

10. Spatial Economy

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- 10.1 This section discusses the rationale for the inclusion of the Spatial Economy goal and priorities in the RES. The objective for this goal is:

Sustainable places that attract and retain the people and investment necessary for a world-class economy

- 10.2 The section shows how the goal and priorities contribute to the achievement of this objective. It discusses the context for the choices made, and sets out the rationale for intervention.

Rationale for the goal

This goal helps to deliver RES objectives

Places remain an important determinant of economic performance

- 10.3 Academics have argued that globalisation literature makes much of concepts such as the ‘end of geography’ and the ‘death of distance’: developments in the technologies of transport and communication have meant that capital and firms are no longer tied to place.³³⁹ In this view, places and their attributes no longer really matter to economic development. Reich, for example, has suggested that ‘almost every factor of production – money, technology, factories and equipment – moves effortlessly across borders’.³⁴⁰
- 10.4 Some criticise this view as being over-simplified. Wolf points out that ‘a globalised economy could be defined as one in which neither distance nor national borders impede economic transactions’. This would be a world where the costs of transport and communications were zero and the barriers created by differing national jurisdictions had vanished. Needless to say, we do not live in anything even close to such a world. And since many of the things we transport (including ourselves) are physical, we never will.³⁴¹
- 10.5 The RES follows geographers’ counter-arguments in suggesting that place remains very important, with ‘every component in the production chain, every firm, every economic activity is, quite literally, ‘grounded’ in specific locations’. Such grounding is both physical in the form of sunk costs and less tangible in the form of localised social relationships.³⁴² In short, places do still matter.

Places must ‘embed’ economic activity

- 10.6 However, it remains the case that, in a globalising economy, aspects of Reich’s arguments have real traction. Flows of economic activity are accelerated and more footloose than ever. Consequently, competition for economic activity is rising. In this highly competitive environment, it is important that the RES seeks to embed quality economic activity as deeply as possible in the regional economy.³⁴³
- 10.7 The question, then, is how to embed economic activity. Gordon argues that, traditionally, regional economic productivity was determined by location (such as natural endowment and property offers), and technology and corporate strength; but since the 1980s/90s, physical location matters less – and place-based socio-cultural externalities matter more.³⁴⁴ Amin and Thrift emphasise three aspects of these positive externalities which accrue to successful places. These include the ability:
- to provide locations and context for face-to-face contact
 - to provide for social and cultural interaction – ‘to act as places of sociability, of gathering information, establishing coalitions, [and] monitoring and maintaining trust’
 - to enhance knowledge and innovation through concentrating labour markets and expertise in particular places.³⁴⁵
- 10.8 This RES goal deals with the elements which Amin and Thrift cover: there are specific priorities ensuring that the places in the East of England foster the social and cultural interactions which distinguish world class economies. It also picks up the classic place-related aspects of regional development (ensuring that there is sufficient physical space to meet the needs of a changing economy). There are other RES goals which specifically cover these Amin and Thrift’s points about knowledge, innovation and labour markets.

The quality of places is a determinant of where people want to live and work

- 10.9 One further concept not developed by Amin and Thrift – that of providing a region which attracts highly skilled workers, who then drive forward economic growth – is also addressed by this goal. As Florida points out, ‘Quality of place – particularly natural, recreational, and lifestyle amenities – is absolutely vital in attracting knowledge workers and in supporting leading-edge high technology firms and industries. Knowledge workers balance economic opportunity and lifestyle in selecting a place to live and work. Given that they have a wealth of job opportunities, knowledge workers have the ability to choose cities and regions that are attractive places to live as well as work.’³⁴⁶
- 10.10 According to the MORI focus groups and other surveys, people want to live in places that are clean, safe and friendly: places that have quality open spaces and that offer jobs and good education.³⁴⁷ Some UK cities have been more successful than others in drawing in new residents, attracted by both homes and neighbourhoods which have begun to offer this competitive package of attributes.³⁴⁸
- 10.11 Fuelled by labour mobility and increasing personal wealth, many households have a growing choice as to where they live. These households contain the highly qualified workers that the East of England wants to attract and retain to become a world-class knowledge economy. Generally these households are highly mobile and they particularly value environmental factors such as open space provision. Studies reviewed in work for the government found that population characteristics such as income, age, education, occupation, household structure influenced the value that people placed on open space provision.³⁴⁹ Whilst the literature itself is somewhat vague about how these effects play out in practice, it is clear that better-off groups attach greater value to open space.³⁵⁰

The RES explicitly focuses on the region’s key centres of development and ‘engines of growth’

- 10.12 The region’s ‘engines of growth’ are Greater Cambridge, Thames Gateway South Essex, Milton Keynes South Midlands (focusing on Luton as a regional city), Peterborough, Haven Gateway, London Arc, and Greater Norwich. These areas are expected to grow substantially in future years (as discussed in more detail in Part 3 of this evidence base).
- 10.13 The economic advantages of cities (and to a lesser extent other built-up areas) are explicable in terms of agglomeration effects. These are defined as the competitive benefits deriving from clustering and spatial economy. Agglomeration effects mean that businesses can benefit from shared labour markets, that specialist suppliers are available locally, and that informal networks can provide vital mechanisms for generating and disseminating a range of tacit knowledge. All of these processes create economic mass and confer competitive advantage: research finds that there is a robust relationship between productivity and proximity to economic mass, suggesting that doubling the population of working-age proximate to an area is associated with a 3.5 per cent increase in productivity in the area.³⁵¹ Hence agglomeration effects are important in relation to economic performance and they are one key reason why businesses often choose to locate in urban areas.³⁵²
- 10.14 Other characteristics can be the source of economic performance. For example, the ‘State of the English Cities’ report emphasises that the concentration of intellectual resources in universities, research institutions and cultural resources can be the source of economic growth and job creation in cities.³⁵³

The context

The growth agenda presents a real opportunity for creating quality places which both accommodate and promote economic growth

- 10.15 The East of England Plan sets a target of 508,000 net new homes to be built between 2001 and 2021. With 130,500 built in the six years to March 2007, this leaves a revised annual target of just under 27,000 net new homes to be built between 2007 and 2021. The way in which new housing and related employment is developed will impact on the economic success and sustainability of the East of England.

Maintaining the region's natural and built heritage is important to maintaining an attractive environment

- 10.16 The attractiveness of the East of England also depends on its natural and built environment which is a key characteristic of the East of England and which appears to be at stake. According to English Heritage's 'Heritage Counts', almost two-thirds of the East of England's listed buildings and scheduled monuments on English Heritage's 'Registered Buildings' at Risk 2005 are in rural areas. There is a risk that the region's rural heritage assets could be lost.

Rationale for intervention

Market failures on grounds of externalities and missing markets provide the rationale for intervention

- 10.17 With regard to the Spatial Economy goal, public sector intervention is justified on the following grounds.
- **Market failure on grounds of externalities.** Research by the Commission for Architecture and the Built Environment (CABE) points out that good development can confer two distinct forms of benefits:³⁵⁴
 - direct benefits (usually economic) accrue to those responsible for investing in development (whether from the public or private sectors)
 - external benefits (social, economic and environmental) which accrue to society at large.

CABE points out the direct benefits are usually readily understood by the price at which the development is traded in the market. But market prices are poor indicators of the value of many of the more indirect collective public benefits since their key feature consists of externalities which are not taken into account in the price for which the goods are sold. CABE argues that the social benefits of a high-quality public realm and the productivity gains arising from well-designed urban spaces and workplaces occur in the form of externalities. These positive externalities are not generally rewarded by the market, yet their true value can be much greater than the supply price or the cost incurred in making them available.

As the Barker Review points out, it is the role of the planning system to maximise the overall social benefits of development.³⁵⁵

- Missing markets in coordination. Developing sustainable and attractive places requires the intervention of numerous agents with diverse interests such as planning authorities, developers and architects. The coordination of these diverse agents is complex and consumes time and resources. Private agents do not have the incentive to bear these risks and costs. There is therefore a 'missing market' for this service and a coordination problem that needs to be addressed by public intervention.
- 10.18 The RES also identifies a need for indirect intervention. This works to outline how growth might be maximised. The role for the RES, and the public sector generally, is outlined by CABE. CABE argues that the public sector is crucial to the delivery of value through urban design. Their role extends far beyond regulatory planning processes.

CABE argues that planning authorities can and should be proactive, setting the agenda by:

- clear development plan policies supported by design briefs, frameworks and masterplans
- using their influence to help ensure that gap funding is conditional on the delivering of good urban design
- using the leverage offered by ownership of brownfield sites (the research revealed that this can be decisive in ensuring better quality urban design) working with private interests to achieve agreed economic and urban design objectives.

Rationale for priority 1: Ensuring physical development that meets the needs of a changing economy

This priority helps to deliver goal objectives

10.19 The Secretary of State published the East of England Plan, the revised regional spatial strategy for the region, in May 2008. This sets the development priorities for the region through to 2021. With a target of 508,000 new homes, and the necessary investment in associated community, business, leisure, transport, energy and water facilities, growth is significantly above levels achieved in the recent past. Achieving such targets will be a major challenge.

High-quality growth matters, and the planning and economic development bodies can help deliver it

10.20 It is critical that growth is of the highest possible quality – because this very growth will itself attract further investment and be the spur to achieving challenging development targets. This is particularly true of areas where regeneration is a key outcome. Quality requires a robust and responsive planning system; it requires people who are skilled at designing, planning and building housing and communities, and growth also needs to be located where the economy can thrive.

10.21 The Barker Review states that the planning system has a profound impact on quality of life. Its outcomes influence almost every aspect of life, from the quality of the urban environment to the size of homes people can afford, the employment opportunities available, and the amount of open countryside that can be enjoyed.³⁵⁶

10.22 Planning and design also have an impact on the ability of the East of England to become a world-class knowledge economy. According to the Barker report, the planning system can work towards the delivery of sustainable development objectives that maximise net welfare to society by addressing deficiencies in the free market for land use and development. It does this by integrating and, where necessary, balancing complex sets of competing economic, environmental or social goals within the framework of democratic accountability.³⁵⁷

What makes a 'good-quality' place

10.23 Although inevitably a normative judgement, work has attempted to define the package of attributes which define a 'good' place.

10.24 Government research draws from a broad range of literature to make the case that 'successful streets, spaces, villages, towns and cities tend to have characteristics in common'.³⁵⁸ These are: character, continuity and enclosure, quality of the public realm, ease of movement, legibility, adaptability and diversity. CABE suggests that, because of their emergence out of extensive research and debate and their inclusion in government guidance, these seven objectives carry considerable legitimacy.³⁵⁹ They are useful because they suggest clear, objective attributes against which success in urban design can be assessed. They also imply that there is such a thing as a 'public' view on what constitutes good urban design.

There has in some places been a failure of the planning system to get quality development

10.25 Whilst the planning system has worked well to contain and direct aspects of post-war growth, and is responsible for the protection and generation of a number of economic externalities, it is clear that the effects of the system have been disappointing in parts. The Egan Review argues that 'over many years and in many places there has been a failure of the planning system and the way it has been operated to deliver desired outcomes. It has too often resulted in poor quality places'.³⁶⁰

The context

- 10.26 The context to be understood relates to the changing policy and institutional environment, both regionally and nationally.

Coordinated delivery of growth will partly determine the economic performance of the region

- 10.27 Work commissioned by EEDA argues that the growth of many of the key centres for development and change identified in the East of England will involve multiple local authorities and hence there will need to be a local cross-boundary political consensus to facilitate the delivery of growth. If the consensus is not reached, then there is a risk that the economic potential of urban areas will not be fully realised.³⁶¹
- 10.28 The work argues that it will be crucial to ensure that growth is coordinated effectively: the economic performance of the region is dependent on the degree to which local authorities across the larger urban areas and their hinterlands are willing and able to collaborate.

The region has a significant construction industry with increasing skills needs

- 10.29 Figures from the Small Business Service show that construction businesses account for around 22 per cent of all businesses in the East of England.³⁶² The size and growth of the building industry along with the skills needs amongst built environment professionals, such as planners and architects, make this a significant sector for the region to engage with in order to deliver the quality of sustainable housing and communities the region requires. Ensuring that the skills needs are addressed will therefore be a crucial step.

Planning and design skills will become important to ensure the development of high-quality, sustainable places

- 10.30 The Egan Review emphasises the importance of people who work at designing and planning housing and communities.³⁶³ The report concludes that a number of studies point to shortages of generic skills amongst built environment professionals, and that there is evidence of people shortages in some core occupations (eg civil and structural engineers, town planners, transport planners). Both could hamper the delivery of sustainable places. The review therefore concludes that it is vital to improve the skills of the people working in these sectors and to ensure that there are enough professionals in these occupations. It also highlights the need to ensure a better coordination of these different occupations to ensure the best possible result.

Regional skills surveys find a shortage of town planners and a shortage of higher level skills

- 10.31 Within the East of England, detailed survey work carried out by EERA has found 'an identified lack of town planners'. More specifically, the study found a mismatch of demand and supply with surplus demand for qualified town planners to undertake both policy and development control activities. It concluded that education and training programmes were needed to increase the supply of qualified planners.³⁶⁴
- 10.32 There is evidence that planning authorities are using a skills pathway to upgrade their existing staff. However currently there is little recognised training and education at the sub-Bachelor degree level. It is incumbent on the education sector, in discussions with the Royal Town Planning Institute (RTPI), to ensure that programmes of study are available at all educational levels with progression routes through the qualifications hierarchy to professional membership of the RTPI.

10.33 In parallel, Inspire East – the regional centre of excellence for sustainable communities – commissioned a study which sought, inter alia, to complete a skills audit of Regional Cities East in order to identify existing and future skills gaps and shortages. The skills audit focused on the occupations and generic skills identified in the Egan Review. Across the local authorities of Peterborough, Luton, Ipswich, Norwich, Colchester and Southend-on-Sea, it found that the skills with the greatest ‘skills gaps’ were: energy/mental vitality; regeneration project management; inter-relationship between agencies; communication/engagement; understanding the application of social capital to their area of work; risk taking vs bureaucratic approach; cultural diversity and sensitivity; working with new ideas; performance management; delivering through effective teams; communicating with communities; and commercial understanding of the private sector.³⁶⁵ In seeking to respond to the growth agenda – in a manner that is appropriate and desirable and consistent with wider thinking about ‘place-shaping’ – these skills are critically important.

10.34 Ensuring that more people are trained and recruited to fulfil planning and development tasks will enable the East of England to ensure the best conception of places that will help foster a world class economy. It will also help to go towards a knowledge economy because the professionals involved in the planning and construction industry will be better trained and skilled.

The Planning White Paper and the Barker Review of Housing want to see a more positive approach to development

10.35 The Barker Review has argued that planners have not given due weight to the economic benefits that flow from development. The Planning White Paper is now aiming for a more positive planning regime that actively supports economic growth.

10.36 The Planning White Paper argues that recent reforms have achieved a significant improvements in³⁶⁶

- **speed:** local planning authorities have improved their performance in handling planning applications. In 2001/02 just under a quarter of authorities were meeting all three targets. Now three-quarters are doing so. The government has cut in half the time taken to decide cases determined by the Secretary of State
- **supporting planners by increasing capacity:** at the end of 2005 there were nearly 2,000 students on accredited planning courses. The government has assisted over 400 postgraduate students with bursaries
- **more efficient land use:** about three-quarters of new dwellings are being built on brownfield land, exceeding the 60 per cent target set by the government
- **increased housing supply:** more houses are being built – in the period between 2002/03 and 2005/06 there has been a 22 per cent increase in the number of new dwelling completions in England. This includes a 30 per cent increase in the four southern regions of England
- **revitalised town centres:** since the mid 1990s there has been an upward trend in the proportion of new development in and around town centres. In 1994 about 23 per cent of development was in and around town centres – by 2004 it was up to 41 per cent
- **good design:** to improve quality standards, new planning guidance, design and access statements and new tools such as design coding have been introduced. The White Paper states that CABI research has shown that this is beginning to have an effect. Nearly two-thirds of local authorities now have a design champion, up from a fifth in 2001.

There is also a need to recognize and manage the impacts of growth on biodiversity, landscape and the historic environment

10.37 In delivering physical development that meets the needs of a changing economy, there will be a need to recognise – and manage and mitigate – the impacts on the region’s biodiversity, landscape and historic environment.

As set out in a study by Scott Wilson³⁶⁷

- with regard to **biodiversity** and **landscape**, these impacts may be direct – for example, habitat may be lost to housing, employment or community infrastructure – or indirect – for example, increased air pollution resulting from a greater number of cars on the road may cumulatively contribute to habitat degradation. In terms of direct impacts, if development continues to be concentrated in urban areas, the most obvious risks will be to habitat and landscapes on the urban fringe and to wildlife-rich brownfield sites. However, indirect effects are also likely to be widely felt. For example, valuable wildlife sites throughout the region are likely to endure ever greater visitor numbers as the region’s population grows and recreational pressures are likely to come increasingly to the fore. With regard to both biodiversity and landscape, key mitigation measures will be required, and the preparation of green infrastructure strategies may well have a role to play
- in terms of the **historic environment**, there are potential concerns about directing development to historic centres including, for example, Cambridge and Norwich. However, empirically identifying the nature and scale of these impacts at the regional or sub-regional scale is hampered by significant shortcomings in the evidence base. Developing a better understanding of the relative sensitivities of the region’s historic environment would assist in sustainably locating future development.

Rationale for priority 2: Increasing economic gain from the region's distinctiveness and vitality

This priority helps to deliver goal objectives

The region's cultural and natural assets are important in attracting highly qualified people, companies and tourists

10.38 Highly skilled workers are particularly attracted by high-quality environments. This is also true for company location: research suggests that 'sense of place' is important in company location. For urban locations, the city atmosphere and range of cultural, entertainment and other 'city assets' are key attractions for international workforces and a number of firms highlight the importance for very senior global decision-makers of feeling 'at home'.³⁶⁸

10.39 Moreover, developing the region's cultural and natural assets is important for the economy because of the potential positive impact on tourism.

A region's performance is correlated with its attractiveness for creative people. This group look for, and generate, cultural 'output'

10.40 According to Florida, a region's economic development is correlated with its share of creative talent, tolerance towards diversity, capacity to invent or improve technology and richness of public amenities.³⁶⁹ In short, Florida argues that amenity-rich communities with a high degree of diversity attract young, educated, and creative people who contribute directly to economic growth. Members of the 'creative class' – including scientists, engineers, architects, designers, educators, artists, musicians, entertainers – stimulate a region's economy by introducing new ideas, new technology, or new content.

The context

Green parks and spaces are improving in the region

10.41 The East of England continues to improve the quality of its green parks and spaces and has increased the number of recreational green areas that have been awarded a Green Flag Award by 56 per cent to 25 areas between 2003/04 and 2006/07.³⁷⁰

10.42 The East of England also continues to increase the recognition and quality of its heritage and leisure assets. Between 2002 and 2005, the region increased significantly the number of listed buildings, scheduled monuments, conservation areas and registered parks and gardens. An active management of heritage assets and heritage-led regeneration has been demonstrated at a sub-regional level in a number of areas in the region.³⁷¹ Integrating heritage and historical assets in regeneration and development of areas will help foster the attractiveness and charm of the East of England.

The East of England has a strong tourism offer

10.43 In the East of England, tourism is a key economic sector, generating approximately £5 billion per year and employing over 167,000 people. The region has a variety of tourism destinations including the countryside, coastal resorts, cities and large towns, market towns and villages, and provides tourism facilities and services for visitors and residents including serviced and unserviced accommodation, catering establishments and visitor attractions. Sport generates £3 billion a year in the region. There are 164 registered museums and galleries in the East of England, including two national collections, as well as monuments, conservation areas and historic churches.³⁷² Within the East of England, survey-based evidence suggests that, during 2007, the number of visitors to attractions in the region grew by 2 per cent; nationally, the corresponding figure was 4 per cent.³⁷³

The cultural sector is important – both as a sector and in relation to particular places

- 10.44 A study completed for EEDA in 2006 identified that the creative and media industries have performed strongly in recent years, particularly in terms of export activity. The report characterised the sector as knowledge intensive, with large numbers of SMEs which are often clustered; the report commented that these were exemplified by the electronic gaming sector, with pockets of expertise across the globe, but particular geographical significance in Norwich and Cambridge. More generally it highlighted a concentration of creative, cultural and media companies around London, reflecting the continuing role of the capital in being a cultural nexus.³⁷⁴
- 10.45 However – in the East of England as elsewhere – the role of the cultural sector needs to be understood more broadly. There is evidence to suggest that culture has a key role in regeneration and ‘place-shaping’. In ‘A Better Life’, Living East argues that culture needs to be recognised as a catalyst for, and major component of, economic and social revival. It suggests that £10,000 of heritage investment levers £45,000 of private and public sector funding into regeneration areas. As evidence it cites the specific example of Clacton seafront and marine gardens and the consequent impact of cultural investment in terms of the area’s regeneration.³⁷⁵

There are prospective cultural and sporting benefits from the London 2012 Olympic Games and Paralympic Games

- 10.46 With its proximity to London and good transport connections to the venue, there is the potential for the region to not only capitalise on the benefits from the actual Games but also to use them as a catalyst to drive forward economic development and change throughout the region and its sub-regions. This could also have a major impact on the East of England’s cultural life and tourism industry. The benefits are not guaranteed, but with intervention in key areas, research carried out for EEDA suggests that the positive economic impact of the Olympics and Paralympics on the East of England could exceed £600 million. Conversely, if no action is taken, there is the potential for negative impacts on some sub-regions, with labour and expertise flowing from the region.³⁷⁶
- 10.47 In response, a business plan has been developed. This sets out some key targets to define success for the East of England from the 2012 Games. These include increasing the number of international visitors to the region; securing 5–10 per cent of an estimated £3.8 billion from procurement opportunities; and using the Games as a catalyst to provide training for the key sectors identified for the Games (including construction, logistics, culture, media, creative industries, hospitality, languages, sport and leisure, security) and at a range of levels (including project management, basic skills for volunteers).³⁷⁷

Rationale for priority 3: Creating sustainable places for people and business

10.48 This priority focuses on the need for the region to have a balanced approach to the provision of homes and jobs to support economic growth and regeneration. Sufficient, high-quality, affordable and accessible homes are required in the right locations to support the region's labour force while quality business infrastructure and premises will be needed to support current and future business growth. In this context, the key centres for development and change identified in the East of England Plan will be critical; they will need to evolve as sustainable places for people and businesses.

There has been significant economic change in the region and more change should be expected. The physical assets of the region should reflect these economic changes

10.49 In line with the trend in many western economies over the past 30 years, there has been a clear structural change in the UK economy, away from employment in manufacturing and towards employment in the service sector. Projections see this change continuing. However, projections simply predict the future, and do not form it. The physical assets, and our ability to plan for them, will need to adjust to cope with unforeseen eventualities.

10.50 Physical provision matters. As shown above, place will be a part of determining firms' performance – and vice versa.

The region's engines of growth will drive most of this change

10.51 Substantial growth is planned across many of the region's urban areas and many centres were identified as key centres for development and change. The RES focuses on a smaller group of 'engines of growth'.³⁷⁸

10.52 Focusing on functional urban areas is explained by the fact that agglomeration and density foster productivity. Numerous studies demonstrate the positive link between density and productivity, which is a determinant of a city's economic performance. There is a rough consensus that doubling the number of working-age people within easy reach of a city increases its productivity by between 3 and 8 per cent.^{379, 380} Scale therefore matters and a dynamic urban economy is far more likely to be created if scale is achieved.

10.53 Given that most economic activities are concentrated in urban areas, much of the success or failure of regional economies will depend on these areas' performance. Supporting key centres is therefore justified because key centres' performance will determine the regional economic performance as a whole. In the USA, much research has shown strong relationships between city and regional economic performance.³⁸¹ European evidence also shows that the most successful regions typically have an economically successful city at their core.³⁸² As a result there is a growing recognition that the characteristics of urban areas – and the ways policies affect them – are crucial determinants of regional and national economic performance.³⁸³

10.54 It should be noted that these urban effects have importance for the rural hinterlands of urban areas. Linkages between key centres and their surrounding hinterlands can give rise to spillover effects where an increase in economic activity in one area has knock-on effects for the other. This happens through supply-chain activities and through flow of income created by people who work in key centres and live in the rural areas. Regional key centres should therefore be significantly supported to ensure that the region maximises the impact of the potential growth and to ensure that the region as a whole becomes a world-class economy.³⁸⁴

10.55 These research findings have been recognised at national level. Research for the Office of the Department Prime Minister (ODPM) states that cities' 'overall contribution to national growth has been stronger in recent years than in the early and mid 1990s. Moreover, the number of cities contributing to national growth through increased jobs has increased as the economic recovery has rippled out beyond London, further west and north'.³⁸⁵

Striking the right balance between employment and housing development will be important

10.56 In seeking to advance the sustainable development of the region's key centres for development and change, it will be essential to forge the right balance between employment and housing development – recognising in the process that the relationship between employment growth and the allocation of 'B use class' land is becoming more and more tenuous. On the one hand, insufficient employment land might compromise the region's ability to provide the land needed by businesses and therefore limit employment opportunity for the new inhabitants. On the other hand, insufficient housing linked to the proposed levels of job provision would lead to increased long-distance commuting and would not satisfy the sustainability objective. Achieving the right balance between employment and housing growth will be a challenge – but it must also be a priority.

Delivery of other physical components of growth will be important to getting 'good' growth

10.57 An important element of maximising the sustainable economic viability of local communities is to ensure that they have the appropriate physical development to support the long-term needs of that community. This includes infrastructure requirements, such as transport, education, green space, health and cultural infrastructure and community services.

The context

10.58 A key element of the regional context for Priority 3 is defined in relation to the scale of planned housing growth and its geography. In Part 3 of the evidence base, some detail is provided and this ought to read in the context of Priority 3.

10.59 In addition, under this priority two key elements of context are considered: balanced communities and affordable housing. These are discussed briefly in the paragraphs below.

Balanced communities

10.60 A development framework for the region which emphasises growing urban areas as holistic communities – setting housing and employment alongside each other, supported by appropriate transport and community facilities – is the core to achieving this priority. In particular there is a concern to balance housing with job opportunities, reducing the theoretical demand for travel. New developments must take full account of the demand for schools, health services, recreation, faith and cultural support, shops, etc. And new developments are not just about buildings; they require skilled workers who can help people through what can be major watersheds in their lives. Community development, housing support, youth workers, faith leaders are key to success. Priority 1 has discussed the essential physical infrastructure that successful communities need; Priority 3 is concerned, in part, with the wider and 'softer' dimensions – effectively the 'glue' that will hold that community together.

Affordable housing

10.61 Priority 3 is also concerned with the types of housing built, most particularly the provision of affordable homes. A sustainable community is one which can house all types of worker required to support its economy – ranging from the managing director and professional through to the office worker, shop assistant, bus driver, learning support assistant, home care worker and cleaner.

- 10.62** The East of England Plan has a target of around 35 per cent of homes to be built as ‘affordable’, involving some sort of subsidy, funded either through the planning system or through the Housing Corporation. By 2006/07 the share of net new building defined as ‘affordable’ in these terms had increased to 18 per cent – a total of 4,411 homes. This was a significant advance on the 10 per cent recorded in 2001/02 but still well short of the target.
- 10.63** However ‘affordability’ extends beyond low-cost home ownership, equity share, intermediate rents and social rents. It is also a critical issue in the owner-occupied market. In spring 2007, the ratio of lower-quartile open-market house prices to lower quartile full-time employee earnings in the region rose to its highest ever recorded level, at 8.44, well above the 5.02 measured in 2001. This ratio is generally regarded as critical for assessing the prospects of first-time buyers. A sustainable community should include a wide range of homes, by type and tenure, as well as price.
- 10.64** Following the publication of the Housing Green Paper in July 2007,³⁸⁶ the National Planning and Housing Advice Unit (NHPAU) – a non-departmental public body, sponsored by Communities and Local Government to provide independent advice on affordability matters to the government, regional assemblies and other stakeholders with an interest in the housing market – published its response.³⁸⁷ This focused on assessing the potential impact of the housing supply target for housing affordability prospects over the medium to long term.
- 10.65** In its response to the Green Paper, NHPAU examined a number of alternative scenarios of housing supply, broken down by region. It then compared the resulting ‘affordability ratios’ for 2016 and 2026. Some of the results for the East of England are shown in Table 10-1.

Table 10-1:
 Scenarios for housing supply – net average annual additions, East of England (NHPAU)

Scenario – assumptions	Average annual net additions to 2016	Affordability ratio 2007	Affordability ratio 2016	Affordability ratio 2026
Current RSS or equivalent: England 201,068 /year supply (from Table 3)	26,830	7.7	9.2	11.3
Green Paper target 240,000 in England /year supply (from Table 8)	27,354	7.7	9.1	10.9
Focus growth on least affordable areas within national target 240,000 /year supply (from Table 11)	31,785	7.7	8.8	10.0
Increase building to 270,000/year supply (from Table 15)	35,886	7.7	8.5	8.8

Source: Developing a target range of the supply of new homes across England, National Housing and Planning Advice Unit, October 2007

- 10.66** Although NHPAU itself acknowledged that there would be a need to test and iterate the analysis, suggesting that its assessment should be a ‘starting point for discussion with regional partners’, its findings are noteworthy. The data suggest that even with a 34 per cent increase in house building³⁸⁸ – with net annual additions to the stock increasing from 26,830 a year to 35,886 – the affordability ratios are projected to deteriorate over time.

10.67 In very recent months major changes have affected the housing market and the future is very uncertain. Many developers and builders have reigned back on new housing starts as the fall-out of the credit crunch plays out. Mortgage lending has been cut back significantly, with many lenders requiring deposits of 10 per cent to 15 per cent of the sales price, and the size of mortgages on offer has greatly reduced. House prices may well fall further before sales levels rise again. There is evidence to suggest that flats are particularly affected, with some owners in the 'buy-to-let' market left very vulnerable. In the meantime the reduction in house sales already recorded is having an impact on the wider economy: estate agents, removals firms, builders, kitchen fitters, furniture sales, etc. The government has allocated £200 million of the Housing Corporation's 'national allocation programme' to be used to buy completed private sector homes which are otherwise standing empty. These homes can be used either for social rent or for low cost home ownership. And, as the private housing market has stalled, the waiting list for social rented homes has continued to rise.

Rationale for priority 4: Adapting the region's places to meet the challenges and opportunities of climate change

This priority helps to deliver goal objectives

Tackling carbon emissions produced by the built environment could have a significant impact on carbon emissions

- 10.68 The built environment contributes significantly to climate change. Buildings and their appliances generate about 50 per cent of the UK's CO₂ emissions with approximately one-third of carbon emissions arising from the domestic sector alone. Climate change will also have impacts for the built environment as higher temperatures change the heating and cooling requirements of buildings.³⁸⁹
- 10.69 There is the potential to impact significantly on the scale of carbon emissions by focusing on housing, lights and appliances, space and water heating, and consumers and society. Targets outlined in the Energy White Paper state that the UK residential sector should deliver a 60 per cent reduction in carbon emissions by 2050.³⁹⁰
- 10.70 Fostering resource efficient cities and towns could therefore have a significant impact on the sustainability and the environment of the East of England.

Using resources efficiently and adapting to climate change would be beneficial for the regional economy

- 10.71 The most efficient use of resources can potentially have positive economic outcomes.
- the Stern Review highlights that action on climate change will create significant business opportunities, as new markets are created in low-carbon energy technologies and other low-carbon goods and services. These markets could grow to be worth hundreds of billions of dollars each year, and employment in these sectors will expand accordingly.³⁹¹ Implementing this priority would create the potential to foster exemplar development of cities and towns and best practices in terms of management of resources and climate change
 - the Stern Review also shows that the costs of taking action now are far lower than the costs of taking action in future. The total cost of 'business as usual' climate change (ie continuing on the present path) is equivalent to around a 20 per cent reduction in consumption per head in 2050.³⁹² The Review estimates the annual costs of stabilisation at 500–550ppm CO₂ to be around 1 per cent of GDP by 2050 – a level that is significant but manageable.
- 10.72 Another way of looking at these benefits is to focus on the benefits which accrue to individual households. For example, the use of solar energy and improved insulation could reduce households' energy bills significantly (although will increase capital expenditure).

The context

- 10.73 On its website, the Environment Agency states that:
- by 2080 the climate in the East of England will be three to five degrees Celsius warmer, we will have wetter winters and drier summers. There will be an increase in the number of storms and their intensity and in the number of flooding events. Sea levels will have risen between 22 and 82 cm on the Essex coast.

- 10.74 It continues that – on the basis of current levels of greenhouse gas emissions – by 2080, in the East of England:
- temperatures will rise by between three and five degrees Celsius
 - winter rainfall will increase by up to 30 per cent
 - summer rainfall will decrease by 45–60 per cent compared with current patterns
 - sea levels will rise by between 22–82 cm, the level depending on a number of factors: ice melt in the Arctic; the amount of greenhouse gases we emit into the atmosphere from now on; thermal expansion of the oceans; the amount of down tilting of the land surface in eastern England (up to approximately 2 mm per year)
 - weather patterns could become more extreme (eg high temperatures recorded occasionally today could become more normal by 2080)
 - agricultural practices will change significantly in order to cope with the longer growing season and the reduced soil moisture in summer.³⁹³

- 10.75 Against this backdrop, it is clearly imperative that the region's places adapt to meet the challenges and opportunities linked to climate change. Within the East of England, there are reasonable foundations from which to do so.

Code for Sustainable Homes

- 10.76 One response to the challenges of climate change is the 'Code for Sustainable Homes'. The code replaced the former 'Ecohomes' system in England in April 2007 and introduces minimum standards for water and energy efficiency at every level of the new national standard. The code measures the sustainability of a home against key design categories, rating the whole home as a complete package. The minimum standards for code compliance have been set above the minimum standards set down in Building Regulations. New homes can achieve a rating of 1 to 6 'code levels' depending on the standard achieved. The key design categories included within the code are: energy; water; materials; surface water run-off; waste; pollution; health and well-being; management; and ecology.
- 10.77 Alongside the design categories the code includes areas of: sustainability design, such as Lifetime Homes and the inclusion of composting facilities. Homes are assessed at the design stage but require verification once completed. From 1 May 2008 all newly built homes in England require a code rating. All homes built with Housing Corporation grant are currently generally required to meet at least grade 3, with the threshold being increased over time towards the top grade 6.

There is also a need to recognise and manage the impacts of growth in relation to flood risk in the context of climate change

- 10.78 In delivering its objectives, it is essential that the RES should explicitly recognise and support the avoidance of inappropriate development in a flood risk area as a key means to mitigate the impacts of climate change. Further details relating to the potential impacts of growth in relation to flood risk are provided in a report by Scott Wilson which was prepared in parallel with the development of the RES; the RES has been informed by this in an iterative manner.³⁹⁴

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