing centre catchment areas.
- The expenditure is translated into floorspace taking account of anticipated changes in floorspace productivity.

²² See *Vital and Viable Town Centres: Meeting the Challenge*, DOE 1994

In relation to leisure expenditure, methodology is less well developed. However, a similar forecasting methodology for retailing may be adopted. In practical terms, it is also useful often to map facilities and to consider possible gaps in facilities through the production of ratios, e.g. cinema seats per head of the population, although some of this work may be more appropriate for County or Districts.

In relation to offices, forecast future employment levels and the identification of suitable broad locations where regionally significant office development should be located is important. However, regions will also need to take account of property market trends, and more especially, the extent to which the market is providing floorspace in the intended locations. Chapter 8 has examined this issue in more detail.

Good Practice Example: Town Centre Futures in the South East

As part of the comprehensive review of regional strategy, the South East Regional Assembly established a retail and town centre task force that commissioned consultants to coordinate town centre and health checks of the region's principal centres and to forecast future retail growth in the main region and sub regional catchment areas in the South East. The work included three elements:

- A review of major national trends in retailing, leisure and town centre use.
- Health checks of centres within 181 town centre and retail locations within the region, together with major centres outside the region whose catchment areas overlapped with the region.
- Forecasts of expenditure using an established model.

APPENDIX A

Specific Requirements for Soundness for the RSS and RES and Implications for the Evidence Base

Table A1: Specific Requirements for Soundness for the RSS and RES and Implications for the Evidence Base			
Soundness Theme	PPS11: Regional Spatial Strategies (para 2.49, page 22. Sub paragraph numbers indicated in brackets)	Guidance to RDAs on Regional Strategies (paragraph numbers indicated in brackets)	Implications for the Evidence Base
Policy Integration	(i) Whether it is a spatial plan, including in particular, does it properly take into account related policy initiatives and programmes relevant to meeting regional economic, environmental and social needs, where these directly impact on the development and use of land, and does it contain policies which sufficiently link with those related policy initiatives and programmes to deliver the desired spatial change.	(4) “The RES should take an integrated and cohesive approach to improving regional economic performance.....” (6) Underpinned by a sound evidence base, the RES should set out a vision for the regional economy which will ensure better strategic focus for and co-ordination of activity in the region whether by the agency or by other regional, sub-regional or local organisations. The RES should address economic, social and environmental issues that contribute to the development of the region’s economy in a way that recognises regional distinctiveness. Where appropriate, the RES should complement and help deliver national strategies and policies..... (8) In developing and reviewing the RES the RDA should have regard to the views expressed by the Regional Assembly. This is especially important given the Assembly’s role in ensuring alignment of the various regional strategies.	Need to take into account the evidence underpinning relevant supporting policies, and to test the options and scenarios in terms of fit with/implications for other policies and strategies within the region.
Conformity with National Policy	(iii) Whether it is consistent with national planning policy and if not whether the case has been adequately made for departing from national policy.	(12) The RES should aim to address the particular needs of the region, while supporting, enhancing and delivering national policies. In formulating the RES, the RDA should therefore have regard to all relevant national Public Service Agreement targets, in particular those covered by the RDA Tasking Framework, as well as other relevant statements of Government policy.	Need to consider Government advice on evidence and appraisal. Evidence will need to be put forward to justify any proposed departures from national policy.

Table A1: Specific Requirements for Soundness for the RSS and RES and Implications for the Evidence Base			
Soundness Theme	PPS11: Regional Spatial Strategies (para 2.49, page 22. Sub paragraph numbers indicated in brackets)	Guidance to RDAs on Regional Strategies (paragraph numbers indicated in brackets)	Implications for the Evidence Base
Consistency with other Regional Strategies	(iv) Whether it is consistent with other relevant regional strategies for the region, including the regional housing, economic and cultural strategies, and with RSSs for neighbouring regions where cross boundary issues are relevant. Any major inconsistencies will need to be justified.	(10) The RES, the Regional Spatial Strategy (RSS), which includes the Regional Transport Strategy (RTS), and the Regional Housing Strategy (RHS), are major regional strategies and each have implications for the economic development of the region. They should be mutually reinforcing. These strategies should take account of each other and other regional strategies so that, as far as possible, the evidence, objectives and priorities of each are consistent. (17) RESs should be based on cooperation between neighbouring RDAs including development agencies elsewhere in UK.	Take into account the evidence base supporting other regional strategies, working towards a coherent shared evidence base, where feasible.
Robust Evidence Base	(vi) Whether it is founded on a robust and credible evidence base.	10) It is important that a comprehensive and shared evidence base be agreed through consultation for the RES and that it is presented in a clear and persuasive way, both for reasons of transparency and to strengthen the ability of the RES to feed into and influence other key regional strategies, and national and regional policies.	Need for a clear, robust and coherent evidence base which should be presented to underpin the strategies. It should be clear how evidence has informed key policy choices.
Based on Partnership Working	(vii) Whether community involvement and partnership working have been satisfactory, including whether the RPB has taken proper account of the views expressed.	(14) The RDA should ensure that those involved in developing and implementing the RES fully represent economic, social and environmental interests within the region; that they cover rural as well as urban interests; and encompass relevant economic, ethnic and social groups, including the voluntary and community sector...The Assembly and other regional partners should be involved in the development of the RES at an early stage. The RDA will also need to work closely with other strategic bodies that make policy decisions on issues relevant to the RES and with stakeholder organisations in the region... (15) In formulating the RES, the agency should consult widely within the region, with RDAs in neighbouring regions and with Government and other interests nationally.	Utilise evidence and expertise from stakeholders to develop the evidence base, and test broad options for the strategy.

Table A1: Specific Requirements for Soundness for the RSS and RES and Implications for the Evidence Base			
Soundness Theme	PPS11: Regional Spatial Strategies (para 2.49, page 22. Sub paragraph numbers indicated in brackets)	Guidance to RDAs on Regional Strategies (paragraph numbers indicated in brackets)	Implications for the Evidence Base
Realism	(viii) Whether it is realistic, including about the availability of resources, and is able to be implemented without compromising its objectives.	(18) The objectives of the RES should be stretching but should also be realistic. As a strategic document, the RES will not identify specific financial resources for the RDAs and other partners to commit to individual projects. However, the priorities set out in the RES should be informed by the level of overall funding likely to be available to the region, both public and private.	Consider the realism of different policy scenarios, including having regard to long-term structural trends and trend-based (policy neutral) forecasts. Take account of the views of stakeholders, including views of the private sector on market reality. Assess current and likely future patterns and levels of public investment to test the realism of assumptions on funding and resources.
Robustness to Changing Circumstances	(ix) Whether it is robust and able to deal with changing circumstances.	(33) RDAs will wish to develop the RES for its region over time to reflect changing circumstances but should aim to review the RES in full every three years.	When testing policy options/scenarios, assess risks for the success of the strategy, and identify contingencies where possible. Some interventions may be most appropriately expressed in general rather than specific terms (in terms of the outcomes they seek to achieve).
Sustainability Appraisal	(x) Whether it has been subject to a satisfactory SA and whether alternative options were correctly ruled out taking account of the SA findings.	(3) In developing the RES a full sustainability appraisal should be carried out in order to identify how the RDA and its partners will contribute to sustainable development. The appraisal should be informed by the Regional Sustainable Development Framework or the equivalent in the region, and should be published alongside the RES.	Use evidence to scope the SA, and to appraise different options in accordance with the SA Guidance. Where feasible, there may be benefits in RDA and RPB undertaking joint scoping, evidence collecting and appraisal exercises.
Clear Mechanisms for Monitoring and Implementation	(xii) Whether it has clear mechanisms for monitoring and implementation.	(26) The RES should identify key strategic issues for the region, with clear priorities. It should identify who will be responsible for delivering particular elements of the strategy and over what timeframe. The RES should describe how far the objectives of earlier versions of the RES have been achieved, what changes are needed to those set out previously and why... (31) The RES should set out how the RDA will monitor its implementation and impact. Use should be made, wherever possible of specific and quantifiable indicators.	Consider the evidence needed for monitoring. Because implementation will be with and through a wide range of stakeholders, it is important that they have inputted to the evidence base.

APPENDIX B

Techniques for Economic Analysis and Forecasting

There are three main techniques of relevance to regional economic forecasts.

Shift and share analysis

This method describes the development of a regional economy by attempting to control for non local factors which are assumed to influence that development. The index of interest is usually employment. In effect what the technique does is to compare actual performance with what would have happened given national rates of change applied sector by sector to an economy starting out with a particular economic structure. The technique is generally more appropriate for historical descriptive analysis than for predictive use. There are lots of examples of its application. Shift share is often at the heart of many commercial regional models by major forecasters, to enable national forecasts to be stepped down to particular regions and sub regions.

Export base and multiplier techniques

Multiplier techniques are widely used to provide summary descriptions of the mechanisms of a local economy. They are demand orientated approaches in the sense that external demand for the goods and services of an area is said to initiate growth and internal demand to extend or 'multiply' it. The technique is generally used modestly to explore the likely multiplier impacts of new development within a region and the assessed impacts are often at a sub regional scale. Such studies often apply relatively standard multiplier value. The source of these multipliers are often historic studies in specific contexts that are used without much consideration of their applicability. Nevertheless, application of such techniques often provides a rough indication of the scale of effect, that is not necessarily any less robust than more complex techniques, based on dubious data.

Input-output analysis

These may best be thought of as analytical devices, based on a form of double entry accounting procedure to examine the sectoral impact of changes in demand. Each sector is described in the models as servicing a whole range of different demands. The technique simply converts the flows between each and every other sector into coefficients describing the input demand per unit outputs. The assumption of constancy among these coefficients permits a whole range of prediction, impact and multiplier analysis. In theory the intelligence produced by a base year input-output table for a region enables a high level of informed economic policy discussion and testing that cannot be achieved in any other way. For example the level of dependence on single large employers can be precisely quantified and the existence of significant and import-inducing gaps in the structure of the local economy may be systematically traced.

Inevitably, though, a mechanical device like input-output analysis lends itself most readily to future-orientated analyses. Its downside is that its development is at a substantial price, given data requirements. Much also relies on the quality of the data and there are frequently doubts as to the quality of the data to the extent that often these models are no more than another analytical “black box”. Designers of such models are often so concerned with the internal coherence and structural symmetry of these models that they forget the limitations of the input data, or claim it as the “best available”. The development of such models at a regional scale requires substantial commitment of funds, which can only rarely be justified. Half-baked approaches are rarely satisfactory or sufficiently accurate.

Another main disadvantage is that the coefficients that drive the model are static and, for accurate forecasting, have to be updated on a regular basis. But the feedbacks that should feed into the individual coefficients are in reality quite complex. In an ideal world including these in a dynamic way requires an individual equation of explanatory variables to understand the factors driving each coefficient through time. Moreover some of the variables in these equations can be coefficients in the model itself and so on, in a recursive nature. This complex elaboration from static to dynamic essentially characterises the evolution towards a Computable General Equilibrium (CGE) approach.

Starting from a regional definition and say a foreign direct investment injection, the CGE model assumptions allow the injection to be traced through diverse recursive stages (depending on how many interlinking equations there are) through employment effects and associated wage pressures and around again with the same wage pressures feeding back into labour demand at the company level. Ultimately all this is supposed to settle down to the “true” employment impact of the injection including displacement and spillovers, etc. This is obviously a gross simplification of this loop process, but it is a distinct advantage of the CGE approach. The model can get as complicated or as close to reality as one wishes given the extent of the data, reasonable equation forms and computing power. Once again this complexity also essentially suggests the disadvantages of the approach.

While CGEs are an undoubted academic achievement, the start up costs for application to a variety of evaluations is simply too high. Each programme and region is different and there is as yet, no such thing as a generic model, which could be regionally transferred without major refinement to model structure. Sometimes this refinement may be worthwhile, but in many cases, the time requirements for data collection are inadequate. Furthermore, the main dynamic advantage to the CGE (over IO) is only slight and subject to much subjectivity in terms of the functional form assumptions underlying the feedback loops (e.g. the time lags over which these occur). In practice modellers are often reduced to ad hoc devices and assumptions to make their models work. This matters in terms of the main variables because there is no real empirical proof that the results of such models are any more accurate than other techniques.

This is a guidance document for Regional Planning Bodies and Regional Development Agencies on improving the use of information and economic evidence collected to help inform the development of Regional Spatial Strategies (RSS) and Regional Economic Strategies (RES). It also covers how this evidence might be used in policy formulation.

ISBN 1 85112 792 5
£12.00

