

The Allsopp Report on Statistics for Economic Policymaking: A response from the ODPM Town Centres team.

Summary

1. The Allsopp Report raises the prospect of significant revisions to the ABI. Our experience of using ABI data on our town centres project has raised some issues regarding the small area estimates generated from the ABI, as outlined in this two-page note, which also highlights some problems in the methodology and some potential improvements that could be made. An Annex supplies further details regarding the town centres project.
2. **In summary, we feel that the methodology used in the estimation of the ABI turnover statistics is deficient, and that any sub-national estimates are likely to be inaccurate. The methodology would be significantly improved by the inclusion of retail turnover data at LU level in the IDBR. Although an increase in sample size will improve regional estimates, it is unlikely that the proposed increases will significantly improve turnover estimates for small areas such as those used in the town centres project.**

Background

3. ODPM has an on-going project that aims to produce statistics and boundaries for areas of town centre activity. One of the main policy drivers of this work is to provide accurate retail information for planners to fill the void created by the loss of the Census of Distribution. There is a huge demand for detailed business statistics based on meaningful, flexible geographies - statistics tend to be released relating to population-driven boundaries, which do not necessarily satisfy the real-world need. The town centres project aims to address part of this need. We have been using ABI employment statistics in the model that generates the boundaries, and producing statistics on employment and floorspace for the areas of town centre activity.
4. The data from the ABI that we were initially trying to use also included turnover statistics. The initial aim of this project was for a national publication of aggregate statistics for turnover, employee jobs and floorspace for Areas of Town Centre Activity.
5. However, with the production of the national statistics it became clear that the turnover data were not as robust as initially hoped. During the quality assurance consultation phase with local authorities and industry experts, feedback suggested that there were significant errors in the turnover data.
6. The methodology for producing small-area estimates of turnover from the ABI is exactly the same as that for producing the employment estimates. In essence, a regression model apportions turnover data from each Reporting Unit (RU) return - usually for a business as a whole - to the associated Local Units (LU) - the individual stores, for example. The apportioned LU information is then combined with LU information from the IDBR to create a complete set of LU information, which is grossed up and scaled.
7. The apportionment of RU data to LUs works by using "smaller" RUs (in terms of employment or number of LUs) to mimic LUs for the purposes of setting up a regression model. Different weights are used for each variable covered by the ABI but ultimately the regression model allocates an RU return across its LUs based on region, industry and employment sizeband. Hence the turnover allocation will ultimately be allocated mostly by employment at the LU, but taking account of turnover performance within the same industry, region and employment size band.
8. However, this will not create accurate estimates of turnover for small areas since it is not possible to estimate a store's turnover based on its employment. Turnover allocation would be more accurate if it could be apportioned directly according to turnover data,

rather than employment data, at the LU level. However, turnover data is not held at LU level on the IDBR, so this is not possible.

9. A particular example of the estimation problem would be to consider town centre stores and out-of-town stores. A retailer may have a store in a city centre, and another in a retail centre on the edge of the city. These two LUs are in the same region and industry and may well have a similar number of employees. However, the retailer would not expect the same turnover from the two stores since out-of-town retail centres tend to be more efficient and deal in larger (more expensive) goods.
- 10. As a result of these differences in productivity, which the regression model is unable to account for, the turnover estimates for LUs from the ABI were highly inaccurate, leading to unreliable estimates of turnover for the areas of town centre activity. For the larger employers in the retail sector at the very least, store-by-store turnover data is available on a daily basis. We find it surprising that this readily available source is not utilised in the ABI.**
11. The nature of the regression model used to distribute the total turnover figure from RUs to LUs is such that it uses information from businesses with less than 3 LUs or less than 100 employees. In London, this will include some large enterprises with only one site but high turnover and many employees – in particular, Harrods, Selfridges, Harvey Nichols – with the result that the proportion of turnover in London is consistently over-estimated by the model. So a business with stores in London will have more of its total turnover figure allocated to its London stores, and since the totals are protected, comparatively less will be allocated to its stores across the rest of the country.
12. A critical factor to bear in mind is that, since the reporting unit totals are maintained, any error in allocating these figures to the local units across the country will have to be mirrored by a compensating error elsewhere. Hence, if London is over-estimated then other regions must be under-estimated, or similarly if out-of-town centres are being consistently under-estimated, then town centre stores are being over-estimated.
- 13. In addition, we have compared data from a reliable commercial source with the data generated from the ABI on a store-by-store basis and the results confirmed that the data from the ABI was highly inaccurate at the individual LU level. The data is simply not accurate enough for our purposes, and indeed would seem likely to be inaccurate right up to the regional level.**
14. The employment data is more robust because, unlike the turnover data, it can be estimated directly from employment data at LU level held on the IDBR. We feel that it currently represents a reasonable best estimate for small area statistics for use in this project. Whilst we have some concerns about possible area-based errors, we feel it is safe to proceed using this data in the model to produce the boundaries and in the statistics.
15. However, given that some of the regional issues highlighted with the turnover data can still impact the quality of the employment data, we feel it is important to put clear caveats on our data.
16. This is an on-going project, and there are issues that have not yet been fully resolved. ONS are still investigating the employment data to ensure that it is robust enough to be published, and we have continuing concerns regarding the statistics we are producing for out-of-town retail centres. In addition, we are working to develop a disclosure tool that would allow users to specify and extract statistics for their own boundaries.
17. There is no obvious reason why estimates for out-of-town retail centres should be any less accurate, where ABI employment is concerned, than estimates for the rest of the

country. Provided the centres have been established for some time, so that the IDBR has had time to catch up with developments, the estimates should be as robust as those for town centres. ONS are looking into the apparent problems.

18. For the larger employers in the retail sector at the very least, store-by-store turnover data is available on a daily basis. We find it surprising that this readily available source is not utilised in the ABI. If the larger retailers provided local unit turnover data to complement the data available on the IDBR, surely this would provide a good basis from which to work towards the production of national retail turnover estimates? It would certainly improve the methodology for generating small area estimates of turnover. Since accurate information of this nature is of great interest to retailers, it would also seem likely that they would co-operate fully with such a request.
19. In addition, since out-of-town centres are a particular problem if turnover estimates continue to be based on employment, it may be helpful to separately identify these areas to enable some alternative treatment of the data. The model underlying the town centres project would provide a means for doing this.
- 20. In summary, we feel that the methodology used in the estimation of the ABI turnover statistics is deficient, and that any sub-national estimates are likely to be inaccurate. The methodology would be significantly improved by the inclusion of retail turnover data at LU level in the IDBR. Although an increase in sample size will improve regional estimates, it is unlikely that the proposed increases will significantly improve turnover estimates for small areas such as those used in the town centres project.**

More information on the town centres project is available on the ODPM website at:
http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=2665&l=2

The email address for information is towncentres@odpm.gov.uk
Some additional information is included in the attached Annex A.

Annex A

Background to the project

1. The Office of the Deputy Prime Minister (ODPM) is committed to improving the availability and quality of retail statistics in line with the recommendation in the Government Response to the Parliamentary Select Committee report on Shopping Centres and their Future (1995), which was to develop "a nationally consistent system of retail data collection to be published at regular intervals", which "should reduce significantly the costs being incurred in Public Inquiries and impact studies".
2. The main information requirements were for data on floorspace, employment and turnover of retail outlets for town and other shopping centres. The Valuation Office Agency (VOA) collects floorspace information on individual properties as part of the non-domestic rating valuation. The Office for National Statistics (ONS) collects employment and turnover data from individual business in its Annual Business Inquiry (ABI).
3. At the start of this project there were no consistent definitions or boundaries for town and shopping centres for which statistics from these data could be produced, and appropriate statistical boundaries needed to be defined. The Department took this work forward, and undertook some preliminary research. The first stage was a feasibility study, commissioned from the Centre for Advanced Spatial Analysis (CASA) at University College London, and the Urban and Economic Development Group (URBED), which would investigate the generation of consistent statistical areas of town centre activity. It showed that consistent town centre statistical boundaries could be defined and that it was feasible to extract meaningful statistics based on these boundaries.
4. The success of the Feasibility Study led ODPM to commission CASA and URBED to undertake a much wider pilot study covering the whole of London, as the first stage in a programme of national implementation. The project reviewed the methodology, redeveloping the model to make it simpler and more transparent. The resulting model enabled Areas of Town Centre Activity to be consistently defined in Greater London - the most complex urban area in the country. Using these spatial definitions of Areas of Town Centre Activity a range of statistics, incorporating employment and turnover data from the ONS and floorspace data from the VOA, were collated. These statistics were independently checked and verified and should be considered the best available at that time. At the conclusion of the pilot study a report was published giving further information on the methodology and statistics.
5. Following the publication of the Pilot study and in the light of feedback received, the Department worked towards producing boundaries and statistics for Areas of Town Centre Activity in England and Wales.

Purpose and Users of the project

6. The project has been driven by the Select Committee report but has applications for a wide variety of users both in Government and elsewhere. It could be thought of as primarily a planning tool, to be used mostly by local authorities, but it is has also fed into many projects within ODPM and is of great interest to retailers, as evidenced by the composition of the project steering group.
7. Whilst the national results from the project have not yet been published, the results from the London Pilot study have fed into work within the Department for Neighbourhood Renewal Unit and the Planning Directorate. Retailers and retail consultants also have a particular interest in the project. Meanwhile, the RPI team in ONS use the data surfaces produced by the model to inform the allocation of their sample.

Details of Data supplied by ONS from the ABI

8. To produce the boundaries and the statistics, ONS supply the model with detailed ABI data on employment and turnover at unit postcode level, under the conditions of the micro-data release panel. The data is used to produce surfaces, which then feed into the production of the boundaries. Once the boundaries are produced, the data attached to the postcodes within the boundaries are aggregated to form the town centre statistics.

Outline of the problems we identified

9. With the production of the national statistics it became clear that the turnover data were not as robust as initially hoped. During the quality assurance consultation phase with Local Authorities and industry experts, feedback suggested that there was consistent under-estimation in the turnover data. In-depth analysis of the methodology used to create the small area turnover estimates required for the purposes of this project seemed to highlight severe deficiencies. This was confirmed by analysis of data from a reliable commercial source, comparing actual turnover on a store-by-store basis with the data from ONS. This analysis showed widespread discrepancies between the actual store turnover data and the synthesized data from ONS, ultimately leading to overestimates in London and underestimates elsewhere in the country.
10. The Project Steering Group advised that it would be irresponsible to continue to use the turnover data, as it simply was not accurate enough for the purposes of this project. The employment data, although also from the ABI, did not seem to be subject to the same errors as the turnover data. The employment statistics are modelled in the same way as the turnover statistics, using the IDBR employment data - but this is clearly more reasonable since it is estimating like from like. The IDBR does not hold detailed (store-level) turnover data to use in generating the ABI turnover estimates. As a result, the project now focuses on employment and floorspace statistics, omitting the turnover data altogether.

Current status of the town centres project

11. The project is on-going, but it is hoped to release a first publication in Spring 2004, focussing on employment and floorspace statistics, followed by the generation of a time series of data. The boundaries are also potentially extremely useful for local authorities, and these may be released, pending an investigation into disclosure issues. The methodology behind the project has potential to be adapted for numerous uses, including more comprehensive statistics on out-of-town retail centres and business parks.