

Planning and Optimal Geographical Levels for Economic Decision Making – the Sub-Regional Role



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for Economic Decision Making – the
Sub-Regional Role

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1. Planning and Optimal Geographical Levels for Economic Decision Making – the Sub-Regional Role

Report Summary

1.1 Introduction

This project aims to:

- clarify the role and potential of sub-regional working in planning policy and decision-making; and
- review sub-regional working within the current planning framework of Regional Spatial Strategies and Local Development Frameworks, and to identify ways that this could be further encouraged or facilitated.

The project will input to the levels of intervention work stream of the Comprehensive Spending Review cross-cutting review of sub-national economic development and regeneration.

The project has a *conceptual dimension* to identify what planning policy direction national government and Regional Spatial Strategies (RSS) are taking in relation to sub-regions, to assess what planning policy is best made at sub-regional level, and a literature review to identify incentives and constraints in relation to co-operation on sub-regional policy.

There is a *practical dimension* to review how government planning Guidance supports sub-regional cooperation; to assess the extent to which regions are encouraging planning across functional sub-regional areas, based on a review of Regional Spatial Strategies (RSS); and to review the extent to which local authorities are co-operating on planning issues at the sub-regional level, including joint working on Local Development Documents.

This project has been undertaken within a short timescale, and has been based predominantly on desk-based research, including analysis of results from the Communities and Local Government *Spatial Plans in Practice* research project.

Given the significant spatial spill-overs involved, the Baker and Eddington Reviews (2006) highlighted the benefits of a clearer national framework for

strategic infrastructure and proposed Independent Planning Commission to decide projects of national importance once Ministers have set a strategic framework. The Planning White Paper and Planning Bill set out the Government's proposals for National Policy Statements on infrastructure and the introduction of an Infrastructure Planning Commission to determine nationally significant schemes.

1.2 Planning Policy Direction and Guidance Relating to the Sub-Regional Role

1.2.1 Current Policy Direction of National Government in Relation to Sub-Regions

Within the context of relevant Public Service Agreement (PSA) targets, and the wider micro-economic reform agenda, there are three main relevant national policy strands relating to sub-regional co-operation:

- the increasing importance of sub-regional planning to deliver housing and the growth area agendas, including the role for sub-regional growth areas set out in the Sustainable Communities Plan, and the policies being developed for Planning Policy Statement 3
- the drive towards improved economic efficiency and productivity focusing on the role of city-regions, including in the North of England, the City-Region Development Programmes (CRDPs); and
- the drive to promote better sub-regional co-operation and decision making between Local Authorities and their partners, including the *Local Government White Paper*.

The Department of Transport is considering how sub-regional arrangements for transport planning and delivery might be strengthened.

1.2.2 How Government Planning Guidance Supports Sub-Regional Co-operation

The new planning system was introduced through Planning & Compulsory Purchase Act 2004. The new system is intended to instil a "spatial planning" approach: one with a wider and more strategic role and remit than traditional land-use plans, with a clear focus on delivery through a range of mechanisms, including those beyond the traditional scope of the land-use planning system.

An important component of this reform was the transition to Regional Spatial Strategies (RSS). These are intended to be more wide ranging in scope compared to the Regional Planning Guidance documents that they replace, as well as having stronger (statutory development plan) status. Draft RSSs are produced by Regional Planning Bodies (RPBs) – currently the Regional Assemblies – which have increased resources and roles than previously. This includes a "conformity" role to advise local authorities on conformity of major planning applications and Local Development Frameworks (LDFs) with the RSS.

The Act provides scope and specifies powers for sub-regional planning inputs to RSS. There is a duty on the RPB to consider, in consultation with upper-tier local authorities, whether it would be desirable to prepare sub-regional policies. The Act requires one or more of the upper tier authorities to lead in preparing the initial sub-regional proposals, unless it is agreed that the RPB or one or more districts should lead. The Regulations provide that the RPB, in consultation with the relevant authorities, would prepare a brief for preparation of sub-regional policies. Planning Policy Statement 11 (PPS11) provides further advice on the process, evidence base, and organisational roles for development of sub-regional policy.

The Act also introduced a new system of local plans: Local Development Frameworks (LDFs), to replace the former system of County Structure Plans, District Local Plans, and Unitary Development Plans elsewhere. The LDF is a folder of planning documents, including Local Development Documents (LDDs) that set out planning policy. The Act enables two or more Local Planning Authorities (LPAs) to prepare one or more joint, cross-boundary, LDDs. It provides for LPAs and county councils to form joint committees to produce joint LDDs.

1.3 Analytical Justification for Planning at Sub-Regional Level

The sub-regional level is relevant for planning policy, as it provides the appropriate spatial scale to address strategic issues and functional relationships, particularly in relation to:

- **Economic Development** – patterns of economic specialisation and agglomeration, differentials in economic performance, and markets for employment land, tend to be sub-regional in nature, and are particularly based on city-regions;
- **Housing** – housing markets operate at a sub-regional level, and there is a clear need for a cross-boundary approach to policy in relation to housing supply;
- **Transport** – the sub-regional level is generally better aligned with Travel to Work Areas, the nature of transport networks, and to existing Passenger Transport Executive areas; and
- **Implementation** – there are benefits to a sub-regional approach that aims to integrate strategies and investment planning across different organisations and policy.

There is widespread recognition of the importance of regional, city and sub-regional specialisation to economic competitiveness. Comparative advantage is based on a number of factors including: place-specific increasing returns to scale; positive externalities generated by co-located activities; and increasing recognition of importance of region and city differentiation in production, and lifestyle factors. Markets have identifiable and distinct spatial dimensions. Regions, sub-regions and localities develop particular characteristics related to labour market and skills, knowledge

production, environment, and transport connectivity that make them especially attractive to particular economic sectors or functions.

These spatial dynamics are particularly complex in London and the Greater South East, where a number of distinct but interconnected Functional Urban Regions are located within a wider “mega-city-region” with a population of 18.6 million. Elsewhere, there is increasing recognition in economic and policy literature of the relevance of city-regions, particularly to improving the economic performance of the North, Midlands and parts of the South West. Increasingly, debate has focused on the prospect of new forms of city-region governance.

1.4 Review of Sub-Regional Working in Practice

New approaches to sub-regional planning have emerged over the past 2 to 3 years. Significant progress has been made through the development of new sub-regional approaches to sub-regional planning policy that are spatial and wide-ranging in nature, structured on the basis of functional spatial relationships, not administrative boundaries.

As a result the RSSs have a greater degree of regional and sub-regional distinctiveness and location detail compared to the previous RPGs. There is a particularly strong focus on the role of cities, city-regions and other polycentric urban regions, including areas for significant plan-led growth. This is a significant and positive development from the previous RPGs and many Structure Plans. Some RPBs have been at the forefront of encouraging new forms of sub-regional working. Whilst the concept has been embraced with varying levels of enthusiasm by both RPBs and LPAs, positive progress has been made in all regions.

Within the context of these positive overall findings, it needs to be recognised that the new planning system is still in its early days, and there are ways in which the process for policy development at sub-regional level could be improved.

It is important that sub-regional planning is undertaken within the context of a clear hierarchy of planning policy, and is generally consistent with and complements national policy and region-wide policy. It is therefore important that RPBs are proactive and engaged closely in setting a clear brief, and clarifying the remit, parameters and organisational roles for sub-regional working. There needs to be a sound evidence base at sub-regional level. It is vital that policy is realistic and deliverable, and consistent with region-wide and national policy. The issues of planning for housing growth and setting investment priorities are equally difficult for sub-regions as they are at regional level. There is scope for achieving better alignment of different sub-regional policy exercises

Joint-working between LPAs in relation to LDF production is developing. This has been mainly focused around development of shared evidence bases, and

ad-hoc liaison to exchange intelligence and to help ensure consistent policy approaches. Production of joint LDDs has been very limited. There would appear to be practical, political and constitutional barriers to forming joint-committees; only one joint-committee has been formed to date.

1.5 Conclusions and Way Forward

1.5.1 Conclusions

There is a clear conceptual as well as practical rationale for planning policy to be developed at sub-regional level. In particular, a strong sub-regional approach is needed to:

- reflect the nature of functional spatial relationships and dynamics in relation to the economy, housing and transport;
- achieve alignment and provide a spatial dimension to strategies and policies to improve the economic performance of city-regions/sub-regions;
- strengthen policy to ensure a more adequate delivery of housing supply; and
- help align strategies, policy and investment planning across a range of different organisations and policy areas.

The powers and scope for sub-regional inputs to planning policy already exist – no new powers are needed. The new planning system provides clear scope and powers for the development of sub-regional inputs into RSS. It also makes provision for LPAs to work together across boundaries on LDF production. The challenge is to build on good practice and provide sufficient incentives to make the new arrangements work well in practice, particularly in terms of joint working by authorities.

Significant progress in practice has been made over the past 2 to 3 years in the development of new sub-regional approaches to developing policy to inform and be incorporated in RSSs. These approaches are spatial and wide-ranging in nature, and are based on areas identified on the basis of functional relationships, not administrative boundaries, with a clear focus on the role and importance of cities and city-regions. This is contributing to RSSs that are more spatial in nature, with a greater degree of regional and sub-regional distinctiveness and location detail compared to the previous RPGs.

Providing incentives to encourage sub-regional working between local authority districts is an ongoing challenge. Joint-working between LPAs in relation to LDF production is developing, but production of joint LDDs has not been widespread. Insofar as they exist at present, local authorities only face incentives to co-operate where they lack capacity to accommodate growth pressures within their own boundaries and where there is strong political alignment. In practice, working together in this way has been regarded as too difficult in the context of the new system of LDFs. While authorities have been pleased to share practice and learn from one another, the need to get to grips with the new system and establish arrangements for joint working has proved challenging.

There are ways in which the new system could work better at sub-regional level, but major system reform is not needed. The focus should be on stronger and clearer advice and more powerful incentives for sub-regional working.

1.5.2 Recommendations¹ on advice and incentives in relation to sub-regional inputs into Regional Spatial Strategies

1. Communities and Local Government and GOs should encourage RPBs to provide a stronger steer and take a more proactive role in relation to planning policy-making at sub-regional level
2. Communities and Local Government should consider producing a companion guide/good practice guide on sub-regional inputs into Regional Spatial Strategies covering good practice process, analysis and evidence base. The guidance also needs to encourage integrated policy development at the sub-regional level so that different sub-regions are not defined for different policy purposes.
3. RPBs, RDAs, GOs and local authorities should work together to strengthen the evidence base at sub-regional level building on existing good practice.
4. RPBs, RDAs and GOs should foster and encourage a more integrated approach to planning for housing and economic development at sub-regional level. There is a need to develop a framework through which local authorities work together to develop the evidence base and policy responses across different policy areas. There is a need for closer integration of work across different Regional Assembly Functional Boards. In some regions there needs to be more proactive and significant RDA engagement in regional and sub-regional planning. Government Offices could explore avenues for joint-working through the LDF process.
5. Communities and Local Government, GOs, and RPBs should promote the use of the sub-regional policy in RSSs to secure alignment of strategies, investment and delivery across different organisations and policy areas, including providing a framework for Multi Area Agreements.
6. Communities and Local Government should consider top-slicing some planning funding to be allocated to provide resources for innovative approaches to sub-regional policy making. Whilst these incentives may not, on their own, be significant, they could be powerful when combined with a stronger and clearer policy lead from Communities and Local Government and RPBs to strengthen sub-regional working. The experience of PDG suggests that authorities are highly responsive to such regimes.

¹ The recommendations are set out in more detail in the main body of the report

7. Communities and Local Government might investigate whether and how a national spatial framework could be developed to provide a clearer steer for planning policy at regional and sub-regional level. Alternatively, Communities and Local Government might identify the priorities for infrastructure planning and work with other Departments to produce the necessary plans and programmes where none exist at present.

1.5.3 Recommendations on advice and incentives for greater cooperation between local authorities on LDF production

8. Communities and Local Government should provide a stronger steer and advice and training on good practice in relation to LDF production through joint working, and investigate how barriers to joint-working can be overcome.
9. Communities and Local Government, GOs and RPBs need to provide a stronger steer on opportunities where joint approaches to LDF production should be encouraged or required. In particular the RPBs should encourage local planning authorities to work together in the further development of RSS sub-regional policy through joint local development documents and its subsequent joint implementation and monitoring.
10. Communities and Local Government should consider using the Planning Delivery Grant (PDG) or any successor grant regime as an incentive to joint decision-making/joint-working on LDF production. Where this proves insufficient, and only as a last resort, Communities and Local Government should use the powers available under the PCPA, 2004, to direct authorities to prepare joint local development documents. Communities and Local Government could require joint committees and joint LDDs as a condition for Local/Multi Area Agreements.

2. Introduction

2.1 Project Aims

This project aims to: clarify the role and potential of sub-regional working in planning policy and decision-making; and review sub-regional working within the current planning framework of Regional Spatial Strategies and Local Development Frameworks, and to identify ways that this could be further encouraged or facilitated. The project will input to the levels of intervention work stream of the Comprehensive Spending Review cross-cutting review of sub-national economic development and regeneration.

2.2 Project Deliverables and Approach

The project has a *conceptual dimension* to:

- provide an analytical justification for planning at the level of strategic issue and functional area;
- identify what planning policy direction national government and the regional level (as reflected in the Regional Spatial Strategies (RSS)) are currently taking and the role of lower levels of government in informing the RSS;
- identify what planning policy is best made at the urban or sub-regional level; and
- review relevant literature to explore implications for the incentives and constraints facing local authorities to co-operate on the development and delivery of sub-regional policy.

There is a *practical dimension* to:

- review how government Planning Guidance supports sub-regional co-operation (including the emerging PPS3 structure and PPS11:Regional Spatial Strategies);
- review the extent to which regions are encouraging planning across functional sub-regional areas, based on the most recent Regional Spatial Strategies (RSS);
- review the extent to which local authorities are co-operating on planning issues at the sub-regional level, particularly Local Development Documents (LDDs), by summarising the implications of Communities and Local Government research findings from *Spatial Plans in Practice*; and
- analyse the constraints and incentives for sub-regional working on planning issues based on discussions with regional bodies, case studies, and analysis of the themes emerging from the outputs of the *Spatial Plans in Practice* project.

This project has been undertaken within a short timescale in October 2006, and has been based predominantly on desk-based research, supplemented with a limited number of discussions with regional bodies. A seminar was held to discuss emerging findings.

2.3 This Report

The subsequent chapters of this report are structured as follows:

- Chapter 3 summarises Government policy direction and planning policy and Guidance relating to the sub-regional role;
- Chapter 4 draws on the literature review and levels of intervention analysis to set out the analytical justification for planning at the sub-regional level;
- Chapter 5 summarises the review of sub-regional policy inputs into RSS as well as joint-working in relation to Local Development Documents; and
- Chapter 6 sets out conclusions and recommendations.

3. Planning Policy Direction and Guidance Relating to the Sub-Regional Role

3.1 Current Policy Direction of National Government in Relation to Sub-Regions

3.1.1 Overview

There are three main relevant national policy strands relating to sub-regional co-operation:

- the increasing importance of sub-regional planning to deliver housing and the growth area agendas;
- the drive towards improved economic efficiency and productivity, led by the Regional Development Agencies (RDAs) and sub-regional partnerships, that is increasingly emphasising the economic importance of city-regions; and
- the drive to promote better sub-regional co-operation and decision making between Local Authorities and their partners, including through the development of the *Local Government White Paper*.

Sub-Regional Planning for Housing

Debate surrounds the perceived increasing degree of intervention deemed necessary by Communities and Local Government in some regions in the sub-regional planning of housing in the context of revisions to Regional Spatial Strategies (RSSs); particularly where there are implications surrounding the growth areas (see section 3.2.2 below).

Communities and Local Government and Government Offices consider it important that both the RPBs and the independent Panels examining revisions to RSSs should have the information needed to ensure that the RSSs will be delivered effectively and provide for appropriate levels of housing supply. Government representations to RPBs have in some cases addressed a political unwillingness of RPBs and/or LPAs to accept higher levels of housing supply. While Government intervention in this way encourages these bodies to consider higher levels of housing supply, it can also weaken their ability to produce politically acceptable sub-regional housing policies given the difficulty of reconciling central and local government perspectives on the appropriate level of supply.

3.1.3 City-Regions

The Government's city-region agenda recently complemented by the *New Deal for Towns, Cities and Regions* agenda, which extends to other cities and towns, is arguably the most significant of its sub-regional policy initiatives. The city-regions cross policy and administrative areas to reflect functional relationships and aim to improve economic performance.

Of growing importance is the role of other plans and programmes which run parallel to the national agenda and are equally capable of driving forward the city-region concept. This is encapsulated in the emergence of the eight city-regions² covered by the Northern Way initiative led by the three Northern RDAs. The recommendation in the first growth strategy report, *Moving Forward: the Northern Way* (September 2004), was for co-ordinated investments in housing, transport, regeneration and economic development to create sustainable urban communities that support economic competitiveness. The two main co-ordination mechanisms are the City-Region Development Programmes or Plans (CRDPs) prepared by the sub-regional partnerships and the sub-regional sections of the RSSs. The degree of implementation detail and to some extent the policy scope (and in some cases the sub-regional geographic boundaries) of both the CRDP and the RSS varies.

There are other cities and associated sub-regions to be found within the UK notably including Bristol, Nottingham and Birmingham. Increasingly, there are other scenarios occurring featuring collections of smaller towns and cities operating polycentric sub-regional co-ordination so as to enable them to compete economically. This increased competitiveness within and between all regions is pivotal to working towards the regional economic performance targets agreed by Communities and Local Government and the Treasury embedded within the Regional Economic Performance PSA target.

3.1.4 Local Government Co-operation

There is increased acknowledgement of the need for local co-operation by Local Authorities at the city-region and sub-regional level. Cross boundary issues are becoming progressively more relevant and examples of joint working outside the sphere of planning are adding weight to the need to consider sub-regional working on a formal scale. In particular, one of the main challenges is how to improve co-ordination between the different types of sub-regional plan that already exist, particularly for housing, transport and economic development, without radical change to local government structure.

The strengthening of Local Area Agreements and the emerging *Local Government White Paper* presents an opportunity to formalise sub-regional co-operation and induct examples of cross boundary joint-working from other areas within government into the spatial and economic planning arena.

² The eight city-regions within the Northern Way are: Central Lancashire, Hull and Humber Ports, Leeds, Liverpool, Manchester, Sheffield, Tees Valley and Tyne & Wear.

What is clearly evident from analysis of RSSs, RESs and the CRDPs is that unless there is adequate co-ordination of development provision at the local and sub-regional level, regional and national levels of economic performance will suffer.

At its most local level a lack of integration threatens to cause local imbalance between housing supply, economic performance and transport investment. For example, if housing provision does not match planned employment growth at the local scale the consequence is rising house prices, recruitment difficulties and long journeys to work, the latter placing heavy pressures on the transport networks. Additionally, many rural areas are under the influence of larger urban areas for work and higher order services, but these relationships are often not properly understood or acknowledged at a local or district level. The consequence of this is that development provision and infrastructure rarely takes account of the market and is almost inevitably sub-optimal in economic terms.

3.1.5 Local Government White Paper

The announcements within the *Local Government White Paper* published on 26th October 2006 have highlighted that sub-regional planning should be strengthened through:

- the proposed reform of Passenger Transport Authorities and Executives to enable a more coherent approach to transport to be taken in the major cities with Local Authorities having a greater input into decision making;
- government consulting on guidance to promote city development companies that operate across functional areas who can be flexible enough to encourage investment markets but have sufficient local government accountability to deliver public sector transformational change;
- initiatives at city-region level to develop cross-boundary strategies linking policy and investment in areas such as physical regeneration, economic development housing, transport and neighbourhood renewal; and
- encouraging smaller local authorities to combine expertise at the sub-regional level and draw on the expertise of partners in, for example, housing strategy and infrastructure planning.

3.2 How Government Planning Guidance Supports Sub-Regional Co-operation

3.2.1 Overview

National planning policy from 2002 onwards provides much firmer support than previously for sub-regional planning. There are three developments which are critical to this:

- the impetus given to the growth area agenda by the Sustainable Communities Plan, *Sustainable Communities; Building for the Future* (ODPM, 2003).

- the introduction of the new planning system as given effect by the Planning and Compulsory Purchase Act, 2004 and related guidance and regulations; and
- the emphasis given to the need to plan for housing market areas in Planning Policy Statement 3.

3.2.2 Sustainable Communities Plan

The Government's Sustainable Communities Plan (SCP), published in February 2003, represents a long term solution to a lack of supply of housing and associated employment, particularly in the South East. The SCP designates four growth areas, which inherently foster themselves towards sub-regional and joint local authority working arrangements. The SCP has drawn attention to the role of sub-regional frameworks that cut across regional boundaries and subsequently inform RSS revisions. An example of this is the Milton Keynes-South Midlands Strategy prepared by the three Regional Assemblies for the South East, East and East Midlands. It tackles, among others, housing, employment and transport sub-regional issues, which demanded co-ordinated strategic planning.

3.2.3 Planning and Compulsory Purchase Act and Related Guidance

The new arrangements introduced by the 2004 Act, Regulations and guidance are central to the consideration of sub-regional working. The Act removes the structure plan tier of planning and replaces it by more flexible and responsive sub-regional planning via the new Regional Spatial Strategies. Encouragement is also given to joint planning at the local level. The Act:

- makes it a duty on the regional planning body (RPB) to consider whether it would be desirable to prepare sub-regional policies as part of a RSS revision;
- requires the RPB to seek the advice of the County Councils and other planning authorities, as defined in section 4(4), on the desirability of preparing sub-regional policies;
- requires one or more of the section 4(4) authorities to take the lead in preparing the initial sub-regional proposals unless it is agreed that the RPB itself or one or more district councils should take the lead;
- enables two or more local planning authorities to prepare one or more joint local development documents. These documents replace the local plans of the past; and
- provides for joint committees to be set up to produce joint local development documents where appropriate.

These new arrangements are sufficiently flexible to enable sub-regional planning, either in the form of sub-regional policies in the RSS or joint local development documents.

A joint LDD would cover whatever functional areas are appropriate, including housing market areas or city-regions defined according to their economic footprint.

Both RSS and LDDs have equivalent “development plan” status. But LDDs can be more detailed and adopt a spatially targeted approach than RSS with specific sites and proposals identified in the plan and on a proposal map. LDDs should be in general conformity with the RSS. The decision on the route that should be followed thus depends on the level of detail and specificity required. For this reason, policy in an adopted LDD will also generally be more influential in relation to specific development proposals.

Joint LDDs must be produced under the same procedural route as other LDDs and noted within the overall Local Development Framework. If two or more district or unitary authorities decided to prepare a joint LDD they must all note the agreement within the LDF. However, should a county council become involved in joint arrangements, a joint committee must be established to aid the resolution of a joint LDD. Any policies adopted through the joint committee become policies of the constituent authorities.

The supporting regulations (Town and Country Planning (Regional Planning) (England) Regulations 2004) provide that where sub-regional policies are required the RPB, in consultation with the relevant planning authorities, would prepare a brief. The regulations provide that this might include: the geographical area to be covered; the broad subject matter; other bodies that might work with the planning authorities in preparing these sub-regional policies; and which of the authorities the RPB considers should lead in making the detailed proposals. Unless otherwise agreed the regulations provide that the initial set of sub-regional proposals should be prepared within 12 weeks.

Planning Policy Statement 11 advises that a decision about whether sub-regional policies are needed should be made by considering the functional relationships in the area and whether or not the policy is already being covered at a regional or local level. Where further development of sub-regional policies is needed it should be undertaken on the basis of local authority co-operation and partnership working with other stakeholders (para 2.30 of PPS11). PPS11 also refers to the possible need for more extensive sub-regional studies in support of sub-regional policies.

Unlike its predecessor PPG11, PPS11 deliberately provides little guidance on what decisions are best taken at the sub-regional level or whether they should be done via the RSS or joint local development documents. This was sensible given wide differences in context, making generalisation difficult and the new policy formulation and decision-making capacity available in RPBs. Moreover, it was felt where it was right to be prescriptive, guidance should be provided in topic specific PPSs, as in the draft PPS3. Additional support for sub-regional working and co-operation between local planning authorities is provided by the ODPM (now Communities and Local Government) good practice guides on Sustainability Appraisal, and on the monitoring of Local Development Frameworks and RSSs.

In practice the success of such arrangements relies heavily on RPBs taking a proactive role in promoting joint working particularly where areas require several authorities to work together. This is because voluntary arrangements initiated by authorities seldom seem to involve more than two or possibly three authorities because of the challenge of establishing voluntary arrangements. The result in these cases is that joint working may underbound the true functional area. It is too early to judge whether RPBs have the political will and sufficiently developed evidence base to justify and promote such arrangements.

3.2.4 Planning for Housing

Recently published PPS3, carrying forward Kate Barker's *Review of Housing Supply* proposes that sub-regions should seek to accommodate their needs and demands as far as possible within their area and then look to adjacent housing market areas where there may be opportunities for development. This policy acknowledges that if areas want to improve affordability and reduce housing market pressure they need to address it within the sub-regional housing market area.

Adopted PPS3 (November 2006), proposes that the RSS should: identify the required level of housing provision for each sub-regional housing market area, outline how that should be managed, arrange any releases of land between LAs and set affordable housing targets for sub-regional market areas.

Communities and Local Government has since been considering how to bring about the level of sub-regional co-operation required between authorities, which has never existed before, on one of the most politically sensitive of all planning issues. Among the issues this raises are the extent to which joint LDDs will be needed, the role of the RPB in delivery, funding incentives and the extent to which Communities and Local Government and the Government Offices will need to intervene and on what basis.

4. Analytical Justification for Planning at Sub-Regional Level

4.1 Introduction

This section considers the economic justification for planning at different spatial levels, particularly sub-regions and the relevant economic policy interventions at regional, city-region, sub-region and local levels.

4.2 Economic Theory Perspectives

Production of goods and services in the economy involves the combination of factors of production, namely land, labour, capital and entrepreneurship in the most efficient means possible. Producers that are able to minimise production and distribution costs may gain an advantage over competitors which will enable them to extend their markets. Both production and distribution costs will to some degree be influenced by location which will affect the costs of purchasing and combining inputs and the cost of supplying markets. At the most straightforward level it is thus possible to identify generalised location advantages that an area possesses which make it attractive to producers, for example the costs and quality of land, buildings and labour, the access to specialist business services and good access to the transport networks and wider markets.

Traditional economic location theory³ emphasises the role of regions and sub-regions in minimising transport costs, accessing low cost labour or achieving the “agglomeration” economies that may be achieved through local linkages and the role of inter-regional trade based on specialisation and comparative advantage. These are often reflected in the specialisms of the former industrial cities and their sub-regions. More recently there has also been the suggestion of a further category of amenity-orientated industries⁴. These are sectors that are often research or knowledge intensive, international in orientation, and are more influenced by factors such as international accessibility, the general environment, proximity to research institutions or other high level functions, good schools and cultural facilities, etc.

With the exception of perhaps the West Midlands and greater South East which are particularly dominated by large cities, UK regions are largely polycentric in nature and comprise a number of distinct and separate

3 See Weber, A (1909) *Über den Standort der Industrien*

4 See Alonso, W et al (1975) *Regional Development and Planning* for an early “economic” view of this phenomenon

housing and labour market areas. This means that agglomeration generally works at a sub-regional scale and that it is this scale which is appropriate for economic analysis and planning.

Despite the apparent footloose nature of modern industry, sub-regional areas also develop particular characteristics related to skills, environment, and proximity to major transport hubs that make them especially attractive to particular economic sectors or functions such as headquarters. Investors in making these decisions are also making a spatial choice based on the characteristics of areas that at same time regional, sub-regional and local in nature. The Thames Valley is probably one of the clearest examples of such geographic choice and specialisation at the sub-regional level.

Many commentators, particularly those concerned with “cluster” theory, also now stress that economic development in a country is no longer just a question about national specialisation and competitive power but also about sub-regional and city specialisation. These are often based on clusters and geographical competitive advantages. They cite a number of factors in their emergence including: place-specific increasing returns to scale; positive externalities generated by co-located activities; and increasing recognition of importance of sub-region and city differentiation in production, and lifestyle factors.

Globalisation and the rise of the information economy are also cited as underlying new economic geographies. Most commentators agree that the most significant expression is the emergence of advanced producer services: often in a geographic cluster of activities that provide specialised services embodying professional knowledge and processing specialised information mostly to others service sectors, including specialist consultancies. All are suggested to demand a high degree of immediacy and face-to-face exchange of information, so that strong agglomeration forces again dominate.

4.3 The Effects of Planning Policy

The planning system has a significant effect on the supply of land for different uses in terms of both quantity and price. This is most evident from observations of differences in land values between sites with actual or good prospects (by virtue of their relationship to policy) of securing planning consent for development and those that have not. Nevertheless the system has developed with the objective of meeting demand.

Under current arrangements as part of the development of revised and up-dated Regional Spatial Strategy, increasingly more sophisticated techniques are used to predict demand across a range of uses. For the economy, this increasingly involves the consideration of different growth scenarios derived from baseline predictions. For housing, the starting point is generally Communities and Local Government household projections and housing needs assessments. The regional planning body will then propose

draft levels which, after representations from interested parties and subsequent independent examination, will be endorsed or amended by the Secretary of State. In the case of housing the supply is subsequently apportioned in the RSS to individual local authorities or housing market areas. Through requirements for conformity of development plans, local authorities are aiming to ensure that enough land is available for developments.

In practice some of these exercises are stronger than others. Housing assessments are generally the most sophisticated and contested exercise and where most attention is focused.

Assessment of employment land requirements are generally less high profile, although in practice they are problematic. This is because a strategic “numbers” approach is rarely satisfactory. For example, many exercises identify quantitative over-supply, but under-supply when more detailed issues of quality and deliverability are taken into account. However this requires a level of investigation that requires specialist market-based analysis of deliverability and a level of skills and resources that often eludes both local authorities and their consultants. Additionally, there are difficulties in predicting future employment land demand in quantitative terms at a regional and sub-regional scale. This is because reliance is usually placed on a mixture of sources, independent of quality considerations, that are open to considerable interpretation including historic take up rates, churn and employment forecasts. While embodying much logic, the system in practice faces a number of issues. At a fundamental level the planning system too often unintentionally operates hand-in-glove with land speculation, one of the main driving forces behind development. For various reasons, including speculation, if supply is insufficiently flexible then sites may withhold allocated land from the market. Potential developers may also seek to challenge designations, notably for lower value employment land, introducing credible arguments about local or sub-regional demand or take up or viability.

4.4 Economic Regions and Sub-Regions

As suggested above with very few exceptions, regions as currently defined include local or sub-regional areas with different market conditions and economic characteristics. Few people travel to work from say Exeter to Truro and economic conditions and opportunities differ significantly from, say, Cambridge to Southend. Some areas are also within the influence of the major conurbations, so that the influence of London on, say, Epsom is radically different from those in Hastings, as are the conditions of Knutsford, close to Greater Manchester radically different to Carlisle. It follows that planning must be sufficiently sensitive to these sub-regional conditions and opportunities. Table 4.1 below outlines potential policy roles at different spatial levels.

As implied by the examples above one of the most important issues at the sub-regional scale is the balance between employment opportunities and growth, transport and housing provision. If, for example, housing is allocated to a location in which economic prospects are low, it is unlikely that such housing will be fully built and there may be pressures on the transport network as a result of long journeys to work. It is difficult to find such explicit reconciliations. More often than not, as in the draft South East Plan, the basic modelling approach takes account of both demand and labour supply together⁵. In particular labour supply (influenced by identified housing capacity) effectively act as a “constraint” on the demand side projections. This is valid insofar as planning has the ability to control both housing and employment related development. The reality is that at the implementation stage, whatever the underlying planning logic, employment-related development is less constrained than housing.

In reality failure to provide an adequate supply of certain factors, particularly housing, results in price inflation as the market seeks to “choke off” excess demand. In practice, physical shortages only rarely manifest themselves, because of the effect and role of prices; road congestion is a possible exception.

In practice a failure to meet demand may result in overall losses of economic output. For example higher house prices, means that labour may also demand higher wages and salaries, with consequent reductions in competitiveness. Similarly shortages of other factors may have similar effects.

The general conclusion is that the sub-regional level is relevant for planning policy, as it provides the appropriate spatial scale to consider explicit outcomes and functional relationships, particularly in relation to:

- **Economic Development** – patterns of economic specialisation and agglomeration, differentials in economic performance, and markets for employment land, tend to be sub-regional in nature, and are particularly based on city-regions;
- **Housing** – housing markets are driven by conditions in the local economy at a sub-regional level, and areas of search by home seekers. In most there is a clear need for a cross- local authority boundary approach to policy in relation to housing supply;
- **Transport** – the sub-regional level is generally aligned with Travel to Work Areas, the nature of transport networks, and to Passenger Transport Executive areas; and
- **Implementation** – there are benefits to a sub-regional approach that aims to integrate strategies and investment planning across different organisations and policy.

The most relevant scale of analysis is for areas that represent modern patterns of where people live and work. The guide to the economic evidence base for regional strategy produced by Arup for ODPM (now Communities and Local Government) in 2005 stresses the importance of identifying a

⁵ See South East Plan Technical Note 1 Economic and Labour Demand Forecasting, Updated March 2006

trend-based, spatially disaggregated baseline position, and consideration of whether the real policy mechanisms exist to achieve real deviations in terms of alternative development scenarios.

4.5 Functional Urban Regions

If the sub-regional scale is accepted relevant for planning purposes, then the next issue is one of how they should be defined. Given the above discussions the most obvious criteria will be based on Travel to Work Areas.

In reality, there have been very few attempts to define sub-regions for domestic planning purposes in this way. The 1998 Travel to Work Areas defined by ONS (TTWAs) show the area in which at least 70 per cent of the workforce live and work.

Analyses of regions based on travel to work, have featured in analyses of the outcomes of the planning system⁶ and “Functional Urban Regions” (FURs) have been used most frequently in the comparative analysis of cities, often in a European context⁷. This is because they address basic problems of achieving a consistent definition in a context in which administrative units suffer from under bounding (where linked suburbs develop beyond administrative boundaries). Less commonly in English cities, over bounding may occur where the boundaries encompass areas which have limited economic relationships within the boundary.

Over the years and in different studies definitions have changed but a typical definition is based on the relationship between an urban core and hinterland, where the hinterland is defined in terms of the proportion of population that commute into the core. This is typically defined using spatial units such as electoral wards or local authority districts as building blocks, where commuting into the core comprises more than 10-15 per cent of the working population. The areas are thus wider than ONS TTWAs.

In practice much of the recent analysis has concentrated on the larger urban areas as shown in the maps below for North Western Europe and the Greater South East.

⁶ See Hall et al (1973) *The Containment of Urban England*

⁷ See Hall and Hay (1980) *Growth Centres in the European Urban System*, Cheshire and Hay (1989) *Urban Problems in Western Europe*, Cheshire (1999) *Cities in Competition Urban Studies* Volume 36

Figure 4.1 Functional Urban Regions in North West Europe



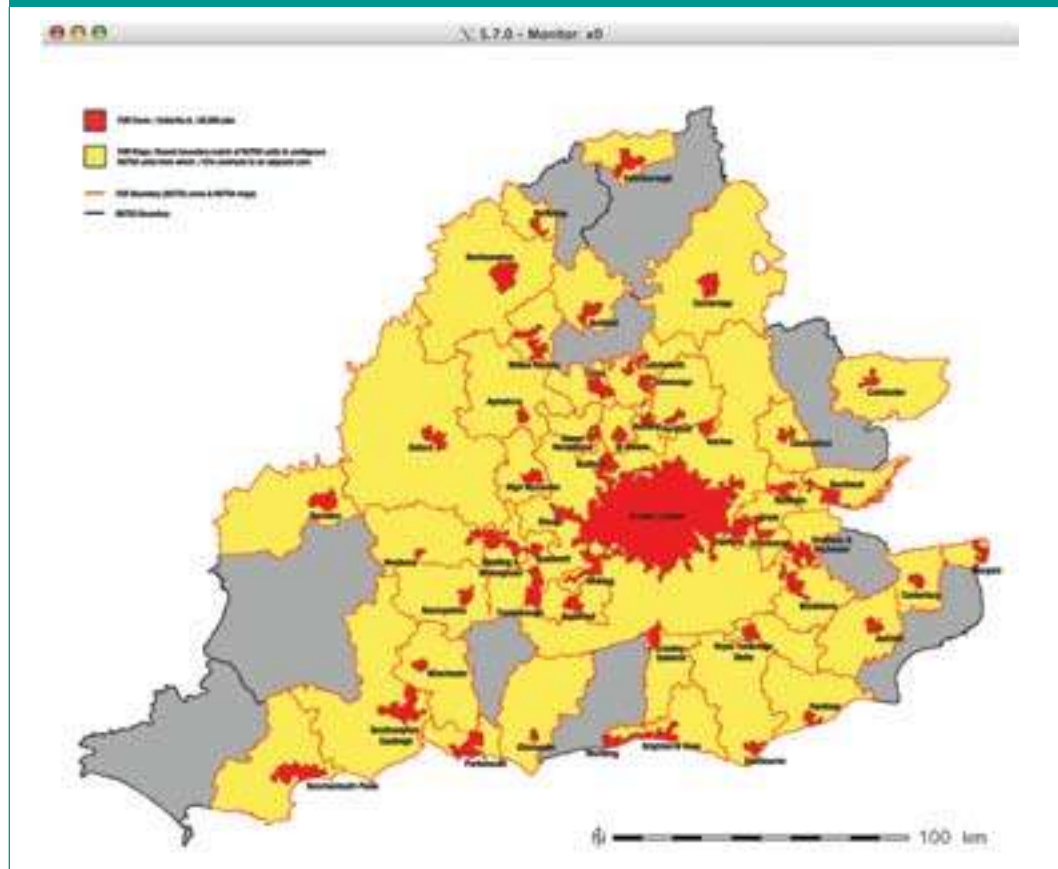
Source: Polynet

4.6 City-Regions

A particular challenge concerns the influence of larger “core” cities which may draw commuters from over very wide areas. London is the most obvious example in this respect (see map below). Similarly, at the opposite end of the scale, travel to work data may not be a key factor in determining markets in rural areas, where a relatively large proportion of residents travel longer distances to work and employment destinations may be highly dispersed.

The existence of such pattern leads to the need for polycentric coordination, based on the existence of overlapping city and sub-regions.

Figure 4.2. The South East England Mega-City-Region



4.7 Relationship to Housing Market Assessment Areas

In many respects, the FURs approach also follows the emerging approach to defining sub-regional housing market areas in draft PPS3. Specifically at Annex B of PPS 3 defines sub-regional housing market areas as:

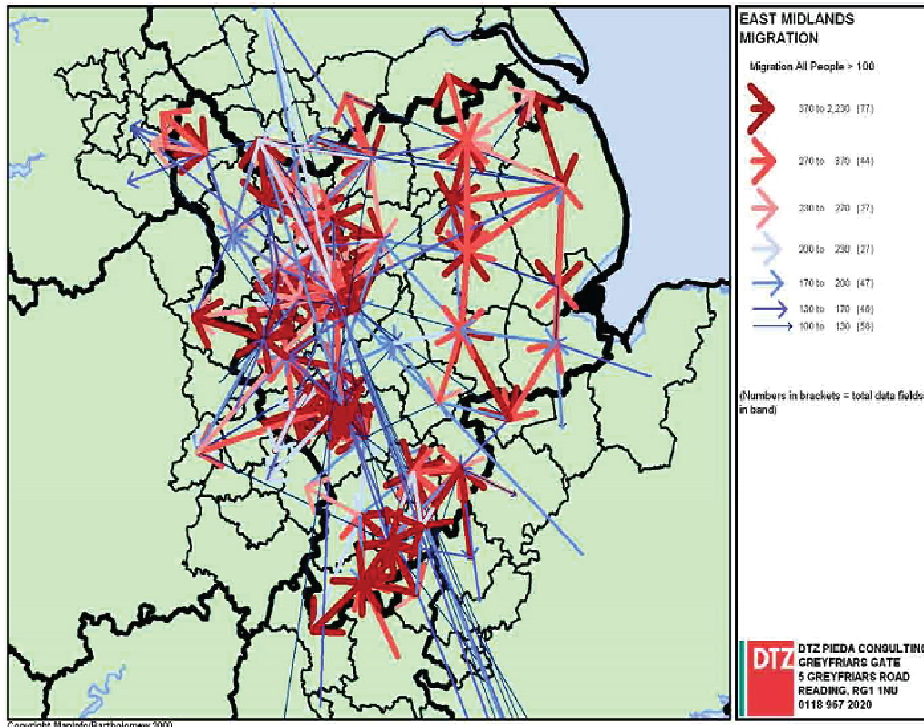
“Geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work.”

Evidence from the East Midlands, as one of the more recent, emerging RSS revisions does indeed confirm that such an approach has been adopted⁸. In practice a range of data has been used to identify the pattern of sub-regional housing markets across the region, including patterns of household movement, travel to work patterns, employment concentrations, patterns of house prices and house price change and housing affordability data. The approach also experiments with a series of different proportions of flows. The final definition uses districts as building blocks. At this scale, the work especially demonstrates the difficulties of disentangling commuting flows, particularly where districts feed several major employment centres and the resulting need, ultimately for pragmatic judgments.

8 East Midlands Regional Assembly; Identifying the Sub-Regional Housing Market Areas of the East Midlands

Both the West Midlands and the North East have incorporated expert-led academic research into considerations on housing market areas and other regions look set to supplement their identification of housing market areas with more rigorous evidence-based approaches.

Figure 4.3. Pattern of Migration of Within the East Midlands Region



Source: DTZ Pieda

Logically such an approach could also be adopted as one exercise in determining sub-regional economic areas. Given the importance of labour supply and housing to these areas there could be potential to make housing market areas and economic sub-regions coterminous. Bringing these concepts together would allow policy making to fully reflect the unique characteristics of places at the spatial scale and would allow the identification of a standard spatial “unit” for planning purposes. A common evidence base, making the link between housing and economic policy within such areas, would facilitate an enhanced opportunity to understand economic growth and competitiveness. This is also relevant in terms of current approaches which consider both labour supply and demand.

Awareness must be had however, that sub-regional areas may not be solely based around travel to work patterns, and as such the evidence base must have flexibility to reflect the functional characteristics of that area, be it local affordability issues, adaptation to growth in tourism, or on-going regeneration. Moreover, there may also be good reasons to adopt different definitions for economic or demographic reasons. Overall the most important issue is that the definitions adopted should themselves be supported by evidence and analysis – typically at the regional scale.

4.8 Conclusions on Levels of Intervention

The matrix below seeks to encapsulate the requirements for policy intervention at different spatial scales. In practice the district/local scale could form part of sub-regional activity. There is also significant overlap between city-region and sub-regional interventions. City-region in this context is taken to emphasise a contiguous area with a specific economic focus, which may or may not be defined the same way as the sub-regions which stem from the boundaries defined within RPB documents.

Table 4.4 Levels of Intervention for Planning Policy

| Topic | National | Region | City-Region | Sub-Region | District/Local |
|------------------------|---|---|--|---|--|
| Economic Analysis | Overall GDP, economic and employment baseline. Future scenarios and trends. Inter-regional and international economic linkages. | Overall economic/ employment baseline, trend and possible scenarios. Commuting patterns. Inter- and intra-regional economic linkages. | Key clusters and functions. Relationships to other comparable cities globally and benchmarking of transport, amenity, cultural, service, retail and housing characteristics. | Mapping of key economic clusters with sub-regions and assessment of growth prospects. Apportionment of regional scenario to sub-regions, with identification of policy mechanisms where apportionment differs from trend. | Suitability of existing land and premises provision. Identification of specific land allocations to support growth. |
| Economic Policy Output | Government sets the broad economic policy framework, and framework for public investment. This includes specific initiatives and policy leadership on topics such as housing and the economy, the economic issues associated with climate change, and transport and the economy. Government sets national planning policy through legislation and PPSs. | Adopted growth scenario: jobs and population/ housing. Definition of sub- regions and HMAs. | City growth scenario and strategy, identification of economic opportunity areas, areas of growth and need. Targeted actions for bringing city up to Benchmark standards. | Land allocations for key uses. Policy interventions to justify any departures from market trends. | Balanced provision of land to meet employment, retail, service and housing requirements, whilst maintaining convenient access. |
| Employment Land | Large scale regeneration projects and stimulation of growth points – Thames Gateway et al and CPOs. Olympics – ODA and CPOs . | Aggregate requirements. | Development of robust case for allocations, based on clear qualitative criteria. | Sub-regional requirements based on growth, churn and take up. | Housing allocations to allow choice across range of probable sectors/ functions. |

Table 4.4 Levels of Intervention for Planning Policy

| Topic | National | Region | City-Region | Sub-Region | District/Local |
|--------------------------------------|--|---|---|---|--|
| Retail and Leisure | PPS 6 Casino Advisory Panel | Definition of major town centre hierarchy or network. | National and international benchmarking, understanding of balance of demand between city, hinterland and visitor/tourist and future capacity for growth. | Expenditure capacity assessments based on trend and planned growth. | Identification of expansion areas to accommodate new development. |
| Housing | Household formation and size. Migration forecasts. Growth points and New Towns. Interest Rate forecasts. | Demographic forecasts (migration and natural increase) household formation and size. | Housing targets. Key worker and affordable housing targets. Identification of areas to attract/accommodate strategic business leaders. | Sub-regional allocations. House prices as part of HMA. | Housing land allocations to meet identified market requirements and needs by housing type. |
| Transport & Strategic Infrastructure | “Hotspots” surrounding international transport nodes, e.g. Heathrow. Funding mechanisms for CTRL, HST, M1, M6. Analysis for use of Nuclear Power & Green Energy. | “Hotspots” on strategic and inter-regional transport networks. Resolution of funding priorities. | Strategy for strong intra-urban transport network, (public and private transport). Strategy for quality access to centre and key employment/service locations. | “Hotspots” on sub-regional networks, especially access to employment and service centres, existing and under preferred scenarios and proposals to address these where possible. | Local network capacity related to specific existing or planned provision. |

5. Review of Sub-Regional Working in Practice

5.1 Policy Direction in Relation to Sub-Regions in emerging Regional Spatial Strategies

Most of the Regional Planning Bodies (RPB) have been working on revised Regional Spatial Strategies to provide clearer and better developed sub-regional policies. These RSSs specify and set out policies for sub-regions that extend beyond traditional administrative boundaries. There is a particularly strong focus on the role of cities, city-regions and other polycentric urban regions, including sub-regional areas identified for significant plan-led growth.

Increasingly, these sub-regional components of RSSs instil a spatial planning approach, providing a broad policy direction for how the sub-region is to develop and change, and its distinct contribution to the regional strategy. Sub-regional policy is generally wide-ranging in scope, and implementation will need to be through a broad range of policy mechanisms and investment streams. Largely as a result of these new approaches to sub-regional policy, the RSSs have a greater degree of regional and sub-regional distinctiveness and locational detail compared to the previous RPGs.

In the North of England, spatial planning and definition of sub-regional boundaries has been influenced by the Northern Way Strategy: *Moving Forward the Northern Way*. This is acknowledged in the North East, North West and Yorkshire and Humber RSSs. The Northern Way has validated the concept of planning at the city-region scale. However the sub-regions identified in the RSSs are not in all cases co-terminus with the eight city-regions identified in the Northern Way Growth Strategy and for which CRDPs have been prepared.

The East of England and South East RSSs/draft RSSs both refer to the Sustainable Communities Plan and show how this has determined geographical location of specific sub-regions. However it is important to note that they include sub-regions that are not identified as growth areas in the Sustainable Communities Plan, but which are being planned to accommodate substantial growth. Both regions, which lack dominant urban areas, have identified sub-regions on the basis of functional relationships that cut across administrative boundaries. In the case of the Western Corridor, London Fringe, and Milton Keynes South Midlands, sub-regions cut across regional boundaries.

The principal functional relationship that cuts across the boundaries of these regions is that with London. The POLYNET study⁹ has identified the London and South East “Mega-City- Region” extending well into (and in some cases beyond) London’s surrounding regions, covering an area with a population of over 18 million. Despite cooperation with London on specific sub-regional work, and through the pan-regional coordination committee, there is a lack of a clear over-arching strategic policy framework for this wider area.

In the West Midlands and East Midlands the RPBs adopted a positive and proactive approach to encouraging, and engaging with, relevant local authorities to develop sub-regional policies. In the West Midlands, where there is a reasonably up-to-date RSS, the Black Country strategy has been used to inform revisions to the RSS. In the East Midlands, the RPB has taken the lead in encouraging new forms of sub-regional working, including the work in relation to the tri-polar “Three Cities” city-region including Derby, Leicester and Nottingham, as well as work in relation to MKSM.

In the South West, a sub-regional approach has been taken with a clear focus on the role of cities, which is a significant and positive development from the previous versions of RPG 10/ RSS.

Whilst some regions have adopted a “fuzzy boundary” approach to identifying sub-regions, others have set sub-regional boundaries that are co-terminus with local authority (but not necessarily County) boundaries. This raises an important issue that whilst functional sub-regions rarely match LPA boundaries, the RSS has to provide sufficiently clear guidance for LPAs to prepare their LDDs. This issue is also relevant in the context of PPS3.

5.2 Process of Producing Sub-Regional Policy for Regional Spatial Strategies

The majority of regional planning bodies have worked constructively with the county, unitary and district, and other planning authorities in developing these sub-regional policies. There have been tensions with some counties in the south of England in agreeing the levels and broad locations of housing development in the face of strong pressure from government to increase housing supply.

In the RSS context this sub-regional co-operation has included transport, as well as housing and economic development, and promoted joint local transport plans as in the Greater Bristol joint Local Transport Plan submitted to the government in March 2006.

Some RPBs have been at the forefront of encouraging new forms of sub-regional working. Whilst the concept has been embraced with varying levels of enthusiasm by both RPBs and LPAs, positive progress has been made in all regions. The most significant progress has been made in sub-regions with a well-established track-record and structures for partnership working. In

9 Reference

contrast, in sub-regions where strong partnership does not exist, the RPBs have had to take more of a lead role in policy development. For example, in Yorkshire and the Humber, the South Yorkshire authorities took a lead role in developing the South Yorkshire sub-area policies in draft RSS. This reflected the strong track record of partnership working through initiatives such as the South Yorkshire Settlement Study or the Objective One programme. In contrast, due to a less well-developed partnership in the Leeds City-region, the RPB had to take more of a lead role in writing the relevant sub-regional policies.

The eight English Regional Planning Bodies have all worked with Section 4(4) authorities to help complete the Regional Spatial Strategies. In the majority of cases the Section 4(4) authorities are asked to participate on an advisory basis and provide technical input. Regions such as the West Midlands and the North West issued briefing documents to ensure consistency of responses. In the South West the Section 4(4) authorities led joint sub-regional studies and sub-regional proposals once joint study areas had been established by the RPB.

In addition, some RPBs have commissioned Section 4 (4) authorities to complete specific reports. The Yorkshire and Humber Assembly appointed North Yorkshire County Council to lead the Regional Settlement Study. In the East of England the RPB established and commissioned Task Groups which included representatives from Section 4(4) authorities to produce specific reports. The West Midlands Black Country Study by the Black Country Partnership was also instrumental in forming strategic policy for the Black Country sub-region.

As well as intra-regional working, several regions have also demonstrated inter-regional working by considering how the spatial plans within their respective regions will impact planning in other regions. A key example of this is in the East Midlands, the East of England spatial strategy has been influential in determining the spatial strategy for the East Midlands Southern sub-area. The MKSM sub-regional plan extends across the regional boundaries of the East Midlands and East of England. It was adopted by both regions to reflect the function of a key sub-region that extends beyond administrative boundaries.

Within the context of these positive overall findings, it needs to be recognised that the new planning system is still in its early days, and there are ways in which the process for policy development at sub-regional level could be improved.

There is scope for some RPBs to engage more positively and pro-actively in working with sub-regional partnerships to develop policy. In some regions, particularly in the North of England, the debate around City-Region governance/government has been a diversion. It is crucial that where greater input from sub-regional partners is deemed necessary, clear objectives, framed within an overall strategy need to be set by the RPBs and agreed by the partners so that there is a definitive focus upon sub-regional inputs into

the RSS process. This should be aided by the rationalised functional Boards within RPBs, particularly the Regional Planning Board. Greater officer and member interaction within all tiers of government, led by the RPB could be used to agree these objectives.

It is important that RPBs are proactive and engaged closely in setting a clear brief, and clarifying the remit, parameters and organisational roles for sub-regional working. In some regions, sub-regional policy has been developed that has been too wide-ranging, and based on inconsistent assumptions. This has posed challenges in ensuring consistency in the policy approach across different sub-regions and between the sub-regional and region-wide policies in the RSS.

There needs to be a sound evidence base at sub-regional level. It is vital that policy is realistic and deliverable, and consistent with region-wide and national policy. There is increasing recognition that the issues of planning for housing growth and setting investment priorities are equally difficult for sub-regions as they are at regional level.

There is scope for achieving better alignment of different sub-regional policy exercises. *The Local Government White Paper* provides some clarity regarding sub-regional governance. The White Paper also sets out proposals for Multi Area Agreements.

In some regions there has been a problem of a lack of alignment between the sub-regional approach adopted by the RDA and that adopted in the RSS. Problems have included inconsistent assumptions on population and employment growth, and inconsistent use of sub-regional boundaries. A particular problem has been that sub-regional investment planning led by RDAs has been based on different boundaries to the RSS sub-regional boundaries. The production of the CRDPs has also been undertaken with limited reference to the RSS, and the CRDPs are generally based on more optimistic economic scenarios than the RSS, and have more aspirational investment priorities. There would be significant benefits if the sub-regional policies in RSSs were used to provide a clear overarching policy (policy that is subject to independent testing, and published with statutory weight) framework for other sub-regional policy-making and investment planning exercises. An integration of RSS and RES through the creation of a joint evidence base, parallel working arrangements and matching timeframes, would allow the economic aspirations of the RES to have greater technical underpinning, creating a spatial dimension to the economic policy. Equally, boosting the economic reality of the RSS, ensuring that policies have a realistic relationship to market forces and are capable of being supported by the correct infrastructure provision would bring about a rationalised approach to place making.

5.3 Case Studies of Sub-Regional Policy-Making Exercises to inform Regional Spatial Strategies

5.3.1 Milton Keynes South Midlands Sub-Region (East Midlands, East of England, South East)

- The Milton Keynes and South Midlands (MKSM) Sub-Regional Strategy is the first document of its kind to co-ordinate the revisions to Regional Spatial Strategies across three regions. The Strategy aims to promote inter-regional co-operation to ensure effective delivery of plan-led sustainable growth.
- The scope for more efficient and higher potential growth was outlined within the MKSM Study (2002) commissioned by Government, Regional Assemblies, and Regional Development Agencies in the East of England, East Midlands and South East regions.
- A Growth Area Assessment was used in conjunction with the MKSM Study to provide an evidence base and advice for the Sub-Regional Strategy, which in turn promotes an increase in homes to support the Sustainable Communities agenda.
- The MKSM Inter-Regional Board was established to ensure all relevant regional agencies deliver investment and meet the objectives of Strategy.
- The East Midlands, East of England and South East Regional Spatial Strategies have taken into account and incorporated the relevant components of the MKSM Sub-Regional Strategy.

5.3.2 Portsmouth and Southampton (South Hampshire) Sub-Region (South East)

- The Sub-Regional Strategy was formulated upon recognition that South Hampshire has performed below the economic rate of the rest of the South East for the previous 20 years.
- In 2003 sub-regional studies were commissioned to advise on whether distinct sub-regional policies were required and the extent of the sub-regions.
- The Partnership for Urban South Hampshire (PUSH) had been working on a voluntary basis since 2002 and produced a draft Sub-Regional Strategy for South Hampshire in 2004, detailing the sub-regional issues. The core vision is to improve economic performance within South Hampshire.
- The PUSH report was incorporated into the South Hampshire Sub-Regional Strategy which in turn was adopted within the South East RSS. The creation of this functional sub-region raises profile of South Hampshire within wider South East.
- 'Conditional Managed Growth' is a core principle of the sub-region, with the pace of development determined through the rate of infrastructure investment and provision.
- An implementation agency will be established from authorities who make up PUSH. This is dependant upon delegation of powers to the sub-regional level to enable effective decision making.

5.3.3 Black Country Sub-Region

- The sub-region's importance was recognised by the Secretary of State, who deemed it necessary to adopt a joint working approach to solve inter-connected issues within the area.
- The Black Country Consortium was founded in 1999, to promote the interests of 4 boroughs within the area. The Consortium is an effective collaboration partnership and has a concordat between the four local authorities to foster certainty within the political structures and boost confidence amongst private stakeholders.
- The Black Country Consortium produced a sub-regional study in 2003 outlining a 30 year vision. The main goal is to achieve reversal of out-migration within the area. The study also details 4 growth nodes. A polycentric outcome emphasised so as to be collectively competitive within the sub-region.
- The Study informed the Black Country Sub-Regional Strategy which in turn was incorporated into the West Midlands RSS. There is a strong desire to use findings within Local Development Framework production amongst the four local authorities, and provide a joint evidence base for a joint Black Country Core Strategy.

5.3.4 Leeds City-Region

- The sub-area is recognised as significant driver of the Yorkshire and Humber regional economy. The need for a Leeds City-Region stemmed from the Secretary of State review of RPG 12 in 2001.
- The Leeds and Environs Scoping Study was commissioned by Yorkshire and Humber Assembly in 2002. Although some initial academic work relating to the economy of the sub-area had been done in 1999.
- The YHA commissioned part 2 of the Leeds and Environs Report to assess the conclusions from Scoping Study. This second part (overseen by a joint working Technical Steering Group) contributed to the Leeds City-Region component within the RSS. One major difference between the report and the concepts defined in the RSS was the acknowledgment of York as a separate sub-area outside the Leeds City-Region.
- Leeds City-Regional Strategy recognises the need for collaboration, particularly in the formation of Local Development Frameworks and cross boundary investment. Increased joint working was formalised through the creation of a concordat amongst local authorities and the RDA, committing efforts to jointly improving the economic success of the Leeds City-Region.
- Leeds City-Region policy was recently refined by the Regional Assembly at the RSS Examination in Public, due to the creation of City-Region Development Plans within the Northern Way agenda.

5.4 Extent to which Local Authorities are cooperating on Production of Local Development Frameworks

At present, feedback from the initial stages of Local Development Document production highlights that there is less joint working between authorities than was previously anticipated. This is not to say it is not occurring at all; indeed, there are many examples of LPAs recognising the opportunity to cooperate on evidence gathering and ad hoc information sharing tasks. However joint-working to develop policy is not widespread.

Current co-operation seems to be in areas where joint-working occurred previous to the introduction of the new planning system. Examples include the production of joint waste DPDs between authorities working through networks previously formalised through the Regional Technical Advisory Bodies and the Waste Disposal/Planning Authorities. Other examples include joint SPDs, on energy, landscape character and on issues in relation to Gypsies and Travellers. There has been increasingly close co-operation and sharing best practice and expertise between neighbouring planning authorities and/or with the RPBs in developing data sets, carrying out sustainability appraisal and in annual monitoring.

There is also scope to formalise joint decision making committees. Presently, only one such joint committee has been established within the North Northamptonshire Growth Area. Again, this is aided by the strong steer from national government in relation to the Sustainable Communities growth agenda within this area and the wider region. Here the committee has overseen the creation of a joint Statement of Community Involvement and an emergent Core Strategy, as well as related work linked to the evidence base and Sustainability Appraisal.

Based on discussions with Local Authorities, there do appear to be significant political, procedural and practical barriers to forming joint-committees and taking forward joint LDDs. The long-established autonomy within Local Authorities may be a reason for their unwillingness to proceed with joint arrangements. Allied with a lack of perceptible benefits and a fear of accountability once committed to joint working means many LPAs are reluctant to sign up to the process.

The highlighting of potential resource saving, increased skills sharing and enhanced robustness of documents is necessary in order to bring about a greater appreciation of joint working across administrative boundaries. There is also potentially scope for Communities and Local Government, GOs and RPBs to play a more proactive role in providing advice, incentivising, and (in the case of Communities and Local Government) even directing LPAs to form joint-committees and take forward joint LDDs.

6. Conclusions and Way Forward

6.1 Conclusions

There is a clear conceptual as well as practical rationale for planning policy to be developed at sub-regional level. In particular, a strong sub-regional approach is needed to:

- reflect the nature of functional spatial relationships and dynamics;
- achieve alignment and provide a spatial dimension to strategies and policies to improve the economic performance of city-regions/sub-regions;
- strengthen policy to ensure a more adequate delivery of housing supply; and
- help align strategies, policy and investment planning across a range of different organisations and policy areas.

A main conclusion of this report is that **the powers and scope for sub-regional inputs to planning policy already exist – no new powers are needed.** The new planning system provides clear scope and powers for the development of sub-regional inputs into RSS. It also makes provision for LPAs to work together across boundaries on LDF production. The challenge is to build on good practice to date.

In practice, significant progress has been made over the past 2 to 3 years in the development of new sub-regional approaches to developing policy to inform RSSs. These approaches are spatial and wide-ranging in nature, and are based on areas identified on the basis of functional relationships, not administrative boundaries, with a clear focus on the role and importance of cities and city-regions. This is contributing to RSSs that are more spatial in nature, with a greater degree of regional and sub-regional distinctiveness and locational detail compared to the previous RPGs.

Assuming there will not be radical changes to local government or regional governance structures (and the *Local Government White Paper* does not propose any), the onus will be on considering incentives and other mechanisms for achieving better co-ordination at sub-regional level. Even if there were reform of local government to create larger authorities better corresponding to functional areas for spatial planning purposes, there would still be a need to work across administrative boundaries. A main focus will need to be on developing the existing machinery for sub-regional co-operation between the relevant local authorities and other stakeholders across different policy areas, and to provide incentives for this. Two main issues flow from this for sub-regional planning in the RSS and LDF context.

First, there are obvious attractions for building on the existing city-region partnerships and encouraging similar arrangements outside these areas to provide strategic oversight of the different types of sub-regional plans and a shared work programme which would identify critical interfaces. In the case of sub-regional planning as part of the RSS this would have to be in the context of the section 4(4) and 4(5) arrangements with the Regional Planning Body having ultimate responsibility.

Second, there are also attractions in providing incentives to the above by developing Multi Area Agreements, modelled on the Local Area Agreements, with the funds that go with that supported by a comprehensive action plan. But there would need to be sufficient engagement of the lower-tier authorities. Without some statutory requirement, or incentives such as devolution of fiscal powers or flexibilities, this may not happen sufficiently.

The lack of financial incentives for local authorities to promote development, especially non-residential development, is a fundamental problem which applies to planning within existing local authority boundaries, as well as at sub-regional level. The proposed housing and planning delivery grant is part of the answer although does not address incentives for non-residential development. Whilst this issue relevant to sub-regional planning, it is not for this report to make recommendations on incentives for development *per se*.

There are practical ways in which the new system could work better at sub-regional level. RPBs need to manage the process more strongly, ensuring clarity on the remit and parameters of sub-regional work. There needs to be a stronger sub-regional evidence base. Achieving alignment with other sub-regional policy-making, strategy and investment planning has posed a challenge, as well as providing a major opportunity for the future. There is scope for stronger advice and incentives for sub-regional working. These issues are considered in the recommendations below.

6.2 Recommendations on Advice and Incentives for Sub-Regional Working

6.2.1 Advice and incentives in relation to sub-regional inputs into Regional Spatial Strategies

Recommendation 1: CLG and Government Offices should encourage RPBs to provide a stronger steer and take a more proactive role in relation to planning policy-making at sub-regional level

A main finding in this report is that significant progress has been made over the past 2 to 3 years in the development of new approaches to planning policy making at sub-regional level. Progress has varied between regions, and some Regional Planning Bodies have encouraged and engaged with sub-regional working to a greater extent than others. There is a need for Regional Planning Bodies and GOs to continue take the lead in providing a strong steer on the benefits of sub-regional working, and to engage ever

more closely and proactively in policy development work at the sub-regional level.

In particular RPBs need to work with local authorities and partners to take the lead in:

- identifying, on a clear and consistent basis, suitable geographical areas for sub-regional working consistent with the sub-regions defined in the RSS, and promoting integrated policy development at the sub-regional level so that different sub-regions are not defined for different policy purposes;
- encouraging and helping resource the development of a robust evidence base to support sub-regional policy making;
- setting clear briefs for sub-regional work, clarifying the role, remit and scope of sub-regional inputs into RSS, the roles of relevant organisations, and the key core assumptions (i.e. forecasts, availability of resources, policy conformity) which should be consistent across different sub-regional policy inputs;
- engaging with the sub-regional policy-making process to enhance integration with the core (region-wide) approach in draft RSS (see bullet point above regarding consistency of assumptions), and wider policy and implementation frameworks (see recommendation 4); and
- encouraging a wider range of partner input into sub-regional working, beyond that of local authority planning officers.

Recommendation 2: CLG should consider producing a companion guide/good practice guide on sub-regional inputs into Regional Spatial Strategies.

There may be merit in production of a guide to include specific advice and good practice pointers on sub-regional inputs to RSS. This could set out advice and examples of existing good practice in relation to the points listed in recommendation 1 above. The guidance also needs to encourage integrated policy development at the sub-regional level so that different sub-regions are not defined for different policy purposes.

Recommendation 3: RPBs, RDAs, GOs and local authorities should work together to strengthen the evidence base at sub-regional level

It is important that a robust evidence base continues to be developed and applied to inform sub-region policy making, particularly in the following main areas:

- **Drivers for change, trend-analysis, forecasts and scenarios** – there is scope for greater use of longitudinal evidence on long-run past trends, causal factors (drivers for change), and forecasts (consistent with those underpinning the RSS and RES) scenario planning to inform planning policy making at sub-regional level¹⁰;

¹⁰ See, *Guide to Improving the Economic Evidence Base Supporting Regional Economic and Spatial Strategies*, ODP, September 2005.

- **Economy** – there is a need for a robust understanding of economic trends, issues and prospects specific to particular sub-regional areas, including analysis of employment land demand and supply (future updates to PPG4 and the Guidance on Employment Land Reviews¹¹ should provide advice on the sub-regional dimension);
- **Housing** – Housing Market Assessments are strengthening the evidence base, and will be useful in informing more wide-ranging policy approaches to housing; and
- **Transport** – spatial strategies at sub-regional level should be informed by analysis of transport issues, constraints and opportunities, and need to inform sub-regional and regional policies for transport investment and management.

Recommendation 4: Regional Planning Bodies, Regional Development Agencies and Government Offices should foster and encourage a more integrated approach to planning for housing and economic development at sub-regional level

It is vital that sub-regional spatial policy addresses housing and economy issues in an integrated way. In particular, there needs to be:

- a clear and prominent focus in sub-regional planning policy on delivery of the city-region/sub-region economic growth agenda;
- alignment between housing and jobs growth targets, informed by an understanding of commuting patterns;
- a more sophisticated understanding of the inter-relationship between a quality residential offer and economic competitiveness (encompassing factors such as housing range, quality, and value for money, as well as supply, within the wider context of quality of place)¹²; and
- reconciliation of different spatial approaches to planning for housing – housing market assessment areas have tended to be identified at a scale smaller than city-region wide, and this will need to be reconciled in practice, perhaps through more than one housing market areas nestling within a wider cub/city-region.

Communities and Local Government and BERR could require the RDAs and RPBs to work to a mutually agreed set of sub-regions, have a consistent evidence base, align their housing and jobs growth targets, and produce a shared implementation programme. The GO could act as a facilitator where needed.

There is a need to develop the framework through which local authorities work together to develop the evidence base and policy responses across different policy areas. There is a need for closer integration of work across different Regional Assembly Functional Boards. In some regions there needs to be more proactive and significant RDA engagement in regional and

¹¹ *Planning Policy Guidance Note 4: Industrial and Commercial Development and Small Firms* (Economic Development), published November 1992; *Employment Land Reviews: Guidance Note*, ODPM 2004

¹² See the work commissioned by the Northern Way Sustainable Communities Team on the North's Residential Offer

sub-regional planning. Government Offices could explore avenues for joint-working through the LDF process.

Recommendation 5: Communities and Local Government, GOs, and RPBs should promote the use the sub-regional policy in RSSs as a basis for securing better alignment of strategies, investment and delivery across different organisations and policy areas, including providing a framework for Multi Area Agreements

There is scope for sub-regional components of RSSs to fulfil a stronger and more prominent role in providing a framework for integration of the wide range of wider policies and investment planning that impact on sub-regions.

City-Region Development Programmes (CRDPs) seek to provide sub-regional frameworks for integration of policy and investment, as do sub-regional investment planning instigated by RDAs. These initiatives are not generally taken forward with clear reference to an overarching sub-regional planning policy framework. Much of this policy is non-statutory, with limited consideration of affordability issues

The spatial planning approach that is being instilled in RSSs is more strategic, wider ranging, and delivery focused than in the old-style RPGs.

Implementation of RSSs will need to be with and through a wide range of delivery and funding mechanisms, many of them beyond the traditional remit of the land-use planning system. RSSs, including their sub-regional policies, are independently tested, and are published as Government policy with genuine statutory weight. There is particular scope for sub-regional components of RSSs to:

- provide a clearer, more formal and realistic framework for the city-region development proposals set out currently in the CRDPs;
- provide an over-arching framework for Multi Area Agreements;
- help steer the development of stronger arrangements for sub-regional transport policy and delivery that are being considered currently by DfT;
- to provide a clearer framework for sub-regional investment planning for economic development to guide us of RDA single programme funding; and
- in time, to potentially provide a starting point for any further devolution of further funding powers and flexibilities to sub-regional level (this would provide a very strong incentive for sub-regional working).

Recommendation 6: Communities and Local Government should consider top-slicing some planning funding to be allocated to resourcing innovative approaches to sub-regional policy making

There may be merit in ring-fencing a modest amount of funding that can be made available to RPBs, or sub-regional groupings of local authorities and other partners to resource particularly important or innovative initiatives to develop sub-regional policy. This could provide Communities and Local

Government and GOs with leverage to fulfil a commissioning role in encouraging sub-regional working in particular areas or on particular topic.

Recommendation 7: Communities and Local Government should investigate whether and how a national spatial framework could be developed to provide a clearer steer for planning policy at regional and sub-regional level.

A national/pan-regional policy framework relevant to sub-regional planning policy has developed in the form of the Sustainable Communities Plan and the Northern Way initiative. However, there are important city-regions as well as sub-regions of strategic significance in accommodating growth that fall outside the coverage of these strategies.

There is a wider debate around whether there should be a National Spatial Strategy. Should Government decide to put in place a clearer, more formal national spatial framework, it could fulfil a useful role in identifying the key sub-regional areas of change for which more detailed sub-regional inputs into RSS would be encouraged as a priority. Communities and Local Government could identify the priorities for national housing and supporting infrastructure planning and work with other Departments to produce the necessary plans and programmes.

6.2.2 Advice and incentives for greater cooperation between local authorities on LDF production

Recommendation 8: Communities and Local Government should provide a stronger steer and advice and training on good practice in relation to LDF production through joint working, and investigate how barriers to joint-working can be overcome.

It is clear that Local Authorities face a number of practical, political and constitutional barriers to forming joint-committees to oversee production of Local Development Documents. There is a need to investigate the specific issues and problems, and identify what can be done to facilitate formation of joint-committees.

Given the difficulties in forming joint-committees, there is scope for encouragement of joint-working on specific stages of the LDF preparation process (which not require joint-committees), including:

- Joint Issues and Options reports;
- Joint Sustainability Appraisal;
- Joint-evidence base (ie employment land); and
- Annual Monitoring Reports (AMRs).

There is also scope for specific advice on joint core strategies and Area Action Plans that cut across administrative boundaries. A programme of member and officer training would assist in disseminating information and best practice.

Recommendation 9: Communities and Local Government, GOs and RPBs need to provide a stronger steer on opportunities where joint approaches to LDF production should be encouraged or required.

The RPBs should encourage local planning authorities to work together in the further development of RSS sub-regional policy through joint local development documents and its subsequent joint implementation and monitoring.

As part of their role in assessing Local Development Schemes, Government Offices should advise local authorities on the specific areas where joint approaches to LDF production are required. Regional Planning Bodies should do likewise, through their role in advising on conformity of LDFs with the RSS.

In some cases Communities and Local Government may wish to request formally that LPAs form joint committees and produce joint LDDs, backing this up if necessary with formal powers of direction in the 2004 Act, starting with a direction to amend the relevant LDSs under section 15(4). In addition Communities and Local Government could make clear that the new housing and planning grant would not be paid to the relevant LPAs unless they acted quickly in line with the direction to prepare a joint development document where this was relevant to housing delivery.

Recommendation 10: Use of Planning Delivery Grant (PDG) and Multi Area Agreements to incentivise joint decision-making/joint-working on LDF production.

Communities and Local Government should investigate using PDG to incentivise joint working on LDF production. This might involve introducing joint-working performance criteria, and earmarking an element of PDG accordingly. Evidence from the evaluations of PDG has shown that earmarking a relatively small amount of PDG can act as a significant and effective incentive in relation to performance against particular criteria. Communities and Local Government could require joint committees and joint LDDs as a condition for Local/Multi Area Agreements.