

**Town & Country Planning  
Tomorrow Series Paper 18**

# **cities are crucial**

## **four scenarios for a 21st century urban policy**



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**tcpa**

### **Report of the TCPA Urban Policy Study Group**

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**Edited by Ian Wray**

# foreword

Urban England needs rebooting. The policy drivers designed not only to deliver an element of equity across the country but also to reach England's struggling towns, cities and seemingly abandoned post-industrial settlements have disappeared. Whereas activist Ministers – from Lord (Michael) Heseltine and Lord (John) Prescott to Peter Shore and Anthony Crosland in the 1970s – once made it their business to place regeneration and renewal high on the national agenda, we are now left with a piecemeal approach nominally led by the most powerful Whitehall department. While the Treasury reigns supreme, there is no co-ordination across Whitehall – as this Tomorrow Series Paper underlines.

The TCPA has a proud history in addressing the needs of England – and Britain – in the round. From the cross-party *Connecting England* report of 2006 to a subsequent *Connecting Local Economies* report (in 2010) and then the *Lie of the Land!* report (in 2012), the Association has been leaders in arguing for a rational, national development framework.

This Tomorrow Series Paper, on urban policy, prepared by national experts in their fields (members of the TCPA Policy Council supplemented by academics and experienced practitioners), seems a natural extension of the TCPA's previous work. It is of its time – balanced and designed to promote discussion, with emphatically no political axe to grind. It will both contribute to a national debate on spreading prosperity across the country and, hopefully, feed into the work of agencies such as the National Infrastructure Commission. But the country needs more.

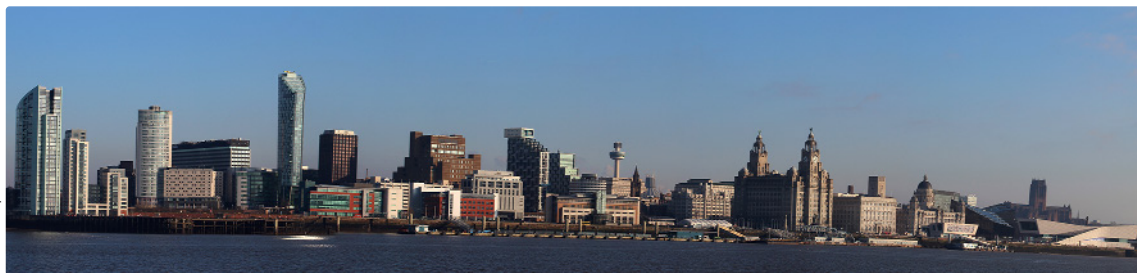
Remember when, in previous decades, every other regeneration project seemed to have a snazzy sign up front to remind us that a national agency –

English Partnerships (EP) – was living up to its name by partnering a local council, and maybe a Regional Development Agency, to deliver reclaimed land and help fund renewal by leveraging support from the private sector? Subsumed into the Homes and Communities Agency, the ethos and funding behind EP has disappeared without trace (even the USA has a Federal Department of Housing and Urban Development, led by a youthful former Mayor of San Antonio). This is not to diminish the current wave of urban devolution to conurbations such as Greater Manchester and its new Combined Authority; these new forms of city-region governance, tailored to particular areas, certainly mark a positive step forward in, it is to be hoped, giving our city-regions the clout and powers enjoyed by their counterparts in mainland Europe. Whether full fiscal devolution should follow is an open question, raising as many issues as it would answer – fine for those areas with potentially a strong tax base; bad news for others where property values and incomes are low.

But the current approach, while piecemeal, is also partial. It is no substitute for what England is crying out for: a proper urban policy. It has to reach those areas lacking the capacity and the potential funding – let us not be over-optimistic at this stage – on offer in the big cities. And that is before we address the city-state consuming the lion's share of the national transport budget and much else: Greater London is truly a place apart, notwithstanding the deep-seated societal challenges in some of its boroughs.

So we need a new focus to regain some of the initiative lost. We are keen to engage – because urban England deserves better.

**Peter Hetherington**  
Chair of the TCPA, 2013-16



Liverpool skyline – cities have cleaned up their act as centres for working, living and attracting talent

# 1

## Introduction – the importance of urban policy

Cities matter, although until relatively recently few people thought so. The great 19th century cities were seen as grim, overcrowded, polluted and jerry-built. The answer to these problems seemed to lie in dispersal, away from polluted industrial cities to green new towns and suburbs; and, with notable success, that philosophy dominated the UK's planning agenda for the three decades after the Second World War. But cities have changed, entering a post-industrial era, and cleaning up their act as centres for culture, transport, creativity, innovation, medicine, education, tourism, finance, research, conservation, working... and living. Cities are where most of us live and where most of us work. Towns are important, as is the countryside, but cities are crucial and their impact on our lives ineradicable.

So it is time to reconsider the whole topic of cities and urban policy, not least as cities – and devolution to cities – is now so high on the agenda of government. In 2015 the TCPA established an Urban Policy Study Group to look at the whole issue in the round. Its membership was drawn from the TCPA's Trustees, Policy Council and individual members with wide experience in developing and implementing urban policy. The Group's report was first submitted in summer 2015, and this Tomorrow Series Paper brings its thinking up to date, reviewing the development of government urban policy over the last 12 months or so.

This Paper uses scenarios as vehicles for thinking – and identifies four particular scenarios. They are deliberately extreme examples of the way in which policy might be developed, although in reality a strategy for cities might best embrace elements of all four strands. Although the six conclusions presented are short and sharp, this Paper is

intended as a prompt to discussion and reflection, not as a tablet of stone. It begins with a definition of urban policy and a review of recent policy change and development. The Study Group sees urban policy in England as **'a strategy for urban rebalancing as well as delivering regeneration, while creating safety nets for vulnerable towns'**.

# 2

## How is urban policy developing?

Since the Study Group began work early in 2015 a number of events with implications for urban policy have taken place:

- the establishment of a National Infrastructure Commission and its recommendations on major projects related to London and Northern connectivity;
- the 2016 Budget, with its further announcements on the 'Northern Powerhouse', fiscal devolution, and support for the main recommendations of the National Infrastructure Commission, as well as its wide geographical sweep with proposals for London and the South East, the South West, the Midlands and the East of England;<sup>1</sup> and
- preparations for a new London Plan, and emerging working relationships between London and local authorities in the wider South East.

This Paper considers each of these events in turn.

### London, the Northern Powerhouse and the National Infrastructure Commission

The Government accepted the National Infrastructure Commission's recommendations on London and the Northern Powerhouse and is:

- providing £300 million of funding to improve Northern transport connectivity, giving the green light to 'High Speed 3' between Leeds and Manchester to reduce journey times to around

<sup>1</sup> Information in the following paragraphs has been taken from the Treasury's *Budget 2016* Red Book, supporting the Chancellor of the Exchequer's 2016 Budget speech in March, available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508193/HMT\\_Budget\\_2016\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf)

- 30 minutes – a sum of £60 million will be provided both to develop plans for the Leeds-Manchester route by 2017 and to improve transport connections between cities of the North, including the possibility of a new trans-Pennine tunnel under the Peak District between Sheffield and Manchester;
- giving the green light to Crossrail 2 in London, supported by £80 million to help fund development, and is asking Transport for London (TfL) to match that contribution, with the aim of depositing a Hybrid Bill within this Parliament – the National Infrastructure Commission recommended that clear proposals should be identified to significantly reduce and phase costs and that a funding package should be developed that involves London funding more than half of the cost of the project (presumably with a substantial private sector contribution); and
  - intending to work closely with TfL to ensure that both of the National Infrastructure Commission recommendations noted above are met, through the proposal to increase the share of London's business rates retained by the Greater London Authority and by transferring responsibility for funding TfL's capital projects, giving the Mayor of London control over almost an extra £1 billion of locally raised taxes – the Government will also explore with London options for moving to 100% business rates retention ahead of the full roll-out of the business rates reforms.

Specifically in relation to the Northern Powerhouse, the Government is:

- accelerating the upgrade of the M62 to a 'smart' motorway – the Government will provide an extra £161 million on top of the existing road programme to bring forward this upgrading by two years;
- developing the future transformation of east-west road connections, including the possibility of a new trans-Pennine tunnel under the Peak District between Sheffield and Manchester, and enhancing other major roads – the Government will allocate

£75 million and develop a business case for these schemes by the end of the year;

- pushing forward on another mayoral devolution deal with the Liverpool City Region, which gives Liverpool additional new powers over transport, pilots the approach to 100% business rate retention across the city-region, and commits the city-region and the Government to work together on children's services, health, housing and justice – this builds on the deals already agreed with Greater Manchester, Sheffield City Region, the North East and Tees Valley (however, Gateshead Council has now pulled out, not just of the North East devolution deal, but of the Combined Authority as well, leaving big question marks about the North East deal, especially over transport planning).

Meanwhile, joint work between Transport for the North and the Government will take forward the Northern Transport Strategy (of March 2015), with a first annual update issued in March 2016 reporting on smart ticketing, freight, local and international connectivity, and rail and road projects.

## The rest of England

The wide geographical sweep of the 2016 Budget also contains critically important proposals for the rest of England, including continuing elements of fiscal devolution and new mayoral devolution. The Government is:

- supporting the development of Midlands Connect's long-term transport strategy and the region's traditional strengths in manufacturing and engineering;
- supporting a new mayoral devolution deal with Greater Lincolnshire – which will be given significant new powers over transport, planning and skills, and control of a £450 million investment fund over 30 years to boost economic growth;
- supporting a mayoral devolution deal with East Anglia, covering Norfolk, Suffolk, Cambridgeshire



**Birmingham New Street station – strategic rail hub investment as a focus for city revival**



and Peterborough, and giving the local area new powers over transport, planning, skills, a £900 million investment fund over 30 years to grow the local economy, and access to £175 million ring-fenced funding to deliver new homes – however, the proposed East Anglia Mayor, bringing together Norfolk, Suffolk and Cambridgeshire, as well as their respective cities, has been rejected by Cambridge City Council and Cambridgeshire County Council, both of whom say that there is not enough in the agreement for them to sign up, especially in relation to tackling some of the major issues they face, which include congestion and housing shortages (it has been suggested that the challenge for East Anglia is that Cambridgeshire businesses and workers, for example, are more likely to have connections with Essex, Hertfordshire and London than with Norfolk and Suffolk);

- supporting a new mayoral devolution deal with the West of England – which will be given significant new powers over improved transport, planning, skills and employment, and also control of a £900 million investment fund over 30 years to boost economic growth;
- asking Lord Heseltine to lead a Thames Estuary 2050 Growth Commission, which will develop an ‘ambitious’ vision and delivery plan for North Kent, South Essex and East London up to 2050 – the Commission will focus on supporting the development of high-productivity clusters in specific locations; examine how the area can develop, attract and retain skilled workers; look at how to make the most of opportunities from planned infrastructure such as the Lower Thames Crossing; and report back in time for the Autumn Statement 2017 with ‘a clear and affordable delivery plan’ for achieving this vision; and
- asking the National Infrastructure Commission to develop proposals for unlocking growth, housing and jobs in the Cambridge-Milton Keynes-Oxford corridor – the Commission will set out opportunities to ‘maximise the potential for future growth in this corridor’ and report on the strategic infrastructure priorities needed to generate further growth and maximise the potential of a corridor that encompasses some of the UK’s fastest-growing and most productive cities.

## Plans for London

In relation to London, it is expected that a new Mayor will wish to produce a full review of the London Plan and may wish to expedite this process. The planning team within City Hall have already commissioned a series of research projects on the application and possible revision of the current London Plan policies on residential density, town centres and industrial land. A high-level consultation on strategy may be issued before the end of 2016.

Work on the London Plan will need to consider the future development of the city within the context of the wider London metropolitan region (as strongly recommended by the Inspector in his 2014 Examination in Public report on the Further Alterations to the London Plan). Initial work started in 2015 via a joint officer group, and through two regional summits led by the Deputy Mayor for Planning and the Chairs of the East of England, South East England and Greater London Authority (GLA) area councils. The Outer London Commission has also identified, in its fifth report, of March 2016, alternative forms of working arrangements between Mayoral bodies and combinations of local authorities beyond the GLA area to improve regional co-ordination.

Under the auspices of the Outer London Commission, public discussion has also begun on a range of future development options, including work based on the spatial scenarios in the London Infrastructure Plan 2050. These options include the continuation of ‘hyperdense’ development in Central London and Opportunity Areas that are primarily on the fringe of the Central Activities Zone; densification of town centres, including centres in Outer London; suburban residential intensification; and urban extensions and major new settlements in transport growth corridors extending beyond London. An early stakeholder event organised by the GLA to discuss issues relevant to the new London Plan took place in early 2016.

Yet there is little sign that these development options will be effective in determining the scale of ‘overspill’ growth, its location or strategic infrastructure capacity. The emerging relationships to date are too limited by existing structures and forms and insufficiently illuminated by changes to functional connections between London and its economic and social hinterland: there is a need for wider appreciation of new realities, based on research. Areas of the wider South East close to London, including the Metropolitan Green Belt area and areas immediately beyond (which have seen considerable growth during the last 50 years), no longer have the environmental or infrastructure capacity to accommodate a significant proportion of London-generated growth. It will therefore be necessary to look further afield, both along key corridors (such as London-Stansted-Cambridge, where there is an active partnership) and in other strategic spatial models, such as Cambridge-Milton Keynes-Oxford, and in the South Midlands area along the West Coast Main Line corridor when relieved by HS2 (this West Coast corridor could, with HS2, extend to the West Midlands). This has implications for the spatial geography of a rebalancing of the country’s economy and for where increasing numbers of people moving out of London in search of affordable living conditions can move to.

3

Objectives and the big cities' recent performance

Cities (and particularly central business districts) have the potential to act as some of the major drivers of the national economy. And they are expected to accommodate much of projected national population growth, set to be at significantly higher levels than in previous decades. But many are not fulfilling that potential to their full extent. So what can policy do to unlock this?

The following objectives might help to inform wider policy development:

- First, strengthen city-region governance, which embraces issues related to devolution, capacity, the ability to align economic, transport and housing investment, and improvements in educational performance and workforce skills.
- Second, target public investment to expand city-regional economies beyond London, with the aim of increasing national output, embracing issues related to transport, research and arts spending.
- Third, provide incentives or new financial products and freedoms to promote brownfield regeneration.
- Fourth, manage pressures in high-demand areas, co-ordinating housing and infrastructure planning across city-regions, and plan strategically beyond metropolitan boundaries.
- Fifth, manage older industrial and coastal towns currently unable to attract knowledge-intensive

services, embracing connectivity and transport as well as remediation to soft end-uses and urban agriculture.

- Finally, help government departments to be aware of spatial implications in their policy-making and funding allocations and to support the potential for economic growth in cities.

This is a complex and interrelated set of objectives and issues. Rather than attempting to resolve them, this Paper seeks to explore them as four individual scenarios. The reality is that an agreed policy would need to combine elements of all four. But before turning to the scenarios we need to ask how the cities have been performing – for there are dissenting voices who remain sceptical about cities, especially big cities, which they see as the dinosaurs of a fading 19th century urban economy. So how are cities faring?

Resilient recovery in the big cities

Remarkably, recent economic trends for the 'core cities' which lie at the heart of the UK's city-regions have shown a resilient recovery from the recession that started in 2008.<sup>2</sup> Economic confidence now appears better placed, with a significant bounce in employment in the core cities. The 2010-14 Labour Force data, including for the self-employed, show both workplace jobs and resident workpeople growing more than twice as fast in core cities as in city-regions as a whole (excluding London). These growth rates run contrary to past longer-term trends, which on average showed *no* relative gain

Table 1  
Core cities' recovery in workplace jobs, post-recession

	Percentage change in workplace jobs, over calendar years		
	Core cities*	Rest of Great Britain's city-regions <sup>+</sup>	Great Britain
	%		
2010-12	-1.8	+1.0	+0.8
2012-14	+7.4	+1.0	+3.7
2014-15	+2.6	+2.8	+2.2

Source: ONS Labour Force Survey by workplace

Employment measured as full-time equivalents; all data include the self-employed

\* Nine local authorities: Birmingham, Bristol, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield

+ Surrounding local authority areas as defined by the University of Newcastle on a consistent academic basis (but broadly similar to existing Combined Authority and Local Enterprise Partnership areas)

2 Information in this section is taken from: T. Champion and A. Townsend: 'Great Britain's second-order city-regions in recessions'. *Environment & Planning A*, 2013, Vol. 45 (2), 362-82; A. Townsend and T. Champion: 'The impact of recession on city regions: the British experience, 2008-2013'. *Local Economy*, 2014, Vol. 29 (1-2), 38-51; T. Champion and A. Townsend: *Core Cities – Only Recently Show a Jobs Gain over Other Areas*. Paper for the Association of Industrial Communities, Durham County Council, 19 Mar. 2015



Media City, Salford – the core cities have shown remarkable recent economic resilience

by core cities. However, bigger cities have not grown faster than others over the whole period 1981-2011, which suggests that the potential gains from ‘agglomeration’ may have been exaggerated (unless current boundaries are misleading or the bounce-back has been very recent).

When we add data for the single calendar year 2015 (italicised in Table 1), we find a remarkable change, in that the earlier strong lead of core cities has been marginally overtaken by the average for the rest of the areas (i.e. non-core city areas) of all city-regions. The gain in core cities is thus partly a matter of a stronger cyclical rebound from low productivity levels. There is limited evidence so far on which employment sectors are involved. But the past combination of growth in the public and financial sectors no longer applies, and many of the job gains are now in other private sector offices, including professional services, property and call centres, supported by other service sector activity in restaurants and personal services.

While the latest trends may not persist at the reported rate, they warrant an open mind from all sides. The big cities are not yet proven dynamos; but they cannot be written off as dinosaurs.

## 4

### Questions of scale and disconnect in urban policy

Urban policy needs to be addressed at multiple scales. First there is the **national scale**. This scale applies to England, but should also take account of the way that policy is set out in the devolved Scottish, Welsh and Northern Ireland administrations.

The key issue for England is the spatial imbalance between the ‘South’, particularly London and its hinterland, and the ‘North’. This requires policy both to manage growth drivers in the South in ways which are sustainable in terms of environment and infrastructure, and to regenerate and expand the economies of the North and the Midlands.

This leads to a **sub-national scale**, where the focus has so far been on city-regions. In the latter years of the Coalition Government there was significant action from both central government and groups of local authorities<sup>3</sup> in establishing ‘Combined Authorities’ that share economic development and transport powers, and potentially co-ordinate on some strategic planning. To date, this has gone furthest in Greater Manchester and in the five other conurbations that previously formed metropolitan counties (together with the Tees Valley), where the intention is for elected Mayors to be in place in 2017. In extending this approach to *fiscal* devolution under the Cities and Local Government Devolution Act 2016 (which gained Royal Assent in January 2016), interest throughout England has produced a number of draft agreements, with Cornwall and with existing or proposed Combined Authorities.

Below that there is an **urban scale**, applying to specific localities, notably those in particular need of economic and social regeneration. In London, strategic policy identifies areas of deprivation requiring regeneration action by London boroughs and ad hoc partnerships. A similar model might be applied to Combined Authority areas. Other places such as old industrial towns and deprived coastal towns will need policy directed to their particular circumstances – policies may include skills and specific accessibility improvements to link them more closely to metropolitan economic growth centres, thereby widening labour markets near to

3 A. Pritchard: ‘Five borough blueprint: regional planning in the East Midlands’. *The Planner*, 22 May 2015

the biggest cities. Of course, there is economic potential in many smaller towns serving rural hinterlands that needs unleashing more strategically. But this raises issues which are beyond the scope of this Paper.

These different but related policy scales require a clear focus on the future drivers of economic growth and their implications for spatial development strategy, in order to secure a strong relationship between economic and housing development, and thus between labour and housing markets.

## Policy connect and disconnect

The consequence of the current trends is a disconnect between the pattern of development within England and the stated aims of policy. On the one hand, the stated goals seek to maximise the capacity of London to house people and retain and expand its global economic role, supported by housing and many extra people within its labour catchment, while at the same time reversing the historic loss of jobs and people from the Northern cities. On the other hand, neither the development targets in London and its regional catchment area nor those in the Northern regions are being met, and affordability, social conditions and environmental standards continue to deteriorate. The current emphasis of policy is short term, trying to keep London working in terms of its global role and national economic viability. There is nothing wrong with this goal, but the policies and projects (for example preparatory work for Crossrail 2) merely defer the crisis, rather than solving it.

At central government level, a disconnect is apparent between any national planning policy (in theory determined by the Department for Communities and Local Government (DCLG)) and policies for economic growth, infrastructure and regeneration, together with their relationship with new funding arrangements, such as City Deals. The 'Northern Powerhouse' initiative has emerged from the Treasury as a means of stimulating national economic growth and spatial rebalancing away from the London region, and the former Cities Minister, Greg Clark, was transferred to head DCLG, taking with him the Cities Unit as a joint Department for Business, Innovation and Skills and DCLG mechanism (in the latest Cabinet reshuffle he has returned to the renamed Department for Business, Energy and Industrial Strategy as Secretary of State, with, at the time of going to press, the Unit's location remaining unchanged). Policies for transport and other infrastructure of strategic significance are now conceived by the Treasury and the Department for Transport (including the proposed 'HS3' vision), while measures of fiscal devolution are formulated by the Treasury and the Cabinet Office.

Should there be a move away from central government determination of major infrastructure, which favours big national projects championed by Ministers, towards smaller, joined-up schemes securing added value, conceived and managed by devolved organisations such as Transport for the North? At present there appears to be little or no 'read across' between the recent Transport for the North strategy and documents such as the National Infrastructure Plan, and established Department for Transport policies for rail (enshrined, for example, in the little-known High Level Output Statement), not to mention the recently launched National Infrastructure Commission.

This raises the question of whether there needs to be some form of national framework for spatial development, to give effect to a sustainable economic relationship between London and other areas, while 'powering' the North and the Midlands in economic and infrastructure terms. Such a framework would include fiscal measures, addressing the relative balance of investment, and devolutionary changes in governance, to give coherence to rebalancing. Leading politicians have talked about sustaining the growth of London alongside advancing the Northern Powerhouse concept: they must realise the strategic linkages between them. Its purpose would mean that the framework would need to be Treasury-led.

## The need for a fresh look

The prospect is that London (the Greater London area) with some points to the west will increasingly overheat, resulting in diminished economic attractiveness, insufficient affordable development, and dysfunctional labour markets. Can the Northern Powerhouse concept extend the international competitiveness of London, rather than compete with it?

To flesh out and explore these issues it is necessary to unpack the component elements of any strategy for an urban rebalancing. A finished policy might include elements of all four components, but the balance can only be determined by political decisions taken at the centre and delivered locally.

The policy components that could contribute to reframing the spatial pattern of development in the UK, away from a focus solely on London as the source of national global competitiveness, need to be built around the following:

- realism about capacity constraints on the growth of London itself;
- unlocking growth in Northern and regional cities;
- smarter growth of smaller towns and cities; and
- managing contraction and reconnecting some older industrial towns.





**The City and the Tower – London makes the rules and defines the challenge for other cities**

This Paper does not seek to suggest that a particular balance should be struck between these components. It aims to stimulate a discussion on their potential contributions as a first step towards a fresh agenda for national policy. In what follows, these components are set out in the form of deliberately exaggerated scenarios. The themes are not mutually exclusive. Scenarios are presented to encourage a greater understanding and discussion of spatial relationships in national thinking.

## 5

### **Scenario one: realistic capacity constraints for London and the South East**

Since 2000 Greater London has benefited from a devolved strategic authority comprising an elected executive Mayor and a scrutinising Assembly. The Mayor is statutorily required to produce and maintain the London Plan and a range of other strategies, including those on housing and transport, and a transport authority (Transport for London). This gives London enormous advantage in terms of both Mayoral strategies and the ability to bid successfully for transport infrastructure and other funding. It has allowed London to secure the lion's share of national transport investment for the current decade, including the £16 billion Crossrail project, due to be completed in 2018.

The altered London Plan, published following public examination in March 2015,<sup>4</sup> included an increased

housing target of 42,000 per annum to 2025. The target is to be met within London's administrative boundary by raising densities and maximising development on brownfield land, but there is considerable doubt as to whether this will be achieved.

In summer 2014 the Mayor issued a non-statutory, long-term London Infrastructure Plan (LIP) 2050 for consultation.<sup>5</sup> The plan is based on projected London population growth of 3.1 million (from 8.2 million in 2011 to 11.3 million by 2050) related to anticipated economic growth as a first-rank global city. It sets out the range of additional infrastructure that the Mayor sees as necessary to sustain this scale of growth, and includes a continuous need to provide 49,000 new homes per annum. Following consultation, in spring 2015 the Mayor produced an 'Update' version, and indicated that the 'LIP 2050' is to be maintained as 'work in progress'.<sup>6</sup> It will inform a complete review and roll-forward of the London Plan following the Mayoral election in May 2016 (advance work on the new London Plan has begun, including first stakeholder event on 8 March 2016). A cross-sector London Infrastructure Delivery Board has already been established, indicating the clout of the Mayor.

The London situation poses a number of challenges for urban policy, with regard to both London itself with its South East hinterland and the relationship between the capital region and the rest of the country. There are major doubts over whether the scale of growth envisaged in LIP 2050 is achievable. In housing terms these doubts include:

- the housebuilding industry's ability to meet the 49,000 per annum target, which is twice the

4 *The London Plan: Spatial Development Strategy for London Consolidated with Alterations Since 2011*. Mayor of London. Greater London Authority, Mar. 2016.

[https://www.london.gov.uk/sites/default/files/the\\_london\\_plan\\_malp\\_final\\_for\\_web\\_0606\\_0.pdf](https://www.london.gov.uk/sites/default/files/the_london_plan_malp_final_for_web_0606_0.pdf)

5 *London Infrastructure Plan 2050: A Consultation*. Mayor of London, Jul. 2014. <https://www.london.gov.uk/WHAT-WE-DO/BUSINESS-AND-ECONOMY/BETTER-INFRASTRUCTURE/LONDON-INFRASTRUCTURE-PLAN-2050#acc-i-38855>

6 *London Infrastructure Plan Update*. Mayor of London, Mar. 2015. <https://www.london.gov.uk/WHAT-WE-DO/BUSINESS-AND-ECONOMY/BETTER-INFRASTRUCTURE/LONDON-INFRASTRUCTURE-PLAN-2050#acc-i-38855>

construction rate before the recession, taking account of the structure and high costs of, and resources available to, the industry;

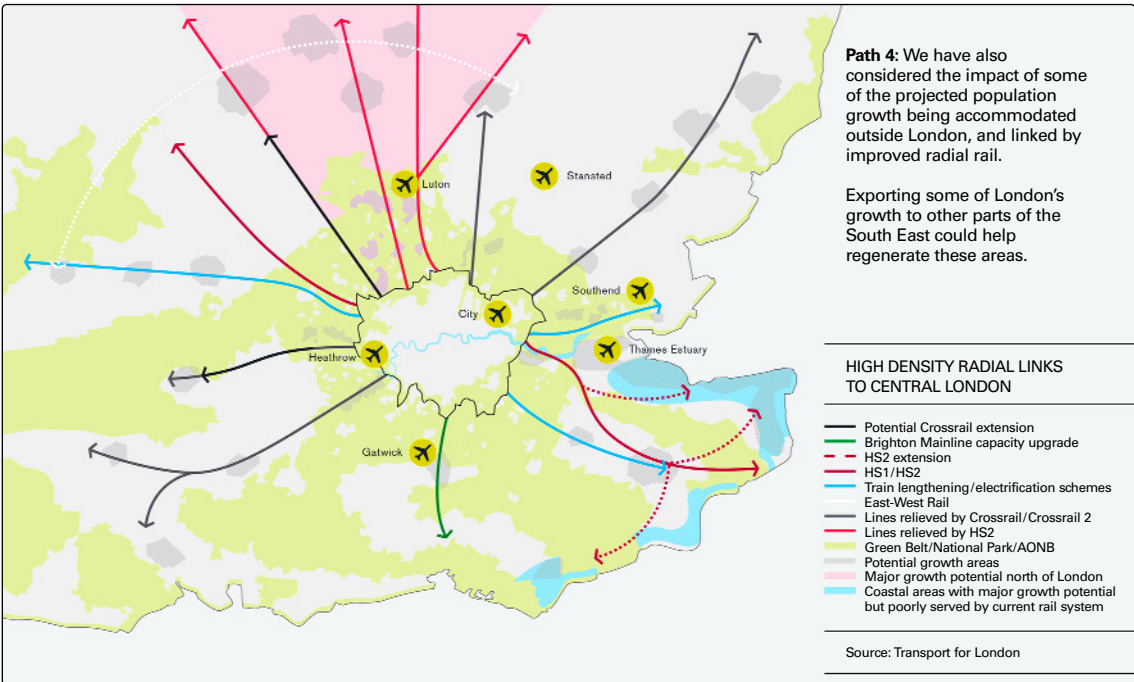
- the very high cost and increasing unaffordability of housing to Londoners, with the average home now costing over £550,000 – this requires a sharp increase in the number of affordable/social houses, which is not currently in prospect; and
- the expectation, at least in the longer term, that a proportion of London's housing requirement will need to be met beyond its boundary – while liaison was established between the Mayor and planning bodies in the wider South East during 2015, the creation of an effective mechanism for defining that proportion and for planning and delivering it in sustainable ways will be a matter to be progressed by the newly-elected Mayor in ongoing discussion (regional summits have recently been held chaired by the Deputy Mayor).

The scale of transport investment posited in LIP 2050 would mean that London will continue to claim most national transport investment in succeeding decades. The big project proposed for the 2020s is 'Crossrail 2', connecting rail routes to the south west and north east of London and increasing capacity on this axis through the centre. It is estimated to cost between £16.6 billion and £27.5 billion (the higher figure including an 'optimism bias' contingency for cost overruns and 'project

creep' from meeting objections – this may be reduced during construction).

So far central government has supported the project with funding for detailed studies and has made clear that no more than 50% of the cost could be met from national sources. Crossrail 2 would seem to be in direct competition for public sources of funding, not only with HS2, but with projects to realise the so-called HS3 component of the Northern Powerhouse vision. The new National Infrastructure Commission sees both projects as necessary, and while the funding announced in the March 2016 Budget will allow design work to proceed, the crunch will come later, when sources for actual construction will need to be determined. If Crossrail 2 cannot then be funded, a transport capacity constraint will apply to London's growth.

Thus very considerable uncertainties attach to London's growth at the scale envisaged by the Mayor. Reaching and sustaining an output of 49,000 new homes per annum (a rate not seen since the 1960s, when over half the output was social housing) seems at this juncture extremely unlikely; a growing proportion would need to be met outside London's boundary, for which no effective planning mechanism yet exists, and this would attract local political opposition based on a lack of strategic infrastructure capacity. The other possible option



**Fig. 1 Spatial scenarios from the London Infrastructure Plan 2050**  
**Source:** Transport for London, in *London 2050: Bigger and Better*. London Infrastructure Plan 2050 Presentation, Jan. 2015.  
<https://www.london.gov.uk/WHAT-WE-DO/BUSINESS-AND-ECONOMY/BETTER-INFRASTRUCTURE/LONDON-INFRASTRUCTURE-PLAN-2050#acc-i-38855>

might be a politically challenging strategy of sharply increasing densities within London's existing built-up area. Given the conservation constraints that apply across much of Central London, this could result (even if it was politically acceptable) in a steady degradation of amenity in the outer suburbs, caused by market-driven high-density development. And this could further accelerate movement out of London. The London Infrastructure Plan has been considering spatial scenarios related to growth corridors as well as intensification within London (see Fig. 1).

London would also be in competition with the North and other parts of the country for limited infrastructure resources (skills and materials, as well as public finance). Politically, it may well be that the national view is that the balance of funding should in future favour the latter much more, at the expense of 'big ticket' London projects. The conclusion must be that the costs of congestion in a growing London region are such that LIP 2050 is realistic only if it is accompanied by continuing massive distortion to public expenditure on transport.

The clear implication is that beyond 2025 London will need to accept the reality of its constraints and grow more slowly than projected. There is anecdotal evidence that housing and labour supply issues are already driving some people and businesses away from London.<sup>7</sup> The preparation process for the replacement London Plan under the new Mayor provides the opportunity to address this. It would require a strategic urban policy approach up front, preferably in the form of scenarios to explore the implications of more realistic levels of growth to compare with that in LIP 2050. Levels of housing and other development would be assessed for delivery, including the extent and location of calls on the wider region, and what further transport and other infrastructure is required and is capable of being funded. This should be a key matter for debate.

One other issue may benefit from exploration. Would the reshaping of economic geography occasioned by HS2 enable the London-based mega-region to extend its spread into places in the East and West Midlands which might be more receptive to growth and expansion? How could such a development best be supported? And, similarly, what role could Bristol play as an anchor for greater growth in the South West with further high-speed rail infrastructure?

## 6

### Scenario two: a tilt towards growth in the Northern cities

*'There is a hard truth we need to address. The cities of the North are individually strong, but collectively not strong enough. The whole is less than the sum of its parts. So the powerhouse of London dominates more and more. And that's not healthy for our economy. It's not good for our country. We need a Northern powerhouse too. Not one city but a collection of Northern cities – sufficiently close to each other that combined they can take on the world... You need a big place, with lots of people. Like London.'*  
George Osborne speaking, as Chancellor of the Exchequer, in Manchester, 23 June 2014<sup>8</sup>

As George Osborne implied in his speech as Chancellor of the Exchequer in Manchester in June 2014, any discussion of the concept of a Northern Powerhouse begins with London as the rubric. It makes the rules and defines the challenge for other cities.

London is *the* challenge for public policy. It has a vast population and a dominant economy. Its output is 21% of the UK's total and, with its surrounding areas of the South East and the East (the 'Greater South East'), has a super-regional economy accounting for 44% of the country's GDP. It consumes a large share of national investment. On the other hand, it produces disproportionate amounts of tax revenue. For the rest of the UK, it produces a 'can't live with, can't live without' problem.

Does the Northern Powerhouse concept stand up? Former Chancellor George Osborne seemed to think so, having adapted the notion from a combination of the RSA's City Growth Commission<sup>9</sup> and a number of papers, including articles appearing in the TCPA's *Town & Country Planning*.<sup>10</sup> HM Treasury does not have a tradition of lightly adopting new spending initiatives, and George Osborne's Pauline conversion on the road to Manchester may yet prove to have been one of the defining moments in the Treasury's attempts to grasp the nettle of rebalancing the economy, by introducing a '*Northern Tilt*'. The word 'tilt' is used deliberately here, because tilting implies a gentle change of direction, which if successful can be progressively and incrementally developed. And

7 On 2 Jun. 2015 the *Financial Times* reported that Business First, London's business lobby, had said that three quarters of its members saw housing as a serious threat to the city's competitiveness

8 G. Osborne: 'We need a Northern Powerhouse'. Speech of the Chancellor of the Exchequer's speech. Manchester, 23 Jun. 2014. <https://www.gov.uk/government/speeches/chancellor-we-need-a-northern-powerhouse>

9 *Unleashing Metro Growth: Final Recommendations of the City Growth Commission*. RSA, Oct. 2014. <https://www.thersa.org/discover/audio/2014/10/city-growth-commission-final-report-launch>

10 A. Chape and I. Wray: 'Closing the gap – the case for two English super-cities'. *Town & Country Planning*, 2014, Vol. 83, Apr., 166-71





**Manchester – Metrolink trams underpin the city's scale and potential**

the word 'cities' is used below to refer to city-regions, and not simply to the core city local authority area.

Can the once-great Northern cities become great again? Are they potential economic 'tigers' straining at the leash and weighed down only by too little power and second-rate transport connections? Can we build a Northern economic counterweight, replicating the very factors that underpin London's growth?

The factors that underpin London's growth include:

- a very large and diversified population and economic base;
- the ability to retain and attract talent;
- a critical mass of smart professionals and 'super-creatives';
- excellent science, universities and schools;
- first-class regional, national and international transport connections; and
- a vibrant arts and culture scene.

Even the best of the UK's second-tier cities would struggle to deliver all this. None of them is big enough – and we know that in modern economies size does matter. Geoffrey West, a physicist at the Santa Fe Institute, has analysed the mathematics of cities and maintains that there is an urban constant that holds good the world over: every doubling in size of a city brings a 15-20% increase in wages, patent output, the employment of highly creative people, the efficiency of transport systems, and many other good things associated with cities. There is a similar increase in crime and pollution, but the

benefits of higher wages and greater opportunities outweigh these disadvantages. There is debate about the scale of agglomeration economies (New Economy Manchester, for example, suggests that a doubling of city size increases productivity by 3%), but few people doubt their existence.

Outside the London mega-city region there is probably only one place in the UK where these economies of scale might be achieved: in the heavily urbanised east-west belt running from Liverpool, across Manchester, and over the Pennines to Leeds (and possibly Sheffield). These three city-regions have scale, appeal and presence:

- They have a massive asset in Manchester International Airport.
- Their research universities are in the front rank.
- Decent housing is affordable, especially for the young professional families now being priced out of London's housing market (or forced to accept crippling commuting and mortgage costs).

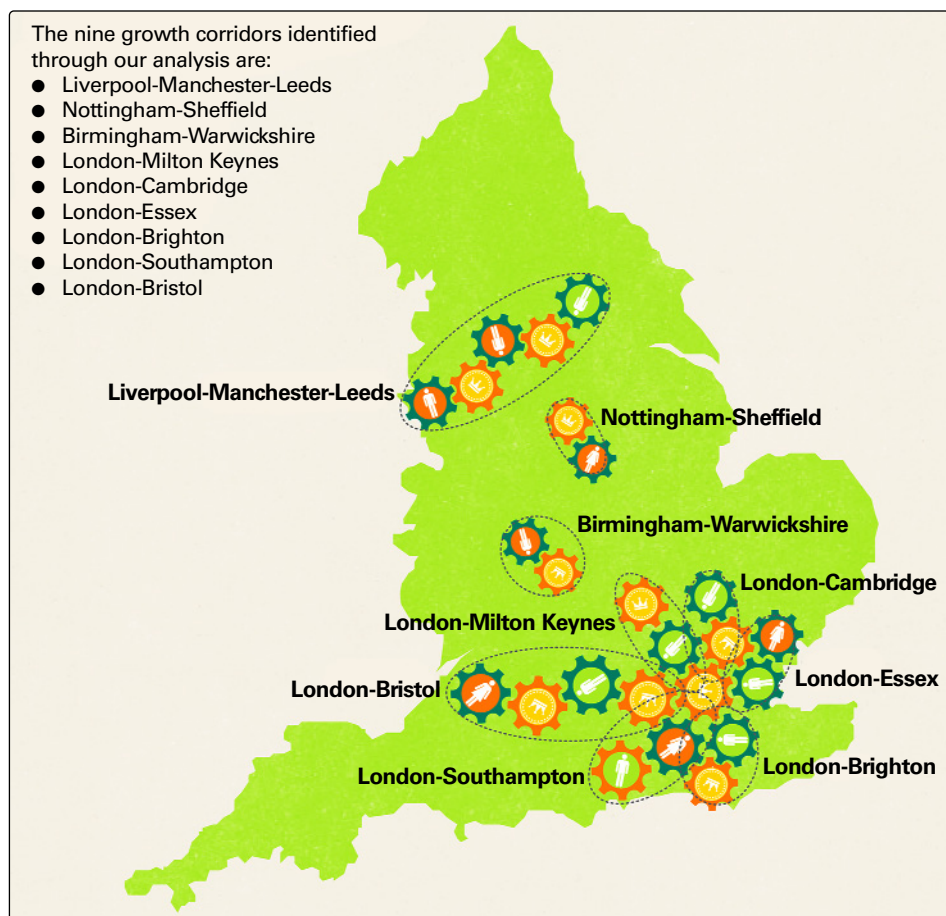
This is not to deny the important contribution that the Midland regions of England can make to economic development – in many ways they are already delivering, and Birmingham in particular has a key role to play and will be the first to benefit from the investment in HS2.

Highlighting past areas of employment growth may not necessarily be an indicator of future growth or sustainability.<sup>11</sup> A recent report by consultants Grant Thornton<sup>12</sup> pointed to the role of cities in driving

11 Over the 1981-2010 period only the Bristol city-region showed a growth rate comparable with that of London

12 *Where Growth Happens: The High Growth Index of Places*. Grant Thornton, Sept. 2014. [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)





**Fig. 2 Growth corridors in England**

Source: *Where Growth Happens*<sup>13</sup>

growth regionally, using a mix of *economic criteria*. Outside London, Manchester was the strongest performer. Along with Manchester, Birmingham and Milton Keynes were the strongest performers outside the London and the South East mega-region.

The consultants also devised a dynamism index, ranked by assessing a basket of productivity drivers, to indicate the *quality* of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington. The six non-Northern cities are clearly linked as parts of the London and the South East mega-region. But the listing of the three Northern centres (Leeds, Warrington and Manchester) adds substance to the argument for the potential of an east-west cross-Pennine region. Against this wider strategic analysis, the remarkably positive very recent experience of core cities becomes a little less surprising.

Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors (see Fig. 2). These are functional, large-scale economic areas that have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high-growth and dynamic areas.

There is an evidence base for defining a Northern counterweight as part of a mix of growth corridors (most of which currently lie within the orbit of the London and the South East mega-region). Potentially, the Liverpool-Manchester-Leeds counterweight could link with the Nottingham-Sheffield corridor to create a critical mass of population and economic activity.

With the singular exception of Manchester's International Airport, what these corridors do not possess is first-class regional, national and

13 *Where Growth Happens: The High Growth Index of Places*. Grant Thornton, Sept. 2014. [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)



**Fig. 3 Average London commuting distance overlaid on the Liverpool-Manchester-Leeds corridor**

Source: *Fast Track to Growth: Transport Priorities for Stronger Cities*,<sup>14</sup> based on ONS 2013 and 2011 Census data  
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international transport connections. Higher-speed rail connections between Liverpool, Manchester and Leeds would significantly reduce Liverpool-Manchester-Leeds journey times and could bring together the high-level labour markets of these city-regions, generating agglomeration economies and critical mass (as illustrated, for example, by Fig. 3<sup>14</sup>). Following recent electrification, the Liverpool-Manchester journey time on the fastest services has been reduced to 32 minutes; it could be reduced still more, effectively integrating these two city labour markets.

Sir David Higgins, Chairman of HS2, has drawn attention to this issue; as of course did George Osborne as Chancellor of the Exchequer. Sir David's comments and recommendations are contained in his second report on the future of HS2: *Rebalancing Britain: From HS2 towards a National Transport Strategy*<sup>15</sup> looks at the prospects for improving connectivity across the North of England and the Midlands. Its four main proposals are:

- Take forward both legs of the proposed HS2 Y-network – the alternatives will not bring the

same capacity, connectivity and economic benefits.

- Improve the rail services between east and west – sharply reducing journey times between Liverpool, Manchester, Leeds, Sheffield and Hull will stimulate local economies.
- Northern cities should speak with one voice – local authorities from five key cities should join together to form a new body. The report suggests calling the group Transport for the North. The Government has endorsed this proposal.
- Set out a timetable to develop a new transport strategy – building on the *One North* report<sup>16</sup> to decide on an approach for improving rail and road connectivity across and within the region north of Birmingham.

Peter Hall, David Thrower and Ian Wray prefigured these findings when they set out detailed phased proposals for 'High Speed North' in April 2014,<sup>17</sup> building on the extremely modest 'Northern Hub' investment and electrification between Liverpool and Leeds which is already committed or in progress.

14 P. Swinney and E. Bidgood: *Fast Track to Growth: Transport Priorities for Stronger Cities*. Centre for Cities, Oct. 2014.  
<http://www.centreforcities.org/wp-content/uploads/2014/11/14-10-17-Fast-Track-To-Growth.pdf>

15 *Rebalancing Britain: From HS2 towards a National Transport Strategy*. HS2, Oct. 2014.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/374709/Rebalancing\\_Britain\\_-\\_From\\_HS2\\_towards\\_a\\_national\\_transport\\_strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/374709/Rebalancing_Britain_-_From_HS2_towards_a_national_transport_strategy.pdf)

16 *One North: A Proposition for an Interconnected North*. Manchester City Council *et al.*, Jul. 2014.  
[http://www.manchester.gov.uk/downloads/download/5969/one\\_north](http://www.manchester.gov.uk/downloads/download/5969/one_north)

17 P. Hall, D. Thrower and I. Wray: 'High-Speed North – building a trans-Pennine mega-city'. *Town & Country Planning*, 2014, Vol. 83, Apr., 172-9



Leeds and Manchester: two Northern powerhouses

These proposals began with the introduction of tilting trains (needed to cope with the steep gradients and sharp curves on the trans-Pennine route), the reintroduction of four-tracking where rails were lifted in the 1970s (allowing fast trains to overtake slow), and the rerouting of local trains off the rail network in Manchester onto some new sections of the Metrolink tram system. They also proposed, for later stages in the project, some new rail infrastructure (the rail equivalent of bypasses), especially a new 20 mile route from Warrington to Liverpool, which would act as part of the High Speed North network and as a vital high-speed spur from HS2 to the centre of Liverpool while providing capacity on an increasingly busy passenger and freight route. Finally, they suggested a new 13 mile 'base tunnel' under the Pennines from Manchester to Huddersfield.

It could be argued that there is now an emerging consensus about the validity of the Northern Powerhouse concept. Indeed, some of that consensus puts local Labour leaders in the same lobby as the former Chancellor, and in opposition, in some scenarios, to their own party leadership. But this conflict is about means, not ends: it focuses on the nature of the governance and the type and scale of infrastructure. What is not in conflict is that the *Northern Tilt* in policy and governance should be centred on the city-regions of the North and the Midlands, embracing smaller and often fast-growing centres like Warrington and Preston through



improved regional rail networks. The aim would be to create the *potential* for agglomeration economies now being experienced by the South East mega-region and its global hub of London.

### Newcastle and its region – a special case?

It is an uncomfortable truth that Newcastle upon Tyne and its North East region is relatively isolated and distant from the rest of the North, and thus detached from the Northern Powerhouse concept. Home to 2.6 million people, it has long been an area of economic difficulty, and may be vulnerable to competitive side-effects from Scottish fiscal devolution. Relatively fast rail speeds (especially between Darlington and York) compared with the slow speeds between Liverpool, Manchester and Leeds mean that it is not prominent in arguments for better rail connections. Seen from Newcastle's perspective, the Northern Powerhouse might be viewed less as opportunity than as a threat – alongside the threats already perceived from a dynamic and powerful London and its immediate neighbour in newly assertive Scotland.

It is not easy to offer solutions to this problem. But in developing the Powerhouse initiative special thought must be given to the isolated and potentially vulnerable position of Newcastle upon Tyne and its region, and to the case for reinstating some form of a government development body to provide funding and strategic leadership.



## Beyond transport policy

Rebuilding the Northern cities will take a lot more than transport investment. Three other policy areas will be critical: investment institutions, development and regeneration institutions, institutions for applied research and development.

The Independent Commission on Banking (which produced the Vickers Report) found that there was excessive concentration in the UK banking market, in which the four biggest banks accounted for 77% of the total market share in personal accounts in 2010. The Labour Party's policy review proposed to set up a British Investment Bank to support finance for small and medium-sized businesses. It argued that all the most successful economies around the world recognise the need for state support for business lending: from Asian capitalist states such as Singapore, through active industrial states such as Germany, to free-market states like the USA. Moreover, Labour's consultation with small businesses highlighted a distrust of the banks. These proposals, if implemented, would create a German-style banking system, replicating the German Sparkassen banks and building a banking system more attuned to personal relationships, with knowledge of the local economy. Although Labour lost the general election this remains a live and acutely important issue.

In the North of England large swathes of urban development land are owned by government bodies, including land in the former New Towns and former Urban Development Corporation areas held by the Home and Communities Agency, and areas where land was purchased by the former Regional Development Agencies. Transferring land from government agencies and departments would start to build independent sources of Northern wealth and capital. It would ensure that regeneration land value increases are returned to Northern owners and would provide a platform for autonomous growth on the German model. Options for transfer to the Combined Authorities might involve 'City-Region Development Companies' with compulsory purchase powers and a roving brief.

If the Northern cities are to rebuild a science-based manufacturing sector they must reconnect research with material production; just as they did in the 19th century, when the red-brick universities were founded with the express intent of providing useful scientific and technical knowledge for industry.



Alan Chape

**Newcastle upon Tyne – is the city and its region part of the Powerhouse, or do they stand in need of a different set of solutions?**

Sheffield's Advanced Manufacturing Research Centre (part of the Catapult initiative funded by the Technology Strategy Board) shows what can be achieved.<sup>18</sup> It would be logical to extend these technology innovation centres – which focus on translating scientific excellence into manufacturing applications – to all the big Northern cities, addressing the colossal shortfall in support in this area compared with the UK's main competitors.<sup>19</sup> Certainly this would begin to address the long-standing tendency – either by accident or design – to focus a substantial component of the UK's research effort in Cambridge, a city remote from the country's manufacturing base.<sup>20</sup>

## 7

### Scenario three: smarter growth in smaller cities

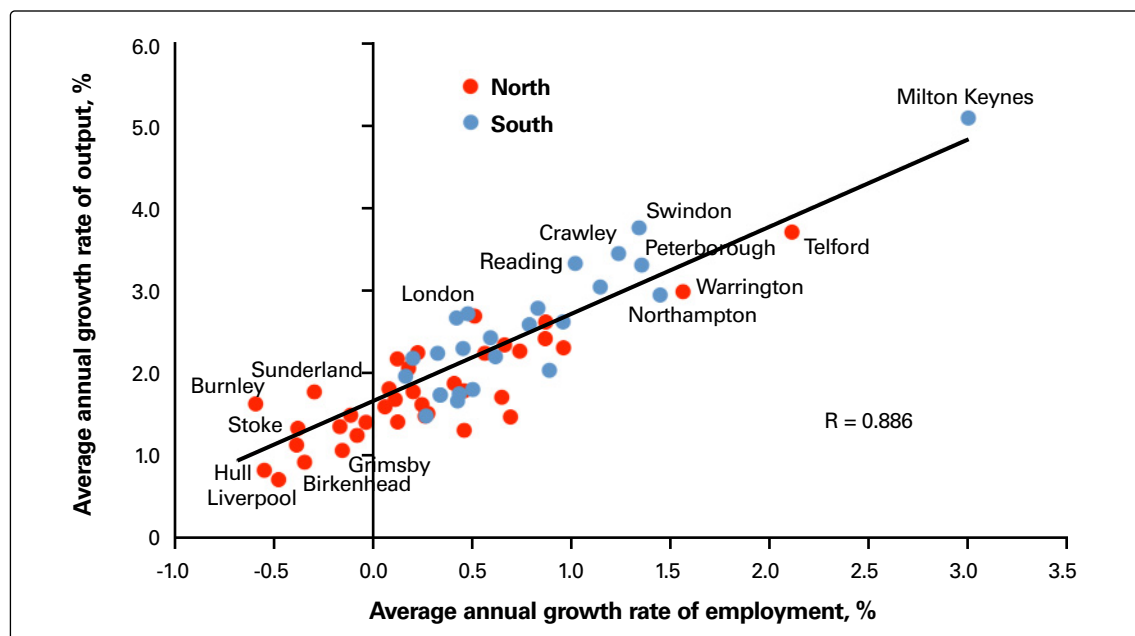
Urban policy has tended to focus on the centres of the larger or core cities, and more recently on their suburbs. While there are strong arguments for helping city-regions to grow in more sustainable ways, and for correcting the imbalances between North and South, little thought has been given to

18 Peter Hall, with contributions from N. Falk: *Good Cities, Better Lives: How Europe Discovered the Lost Art of Urbanism*. Routledge, 2014

19 H. Hauser: 'The translation of research'. *Journal of the Foundation for Science and Technology*, 2015, Vol. 21 (5), 13-15. [http://www.foundation.org.uk/journal/pdf/fst\\_21\\_05.pdf](http://www.foundation.org.uk/journal/pdf/fst_21_05.pdf)

20 K. Kirk and C. Cotton: *The Cambridge Phenomenon: 50 Years of Innovation and Enterprise*. Third Millennium Publishing, 2012





**Fig. 4 Economic performance (average annual growth rates) of UK cities, 1981-2011 – relationship between output growth and employment growth across British cities, classified into North and South**

Source: *The Evolving Economic Performance of UK Cities: City Growth Patterns 1981-2011*<sup>21</sup>

the potential that might exist for growing the very places where people would most like to live and work, especially in the Greater South East around London, but also in the South West, Yorkshire, Cheshire, Durham, Central Lancashire and the East and West Midlands, with a distinct policy focus on 'smarter growth'. Not only would the UK's economy benefit if smaller and medium-sized places were to grow, but quality of life would improve measurably if the UK were to match its European rivals.

## Why smaller cities?

A recent Foresight paper<sup>21</sup> has demonstrated that many smaller cities have had strong economic performance over the last 30 years (see Fig. 4). Smaller cities encompass a huge variety of different places. Some are quite large: Bristol, for example, is the eighth largest core city; Derby, Leicester and Nottingham are places of real significance with a critical economic base in globally competitive

companies such as Rolls Royce and JCB.<sup>22</sup> In addition, there are all the county and historic towns that expanded in the 19th century around railway junctions. URBED has identified some 40 of these places that could benefit from expansion as 'new Garden Cities'.<sup>23</sup>

A report for Regional Cities East on *Growth Cities* reviewed the available research and the performance of medium-sized cities in the East of England.<sup>24</sup> A similar picture would no doubt have emerged from looking at the West of England, as the predominant impression was one of lost opportunities. Further research of this sort is urgently needed. Where are the UK's firms with strongest growth potential and the smaller cities with the potential for sustained growth? An analysis by the McKinsey Global Institute has showed that in Britain, unlike in the rest of Europe, successful towns failed to expand faster than the rest, so that housing lagged behind employment.<sup>25</sup> Furthermore, the population tended to grow fastest in the very smallest towns and villages, while the

21 R. Martin, B. Gardiner and P. Tyler: *The Evolving Economic Performance of UK Cities: City Growth Patterns 1981-2011*. Future of Cities Working Paper. Foresight, Government Office for Science, Aug. 2014.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/358326/14-803-evolving-economic-performance-of-cities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358326/14-803-evolving-economic-performance-of-cities.pdf)

22 The West of England conurbation is home to more than 1 million people

23 D. Rudlin and N. Falk: *Uxester Garden City*. Submission for the 2014 Wolfson Economics Prize. URBED, Jun. 2014.  
<http://urbed.coop/projects/wolfson-economic-prize>

24 N. Falk: *Growth Cities: Local Investment for National Prosperity*. URBED, for Regional Cities East, 2010.  
<http://urbed.coop/sites/default/files/Growth%20Cities.pdf>

25 *From Austerity to Prosperity: Seven Priorities for the Longer Term*. McKinsey Global Institute, 2010.  
<http://www.mckinsey.com/global-themes/europe/seven-priorities-for-the-uk-economy>



King's College Cambridge – gleaming spires of a high-growth smaller city

members of Regional Cities East, an alliance of six leading cities in the East of England including cities such as Ipswich, Peterborough and Chelmsford, were expanding at half the rate of the region as a whole, with notable exceptions such as Cambridge and Milton Keynes.

Peter Hall and Nicholas Falk have drawn attention to the success of the Dutch VINEX programme, in which cities of more than 100,000 inhabitants were encouraged to grow by building sustainable urban extensions, connected by good public transport to existing centres and with some 30% of social housing.<sup>26</sup> By contrast, in the UK the greatest concentrations of highly qualified people live in large arcs round the major cities. New housing has tended to be isolated from facilities, has intensified social imbalances, and has added to congestion on the roads. In cities such as Oxford there are huge disparities between the old town and the newer areas that grew up to serve 20th-century industry. With house prices now at 15 times average incomes, there is no hope of most local people ever getting on the house-ownership ladder, and low-paid workers such as those in the hospitals end up living ever further away, while newcomers from London or foreign students are likely to end up occupying whatever is built.

Although the UK is no more densely populated than the Netherlands or much of Northern Europe,

excessive land values are distorting development and are hurting any prospects of strengthening its economy, meeting climate change goals or embracing 'smarter growth' (including thriving town centres, nurtured heritage assets and sustainable neighbourhoods).

### What stops smarter growth?

Not only has Britain tended to pursue the wrong goals due to an over-centralised system of government and property finance, but it has also failed to change its planning and development processes to cope with the fragmented nature of land ownership and political power. Whereas the metropolitan conurbations such as London and Manchester are able to direct infrastructure investment where it is most needed (admittedly after a great deal of argument and delay), smaller towns and cities often lack both the will and the resources to stem the drain created by Britain's brand of 'buccaneering capitalism'.

The *State of the English Cities* studies first commissioned by the Labour Government in the early 2000s, focusing on the big urban areas, showed that the major cities lagged behind their regions, in marked contrast to the situation in the rest of Europe.<sup>27</sup> The influential Urban Task Force report of 1999 looked at housing in isolation from

26 P. Hall, with contributions from N. Falk: *Good Cities, Better Lives: How Europe Discovered the Lost Art of Urbanism*. Routledge, 2014

27 M. Parkinson et al.: *Second Tier Cities in Europe: In an Age of Austerity, Why Invest Beyond the Capitals?* ESPON and the European Institute of Urban Affairs, Liverpool John Moores University, 2012.  
[http://people.uta.fi/~atmaso/verkkokirjasto/Second\\_tier\\_cities\\_policy.pdf](http://people.uta.fi/~atmaso/verkkokirjasto/Second_tier_cities_policy.pdf)



Montpellier – Britain can learn from transformations made in successful European cities

employment, and sought to concentrate as much development as possible on brownfield sites. A follow-on study in the South East produced by URBED found that while there were some good examples that could act as models, many smaller towns were missing out on the urban renaissance that was lifting the centres of the large cities because they found it hard to take a long-term strategic approach and carry out co-ordinated action on multiple fronts. Since then, the situation has worsened.

There are occasional breakthroughs that offer inspiration, as at Cambridge's Southern Fringe or on the edge of Exeter. But generally the ambition, brokerage and continuity that are found in the more successful places are lacking.<sup>28</sup>

The British system has relied instead on developers spotting opportunities, acquiring options on the land, and then pursuing a long and arduous process to gain agreement and raise finance. With turbulent business cycles and political swings, the conditions for creating better places in the very locations that would benefit most rarely exist for long enough. Where growth has taken place, for example in the expanded towns such as Swindon and Ashford, the often dismal quality of the standard housebuilders' product has reinforced opposition to development elsewhere.

At the same time, continuing low levels of investment in infrastructure are putting the country's energy, waste, water and transport systems under so much strain that some £500 billion is reckoned to be needed simply to maintain what there is, let alone expand capacity to cope with household growth.<sup>29</sup> More than anything else, the case for joining up investment and development to secure better returns from limited investment resources calls for *a new approach to how we deal with planning and development on the edges of urban areas*, and for making the most of all our assets.

## How can government help?

Britain can learn from successful European cities that have made a transformation, such as Montpellier in France and Freiburg in Germany. The recipe used in such places was simple:

- Encourage municipal leadership at both the sub-regional and neighbourhood levels through strategic growth plans, concordats with government (taken up in city deals), and public-private joint ventures.
- Provide new sources of finance through municipal banks and infrastructure bonds, as well as local charges and a relocalisation of the business rate.
- Learn from best practice, including through local skills academies and local development agencies.

28 *Living Places: Urban Renaissance in the South East*. Department of the Environment, Transport and the Regions, 2000

29 B. Munday and N. Falk: *The ABC of Funding Housing Growth and Infrastructure*. The Housing Forum, Jan. 2014.

<http://www.housingforum.org.uk/resources/influencing/housing-forum-reports/the-abc-of-housing-growth-and-infrastructure--january-2014>; and D. Helm, J. Wardlaw and B. Caldecott: *Delivering a 21st Century Infrastructure for Britain*. Policy Exchange, Sept. 2009. <http://www.policyexchange.org.uk/images/publications/delivering%20a%2021st%20century%20infrastructure%20for%20britain%20-%20sep%202009.pdf>



## Scenario four: managing places without growth

A study for the Smith Institute<sup>30</sup> has used case studies to show how a 'Municipal Investment Corporation' could provide both the incentives and the capacity to bridge the current gaps, especially as far as housing schemes such as new Garden Cities are concerned. By using the powers of New Town Development Corporations, taking over land at close to existing-use value, and ploughing the uplift back into local infrastructure, capacity constraints could be overcome without worsening the deficit.

The Government is seeking to fill the skills and capacity gap resulting from the abolition of regional agencies and the contraction of local authorities by promoting Combined Authorities under the leadership of an elected Mayor. It has also asked local authorities to come forward with proposals for major housing developments that would apply some of the principles of 'new Garden Cities' in an effort to open up new sources of housing supply.<sup>31</sup> It is even reviving the idea of New Town Development Corporations, with prototypes in Ebbsfleet and Old Oak Common on the edges of London.

Unfortunately, so much bad feeling has been created by the Housing and Planning Act 2016 and disputes between authorities that it is very hard to see a trustworthy system emerging in the places where housing demand is strongest. Thus Oxfordshire's five districts each want their own unitary status and reject the County's proposal for a single Combined Authority, while the Cambridgeshire authorities are against the Government's idea for a new region that combines Cambridgeshire, Norfolk and Suffolk.

Meanwhile, housebuilders hold onto their options for most of the farms around these 'growth cities' and house prices reach levels that seem unaffordable to all.

It will take considerable political will to upset some landowners and professional interests who have done well out of the old British system. It will be difficult to encourage many of communities in areas where growth would be best directed to think in a positive way about planning for growth. And in many cases the places with the best prospects for expansion will be in the South, reinforcing the power and momentum of the London and the South East mega-region. But the opportunity should not be overlooked.

The long-overdue recognition of the economic potential of city-regions has created a healthy change for many big cities, but there are continuing – indeed growing – problems across many older urban areas, where social polarisation has increased, in part as welfare recipients are driven out of the big cities by housing costs. Such areas include smaller ex-industrial places that have deteriorated; places such as North Staffordshire and the Colne Valley, as well as many seaside towns.

The biggest conurbations are attractive as they tend to have stronger economies, with a greater variety of better-paying jobs and associated higher productivity. Although relatively few smaller towns and cities have experienced actual population decline, growth tends to lag behind national levels. Research by the Joseph Rowntree Foundation<sup>32</sup> calls this 'relative decline' and has found that 10 of the 12 cities facing the highest levels of decline were in Northern England (see Fig. 5). Outside the core cities, two types of smaller cities were most affected: cities overshadowed by larger neighbouring centres which host higher-level functions; and freestanding cities, smaller than core cities and some distance from them. Government policy and resources understandably seek to shore up the bigger places. For the most part, attempts to draw workers back to shrinking places have not succeeded – and indeed in some cases may have been counter-productive. Policy for these marginalised urban centres needs to be refreshed and integrated into the agenda for the city-regions and London, especially by reconnecting them through better regional transport. Where population does shrink, Garden City principles can be applied to their restructuring to open up new opportunities.

### How should issues of 'relative decline' be tackled?

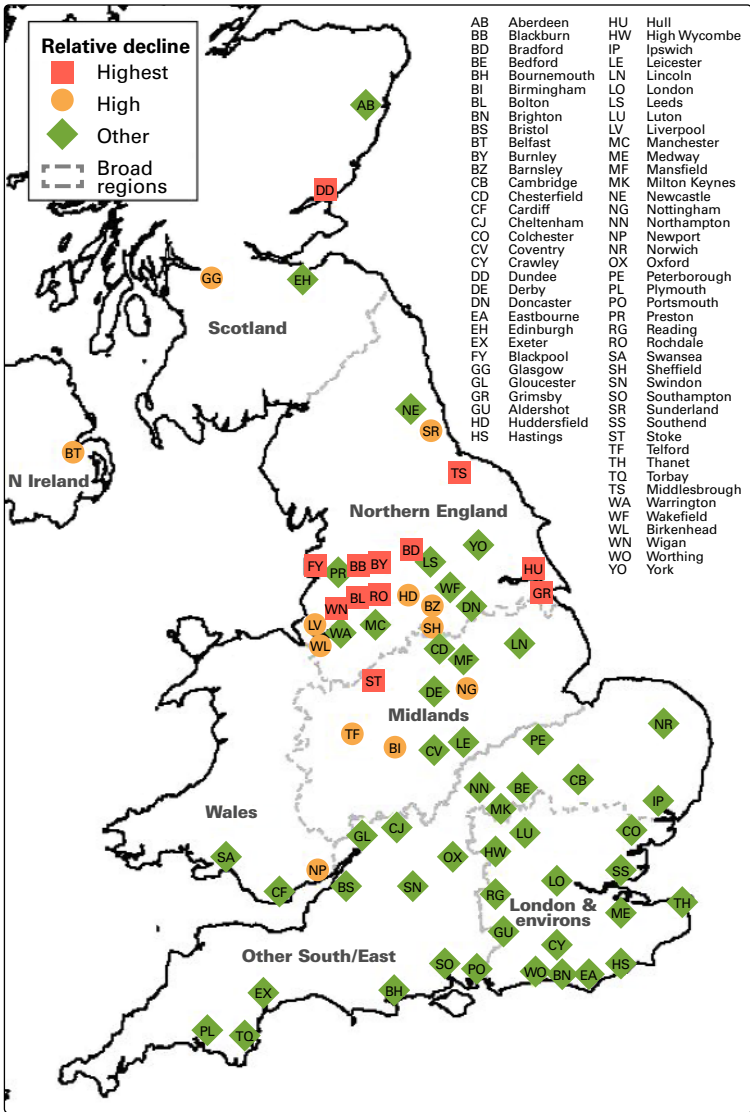
We should not try to implement 'universal' solutions. Different places are differently placed and differently competent to respond to opportunities: hence the logic of an asymmetric approach. The establishment of Combined Authorities (alongside City Deals and the new larger version of Enterprise Zones) has proved a valuable recipe for some of the

30 N. Falk: *Funding Housing and Local Growth: How a British Business Bank Can Help*. Smith Institute, 2014. <https://smithinstitutethinktank.files.wordpress.com/2014/09/funding-housing-and-local-growth.pdf>

31 *Locally-Led Garden Villages, Towns and Cities*. Department for Communities and Local Government, Mar. 2016. <https://www.gov.uk/government/publications/locally-led-garden-villages-towns-and-cities>

32 A. Pike, D. MacKinnon, M. Coombes, T. Champion, D. Bradley, A. Cumbers, L. Robson and C. Wymer: *Uneven Growth: Tackling City Decline*. Joseph Rowntree Foundation, 2016. <https://www.jrf.org.uk/report/uneven-growth-tackling-city-decline>





**Fig. 5 Index of relative decline for UK cities**

Source: *Uneven Growth: Tackling City Decline*<sup>33</sup>

big city-regions. Those that are functioning well should be given greater fiscal and other powers and left to tackle their problems and their potential with relatively relaxed government oversight. There may be scope for encouraging more Combined Authorities covering groups of smaller cities (and many authorities throughout England are considering this).

The areas beyond city-regions need to be the target of a new form of urban policy, guided by the statistics on need and deprivation. Most of the relevant places are in the North; but there are also similar places on the fringes of England in the South West, and on the south and east coasts. New

investment in regional transport will be required aimed at widening the reach of the labour market areas of nearby core cities, since the most realistic future for many smaller ex-industrial towns may be to act as commuter areas.

Vehicles such as a new set of Urban Regeneration Companies could also be established to encourage and co-ordinate private and public investment, addressed primarily at economic and housing issues – with big implications for the nature of the housing stock in some of the ex-industrial towns. Local policy should focus on creating more attractive residential environments and boosting the stock of white-collar/professional housing.

33 A. Pike, D. MacKinnon, M. Coombes, T. Champion, D. Bradley, A. Cumbers, L. Robson and C. Wymer: *Uneven Growth: Tackling City Decline*. Joseph Rowntree Foundation, 2016. <https://www.jrf.org.uk/report/uneven-growth-tackling-city-decline>



King's Cross and St Pancras – does London have limits to growth?

All regeneration programmes have an optimism bias, yet it seems unlikely that the present settlement pattern can be preserved in aspic. Germany, for example, has instituted some imaginative shrinkage programmes, especially in the east.<sup>34</sup> The only British example of explicit shrinkage, the former Durham 'D village' policy, was controversial, although in reality the programme helpfully reconfigured what had become a dysfunctional pattern of settlement, and only three of the 300 villages were wholly demolished. A great deal of planning and regeneration activity in the late 1980s and 1990s in places like Merseyside was implicitly focused on urban shrinkage; as evidenced by the work of the Groundwork Trust in restoring former industrial landscapes, and by the part-demolition of outer council estates in Liverpool and Knowsley. The Housing Market Renewal Programme helped to improve housing quality and the public realm, and diversified tenure, although it often created more rather than fewer houses. Hence one of the challenges should be to see whether there is need for further shrinkage (either implicit or explicit).

### Restoring capacity and resources for regeneration

Who is best placed to manage the process of reconnection, contraction and stabilisation? Local authorities will need to play an important role in many places, but they have been hard hit by spending cuts, especially in the North of England, with some experiencing cuts on a Greek scale or worse. Skilled and experienced staff have left; tacit knowledge has walked out of the door. Such local authorities need to rebuild their capacity to think

and to act. Strong leadership will be crucial in developing a vision for the future and restoring pride of place. In some cases new institutions such as City Development Corporations or Urban Regeneration Companies will be needed. They will need to compensate for loss of strategic and executive functions and skills in local authorities. Elsewhere, a new mainstream source of regeneration funding should be reintroduced, perhaps controlled by a government department responsible for innovation, skills, business and regeneration. Any model for regeneration companies must be rooted in democracy, with the community and at its heart.

Government must be alert to the implication for such towns of changes in a wide range of policy, from welfare reforms to travel incentives. In future negotiations on fiscal devolution, government may need to establish safety nets for towns that do not have the resource base to meet their needs – or the ability to attract future economic growth.<sup>35</sup>

## 9

### Conclusions

The four scenarios leave open as many questions as they provide answers. None of them alone provides a solution. Yet six points emerge which merit further thought:

- **London's future growth must be based on realistic assumptions about capacity and resources:** London cannot continue to grow at the rate some people expect. There is not

34 A. Mace, N. Gallent, P. Hall, L. Porsch, R. Braun and U. Pfeiffer: *Shrinking to Grow? The Urban Regeneration Challenge in Leipzig and Manchester*. Anglo-German Foundation, 2004. <http://www.agf.org.uk/publications/reports/2004/shrinking-to-grow-the-urban-regeneration-challenge-in-leipzig-and-manchester.html>

35 C. Swain: 'Towards objectives for a new urban policy'. *Town & Country Planning*, 2015, Vol. 85, Aug., 324-7

sufficient housing growth capacity, and the call on infrastructure resources could leave the rest of the country denuded of investment. London's plans must be realistic. However, HS2 could draw many places (in the East and West Midlands, for example) into the London and the South East mega-region, both functionally and as commuter towns, providing a 'safety valve'.

- **Smaller and medium-sized cities with economic growth potential need to be nurtured:**

To overcome London's dominance, and to cut unnecessarily long commutes, transport and development must be planned together. As well as the more expensive transport projects, such as Crossrail 2, we need to look at smaller options, as the Eddington Report recommended.<sup>36</sup> There are considerable opportunities to capture land value uplift from strategic developments of over 1,000 homes and use the resources raised to fund local infrastructure, making growth more attractive to existing communities. As local authorities may lack financial and property expertise there would be value in establishing a 'Municipal Investment Corporation' on similar lines to the Dutch BNG or the Swedish Kommuninvest to raise long-term private capital. The Municipal Investment Corporation would have the expertise to evaluate projects, as the French Caisse des Dépôts et Consignations does. It could also provide support for local economic development, as the German KfW has done. Research into the best locations for sustainable growth is badly needed.

- **There should be sustained support for a 'Tilt to the North':**

The Powerhouse initiative has opened the door to a new way of thinking about the North and parts of the Midlands. Linked together, these places could develop as an integrated second mega-region, increasing national output and productivity, as well as securing national social cohesion; the West and East Midlands would have feet in both camps. In due course a similar growth plan for the South West of England may need to be developed if the political call for growth continues to grow.

- **Some places may have to shrink, but they should not be abandoned:**

There should be a policy of managed stabilisation. Where possible, the rail transport links to places with better prospects should be strengthened. In many areas local authorities will need to rebuild their capacity for regeneration with the help of Urban Regeneration Companies or a new regeneration fund, distributed on a competitive basis. In future

negotiations on fiscal devolution, 'safety nets' will be needed to protect places which lack a resource base and the ability to attract new economic growth.

- **There must be an urban policy lead from the centre, based in the Treasury:**

The Treasury controls the resources needed for growth and investment and is best placed to take a strategic overview. It must draw the strands together and make sensible long-term strategic choices.

- **City-region governance should be focused on the new Combined Authorities:**

Combined Authorities' role in strategic planning, implementation and the distribution of resources needs to be strengthened, perhaps through the introduction of a new generation of 'City-Region Development Corporations'. Ways must be found of giving them a stronger and more coherent collective influence on government.

## Is policy moving in a new direction?

Elements of recent events and announcements reinforce the urban policy agenda, especially in relation to the Northern Powerhouse proposals, although at present these are fundamentally linked to improving transport connectivity and the spread of Combined Authorities and fiscal devolution deals. A new geography and governance is emerging in a relatively incremental and narrow manner, with little strategic oversight. It already is facing some hostility in the North East, not least over the new governance arrangements.

The new approach also needs to be about more than economic growth and transport connectivity: it should be about changing mindsets, environmental sustainability, and retaining and attracting talent.

The corollary of the Northern Powerhouse, and its potency, is the acceptance of realistic capacity constraints on London and the South East. Crossrail 2, the Thames Estuary 2050 Growth Commission and the Cambridge-Milton Keynes-Oxford corridor all point to a further stimulus to the wider South East region. They give London and the South East another head start in terms of targeted spatial planning and infrastructure provision, with a much greater degree of certainty than the rest of the UK, including the Northern Powerhouse area. Ultimately this will reflect on the intent to rebalance the country's economy and on competition for relatively limited capital investment monies from public sources to fund growth, given that it is only

36 *Eddington Transport Study*. Department for Transport, 2006. <http://webarchive.nationalarchives.gov.uk/20090104005813/http://www.dft.gov.uk/about/strategy/transportstrategy/eddingtontstudy>

realistic to attract significant private finance into new infrastructure in the London area.

Clearly, restraining growth unduly in London and the South East is not the solution to rebalancing the economy or securing the regeneration of the North

and areas outside the orbit of the London and the South East mega-region. However, public investment decisions must restore a more equitable balance between these regions. Recent events and announcements still suggest an emphasis on London and the South East.

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This report is a contribution to discussion and represents the considered view of the group, which is not necessarily that of the TCPA.

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