



State of the cities – a progress report to the Delivering Sustainable Communities Summit

FOREWORD



In recent years, there have been exciting improvements in our major towns and cities. After decades of industrial change and economic restructuring, many of our larger urban areas have begun to show substantial progress – underpinned by the long period of economic stability, low unemployment and low inflation resulting from our policies. There's great new architecture, expressing a new confidence, and people and businesses are coming back to the city centres.

We cannot underestimate the scale of the challenge. Even now there are still clusters of deprivation in urban areas where people tend to have shorter lives, lower expectations and poorer prospects in jobs, skills, housing and education. Turning these problems around requires the long term political commitment and long term investment which we are delivering.

Five years ago, in the Urban White Paper, the Government committed itself to an urban renaissance and we've made some excellent progress. We've developed on the ideas in the Urban White Paper and now have a wider programme – the £38 billion Sustainable Communities Plan – which is investing, not just in housing and physical regeneration, but in jobs, schools, skills and transport. We are developing local leadership, empowering neighbourhoods, and creating a better quality of life.

But in order to improve our cities, we need to understand them as fully as possible. That's why the Government commissioned a team of leading academics and policy experts to conduct a major project to study the state of English cities and investigate the performance of urban areas.

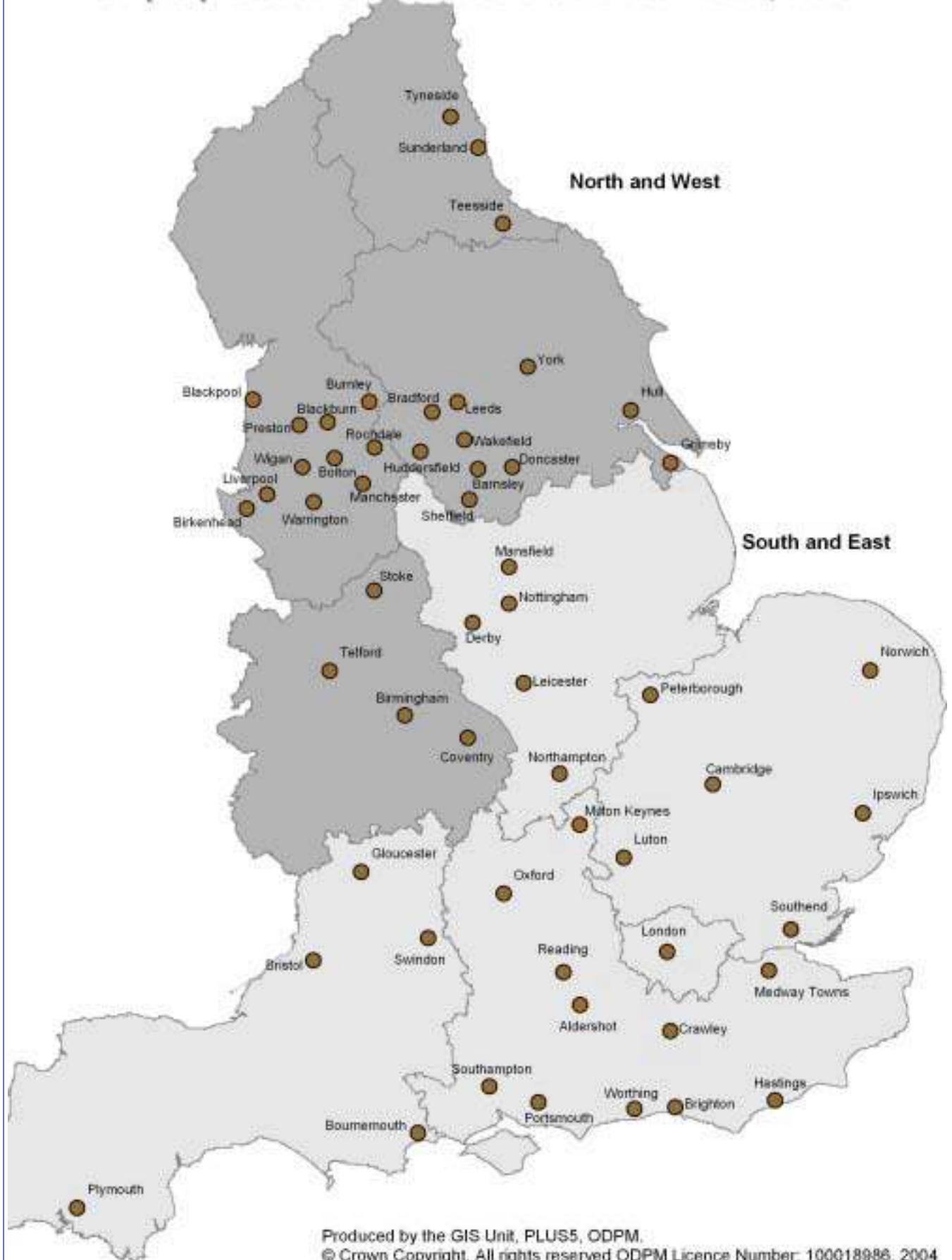
I am pleased to welcome the first progress report of the State of the Cities project. The report is based on a preliminary analysis of the latest data, the first case studies and an initial review of the literature on the impact of policy on urban areas.

We have produced this for the *Delivering Sustainable Communities Summit*, with a view to publishing the comprehensive final report at the end of 2005. Already the study is offering valuable insights and ideas, and I am confident that the State of the Cities project will help us to create more sustainable communities across the country.

John Prescott
Deputy Prime Minister

urban

Primary Urban Areas with a population threshold of 125,000



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Sustainable communities: 56 towns and cities

INTRODUCTION

In February 2003, the Government published the £38 billion Sustainable Communities Plan, the most comprehensive and ambitious agenda for change in people's quality of life for decades.

Creating sustainable communities is about better housing and better places to live. But it's much more than that. It means more jobs, better schools and the right skills so that everyone, in every region, can share in the nation's prosperity.

It means cleaner, safer, greener places in which we build the roads, the hospitals, and the public transport as part of the development, not as an afterthought. Sustainable communities in which people have pride and prospects.

We want all communities, large and small, to prosper, but we also recognise that our urban areas play a crucial role in the success of the country.

So our larger towns and cities – 56 urban areas, each with a population of more than 125,000 – are the subject of this brief report. Together they comprise 55% of the English population – and of course their influence spreads even further into city regions beyond their own boundaries.

There's plenty of anecdotal evidence to suggest that many of these towns and cities have experienced significant improvement in recent years.

The eight Core Cities in particular have recently enjoyed a period of success. Their urban renaissance has been underpinned by long term economic stability, dynamic leadership, and strong public private partnerships.

You can see the positive effects of this just by visiting the Sage Centre or the Millennium Bridge on the banks of the Tyne; Salford Quays and Manchester's renewed city centre; or the canals of Brindleyplace and the new Bullring, giving Birmingham's urban centre back to the pedestrian. These places have the "wow" factor – great architecture which is symptomatic of a new civic confidence.

But the situation is complex. Long term structural forces are shaping urban England. Many places in the

North and Midlands, for example, are suffering from low demand for housing, a distressing symptom of wider industrial and social change over recent decades. The historic economic differential between North and South continues. And even within regions, towns and cities have different circumstances.

We are making a difference to the quality of people's lives in our urban areas. But we recognise that there is a lot more to do. To make the step change that is needed, we must know more about what's happening in our towns and cities and what can be done to make them more successful.

STATE OF THE CITIES

That's why the Office of the Deputy Prime Minister is sponsoring a major investigation called the State of the Cities Report.

This is taking forward a proposal in the Urban White Paper of 2000 to undertake a long-term project to monitor, assess and improve the economic, social and environmental performance of English urban areas.

The full State of the Cities Report, is due to be published late in 2005 along with its supporting State of the Cities database. It is being compiled by some of the most distinguished urban policy academics and experts in this country and abroad.

This project is larger than anything that has been undertaken systematically in the UK before. It is being led by the European Institute of Urban Affairs, Liverpool John Moores University. Key members include the Universities of Sheffield, Newcastle, Glasgow, Cambridge, Oxford Brookes, University College London, the National Centre for Social Research, the Brookings Institution in Washington DC and Llewelyn-Davies.

The project asks key questions such as:

- Have these towns and cities improved in the past decade in terms of competitiveness, social exclusion, governance, and liveability?
- What are the main challenges facing them?
- Which people and places have been the winners and losers in the process of change?
- What has been the role of central government policy in change? What is the relative importance of mainstream and area-based policies?

- Does the impact of government policy upon different parts of urban areas vary? How well is policy integrated?
- Has leadership and governance improved the recent performance of the town or city?
- What will be the impact on urban areas of new national policy agendas such as the Sustainable Communities Plan?
- Which policies have been most successful in improving performance and why? What policy pitfalls should be avoided in future?
- There are some powerful perceptions that we need to do even better. For example, people in urban areas are more likely to take a pessimistic view of their local schools, irrespective of geography. Nevertheless there is a view that much has been – and is being – done.

REGIONAL LOCATION AND SIZE ARE HIGHLY SIGNIFICANT

- Regionally the south and east have performed better than the north and west. London has performed most impressively of all areas. But outside London, smaller and medium sized cities have performed better than larger cities – regardless of location.
- However evidence suggests that the situation is becoming more complex. During the past six years, the rate of employment growth in London has been less impressive.
- Conversely, the north and west have improved recently – in particular, the growth rates of the 6 metropolitan centres in the north and west have been very impressive. So the position across different cities is clearly not homogeneous, and the research has outlined important variations between the largest cities and within them.

This document draws on the early progress report published by the State of the Cities research team at the Sustainable Communities Summit in January 2005.

Much of their analysis is still tentative; their conclusions are often speculative; and much work needs to be done. But they are already revealing some challenging insights into the economic and social geography of this country.

Some of the early findings

CITIES ARE GROWING IN CONFIDENCE – AND PUBLIC AND POLITICAL PERCEPTIONS OF CITIES ARE CHANGING – ALTHOUGH THERE IS STILL A LOT TO DO

- Although cities still face many social and environmental challenges, they are increasingly seen as economic assets that can help improve regional and national economic performance.
- There is evidence that many cities have been through the worst of their economic restructuring and are beginning to find new economic niches.
- Among the 56 towns and cities in the study, the star performers for employment change between 1991 and 2001 were Milton Keynes (up by 50%), Reading, Warrington, Brighton, Crawley and Northampton, York, Cambridge and Worthing.
- The main thrust of recent policy initiatives (including the Sustainable Communities Plan, the Core Cities Agenda and the Northern Way with its emphasis upon urban-regional and inter-regional links) is regarded by the policy community as moving in the right direction.

APART FROM LONDON, LARGER PLACES TEND TO BE LEAST PROSPEROUS

- There are clusters of disadvantage in our urban areas where disproportionately large numbers of households live on welfare.
- By the middle of 2003, 18% of the working age population of Liverpool and 17% of that of Hull were claiming Income Support or Job Seekers Allowance. The next four cities (out of the sample of 56 urban areas) with the highest claimant rates, all of 13% of their adult populations, were Birmingham, Hastings, Newcastle and Middlesbrough. Rates below 6.5% are found only in this sample in Aldershot, Reading, Cambridge, Crawley, Oxford, Worthing and in the north, York.
- Between August 1998 and August 2003, in almost all places the proportion of working age adults claiming income support or job seekers allowance fell – and it fell most where it was highest, in

Table 1: Employment Rates in Different Areas, 1994-2003

| | 1994 | 1997 | 2000 | 2003 |
|-----------------------------|------|------|------|------|
| London | 68.2 | 71.3 | 72.7 | 71.5 |
| 6 Metropolitan centres | 66.1 | 68.3 | 69.8 | 70.6 |
| South and east large cities | 72.0 | 75.1 | 77.5 | 76.6 |
| North and west large cities | 67.1 | 68.7 | 70.0 | 71.6 |
| South and east small cities | 73.7 | 74.8 | 78.2 | 77.2 |
| North and west small cities | 70.5 | 70.7 | 74.4 | 74.6 |
| Rest of England | 75.2 | 77.3 | 78.5 | 78.5 |

Liverpool, by 3.6%. Some of the larger cities – although not all – closed the gap with the national average. But changes in benefit claiming from 1998 are too complex to simply describe as a regional pattern.

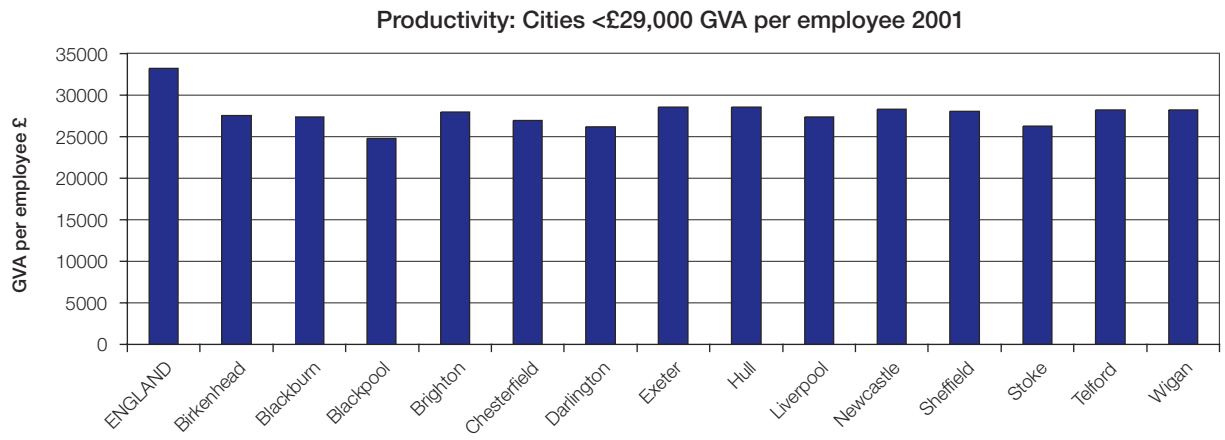
THE IMPORTANCE OF NARROWING THE ECONOMIC DIFFERENTIAL BETWEEN NORTH AND SOUTH – BUT PROGRESS IS BEING MADE

- The research has underlined the scale of the challenge in closing the economic and social gap, especially between large cities in the north and west and the south and east of the country.
- The gap between London and other cities in all regions remains – but cities in the north and west have been improving their performance.
- Improved employment rates and educational performance means that many of the larger cities, although still lagging, have closed the gap with the national average. For example, since 1998, the six Mets in the north and west have had higher growth rates.
- Although cities in the south and east and non-urban England have consistently had the highest employment rates, the general trend everywhere has been one of improvement. London and the south and east achieved significant gains between 1994 and 2000. However, they fell back after 2000, where by contrast cities in the north and west continued to make progress after that date.

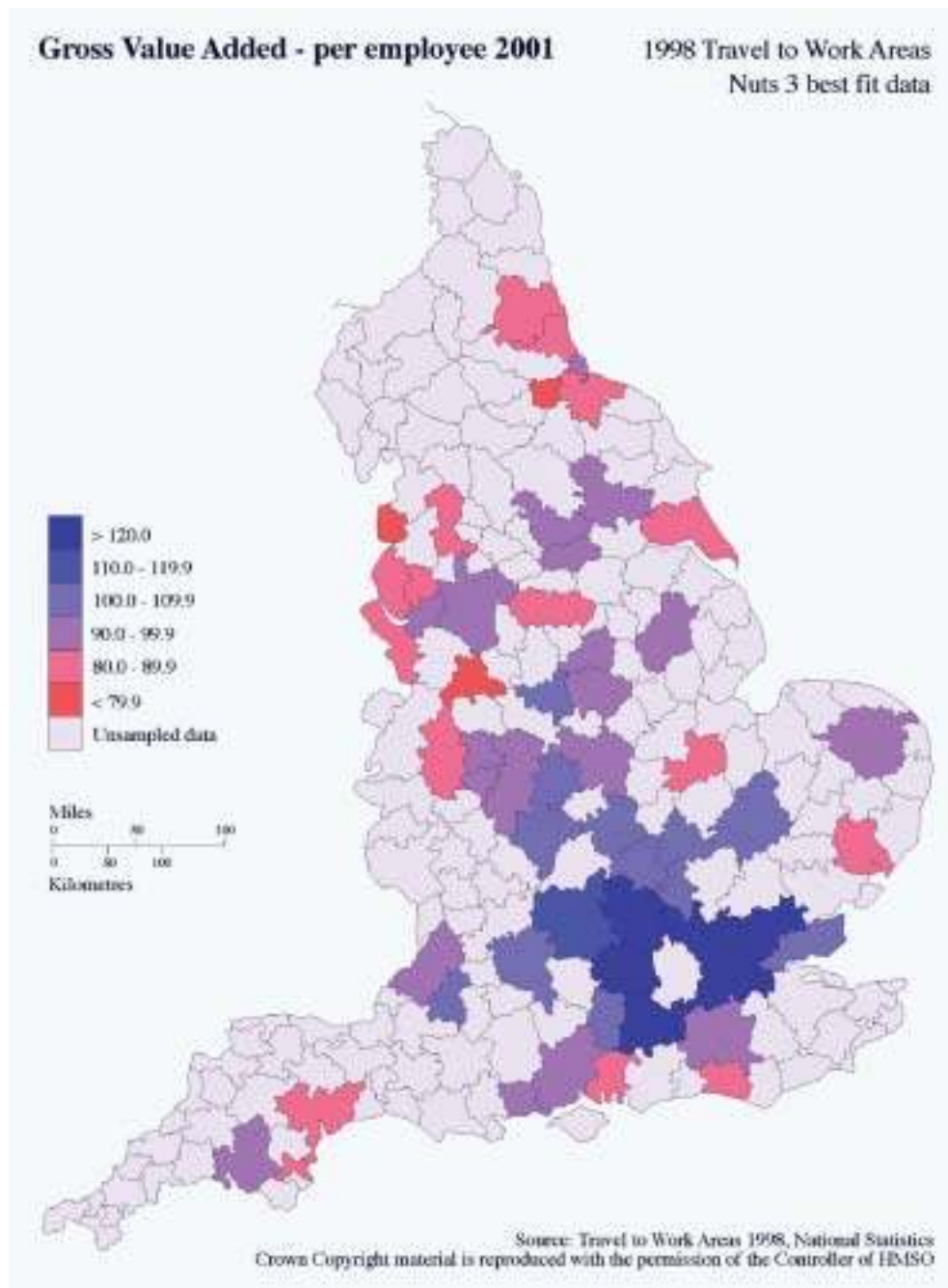
THE IMPORTANCE OF A WELL TRAINED WORKFORCE AND MODERN COMPETITIVE INDUSTRY

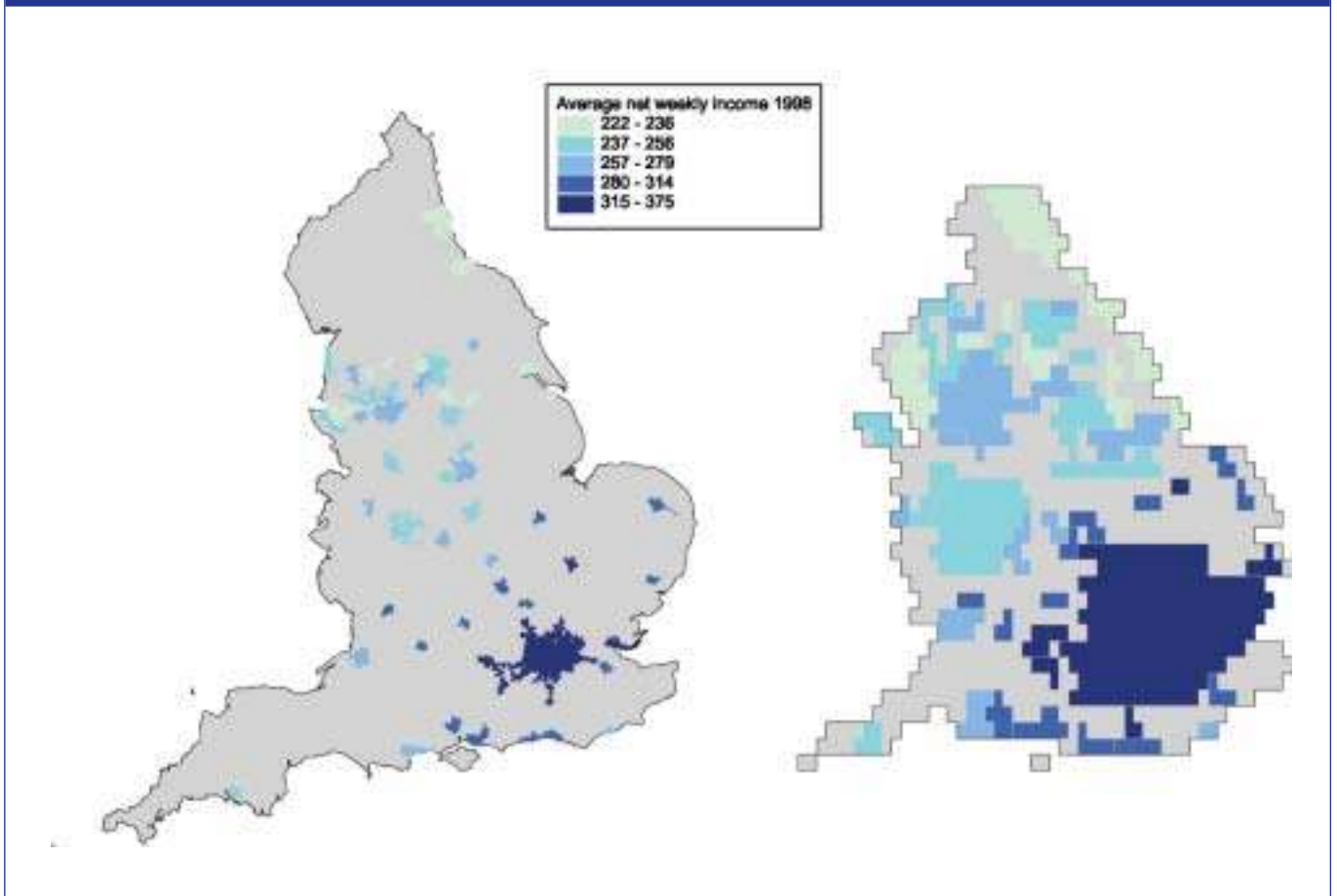
- Differences in educational qualifications are an important feature of the relative competitiveness of places. The quality of the workforce, and the proportion of workforce employed in knowledge intensive business services, are crucial to the economic performance of the cities.
- Innovation in technological products is a strong potential factor in explaining the success of London and the south and east.
- Apart from London the highest labour productivity is found in the south and east small cities and larger towns like Aldershot, High Wycombe, Oxford and Reading. There are no cities in the sample further north than Derby, or further west than Swindon, which have labour productivity higher than the average for England as a whole.
- There is a significant correlation between labour productivity and quality of the workforce. Again, London, Reading, Aldershot, High Wycombe and also Bedford and Basingstoke all have both labour productivity and the proportion of graduates in their workforces above the average for England as a whole.
- There is also a significant correlation between high labour productivity and the proportion of a city's workforce employed in a key group of producer services known as knowledge intensive business services (KIBS). These KIBS are flourishing in Reading, London, Aldershot and High Wycombe as well as Oxford, Luton, Cambridge, Northampton and Swindon. There is some evidence to suggest a link between labour productivity and employment in the ICT sector.

Figure 1: Cities with less than English Average Gross Value Added (GVA) per employee, 2001



Map 2





THE NORTH SOUTH DIFFERENTIAL

Since 1997, sustained economic growth has delivered low inflation, low interest rates and low levels of unemployment. But there is still a significant economic differential between North and South which the Government is committed to reducing.

The Government, Regional Development Agencies, the regional assemblies and local government are working in partnership with other private and public sector stakeholders to ensure that differences between and within regions are narrowed. But the State of the Cities research reminds us of the scale and significance of the challenge which is facing us all.

JOBS, PRODUCTIVITY AND GROWTH

By and large, the urban economies outside the furthest reaches of the Greater South East still reflect the longstanding problem of low productivity in the national economy.

The highest gross value (GVA) per head is produced in London and the urban economies of the south and east.

Beyond that region few cities performed better than the national average. Indeed, most of the cities in the west and north of England performed below the national average.

INCOMES

This map shows the distribution of average income after taxes. In our sample of 56 urban areas, the lowest average incomes after taxes, and allowing for housing costs and the differing compositions of households, are found in Middlesbrough, Burnley, Hull, Liverpool, Sunderland and Barnsley – all with average incomes below £230 a week.

The four highest average household incomes by this measure are £375 a week in Aldershot, £360 in Reading, £352 in Cambridge, and £341 in London.

POPULATION

The population of England was nearly 50 million in mid-2003, an increase of just over 3 million since 1981. All this increase was concentrated in the south and east,

which was home to just over 30 million people in 2003, roughly 60% of England's total. The north and west's population was almost the same in 2003 as in 1981.

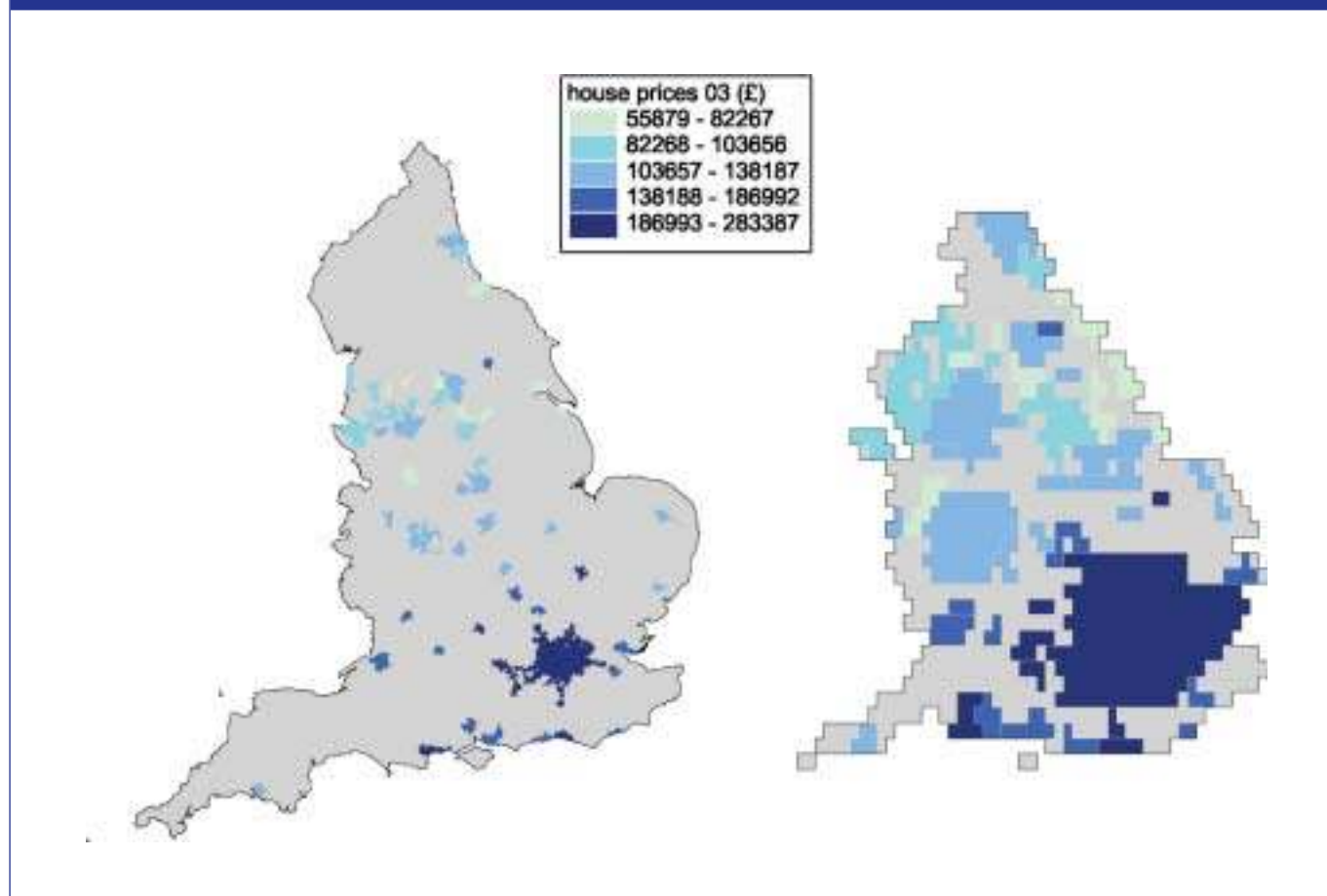
HEALTH

There is a big gap in life expectancy between cities in England. There are also regional differences, with a clear north-west/south-east gradient to life expectancy (with York and Leeds as the only major exceptions). Life expectancy in England is highest in Norwich at 79.8 years and lowest in Liverpool at 75.7 years.

DEPRIVATION

Cities in the north and west have a disproportionate share of poor neighbourhoods compared to the south and east. In particular, conurbations and large cities in the north and west typically have more than twice their fair share of the poorest areas – whereas the towns and rural areas in the south and east typically have almost twice their share of the least deprived neighbourhoods in England. They have very few of the most deprived areas.

Map 4: Average equivalised housing price by city in 2003



A similar regional pattern is replicated with income support and job seekers allowance, although cities with the highest percentages have improved most during the past five years.

EDUCATION AND SKILLS

There is a clear north and west to south and east gradient in terms of university qualifications.

The recent increase in the flow of graduates to London means that the capital contains an ever growing

proportion of the ever growing numbers of graduates each year, whereas 10 of the 11 cities with the least qualified residents are in the north and west.

The highest proportions of adults with university degrees are found in Cambridge (41%), Oxford (37%), London (30%), Brighton (29%), Reading (26%) with Bristol and York (at 23%) at sixth and seventh. The lowest proportion of adults with degrees is found in Burnley, Chatham, Hull, Middlesbrough, Sunderland, Wigan, Doncaster, Stoke, Barnsley, Grimsby and Mansfield.

HOUSE PRICES

House prices saw increased regional polarisation throughout the decade.

By 2003, the most expensive average house prices were London (£283,387), Oxford (£255,181), Cambridge (£244,862), Aldershot (£238,991), Bournemouth (£214,296) Brighton (£212,361), Reading (£211,794) and Crawley (£205,506).

Average housing prices by 2003 remained below £100,000 in Huddersfield, Preston, Sheffield, Birkenhead, Mansfield, Rochdale and Sunderland; below £90,000 in Bolton, Wigan, Liverpool, Doncaster and Middlesbrough; between £70,000 and £80,000 in Barnsley, Stoke, Grimsby, Bradford, Hull and Blackburn; but were lowest, by a wide margin: at only £55,879 in Burnley.

By the end of 2003 the sale of an average property in London would purchase 5 properties in Burnley.

Where we go from here

During the last three decades, there have been many changes in government policy priorities and methods, which have flowed from differing 'takes' on five policy choices:

- The policy target: is it people or areas or both?
- The policy mix: what is the right balance between economic, social and environmental interventions?
- The funding criteria: should social need or economic opportunity determine priorities and money and what should be the balance between incentives and entitlements?
- The players: what are the right roles and relationships for different tiers of government and public, private, voluntary and community organisations?
- The means: what is the right balance between competition and partnership and the best way of achieving an integrated approach to multi-faceted urban problems?

Although there has been a lot of progress in recent years, the influence of previous approaches to urban policy remains, and we have to be open about the scope for improvement.

For example, despite the Government's policies to tackle these issues, there are still some perceived concerns about integrating the approach of different government departments, the short-term nature of many programmes, the extent of national controls and targets, the proliferation of initiatives and delivery agencies, the regional imbalance in support for research and innovation and most especially the constraints placed upon urban competitiveness and cohesion by transport policy.

The Government does not underestimate the importance of these concerns. Nevertheless, early results from the research, although based on limited work and needing further testing, have highlighted support for the thrust of current policies in the Sustainable Communities Plan, which are perceived as addressing many of the above concerns. These include a greater recognition by national government of the economic potential of urban areas; a growing interest in the impact of mainstream programmes; an increased awareness of the spatial impact of policies upon individual places.

The researchers have found support for a general package of policies affecting the governance of urban areas including the rationalisation of area based initiatives, Housing Market Renewal Pathfinder, and Government commitment to the linked priorities of Core Cities, city-regions and the Northern Way.

The researchers also found in their case study cities that there was a clear recognition of the value and long-term impact of initiatives like City Challenge and City Pride as well as support for the current policies of Urban Regeneration Companies and New Deal for Communities. There is some belief that relations between national and local government have improved. There is support for the impact of increased educational expenditure, the concern with improved physical environment and the contribution of CABA as well as the thrust of planning policy.

Despite some serious concerns, many policy makers have told the researchers that they see significant improvements in national policy. They have welcomed a number of current policy priorities, approaches and initiatives. These include:

Urban Competitiveness: There is a welcome for an increased government concern with the economic competitiveness and potential economic contribution of urban areas. Also, recognition of the linkages between the policies of different government departments is a positive step.

Concern for mainstream policies: There is support for current policies focussing upon the role of mainstream policies in urban areas as opposed to special urban policy initiatives. The greater awareness of the urban impact of transport, training, and education health policies is welcomed.

Greater spatial awareness and sense of place: Regional and local decision-makers have been concerned in the past that national government has not consistently adopted a spatial approach to policies and programmes and has had insufficient interest in or awareness of the effect of national policies when they hit particular places. There is support for growing awareness of the spatial dimension in current thinking. There is a welcome for more thinking about the connections between different policy sectors and different spatial levels national, regional, sub-regional local and neighbourhoods.

Urban Governance: The research shows policy makers support for efforts to improve governance performance by improving networking and partnerships between players at different levels within urban areas. There is a wish to avoid institutional and boundary changes.

National-local government relations: There is a belief that there is a more mature relationship developing with local partners in some parts of central government at least. There is welcome for some government departments for their growing willingness to relax central controls and allow greater local freedoms and flexibilities, which helps local decision-making. This is strongly felt about the ODPM, Treasury and to a lesser extent DTI and Transport. However, there is wish for this to improve in a range of government departments to operate a more relaxed control regime.

Core Cities: The findings show policy makers support for the increased government attention to the role of core cities and their potential contribution to increased regional and national economic performance.

The Northern Way: The concept, ambitions and priorities of the Northern Way are widely welcomed with its focus upon inter and intra connectivity and the contributions of city-regions. There are concerns about the scale of new resources involved and their relative scale in comparison with those allocated to growth areas in the south and east.

City regions: There is support for the current moves towards greater scale and the focus upon city regions. There is a wish to understand the economic dynamics and institutional linkages between as well as within city-regions. However, the policy thrust does present challenges related to multiple strategies, overlapping boundaries and a shortage of local political delivery systems which needs to be addressed.

Regional Development Agencies: There is support for increased decision-making at regional level and a welcome in principle for the RDAs. There is a welcome for their effort in focusing upon competitiveness and training issues. The recent addition of Business Links to their portfolio was valued for strengthening their role as a key strategic decision-maker, and enhancing their links with the private sector.

Housing Market Renewal: There is support for the HMR Pathfinders and the focus upon restructuring and diversification of housing markets in relation to economic opportunities and needs across wider urban areas.

Educational expenditure: City case studies in the research have welcomed the thrust of education policy. For example, substantial investment in special education and health provision, including translation, language and information services encouraged by the government's Education and Health Action Zones, which has aided community integration. Similarly, recent improvement in basic educational school performance has been attributed the increased resources invested by central government.

CABE: From the private sector there has been a welcome with increased concern for liveability and in particular a recognition of the contribution that CABE is making to this policy goal.

Conclusion

This is a brief overview of a comprehensive progress report from the State of the Cities project. More research needs to be done – for example, exploring the exact ways national, regional and local policies work on the ground and their policy implications. Some of the ideas and conclusions may change in the light of further investigation. More analysis needs to be done to understand better some of the trends that the data has started to show.

However, there are already some key factors emerging from the State of the Cities research which underline the importance of urban areas to our national and regional economies; and reinforce the need to narrow the gaps in progress and opportunity between our cities and our regions.

Already a lot has been done to improve prosperity and quality of life in our urban areas under the Sustainable Communities Plan. The early work of the State of the Cities project shows the importance of creating sustainable communities – places in which people want to live, and are proud to live.

Further Information

Further information is contained in the full report *State of the Cities: A Progress report to the Sustainable Communities Summit*
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ODPM Publications
PO Box No 236
Wetherby LS23 7NB
Tel: 08701 226 236
Fax: 08701 226 237
Email: odpm@twoten.press.net

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