

A2 ■ Place Based Analysis

Definition

A2.1 Place based analysis concerns appraisal applied to geographically defined areas within the UK. This definition includes a wide range of obvious categories such as, villages, towns, cities, counties and regions and the home countries that make up the UK, it also includes other geographically based definitions such as “rural areas” or “areas of urban deprivation.”

A2.2 Place based analysis is be required for two broad categories of proposal:

- proposals with an objective that is specific to a particular place or area or type of area;
- proposals which do not have geographically defined objectives but which appear likely to have different implications either positive or negative for parts of the UK that decision makers will need to understand and may need to take into account.

A2.3 Where a proposal has geographically defined objectives, then the principle frame of reference relating to the analysis of costs, benefits and value concerns the area in question. There should also be proportionate analysis of the whole home country effects or the whole UK effects. The choice will depend on the legislative reach or the proposal being considered. As always in the Green Book proportionality relates to the costs, benefits and risks involved to society and to the public sector.

When to employ place based analysis

A2.4 As outlined above, where proposals have a focus on a specific part of the UK, place based analysis should be performed and be central to appraisal advice. Where proposals are not principally focused on a specific part of the UK, the potential for significant differential place based impacts should be considered, and a decision taken about whether to undertake more detailed analysis. This decision should balance the cost and feasibility of such analysis against the likelihood of significant positive or negative consequences for parts of the UK that decision makers need to understand and may wish to take in to account. Where place based analysis is not undertaken then the decision not to do so should be explained and justified.

A2.5 The relevance and extent of place based analysis will be context specific and a matter of judgement for those developing, appraising and scrutinising business cases. The research and analysis that takes place before the start of a business case should consider whether a place based analysis is likely to be required. The decision criteria should be based on the likely significance of consequential effects in areas of particular concern. The analysis should be proportionate to the scale of the effects on the affected areas in relation to their existing situation, and a list of questions to consider is provided in [Boxes 24](#) and [25](#) below. Consideration should be given to both positive and negative effects:

Box 24. Place Based analysis for projects without a specific spatial focus

Where proposals are not principally focused on a specific part of the UK, the potential for place based impacts should be considered, and a decision taken about whether place-based analysis is required. The following questions should be considered as part of this analysis.

Differential spatial impacts

- Do you expect impacts to differ significantly in different areas, or types of area (at any spatial scale)?
- Where data is available at a spatial area level can this be presented graphically (i.e. on a map)?
- Where data is not available, can improvements be made to data collection to ensure that it can be provided in future?
- If effects are significant what is a proportionate level of analysis and can this be built into monitoring and evaluation arrangements?
- In areas experiencing significantly different effects will any of the protected groups identified by the Equality Act or Families Act be significantly affected by the proposal? If so, there is a duty to proportionately consider these effects and determine whether action is required as a result.

Alignment with local plans and strategies

- Where impacts are significant, to what extent does the intervention align with wider strategic objectives for the relevant area/s?
- Where impacts are significant, is the VFM of the intervention dependent on the successful delivery of other interventions in the relevant area/s?

Box 25. Place Based analysis for projects with a specific spatial focus

Where the objectives of proposals have a specific spatial focus then place based analysis should be central to appraisal and the advice it supports. The following questions may be considered as part of this analysis.

- Is the proposal part of a wider programme that has been agreed in principle, if not are there external dependencies that significantly effect its viability?
- What are the expected effects in the target area/s?
- Are there likely to be unintended negative or positive collateral effects in the target area or within wider spatial area such as nearby travel to work areas?
- Within the identified areas will any of the protected groups identified by the Equality Act or will Families be significantly adversely affected by the proposal, proportionately consider these effects and determine whether action is required as a result.
- Will there be significantly different impacts by income group? All significant gaining and losing groups of a policy should be identified.
- Where relevant data is unsatisfactory or unavailable can improvements be made to produce it in the future?

Alignment with local plans and strategies

- What are the views of local stakeholders?
- To what extent does the proposal align with wider public policy in the relevant area/s and the UK as a whole/s

Interdependencies with other local or national interventions

- Is achievement of the proposal's SMART objectives dependent on the successful delivery of other proposals, if so, are they part of the same programme? If not, how is this risk being managed.

Inclusion of employment and productivity effects

A2.6 An explanation of when and how productivity, labour supply and demand effects may be included in the estimation of social value at the UK level is given in Chapter 6. New employment may not be included in UK level appraisal where the relevant focus of advice is the aggregate UK effect and it is not possible to reliably and credibly calculate the effects to a level of accuracy required to support differentiation between alternative options. The choice to target interventions to specific employment sectors or geographical areas should be set at the level of strategy, guided by appropriate research. If a place based competitive bidding process is employed, then the approach recommended at paragraph [5.82](#) must be followed.

A2.7 There are some differences in the approach permitted for place based appraisal where the primary objective is to analyse the impact on the place or places in question. The effects on the relevant travel to work areas should also be included if they are liable to be affected. [Box 26](#) summarises the differences. Larger effects of a strategic nature should be taken into account within a programme of which the project under consideration is a part. Project decisions should take place within a programme's overall context.

A2.8 In addition to the effects considered for UK level appraisal, place based appraisal may also include employment changes in the area under consideration. Where the proposal has geographically targeted objectives, appraisers should clearly specify whether the employment objectives relate to employment located in the area (including those taken by in-commuters), or to employment of residents of the local area (including in jobs outside the target area). Employment effects should be adjusted for leakage, substitution and displacement as set out below, noting that treatment of these effects depends on the employment objective above. Where appropriate, employment multipliers can also be applied.

Leakage, displacement, and substitution

A2.9 Place based effects should be adjusted for:

- **substitution** where firms substitute one type of labour for another to benefit from an intervention but do not increase employment or output.
- **leakage** which is the extent to which effects "leak out" of a target area into others. For an intervention designed to increase employment in a particular area, leakage could take the form of increased employment in neighbouring areas. For the example in [Box 27](#), some of the employment creation occurs in the surrounding area. This leakage of employment effects into neighbouring areas reduces employment effects in the target areas. However, leakage is not always a 'zero sum' game. For example, a place-based crime intervention might decrease crime in neighbouring areas (leakage) without reducing the effect in the target area.
- **displacement** which is the extent to which an increase in economic activity or other desired outcome is offset by reductions in economic activity or other desired outcome in the area under consideration or in areas close by. For example, where a supported business takes market share from an unsupported business.

A2.10 The above adjustments needed to be based upon objective evidence. Public bodies that routinely engage in place based interventions should collect data to develop an objectively based, well researched evidence base to support decision making. From the outset, research and use of previous evaluation evidence is vital, made more important by the relative scarcity of well supported objective data. Data provided by the prospective beneficiaries of an intervention should be independently verified. Ranges should be presented and variability in data should be clearly

shown and used in sensitivity analysis to test the results. This uncertainty should be allowed for when setting SMART objectives by using ranges and expected values and the evaluation of results. Application of assumptions with no basis on objective data is not a satisfactory approach.

Place Based Employment Multipliers

A2.11 Where appropriate, employment multipliers can be applied following the adjustment for leakage, displacement and substitution. The recommended values in Box 26 are based on empirical research and provide estimates of the additional jobs that will be generated in the area via both supply and demand linkages. These multipliers apply only where an intervention creates jobs in ‘tradable’ sectors, i.e. those the output of which is sold mostly outside the local area. Conversely non tradable applies to occupations the output of which is mostly only deliverable within the local area. Care must be taken to apply the appropriate multiplier and to use ranges to indicate low and high estimates. The appropriate multipliers to use will depend on the functioning of the local labour market. Where the employment rate is at or above the national average and/or projected local employment numbers are large relative to the local unemployment rate, multipliers at the lower end of the range would be expected as the likely level of displacement will be greater. An illustrative example is provided in [Box 27](#) to illustrate how the analysis can be applied.

A2.12 Deadweight refers to allowing for outcomes that would have taken place without the intervention under consideration. It applies to any proposed intervention and it will be revealed when the total outcome of an option for intervention is compared with business as usual, the (BAU), since comparison with the BAU reveals what would have occurred without intervention.

Box 26. Place Based (i.e. Sub-UK) Employment multipliers³⁵

Direct employment category	Tradable	Tradable	High tech tradable	High skilled tradable	Public sector
Effect on employment sectors:	Non-tradable	Tradable	Non-tradable	Non-tradable	Private sector
Central	0.9	0.4	1.9	2.6	0.25
Low	0.1	0.3	0.7	2.5	-0.7
High	1.6	0.6	4.9	3.0	1.3

³⁵ Source: What Works Centre for Local Growth [Toolkit: Local Multipliers](#) based on 18 studies meeting their evidence standards. Multipliers are for use on place based studies within the UK only, not for use on UK wide appraisals.

Box 27. Hypothetical Illustration: Calculating place based employment effects

A proposed intervention aimed at improving levels of youth unemployment among residents would create 200 new apprentice jobs in Loweville, a central borough within a wider travel to work area, Highton. The place based appraisal should estimate the net employment effects in both areas. The proposed jobs are in the tradable sector (i.e. that sell mostly outside the local area), so the relevant multipliers are 0.9 and 0.4 (i.e. every 10 new net jobs generates a further 9 jobs in the non-tradeable sector and 4 in the tradable sector).

Research suggests that 80% of all jobs, across all sectors, in Loweville are filled by Loweville residents, with the remainder commuting from the surrounding TTWA. Conversely, 20% of Highton jobs are filled by Loweville residents.

Job creation, loss and displacement			
	Loweville	Highton TTWA (excludes Loweville)	Total TTWA
CREATION 200 new apprentice places	200	0	200
SUBSTITUTION 50 employees lose their jobs in the same firms	-50	0	-50
DISPLACEMENT 20 jobs are lost in other <u>Loweville</u> firms and a further 20 are lost in other <u>Highton</u> firms	-20	-20	-40
Net 'direct' job creation	130	-20	110
Direct employment effects			
	Loweville	Highton TTWA (excludes Loweville)	Total TTWA
LEAKAGE Direct employment in each area as a result of job creation	$(0.8 \times 130) = 104$ $(0.2 \times -20) = -4$	$(0.8 \times -20) = -16$ $(0.2 \times 130) = 26$	110
Net 'direct' employment effects	100	10	110
Indirect employment effects			
	Loweville	Highton TTWA (excludes Loweville)	Total TTWA
MULTIPLIER Indirect employment creation in the non-tradable sector	$(0.9 \times 100) = 90$	$(0.9 \times 10) = 9$	99
Indirect employment creation in the tradable sector	$(0.4 \times 100) = 40$	$(0.4 \times 10) = 4$	44
Net 'indirect' employment effects	130	13	143
Total net employment in each area	230	23	253

Employment effects should be translated into monetised value of employment to represent the welfare effect. In this example, the multiplier effects are applied based on the residence of the worker, rather than the location of the job. The choice of which is most appropriate is dependent on the objective of the calculation in each case.

A2.13 Income and Welfare distribution considerations and calculations apply in place based proposals in the same way as for UK wide appraisal as set out in [Chapter 4 paragraphs 4.18 - 4.19](#) and [Chapter 5 paragraphs 5.66 - 5.76](#) and in [Annex 3](#).

A2.14 Equalities considerations and calculations apply in place based appraisal in the same way as in UK wide proposals.

A2.15 When calculating place based values other social costs and benefits should be treated in the same way as for UK wide appraisal and proportionality should be judged in the same way.