

Review of Nomenclature of Units for Territorial Statistics (NUTS) Boundaries

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Introduction

This document presents the key issues raised in the official consultation and the decision taken by the Chief Statistician to recommend a fifth NUTS2 region for Scotland. This new area will be named 'Southern Scotland' in the predominantly rural south of Scotland and amend the boundaries of the current two areas of South Western Region (referred to as West Central Scotland) and Eastern Scotland (referred to as proposed Eastern Scotland) which will focus on the more predominantly central and coastal industrial areas of Scotland.

Background

Eurostat is the statistical office of the European Union who are responsible for the administration of NUTS boundaries. The EU regulation¹ requires that NUTS are revised every 3 years across Europe. This revision is usually conducted by the National Statistical Offices for each member state – for the UK and Northern Ireland this would be the Office of National Statistics (ONS).

Whilst ONS provide some statistics for Scotland to Eurostat, the majority of the statistics provided at this level are provided by the Scottish Government. In addition the Chief Statistician of Scotland has overall responsibility for the implementation and coordination of professional statistical standards across Scotland and has responsibility for setting Scottish standards for statistical classification and methods.

The Chief Statistician was therefore asked by ONS to provide recommendations for reviewing the NUTS areas, which ONS will present to Eurostat as a series of recommendations covering the UK and Northern Ireland.

NUTS areas are divided into 3 geographical levels and are used to provide the European Union with statistics that enable comparisons between countries and regions across Europe.

NUTS1 (the highest level) covers the whole of Scotland. NUTS2 (one level below NUTS1) divides Scotland into four regions which are Highlands and Islands, North East, South Western and Eastern Scotland. NUTS2 areas must have boundaries that align to existing administrative units (in Scotland this is council areas). There is however an exemption to this condition made in Argyll & Bute and North Ayrshire where some areas are moved from the South Western region to Highlands and Islands region.

No changes were proposed to the NUTS3 level.

The South of Scotland Alliance (SoSA) which represents Dumfries and Galloway and Scottish Borders Councils set out the case to the Office of the Chief Statistician for creating a new NUTS Southern Region. A previous attempt to create this area was rejected by Eurostat because the new area did not meet the regulation population

¹ <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2003R1059:20110207:EN:PDF>

size. The consultation proposal this time includes other council areas of North, East and South Ayrshire and South Lanarkshire.

The Scottish Government examined the proposal and concluded that creating a fifth NUTS Southern Region could better represent the area which is predominantly rural. In addition this would create two new smaller regions, West Central and the proposed Eastern Regions of Scotland, which will be predominantly urban and industrial areas however there are significant rural areas in both.

Population

The population of any proposed new NUTS2 area must meet the requirements set out in the EU regulation. This states that the population must be between 800,000 and 3 million. The new NUTS2 area must also lower variance of the NUTS2 population for each member state, so that the new areas are closer to the average.

The first criterion is met as the population size, shown in Table 1, the proposed areas range between 0.9 million and 1.9 million, within the set limits.

Table 1: Population of NUTS2 Regions

Existing NUTS 2	Population	Proposed NUTS 2	Population
Highlands and Islands	466,900	Highlands and Islands	466,900
North Eastern Scotland	486,500	North Eastern Scotland	486,500
Eastern Scotland	2,049,800	Eastern Scotland	1,935,900
South Western Scotland	2,334,300	West Central Scotland	1,502,700
		Southern Scotland	945,500

(Population figures, 2014, Eurostat)

The second criterion for a new NUTS2 area is also met as the population averages of the NUTS2 regions across the UK and Northern Ireland would become more similar. Using standard deviation² to measure this effect, there would be a reduction across the UK and Northern Ireland (assuming no other changes) of 2%.

Additionally, creating a fifth NUTS 2 region would improve the comparability of Scotland's regional statistics by balancing the population figures more effectively. The population standard deviation would be reduced by 33% (from 863,600 to 575,600).

A key factor in supporting the proposal for the Southern Scotland Region is the predominantly rural aspect of the area. Table 2 shows the percentage of the population in each NUTS2 region living in the two most rural categories of the Urban/Rural 6-fold classification.

² The standard deviation is a measure of spread or variation in data. If the population of NUTS areas have a low standard deviation, this would indicate that they all have populations close to the average population.

The Southern Region has 26% of people living in a rural setting compared to 14% and 6% in the proposed Eastern and West Central Regions respectively.

Table 2: Percentage of Population in each NUTS2 Region Living in Rural Areas

Existing NUTS2	Population	Proposed NUTS2	Population
Highlands and Islands	49%	Highlands and Islands	49%
North Eastern Scotland	30%	North Eastern Scotland	30%
Eastern Scotland	16%	Eastern Scotland	14%
South Western Scotland	12%	West Central Scotland	6%
		Southern Scotland	26%

(SIMD 2012, Scottish Government – Urban/Rural 6-fold Classification)

Boundaries

The Scottish Government has liaised with ONS and agreed that the boundaries of these proposed regions meet the requirements set out in the EU regulations.

However it is noted that an exemption to the regulation is permitted to the NUTS3 East and North Ayrshire Mainland Region (UKM33) for the proposed ‘Southern Scotland’ region and the East Dunbartonshire, West Dunbartonshire, and Helensburgh and Lomond Region (UKM31) for the West Central Scotland’ region. The final decision to adopt the proposed areas will rely on Eurostat allowing this exemption to continue.

The proposal which was consulted on creates a fifth NUTS2 Southern Scotland region and amending the South Western Region to West Scotland and amending the Eastern Region. The remaining two NUTS 2 areas in Scotland (Highlands and Islands, and North Eastern Scotland) will be unchanged.

The new Southern Scotland Region will be built from whole NUTS3 regions listed below.

- UKM24 - Scottish Borders
- UKM32 - Dumfries & Galloway
- UKM33 - East Ayrshire and North Ayrshire mainland
- UKM37 - South Ayrshire
- UKM38 - South Lanarkshire

The West Central Scotland Region will be built from whole NUTS3 regions listed below.

- UKM31 - East Dunbartonshire, West Dunbartonshire, and Helensburgh and Lomond
- UKM34 - Glasgow
- UKM35 - Inverclyde, East Renfrewshire, and Renfrewshire
- UKM36 - North Lanarkshire

The Eastern Scotland Region will be built from whole NUTS3 regions listed below.

- UKM21 - Angus and Dundee
- UKM22 - Clackmannanshire and Fife

UKM23 - East Lothian and Midlothian
 UKM25 - Edinburgh
 UKM26 - Falkirk
 UKM27 - Perth and Kinross, and Stirling
 UKM28 - West Lothian

Economic Activity

A key area for research analysis is the economic statistics which report productivity at the NUTS2 level. Reported annually, productivity by Industrial Sectors is a key economic statistic. The latest figures for the current Eastern and South Western Regions and the proposed regions are shown in Table 3.

Table 3: Percentage of Gross Value Added Productivity by Industrial Sector

	Eastern Scotland	South Western Scotland	Proposed Eastern Scotland	West Central Scotland	Southern Scotland
Agriculture, forestry and fishing	1.3	0.7	1.1	0.1	2.5
Production	14.5	16.4	14.5	14.7	20.0
(of which Manufacturing)	10.4	11.9	10.3	10.5	14.9
Construction	6.8	7.1	6.7	6.9	7.9
Distribution; transport; accommodation and food	17.1	18.9	17.0	17.6	21.7
Information and communication	3.4	3.9	3.5	4.8	1.6
Financial and insurance activities	11.1	6.7	11.5	8.2	2.7
Real estate activities	8.8	8.8	8.6	8.7	9.6
Business service activities	9.9	9.9	10.0	10.8	7.9
Public administration; education; health	22.9	23.4	22.9	24.0	22.1
Other services and household activities	4.3	4.1	4.3	4.1	4.1

(Gross Value Added, 2014, ONS)

The categories 'Agriculture, forestry and fishing', 'Production' and 'Distribution; transport; accommodation and food' are highlighted as they are more dominant in the Southern Region than for the current Eastern and South Western Scotland

Regions. This distinction is one area where an improvement could be made in reporting statistics in proposed areas.

Table 4: Economic Productivity - GVA per inhabitant (€)

Existing NUTS 2	GVA per inhabitant (2013)	Proposed NUTS 2	GVA per inhabitant (2013)
Highlands and Islands	€ 21,400	Highlands and Islands	€ 21,400
North Eastern Scotland	€ 42,700	North Eastern Scotland	€ 42,700
Eastern Scotland	€ 26,100	Eastern Scotland	€ 26,500
South Western Scotland	€ 23,200	West Central Scotland	€ 26,000
		Southern Scotland	€ 18,000

(Gross Value Added, 2013, Eurostat)

In Table 4 the economic statistics show the industrial aggregated GVA per inhabitant for each of the current and proposed regions. The proposed 'Southern Scotland' region would create the lowest GVA per inhabitant area in Scotland.

Both Table 3 and Table 4 demonstrate that separating the Southern region will allow improved economic statistical reporting.

Other economic statistics are commonly used in research for European policy development which would also benefit from the proposed changes. A selection of these tables are shown in Appendix A.

Other Issues Considered

The creation of a fifth NUTS area will improve comparability across all NUTS regions as the population sizes will be more similar and will improve the regional statistics available for Scotland.

The current set-up of the NUTS regions mean that some characteristics that would be picked up in statistics for the Southern Region are currently masked at NUTS2 level because the area is split between two large NUTS2 areas (Eastern Scotland and South Western Scotland). These areas are dominated by the cities of Edinburgh and Glasgow respectively. The proposal could provide more accurate representation and comparability of the Scottish regions in the NUTS hierarchy.

The current Eastern and South Western regions are dominated by the urban areas across the Forth and Clyde Valleys. By reducing these two areas the NUTS regions will focus more predominantly on the mainly urban populated areas across Central Scotland.

It is recognised that moving to the proposed regions will have issues. Because the regulation requires NUTS boundaries are aligned to council boundaries, there are limitations in creating new areas. With the current regulations and administrative

boundaries in Scotland it is not possible to align regions to industrial, urban/rural and other socio-economic factors.

The proposed regions are considered to be the 'best-fit' to notionally significant large areas in Scotland which meet the EU Regulations.

Official Consultation

Whilst the EU regulations were met for the proposed new areas and there was a case for identifying these area statistics, the position of the Chief Statistician remained neutral. Before supporting the proposal he requested an Official Consultation³ to gather views. The consultation ran from October 2015 and closed in January 2016.

Summary of respondents

Responses were submitted from a mixture of individuals and organisations with the majority being submitted by Local Authorities. A number of organisations were invited to respond to the consultation, a list of these organisations are contained in Appendix C.

In total there were 9 responses from individuals and 17 responses from organisations including councils and businesses. One null response was received.

The majority of respondents agreed with the proposed changes.

Southern Scotland Region

All of the respondents from the Southern Region were in support of the proposal with all the reasons given for supporting the proposal, focussed on the benefits for this area.

Common reasons for supporting the proposal were that social challenges and the unique rural settings of the proposed area are being masked by the statistics for Edinburgh and Glasgow. Respondents also felt that there were differences in the proposed region which is mainly made up of small towns and villages.

This is supported in Table 2, by identifying the rural population. The statistics show that separating the two NUTS2 regions into three that 26% of the Southern population live in a rural setting compared to 14% in the proposed Eastern Region and 6% in the West Central Region.

Several respondents were supportive of the proposal as the economic statistics were distorted by the cities of Edinburgh and Glasgow. One respondent identified the Southern Region will focus comparisons on the inequality between the south and other regions. The proposed changes, demonstrated in the 'Economic Activity' section, will separate the statistics of these areas and allow better comparisons across Scotland at the NUTS2 level.

³ <https://consult.scotland.gov.uk/office-of-the-chief-statistician-and-strategic-analysis/nuts-boundaries>

Concerns were raised by several respondents that the South Lanarkshire area covers the southern Glasgow conurbation. The Chief Statistician recognises this issue but also notes the limitations of the EU regulation in creating new NUTS2 regions and in balance it is beneficial for reporting statistics to Eurostat of the Southern Scotland Region including the predominantly rural area of South Lanarkshire.

Also, while some statistics are reported at NUTS2 level, there is enough detail reported at NUTS3 to allow meaningful analysis that will help overcome this issue.

West Central Scotland Region

The views of respondents to the consultation of this proposed area were mixed.

Several councils in the West Central Region of Scotland were supportive of the proposals.

Concerns were also raised that there should be no changes to the exempted areas between the councils in the South Western Region and the Highlands and Island Region. The Scottish Government made clear in the consultation proposals that the exempted areas are not being changed. As this was not in the consultation, if Eurostat require these changes the Scottish Government will not support the recommendation to create the fifth NUTS area.

The main concerns raised were regarding regional aid eligibility. Several respondents noted that the changes should not adversely affect these funding streams.

As detailed in the consultation document, funding issues are not a matter for consideration when revising European Statistical Boundaries. Changes should not be enacted to improve conditions for the purpose of attracting funding. Therefore the Chief Statistician did not take into consideration these issues when forming an opinion whether to support the proposal.

However the Scottish Government recognises the genuine concerns raised regarding funding and notes that support from some councils in the proposed Southern Region was conditional on no detrimental effect to the West Central Region.

The following is the Scottish Government's opinion on the issues raised in the consultation but is not used in determining the decision to support the proposed changes.

In previous research phases, NUTS2 regions have been used as one of several determining factors in regional aid eligibility. Regional aid eligibility in the past has been based on disadvantage at either NUTS2 or NUTS3 levels, with much of Scotland qualifying at the NUTS3 level. It is of course not possible to predict how local economies will perform or change in the period to 2021, but it is likely that the West Central Region would continue to be eligible for funding based on

unemployment. As the proposed NUTS2 changes would not come into force until 2018 the regional aid beginning in 2021 would be based on research between 2014-16 or 2015-17 and not affected by these changes.

There were concerns regarding the links and commuting patterns associated with the three Ayrshire councils and South Lanarkshire to Glasgow. Whilst these are important connections, it is not necessary to preserve this issue for NUTS2 statistical purposes. Scottish Government and ONS report a large range of small area statistics for public use which reflect the nature associated with these connections, including Travel to Work Area statistics. The production of these statistics do not rely on NUTS2 regions.

Eastern Scotland Region (proposed)

Most respondents from this area did not state a position on the proposals but raised a number of concerns about the suitability and the likeness of this region. Some respondents have requested that boundaries between the Eastern and North East Regions are reviewed.

As previously stated, the limitations from the EU regulations make it difficult to create large statistical areas where economic conditions are alike across the region. On this occasion there is no opportunity to review the Eastern and North East boundaries. However interested parties are encouraged to make further proposals which can be considered at the next opportunity to review the NUTS2 level boundaries.

Conclusion

It is the opinion of the Chief Statistician and the Scottish Government that the reporting of statistics to the European Union for Scotland would be better achieved by creating a fifth NUTS area for 'Southern Scotland' and reducing the size of the South Western and Eastern regions.

This will create more population balanced NUTS2 areas and will improve statistical evidence and reporting for the mainly rural south of Scotland.

The responses received from the official consultation indicates there is unanimous support from the organisations and people who live in the Southern Region.

The Chief Statistician noted there was some support from the other two affected regions and the issues raised in the consultation opposing the proposal are primarily based on funding matters.

Whilst it is recognised that funding is an issue related to NUTS2 regions this cannot be the basis for support or objection to changes in NUTS2 areas in accordance with the EU Regulations. However the issues raised concerning funding have been explored and it is the opinion of the Scottish Government there will be no detrimental effect to the proposed regions. Other concerns were raised about future eligibility. It is noted that the proposed changes will have no effect on the next round of European funding as the research phase will be based on the current 2013 NUTS2 statistics.

Furthermore, it is the opinion of the Scottish Government that current funding arrangements are unlikely to be in place following the scheduled review in 2016. It is highly unlikely the current NUTS2 areas will attract transition or structural funding.

The Scottish Government has now recommended to ONS that they request changes to the NUTS2 regions as detailed in this document.

The Scottish Government will also recommend the three NUTS2 areas be classified as 'Eastern Scotland', 'West Central Scotland' and 'Southern Scotland'. These names will reflect the areas which they represent.

Annex A – Tables

Existing NUTS 2	PPS per inhabitant (2013)	Proposed NUTS 2	PPS per inhabitant (2013)
Highlands and Islands	€ 22,000	Highlands and Islands	€ 22,000
North Eastern Scotland	€ 44,000	North Eastern Scotland	€ 44,000
Eastern Scotland	€ 26,900	Eastern Scotland	€ 27,400
South Western Scotland	€ 23,900	West Central Scotland	€ 26,800
		Southern Scotland	€ 18,600

(Purchasing Power Standard, 2013, Eurostat)

The Purchasing Power Standard (PPS) is the name given by Eurostat to the artificial currency unit in which the Purchasing Power Parities and real final expenditures for the EU 28 are expressed – namely, euros based on the EU 28.

Existing NUTS 2	GDP per inhabitant (2013)	Proposed NUTS 2	GDP per inhabitant (2013)
Highlands and Islands	€ 24,000	Highlands and Islands	€ 24,000
North Eastern Scotland	€ 47,900	North Eastern Scotland	€ 47,900
Eastern Scotland	€ 29,300	Eastern Scotland	€ 29,800
South Western Scotland	€ 26,000	West Central Scotland	€ 29,200
		Southern Scotland	€ 20,200

(Gross Domestic Product, 2013, Eurostat)

Existing NUTS 2	GVA per inhabitant (2013)	Proposed NUTS 2	GVA per inhabitant (2013)
Highlands and Islands	€ 21,400	Highlands and Islands	€ 21,400
North Eastern Scotland	€ 42,700	North Eastern Scotland	€ 42,700
Eastern Scotland	€ 26,100	Eastern Scotland	€ 26,500
South Western Scotland	€ 23,200	West Central Scotland	€ 26,000
		Southern Scotland	€ 18,000

(Gross Value Added, 2013, Eurostat)

	% of Gross Value Added by industry				
	Eastern Scotland	South Western Scotland	Proposed Eastern Scotland	West Central Scotland	Southern Scotland
Agriculture, forestry and fishing	1.3	0.7	1.1	0.1	2.5
Production	14.5	16.4	14.5	14.7	20.0
(of which Manufacturing)	10.4	11.9	10.3	10.5	14.9
Construction	6.8	7.1	6.7	6.9	7.9
Distribution; transport; accommodation and food	17.1	18.9	17.0	17.6	21.7
Information and communication	3.4	3.9	3.5	4.8	1.6
Financial and insurance activities	11.1	6.7	11.5	8.2	2.7
Real estate activities	8.8	8.8	8.6	8.7	9.6
Business service activities	9.9	9.9	10.0	10.8	7.9
Public administration; education; health	22.9	23.4	22.9	24.0	22.1
Other services and household activities	4.3	4.1	4.3	4.1	4.1

(Gross Value Added, 2014, ONS)

Office for National Statistics – Regional Gross Value Added (Income Approach). Retrieved from <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added-income-approach/index.html>, January 2016

	% Population					
	0-19	20-34	35-49	50-64	65-79	80 or over
Existing NUTS 2						
Eastern Scotland	21.9	20.4	20.4	19.4	13.3	4.6
South Western Scotland	21.9	20.0	20.4	20.0	13.2	4.5
Highlands and Islands	21.6	15.9	19.8	21.8	15.8	5.2
North Eastern Scotland	21.3	22.3	20.7	19.3	12.1	4.2
Proposed NUTS 2						
Eastern Scotland	21.9	20.8	20.4	19.2	13.1	4.5
West Central Scotland	22.0	21.8	20.5	19.3	12.1	4.2
Southern Scotland	21.6	16.3	20.1	21.5	15.4	5.1
Highlands and Islands	21.6	15.9	19.8	21.8	15.8	5.2
North Eastern Scotland	21.3	22.3	20.7	19.3	12.1	4.2

(Population, 2014, Eurostat)

Existing NUTS 2	Dependency Ratio (2014)	Proposed NUTS 2	Dependency Ratio (2014)
Highlands and Islands	58.3	Highlands and Islands	58.3
North Eastern Scotland	47.2	North Eastern Scotland	47.2
Eastern Scotland	51.2	Eastern Scotland	50.6
South Western Scotland	51.0	West Central Scotland	48.1
		Southern Scotland	57.1

(Population, 2014, Eurostat)

Age dependency ratio is the ratio of dependents (people younger than 15 or older than 64 divided by the working-age population (those ages 15-64)). Data are shown as the proportion of dependents per 100 working-age population.

For the purposes of this analysis working-age population is defined as 15-64 due to the age categories for which population data is available from Eurostat sources.

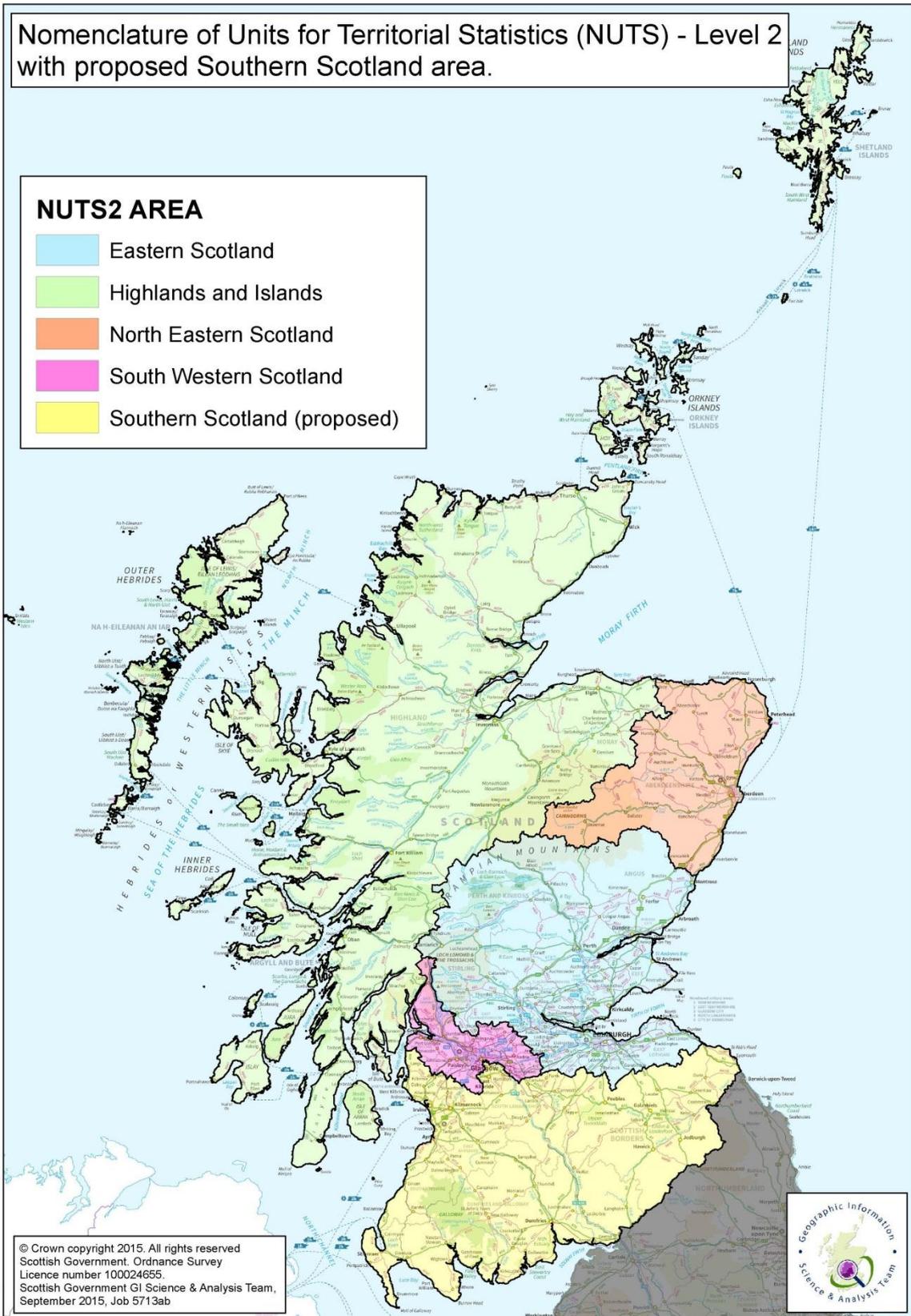
All Eurostat data retrieved from <http://ec.europa.eu/eurostat/data/database>, January 2016.

Annex B – Maps

Nomenclature of Units for Territorial Statistics (NUTS) - Level 2
with proposed Southern Scotland area.

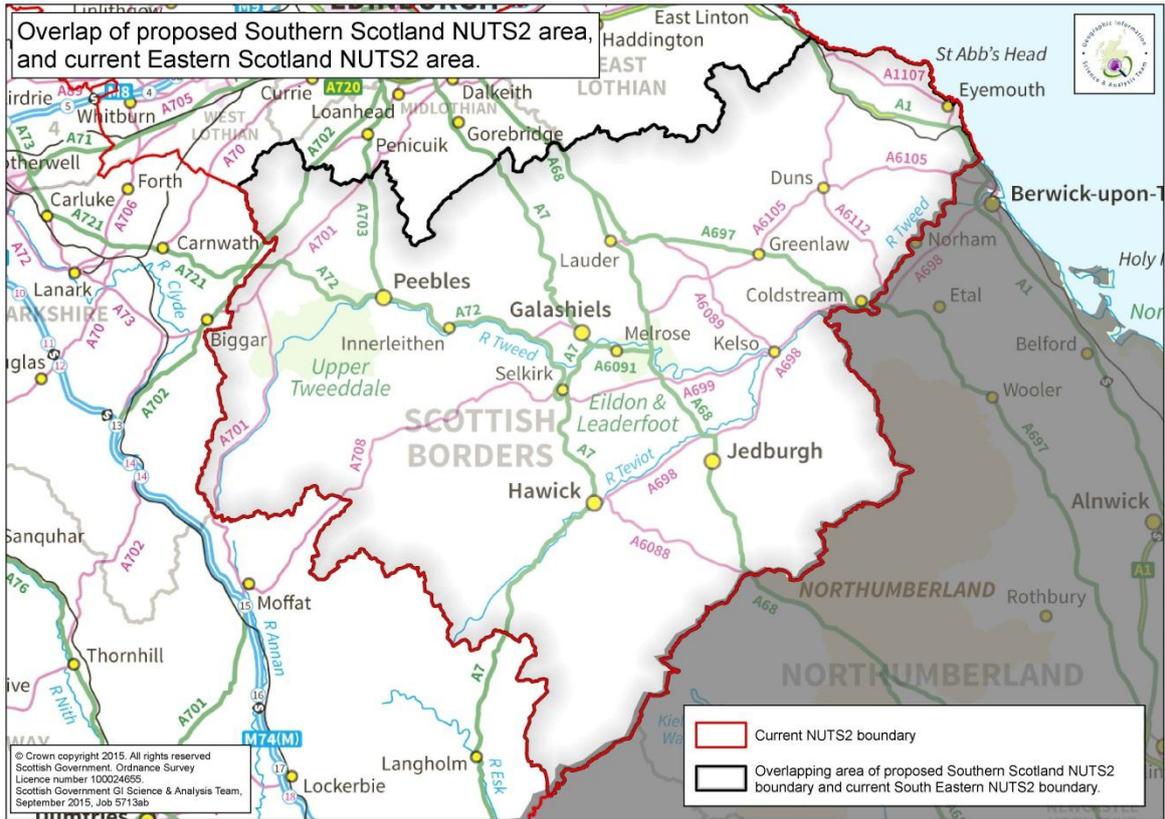
NUTS2 AREA

- Eastern Scotland
- Highlands and Islands
- North Eastern Scotland
- South Western Scotland
- Southern Scotland (proposed)

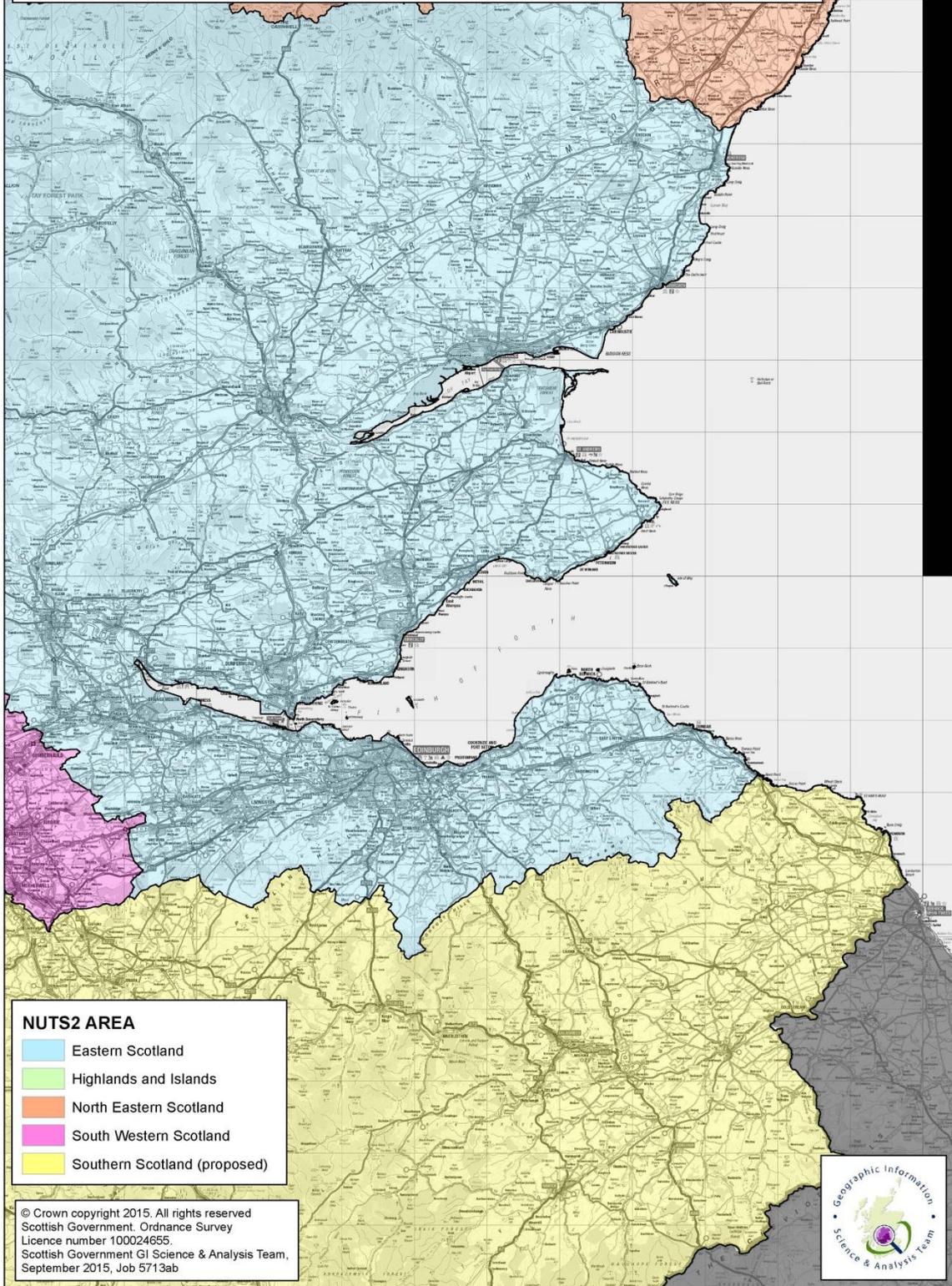


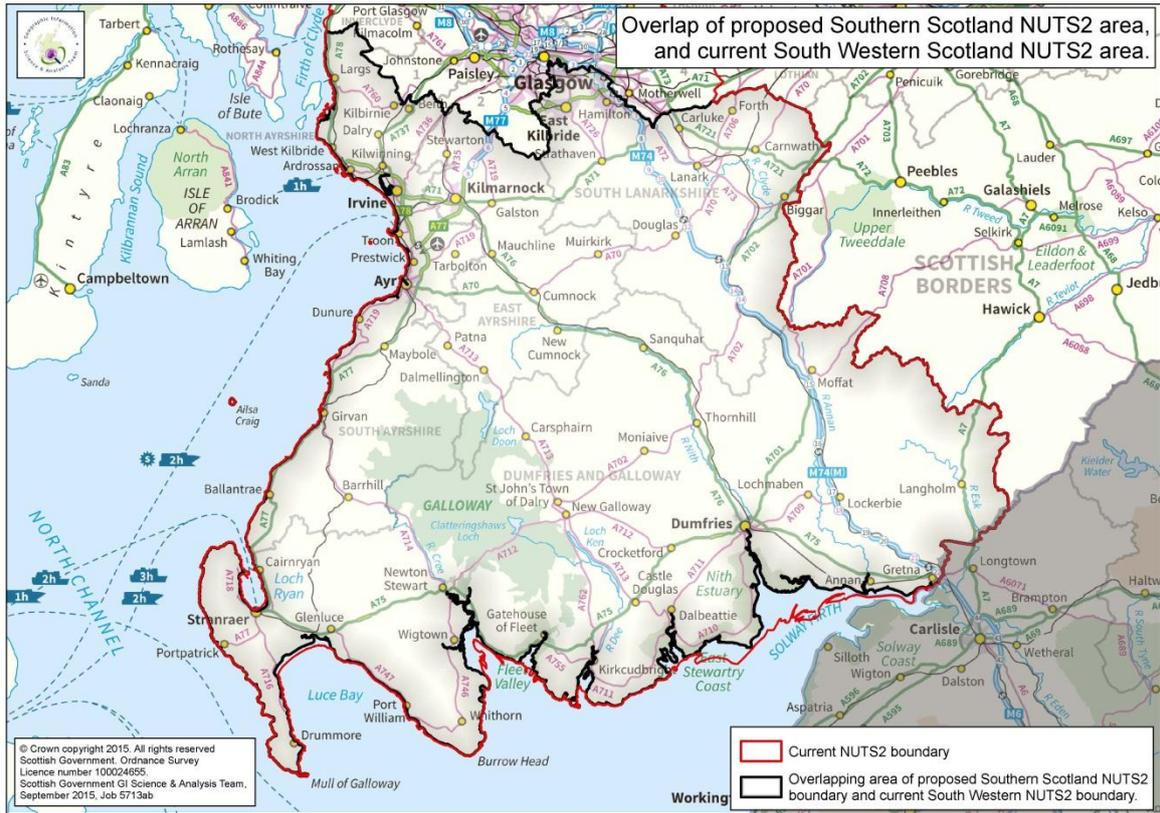
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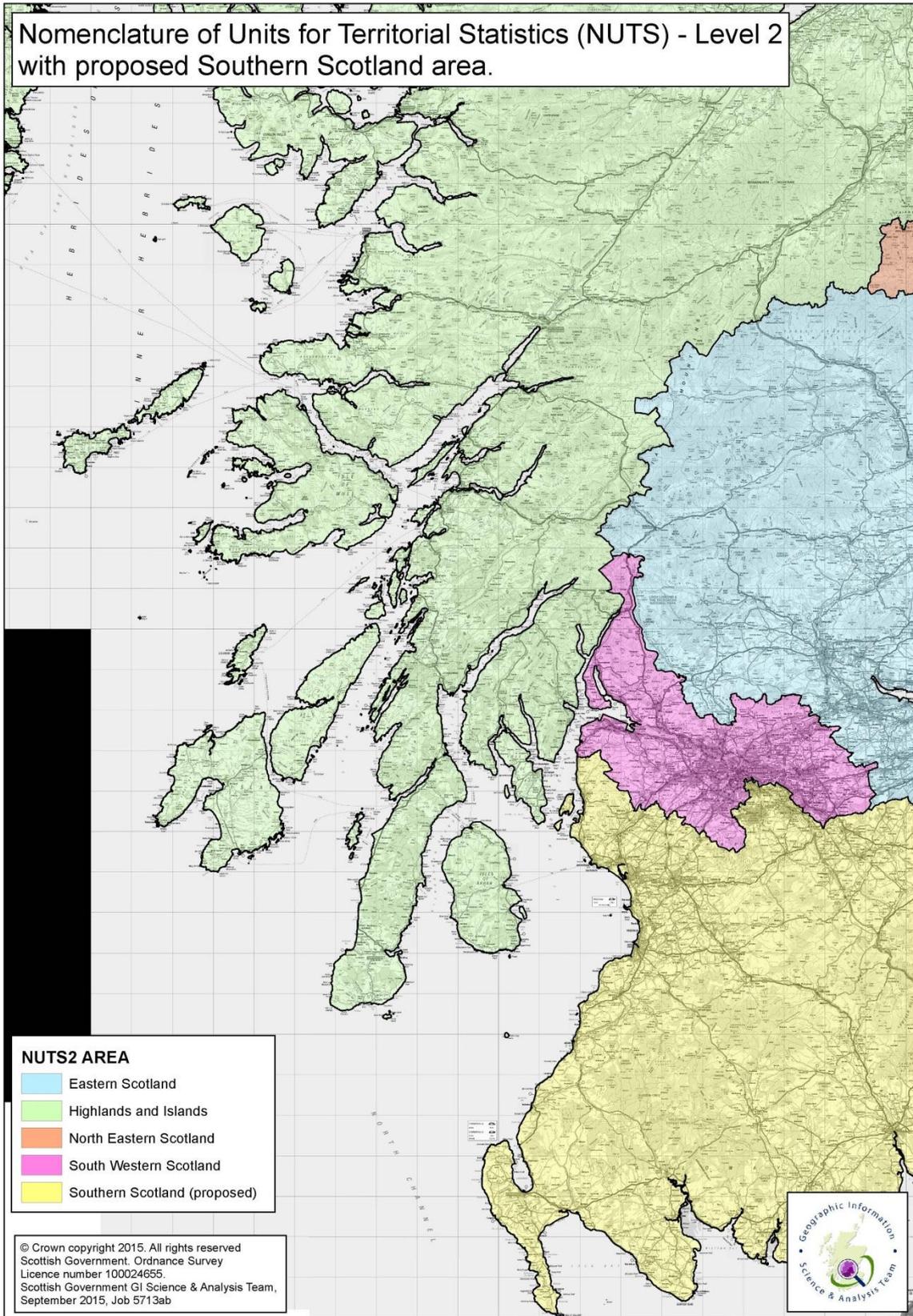


Nomenclature of Units for Territorial Statistics (NUTS) - Level 2 with proposed Southern Scotland area.





Nomenclature of Units for Territorial Statistics (NUTS) - Level 2
with proposed Southern Scotland area.



- NUTS2 AREA**
- Eastern Scotland
 - Highlands and Islands
 - North Eastern Scotland
 - South Western Scotland
 - Southern Scotland (proposed)

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Annex C – Consultation Document

<http://www.gov.scot/Publications/2015/11/7036/0>

Appendix D – Invited Responses

Council Chief Executives (for all 32 Local Authority Areas)

COSLA

Scottish Enterprise

Equality and Human Rights Commission

Scottish Human Rights Commission

Scottish Disability Equality Forum

NHS Scotland

Highlands and Islands Enterprise

David Coburn MEP

Ian Duncan MEP

Ian Hudghton MEP

David Martin MEP

Alyn Smith MEP

Catherine Stihler MEP



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