

To	Christopher Allsopp
From	Marc Stephens, Head of Strategy, Policy & Intelligence
Subject	LDA Contribution to the Allsopp Review
Date	17 <sup>th</sup> July 2003
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**MESSAGE**

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**Introduction**

Thank you for this opportunity to contribute to your Review. We are also submitting an LDA contribution to a joint RDA paper currently being coordinated by One NorthEast. In addition GLAEconomics (funded partly by LDA) has already submitted a technical paper to your Review on 6<sup>th</sup> June. This is attached in Annex A and the LDA endorses the points made in that paper.

The LDA needs accurate and timely regional data to:

- monitor our Tier 2 targets (region-wide RDA performance targets);
- define and shape delivery of our area, sector and regional programmes; and
- establish a clearer and a more timely picture of economic change at regional and sub-regional levels for briefing and research.

In the absence of adequate or timely regional data, the LDA independently commissions work to overcome these gaps (e.g., the forthcoming London Business Survey will allow us to assess a range of variables including productivity). This is necessarily an expensive route.

This response focuses on the data requirements for performance monitoring purposes. We are currently in the process of completing our Tier 2 annual reporting exercise for 2002/3 (as part of RDA's statutory annual reporting requirements), and Tier 2 targets provide a natural list of key regional data requirements.

The table in Annex B is a brief summary of some of the key data issues we have recently come across. The Table illustrates there are a broad range of regional data issues including the lack of adequate regional GDP and price indices, as well as insufficiently disaggregated labour market and business activity variables.

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## Key Points

- At present there is no complete, official, up-to-date measure of GVA on a regional or sub-regional basis. This is vital to accurately measure the economic performance of the regional economy (a specific requirement in our Tier 2 targets) on both a residence and workplace basis- particularly important in areas such as London with high commuting patterns. There is also a need to break down these measures into the main accounting aggregates (the C+I+G expenditure approach being most appropriate). Data should also be made available at as small a geographic area as possible.
- To support analysis of regional and sub-regional economies in London, there is a greater need for more extensive data below local authority level. At present, such data sets are extremely sparse not to mention unreliable. The provision of current regional variables at a ward level (especially more detailed labour market data) would prove invaluable for performance management, research and briefing.
- In particular there is scope for boosting regional sample sizes (by area or group) relatively quickly and at little cost. Examples where this could be done include the Labour Force Survey or Family Resources Survey.

## Additional Points

- There is a need for Government to continue to communicate the importance of the regional data dimension to bodies such as the Higher Education Statistics Association and Basic Skills Agency, and help these organisations to produce data on a regional and timely basis. The Bank of England could also be in a position to provide regional lending data.
- Changes to data definitions over time make analysis and performance monitoring extremely difficult – particularly where it involves changes in baseline definitions (e.g. changes in ward boundaries; changes in benefit entitlements, changes in measuring basic literacy and numeracy skills). It is important that any future administration changes take this into account and look to minimise the extent of this as much as possible.
- There are often gaps between the scope of official measurements / definitions and the requirements implied by RDA targets. One example is the use of regional Gross Value Added rather than real GDP per capita to measure Sustainable Economic Performance. Another example is ODPM data on new dwellings completed, which exclude conversions whereas RDA targets include them. Future work should seek to realign RDA targets and measures as far as possible.
- There are some indications that certain databases (such as ABI) could become more confidential and difficult to obtain. We accept that there are possible commercial sensitivity issues associated with regional datasets, but moves to further restrict access would be regressive and make an already difficult task of small area analysis and performance management even harder.

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- Measuring deprivation raises additional and complex issues in urban areas like London. The London Index of Deprivation (LID) attempts to capture some of these additional issues. In particular IMD 2000 poses a number of problems in London including:
  - It includes a measure of geographic inaccessibility (the Geographical Access to Services domain) i.e how far people have to travel to get to certain services such as a Post Office or a GP, which is more relevant to rural areas than urban areas. This is because distance travelled to services does not necessarily correspond with the true accessibility to services in urban areas as it ignores factors such as dependence on public transport and the quality of the services provided. This results in the anomalous situation where the generally more affluent outer London boroughs come out as more deprived on this measure.
  - It does not include domains that are relevant to urban areas e.g. relating to crime, the environment and housing affordability
  - It uses some questionable mathematical/statistical procedures
  - The use of these procedures makes the construction of the index over-complex and opaque, and therefore difficult to replicate

The Mayor has therefore constructed and proposed the adoption of a new index for London, the London Index of Deprivation (LID). A paper discussing some of these issues is attached in Annex C.

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## Annex B: Tier two target measurement issues

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*(Measurement variables in italics)*

### **Sustainable Economic Performance:**

*Workplace GVA per Capita, GVA by sector, businesses owned by BME, women and disabled people*

- No official up to date measure of workplace or residence based constant price GVA at a total or sectoral level. Apart from LDA business survey, no reliable up to date data on BME, female or disabled owned businesses (Labour Force Survey sample size for this is too small to act as monitor).

### **Employment:**

*Employment rates for women, BME, disabled people and other regions/large cities, disparities within London*

- Sample size problems in quarterly Labour Force Survey (LFS) make it difficult to evaluate changes in minority groups (Disabled, BME etc) at the regional level, and for all variables at the sub-regional level. The annual LFS dataset is subject to a one-year time lag.

### **Productivity:**

*GVA per hour worked*

- No up to date official constant price data available from official sources.

### **Enterprise:**

*Number of people considering going into business, productivity of small firms, number of self-employed people, VAT registered businesses*

- VAT registered business data not very up to date and difficult to obtain at the ward level. No official statistics for productivity of small firms on a regional basis at present. No frequent official data on the number of people thinking about going into business at present.

### **Investment:**

*Level of FDI into the region*

- Data from Invest UK provides info on FDI projects in the UK by region, but no appropriate, timely, official source for new domestic investment on a regional basis (would serve as a useful indicator).

### **Regeneration:**

*Income Support claimants and Job Seekers Allowance claimants, Household Income*

- Data for income support claimants at ward level (targets based on change in small areas within the region) very out of date and not updated very frequently. Job Seekers Allowance claimants not an accurate measure of unemployment and no up-to-date ward level population data available to derive rates. Changes to ward boundaries also have implications for data consistency. Year on year changes in official household income data unreliable due to sample size problems (changes fall within levels of variance).

### **Urban:**

*Air quality per annum, employee jobs, number of homes, vacancy level as a proportion of retail stocks*

- No official data on air quality available (use of GLA projections at present means inter region comparisons hard to make). Employee jobs taken from Annual Business Inquiry (ABI) with and thus is subject to a one-year lag. Also definitional problems with these targets. Data on homes and land use taken from GLA and ODPM (ODPM planning data not broken down by end use class, GLA data used instead, therefore inter region comparisons difficult).

### **Physical Development:**

*Hectares of Brownfield land reclaimed per annum*

- Data for Brownfield development taken from ODPM and National Land Use Database. However, data does not include info on conversions.

### **Skills:**

*Educational Achievement, Basic Skills/Learning Opportunities, access to Further Education, NVQ levels*

- Small LFS sample sizes makes it difficult to evaluate changes in the in NVQ levels in specific age groups (targets are based on residents aged 21 years or under) and ethnic groups. Basic skills survey (Basic Skills Agency, DFES) will not be repeated in present form and therefore there are future discontinuity issues. Official data on learning opportunities of under-represented groups and access to FE restricted for confidentiality (collated by Learning Skills Councils).

### **Innovation:**

*Innovation active firms, number of spin-offs from the knowledge base, R&D spend, patents granted, increase in employment in knowledge intensive sectors.*

- Five-year time interval in firm level innovation data (DTI UK innovation survey). Spin-off data also has a significant lag of around 2 years (HEFC Business Interaction Survey). R&D expenditure also has a lag of around one year (ONS). Patent office data has lag of one year (Patent office annual report), and is also subject to geographical issues (where patent is registered possibly different to where work is done). ABI employment data also subject to one year lag.

### **Equality and Diversity:**

*No specific measurements at present*

- Equality and Diversity issues run throughout tier two targets, but information related to these issues is sparse, and usually affected by sample size problems (a frequent problem when dealing with minority groups).

### **Development of Social Enterprise:**

*No specific measurements at present.*

- No specific survey or official data (or regional proxies available) that could be used to evaluate this at present.

### **Green Economy:**

*Employment in the green economy in London, carbon intensity of economic activity*

- Employment data subject to a one-year lag. No official data on carbon intensity of economic activity or amount of waste arising and landfill in London (we shall be taking our data from the London Sustainable Development Framework).

## **Annec C. Review of IMD2000 (LDA comments)**

### Backwards/Sideways Compatibility

Backwards compatibility would mean that the new index would be comparable with previous versions. Sideways compatibility would mean the new index would be comparable with indices produced for other regions eg the Index of Multiple Deprivation for Wales and the Multiple Deprivation Measures for Northern Ireland. NRU proposes to change the Index of Multiple Deprivation irrespective of backwards or sideways compatibility to ensure the most up-to-date, relevant and accurate measure of multiple deprivation is obtained. NRU has asked for views on this and whether ODPM should consider undertaking work on the issues of backwards/sideways compatibility.

#### *LDA view*

*We agree it would be acceptable to sacrifice backwards/sideways compatibility to ensure the best measure of multiple deprivation is obtained. However, we would like the issues of backwards/sideways compatibility, and particularly sideways compatibility, to continue to be looked at, and in the longer term would ideally like to see a harmonised index of deprivation covering other regions/areas of the EU. This would be particularly useful for the LDA as it would enable comparisons with other major cities in Europe. We therefore feel that the ODPM should particularly consider undertaking work on extending the sideways compatibility of the index.*

### Format in which the index is released

NRU proposes to retain the existing format of releasing an overall index and indices for the individual domains and has proposed two additional domains on (1) crime/social order/social environment and (2) physical environment. NRU has asked for views on the format in which the index is released and whether any other forms of deprivation should be considered.

#### *LDA view*

*We feel the existing format of releasing an overall index and indices for the individual domains should definitely be retained so that the sources of deprivation can be identified and so that the individual domains or combinations of particular domains can be used for specific purposes. For the same reasons we would also like to see the data all the way down to the individual indicator numerators and denominators made readily available.*

*We also feel that in addition to the new domains already proposed it could be useful to look at the possibility of including a domain covering the constraints certain groups face in setting up and operating businesses eg the constraints members of BME groups may face in accessing appropriate finance.*

### Existing Domains/Indicators

NRU has proposed certain changes to the indicators used in the existing domains as a result of new data becoming available and views expressed about the previous indicators. NRU has asked for views on these proposals.

### Income

This domain in IMD2000 uses 9 indicators including the number of people living in families receiving Family Credit and the number of people living in families receiving Disability Working Allowance (DWA). Family Credit and DWA were replaced in 1999 by the Working Families Tax Credit (WFTC) and Disability Tax Credit (DTC) respectively. NRU would also like to base this domain on the definition of income deprivation of people living on incomes 60% below median income as is used by Eurostat and widely used by academics. The following two new indicators have therefore been proposed for this domain:

- People living in WFTC households who have an equivalised income of less than 60% of national household income before housing costs

- People living in DTC households who have an equivalised income of less than 60% of national household income before housing costs

*LDA view*

*We agree with the proposed changes to this domain, although see also our comments on the housing domain below.*

### Employment

This domain in IMD2000 uses 5 indicators.

NRU has proposed that the indicator measuring unemployment claimant count should be based on April 2001 for consistency with the 2001 Census data. This would also overcome the problem in IMD2000 of the claimant count being an average of May 1998, August 1998, November 1998 and February 1999 claimant counts and therefore not being completely consistent with the other indicators which were based simply on August 1998 data. (The August 1998 claimant count by itself was not used as unemployment in August is usually at a seasonal low.)

This domain aims to measure involuntary employment deprivation and therefore NRU has proposed that people on compulsory non-work New Deal scheme should now be included in this domain. The following two new indicators have been proposed:

- People on New Deal for the under 25s

- People on New Deal for 25+

*LDA view*

*We agree with the proposed changes to this domain.*

### Health

NRU discusses including new indicators on mental health and health behaviours (people endangering their own health through smoking etc). No specific proposals are made.

### Education

NRU discusses including new indicators on working age adults with low or no qualifications and educational performance at 16. They also discuss the possibility of splitting the indicators in this domain to produce separate sub-domains for adult and child education deprivation. The adult education deprivation sub-domain would be based on the number of working age adults with low or no qualifications.

*LDA view*

*We agree with the proposed changes to this domain. We would also like to see separate sub-domains produced for adult and child education deprivation given our tier 2 target relating to adult education ie the general requirement to improve the level of qualifications of the workforce and the specific LDA target to increase the number of people obtaining Basic Skills qualifications.*

### Housing

NRU discusses using new data to define housing deprivation in terms of suitability of housing and the condition of housing better. It also discusses the conceptual and measurement issues of including some measure of housing affordability but does not make any specific proposals.

The main conceptual difficulties of including a measure of housing affordability raised is that it should take into account the fact that the higher cost of housing may be offset by the value of the asset when it is purchased.

are: (1) if it includes and (2)

#### *LDA view*

*We agree with the proposed changes to the existing indicators for this domain. However, we feel the conceptual and measurement issues of including an indicator for housing costs/affordability, or even possibly a separate domain, should definitely continue to be looked at as this is a significant source of disadvantage for certain groups. We feel that some measure should be considered for the high costs of purchasing or renting housing faced by people on low incomes. The measure should make some account for people's incomes and their existing assets, whether in housing or other forms, although we recognise that it may be difficult to measure assets and they may anyway be correlated with income. However, if some measure of income/assets is included then it should avoid double counting elements already included in the income domain while at the same time avoiding the possibility of giving perverse results such that prosperous areas with generally high house prices are shown as more deprived.*

*There is also the problem of measuring the 'true' difficulty of obtaining housing in an area as those people who cannot obtain housing will, by definition, not be living in the area. This problem might possibly be addressed by applying eg borough level data on housing costs and people on low incomes to individual wards.*

#### Geographical Access to Services

This domain in IMD2000 measures access to post offices, large food shops, GP services, and primary schools. NRU considers the possibility of using a road distance travelled measure of access to services rather than the existing 'as the crow flies' measure. It also discusses including access to Job Centres, transport hubs, and acute hospital services and the possibility of including other barriers to access to services such as language.

#### *LDA view*

*We believe this domain has serious problems as it can lead to quite spurious conclusions about the distribution of deprivation. For example outer London areas which are generally less populated but are more well off are shown as being more deprived under this domain than inner London areas. The suggested changes to existing indicators in this domain and suggested new indicators result in only a minor improvement and do not address the underlying problem and in one case (the proposed access to transport hubs) may exacerbate the problem. We feel measures of other barriers to access to services such as language, access to public and private transport (eg through car ownership), provision of disabled access, and measures of the necessity to travel should definitely be investigated. This domain should therefore be either replaced by a domain that is some way measures the true accessibility to services not merely geographical accessibility or dropped from the Index of Deprivation.*

#### New Domains

##### Crime/Social Order/Social Environment

No crime domain was included in IMD2000, however, NRU is considering whether data now available will make it possible to include one in the new index. NRU discusses the possibility

of using data that covers all crime experienced rather than just crime reported and the difficulties arising from the fact that victims of crime and/or the perpetrators may not live in the area in which the crime was committed. The possibility of extending this domain to cover more general issues of social order/social environment is also considered.

*LDA view*

*We feel the inclusion of a new domain measuring crime and/or social order/social environment would be useful as these can be significant sources of deprivation particularly in urban areas. However, we would want to be confident that the measure of crime, and particularly the measures of social order/social environment, are objective and clearly defined as a source as deprivation.*

#### Physical Environment

No physical environment was included in IMD2000, however, NRU is considering whether data now available will make it possible to include one in the new index. The aim of this domain would be to measure adverse effects of poor physical environment such as the physical appearance of the local environment, air quality etc. The issues of whether where people work should be taken into account and whether indicators such as air quality should be included under, for example, the health domain are discussed.

*LDA view*

*We feel the inclusion of this domain would be useful provided that, similar to the proposed crime/social order/social environment domain, objective and clearly defined measures of deprivation can be obtained. If this cannot be done then any indicator that is felt to be useful should probably be included in one of the existing domains (for example, the measure of air quality might, as suggested, want to be included in the health domain) rather than have a separate domain that measures only very limited or specific aspects of deprivation caused by the physical environment. We would be particularly concerned that any availability of land for recreation and physical appearance of the area indicators should be qualified carefully so as to, for example, distinguish between recreational land that is generally accessible to the public and private golf courses. Possible other indicators are the costs of clearing up on-road litter and/or fly tipping and the amount of wildlife in an area.*

#### Data Time-Line

NRU suggests using April 2001 as the base date for the new index for consistency with the 2001 Census. This would allow Census variables to be used in the new index without compromising the temporal integrity of the index and similarly would allow Census data to be used for the denominators of the various indicators.

*LDA view*

*The proposal to base the index on the same date as the 2001 Census seems sensible.*

#### Geographies

NRU suggests using the new 2003 ward boundaries rather than the 1998 boundaries.

*LDA view*

*The proposal to use the 2003 ward boundaries rather than the 1998 boundaries seems sensible even though it may lead to some delay in producing a new index, and especially if the new index would not be updated again for a number of years.*

#### Spatial Scale

IMD2000 is produced down to ward level. The possibility of producing figures for sub-wards areas is discussed.

*LDA view*

*We feel that the indices should be produced down to as small as possible area consistent with non-disclosure of confidential or sensitive information so that the possibility of missing any pockets of deprivation is minimised. This is particularly important for urban areas with high levels of population density. We would also like to see a measure of intensity of deprivation, or concentration of deprivation, analogous to the measure produced for IMD2000, produced for each of the smallest published areas. This would be possible without disclosure of confidential or sensitive information if the data for each of the smallest published areas is aggregated from even smaller areas (eg Output Areas).*