

## CHANGING REGIONAL AND CITY POLICY IN THE UK AND THE IMPLICATIONS FOR STATISTICS

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### Abstract

UK government policy relating to regions and cities has changed considerably in recent years. At the same time, there has been a significant shift in the strategic direction of the UK's official statistical system. Together, this has implications for the production and dissemination of sub-national statistics. This paper will consider the changing policy landscape over the last 20 years, the changing statistical environment, and finally show how the Office for National Statistics (ONS) are responding to these changes.

From the mid-1990's the policy focus was very much at the regional level. In 2010 the coalition government changed the emphasis from regions to more local areas, with regional bodies abolished and new organisations emerging. In the last couple of years, cities and city regions have become increasingly important. Most significantly has been the move to devolve powers and budgets to cities, with Greater Manchester leading the way. In November 2014 it was announced that it would have a directly-elected mayor and £1bn-worth of powers over transport, housing, planning and policing. Similar deals have been announced in other cities, and more are expected to follow.

In October 2014 the UK Statistics Authority launched its strategy for the 2015-2020 period. It stressed the need for our statistics to be relevant for making policy decisions, as well as informing public debate. It also recognised the opportunities presented by the data revolution (for example, increased use of administrative data), and the need to develop and implement innovative methods. Meanwhile, a recent independent review of economic

statistics has re-emphasised the need to improve the availability and quality of statistical information, especially with regard to measuring the economy of regions and cities.

ONS are evolving to meet the changing policy and statistical landscapes. Some examples of recent outputs providing data and analysis for evolving geographic areas such as city regions, major towns and cities and the 'Northern Powerhouse' will be presented while we will also discuss our future plans for regional, city and local statistics including a number of proposed new outputs together with improved timeliness and geographic flexibility in existing outputs.

## **Section 1: The Changing Policy Environment in the UK**

The election of a new coalition government in 2010 led to a major shift in regional policy in the UK, most notably in England. Prior to the election, regional policies in England had been carried out for a decade by Regional Development Agencies (RDA), with one RDA in each NUTS 1 region. Following the election, RDAs were abolished and in their place have grown Local Enterprise Partnerships, City Deals and local devolution agreements. This section provides a brief summary of these developments.

Regional Development Agencies were launched between 1998 to 2000, with one for each NUTS 1 region of England. Their roles included regeneration, taking forward regional competitiveness, taking the lead on inward investment and, working with regional partners, ensuring the development of a skills action plan to ensure that skills training matches the needs of the labour market.

The core activities of RDAs were financed through a Single Budget or "single pot", a fund which pooled money from all the contributing Government Departments (BIS, CLG, DECC, DEFRA, DCMS and UK Trade & Investment).

In abolishing the RDAs, the coalition government noted (BIS, 2010) that the NUTS 1 regions were an artificial representation of functional economies that therefore missed the opportunities that come from local economic development activity focused on functional economical areas. They also noted that they largely ignored the knowledge and expertise of the private sector, local authorities and their local communities and suggested the lack of local accountability for economic development functions also meant that local partners did not feel empowered to lead action to improve economic growth.

In their place, the government outlined plans for Local Enterprise Partnerships. The boundaries of these were to be developed at the local level and they were to be joint local authority and business bodies. 39 Local Enterprise Partnerships were eventually set up, with all local authorities in England covered (with 37 local authorities covered by more than one LEP – thus creating an unusual overlapping geography). LEPs are non-statutory bodies, and so have a great deal of discretion in how their membership is composed, though they must be chaired by a business person and at least half of their members must be from the private sector

The responsibilities of RDAs were not passed over wholesale to LEPs (House of Commons Library, June 2016) with some activities such as inward investment, innovation, and access to finance, returned to national provision. However, they retained responsibilities around determining investment priorities, housing delivery and enterprise zones within their overall aim of helping determine local economic priorities and lead economic growth and job creation within their local areas. Funding is currently largely via a Single Local Growth Fund. The LEPs submitted Strategic Economic Plans in 2014 after which funding secured by LEPs to 2020 was announced.

In parallel with the creation of LEPs, the government has also developed a policy of city deals. These are bespoke packages of funding and decision-making powers negotiated between central government and local authorities and/or Local Enterprise Partnerships and other local bodies (House of Commons Library, May 2016). Between 2012 and 2014, 26 city deals covering the largest cities in England were agreed. These have been followed in 2014 and 2016 with a small number of city deals for cities in Scotland and Wales. In England, meanwhile, these initial city deals have been followed in some cases by larger devolution deals (discussed below).

Throughout the process of creating LEPs and City deals, concerns over the appropriate economic geography have been an ongoing issue. In particular, it has been the case that for most of the major cities in the UK, since the abolition of Metropolitan counties in 1986, governance arrangements have not matched the economic geography with city region areas usually split across 5-10 local authorities with only limited co-operation between them.

One exception to this, however, has been Greater Manchester. In 1986 it set up The Association of Greater Manchester Authorities (AGMA) as a voluntary body bringing together the ten local authorities of the Manchester city region area. This track record of cooperation led to Greater Manchester becoming the first Combined Authority in 2011 and then being the recipient in November 2014 of the first English 'devolution deal'. As part of the deal, there will be an elected Mayor for Greater Manchester with the election due in 2017.

Most of the other large English cities have sought to follow this path towards a devolution deal. Devolution deals, based on newly created combined authorities bringing together the local authorities that make up the city region area, and involving directly elected Mayors, have been agreed for a number of city region areas namely Liverpool City Region, North East (which includes Newcastle), Sheffield City Region, Tees Valley, West Midlands (which includes Birmingham) and West of England (which includes Bristol).

While the devolution deals were initially focused on city regions, they have since been applied to other parts of England with three devolution deals agreed in the largely rural areas of Cornwall, Greater Lincolnshire and East Anglia. This brings the total number of deals to ten, involving a mixture of urban and rural areas and covering 30% of England by population. (CLG , May 2016)

The different deals agreed to date include a variety of powers, flexibilities and budgets agreed between places and Government across policy areas such as adult skills, employment support, business and enterprise support, planning and housing and transport infrastructure and franchising. Additionally, in autumn 2015 the Government set out its plans to allow local authorities, by the end of the Parliament, to retain 100% of business rates, as part of a move towards the full local financing of local services. (CLG , May 2016).

The above summarises most of the key policy developments of recent years. One other development has been the creation of the "Northern Powerhouse". This is a concept introduced by the Chancellor of the Exchequer alongside the policies of devolution and city deals, that aims to deliver improved economic growth in the North of England by pooling the strengths of its cities and towns such as Manchester, Leeds, Sheffield and Liverpool, particularly through improving transport links between the cities.

Finally, it should be noted that this section has concentrated largely on policy in England as this is where changes in regional policy have been most apparent over the past six years. There are already devolution agreements in existence for Northern Ireland, Wales and Scotland dating back to the late 1990s.

## **Section 2: Recent Developments in UK Statistics**

Parallel to the changes occurring in UK regional and cities policy have been changes to the way the UK's National Statistical Office, the Office for National Statistics (ONS) has been approaching the challenges of providing robust and useful statistics and analysis.

During the period in which Regional Development Agencies (RDAs) existed in the UK, there was quite a strong emphasis by ONS on providing regional data and analysis. This was exemplified by ONS setting up a regional statistician service in 2007 in which each of the nine English RDAs had two ONS statisticians working directly on their behalf, located in the offices of each RDA, in order to provide relevant statistics and analysis to the policymakers in each Agency. This service had been one of the recommendations of the Allsopp review of regional statistics published in 2003 that had made a series of recommendations for improving UK regional data (Allsopp, 2003).

In 2010, however, came the announcement that the Regional Development Agencies were to be abolished as were the Government Offices for the Regions. Even the production of regional (NUTS1) statistics was abolished in the government department responsible for local government. In this environment, and with the UK in a period of economic austerity, the focus on producing regional and local statistics and analysis in the UK declined. The regional statistician service came to an end as the RDAs were abolished, while the long-running Regional Trends publication was also terminated. Regional and local statistics continued to be produced in the UK, but they were not being seen as a priority making efforts to improve their breadth or quality difficult during this period.

Since 2014, however, policy developments such as the 'Northern Powerhouse' policy and devolution deals (see section 1) have seen an increased priority given to UK regional, cities and local statistics. Furthermore, there have also been some changes to the way UK statistics

are being produced, and will be produced in future, that are bringing around significant changes in the availability of regional and local data.

In October 2014, a new strategy for UK statistics was published. Bringing together the three strategies previously published by the UK Statistics Authority (UKSA), ONS and the Government Statistical Service (GSS) into a single strategy, the document set out our collective mission: to provide high quality statistics, analysis and advice to help Britain make better decisions. (UKSA, 2014)

The document set out a clear change of emphasis in the role of statistical producers in the UK. The strategy stressed the need for us to be 'helpful', to produce statistics and analysis that inform decision making and support democratic debate, and in particular to earn a seat at the table where important decisions are being made. Being a passive producer of statistics is not enough; we now have to make sure the statistics are being fully communicated, particularly to those with responsibility for making policy decisions.

A clear inference from this is that if more policy decisions are being made at a city or local level, then for ONS to fulfill this remit it is necessary for us to be producing statistics and analysis that are helpful to these local policymakers. Additionally, to have a seat at the table as devolved decisions are made requires a commitment to listen to the needs of local users and to seek to engage fully with policymakers across the country.

The shift towards a renewed significance for regional/local and cities data in the UK has been further heightened by the Independent Review of Economic Statistics, led by Professor Charlie Bean of the London School of Economics. This review, commissioned by the Chancellor of the Exchequer, had amongst its aims to "assess the UK's future (economic) statistics needs, in particular relating to the challenges of measuring the modern economy". The interim report was published in December 2015 and the final report in March 2016 (Bean, 2016).

The need to improve 'inadequate' regional statistics was one of the key recommendations of the final report. The report was realistic about some of the cost implications of improving statistics via the traditional sample survey methods. However, it recommends ONS look at the potential for alternative data sources, particularly administrative data, as a means to expand the availability of regional and local data and fill some of the gaps that currently exist.

Following the publication of this review, ONS published the first edition of its Economic Statistics and Analysis Strategy (ESAS) (ONS, May 2016). Overall, the aim of the strategy is to make explicit ONS's perceived priorities in order to allow greater scrutiny and assurance that these (priorities) are the right ones. In addition, this ESAS will allow research and development priorities to be laid out, making it easier for external experts to see the areas where ONS would be particularly keen to collaborate.

'Meeting the growing demand for statistics at regional and other sub-national geographies' is one of the key areas of focus for the strategy. As the report states, "The underlying rationale for what ONS does, including publication of its economic statistics, is that they help decision makers make better decisions. If they are to continue to fulfil that role, such statistics must keep pace with changes in the requirements of decision makers. Different users will have different needs, which can only be met by providing information at below the aggregate level".

This overall strategy was followed later in May 2016 by a document published by ONS titled "Supporting devolution: developments in regional and local statistics" (ONS, May 2016). This article presented a brief summary of the main developments that we are working on over the next few years to provide a solid information base for regional and local decision-making in this new era of devolved policy-making (see Section 3 for more details).

### **Section 3: How ONS regional/local statistics are evolving.**

This section focuses on some of the recent work carried out by ONS to provide useful data and analysis within the changing policy environment described in section 1. It then provides details of our plans for the next few years.

#### *Recent Work*

One of the developments in regional and local statistics in recent years has been producing data for the newly created Local Enterprise Partnerships. This has proven to be quite a challenge at times mainly because there is an overlapping geography with some local authorities belonging to more than one LEPs. Furthermore, while the majority of the LEPs have boundaries based on local authority boundaries, two do not. Despite these issues, most

ONS economic and business data has been made available for LEPs and used widely in economic planning by the partnerships.

The growth of the 'Northern Powerhouse' policy and the rising importance of City regions in the policy environment have also led to a need for new data and analysis. ONS have produced some ad-hoc articles in response. In November 2014, an article examining economic data in the North of England was produced. It showed how the region lags behind the UK overall, but also showed how the trends have a long history. For example, it showed that the North's share of England's population was at its highest back in 1911 (ONS, November 2014).

An article on city regions followed in July 2015. This highlighted the size and economic performance of the emerging city region areas as the process of creating combined authorities and devolution agreements was underway. The article shows that the combined economic output (GVA) of the eight English city regions included in the report was still slightly below that produced by London. In terms of performance within the city regions there was a divergence with Bristol in the South West of England typically having economic indicators at or above the UK average while the city regions in the north and midlands of England were typically below the UK average. (ONS, July 2015).

Alongside producing data for city regions and Local Enterprise Partnerships, we have been aware for some time that we have lacked an easy to use geography of major towns and cities in the UK. Typically, when asked for data for a specific town or city, we have had to provide data for the relevant local authority. However, there was often only a very weak association between the boundaries of the local authority and that of the actual built up area of the town or city. Therefore, in early 2016, we produced an experimental Major Towns and Cities geography to capture all 112 towns and cities in England and Wales with a residential or workday population of above 75,000. The first article produced using the geography provided data on house prices, on deprivation (via the UK's Index of Multiple Deprivation) and on a range of census data (ONS, March 2016). Due to coverage of the article on the BBC website, the article attracted a huge amount of interest.

In addition to the above, ONS have continue to produce a series of regular outputs providing data for regions and local areas including annual publications on Gross Value Added, Gross Disposable Household Income, Subregional Productivity and Business Demography, as well



as monthly bulletins on the labour market. Other ad-hoc outputs, responding to users' needs, have also been published including analysis of the proportions of employees paid below the living wage in London and the rest of the UK.

### Planned Work

Following the recent policy developments and the publication of the Bean Review on economic statistics, ONS plan a series of improvements and extensions to UK regional and local statistics. The changes aim to improve the timeliness of some of the key data, to extend the range of data and analysis produced and to provide enhanced flexibility for calculating data for different geographies. We will also be increasing stakeholder engagement to ensure we are meeting the increased policy needs from cities, local areas and national government. A fuller discussion of current plans is available in the publication "Supporting devolution: developments in regional and local statistics" (ONS, May 2016). A shorter summary is provided below.

There are a number of improvements planned to regional accounts including a balanced regional Gross Value Added (GVA) measure, combining income and production measures, which is to be produced by December 2017. This will underpin the dissemination of greater industrial detail (2-digit SIC level) at the NUTS1 and NUTS2 levels in both nominal and real terms, and greater detail of the nominal components of income down to the NUTS3 level.

Another planned development of the regional accounts is a first publication of household final consumption expenditure and regional savings ratios. This is an extension to the regional Household Account (which currently ends at Gross Disposable Income) to provide estimates of what households are consuming, and therefore what is left over for saving. This will complete the picture of the economic impact of households across the UK, providing valuable information to inform policy and investment decisions.

To meet demands for greater timeliness, ONS plan to return to producing regional short term indicators following a pilot back in 2010. This involves quarterly output indicators for the NUTS1 regions of England, providing timely estimates of regional GDP (in chained volume measures) and allowing direct comparisons with the existing indicators produced by

the devolved administrations (Scotland, Wales and Northern Ireland). In addition to GDP they will include a detailed industry breakdown (2- and 3-digit SIC).

Another new publication will be annual Country and Regional (Sub-UK) Public Sector Finance statistics. The aim of these statistics will be to provide an overview of the public sector finances for UK countries and regions. This will allow users to see what expenditure has occurred for the benefit of residents or enterprises in a particular country or region and what revenues have been raised in a particular country or region. This will help to fill an existing gap in current statistical provision in this area.

Also in development is a pilot project seeking to produce regional (NUTS 1) data for exports of services from the UK. At present, data is only available on a regional basis for exports of goods. However, with the UK increasingly a service orientated economy, there is a clear requirement for data on services exports and experimental statistics will be published on this later this summer.

In addition to all of the above, ONS will be closely examining ways in which new data sources, whether administrative data sources, open data or big data, could help expand the range and quality of local and regional statistics. This is a key recommendation of the Bean Review of Economic Statistics, which recognised that the traditional method of obtaining improved regional data, via increasing sample sizes, is often only possible at significant financial cost. Therefore, there will be a focus on investigating options for using alternative methods. Greater use of administrative data in particular is likely to lead to new outputs and new methods of production in the coming years.

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