

Non Technical Summary of the Sustainability Appraisal of the North East Regional Economic Strategy

July 2006

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1 *NON TECHNICAL SUMMARY OF THE SUSTAINABILITY APPRAISAL OF THE NORTH EAST REGIONAL ECONOMIC STRATEGY*

1.1 *SUSTAINABILITY REPORT*

The Regional Economic Strategy for the North East (RES) – has been prepared by ONE NorthEast (ONE), the Regional Development Agency for the region.

As part of the process of developing the North East RES, ONE commissioned Environmental Resources Management (ERM) to undertake a Strategic Environmental Assessment/Sustainability Appraisal of the Strategy.

This Appraisal has been carried out on the option scenarios commissioned by ONE and undertaken by the Centre for Economics and Business Research (CEBR). These scenarios have been developed through a process of extensive consultation with key regional stakeholders.

The Appraisal of the RES has been an interactive process and has provided an independent view of the likely implications of the RES on key sustainability issues for the region as presented in the Integrated Regional Framework (IRF). The objectives of the IRF have formed the basis of the appraisal of the RES.

The report is structured as follows:

- *Section 2* sets out the context to the Sustainability Appraisal, and information on the methodology that has been used for this study.
- *Section 3* provides information on the Appraisal Scope, i.e. on what issues the appraisal is investigating, and why.
- *Section 4* presents the Sustainability Appraisal of the Final RES including mitigation measures
- *Section 5* outlines issues concerning Implementation and Monitoring of the RES and the SA/SEA
- *Section 6* presents the Conclusions of the Appraisal and a series of Recommendations on future actions relating to the findings of the Appraisal.

In addition, the full report and the following annexes are available on the ONE website www.onenortheast.co.uk

- **Annex A:** Review of Relevant Plans, Policies and Strategies
- **Annex B:** Review of Baseline Economic, Social and Environmental Conditions in the Region
- **Annex C:** Detailed Appraisal Outputs
- **Annex D:** SEA Quality Assurance Checklist
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- **Annex F:** Glossary

1.2

ENVIRONMENTAL REPORT

In line with Government guidance, this Appraisal aims to meet the requirements of Strategic Environmental Assessment (SEA) within the wider remit of a Sustainability Appraisal, thereby covering economic, social and environmental issues in an integrated way. This report therefore does not contain a separate Environmental Report dealing with issues pertaining solely to an SEA.

In the absence of a stand-alone Environmental Report, guidance suggests that a table should be included in the Sustainability Appraisal Report signposting the components of the report which would make up the Environmental Report. *Table 1.1* below sets out where, in the full Sustainability Appraisal report the components of the full SA can be found.

Table 1.1 Environmental Report Components and Where to Locate them in this Report

Key Components	Location in this report
The Environmental Report will detail the likely significant effects on the environment of implementing the plan or programme, and reasonable alternatives taking into account the objectives and geographical scope of the plan or programme, are identified, described and evaluated. The information to be given is (Art. 5 and Annex I):	The key components of the Environmental Report can be located in this SA/SEA report as indicated below
a) An outline of the contents, main objectives of the plan or programme, and relationship with other relevant plans and programmes;	Annex A of this Report
b) The relevant aspects of the current state of the environment and the likely evolution thereof without implementation of the plan or programme;	Annex B of this Report
c) The environmental characteristics of areas likely to be significantly affected;	Annex B of this Report
d) Any existing environmental problems which are relevant to the plan or programme including, in particular, those relating to any areas of a particular environmental importance, such as areas designated pursuant to Directives 79/409/EEC and 92/43/EEC.;	Annex B of this Report
e) The environmental protection objectives, established at international, Community or national level, which are relevant to the plan or programme and the way those objectives and any environmental, considerations have been taken into account during its preparation;	Annex A of this Report
f) The likely significant effects on the environment, including on issues such as biodiversity, population, human health, fauna, flora, soil, water, air, climatic factors, material assets, cultural heritage including architectural and archaeological heritage, landscape and the interrelationship between the above factors. (Footnote: These effects should include secondary, cumulative, synergistic, short, medium and long-term permanent and temporary, positive and negative effects);	Section 4 of this Report

g) The measures envisaged to prevent, reduce and as fully as possible offset any significant adverse effects on the environment of implementing the plan or programme;	Section 4 of this Report
h) An outline of the reasons for selecting the alternatives dealt with, and a description of how the assessment was undertaken including any difficulties (such as technical deficiencies or lack of know-how) encountered in compiling the required information;	Sections 3 and 4 of this Report
i) a description of measures envisaged concerning monitoring in accordance with Art. 10;	Section 5 of this Report
j) a non-technical summary of the information provided under the above headings	Available on the ONE NorthEast website and that the front of this report.
The report must include the information that may reasonably be required taking into account current knowledge and methods of assessment, the contents and level of detail in the plan or programme, its stage in the decision-making process and the extent to which certain matters are more appropriately assessed at different levels in that process to avoid duplication of the assessment (Art. 5.2)	This Report

2.1 THE NORTH EAST RES

2.1.1 What is the North East Regional Economic Strategy?

The North East Regional Economic Strategy (RES) has been prepared by One NorthEast (ONE), the Regional Development Agency for the North East on behalf of the region.

In accordance with Section 3 of DTI Guidance to RDA on Regional Strategies:

'The RES must have a clear focus on economic development, and both it and actions to implement it must be based on sustainable development principles set out in the March 2005 Sustainable Development Strategy. The RES should help advance the shared priorities for UK action set out in the strategy - Sustainable Consumption and Production, Climate Change and Energy, Natural Resource Protection and Environmental Enhancement, and Sustainable Communities - in terms that reflect regional distinctiveness'. The guidance goes on to say: 'In developing the RES a full sustainability appraisal should be carried out in order to identify how the RDA and its partners will contribute to sustainable development. The appraisal should be informed by the Regional Sustainable Development Framework or the equivalent in the region, and should be published alongside the RES.'

In the case of the North East the integrated Regional Framework has been used as the equivalent of a Regional Sustainable Development Framework.

2.2 WHAT DOES THE RES DO?

The Regional Development Agencies (RDAs) have been provided with guidance from the DTI as to what the objectives and scope of a RES should be, this notes that:

'The fundamental purpose of the RES is to improve economic performance and enhance the region's competitiveness, addressing market failures which prevent sustainable economic development, regeneration and business growth in the region'

The guidance also stresses that the RES provides a long-term framework for economic development in the region.

The guidance says that:

'The RES should concentrate on the key economic issues for the region and, in doing so, have regard to regional priorities agreed by the partners in all sectors in the region. The RES should focus primarily on those areas that justify action at the regional level while also providing the context for sub regional and local activity contributing to economic development'

The RES is also required to be evidence-based as the DTi guidance notes:

'Underpinned by a sound evidence base, the RES should set out a vision for the regional economy which will ensure better strategic focus for and co-ordination of activity in the region whether by the agency or by other regional, sub-regional or local organisations. The RES should address economic, social and environmental issues that contribute to the development of the region's economy in a way that recognises regional distinctiveness.'

SA/SEA is very much an evidence-based approach to assessment.

The RES is also clearly linked to other regional strategies such as the Regional Spatial Strategy, the Regional Transport Strategy and the Regional Housing Strategy since each of these strategies also has clear implications for the economic development of the region. The DTi guidance states that these strategies (including the RES) should be 'mutually reinforcing' it notes that:

'These strategies should take account of each other and other regional strategies so that, as far as possible, the evidence, objectives and priorities of each are consistent. The RSS and RHS should take account of the economic ambitions and needs of the region, and put in place spatial planning, transport and housing priorities that will support and enable the aspirations of the RES to be met. Similarly, the RES should take account of the spatial and transport priorities of the RSS and the housing objectives of the RHS. The three strategies (RES, RHS and RSS) will need to be aligned if they are to secure the management of change in a coherent and sustainable way.'

2.3 SUSTAINABILITY APPRAISAL

2.3.1 What is Sustainability Appraisal?

This Appraisal aims to predict and assess the economic, social and environmental effects which are likely to arise from the North East RES. The Appraisal, therefore, integrates two processes:

- *Sustainability Appraisal (SA)*, a process for understanding whether policies, strategies or plans promote sustainable development, and for improving those policies etc to deliver more sustainable outcomes.
- *Strategic Environmental Assessment (SEA)*, a process for assessing and mitigating the negative environmental impacts of specific plans and programmes. SEA is required for Regional Spatial Strategies under EU Directive 2001/42, transposed into UK law by the *Environmental Assessment of Plans and Programmes Regulations 2004*.

The Appraisal process has been designed to meet the statutory requirements applying to both SA and SEA, as explained in official guidance provided by ODPM. In particular, the appraisal process has been developed in reference to the ODPM Consultation Paper on *Sustainability Appraisal of Regional Spatial*

Strategies and Local Development Frameworks (September 2004) and more recent guidance on SA/SEA issued in September and October 2005.

In accordance with best practice and after consultation with the Steering Group, this Appraisal has also taken into account the key proofing guidance in respect of Health Impact Assessment (HIA) ⁽¹⁾, Rural Proofing ⁽²⁾, 'age proofing' ⁽³⁾ and 'future proofing' ⁽⁴⁾.

Assessment of Cumulative Impacts

Assessment of cumulative impacts is a key component of SA/SEA. A cumulative impact assessment of the RES is presented in *Section 4* of this report.

2.3.2 *Sustainability Appraisal Process*

Sustainability Appraisal is an iterative process that identifies and reports on the likely significant effects of the plan or strategy being assessed, and the extent to which implementation of the plan will support the social, environmental and economic objectives by which sustainable development can be defined (in this case the objectives set out in the IRF). As such, the assessment should:

- take a long term view of whether and how the area covered by the Strategy is expected to develop;
- provide a mechanism for ensuring that sustainability objectives are translated into strategic programmes and plans;
- reflect global, national, regional and local concerns;
- provide an audit trail of how the Strategy has been revised to take into account the findings of the appraisal; and
- form an integral part of all stages – including the earliest possible stages – of Strategy preparation.

2.3.3 *The SA/SEA Process*

As required by Government Guidance, a Scoping Report was published for consultation in the Statutory Consultees. In addition a Draft Sustainability

(1) HIA is a decision-making tool that takes account of the potential effects of a proposal on the health of its target population. It aims to improve the health of communities and individuals; reduce health inequalities, work toward sustainable development; promote fairness and equality for all, target disadvantaged and marginalized groups; and encourage participation of all affected.

(2) Rural Proofing is a commitment by the Government to ensure that all its domestic policies take account of rural circumstances and needs. This means that as policies are developed, policy makers should systematically consider whether their policy is likely to have a different impact in rural areas, because of rural circumstances and needs; assess the significant impacts; adjust the policy where necessary with solutions to meet rural needs and circumstances.

(3) Age proofing toolkit being published by Age Concern, amongst others, to ensure that the potential effects of a proposal, policy or framework on the older/elderly sections of the community; recognising the growing, ageing characteristic of the population.

(4) Future Proofing is a process, which seeks to ensure that the policy development process has taken full account of potential longer-term change. It is designed to make plans more aware of opportunities, provide early notice of new challenges, help them manage change and manage risk.

Appraisal Report of the RES has been published which took account of consultation responses to the Scoping Report. This was made available and received consultation responses from a number of stakeholders. A further round of public consultation on the SA/SEA has taken place during 2006. The consultation responses have from that consultation been taken into account in the drafting of this report.

2.3.4 *The Appraisal Team*

This appraisal has been carried out by Environmental Resources Management (ERM) on behalf of ONE.

To assist the SA/SEA process, ONE established a Steering Group to assist in informing the undertaking of the SA/SEA of the RES. The Steering Group includes representatives of regional stakeholders, including Statutory Agencies. (see Section 2.5 of this report for more details).

2.4 *CONSULTATION REPOSSES ON THE SUSTAINABILITY APPRAISAL*

As part of the overall consultation on the Draft RES, consultation responses have been received which relate specifically to the Draft Sustainability Appraisal. The comments have been collated and are presented below. The comments have been analysed in terms of those dealing with generic issues, those dealing with issues of process and comments dealing with thematic or sectoral issues. *Section 2.4.1* below sets out responses received on specific key issues, the appraisal team's response and how the comment has been dealt with in the development of the final SA/SEA of the RES. A more detailed presentation of the Consultation Reponses and the SA/SEA's response to them is presented in Annex E of the main report.

2.4.1 *Key Issues raised by Consultation*

We summarise below the key themes that emerge from an analysis of the consultation responses received from the last round of consultation on the SA/SEA and the draft RES. A total of 20 responses were received. Not all the responses commented on the SA however, some commented only on the draft RES.

The Process

- Some consultees have raised concerns over the timescales involved in the SA/SEA and RES processes and what they perceive as a lack of transparency in the process that has been followed.
- A number of responses have highlighted the benefits of developing a more inclusive group of delivery partners to assist with the developing and delivery of the RES Action Plan and the SA of that plan.

- There is support from a number of respondents for a continued and expanded role for the SA Steering Group.
- A number of respondents were concerned that a Non-Technical Summary of the SA was not available.

The issues raised by respondents relating to the process to date will be reviewed in the light of the need to carry out an SA of the RES Action Plan and the need to develop the Action Plan itself. This report makes recommendations on this topic.

In the case of the apparent non-availability of the Non-Technical Summary, this appears to be a mistake since the document has been on the ONE website as has been available for download.

The RES Action Plan

- Respondents welcome both the development of the RES Action Plan and the SA of the plan.
- A number of respondents have indicated that they feel that the Action Plan needs to include measures and actions to protect and enhance the environment if the emphasis on the value of the region's natural and historic environment in the RES is to be converted into concrete action.
- Respondents are also keen to ensure that the Action Plan addresses key issues raised in the RES and the SA such as adaptation to Climate Change, Sustainable Consumption and Production, the Low Carbon Economy etc.

The issues raised in consultation responses are reflected in the recommendations of the SA on the RES Action Plan.

Monitoring of the RES

- Several respondents expressed concern over the lack of a monitoring framework for the RES.
- Concern was expressed over the need for indicators and a monitoring framework to monitor the predicted impacts of the RES and the RES Action Plan.

The need for a monitoring framework for the RES and the RES action Plan is fundamental in sustainable development terms. The SA proposes a series of indicators that could be used to monitor the 'significant effects' of the RES and the Action Plan. In developing the Action plan it will be imperative that a robust system of impact and performance indicators is put in place to effectively capture the impact of the RES.

Baseline Data

- A number of respondents raised concerns over the accuracy and accuracy of baseline data in the SA.
- The use of new research and new data, especially in relationship to Ecological Footprinting and Sustainable Consumption and Production was highlighted by a number of respondents as was the potential value of models such as REEIO and REAP.
- A number of respondents raise concern over the need for the region and the RES to address the issue of 'environmental limits' (including Global Environmental Limits) – an issue at the heart of the UK Governments Sustainable Development Strategy.

The SA team has reviewed the detailed comments of respondents and issues raised by the Steering Group and has adjusted the baseline data to reflect information that has become available since the previous draft of the SA report was issued. This report also makes recommendations on how baseline data on sustainable development issues might be updated and managed in future.

Assessment of Impacts

- Some respondents were concerned that there was insufficient clarity over the assessment of impacts and the 'scoring' of the assessment – this also related to the assessment of cumulative impacts where further explanation of the assessment was felt to be required.

The Issue of Cross-Border/Transboundary Impacts on Biodiversity was Raised in One Response

The SA report and its assessments have been reviewed by the SA team in the light of the responses received and additional information has been provide on the assessment of inputs, significant effects and cumulative effects (including cross-border impacts).

The Appraisal Framework

- Respondents are generally in favour of the use of the IRF as the basis of the SA Appraisal Framework.
- Concerns have been expressed about the current lack of targets against which to measure trends in the attainment of IRF objectives.
- Concerns were also expressed that the IRF does not address key sustainable development issues such as Sustainable Communities and Sustainable Consumption and Production.

- Several respondents felt that the appraisal questions used in the sustainability appraisal of the RES should be reviewed and, if required, amended for the appraisal of the RES Action Plan.

The SA report recognises the need to update the IRF in line with current UK sustainable development priorities and policies. This is, however, a task for the Region not for an appraisal process but this report does recommend that the IRF is updated. It also recommends that the SA of the RES Action Plan develops a set of appraisal questions that reflect the aims and objectives of that plan.

2.5 *INCORPORATION OF THE SA/SEA INTO DECISION-MAKING ON THE RES PROCESS*

2.5.1 *The SA/SEA Steering Group*

As the SA/SEA was a new process in the RES review, it was deemed valuable to establish a group of key partners and officers to steer the process and content. The steering group comprised representatives from the Government Office, the North East Assembly, the Environment Agency, English Heritage, the Countryside Agency, English Nature, One NorthEast, Equality North East, and a representative from the Public Health Group North East.

Members were selected to draw upon their experience and expertise and to help ensure that the appraisal was robust and relevant to an economic strategy by covering economic, social and environmental issues in an integrated way.

The Steering Group were kept informed at every stage of the process, and brought together at key stages to discuss findings and emerging issues. A core role for group members, was to share their knowledge and signpost the SA/SEA to existing research and relevant strategies that could inform the appraisal.

An important part of this process will be to bring together Steering Group members following publication of the RES and the SA/SEA report, to identify what we can learn from this process and to help us build on and strengthen future appraisals, including the role of Steering Groups and how they can contribute to the SA/SEA process. This is an issue that has been raised in the Public Consultation responses on the SA/SEA.

2.5.2 *Integrating the outputs from the SA/SEA process into the RES*

Comments received through consultations on both the SA/SEA and the RES discussed with Steering Group members and statutory consultees, at the meeting on 8th September 2005. This session, and the meeting on 11th October 2005, proved extremely valuable in identifying what the core issues for the RES were and how these could be integrated into the strategy. Having discussions at these stages meant that comments could be fed back to RES authors who were still working on revising the draft. Steering Group

members and statutory consultees provided useful insights into how these issues could be managed and reflected in the RES.

Further discussion were held with the Steering Group on 24th May 2006.

Integrating comments from the RES consultation into the SA/SEA process was not a stated requirement of the SA/SEA guidance however it was felt that this would add value to the appraisal by developing the evidence base and providing a more robust appraisal.

It is important to note the iterative nature of this process and how the two processes have worked together closely all stages to integrate comments and information. ERM has received updated revisions of the RES to see how the drafts at each stage in the development of the RES progressing in light of discussions and comments from the Steering Group and statutory consultees. This also enabled the SA/SEA to highlight any areas of potential conflict with IRF objectives as the drafts of the RES have evolved so that the RES development process addressed them as it progressed.

One NorthEast Board Members and key RES groups have been kept informed of the SA/SEA process and how it was to integrate its recommendations, into the RES.

2.5.3 *How the outputs from the SA/SEA have influenced the Final RES*

Following the close of the appraisal report consultation on 28th October 2005, the draft outcomes of the sustainability appraisal were firstly discussed amongst the core RES team on 31st October 2005, then the final outcomes were discussed in more detail in a meeting between the consultants and the core RES team on 2nd November 2005. This involved discussing each recommendation and identifying how it should be integrated into the final draft of the RES, to reflect consultation comments.

The SA/SEA team has reviewed the proposed changes to the text of the RES made in response to the consultation responses received on the re-issued RES. It discussed its comments on the proposed changes with the RES team on 14th July, 2006.

The SA/SEA has produced a list of recommendations that will be used to inform the RES Action Plan and the SA/SEA of that Action Plan.

2.5.4 *How the findings of the SA/SEA will be taken forward*

The recommendations pertaining to implementation of the RES will be taken forward in the development of an action plan, over the next 12 months.

This report on the findings of the SA/SEA and how the RES made use of the appraisal process will be published alongside the RES. In addition, the findings from this appraisal will also form part of the rolling evaluation of the

RES in three years time, identifying areas which require further clarity for development in the future.

There is a strong commitment on the part of ONE in the RES to strengthen the Region's evidence base to inform future activity and to provide the foundations for successful implementation of the RES. This in turn will make for more focused appraisals in the future.

3 *APPRAISAL SCOPE*

3.1 *INTRODUCTION*

In establishing a clear scope for the Sustainability Appraisal of the RES, and in compliance with statutory requirements, it was first necessary to review and develop an understanding of:

- 1 possible appraisal objectives;
- 2 other plans, policies and strategies of relevance to the RES;
- 3 baseline information on environmental, social and economic conditions in the region; and
- 4 significant sustainability issues facing the region.

3.2 *CORE SUSTAINABILITY OBJECTIVES – THE INTEGRATED REGIONAL FRAMEWORK*

The Integrated Regional Framework (IRF) for North East England establishes a shared regional vision of sustainable development, and a set of objectives, indicators and targets that map out how the region should deliver economic development that benefits people and protects and improves the environment. The IRF was developed by a working group of key regional partners, including the Regional Assembly, Government Office for the North East, *ONE* and others.

It was agreed by the Steering Group for the SA/SEA and the Appraisal Team that the IRF, provided the key set of objectives to inform the Sustainability Appraisal.

During the course of the consultations on the SA/SEA Scoping Report and Draft SA/SEA Report a number of responses were received relating to the need to update/amend the appraisal framework. These comments focused in large measure on the fact that the IRF is in need of review and update to reflect developments in national policy and strategy as presented in *Securing the Future* launched in 2005, the Sustainable Communities Plan and other key documents.

Future SA/SEAs will need to take account of any revision to the IRF in the development of their appraisal frameworks.

4.1 INTRODUCTION

This section of the SA/SEA report focuses on the key components of the appraisal process, the assessment of alternatives and the key findings of the appraisal.

4.2 APPRAISAL OF ALTERNATIVES

The assessment of alternatives is a key requirement of the both the SEA Directive and the UK's Government Guidance. In the case of the RES for the North East region, we have taken as alternatives four different scenarios of the likely growth of the North East economy, as outlined by ONE and the Centre for Economics and Business Research (CEBR). These scenarios are indicative trends rather than detailed forecasts. Known as 'The Positive Economic Scenarios' they provide a shared evidence base for both the RES and the RSS. It should be remembered, however, that the growth projections in the RSS are slightly different to those in the RES.

The rationale behind the use of the Positive Economic Scenarios is described in *Box 4.1* below.

Box 4.1 *The Positive Economic Scenarios*

The Positive Economic Scenarios begin to build a relationship between economic policy interventions to improve economic performance, such as in levels of participation, educational achievement and productivity, and the implications this will have for spatial policy. An example of this is the volume, local and type of housing required to meet the aspirations of a modern, knowledge economy.

If the headline rate is broken down, the opportunities are clear. For example, much of the growth in the positive scenarios can be achieved by enabling more of the working age population to enter the labour market, this improving economic participation rates. In addition, creating more businesses with the region could generate step change in growth rate through increasing productivity levels and increases in participation.

This package of scenarios has been developed to provide a robust framework and common evidence base from which to align regional policy. There is a need for us to test this work to ensure it remains robust and continues to underpin a positive economic scenario, this can be found through the RSS process at:www.viewnortheast.co.uk/document/docs/paper_2.pdf

Each of the scenarios is summarised below. In developing the scenarios what the RES calls a number of 'stopping off points' were also considered. These have not been assessed by the SA/SEA since it is understood that they have not been used in the detailed development of the RES.

Baseline Scenario ⁽¹⁾

This is the most pessimistic of the possible scenarios as it assumes an annual average growth rate of 1.8% to 2016 and, based only on historic performance, this would appear to be the most likely scenario. However, when considering more recent trends, future prospects and policy intentions, the baseline appears to be an overly pessimistic scenario for planning purposes. It is reasonable to expect the regional economy to grow at a faster rate as the North East's economy has now largely restructured due to the decline in the traditional core industries of the 1980s and 1990s and as slower-growing sectors continue to account for a decreasing share of the overall economy. The baseline scenario would produce an estimated rate of an annual average of 1.3% GVA over the plan period. The other key assumptions underlying this scenario are that:

- Productivity does increase, but only at the UK average and therefore with no narrowing of the productivity gap between the North East and the rest of the country;
- Population changes only in line with Government Actuary Department forecasts; and
- The participation rate shows no significant improvement on the current level.

4.2.1 *Bronze Scenario*

This is well within the growth rates recently experienced in other European economies and assumes an annual average rate of growth rate in gross value added of 2.3% over the plan period, close to the anticipated UK level over the period. This would mean that the region would remain at around 80% of the national average by 2016.

The key requirements for this scenario to materialise are an improved participation rate, (but one which is within the range achieved by other regions); labour productivity improvements of 3% higher than the baseline figure; and a shift in the industry mix to one that is much closer to the national position.

4.2.2 *Silver Scenario*

This rate of growth is just within the range achieved elsewhere in Europe in recent years and assumes a more optimistic growth rate of 3.4% in real gross value added to 2016 (this would represent 90% of the national average by 2016). For it to be achieved in the North East it would require a more marked improvement in the participation rate, but again one which is within the range achieved by other regions; a shift in the industry mix to the national average position; and a more stretching improvement of 8% in labour productivity above the baseline level.

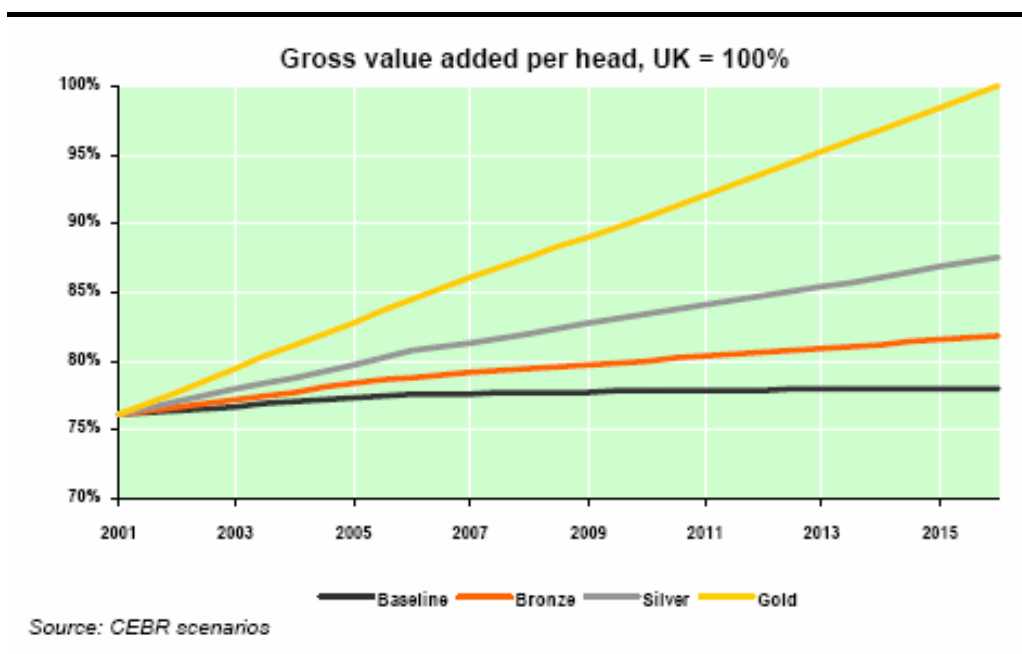
(1) This information is taken directly from the Centre for Economics and Business Research and ONE published information: Regional Spatial Strategy (RSS) for the North East.

4.2.3

Gold Scenario

This is a higher growth rate than almost any UK region or EU Member State (prior to the recent accessions) has achieved in recent years and is the most optimistic scenario, with annual average growth rate of 4.9% to 2016 (this would mean that the North East attained or exceeded the national average by 2016). The UK sub-region nearest to this in 1995-2001 was Berkshire/Buckinghamshire/ Oxfordshire (over 4% per annum). The Irish Republic achieved nearly twice this. For it to materialise the North East would be almost entirely dependent upon a very large increase in productivity, which would be 21% higher than the baseline level. This would however be within reach if labour productivity in the North East reached national average levels and if the region retained its productivity advantage in those sectors where it currently out-performs other regions.

Figure 4.1 Scenarios for Regional Growth – North East England



4.3

THE INFLUENCE OF THE SHINE PROCESS ON THE RES

The 'Shaping Horizons in the North East' (SHINE) process was used to:

- Inform priorities within the Regional Economic Strategy and other regional strategies
- To encourage the people of the North East to take collective responsibility for the future.

The process took place during 2003 and 2004 and has been extremely useful in identifying the key opportunities and threats facing the region. It involved over one thousand people in a range of events and meetings.

Specific headline issues identified via SHINE in relation to the existing RES 'Realising our Potential' included the following:

- The importance of strong leadership in overcoming the major problems of the region was not reflected at all;
- Realising Our Potential is rather inward looking – the revised Strategy should be set within a global context;
- The document is not distinctive and thus fails to give rise to any competitive advantage;
- The next Regional Economic Strategy must be more prioritised – participants acknowledged that this would not necessarily please everyone in the region, but felt strongly that effective leadership is required to remain focused;
- The importance of regional distinctiveness and image should be reflected within the revised Strategy;
- People and participation, particularly in terms of young people’s aspirations and attitudes should be more strongly emphasised.

The proposed RES has drawn upon the SHINE process and on the evaluation of ‘Realising our Potential’ in the development of its strategy.

4.4

APPRAISAL FINDINGS

The Appraisal considers how the RES will address each of the IRF objectives and associated questions, assigning a score to each question. The score is based on the review of baseline data for the region and trends in relation to IRF objectives and related sustainable development issues and the ‘direction of travel’ indicated in the draft RES.

The scoring framework used in undertaking the Assessment is outlined in *Table 4.1* below:

Table 4.1 *Scoring Framework for the Assessment*

✓✓	Clear Strong positive impacts
✓	Overall impact likely to be positive
✓/x	Overall impact mixed
?	Overall impact unclear
0	Overall impact neutral
x	Overall impact likely to be negative
xx	Clear, strong negative impacts
**	Not addressed, but likely to be important
N/A	Not applicable

The detailed Assessment matrices are provided in *Annex C* to this Report. The matrices outline how the RES has performed against the Appraisal questions, assessing the likely impact of the RES in relation to each objective and question and assigning a score as per the scoring framework noted above.

The findings set out below relate to the ‘Silver’ scenario (see above) since this is the scenario that most closely mirrors the strategy of both the RES and the RSS.

Set out below is a brief summary of key points arising from the appraisal of the RES.

IRF Objective	Likely Impact	Conclusions
<p>1. To ensure high and stable levels of employment so everyone can share and contribute to greater prosperity</p>	<p>✓</p>	<p>The overall impact of the RES in terms of delivering high and stable levels of employment is appraised as being positive.</p> <p>The RES highlights the issues which the region is facing in increasing employment, particularly amongst key disadvantaged groups. The issue of changing workforce demography is also recognised and with it the requirement to ensure skills training addresses both changes in workforce composition and business requirements for workforce skills training.</p> <p>Improving access to employment, increasing economic participation in deprived communities and promoting equality and diversity are all strong elements of the overall focus of the strategy. The retention of the Region's existing workforce is also recognised as being a key component of increased prosperity.</p> <p>Elements of the analyses in the RES that require further work include an analysis of the key areas of skills demand in the region since it is important that skills development is demand rather than supply driven. In addition the impact on the economy of an ageing population should be built into any analysis of the region's growth and the need of its economy and projections for the provision of infrastructure.</p> <p>The particular needs of the rural economy are addressed in respect of business creation and the overarching need to develop a Rural Economic Development Programme.</p>
<p>2. To achieve high and sustainable levels of economic growth</p>	<p>?</p>	<p>The overall impact of the RES is appraised as providing an <u>unclear</u> response to the challenge of achieving high and sustainable levels of economic growth. This is because the impact of the RES is highly dependent on the actions (and the performance of those actions) that will need to be included in the RES Action Plan which is yet to be developed ie what type of growth will the Region priorities? Recent research on the region's ecological footprint is helpful in pointing out both the challenges and the opportunities presented by the region choosing a more sustainable growth path (Ecological Budget North East 2006).</p> <p>In developing the RES Action Plan ONE and its partners should begin to create a framework of actions that reflects the research presented in Ecological Budget North East.</p> <p>Positively, the RES notes the importance of the definition of sustainable development outlined in the UK sustainable development Strategy and the importance of sustainability in shaping the region's economic development. There exists scope, however, to further develop the understanding and application of sustainable development with respect to embedding this within the Strategy.</p> <p>The RES scores positively in respect of the need to promote both rural and urban development, noting the importance of the rural environment and the quality of the region's natural environment as a driver for inward migration, in particular, for entrepreneurs. Quality of life for existing residents and for in-migrants is viewed as being a key element of the growth model for the region.</p> <p>The ability to shift towards a more sustainable growth model of the type that will lead to a stable and productive regional economy will require the region to prioritise growth around resource efficient sectors and behaviours.</p>

IRF Objective	Likely Impact	Conclusions
3. To raise educational achievement across the region	✓	<p>The overall impact of the RES in respect of raising educational achievement across the region is appraised as positive.</p> <p>The promotion of education and skills development is a key component of the Strategy and the role of the Regional Skills Partnership is acknowledged as critical to this. However, it will be extremely important that any investments in education and skills are based on demand from business.</p>
4. To ensure everyone has the opportunity of living in a decent and affordable home	✓/x	<p>The overall impact of the RES in ensuring everyone has the opportunity of a decent and affordable home is appraised as mixed.</p> <p>The RES is positive in its assertion of successful regions requiring sustainable communities. Quality of place and choice of housing are also highlighted as being a key issue within the Strategy. The Strategy is less clear, however, on how the region will seek to engage with the challenge of providing affordable housing and meeting the needs of excluded and disadvantaged groups in terms of housing.</p> <p>Simply providing more housing will not, per se, provide a robust response to issues of housing quality, affordability or homelessness.</p> <p>The issues of affordability and quality of housing and their impacts on business issues such as key worker housing, employee retention etc need further analysis.</p> <p>Clearer links to the RSS should be made on this topic.</p> <p>The RES does recognise the significance of sustainable development principles in the planning, management and design of regeneration schemes. This should include the renovation of existing developments both commercial and residential since the existing building stock vastly out weighs new or projected developments in terms of potential resource efficiency gains that could be made.</p>
5. To ensure good local air quality for all	?	<p>The overall impact of the RES in promoting improved air quality is appraised as being unclear.</p> <p>Problems of poor air quality are quite localised in the region but, unsurprisingly, are predominately associated with areas of current and projected high levels of economic activity. Without specific policies and actions to change behaviour and the overall transport mix of the region the RES is likely to exacerbate current problems.</p> <p>Whilst the region has low rates of car ownership it does suffer form localised congestion. The RES, the RTS and the RSS need to adopt common policies and actions that focus on improving the efficiency transport system of the region from the point of view of existing infrastructure, modal split and consumer awareness of transport options. These will also assist the region to address the CO₂ emissions arising from transport use.</p> <p>Whilst the RES recognises the need for and economic benefits of measures to manage demand for transport and energy demand there is no clear indication of what scale of measures are likely to be delivered via the RES and related strategies (e.g. the RTS).</p>

IRF Objective	Likely Impact	Conclusions
		Demand management in relation to transport and energy are likely to have beneficial impacts on air quality. It will be important that any measures that are taken not only deal with new emissions associated with activity generated by the RES but also that existing areas of poor air quality associated for instance with localised congestion are also addressed. Actions focused on demand management should be included in the RES Action Plan as well as the RSS.
6. To protect and enhance the quality of the region's ground, river and sea waters	?	<p>The overall impact of the RES in protecting and enhancing the region's ground, river and sea waters is appraised as being unclear. It is not easy to assess what the likely actions arising from the RES in terms of improved water resource management are likely to be.</p> <p>The RES performs well in respect of encouraging industry to adopt good practice, this is done generally through its attention to Business Resource Efficiency. This should include management of both water quality and quantity.</p> <p>The emphasis within the RES on embedding the principles of sustainable development in regeneration and development should also be beneficial to the quality and quantity of the region's water.</p> <p>In developing actions connected with the delivery of business support the RES Action Plan needs to include special actions focused on resource efficiency and reducing resource consumption relating to water.</p>
7. To reduce the causes and the impacts of climate change	✓/x	<p>The overall impact of the RES in reducing the causes and impacts of climate change is appraised as mixed. This is because whilst there is a positive focus on the promotion of renewable energy there is a lack of concrete commitments to tackling climate change within the RES.</p> <p>Climate change is recognised as an important key business issue as are the potential opportunities associated with a low carbon economy. The need to consider carbon offsetting of major development is also mentioned. However, the region still needs to decide how it will address the challenge of climate change in concrete terms of practical actions. This will need to be a key component of discussions on the development of the Action Plan. The discussion of how the Region intends to capture the opportunities for business from climate change for business efficiencies and enterprise innovation and also ensure that it embraces a development plan that reduces CO₂ emission is fundamental to the overall success of the region up to 2016 and beyond.</p> <p>The Ecological Budget of the North East report provides useful analysis of the sources of CO₂ emissions in the region and how they may be reduced via policy choices and actions. This analysis should be used to help shape actions within the RES Action Plan.</p> <p>The region's current performance on CO₂ emissions does not allow any room for this issue to be ignored. The region has high levels of emissions and high per capita levels of emissions which indicate the need for a change in the development model of the region.</p> <p>The issues of energy security currently facing the UK economy also need to be factored into these discussions and the results of the Energy Review.</p>

IRF Objective	Likely Impact	Conclusions
		<p>The RES Action Plan will need to promote actions to increase the penetration of renewable energy into the region's energy system. Actions to promote public sector leadership on the uptake of renewables and the installation of renewable energy systems would be a tangible step forward. The region will need to involve central government in discussions in policies and actions to 'fast forward' both climate change and renewable energy issues since a significant step change is required that will need government support.</p> <p>The commitment within the RES draft that 'Partners will work to further understand and act to mitigate and adapt to the issues of climate change across all three RES priority areas'. This is a major undertaking that will require the proactive engagement of a wide range of regional stakeholders. The work on climate change will need to go far beyond the 'Energy Pillar' although this offers a focus for some potentially significant actions on CO₂ and Carbon.</p>
<p>8. To protect and enhance the region's biodiversity (and geodiversity)</p>	<p>✓</p>	<p>The overall impact of the RES in respect of its protection and enhancement of the region's biodiversity and geodiversity, assessed as being potentially positive.</p> <p>The Region has a strong track record in recognising the value of protecting and enhancing its natural environment. This is also reflected in the aspirations of the RES which include the creation of 'Green Infrastructure'.</p> <p>A positive outcome for biodiversity will only occur, however, if a number of key steps are taken in the ongoing development and delivery of the RES. The principal steps are as follows:</p> <ul style="list-style-type: none"> • key biodiversity and environmental stakeholders are included amongst the group of regional partners that contribute to the RES Action Plan. • biodiversity indicators of relevance to the delivery of the plan are monitored by relevant agencies and stakeholders and any potential impacts or benefits are reported on and incorporated into the ongoing monitoring and review of the RES. • The findings of the Appropriate Assessment of the RSS are taken into account in the spatial delivery of the RES and the design of the component of the RES Action Plan. <p>Such steps will provide a clear indication that ONE and its regional partners are discharging the new duty placed on them by section 40 of the 'National Environment and Rural Communities Act 2006', namely 'in exercising its functions ... (a public body must) have regard to the purpose of conserving biodiversity'.</p> <p>The RES as drafted contains significant potential to demonstrate positive links between the region's economy and one of its major assets - the RES Action Plan must deliver clear evidence that these links are being strengthened.</p> <p>The RES recognises the importance of bio/geodiversity in respect of the quality of place/life which the region has. The RES does not address the key contribution of Green Infrastructure to the region's economy and development of sustainable communities. It also does not</p>

IRF Objective	Likely Impact	Conclusions
		recognise the need for the region to begin to plan proactively for the likely effects of climate change on key natural assets.
9. To reduce the amount of waste produced and increase the amount recycled	✓/x	<p>The overall impact of the RES in promoting waste reduction and increasing recycling is appraised as mixed. This is because without significant policy and behavioural change it does not appear likely that the RES will lead to improved performance on waste management. The RES as drafted contains only limited recognition of the significance of this issue and the level of action that is required to change current inefficient behaviour in the business and domestic sectors.</p> <p>The RES positively addresses the importance of resource efficiency for businesses and the economic potential of proactively engaging with markets which current and future regulation will promote.</p> <p>Waste management and the waste management sector, although critical for business and an area where the region needs to improve its performance substantially are not sufficiently addressed in the RES. This and the lack of recognition given to the environmental goods and services sector (it is understood that this is based on research that has fed into the RES on priority sectors but is at odds both to the economic success of the sector in the region and government predictions on growth for the sector) are cause for concern. Poor environmental infrastructure and a lack of investment to address the significant opportunities as well as challenges from new and impending legislation are important business issues.</p> <p>The impact on the RES on business performance on this and other aspects of resource efficiency is, however completely reliant on the nature of policies and actions to support resource efficiency in the RES Action Plan.</p> <p>The Ecological Budget North East report has highlighted some of the ways in which the Region can address resource efficiency not only within the business sector but also the domestic sector. Further work on this issue via the REAP and REEIO models would assist the Region in identifying areas where action and investment could be most effective.</p> <p>The research carried out for the RES has not, however, recognised the environmental industries sector as a priority sector within the region. It is, important however, that this sector continues to be seen as a key sector for investment given the importance of its contribution to resource efficiency in business and the considerable success of the Environmental Industries federation and others in building the sector into a dynamic and economically significant sector for the region.</p>
10. To make better use of our resources	✓/x	<p>The overall impact of the RES in promoting better use of our resources is appraised as mixed.</p> <p>The RES does contain some references to the need for resource efficiency especially with regard to business management and so there are the necessary 'hooks' on which to hang actions to improve resource efficiency and the competitiveness of regional business. Mention is made of demand management measures. However, the absence of concrete actions and recognition of the scale of change that is required raise concerns as to how effective RES will be in talking this issue. .</p>

IRF Objective	Likely Impact	Conclusions
		<p>Publication of the Ecological Budget North East and the availability of the REAP and REEIO models mean that the Region has the tools to develop the evidence base that should allow it to priorities actions for the RES Action Plan. Success in this are, will require concerted action across a range of regional strategies, a consensus on regional priorities and enabling policies from Central Government.</p> <p>The lack of prioritisation of the environmental goods and services sector raises concerns as to how the Region will deliver on resource efficiency since much of the necessary expertise lies within companies in that sector.</p>
<p>11. To protect and enhance the quality and distinctiveness of the region's rural and urban land and landscapes</p>	<p>✓</p>	<p>The overall impact of the RES in respect of its protection and enhancement of the region's rural and urban landscapes is appraised as positive.</p> <p>The RES positively recognises the importance of the region's landscapes to quality of life and the importance of promoting the region's distinctiveness as a factor to attract inward migration. The RES notes, for example that 'That region's rural areas represent some of our greater assets'.</p> <p>The RES has not, however, addressed the need to promote more sustainable land management practice, particularly within the region's rural landscapes (this is of direct relevance to environmental assets, habitats and species). Links need to be made in the RES Action Plan to actions to support and develop the rural economy.</p>
<p>12. To protect and enhance the region's cultural heritage and diversity</p>	<p>✓</p>	<p>The overall impact of the RES in protecting and enhancing the region's cultural heritage and diversity is appraised as positive.</p> <p>The RES positively asserts the importance of a high quality cultural asset base to successful regions and the quality of place which residents enjoy. The importance of the historic environment and the large and varied stock of heritage assets in the region is recognised as a key factor in attracting inward migration and in supporting key business sectors such as tourism and culture.</p> <p>The RES Action Plan needs to include actions where regional partners will assist in maximising the contribution that these assets make to well being and prosperity.</p>
<p>13. To reduce crime and the fear of crime</p>	<p>**</p>	<p>The overall impact of the RES in promoting the reduction of crime and fear of crime is appraised as not addressed but likely to be important.</p> <p>The RES does not explicitly address the opportunities which reducing crime and the fear of crime will provide in respect of enhancing quality of place and quality of life.</p> <p>It does, however, recognise the difficulties of ex-offenders face in securing stable employment and therefore the increased likelihood of re-offending as being one of the components of economic exclusion.</p>

IRF Objective	Likely Impact	Conclusions
14. To improve health and reduce inequalities in health	✓/x	<p>The overall impact of the RES in its contribution to improving health and reducing inequalities in health is appraised as being mixed.</p> <p>Positively, the RES does address issues of social inclusion and also economic inclusion and this will include the social determinants of health. It also seeks to address key determinants of access to the economy such as skills, access to transport etc.</p> <p>The RES should, however, more explicitly address the relationship between employment and health needs, noting that the region has the highest percentage of working age population unable to work through incapacity.</p> <p>The particular health demands/pressures which the ageing population of the region brings should also be addressed.</p>
15. To ensure good accessibility for all to jobs, facilities, goods and services in the region	✓/x	<p>The overall contribution of the RES in ensuring good access for all to jobs, facilities, goods and services, is appraised as mixed.</p> <p>The RES has positively addressed the challenge/need to 'Create (ing) access to Opportunity in Disadvantaged Areas' noting the role which the location of economic opportunities adjacent to/within communities and the provision of ICT will make to enhancing accessibility.</p> <p>The RES does not, however, address the issue of access to services, facilities and green space, for existing deprived communities.</p> <p>This will have a direct impact on social and economic exclusions. The RES Action Plan will need to have specific actions focusing on the region's most deprived rural and urban communities.</p> <p>Actions to address access to transport will also need to be agreed between regional partners again for rural and urban communities.</p> <p>Better links could, also, be made to addressing the social determinants of health which will also need to be included in actions by regional partners if economic participation is to be increased..</p>
16. To increase participation in decision-making and civic activity	✓	<p>The overall contribution of the RES in increasing participation in decision-making and civic activity is appraised as positive.</p> <p>The RES positively asserts the importance of effective governance to the region's development, noting also the significant input which the public and voluntary sector can make alongside that of the private sector.</p>
17. To reduce adverse impacts on global communities	**	<p>The overall contribution of the RES in reducing adverse impacts on global communities is appraised as being not addressed but likely to be important.</p> <p>Whilst globalisation is addressed in detail, the role of the region as a global citizen is not. In developing the monitoring framework for the implementation of the RES the Region should identify targets and indicator that help to demonstrate the global impact of the region's economic development model. These should relate specifically to this IRF objective and other work that has been done relating to the region's global footprint.</p> <p>The publication of the Ecological Budget Northern report provides a timely reminder of the issues the region needs to address in terms of both its global footprint and global citizenship.</p> <p>Note: The importance of data collection and analysis to the development of a sustainable growth model for the region is not currently addressed. Nor, is the role of local suppliers and locally produced materials.</p>

Table 4.2 sets out our assessment of the likely significant effects of the RES on key environmental issues as required by the SEA Directive. The headings used are those set out in that Directive. The following issues may, depending on how the RES is implemented, potentially experience significant positive effects:

- Biodiversity (especially via any investments in green infrastructure)
- Flora and fauna (especially via any investments in green infrastructure)
- Population
- Human health
- Some material assets

Issues that may potentially experience significant negative effects are as follows:

- Air
- Climate factors
- Waste

The potential impacts of the RES on these receptors are discussed in more detail earlier in Section 4 of this report and in Annex C.

The ability to have a positive effect is dependent both on proactive action and investment and also from use of 'sustainable development safeguards' to screen out and mitigate potentially negative actions and impacts from the implementation of the RES. As a minimum the Region should agree common standards and approaches to the screening of actions to ensure their positive contribution to sustainable development.

Table 4.2 *Likely significant effects on the environment of the North East RES*

Environmental Issues	Comments
Biodiversity	It is unlikely that there will be significant negative effects on biodiversity in relation to the RES. This will, however, require that the influence of the RES is monitored carefully via the use of indicators and the involvement of regional stakeholders who can assess the ongoing effects of development on biodiversity. It will also require the adoption of best practice in terms of biodiversity enhancement measures in the design and delivery of development projects. There may be biodiversity gains if the RES Action Plan encourages investment in natural assets and in green infrastructure.
Population	If the economic development model proposed in the RES is successful then this is likely to increase projected population growth in the region. Improvements to the economy of the region are also likely to benefit the population as is the focus on the needs of deprived communities and people experiencing economic and social exclusion. Population growth is likely to lead to increased resource consumption, increased waste arisings, increased emissions and an overall enlargement of the region’s footprint unless measures to improve resource efficiency are put in place alongside policies to stimulate behavioural change. The effects of an increasing number of people and households should be modelled using REAP and REEIO and other tools. Work on this has already been carried out for the region and should help to inform actions within the Action Plan.
Human Health	The direct effects of the RES on human health and the wider determinants of health may be limited but by encouraging greater levels of economic participation and tackling social and economic exclusion the RES should have indirect benefits on the factors affecting the health status of some of the regions communities. This in turn should have positive effects on both social and economic exclusion.
Fauna	The same comments apply as for biodiversity.
Flora	The same comments apply as for biodiversity.
Soil	In general the investments encouraged by the RES should not affect key land resources or lead to soil pollution and contamination. By focusing on redevelopment and regeneration in the City Regions the RES also offers excellent potential for further redevelopment of brownfield thus reducing even further the burden of soil contamination in the region.
Water	The RES is not likely to have any significant direct effects on either water quality or water quantity. It will be important that the RES encourages effective water management and pollution control by business as well as promoting water demand measures as an integral part of resource efficiency. A focus on resource efficiency would also assist in decoupling economic growth from increasing water consumption and increasing levels of pollution/ degradation of water resources.
Air	The RES is likely to have significant effects on air quality via transport and energy emissions. The RES does have statements on the need for transport demand management and energy efficiency but without ‘stretch’ targets in the RES Action Plan and large scale investment in demand management measures it is likely that the RES will create additional emissions. In general the RES does not focus on any highly polluting sectors as priorities for growth this should prevent any significant increases in industrial emissions in the region (non-energy). Climate Change is discussed below.

Environmental Issues	Comments
Climatic Factors	The expansion of regional airports and of air traffic is likely to lead to significant increases of CO ₂ and other GHG emissions. This increase is likely to be further increased by transport and energy emissions (see above). Whilst the RES mentions the need to consider carbon offsetting and investments in the low carbon economy, in the absence of firm targets and concrete actions leading from the RES it is difficult to see how the region's CO ₂ performance will not get worse rather than improve as a result of this RES. Investment in renewables, at least in the short term is unlikely to have a significant effect on this for CO ₂ reduction within the region. Whilst renewables and Low Carbon economy are important aspects of the 'Energy Pillar' of the RES it will still be necessary to take significant actions to bring about greater resource efficiency, this will need to include behavioural change. The Ecological Budget report contains information on the issues the region needs to tackle and this work should be integrated into the development of the RES Action Plan with further work using the REAP and REEIO models. Actions to combat and adapt to climate change should be one of the major themes of the Action Plan.
Material Assets	The RES is likely to lead to an increase in the material assets of the region.
Cultural Heritage - Architectural - Archaeological	The RES offers opportunities to invest in the regions' cultural assets – this could have significant conservation and economic as well as cultural benefits. Current pressures on these regional assets need to be taken into consideration in the development of actions to assist in their conservation and enhancement.
Landscape	The RES recognises that the landscape assets of the region are part of its natural competitive advantage. Any investments in these assets under the RES Action Plan could have significant benefits.
Waste	The RES is likely to lead to significantly increased waste arisings without strong actions in the RES Action Plan to improve business and domestic performance on waste management in the region. Actions to assist in improved waste management should be developed with inputs from the REAP and REEIO models.

4.6

MITIGATION

There are a number of ways in which the need to mitigate potentially negative effects arising from the delivery of the RES can be addressed. These are as follows:

- ONE should work with regional partners on the development of the RES Action Plan to reduce the likelihood of negative impacts.
- Major components of the RES should be tested using tools such as REEIO, and REAP to establish their impacts on resource efficiency and the regions footprint.
- Activities should not be supported if they have adverse effects that cannot be offset or compensated for in sustainable ways – investments that are likely to significantly increase the footprint of the region should not be supported (this excludes investments connected to national policy that the RES and the region cannot affect).
- ONE and all key delivery partners should put in place appraisal systems that identify the likely sustainability impacts and benefits of proposed investments and policies.

- The Region should identify and agree environmental limits which it aspires to live within and monitor the effect of the RES on those limits.
- The results of the Appropriate Assessment of the RSS should be integrated into work on spatial aspects of the delivery of the RES.
- The RES should report on an annual basis on its contribution to IRF objectives.
- ONE should work with regulators and regulated sectors to ensure that opportunities for sustainable investments are maximised and that barriers to sustainable investment and sustainable behaviour are eliminated and incentives introduced. This may require action at national level.
- The region should be an advocate of policy change at national level e.g. policies aimed at encouraging behavioural change.
- The Region should support SUSTAINÉ, NERIP and other stakeholders in their role as sustainable development champions and data providers.

5.1 INTRODUCTION

The RES does not include an Implementation Plan (this role will be fulfilled by the RES Action Plan) or a monitoring framework with targets and indicators. These will be developed as a separate process.

From the perspective of the legal requirements covering SEA this raises the question of the need for a separate SA/SEA of the RES Action Plan both to comply with requirements and to complete the assessment of the likely impact of the RES and its contribution to sustainable development objectives.

This SA/SEA therefore highlights the need for an SA/SEA of the Action Plan for the RES to be carried out. The timescale for developing the plan should be clarified as soon as possible.

5.2 DTI GUIDANCE ON MONITORING AND EVALUATION OF THE RES

The DTi's guidance state that *'The RES should set out how the RDA will monitor its implementation and impact'*. It goes on to say *'It is for the RDAs in conjunction with Regional Assemblies and other regional partners to decide how to judge the success of their RES, but use should be made wherever possible of specific and quantifiable indicators'*. The RES should make clear how the impact of the RES will be evaluated and the results used to inform the subsequent resources of the RES.

The RES indicates quite clearly that there will be an RES Action Plan and that this will be a regional delivery document. There is no timescale indicated for this process within the RES.

Clearly, sustainable development actions and the performance of the RES in terms of the IRF's objectives are components of the monitoring framework that needs to be established.

The remainder of this section of the SA/SEA report deals with issues of implementation and monitoring relating to the development of an evidence base to assess the contributions of the RES to regional, national and international sustainable objectives as encapsulated in the region's integrated Regional Framework.

5.3 INCORPORATING SUSTAINABLE DEVELOPMENT INTO THE IMPLEMENTATION AND MONITORING OF THE RES.

The importance of a sound evidence base for the development of the RES is clearly spelt out in the DTi's guidance. A sound evidence base is also

fundamental to effective monitoring of the impacts of the RES during its implementation. From a sustainable development perspective there are a number of issues that need to be discussed within the region.

- The organisation of the evidence base
- Leadership on development sustainable development inputs to the RES Action Plan
- Selection of core RES indicators and targets for sustainable development
- Selection of contextual indicators and targets for sustainable development
- Responsibility for monitoring of the RES

These issues need to be resolved before the process of drafting of the RES Action Plan begins.

5.4

PROPOSALS FOR MONITORING INDICATORS

An initial set of proposed indicators for the monitoring of the RES and its Action Plan is set out below. These will need to be discussed with regional stakeholders and clear roles and responsibilities for their monitoring and reporting agreed. Most of these indicators are already being collected by regional stakeholders identified.

- Climate change
 - Energy use per capita
 - Emission greenhouse gases by sector
 - Percentage of electricity output from renewable sources
 - Installed capacity for energy generation from biomass
 - Renewable energy capacity installed by type
- Resource use
 - Reduction in the area of Brownfield land
 - a measure of resource intensity per unit of production. ⁽¹⁾
 - change in the region's footprint (positive/negative)
- Sustainable construction –
 - percent of homes new and retrofit properties meeting eco homes very good standard
 - percentage of new developments meeting BREEAM excellent standard
 - number of retrofits/reconditioning projects meeting BREEAM 'very good' standard.
- Economic regeneration/social exclusion.
 - Trend in performance on IMD indicators of 10% most deprived wards in the North East.
- Quality of life
 - Annual MORI Survey of NE residents.

⁽¹⁾ This measure needs to be developed.

- Biodiversity -
 - Condition of SSSIs, SACs and SPAs.
- Economic development -
 - GVA per capita
- Pollution and congestion -
 - days when air pollution is moderate or high
- Water resources
 - Per capita consumption of water
 - Rivers of good or fair chemical or biological water quality
- Waste management
 - Generation and growth rates of major waste streams
 - Per capita waste generation
- Affordable housing
 - Completion rate of affordable housing against targets

6 *RECOMMENDATIONS AND CONCLUSIONS*

6.1 *INTRODUCTION*

This section of the report presents the recommendations and conclusions resulting from this SA of the RES

6.2 *RECOMMENDATIONS*

The recommendations set out below are made with a view to ensuring the further integration of sustainable development into the RES and its implementation. They reflect issues highlighted by this assessment process and the responses to consultation on the Scoping Report and the Draft SA/SEA of the RES.

- *OWNERSHIP OF THE RES ACTION PLAN*

Responses to the consultation on the SA report have highlighted the need for better integration of regional stakeholders into regional processes. This should be taken into account in carrying forward the development of the RES Action Plan and the appraisal of that plan.

- *PARTICIPATION*

The delivery of the RES and the optimisation of its impact is reliant on being able to encourage effective participation and engagement. This message has been one of the key issues raised in consultation responses. Different models of participation and engagement will be required and these will need to draw on existing networks and organisations in the region. Specific models of participation such as the 'L' model offer proven methods of the engaging with key target audiences. ONE needs to work closely with regional partners to ensure effective engagement and participation.

- *SA/SEA OF THE ACTION PLAN*

In order to ensure compliance with the regulations governing SA/SEA an assessment of the RES Action Plan will be required. This will complete the assessment process and will also allow effective monitoring of RES actions and the overall impact of the RES.

- *LEADERSHIP ON SUSTAINABLE DEVELOPMENT IN THE REGION*

The assessment process has highlighted the importance of having an organisation to lead sustainable development inputs to the RES and other processes. There is also need for more effective coordination of the sector. The Region needs to decide which organisation will champion sustainable development at strategic level and also allocate sufficient resources so that this role can be carried out effectively. The work carried out to date on the

coordination and management of SD in the region and the Government's 'Securing the Region's Future' should inform this process.

- ***BEHAVIOURAL CHANGE***

The step-change in behaviour in all sectors, not only business, needed to address climate change, resource efficiency and resource consumption can only be delivered if national and regional policies are mutually reinforcing. The Region needs to enter into dialogue with central government on changes to policy that will facilitate the delivery of regional aspirations on demand management and resource efficiency.

- ***ENVIRONMENTAL LIMITS***

This has been identified as a key issue and the Region needs to agree a process by which the nature of these limits can be discussed and progress made on agreeing what the limits for the region should be and incorporating these limits or steps towards living within these limits into strategy development.

- ***EVIDENCE BASE***

The RES and this SA/SEA process have highlighted the need for an improved evidence base on which to base economic development decisions. From the perspective of sustainable development this means a greater level of coordination of data collection, monitoring and analysis than occurs at present. It also means that the region should continue to invest in work on modelling of the resource efficiency of the regional economy and that this work should be used to underpin the implementation and evaluation of this and future RESs. NERIP should be an integral part of developing the evidence base for sustainable development in the region.

- ***USE OF NEW EVIDENCE AND NEW TOOLS***

The Region should ensure that the work on its Ecological Budget and its footprint are fully integrated into the RES Action Plan. Similarly the REEIO and REAP models should be used to help identify policies and actions to increase resource efficiency. NERIP should be an integral part of developing the evidence base for sustainable development in the region.

- ***RES ACTION PLAN***

This process needs to be initiated as soon as possible. It needs to engage all the key regional organisations. The Action Plan should be accompanied by a framework of targets and indicators that will allow its impact to be monitored. Careful thought needs to be given to which IRF objectives and indicators should be core indicators for the monitoring of the RES. ONE should work with regional partners to agree on the core indicators based on the suggestions in this report.

This process has highlighted a number of potentially significant opportunities to move the North East towards a more sustainable development path. It has also identified a number of issues that will need to be dealt with as priorities within the RES Action Plan if this is to happen.

The fundamental shift away from inefficient use of resources to a more balanced relationship between growth and resource efficiency is clearly a long term process but equally clearly issues such as energy security and climate change and the costs of inefficient use of resources need to be addressed now.

For the North East to begin the behavioural shift that will be necessary to capture the benefits of a more sustainable growth model and reduce its ecological footprint it will need to engage with central government to ensure that government policy both enables and supports this step change at regional level.

The other key conclusion from this assessment is the fundamental importance of the RES Action Plan. This must be used to focus attention on priorities for investment and the creation of a robust framework to monitor the impact of the RES. It will also be important that the Action Plan has its own SA/SEA so that the cycle of assessment of the RES can be completed.

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