

**DELIVERING AN URBAN RENAISSANCE:
PROGRESS AND PROSPECTS
FOR ENGLAND**

**Commissioned by the Dutch Presidency
Review of Urban Policies
In the European Union**

Michael Parkinson

July 2004

SECTION 1

THE CHANGING LANDSCAPE OF ENGLISH URBAN POLICY

- 1.1 Urban policy in England has undergone a number of important changes since the previous report was written in 1997. In that year a Labour government replaced a Conservative government and there have been major shifts in policy priorities, principles and practices. The government has abandoned many – although not all - of the key principles of the previous Conservative government's policies. The consequences of the policy shifts are still being worked out. But they make urban policy in England rather different in 2004 than it was in 1997.

The National Spatial Development Pattern

- 1.2 The UK was the first urbanised country in the world. Half its population lived in urban areas as early as the 1850s and now over 80% of the population live there. But in the UK, as in the rest of the Union, it is not simple to define a city. In addition administrative boundaries of cities do not correspond well with economic and social realities. It is also difficult to distinguish between cities in terms of size or economic and social need. There is a hierarchy of scale, contribution and need rather than a simple division between 'large cities' and 'the rest'. Urban policy has always recognised that many cities outside the largest should be the target of urban policy so resources have not been concentrated upon the largest. However it is sensible to use the following classification: (i) London which is the largest and most important economically; (ii) the eight large Core Cities Birmingham, Bristol, Leeds, Liverpool, Manchester Newcastle, Nottingham Sheffield, which have typically been industrial and manufacturing based cities undergoing economic restructuring; (iii) the 28 other metropolitan districts and (iv) 9 large non-metropolitan cities. However, the first two categories have been the largest and most important types of cities in the UK and present the greatest challenges and opportunities. They have become an increasingly important focus of policy debate under the Labour government. In particular concern with the economic roles and relationships between the London and the 8 Core Cities and their actual and potential contribution to the national economy has grown enormously. This theme is discussed at greater length in section 4.

Key trends affecting cities

- 1.3 There are four important trends to appreciate.
- *Economic restructuring.* The changing international economy means that many of the larger industrial cities, especially their inner areas lost economic activity and jobs during the 1960 to mid 1990s. With the exception of London, cities did less well economically than non-urban areas.

- *Counter-urbanisation.* The second key trend was the loss of population as people moved from large urban to suburban, smaller urban and rural areas, although this has slowed down in recent years.
- *Social polarisation.* This loss of population also skewed the social composition of cities and increased social polarisation within them.
- *The dominance of London.* London dominates the English urban system – economically, institutionally, politically and culturally, far more than any capital city in Europe including France.

1.4 These trends essentially mean that since the 1970s all cities have been experiencing challenges of economic decline, loss of population and growing social inequalities in comparison non-urban areas. But the larger northern industrial cities outside London and the Southeast have experienced particular difficulties. However, as a later section makes clear, since the mid-1990s there has been a process of urban renaissance in which many of those cities have begun to improve their economic and social performance, even though many challenges remain. In many ways urban policy in England has reflected that renaissance and widened its focus beyond social challenges to that of maximising cities' contribution to national economic competitiveness

1.5 The scale of changes in the largest urban areas can be seen in Table 1. It shows that the loss of population continues until 2001 but at a slower rate in the 1990s than in the 1980s.

**DELIVERING AN URBAN RENAISSANCE:
PROGRESS AND PROSPECTS FOR ENGLAND**

Table 1
Population change since 1981 for England's main conurbations and principal cities

| Area | Population | | | Change | | | |
|---|--------------|--------------|--------------|-------------------|----------------|-------------------|----------------|
| | 1981 000s | 1991 000s | 2001 000s | 1981-1991 000s | 1981-1991 % | 1991-2001 000s | 1991-2001 % |
| <i>London & Metropolitan counties</i> | 18159.1 | 17913.9 | 18183.9 | -245.2 | -1.35 | 270.0 | 1.51 |
| <i>London</i> | 6805.6 | 6829.3 | 7307.9 | 23.7 | 0.35 | 478.6 | 7.01 |
| <i>Metropolitan counties</i> | 11353.5 | 11084.6 | 10876.0 | -268.9 | -2.37 | -208.6 | -1.88 |
| Greater Manchester | 2619.1 | 2553.6 | 2512.3 | -65.5 | -2.50 | -41.2 | -1.62 |
| Merseyside | 1522.2 | 1438.0 | 1365.6 | -84.2 | -5.53 | -72.4 | -5.03 |
| South Yorkshire | 1317.1 | 1288.7 | 1266.5 | -28.4 | -2.16 | -22.2 | -1.72 |
| Tyne and Wear | 1155.2 | 1123.8 | 1077.9 | -31.4 | -2.72 | -45.9 | -4.08 |
| West Midlands | 2673.1 | 2618.8 | 2570.1 | -54.3 | -2.03 | -48.7 | -1.86 |
| West Yorkshire | 2066.8 | 2061.7 | 2083.6 | -5.1 | -0.25 | 21.9 | 1.06 |
| <i>Principal cities</i> | 4229.4 | 4086.2 | 3989.5 | -143.2 | -3.39 | -96.7 | -2.42 |
| Birmingham | 1020.6 | 1004.5 | 985.9 | -16.1 | -1.58 | -18.6 | -1.85 |
| Bristol | 401.2 | 392.2 | 383.7 | -9.0 | -2.25 | -8.5 | -2.16 |
| Leeds | 717.9 | 706.7 | 715.6 | -11.2 | -1.56 | 8.9 | 1.26 |
| Liverpool | 517.0 | 475.6 | 442.3 | -41.4 | -8.01 | -33.3 | -7.00 |
| Manchester | 462.7 | 432.7 | 418.6 | -30.0 | -6.48 | -14.1 | -3.26 |
| Newcastle upon Tyne | 284.1 | 275.0 | 261.1 | -9.1 | -3.20 | -13.9 | -5.05 |
| Nottingham | 278.2 | 279.4 | 269.2 | 1.2 | 0.45 | -10.2 | -3.65 |
| Sheffield | 547.8 | 520.1 | 513.1 | -27.7 | -5.06 | -7.0 | -1.35 |

Key features of the administrative and financial framework

Powerful centre - weak periphery

- 1.6 First central government is relatively powerful and local government is relatively weak with relatively few financial resources. Its tax base is restricted and about 85% of its income come from national government grants. Local government have probably been weakened by national policies and priorities during the past two decades.

Narrow urban boundaries - no metropolitan wide government

- 1.7 Second there are no metropolitan levels of government. The largest cities did have such governments until they were abolished by the Conservative government in the 1980s. It is frequently argued that this lack of wider administrative government means that cities cannot respond coherently to the economic and social changes which are taking place across the wider urban areas but which fall beyond the administrative control of relatively tightly drawn local government boundaries.

Limited regional organisations

- 1.8 There has been little regional administration let alone regional government in England. However this now changing. There are Regional Offices of Government in the 9 regions of England, there are important Regional Development Agencies responsible for economic development in those regions. And there are plans to create elected Regional Assemblies if there is public demand for them through referenda in 2004.

Complex urban governance.

- 1.9 The proliferation of decision-making and administrative agencies responsible for delivering urban services means that there is no longer urban government but urban governance. The precise pattern has varied during the period as different governments created or abolished special agencies to deal with aspects of education, training, transport, community development, economic development in neighbourhoods, cities and their surrounding regions. But typically in any large city there is now a proliferation of agencies involved in delivering urban policy including local government, Government Offices in the Regions, Regional Development Agencies, Local Skills Councils, Urban Regeneration Companies, Local Strategic Partnerships, Education Action Zones, New Deal for Communities, Neighbourhood Management, Housing Action Trusts, Housing Market Renewal Pathfinders. Each operates with different responsibilities and functions, different boundaries, different sources of income and have a different mix of elected and appointed members.
- 1.10 Views differ whether this institutional complexity policy generates flexibility or confusion at the heart of policy. The Labour government has recently attempted to rationalise and limit the growth of such bodies through its Regional Coordination Unit to rationalise the position. But despite this a Parliamentary Select Committee recently argued that the costs of complexity still far outweigh the benefits and simpler patterns of policy-making in cities are desirable. It has also been argued that this pattern of overlapping responsibilities for urban affairs is replicated at the centre of government with many national government departments having responsibility for urban areas but with limited overlap in their priorities, policies and practices in cities. The key word of government is joined-up government. But the picture so far remains more of fragmented government.

SECTION 2

NATIONAL URBAN POLICIES UNTIL 1997

- 2.1 An explicit urban policy for England has existed since the late 1960s and has had to confront an enduring set of questions:
- What is the target of policy – inner city problems or wider urban challenges?
 - Is the problem economic, social or environmental - or some combination of all three?
 - What is the right balance of power between national and local government?
 - What is the best mix of public, private and community intervention?
 - Should social need or economic opportunity determine policy priorities and the flow of national resources to cities?
 - How can government get an integrated approach to cities?
 - Are competition and partnership mutually reinforcing or mutually exclusive ways of delivering urban policy?
- 2.2 Between 1979 and 1997, the Conservative government had a distinctive approach to those questions. Most significant, it was anxious to marketise state services – to reduce the role of the public sector and increase that of the private sector in relation to cities. And they reduced many of local authorities' powers and resources. For example education, housing, social services, transport and environmental maintenance were privatised or opened up to competitive tendering. Local control over revenue and capital spending was reduced and the level of national financial support was reduced. Many new actors from the private and community sector became involved in delivering urban services and urban regeneration, perhaps most Urban Development Corporations and Housing Action Trusts. As a result, during this period there was:
- declining public expenditure for cities;
 - highly fragmented local service provision;
 - a reduced role for local government
 - an explicit national urban policy agenda which was not clearly linked to mainstream government programmes which affected cities;
 - resources were increasingly allocated less on the basis of need and more as a result of competition between urban areas.
- 2.3 These principles were enshrined in many policy initiatives during the Conservative government's period of office. Probably the two most important during the 1990s were City Challenge and the Single Regeneration Budget, major area-based initiatives designed to encourage regeneration in the most deprived areas of UK cities. There was some support for amongst cities for some of those principles involved. For example, cities felt that such policies had encouraged greater integration of

departments and funding, a partnership and a regional approach and a more effective use of public money. However there were specific concerns that:

- the concentration of resources was being diluted by spreading money across to many small projects;
- the explicit urban programme was larger but expenditure on mainstream programmes for cities was actually reduced;
- not all departments were committed to supporting urban regeneration
- competition was an inappropriate way to allocate resources to cities, possible rewarding better off places which could make good bids than areas which really needed support.

The current government has addressed some of these concerns. But they remain important themes for current policy as we shall see in later sections.

SECTION 3

THE STATE OF THE CITIES

What is the opportunity and what is the challenge for cities?

- 3.1 During the past decade there has been sea change in the perceptions of cities. After two decades of economic and demographic decline, the idea that cities are not economic basket cases – but the dynamos of the UK national economy – has seized the imagination of politicians, researchers and business. It has been an increasingly significant dimension of national policy. There is growing interest in the contribution that cities can make to the national welfare - and to economic competitiveness in particular. But how that contribution can be maximised remains a big policy challenge.
- 3.2 Some light has been thrown on the issues by policy and research work done for the government which is working with the 8 large Core Cities and the 9 Regional Development Agencies to find ways of making cities drive urban renaissance and improve economic competitiveness at national and regional level. This agenda also marks a widening in national focus from issues of social exclusion or environmental decline to issues of urban economic competitiveness. This has been driven by concerns that the Core Cities: are not punching their weight economically in the national context; are falling behind London; lack the right mix of responsibilities and resources to improve their performance; are not as competitive, and do not make as great contribution to the national economic welfare, as do comparable cities in continental Europe. What does the evidence show?
- 3.3 Fewer people are leaving and some more are moving into Core Cities. Nearly four million people live in the core cities. The 2001 Census showed that the Core Cities are still struggling to retain their population with all the

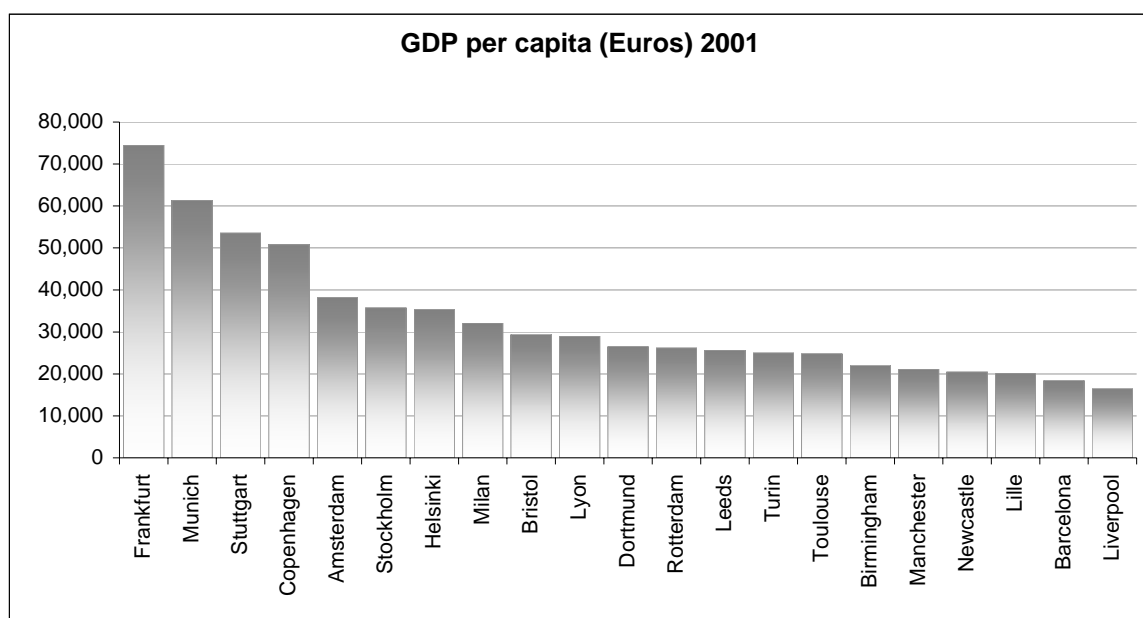
Core Cities except Leeds experiencing a fall in total population between 1991 and 2001. However, the rate of population decline is slowing and in several places the trend is starting to be reversed. More people are working in the Core Cities. More than 2 million people now work in the Core Cities, a figure that has increased steadily since the mid 1990's – up by 7.5% between 1995 and 2001. The Core Cities act as regional employment centres, accounting for a higher proportion of their regions' total employment than population.

- 3.4 People in Core Cities are earning higher wages. Full-time gross average earnings increased in the Core Cities by 15% between 1997 and 2002. In all the Core Cities average earnings are now higher than their regional average. Unemployment has fallen dramatically in the past seven years. Claimant unemployment rates in the Core Cities are down - from 9.2% in 1996 to 4.3% in 2003. Despite this improvement the claimant count unemployment rate for the Core Cities remains 1.7 percentage points above the rate for England, a difference that has persisted for the last five years. There are fewer people in poverty. Between 1996 and 2000 the number of households in the Core Cities in receipt of poverty benefits fell by 18% - 107,000 fewer households were in receipt of these types of benefit. Most of the Core Cities are outperforming their regions in terms of falling numbers of poverty claimants. Rising house prices are a further sign of economic buoyancy and in the Core Cities house prices are up. Property now tends to be more expensive than the regional average. The Core Cities are becoming safer. Over the last five years reported crime has fallen in all but one of the metropolitan areas surrounding the Core Cities. And in most Core Cities the number of reported crimes has fallen faster than the English or metropolitan averages.
- 3.5 Educational attainment is not good, but it is getting better. Historically the number of young people living in cities and attaining qualifications has been lower than the national and regional average. Since 1994 all the Core Cities have made significant improvements in their educational performance. Whilst all Core Cities experienced improvements, improvements have also been made at the national level. This means that despite the improved pass rate the Core Cities are yet to make any significant impact on the difference between their performance and the National average.
- 3.6 But despite progress problems remain. In many spheres their performance still lags behind regional and national performance and social problems remain concentrated in urban areas. The process of urban renaissance has begun and Core Cities have come through the worst of economic restructuring. However, national policy is intended to make English cities as economically competitive as the most successful cities in Europe. What is the evidence here? The answer is English cities are lagging in terms of wealth, educational qualifications, innovation, and demographic trends and standing in the eyes of the private sector.

English Core Cities compared with the leaders in Europe

3.7 *Urban wealth.* Recent government research on GDP per capita shows how far English cities lag behind. Of the top 50 in Europe, capital cities tend to be at the top of the league table. Large cities tend to do well. German cities, despite the country’s current economic difficulties, perform very well with 15 out of the top 25. The Core Cities do not perform well. Bristol and Leeds, at 34 and 43 respectively, perform best. But several are at the bottom of the list. The majority of Core Cities have GDPs less than one-third of the richest cities in Europe. Table 2 shows the Core Cities in comparison with some leading European cities.

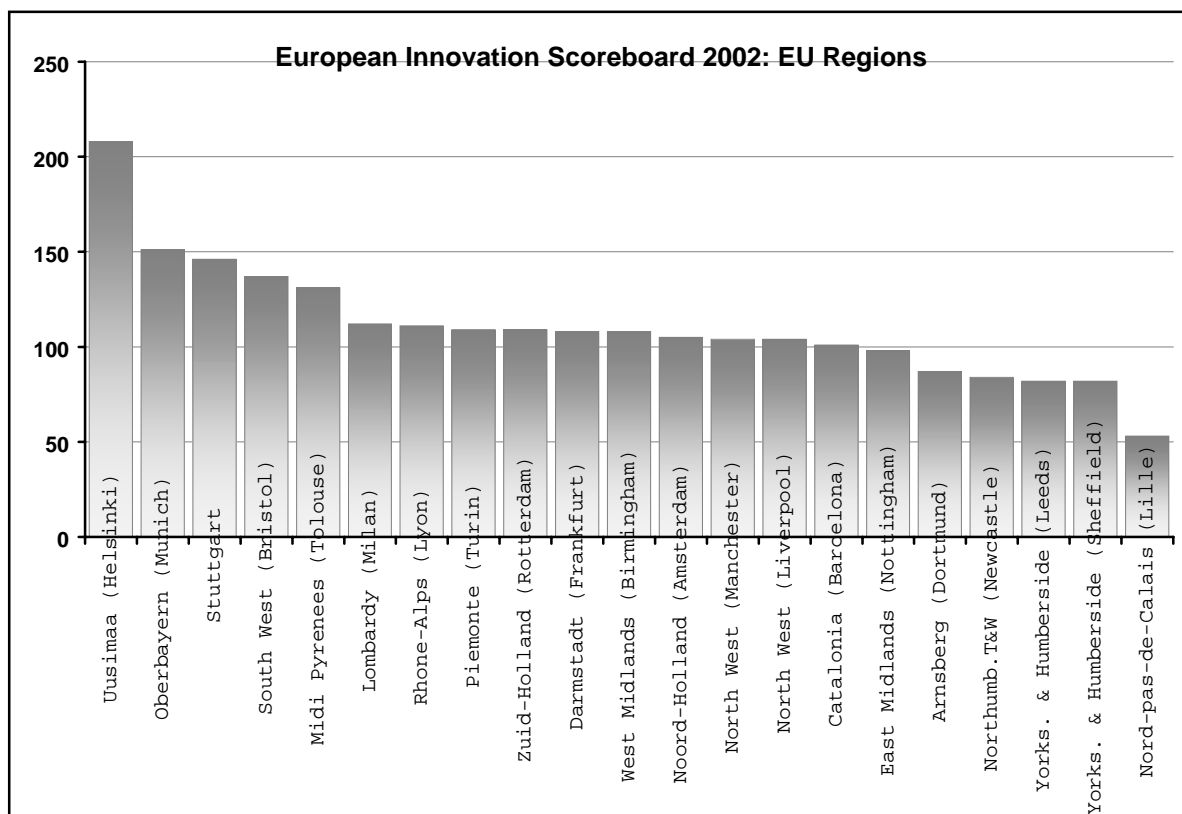
Table 2: GDP of sample of European Non-Capital Cities



(Source: Barclays 2002)

3.8 *Urban innovation.* The European Innovation Scoreboard has seven indicators: tertiary education; participation in life-long learning; employment in medium/high-tech manufacturing; employment in high tech services; public R&D expenditure; business R&D expenditure; high-tech patent. Looking across the top 50 urban regions, even though the precise ranking varies, a familiar pattern emerges. Northern European cities and countries perform well – Sweden, Finland, Netherlands and Germany. Few southern European cities perform well, except for Madrid. German cities as a group perform well. From the UK only London and the southeast make the top ten. Of the Core Cities, Bristol leads. But the remainder falls in the bottom 25, with innovation scores about half that of the high performing regions. Table 3 compares Core City Regions with leading European regions.

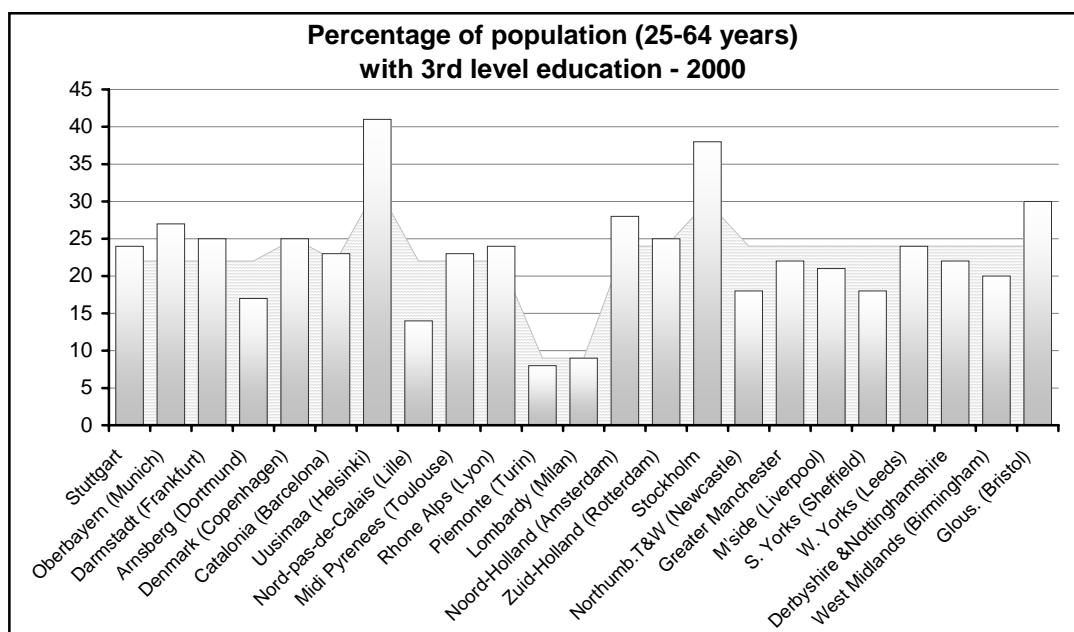
Table 3: European Innovation Scoreboard



(Source: 2002 European Innovation Scoreboard Technical Paper No 3 EU Regions (2002))

3.9 *Urban educational standards.* In terms of the qualifications of the workforce of cities in their regional context, a familiar pattern emerges. Northern European cities, especially German ones, perform well. Bristol and Leeds perform best of the Core Cities. But again the majority congregate at the bottom part of the league table, as Table 4 shows.

Table 4



(Source: Eurostat, *Regions*, Statistical Yearbook 2002)

- 3.10 The Core Cities, which have been under-performing economically in relation to their counterparts in Europe, have also been losing people. By contrast the majority of the more economically successful cities have actually been gaining population. The big picture is clear. Continental cities are becoming more attractive to live in, as Core Cities apparently have become less so.
- 3.11 One important dimension of cities' competitiveness is their relative attractiveness to business and private sector investors. The Healey and Baker city survey lists the cities, which during the last decade have been seen by over 500 business people and private sector investors as the best 30 in Europe in which to locate a business. In important respects these subjective surveys confirm what our comparative quantitative data have already shown. First the global cities of London and Paris are rated the best. Second capital cities in general are the most attractive. Third, only one Core City, Manchester, made it into the top thirty. The cities that we have identified as having the highest GDP, highest innovation levels, more skilled workforces, better external connections are frequently seen by the private sector as the best places in which to locate. They do not normally include English cities, except London.
- 3.12 It is clear that, despite their relative renaissance in recent years many English large cities lag behind their competitors in terms of GDP, innovation levels, educational levels, connectivity, social cohesion, quality of life, political capacity and connections with their wider territories. Crucially, they

lag in the eyes of international investors. In contrast to their successful continental counterparts, many UK cities are a drain upon national economic competitiveness. This remains a fundamental challenge to UK cities and to national policy.

SECTION 4

URBAN POLICIES UNDER THE LABOUR GOVERNMENT 1997-2004

- 4.1 There has been an enormous amount of activity and change in urban policy in England during the past seven years. There have been a large number of independent and government reports assessing the conditions and prospects of English Cities. The most notable include: Lord Rogers Task Force on urban renaissance in 1998 which focused upon the quality of urban living in England; the Government's own White Paper, *Better Towns and Cities: Delivering an Urban Renaissance*; the National Neighbourhood Renewal Strategy and The Sustainable Communities Plan. There have been white papers and green papers on housing, planning, regional government, and local government. A number of themes run through these policy documents. In particular the realization that large cities are not economic drains but potential dynamos of the national economy has become an increasingly important thread of national policy. However, although economic competitiveness is perhaps the most visible dimension or urban policy it is not the only ambition of policy. Achieving social cohesion and encouraging livability and sustainability are also important goals. Also although crucial, the large cities are not the only focus on policy. Regions and neighbourhoods also have had particular attention and smaller and medium sized cities are also regarded as important.

Cities as economic drivers not liabilities

- 4.2 Most important the Labour government sees cities as economic opportunities rather than liabilities and is committed to delivering an urban renaissance. In particular there is a growing recognition of the contribution that the larger cities could or should make to the national economic welfare.

Changing the balance of power between nation, region, city and neighbourhoods

- 4.3 The balance of power between national, regional, local and neighbourhood governments and agencies is changing. For example, there have been efforts to improve working relationships and reduce potential conflicts between national government and cities. The level of national resources going to local authorities and cities has increased. Competition between cities for resources has been reduced. There have been attempts to reduce controls over local authorities while at the same time attempting to improve the delivery of urban mainstream services with agreed targets. There have been attempts to increase regional powers and responsibilities with new

institutions like Regional Development Agencies, Regional Assemblies introduced and elected regional parliaments proposed. There has also been a sustained effort to improve the economic and social prospects for deprived neighbourhoods. There has been a growing recognition of the dilemmas of relying too heavily upon small area-based policy initiatives and of the importance of mainstream government programmes which provide the bulk of public expenditure for cities.

Reducing sprawl, suburbanisation and encouraging central city sustainability

- 4.4 There have been changes in planning for the provision of housing retail provision and transport to discourage suburbanisation and encourage the more concentrated use of old brownfield land in the core of urban areas rather than new greenfield areas in the suburbs and beyond. There is also greater awareness of the importance of livability in cities with awareness of the importance of architectural, environmental and the social quality of life.

Managing housing markets

- 4.5 There has been growing recognition of the different housing pressures in different regions of the country. The economically deprived northern regions have an oversupply of affordable housing while the overheating southeast and London have major undersupplies, which has different and difficult major economic and social consequences. A new policy for Sustainable Communities and new initiatives, Housing Market Renewal Pathfinders have been created to tackle this regional mismatch of urban housing.

Improving joined up policy delivery

- 4.6 There have been important attempts to link the activities of different government departments by giving them joint targets for delivering improved urban performance.

The Government's urban targets

- 4.7 These broad ambitions are reflected in the priorities of the government department responsible for delivering urban policy, which since 2002 has been a new department - the Office of the Deputy Prime Minister (ODPM). ODPM has responsibility for local government, housing, planning, social exclusion, neighbourhoods and regions and sustainable communities. In its own words its broad target is to encourage the achievement of 'thriving, inclusive and sustainable communities' which means that 'economic prosperity and social justice go hand in hand'. That philosophy is broken into 3 broad Objectives and 7 specific agreed Public Service Agreement targets which were specified in the recent review of public spending in 2002. They give a clear indication of the range, scale and key priorities of national policy. Since they link policy ambitions to public money and specific actions, they are worth rehearsing in some detail.

- 4.8 *Objective 1* - To work with the full range of government departments and policies to raise the levels of social inclusion, neighbourhood renewal and regional prosperity. It has 2 targets.
- PSA 1. To promote better policy integration across all government departments and in particular to help them meet the PSA targets to achieve minimum standards floor targets for neighbourhood renewal and social inclusion.
 - PSA 2. To make sustainable improvements in the economic performance of all English regions and over time reduce the persistent gap in growth rates between the regions. This important regional target is jointly owned with 2 other very powerful government departments, the Treasury and The Department of Trade and Industry.
- 4.9 *Objective II* – to Provide for effective devolved decision-making within a framework of national targets and policies. It has 2 targets.
- PSA 3. To provide an opportunity for a referendum on regional government in regions where there is demand for it.
 - PSA 4. To improve delivery and value for money of local services by Introducing comprehensive performance assessments and action plans and securing progressive improvement in authorities scores
- 4.10 *Objective III* - To deliver effective programmes to help raise the quality of life for all urban areas and other communities. It has three targets:
- PSA 5. To achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt.
 - PSA 6. To have all local planning authorities complete local development frameworks by 2006.
 - PSA Target 7. By 2010, bring all social housing into decent conditions with most of this improvement taking place in deprived areas and increase the proportion of private housing in decent condition by vulnerable groups.

Sustainable Communities Plan

- 4.11 The most important single statement of the policy in relation to urban areas was made at the beginning of 2003 in the Sustainable Communities Plan. Primarily the plan is designed to tackle the shortage of affordable housing in the southeast, low demand for housing primarily in the north and the quality of public spaces generally. It involved a substantial increase of resources - £22billion over 3 years. The plan has several key elements
- To address housing shortages. Government plans to do this by accelerating housing provision, ensuring that proposed housing in the Southeast was delivered, accelerating growth in four areas of the southeast which deliver 300,000 extra jobs and 200,000 extra homes

and ensuring construction industry has the right skills to deliver; investing £5 billion in affordable housing and tackling homelessness.

- Addressing low demand and abandonment in the north. 9 housing Market renewal Pathfinders have been given £500 million to try to restructure housing markets in the north where there are 1 million abandoned houses.
- Improving the quality of social housing which will receive £2.8 billion.
- Specifying ways to improve the local environment of all communities which will get £200 million.
- Protecting the countryside. The majority of new housing is to be built upon previously used land rather than unused land. And high densities will be encouraged to prevent sprawl and waste of virgin land.

How will Government policy be delivered?

4.12 There have been some important organisational changes within government to help achieve these ambitious cross cutting targets. Four are worth mentioning. The Sustainable Communities Delivery Unit is responsible for delivering the Sustainable Communities Plan. The Regional Coordination Unit is responsible for drawing together the work of the 9 Government Offices in the Regions. It has been directly involved in developing the Sustainable Communities plan, working with the assessment of local authorities, producing regional economic performance indicators, reviewing and rationalising the number of small area-based initiatives in cities and in producing a White Paper on regional governance.

4.13 The Neighbourhood Renewal Unit is responsible for narrowing the gap between deprived areas and the rest of the country. It works to achieve specific targeted improvements in jobs, education, health, crime - trying to mobilise long-term mainstream government resources rather than simply limits area-based initiatives. But it does also have responsibility delivering improvements in 88 of the most deprived neighbourhoods in the country through its New Deal for Communities Plans which targets special and mainstream resources on those deprived areas through its National strategy for neighbourhood renewal. The Social Exclusion Unit is meant to reduce social exclusion in England. It works on specific projects and initiatives drawing on research, external advice, good practice and the experience of the socially excluded responsible for helping key excluded groups and areas. The Urban Policy Directorate is responsible for integrating the key elements of the new urban policy.

What changes have taken place?

4.14 There has been much achieved in trying to modernise and improve the performance of local government. There has been a fundamental shift in planning guidance which means that urban areas are targeted ahead of suburban areas for development. There have been efforts to simplify and speed up the planning process. There have been considerable efforts to strengthen regional organisation and performance. 9 Regional Development Agencies are responsible for economic development in their

regions and they have been given increased freedom in the way they use their budgets by national government. Referenda on directly elected assemblies are planned in several regions.

- 4.15 The dialogue between local and national government in general and between national government and large cities in particular has improved. Resources going to local authorities have substantially increased during the past seven years and are currently planned to be 25% higher than when Labour took power in 1997. There has been a comprehensive package of fiscal measures designed to increase investment in cities including tax incentives and discounts to clean up contaminated land, creating houses above shops, the renovation of derelict properties. There has been some progress in introducing increased flexibilities for local authorities and cities. There has been a major focus on improving the performance of the most deprived neighbourhoods in England, many of which are in the large cities.
- 4.16 14 New Urban Regeneration Companies have been set up to encourage development in deprived urban areas. 7 Millennium Communities have been created to explore energy efficient sustainable mixed use communities. The focus upon quality of urban design has been increased by the Creation of the Commission for Architecture and the Built Environment which has received increased funding to drive up quality standards. There has been some rationalisation of the numbers of small area-based initiatives. Local Strategic Partnerships which involve a variety of stakeholders have been encouraged and financially supported in all local authorities - but especially the most deprived 88 neighbourhoods - to develop local strategic plans for the use of all public resources. Such neighbourhoods have also received a raft of initiative funded by national government through New Deal for Communities, Community Chests, neighbourhood wardens and Neighbourhood Management.

Research and Evaluation

- 4.17 The government is especially concerned with understanding the impacts of public resources on urban areas, partly because of its wider concern with what works and partly to get improved value for money. As a consequence the government has been noted for the extent of review, research and monitoring it has undertaken. Virtually all major policy initiatives have independent evaluations attached to them. This has meant that it does have a much better evidence base than previous governments. The Government held a major international Urban Summit in 2002 designed to take stock of its achievements in the first five years in office. It is currently planning a major state of the Cities Report which will provide detailed evidence of progress, failures and policy recommendations. And there is informal evidence that research and evaluation does influence the scope of policy. However, the other side of the coin is that that cities sometimes feel that the national concerns with targets and assessment mean that cities are more constrained in their actions, and more subject to national control than they should be.

What contribution do large cities make to policymaking?

- 4.18 This issue often raises difficulties. Small and medium sized cities, as well as non-urban areas argue that they are as important to the country as large cities. A national government feels it has to represent all areas of the country. The White paper on Urban Policy, even-handedly tried to argue that towns are as important as cities. Nevertheless, this chapter has already argued that in recent years a change in perception of the economic potential of cities and of large cities in particular has changed their relative political status. In particular it can be argued that although much growth and development continues to take place in the southeast of the country whereas most of the large cities are in the north, there is a growing recognition that large cities ought to be a more important part of governed policy. This can be seen in variety of ways. The government has been more involved in a dialogue with the Core Cities encouraging them to work together and to develop more strategic plans for their development. There are working parties attempting to increase the contribution that the large cities can make to regional economic performance, which is the formal quantitative goal of government policy rather than improving urban performance.

However the jury on government policy is out

- 4.19 Urban policy in England remains a moving target. While some important policy principles have emerged, there remain some tensions between them. The way in which they interact to shape the operation of the policy-making system - indeed the way they will affect the challenges and opportunities of cities - is still unclear. There is a greater willingness to help the cause of cities but their future remains uncertain.

What are the continuing concerns about current urban policy?

- 4.20 Many of the changes in policy have been welcomed by urban areas and by the large cities in particular. But there are still some unresolved tensions. These would include:

Singing from the same hymn sheet?

- 4.21 There is still some concern that not all major government departments are as committed to the urban renaissance as is the Office of the Deputy Prime Minister. In particular the Department of Trade and Industry and the Treasury have not been as committed to the cause of cities and brownfield renewal. And there is some evidence that large cities and local authorities generally have got their policies better integrated than have government departments at the centre of power.

Creativity of confusion in the regions?

- 4.22 There is a welcome for the growing regionalisation of power in England, with responsibility for more decisions being placed away from the centre. However, there are continuing concerns that the Government Offices in the Regions which have responsibility for social policy in the cities do not connect well enough with the Regional Development Agencies which have responsibility for economic development. More generally there is a concern that regional policy itself is not that powerful and has less resources invested in it than it did two decades ago.

Closing the regional divide

- 4.23 Most of the largest cities are in the north. But most economic development has taken place in the southeast and London. Despite the government's commitment to the principle of urban renaissance and its commitment to encourage slow growing regions to catch up with the fastest growing, there is still a feeling that it is not yet taking enough actions to actively reverse the flow on investment and people to the southeast and improve the economic fortunes of the largest cities in the north. There are concerns that many of the drivers of a modern economic and urban competitiveness – investment, transport infrastructure, innovation, research and development, universities still favour the more successful southeast.

Grown-up government

- 4.24 The relations between national government and local authorities and cities have become better under Labour. But there still concerns that the centre is too anxious to control local government to ensure that it meets national targets for increased efficiency. There is a tension at the heart of government about how much discretion is best given to local authorities to achieve great effectiveness and efficiency. Cities might wish to see a more outcome driven strategy with contractual relationships between cities and the government and rather less micro control of what they do.

Is bigger more beautiful?

- 4.25 There are continuing concerns about scale and size. The larger cities argue that since they contain the majority of challenges and opportunities they should receive different treatment than other places. This is controversial with many. But the large cities still want further evidence that the national government really does have a clear strategy to promote their economic renaissance and is willing to invest the long term resources and commitment required to achieve it. In particular, the cities argue that they are the way in which the government can achieve its target of improving regional economic performance. But there remains some difference of view on these issues.

Fiscal incentives – more work needed

- 4.26 It is admitted that the government has provided some fiscal incentives to encourage urban investment. However, there remains an important anomaly in that tax upon development in brownfield site in the core areas of cities is still taxed much more heavily than development in the Greenfield sites. There remains important tension about the failure to change this anomaly which is seen by many as an incentive for sprawl rather than central renaissance.

Too many special initiatives?

- 4.27 Equally there is some agreement that the government has begun the process of limiting or rationalising the number of different initiatives which impact upon cities. But as under the previous Conservative administration, there is still a feeling that local authorities have lost too many powers and the provision at local level is too fragmented.

Connecting economy territory and governance

- 4.28 Related to the concern about the fragmentation of local decision-making there is a concern that the government has still not yet got the right balance between neighbourhoods, cities, sub-regions and regions. At present government have policies for those different spatial levels. But they do not clearly inter-connect. There is a continuing debate about the best way in which city regional relationships can be encouraged. The most common assumption is that this should be encouraged dot take place on a voluntary basis. But this remains a continuing challenges for cities regions and government.

Europe and English cities

- 4.29 Until 1997, cities and national government took a different view about the value of European urban policies. In general cities liked European programmes because they gave them an alternative sources of revenue as national spending on cities was reduced. It also gave them an alternative route to power as the national government was trying to reduce their powers and responsibilities. The Conservative national government did not welcome European intervention for similar reasons. The current Labour government has been less opposed to the principle of European intervention. However, it remains unpersuaded that Europe has a great deal to offer in the field of urban policy.
- 4.30 What has been the impact of European policies. Many regions in England have benefited from Objective 1 and 2 status and have therefore received substantial sums of European funding. A number of cities have also benefited from the Urban Initiative in Rounds and 2. What has been the experience?

- 4.31 There have been some perceived advantages of European policy:
- It has required local authorities and urban areas to take a more strategic view of their areas and encouraged the principles of partnership.
 - Such programmes have also encouraged community participation in urban decision-making.
 - They have encouraged a more integrated approach to decision-making.
 - They have encouraged a more long term approach to decision-making.
 - They have encouraged the modernisation of urban economies with an increasing focus upon innovation.
- 4.32 The problems are both of principle and practice.
- The sums of money involved are relatively small especially in urban areas. They are not large enough for the scale of challenges involved.
 - The system is slow and bureaucratic
 - There is not a good enough fit between ERDF and ESF programmes.
 - There is a feeling that anyway England and the UK have been in the lead in developing integrated, partnership based approaches to urban problems and that Urban is not very innovative.
- 4.33 There are two major issues about regional and urban policy. First there has been enormous controversy because many government grants to urban areas designed to finance regeneration projects by providing incentives for private sector investment have been outlawed by DG Competition on the grounds they are state aids. The UK government has had to abandon a whole package of investment programmes during the past years because of this. This has soured the view of EU policy.
- 4.34 The second important issue concerns the future of regional policy after 2006. essentially the UK government takes the view that there is no rationale for the EU to be involved in urban and regional policies outside the accession countries, since it will essentially consist of recycling small sums of money between the richer states in an inefficient way. They essentially take the view that regional and urban policy should be renationalised. That notion is not popular with regions and cities however. They still value the guarantee of European funds as well remaining committed to the principle that Europe is about more than market forces. They believe that Europe should continue to play a major part in encouraging the social cohesion as well as the economic competitiveness of cities and regions in Europe. At present it is not clear how these issues will be resolved. But is clear that whatever happens, European resources for English cities will be much reduced after 2006 and that therefore their significance is likely to decline even further.

SECTION 5

SUMMARY AND CONCLUSION

- 5.1 This chapter has shown that the landscape of urban policy has changed significantly since the election of a Labour government in 1997. It is still too soon to see how these changes will impact upon urban areas in the longer term but important shifts are taking place. Some long-term structural trends remain the same: economic restructuring; counter-urbanisation, social polarisation and the continuing dominance of London remain. Some key institutional features have not changed: a powerful centre and weak periphery; the lack of metropolitan government; limited regional organisations and increasingly complex urban governance.
- 5.2 However, there has been growing recognition by national government that cities – and the big cities in particular - are the drivers of national and regional economies and a growing concern to increase their economic competitiveness, especially outside the globally successful city of London. In some ways the larger cities have improved their economic and social performance during the past seven years, even if many of them have a long way to go to match London. However, despite their relative improvement, English cities do still lag behind their European counterparts in terms of wealth, levels of innovation, educational standards, connectivity and attractiveness to international investors.
- 5.3 But there have been important policy changes since Labour took office. There is less support for the principle of competition in allocating resources. National money for cities has increased. There has been a growth in regional organisations and powers. There have been attempts to change the balance of power between national government, the regions, cities and neighbourhoods. There has been an attempt to reduce suburbanisation and sprawl, to speed up planning and to join up departmental policies. There has been increased investment in the evaluation of national government policies. There have been institutional changes to attempt to streamline the delivery and effectiveness of policy with a range of new policy instruments. There is growing recognition of the need to integrate more closely regional and urban policy.
- 5.4 There has been a greater recognition of the need to close the gap in economic performance between the affluent south east of the country and the remainder and to intervene to better manage housing markets in different regions of the country. There has been growing recognition of the need for cities to form regional alliances if they are to punch their weight in a European context. Europe has made a modest contribution to the development of some policy principles – partnership, integration, and community involvement. But the principles have not been that novel in the English context, the resources not that large and the impact not that great. European funds are liable to reduce in future and so will their political significance encouraged by the government wish to renationalise European urban and regional policies.

- 5.5 The policy signs are promising. But the jury remains out on some questions. Are all the departments of government outside the lead Department the Office of the Deputy Prime Minister committed to an urban renaissance? Is the division of powers and responsibilities between national, regional and city governments right? Do cities have enough powers, responsibilities and resources to maximise their performance. Is enough being done to close the gap in the economic performance of cities in the southeast and the rest of the country? But despite those questions, urban policy is further up the political agenda in the UK than it been for many years. The next five years will be an important test of national policy to sustain the regeneration of England's cities.