



Office of the  
Deputy Prime Minister  
Creating sustainable communities

# State of the English Cities

## Volume 2





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Deputy Prime Minister  
Creating sustainable communities

# State of the English Cities

A Research Study

Volume 2

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## Foreword

This independent report to Government fulfils our commitment to publish a detailed update on the urban renaissance, 5 years after the Urban White Paper.

Since then, there's been remarkable progress in creating sustainable communities in our major towns and cities.

We do not underestimate the scale of the challenges which remain. But the clear message of this Report is that our cities are very much back in business as more successful places to live, work and enjoy. They are engines of growth once again.

After years of industrial change, our cities are competing more effectively in a rapidly changing global economy in which capital, goods and knowledge travel faster than ever before.

Old industrial assets like the canals and waterways have been transformed into attractive places to live and work.

People and jobs are coming back into our city centres – in many ways thanks to our planning policies which require retailers and developers to use brownfield sites before green fields.

Overall, a combination of sustained economic growth, increased investment through public private partnerships, and entrepreneurial local leadership means that our cities are better placed than at any time for a century or more.

After 8 years of economic growth, sustained investment, and local leadership, our cities are more confident than they've been for decades. But we recognise the need to continue to develop and improve. The economic and social gains of urban renewal need to be shared and sustained.

This Report provides an analysis – unprecedented in its scope and detail – of how our cities stand and they could improve. It offers detailed ideas for change to which the Government will respond.

The Government is determined to work with local people, businesses, local government and other stakeholders to seize the best opportunities for cities they have enjoyed for 100 years.



**John Prescott**

Deputy Prime Minister



**Rt Hon David Miliband**

Minister of Communities and  
Local Government



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# Chapter 9: Have policies made cities more socially cohesive and liveable?

## 9.1 Introduction

9.1.1 The chapters in this section on the impact of policies complement the empirical work in the previous section on processes, places and people. They provide a policy context for the drivers and trends in urban competitiveness, cohesion and liveability which earlier chapters examined. The chapters identify the key policy messages that have emerged from the evaluation literature during the past decade. They assess a wider range of departmental policies beyond the work of ODPM, which impact upon urban areas. This particular chapter assesses the impact of policies to make cities more socially cohesive and more liveable, primarily – although not exclusively – since the advent of the current government in 1997. It complements the empirical work in Chapters 5 and 6 on social cohesion and liveability. The chapter is structured into three parts which relate closely to the government’s current priorities. First it assesses the degree to which mainstream national policies and targeted interventions on worklessness, crime, education and health have improved the position of those living in the most deprived urban neighbourhoods. It next gauges policies’ effectiveness in improving the quality of housing and achieving a better balance between supply and demand, as well as the impact of housing initiatives on deprived areas. Finally it presents an overall assessment of the Government’s progress on its social cohesion and ‘liveability’ agendas.

9.1.2 A number of health warnings apply. Firstly, although the quality of urban data is immeasurably better than it was a decade ago, some is only reported on an aggregate basis, for example, floor and convergence targets. Therefore variations within and between different kinds of places may be concealed. Secondly, evaluations of national measures to reduce social exclusion rarely disaggregate data on an urban basis and we have to make crude assumptions about impact on the basis of the urban client base. However, Table 9.1 shows that England’s main cities contain high concentrations of key target groups of the socially excluded. Thirdly, evaluations of interventions are usually specific to individual initiatives and do not attempt to assess their combined effects.

Table 9.1: Representation of key client groups in the 56 Primary Urban Areas (PUAs)

	<b>% client group resident in 56 Primary Urban Areas – April 2005</b>
England’s population	58
Unemployed	60
Under-25’s unemployed for > 6 months (New Deal for Young People)	78.5
Over-25 and unemployed for 18 months plus (New Deal for 25+)	79.1
All lone parents working less than 16 hours per week and in receipt of benefit (New Deal for Lone Parents)	(11/2004) 72.7
Over-50 and unemployed for 6 months plus, voluntary (New Deal for 50+)	71.4
Working age residents in receipt of sickness or disability benefit due (New Deal for Disabled)	(11/2004) 65.3

Source: DWP claimants data/NOMIS

## 9.2. The impact of policy on disadvantaged areas

9.2.1 The impact of policy can be gauged at two levels. Firstly, progress in achieving government targets provide one set of yardsticks, although these may not convey the whole picture and also performance to some extent reflects local authority boundaries. Secondly, specific evaluations provide clues about the extent to which individual interventions have contributed to the goals of the National Strategy for Neighbourhood Renewal. This is more difficult for nationwide programmes than for area-based programmes such as New Deal for Communities and Neighbourhood Management Pathfinders. The assessment is structured around the five main floor target areas of worklessness, crime, education, health and housing/physical environment.

### Worklessness

9.2.2 Boosting employment and ‘making work pay’ through introducing a range of welfare-to-work programmes and changes to welfare benefits have been key elements in the Government’s efforts to improve the position of those living in the most deprived urban areas. They have affected urban areas in two main ways. Firstly, towns and cities contain many individuals and groups targeted by specific policies (Table 9.1). Secondly, the Government has supplemented mainstream policies designed to remove barriers to work with additional forms of assistance in the 88 Neighbourhood Renewal Fund (NRF) areas and other disadvantaged areas.

9.2.3 Given macroeconomic strength, sustained national economic growth and increased employment over the last decade, disentangling the contribution of policy is difficult. However, both economic trend data and evidence from specific programmes suggest that policies have individually and collectively had a noticeable, largely beneficial impact upon urban England. Table 9.2 shows that employment rates in the most disadvantaged urban areas have risen slightly faster than national rates since the year 2000. The same applies to targeted vulnerable groups such as the over-50s, ethnic minorities and the disabled, with the exception of the lowest qualified (Table 9.3). Studies on trends in benefits claims agree that claims have fallen in all areas, although they differ on whether the position of those areas containing the highest proportion of claimants has improved or deteriorated in relative terms. (Evans et al, 2002; ODPM, 2004a). Worklessness figures need to be treated with caution because they have been redefined and because of varying inter- and intra-regional migrational effects.

9.2.4 Table 9.4 summarises the main evaluation findings from specific measures. These frequently have an urban bias because of the spatial distribution of their clientele and their focus on disadvantaged urban areas. Ingredients of success have included: the comprehensive way in which barriers to employment have been addressed; attention to the needs of different disadvantaged groups; introduction of novel forms of delivery, most notably, integration of tax and benefit matters, personalised and tailored support, experimentation with different methods of outreach and local flexibility and commitment to piloting, evaluation and modification of programmes.

**Table 9.2: Employment rate for 25 most deprived local authority districts and Great Britain**

	<b>Employment rate – 25 deprived areas</b>	<b>Employment rate – Great Britain</b>	<b>Gap in employment rate (points)</b>
2000 Baseline	61.6	74.4	12.8
2001	62.1	74.7	12.6
2002	62.6	74.6	12.0
2003	63.1	74.7	11.6
2004	64.0	74.8	10.8

Note: National target to increase employment rate of disadvantaged areas and reduce difference between their employment rates and overall rate over period 2003-6.

Source: DWP, 2004.

**Table 9.3: Employment rates of disadvantaged groups and gap with UK rates**

	<b>Over 50</b>	<b>Gap</b>	<b>Ethnic Min.</b>	<b>Gap</b>	<b>Lone Parents</b>	<b>Gap</b>	<b>Disabled</b>	<b>Gap</b>	<b>Lowest Qualif.</b>	<b>Gap</b>
2000	66.9	7.5	57.9	16.4	51.2	23.2	46.6	27.7	50.8	23.6
2001	68.2	6.4	57.7	17.1	51.5	23.1	47.2	27.4	51.0	23.5
2002	68.1	6.3	57.9	16.6	53.3	21.1	47.9	26.5	49.8	24.5
2003	70.0	4.6	57.8	16.9	53.1	21.5	48.9	25.6	50.2	24.3
2004	70.2	4.5	59.4	15.4	54.3	20.4	50.1	24.6	49.8	24.9

Note: National target to increase employment rate of disadvantaged groups and reduce difference between their employment rates and overall rate over period 2003-6.

Source: Labour Force Survey (in DWP, 2004)

9.2.5 Despite these positive findings, more fine-grained analysis reveals wide variations in local circumstances (Lupton, 2003). Employment trends in urban areas which have been the victim of economic restructuring. For example former coalmining and industrial towns have been uneven with some experiencing gains and others losses over the period 1997-2003. Inactivity rates in such areas remain very high, and have risen amongst males. The proportion of workless households and proportion of children living in them also remain high. Longitudinal studies in 12 disadvantaged urban areas suggest that government-funded employment programmes such as New Deal and Action Team for Jobs have been effective in removing barriers to work (Lupton, 2003). By contrast, another long term study in east London and Yorkshire revealed that tax credits had had a greater impact on families taking up paid employment than had New Deal programmes in the period 2000-3, despite claimants' frustration with administrative problems (Power & Willmot, 2005). All these studies show that inventive supply-side initiatives can only achieve so much in urban areas suffering from a deficient labour demand. This may explain why youth unemployment rates have not fallen since 1990 and economic inactivity remains such a pervasive problem.

Table 9.4: Government measures to boost employment in deprived urban areas

Intervention	Evidence of impact
<p><b>New Deal for Young Unemployed</b> – A range of support for 18-24 year old job seekers including help with job search, personal advice and addressing basic skill gaps (introduced April, 1998)</p>	<ul style="list-style-type: none"> <li>• 78.5 per cent client base in urban areas, April 2005</li> <li>• Raised employment by 17,000 per annum after allowing for those who would have found jobs anyway (Van Reenan, 2004)</li> <li>• Young people 20 per cent more likely to find work as result of NDYP (Van Reenan, 2001)</li> </ul>
<p><b>New Deal for 25 Plus</b> – based on above (launched June 1998)</p>	<ul style="list-style-type: none"> <li>• 79.1 per cent client base in urban areas, April 2005</li> <li>• Positive impact on employment prospects</li> <li>• Personal advice increased job search, job placements and improved client attitudes</li> </ul>
<p><b>New Deal for Lone Parents</b> – introduced October, 1998</p>	<ul style="list-style-type: none"> <li>• 72.7 per cent client base in urban areas, November 2004 (large numbers of participants in London as it contained 18 per cent of all lone parents, 2003)</li> <li>• 9 pr cent increase in employment rate 1997-2004</li> <li>• approximately half that increase attributable to NDLP and Working Families' Tax Credit (Brewer et al, 2003; Gregg and Harkness 2003)</li> <li>• NDLP improved prospects of finding work by up to 50 per cent (Iacovou &amp; Bertoud, 2000; Lessof et al, 2003)</li> <li>• 26 per cent of those on income support left because of NDLP, producing exchequer savings</li> <li>• evidence of return to income support after period of employment (40 per cent in 1999 cohort study)</li> <li>• effective, tailored, packages comprising job and benefits advice, training, job placement, help with childcare (NDLP links with National Childcare Strategy, Neighbourhood Nurseries Initiative and school-based measures)</li> </ul>
<p><b>New Deal for 50 Plus</b> – introduced April 2000</p>	<ul style="list-style-type: none"> <li>• 71.4 per cent client base in urban areas, April 2005</li> <li>• Over half of participants in ND50+ still in work two years after received support</li> <li>• Most cope with withdrawal of time-limited in-work income supplement (Atkinson et al, 2001)</li> </ul>
<p><b>New Deal for Disabled</b> – introduced July 2001</p>	<ul style="list-style-type: none"> <li>• 65.3 per cent client base in urban areas, November 2004</li> <li>• Take-up disappointingly low (2 per cent eligible population) but good conversion to jobs ratio and majority of jobs sustained</li> </ul>
<p><b>National Minimum Wage</b> – adult and lower youth and development rates introduced in 1999 and subsequently revised upwards regularly</p>	<ul style="list-style-type: none"> <li>• Number of low paid workers benefitting has increased from 4.9 per cent of working population in 1999 to between 6.2 per cent and 7.6 per cent in 2004</li> <li>• Women, disabled, some ethnic groups and young people have benefited disproportionately (Low Pay Commission, 2003)</li> <li>• Negligible impact on employment, competitiveness and productivity and no evidence of substitution of ineligible young workers (LPC, 2000 &amp; 2004)</li> </ul>

Table 9.4: Government measures to boost employment in deprived urban areas  
(continued)

Intervention	Evidence of impact
<p><b>Work-related tax and benefit changes</b> – introduction of more generous in-work benefits including Working Families Tax Credit in October 1999 (later divided into Working Tax Credit and Child Tax Credit in April 2003) and Disabled Persons Tax Credit (1999)</p>	<ul style="list-style-type: none"> <li>• As result of WFTC coupled with NIC reform and 10 per cent starting rate for income tax, much higher in-work incomes for lower-paid families and avoidance of unemployment trap</li> <li>• Impact of WFTC on employment rate between 0.21 (Blundell et al, 2000) and 0.25 (Gregg et al, 1999), much higher for partnered women not working (1.32-1.75) and single parents (1.85-2.2) – 76 per cent of lone parents moving into work between 2000-2001 received WFTC (McKay, 2003)</li> </ul>
<p><b>Action Teams for Jobs</b> – initial pilots and then rolled out in 37 disadvantaged (mainly urban) areas of assistance working with long-term unemployed and inactive in identifying suitable vacancies and overcoming barriers to work (launched in June, 2000)</p>	<ul style="list-style-type: none"> <li>• 40 per cent of clients in first year or so placed into work, though not always hardest to help but progressively greater focus on most disadvantaged</li> <li>• Two-thirds of clients men, similar proportion of them secured work</li> <li>• Greater success in assisting jobless for less than six months JSA claimants, less success with those on inactivity benefits, long term jobless and those facing multiple barriers to work</li> <li>• Clients viewed outreach services in neighbourhood (community centres/mobile facilities) as preferable to travelling to Job Centre and valued tailored, personal support</li> </ul>

## Crime

9.2.6 Crime policy has major urban implications since the incidence of crime is greater in urban than rural areas. Crime disproportionately affects the most vulnerable in society who are concentrated in the most disadvantaged urban areas. Since 1997, the thrust of government policy has been to:

- tackle anti-social behaviour more actively through the introduction of new court orders such as Anti-Social Behaviour Orders and Child Curfews;
- introduce measures to speed up the criminal process, toughen sentencing and better align different elements of the criminal justice system;
- increase the number of police officers;
- deal more effectively with youth crime by developing a more coherent, multi-agency approach through preparation of local Youth Justice Plans featuring fast-tracking of offenders, improved access to support services for offenders and victims and encouragement of innovation, for example in rehabilitative schemes and restorative justice;
- make local authorities statutorily responsible for developing Crime and Disorder Partnerships, involving all the key agencies in order to audit local crime and develop appropriate crime reduction plans.

- 9.2.7 In addition, the Government has introduced a stream of initiatives targeted at crime hotspots. Some key examples are presented in Table 9.5.
- 9.2.8 Gauging the impact of crime policy has its own problems. Police statistics only capture reported crimes. The degree of under-enumeration varies from area to area depending on many factors such as level of confidence in the police and degree of intimidation. Moreover, changes in counting rules, for example recent inclusion of minor violence and criminal damage, make it more difficult to analyse trend data. Victim surveys, for example British Crime Survey, convey a more complete picture. The changing incidence of crime reflects many factors besides government policy including demographic trends and social and cultural forces. Greater stress upon dealing with new categories of anti-social behaviour, coupled with the decentralisation of decision making, has led to local Crime and Disorder Reduction Partnerships (CDRPs) adopting varying definitions, thus making data comparison more difficult.
- 9.2.9 No studies have specifically looked at patterns of crime in urban England as a whole. However, data for the NRF areas provides a reasonable barometer of how policy is impacting on crime-prone urban areas. The available data suggest that the most deprived urban areas have witnessed a slightly greater reduction in their incidence of burglary than in England and Wales as a whole, and slightly less reduction in vehicle crime over the period 1998/99-2002/3. Deprived areas have witnessed increases in robbery but to a lesser extent than nationally. Slight convergence has occurred in the total amount of crime and since 2001. Spatially targeted measures such as Neighbourhood Wardens and the Street Crime initiative have been evaluated positively and therefore it seems likely that these measures are having a significant combined effect. Given both the urban crime bias and the national reduction in overall crime, down by 30 per cent, 1997-2003/4, this picture is encouraging, though not as good as the Government's targets (see Table 9.6). The increasing incidence in robbery and certain categories of violent crime (principally, domestic, acquaintance and stranger) are the major outstanding concern in urban England. Also evidence from programmes like New Deal for Communities and Neighbourhood Management Pathfinders, discussed in greater detail in Chapter 11, suggests that a reduction in the incidence of crime may not automatically lead to a reduction in the fear of crime.
- 9.2.10 During the last decade, crime reduction policies have developed in breadth and sophistication and paid much greater regard to differing local circumstances. For example, Drug Action Teams acknowledge that there is often a place element to both drug problems and solutions. Community Safety Strategies draw upon sound principles of social crime prevention, early intervention and social control. The pursuit of 'what works' by investing more attention in research and evaluation has paid dividends in terms of policy refinement. Both the police and a wide range of partner agencies now take as read that multi-agency intervention is essential and that the balance struck between enforcement, preventative and diversionary measures needs to be informed by local circumstances. An impressive toolkit of measures for making residential areas less vulnerable to crime has been assembled and developed, through experimentation with different forms of target-hardening. There is growing understanding of the way in which design and layout of urban areas

and quality of lighting can either deter or provide opportunities for criminals (Table 9.7). Consolidation of funding streams has allowed CDRPs to adopt a more holistic and structured approach to dealing with crime prevention and blend interventions, for example, in the Safer and Stronger Communities Fund.

- 9.2.11 Government policy has complemented regard for place with support for vulnerable groups, recognising that certain groups are at greater risk of committing or being the victims of crime, irrespective of where they live. The new youth justice system, overseen by the Youth Justice Board, has had a range of positive impacts. Young offenders are more likely to receive intervention. The use of community-based punishments such as the Intensive Supervision and Surveillance Programme has increased, while the number of juveniles in custody has fallen and diversionary schemes have reduced levels of youth offending (Morgan Harris Burrows, 2003, Home Office, 2003). Incidence of crime fell significantly in high crime neighbourhoods where the Splash Extra summer diversionary scheme operated, for example (Cap Gemini/Ernst & Young, 2003). Some initiatives have combined both forms of targeting. For example, the Youth Inclusion Programme has targeted both the most at risk young people and the most deprived urban neighbourhoods. Neighbourhood Wardens have particularly worked with and reassured older people.
- 9.2.12 The Government has taken a zero tolerance approach to anti-social behaviour on the grounds that tolerating minor incivilities can lead to neighbourhood decline and more serious forms of crime. The introduction of measures such as Anti-Social Behaviour Orders (ASBOs), Acceptable Behaviour Contracts (ABCs), Child Curfew Orders and Child Safety Orders has generated mixed reactions. Some dated government research reached the broadly positive conclusion that when deployed successfully, ASBOs have curbed unruly behaviour, helped rebuild quality of life in communities, confidence in authorities' capacity to respond and cemented good relations between partner agencies and the community (Home Office, 2002; Millie et al., 2005). On the other hand, scope for varying local interpretation of what constitutes anti-social behaviour has meant that dramatically more ASBOs have been issued in some urban authorities than others (NAPO, 2004). Since breaches can lead to imprisonment, there is a risk that behaviour deemed unacceptable but not necessarily criminal is being harshly punished rather than being dealt with by other means (Charman & Savage, 2002). One of the key lessons to emerge is that ASBOs need to be seen as a last resort for the most serious cases which cannot be resolved by other means such as mediation, diversionary activities and early intervention using, for example, ABCs which have all been shown to contribute to reduced anti-social behaviour (Home Office, 2002). Another review has urged that a tough, resolute response to anti-social behaviour be tempered with preventative measures which tackle the root causes of offending behaviour (Millie et al. 2005).
- 9.2.13 Despite this progress, the extent of change in recent years has posed organisational challenges and strains. These concern demands for greater information exchange, adoption of common protocols and clearer division of roles. Complex, multi-faceted problems like urban crime demand multi-layered responses. However, there is a need to ensure that different elements of the criminal justice system can cope with the accumulated effects of new policy



initiatives and reconcile them with mainstream targets and demands. The recently announced Safer and Stronger Communities Fund (worth £660 million, 2005-8) represents an attempt to streamline and integrate ODPM and Home Office funding streams relating to crime reduction and fear of crime. But implementation is still at an early stage.

**Table 9.5: Leading exemplars of recent crime prevention initiatives targeted at urban areas**

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Neighbourhood Wardens Programme:</p> <ul style="list-style-type: none"> <li>• Neighbourhood level uniformed semi-official presence designed to reduce crime, anti-social behaviour, fear of crime, improve environmental quality and build communities.</li> <li>• Joint DETR/Home Office (£18.5m) initiative launched in 2000 on competitive, matched funding basis ending 2004.</li> <li>• Most of 246 schemes funded in deprived/high crime urban areas usually the subject of other neighbourhood renewal initiatives.</li> <li>• Schemes locally managed and of diverse content reflecting local context.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in crime of 27.6 per cent compared with 4.6 per cent increase comparator areas 2001-3</li> <li>• Greatest reduction in fear of muggings and street crime, slight improvement in perceptions of youth anti-social behaviour</li> <li>• Targeting of vulnerable groups (e.g. elderly) reflected in above average impact amongst those groups</li> <li>• Improved residents' perceptions of neighbourhood, because of improvements in terms of flytipping, graffiti, litter and dog fouling and also because of reduced fear of crime</li> <li>• Police reaction positive because of wardens' role in crime reduction, improved intelligence, freeing up police time, collaboration and encouragement of additional reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Key attributes: approachability of wardens given community-based; listening and responding to residents' concerns; link between residents and agencies</li> <li>• More successful schemes characterised by: tailored and flexible approaches; learning culture; active involvement of residents and wide range of agencies; partnership working and effective networking; consistent management; targeted approach, training and support for wardens</li> <li>• Fear of crime reduced by high visibility patrols, targeting of darker areas and vulnerable groups, improved estate layout and street lighting</li> <li>• Environmental problems dealt with through direct action, reporting and joint initiatives</li> <li>• Main problems: lack of continuous presence, limited powers, balance between crime prevention and environmental roles, residents' difficulty in distinguishing roles of different members of 'extended police family' and balance between approachability and extent of enforcement powers.</li> </ul>

Table 9.5: Leading exemplars of recent crime prevention initiatives targeted at urban areas (*continued*)

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Police Community Support Officers:</p> <ul style="list-style-type: none"> <li>• Created through Police Reform Act, 2002 and launched that year</li> <li>• Police authority staff who perform a high visibility, patrolling role designed to provide reassurance through tackling lower level crime, disorder and anti-social behaviour</li> <li>• Over 4,000 CSOs working in 38 forces in England and Wales in 2004 (target of 25,000 by 2008) mainly operating in high crime areas</li> <li>• Main powers: confiscation of alcohol and tobacco from underaged, demanding name and address of person and entering building to save life/prevent serious damage to building.</li> </ul>	<ul style="list-style-type: none"> <li>• CSOs are providing highly visible presence, though some variation in level of public awareness</li> <li>• 79% of time spent outside police stations</li> <li>• Limited public understanding of CSO role and difficulty distinguishing their role from that of police officers</li> <li>• Evidence tentatively suggests favourable impact of increased foot patrols on feelings of personal safety</li> <li>• CSOs acting as conduits for community intelligence – some residents more prepared to report to them than fully sworn officers</li> <li>• CSOs viewed more favourably than police by some ethnic minority groups, particularly in London, because more willing to make representations about their concerns</li> <li>• Some evidence of displacement both in terms of geography and crime type</li> <li>• CSOs initially regarded with suspicion by police but acceptance growing as recognition of role increases</li> </ul>	<ul style="list-style-type: none"> <li>• Too soon to tell concerning impact on crime, disorder and ASB</li> <li>• Active engagement with community vital</li> <li>• Closer integration between different elements of extended police family required – more formal working relationships etc.</li> <li>• Varying results from forces on whether residents feeling safer during day as against night suggesting that shift patterns, nature of complementary measures may be important factor</li> <li>• More research required on whether public satisfaction varies according to deployment patterns, use of powers and type of area</li> <li>• More research required on how CSOs fit into wider picture of multi-agency working</li> </ul>
<p>Reducing Burglary Initiative:</p> <ul style="list-style-type: none"> <li>• Launched in 1998 to reduce burglary, sponsor innovative practice and extend evidence base of 'what works'</li> <li>• £25m dispensed on competitive basis to Crime and Disorder Reduction Partnerships in three phases between 1998-2002,</li> <li>• 247 projects funded in (mainly urban) areas of between 3,000-5,000 households most at risk of burglary</li> </ul>	<ul style="list-style-type: none"> <li>• Burglaries declined by 20% compared with pre-project period and net reduction of 7% in burglaries compared with comparator areas</li> <li>• Reduction in burglary in almost three quarters of targeted areas</li> <li>• Successful individual measures included publicity campaigns, 'alley-gating' and street lighting, high visibility policing, CCTV, property marking, youth diversionary measures and drug arrest referral systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Valuable body of research evidence assembled</li> <li>• Accurate diagnosis of problem, commitment amongst partners, staff skills and community involvement critical to success</li> <li>• Impact enhanced where interventions implemented as coherent and complementary package</li> </ul>

**Table 9.5: Leading exemplars of recent crime prevention initiatives targeted at urban areas (continued)**

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Street Crime Initiative:</p> <ul style="list-style-type: none"> <li>• High-level, year long (2002-03) cross-departmental initiative led by Prime Minister tackling escalating street robbery</li> <li>• Major elements included: a partnership approach to criminal justice issues; tackling the whole cycle of offending behaviour including diversion, targeted policing operations and rehabilitation and resettlement schemes; better support for victims and witnesses</li> <li>• Targeted at ten police forces accounting for 83 per cent of all robberies, five of which cover heavily urbanised conurbations and the remainder major urban areas</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in street robbery by 17 per cent compared with preceding year</li> <li>• 17,000 fewer robbery victims in ten areas</li> <li>• SCI succeeded in invigorated partnership working</li> <li>• Improved rapidity of response, scene management, collection of evidence and handling of witnesses</li> <li>• Schemes targeted at vulnerable young people received a significant boost including diversionary schemes (e.g. summer activity schemes), behaviour improvement programmes and co-ordinated truancy sweeps.</li> </ul>	<ul style="list-style-type: none"> <li>• Schemes worked best where close partnership working, shared targets, robust monitoring systems, use of previous good practice and strongly supportive judiciary</li> <li>• Short-term nature of initiative, conflicting priorities of many agencies and ‘silo’ regimes militated against commitment and ownership</li> <li>• Continued heavy reliance on police information systems of varying quality</li> <li>• Inordinate focus on front-end of criminal justice process, more development work needed with offenders following release</li> <li>• Degree to which SCI applied lessons from previous relevant initiatives such as Youth Offending Programme patchy</li> <li>• Such intense policing operations rely heavily on overtime raising questions as to whether they can be sustained</li> </ul>
<p>Youth Inclusion Programme Programme:</p> <ul style="list-style-type: none"> <li>• launched in 2000 targeting the 50 most at risk 13-16 year olds in deprived (mainly urban) neighbourhoods</li> <li>• aim to reduce arrest rates in target group by 50 per cent, reduce truancy and exclusions by a third and reduce recorded crime in area by 30 per cent</li> </ul>	<ul style="list-style-type: none"> <li>• Generally positive stance towards programme from police and residents’ groups because introducing much needed activities for young people</li> <li>• Menu of interventions including sport, education and training, mentoring, special interest projects, personal assessment, group work, outreach and family projects</li> <li>• 65 per cent reduction in arrest rates by end of 2002</li> <li>• truancy up by 40 per cent though some associated with alternative to education measures</li> <li>• 27 per cent reduction in permanent exclusions</li> <li>• 6.3 per cent reduction in crime</li> </ul>	<ul style="list-style-type: none"> <li>• Most effective projects operated in compact, high crime areas, closely engaged ‘at risk’ young people and featured interventions that directly addressed risk factors.</li> </ul>

Sources of evidence:  
*Neighbourhood wardens*: NACRO, 2003; ODPM, 2004B; Power & Willmot, 2005; *Police Community Support Officers*: Home Office, 2004. *Street Crime Initiative*: Home Office, 2003. *Reducing Burglary Initiative*: Kodz and Pease, 2003; Home Office, 2004. *Youth Inclusion Programme*: Morgan Harris Burrows, 2003.

Table 9.6: Incidence of crime in 88 NRF areas compared with England

	Burglary:		Vehicle Crime:		Robbery:	
	88 NRF areas	England	88 NRF areas	England	88 NRF areas	England
% change in incidence 1998/99-2002/3	-3	-2	-6	-7	21	29

Note: National target to reduce gap between best and worst Crime and Disorder Partnership areas and reduce domestic burglary by 25%, 1998/99-2005, vehicle crime by 30% from 1998/99-2004 and robbery in ten Street Crime initiative areas by 14% from 1999/2000-2005.

Source: DWP, 2004.

Table 9.7: Seven key attributes of safer places

1	Access and movement: places with well-defined routes, spaces and entrances that provide for convenient movement without compromising security.
2	Structure: places that are structured so that different uses do not conflict.
3	Surveillance: places where all publicly accessible spaces are overlooked.
4	Ownership: places that promote a sense of ownership, respect, territorial responsibility and community.
5	Physical protection: places that include necessary, well-designed security features.
6	Activity: places where the level of human activity is appropriate to the location and creates a reduced risk of crime and a sense of safety at all times.
7	Management and maintenance: places that are designed with management and maintenance in mind, to discourage crime in the present and the future.

Note: These qualities emerged from in-depth research into crime prevention and urban design theory and practice (ODPM, 2004c)

## Education

9.2.14 Education has been a priority of government since boosting standards in schools and enhancing access to Higher Education are seen as vital to both national prosperity and the reduction of poverty. Policy has impacted upon urban pre-school provision and schools in two main ways. Firstly, the Government has introduced a series of new measures affecting children and young people irrespective of where they live. These have included: additional emphasis upon pre-school provision, raising literacy and numeracy standards in Primary Schools, testing pupil and school performance at frequent intervals, providing early intervention and more holistic forms of support to needy pupils, widening access to, and improving the quality of, Higher Education and promoting more lifelong learning. Secondly, the government has tackled educational inequalities by introducing special initiatives in the most deprived (mainly urban) areas where there are higher concentrations of under-performing schools (e.g. Education Action Zones and Excellence in Cities). It has also encouraged schools to make their facilities and expertise more widely available to the local community in order to promote neighbourhood renewal. Government has also piloted enhanced parent and child support in the 20 per cent most deprived wards in order to give poor children a better start in life. This 'Sure Start' programme has recently been extended nationally. This section uses both educational floor target data and the findings of evaluations of special educational programmes to assess how policymaking has affected the quality of education in the more deprived urban areas and the worst performing schools usually found there.

- 9.2.15 There have been three main measures for under-fives. Free part-time nursery school provision has been expanded to cover all 3-4 year olds by offering subsidies to providers. Sure Start programmes for 0-4s have been provided in the most deprived areas (see Table 9.8 for details). The Government has sought to provide high quality childcare in every neighbourhood, by partially funding new nurseries in the most deprived areas through the Neighbourhood Nurseries Initiative and New Opportunities Fund Out of School Programme and offering grants and loan guarantees to providers elsewhere. The Government has also tried to improve the quality of childcare through provision of Children's Centres, offering good practice models of integrated education and care in every community and instructing OFSTED to carry out inspections of day nurseries and childminders.
- 9.2.16 Although the 'childcare gap' between the 20 per cent most deprived urban areas and the rest appears to have closed between 1999-2003, this is almost entirely due to a slight growth in childminder places in such areas and a fall elsewhere. Nursery places have rapidly expanded in deprived areas but even more so in very affluent areas. Poorer families remain heavily dependent on informal childcare, though the recently introduced childcare tax credit is beginning to improve usage of formal childcare. Independent studies show that the quality of care and recruitment shortages have the greatest bearing on outcomes (Hills & Stewart, 2005). An additional supply of nursery places for 3-4 year olds has particularly benefited deprived areas, demonstrated by the fact that in 2002 children from manual class backgrounds were much more likely to be attending higher quality settings than others whereas the opposite was the case in 1997. However, more children from such backgrounds were not attending at all compared to those from other social classes. Sure Start programmes have proved extremely popular with parents because they are run in a participative manner by local partnerships and they offer effective parent support and a supply of play and learning opportunities. Mothers and carers are treating children in a warmer and more accepting manner than in comparison areas and there are signs that child/family functioning is improving as a result. However, the programme has had little impact to date on quite ambitious PSA targets and health indicators (Hills & Stewart, 2005). It is still too soon to tell whether such improvements in early years provision are having a beneficial impact upon educational and social development in later years.
- 9.2.17 Before examining individual educational policies, it should be noted that expenditure on education and skills increased from £29 billion to £52 billion in the period 1997/8-2004/5 and the share of resources going to schools in local authorities with the most deprived schools, increased. Schools in 'challenging circumstances' with low GCSE attainment also received other forms of additional funding, for example, Behaviour Improvement Programme and Leadership Incentive Grant. Urban schools have, along with others, witnessed the introduction of literacy and numeracy hours and moves to reduce class sizes. Those in the most deprived areas with the lowest levels of attainment have also been the subject of two main special initiatives, Education Action Zones (EAZs) and Excellence in Cities (EiC). EAZs had a discernible impact on pupil motivation, attitudes and self-esteem because of their innovatory methods of promoting inclusion. However, they had limited success in improving overall attendance and only patchy effect on Key Stage

(KS) and GCSE results. The only notable effects were observed at KS1 and with lower grade GCSE results. Its successor, the EiC programme, has had greater success in improving KS3 Maths and English results, especially amongst pupils with traditionally lower levels of attainment (Machin et al, 2003; Machin et al, 2004). Nationwide studies of Key Stage test results at ages 7, 11 and 14 show that there has been a general improvement in all subjects and at all levels between 1996-2003. While the gap in performance between disadvantaged pupils and those at KS1 and KS2 narrowed between 1997-2001, pupil performance in poor schools at KS3 remained weak (Glennerster, 2001; Gibbons and Machin, 2001). Some commentators have argued that the limited success of initiatives in narrowing the gap between rich and poor schools demonstrated the need for more radical changes to mainstream school funding, educational and welfare support and staffing (McKnight, Glennerster & Lupton, 2005). Attraction and retention of good staff in schools in deprived areas remains a significant problem.

- 9.2.18 The number of local authorities achieving less than a 38 per cent pass rate for five or more GCSEs A\*-C has fallen sharply from 50 of the total 148 local education authorities to just four in 2003/4. The performance of lower attaining LEAs has slightly converged with that of higher performing authorities (Lupton & Power, 2005). Table 9.9 shows that both NRF LEAs and English LEAs as a whole have witnessed rising attainment and that the former have slightly closed the gap on the latter. However, analysis of GCSE results based on parents' social class, ethnic background and those receiving free school meals suggests a more variegated picture. Although there has been some convergence in the gap in attainment between children from the most and least advantaged backgrounds in the period 1999-2002 (DFES, 2003), the difference remains marked and there is other evidence of declining inter-generational mobility (Cabinet Office, 2004). Pupils from Chinese and Asian families have tended to perform consistently better in terms of GCSE attainment than White and Black pupils. Poverty has a less adverse effect upon attainment in the case of the former racial groups than the latter, especially among Whites. These findings make less encouraging reading since some urban areas' contain heavy concentrations of certain ethnic minority groups and children from poorer backgrounds. Also, many aspiring families continue to move from larger urban areas to smaller, more outlying towns on quality of life grounds. Richer families' tendency to move into the catchment areas of higher performing schools is reinforcing the association between advantaged neighbourhoods and high-performing schools (Gibbons and Machin, 2001). School performance tables may be encouraging this process. Another study has shown that good quality schools are boosting house prices in their catchment area (Cheshire and Sheppard, 2004).
- 9.2.19 While the Government's post-compulsory educational programmes have not been analysed in urban terms, some inferences can be drawn. Staying-on rates have increased steadily in most areas and so has A/AS level attainment. The Education Maintenance Allowance has increased the staying-on rates of less advantaged young people (HMT, 2004). On the other hand, the proportion of 16-18 year olds not in education, training and or employment has remained the same nationally as it was in 1997. Rates are higher amongst Black-Caribbean, Pakistani and Bangladeshi young people. They face greater risks of drug use and relatively poor job and income prospects (ODPM, 2004a). Both

the expansion of higher education and also the shift from means tested maintenance grants to student loans have benefited more affluent families (Callender, 2003; Galindo-Rueda et al, 2004) since higher education is a riskier investment for those from poorer backgrounds owing to higher drop-out rates, higher unemployment and more difficulties in finding a job post-graduation (Naylor et al, 2002). There is a risk that higher education policies could limit the progression of young people from deprived urban areas and undermine gains from primary and secondary school policies. A number of government programmes such as Aimhigher have sought to widen participation amongst under-represented groups in disadvantaged areas. But conclusive findings are not yet available.

Table 9.8: Examples of educational policies targeting deprived urban areas

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Sure Start</p> <ul style="list-style-type: none"> <li>• Aims to improve health and wellbeing of pre-school children and families through integration of early education, childcare, health and family support</li> <li>• 524 local programmes opened in 6 waves 1999-2003 and covering a third of all children under 4 living in poverty (400k)</li> <li>• Catchment areas locally determined but covering 20 per cent most deprived wards</li> <li>• Programmes shaped and delivered by local partnerships (SSLPs) featuring strong parental and community involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Widespread support for multi-agency working by front-line staff across professional boundaries</li> <li>• High level of community and parental involvement, due to philosophy and outreach/home visits by mid-wives/health visitors etc., but specific measures needed to counter low level of paternal involvement</li> <li>• Longitudinal data and control area comparisons show that mothers in SS areas more likely to treat child in warm and accepting manner and that better than expected child/family functioning twice as likely in SS areas as comparison areas</li> <li>• Wide range of support offered to help parents find employment (confidence building, training, advice childcare) but participation in training and employment low because some agencies are reluctant to work with SSLPs</li> <li>• SSLPs reduced social isolation and outreach, youth and children events, health care all appreciated by parents</li> </ul>	<ul style="list-style-type: none"> <li>• Programme originated in cross-cutting review which involved experts and thorough review of evidence from US and UK service provision and establishment of inter-departmental unit to design programme</li> <li>• Generous, ring-fenced funding</li> <li>• Early consensus reached on importance of early years to child development and nature of interventions: involving parents and children, non-stigmatising, multi-faceted, long term, locally driven and culturally appropriate</li> <li>• Clarity of purpose, commitment, ownership and trust amongst partners and clear administrative arrangements keys to successful partnership working</li> <li>• Dilemmas associated with extending programme to non-designated areas: funding, control, maintaining local input, breadth of cross-cutting approach.</li> <li>• Greater emphasis recently upon employability aspects may prove challenging in light of evidence</li> </ul>

**Table 9.8: Examples of educational policies targeting deprived urban areas**  
(continued)

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Education Action Zones</p> <ul style="list-style-type: none"> <li>Partnerships between schools, their LEA and other local organisations to tackle problems of underachievement and social exclusion in disadvantaged (mainly urban) areas</li> <li>Run by Action Forums and headed by Zone Director</li> <li>Encouraged to devise innovative approaches to improving quality of learning and teaching, social inclusion work, support to families and pupils and work with businesses and other organisations</li> <li>Seventy-two zones set up in two rounds 1998-2000, comprising secondary schools and feeder primary schools, lasting five years</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion initiatives such as breakfast and homework clubs and adaptation to KS4 curriculum (work-related learning) improved motivation, attitude and self-esteem of pupils</li> <li>Uneven effect on attainment: Maths (higher than national average) but due partly to literacy and numeracy initiatives; mixed results for KS2; no real impact at KS3 and improvement in lower-grade but not higher grade GCSEs due to inclusion work</li> <li>Family learning and information and technology initiatives have both generally had a positive impact on inclusion</li> <li>Little effect on levels of attendance but reduction in number of exclusions and relative to national average</li> <li>Effective in promoting links between schools and sharing good practice</li> </ul>	<ul style="list-style-type: none"> <li>Need to establish partnerships and raise funds led to slow start.</li> <li>Diffuse brief (innovation, involving business community, community engagement, lifelong learning as well as tackling under-attainment) resulted in an over-ambitious and excessive number of projects, not focused on core problems facing particular schools</li> <li>Improved links with local colleges and businesses made a significant difference to motivation and aspirations of pupils involved</li> </ul>
<p>Excellence in Cities</p> <ul style="list-style-type: none"> <li>Aims to redress educational disadvantage and underperformance in secondary schools initially (later primary schools and post-16 providers) in most deprived urban areas</li> <li>Designed to address the wide range of needs in city schools by adopting a multi-strand approach comprising: gifted and talented programme, learning mentors, Learning Support Units, City Learning Centres, Action Zones, Specialist Schools and Beacon Schools.</li> <li>Launched in 1999 and in two subsequent phases, incorporating a third of all LEAs (58)/schools (1038)</li> </ul>	<ul style="list-style-type: none"> <li>Modest but positive effect upon KS3 Maths and English results (rate of improvement better than nationally)</li> <li>Convergence with national performance in percentage leaving school with at least one GCSE</li> <li>Most improvement amongst pupils with lower levels of attainment</li> <li>Exclusion rates falling and attendance improving faster than in other secondary schools</li> <li>Programme has encouraged co-operation between schools and LEAs</li> <li>Learning mentors most popular strand – quality of support offered to disaffected, underachieving or vulnerable pupils has consequently improved</li> <li>Resulted in better provision for talented pupils in secondary schools</li> <li>Most Learning Support Units successful in promoting inclusion, tackling disaffection, improving behaviour and reducing exclusion</li> </ul>	<ul style="list-style-type: none"> <li>Successor programme to EAZs which has generally had more impact in terms of raising standards</li> <li>Removal of competitive element and fundraising requirement, more prescriptive and focused approach enabled partnerships to focus on organisation of strands to suit local circumstances</li> <li>EiC covers 70 per cent of ethnic minority pupils and coupled with introduction of Ethnic Minority Achievement Grant, has also helped to improve markedly attainment at KS4 amongst Asians and Blacks, though variation in performance amongst different ethnic groups persists</li> </ul>

Sources: Sure Start: NESS,2004; Rosato et al, 2004. Power & Willmot, 2005. Education Action Zones: OFSTED, 2003.

Excellence in Cities: NFER,2002; OFSTED, 2003; DFES, 2004; Machin et al, 2003; Machin et al, 2004



Table 9.9: Pupils achieving five or more GCSEs A\*-C, 1997/8-2002/3 (%)

	NRF 88 LEAs	England	Gap
1997/98	36	47	11
1998/99	38	48	10
1999/00	40	50	10
2000/01	40	50	10
2001/02	42	51	9
2002/03	43	52	9

Note: National target that 38% of pupils in every LEA achieve 5 GCSEs at grades A\*-C by 2004 and 25% of pupils do so in every school by 2006. The number of schools achieving below the 25% floortarget has dramatically fallen from 616 in 1997 to 228 in 2003 and if this rate of progress continues, the government will hit the latter target.

Source: Neighbourhood Renewal Unit

## Health

- 9.2.20 Assessing the impact of government policy upon the health of the urban population is complex because of the number of policy interventions, diversity of client groups, the timelag before measures work and data become available and the fact that health policies are seldom evaluated in urban terms. Policy effects also depend upon patterns of take-up of services which can vary by type of urban area, social class and ethnic background. In view of these difficulties, we can only draw inferences from the limited health inequality data available.
- 9.2.21 Over the last decade, successive governments have introduced a range of health reforms and initiatives concerning changes to commissioning, increases in expenditure, reductions in waiting lists and times, greater emphasis on reducing health inequalities and moves to ensure more uniform clinical standards and good performance in terms of access and outcomes. There is scant evidence of the spatial impact of the majority of these measures. In the light of the 1986 Acheson Inquiry, the government has focused more attention upon addressing health inequalities through cross-governmental approaches to dealing with problems at different stages of life. The introduction of National Strategy Frameworks for major diseases such as cancer and coronary heart disease, greater emphasis upon tackling inequalities in NHS plans and the introduction of Health Inequalities Adjustment into the NHS funding formula based on premature mortality, all have potentially favourable implications for the health of residents in deprived urban areas. Also, the creation of the National Institute for Clinical Excellence is designed to end 'postcode prescribing', although financial constraints at local level have so far prevented the elimination of this problem (Sassi, 2005). These are all comparatively recent measures and there is little evidence of their impact.
- 9.2.22 Data for the period 1990-2000 generally shows an improvement in life expectancy, infant mortality, cancer survival and deaths from ischaemic heart disease. However, the rate of improvement amongst more advantaged social classes 1 and 2 has outstripped that of classes 4 and 5. Data comparing NRF local authorities with the remainder of England over the period 1998-2000 reveals improving life expectancy for both men and women. However, the

gap has remained the same (Table 9.10). Since the Government has continued to prioritise overall improvements in health and clinical outcomes, and extensive research has shown that such measures have a greater positive effect on the health of the better off, it is not yet clear whether recent steps to reduce health inequalities will be sufficient to reverse past trends (Sassi, 2005). General Household Data comparing self-assessed health in 1995-97 with 2000-2002, both in the case of working-age adults and pensioners, suggests that an increasing proportion of those in the bottom income group quintile perceived that their health was not good at the later date whereas the proportion feeling this way in other income groups diminished during that time. This shows the scale of the challenge which the Government faces and it reinforces other research findings which show that risky behaviours such as smoking and poor diet are concentrated amongst the poorest sections of the population. The same applies to depression and anxiety (ODPM, 2004a). There is however, other, fragmentary evidence which tentatively suggests that government health and other policy measures are having a positive effect upon their respective target populations (Table 9.11). For example, Table 9.12 shows that teenage conception rates in the worst fifth of local authorities slightly converged with the English average during the period 1998-2001.

**Table 9.10: Male and female life expectancy in worst performing fifth of local authorities compared with England**

	<b>Males: lowest fifth LAs</b>	<b>Males: England</b>	<b>Difference</b>	<b>Females: Lowest fifth LAs</b>	<b>Females: England</b>	<b>Difference</b>
1998 Baseline	73.0	75.0	2.0	78.4	79.9	1.5
1999	73.3	75.3	2.0	78.6	80.1	1.5
2000	73.6	75.6	2.0	78.8	80.3	1.5

Note: National target to improve life expectancy and reduce gap between worst fifth and population as a whole by at least 10% by 2010.

Source: Government Actuary's Department and ONS (DWP,2004).

Table 9.11: Post-1997 policy interventions affecting urban health

Client group/policy	Implications for urban health
Children <ul style="list-style-type: none"> <li>• Government Welfare to Work, other anti-poverty measures</li> <li>• Establishing 20 mph speed limit zones in deprived areas and those with high pedestrian casualties</li> <li>• Department of Health promotion of breast feeding, focusing on mothers in lower socio-economic groups and some support from Sure Start programmes</li> <li>• National Fruit Scheme</li> </ul>	<ul style="list-style-type: none"> <li>• 400k reduction of number of children in low income households, associated long term health effects</li> <li>• 1994-8, 38 per cent fewer child pedestrian accidents nationally, 70 per cent decline in highly deprived areas</li> <li>• Increase from 66-69 per cent, 1995-2000, nationally and from 50-62 per cent in case of low income mothers, but link with policy not clear</li> <li>• Increased fruit consumption and parental awareness about healthy eating</li> </ul>
Young People <ul style="list-style-type: none"> <li>• Teenage Pregnancy Strategy designed to reduce conception rates</li> <li>• Sure Start Plus</li> </ul>	<ul style="list-style-type: none"> <li>• Teenage conception rates in worst performing fifth of LAs have decreased (see Table 9.12)</li> <li>• Helping to reduce social isolation of some young women, improve their self-confidence and enable them to access support services.</li> </ul>
Adults <ul style="list-style-type: none"> <li>• Smoking cessation services in Health Action Zones and more recently elsewhere</li> <li>• Community-based five fruit and vegetable a day pilot initiatives targeting people with lowest intakes (NHS and NOF funds)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved cessation rates but less so in deprived areas</li> <li>• Improved knowledge about access to and intake of fruit and vegetables by people on low incomes</li> </ul>
Elderly <ul style="list-style-type: none"> <li>• Warm Front fuel efficiency programme and Winter Fuel Payments</li> <li>• Various social care initiatives – more domiciliary care, additional community-based services, direct payments, improved co-ordination of services in HAZs</li> </ul>	<ul style="list-style-type: none"> <li>• Fall in proportion of older people suffering from fuel poverty (e.g. 40-22 per cent, 1998-2001 in case of single elderly) and associated health benefits</li> <li>• Health benefits of delivering decent homes for vulnerable private sector households</li> <li>• Increased usage of services mentioned but set against background of falling use of home help or home care, partly because such services restricted to those with highest care needs</li> </ul>

Source: ODPM, 2004a.

Table 9.12: Teenage conception rates: worst performing fifth of local authorities compared with England

	Conceptions per 1,000 15-17 year olds: mean for bottom 20% LAs	Conceptions per 1,000 15-17 year olds: England	Difference
1998 Baseline	66	47	19
1999	64	45	19
2000	62	44	18
2001	59	43	16

Note: National target to reduce under 18 conception rate by 50% by 2010 (and 15% by 2004) while reducing gap between worst fifth and average by a quarter over that period. The gap between the 88 NRF areas and the English average has also fallen over the same period from 12.8-11.8%.

Source: DH Teenage Pregnancy Unit, Conception statistics for local authorities.

9.2.23 The Government has also introduced a number of health initiatives specifically targeted at deprived urban areas such as Health Action Zones (HAZs), Healthy Living Centres (HLCs) and Local Improvement Finance Trusts (LIFTs). HAZs have generally been viewed as effective in stimulating more joined-up and innovative local approaches to dealing with health inequalities. But they have not yet, unsurprisingly, given timing and resources, registered an impact on outcomes (Table 9.13). The network of over 250 Healthy Living Centres in England is now up and running and they are succeeding in actively engaging the community and relevant partners. Again, however, evidence of impact on health outcomes is not yet available (Bridge Consortium, 2003). Evaluation of LIFTs shows that they are an effective and flexible procurement mechanism for delivering improvements in primary care services in inner areas. However, since the 50 buildings funded in this way are only just opening, it is still too soon to gauge their impact (NAO, 2005).

Table 9.13: Health Action Zones – the leading example of policies targeted on deprived urban areas

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<ul style="list-style-type: none"> <li>• New partnership approach to addressing health inequalities, identifying health needs and modernising services by integrating health, education, housing, employment and anti-poverty initiatives</li> <li>• Twenty-six HAZs set up on competitive basis 1998-99 covering 73 districts experiencing deprivation and/or health inequalities</li> <li>• Seven year programme with total £152m budget, programmes determined by local Partnership Boards</li> <li>• Four main types of investment: addressing social and economic determinants, promoting healthy lifestyles, empowering individual and communities and improving health and social care services</li> </ul>	<ul style="list-style-type: none"> <li>• Main benefits of HAZs have related to way they have induced changed methods of working – e.g. better collective understanding of factors causing health inequalities, wider collaboration, some improvements in mainstream services</li> <li>• Direct impact on health outcomes not yet observable due to limited resources, considerable timelag before effects register but some evidence of changes to individual lives</li> <li>• Reached large number of smokers but services in deprived areas still achieving lower cessation rates than elsewhere</li> <li>• Progress affected by variable understanding of health inequalities problem, changing priorities and organisational arrangements, degree of co-terminosity of boundaries, staff commitment and turnover</li> </ul>	<ul style="list-style-type: none"> <li>• HAZs have contributed to some Primary Care Trusts' greater focus on health inequalities and shown value of focusing on local level</li> <li>• Need for clearer definition of health inequalities to provide greater focus to programmes</li> <li>• Many partnerships have progressively shifted emphasis from supporting a multitude of projects to focusing on influencing mainstream services</li> <li>• Some commentators sceptical that spatial targeting approach can tackle many forms of disadvantage which are spread across communities or located within communities of interest</li> <li>• Debates about relative weight to attach to innovation and plugging gaps in mainstream services and consequent levels of additionality</li> <li>• Scope for additional exchange of good practice</li> </ul>

Source: Shaw et al, 1999; Benzeval, 2003; Bauld et al, 2003.

9.2.24 The overall picture which emerges is of particular programmes exerting a positive influence but it will take time to demonstrate observable effects of policy on urban health. This is probably for three reasons. First, many forms of disadvantage exert long-term health effects. Children born in poor families are more likely to be born prematurely, are at greater risk of infant mortality and as adults have a greater prospect of chronic disease or early death. Therefore the persistence of multiple deprivation in certain urban areas which is confirmed by the stability in their index of multiple deprivation rankings is echoed by wide geographical variations in quality of health. For example, life expectancy is lowest in urban areas like Liverpool and Manchester and this has been the case for the last 150 years (HMT, 2004). Second, although targeting the treatment of diseases which are more common in disadvantaged communities discriminates in favour of the poor, a combination of patterns of take-up, lifestyle factors, personal preferences and health awareness results in the more wealthy taking most advantage of improvements in health provision. Third, more time and information are needed before a true verdict can be given on the current range of policies impacting on health. Nevertheless, policies seem to be going in the right direction since there has been a modest shift in emphasis from health care to more preventative policies at local level. Evidence suggests that more explicit recognition and resourcing of inequality problems would help further.

### 9.3 Housing

9.3.1 Over the last decade, housing policy has contained both elements of continuity and marked change and had a significant impact upon urban Britain. The 1990s witnessed continuing promotion of home ownership, transfers of dwellings from local authority ownership to housing associations, reductions in state support both in terms of tax relief for owner occupiers and the scale of new-build social housing, de-regulation of the private sector and measures to reduce homelessness. Deprived urban residential areas were the subject of a series of spatially targeted initiatives characterised by increased resident involvement, more intensive housing management, promotion of more mixed tenures and a more holistic approach to regeneration (DETR, 2000a). In 2000, the Government boosted investment in the existing stock and set a target for bringing all social housing up to a decent standard within ten years. Following the publication of the Urban Task Force report, targets were also set for recycling land for residential development and dwelling densities and a range of fiscal incentives were introduced – principally Stamp Duty and VAT concessions, accelerated tax credits for clearing up contaminated land, enhanced Major Repair Allowances in deprived areas – to kick-start an urban renaissance. Mounting evidence of sustained increases in house prices, significant numbers of additional households and regional imbalances in supply and demand and associated problems of housing affordability and negative equity, prompted the Government to introduce its Sustainable Communities Plan in 2003. This proposed to increase the supply of housing in areas experiencing a shortage in the south east and east of England and tackle low demand and abandonment in run-down urban areas in the north (ODPM, 2003). The Government has also progressively expanded programmes to enable key workers to afford housing in high cost areas – for example the Starter Home Initiative and the Key Worker Living programme.

9.3.2 This section reviews evidence about the effectiveness of the most salient initiatives affecting urban housing. However, outcomes are critically affected by the macro-economic environment and broader government policies on taxation, subsidy and regulation policies. Although there is limited evidence about the latest, most radical measures, a comprehensive evaluation of housing policy during the period 1975-2000 has implications for contemporary policy (ODPM, 2005b). This review draws heavily upon that research into the most recent period. It is structured around the main objectives of recent housing policy to:

- provide enough homes for every household and at affordable prices;
- ensure that housing policy contributes to wider economic objectives such as stability, take-up of job opportunities and mobility of labour;
- provide greater choice within the social rented sector both in terms of landlord, lettings and influence over management;
- ensure that the housing needs of disadvantaged individuals and communities are met;
- improve the quality of housing in all sectors and ensure that all social housing is decent by 2010 and to increase the proportion of vulnerable households living in decent homes to 70 per cent.

9.3.3 In the past decade, shortage of affordable housing has become a major problem. Rapid growth in the number of households because of changing family relationships including divorce, growth in wealth, increased international migration and longer lives has been accompanied by a continuing fall in the total number of homes, which has led to an escalation in house prices. In the period 1997-2004, the price of the average English home increased by 125 per cent while earnings rose by only 18 per cent (NHF, 2005). House purchase is now beyond the means of many first time buyers and those on average incomes or less. This is especially true in London and other urban areas in the south east and east. (Wilcox, 2003). Symptomatic of the crisis is the fact that the number of homeless households in temporary accommodation topped 100,000 in 2004, almost double the 1995 figure of 54,000. However, sustained interventions by government, for example, the Rough Sleepers Initiative, Rough Sleepers' Unit, Homelessness Directorate, have succeeded in reducing its most visible and extreme manifestations. By 2001 the incidence of rough sleeping had fallen to two-thirds of that recorded in 1998 with especially marked reductions in London. This is due to the government providing outreach services, additional hostel places and move-on places and its resettlement work and other support services. (Randall & Brown, 2002). The government has also effectively ended the long term use of bed and breakfast accommodation by families which was expensive and unsettling (ODPM, 2005a).

- 9.3.4 Supply of housing has, apart from a very recent upturn, steadily fallen over the last two decades. Research has shown that the planning system has failed to supply sufficient land for housing, that lack of infrastructure is a constraint in some areas and that complexities associated with re-development of brownfield land and the fall in the supply of new social homes are also important factors (ODPM, 2005b). This has had different impacts on different parts of urban Britain because of varying development pressures, economic fortunes and inequalities in income. Generally, prices have risen most rapidly for all types of housing stock in overheated urban property markets in the south east. In the rest of the country, rises have been marked in desirable urban areas but less so elsewhere. In some urban areas in the north and west of England, however, economic decline, concentration of the deprived in social housing areas due partly to Right To Buy, shortcomings in design and condition of stock and multi-faceted social problems have led to low demand, abandonment and falling prices. Growing inequalities in wealth are being mirrored, even amplified, by the polarisation of housing markets. Many existing homeowners are benefiting from a significant and growing asset whilst the three in ten who do not own their house are missing out (Shelter, 2004).
- 9.3.5 The lack of local incentives to develop additional housing, opposition from existing residents, coupled with urban containment and regeneration policies have limited the supply of housing. Government targets for the re-use of urban land and residential densities set out in PPG3 have broadly been achieved, leading to better exploitation of the urban land resource. But there is substantial variation in local authority performance (CPRE, 2004). Targets will prove harder to achieve as the supply of brownfield sites diminishes so a substantial proportion of remaining sites will involve de-contamination or other costly forms of remediation. Public funding for housing has mainly been channelled into social housing in needy areas and sub-standard housing rather than into growth areas. Section 106 agreements have yielded significant affordable housing – 50 per cent of total supply and secured more land for such homes. They have also helped to create mixed communities by encouraging social housing provision in more pressurised areas. However, they have not proved an alternative to public subsidy (Monk et al, 2005). This is especially true of urban areas in the north and west where major infrastructure work is necessary and developers' margins are tighter (ODPM, 2005b). Some policies which have extended home ownership, such as Right to Buy, have steadily diminished the stock of social homes because resources from asset sales have not been recycled to provide new housing. This has offset increases in new build construction by Registered Social Landlords since 2001. Increased government expenditure on housing since 2000, and the radical nature of the Government's current growth plans, are both clear signs that past policies have not delivered sufficient affordable housing (ODPM, 2005b). However, it is still too early to assess the impact of the new measures.
- 9.3.6 Many of the Government's policies for ensuring that housing policy contributes to economic objectives consist of national fiscal measures and those relating to the mortgage market. However, those tackling benefit traps and labour mobility have urban implications. Research has shown that loss of Housing Benefit is a common reason why many people do not take up employment and claimants are relatively concentrated in deprived urban areas.

Housing Benefit Pathfinder pilot projects are trying to address this problem by allowing those returning to work to have their claims reassessed. Results are not yet available and, so far, these only apply to selective areas. Work disincentives remain elsewhere. Research has shown that both high and low house prices can deter labour mobility, making it hard to move in or out of affected areas (ODPM, 2005). Efforts to improve long-distance mobility in the social rented sector, for example, the national database of vacancies, choice-based lettings, changed lettings policies, have run up against the fundamental problem that in high labour demand areas such as London there is insufficient housing to meet both housing needs and key worker demand for accommodation. As a result, the government has introduced the Starter Home Initiative – equity based loans for public sector key workers repayable if properties are sold in areas of expensive housing. Upper loan limits have since been raised in an attempt to boost initially low take-up (ODPM, 2005b). This, together with the introduction of a successor scheme, the Key Worker Living Programme, has succeeded in boosting take-up from 1,500 to 4,000 per annum over the period 2000-2004. However, the scale of the problem is still immense and there are continuing debates about whether other categories of worker should also be eligible (ODPM, 2004d, 2005b).

- 9.3.7 Government initiatives for extending choice through widening access to owner occupation have generally been regarded as successful. Right to Buy has proved enduringly popular, created more mixed tenure neighbourhoods in affected areas and provided markets in relatively affordable homes. The Homebuy scheme which the Government announced last year consolidates the variety of Low Cost Home Ownership schemes which have provided more varied routes into owner occupation. The major disadvantage with Right To Buy has been that it has contributed to the concentration of deprived households within remaining social housing. Policies for enhancing choice in the social housing sector can be divided into demand and supply-side measures. The former include choice-based lettings, restructuring of rents so that they reflect the relative attractiveness of properties and moves towards adopting a flat rate housing benefit in an attempt to foster more market conditions. Success here largely hinges on the success of government employment measures considered elsewhere, otherwise safety net aspects of the housing system will be compromised. Supply-side measures have included enhanced tenant involvement in management, encouraging local authorities to separate their strategic planning and stock management roles by releasing additional investment if they and tenants opt for stock transfer, Arms Length Management Organisations or Private Finance Initiative. Despite some successful individual examples of tenant management, for example, Tenant Management Organisations, tenants have shown little appetite for such measures and there is a lack of convincing evidence that landlord performance has improved (ODPM, 2005b).
- 9.3.8 The Government has introduced a series of targeted measures to benefit both disadvantaged communities and urban groups and recognises that general housing policies are insufficient to meet all needs. There have been many experiments with area-based approaches which recognise that the incentive for, or ability of, individual householders to improve their dwellings can vary significantly according to locality. Within the private sector, the current



Government has continued to encourage designation of Renewal Areas, support Home Improvement Agencies and issued renovation grants. These approaches have basically been adjudged sound. Renewal Areas have been applauded for being one of the first housing programmes to supplement purely physical improvements with wider measures (DETR, 1997). Some commentators have, however, felt that relatively few have been declared and that the process of identification and declaration has been overly complex and dedicated resources have been lacking (Bramley & Pawson, 2002). Such policies have been successful in upgrading stock and improving neighbourhoods in physical terms. However, the sheer extent of recent low demand problems in older private neighbourhoods in the north and the gentrification phenomenon in resurgent localities suggests that demographic and job trends and market forces are more important determinants of such areas' fortunes. The evidence also suggests that these interventions have not fundamentally reshaped housing markets (ODPM, 2005b). The poor condition of some private rented property is still a concern. Also the Government still faces the challenge of striking the right balance between incentivisation and regulation, given concerns about housing supply. Recent moves towards greater targeting and granting additional powers to local authorities to fund purchase and demolition of stock have, however, been well received.

- 9.3.9 Successive governments have devoted a lot of attention to solving the problems of the most deprived social housing estates. The philosophy of different programmes has reflected not just political preferences but also diagnoses. These have included flawed design, poor management, under-performing landlords, lack of tenant involvement, the need for a multi-agency approach and understanding of social dynamics such as social exclusion. Interventions have increasingly incorporated these factors, and become more sophisticated and have been welcomed by evaluators. Housing related policies have at their best improved housing and living conditions and increased residents' satisfaction. Selective examples are discussed in more detail in Table 9.14. However, it is clear that they have been 'swimming against the tide' (Power and Tunstall, 1995). Wider forces such as the long-term decline of some urban economies, increasing income inequalities and even other housing policies have pulled in the opposite direction. For example, Right to Buy has contributed to concentrations of deprived in social housing as already noted. More generally, the housing system tends to sort spatially according to householders' socio-economic circumstances and run-down social housing areas are the least popular places. Ironically, effective area-based regeneration can lead to out-migration of beneficiaries and their replacement by more needy households. The English House Condition Survey (EHCS) shows that there is a continuing association between poor neighbourhoods and social housing. Overall, therefore, effective area-based interventions have been viewed as holding operations, staving off what would have been more serious decline. But these programmes have generated an impressive body of good practice. The most effective have been characterised by multi-agency working, wider economic and quality of life initiatives to persuade residents to remain in the area, active resident involvement and measures to integrate housing and long-term plans to ensure that progress is sustained.

Table 9.14: Selective examples of recent housing policies targeting deprived urban areas

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Housing Renewal Areas:</p> <ul style="list-style-type: none"> <li>• Ten year programmes involving LAs, residents and private sector seeking to regenerate run-down areas through clearance, renovation grants and wider measures</li> <li>• Action informed by neighbourhood renewal assessment of boundary definition, option appraisal, socio-environmental assessment</li> </ul>	<ul style="list-style-type: none"> <li>• 139 areas declared, 1989-2000 in 72 authorities</li> <li>• upgrading of stock</li> <li>• environmental improvements</li> <li>• some schemes have also incorporated wider measures which have reduced crime and improved educational and job opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Most successful have secured multi-agency approach, closely engaged residents, linked Renewal Areas and wider regeneration initiatives</li> <li>• Systematic option appraisal</li> <li>• Home Improvement Agencies adjudged an effective tool</li> <li>• Limitations: small number of areas affected, lengthy designation procedure, mandatory grants inflexible but since changed</li> </ul>
<p>Housing Action Trusts:</p> <ul style="list-style-type: none"> <li>• Time-limited quangos run by local boards</li> <li>• Charged with regenerating run-down local authority housing estates</li> <li>• Six HATs designated, just over £1bn expended, 1991/2-2003/4</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading stock, intensive housing management, diversification of tenure</li> <li>• Impressive range of schemes tackling residents' wider needs: local labour in construction, jobs and training schemes, employer liaison; community development initiatives; crime prevention schemes</li> <li>• Tenant empowerment, Board accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Expense limits wider applicability</li> <li>• Pioneering examples of housing-led regeneration</li> <li>• Tenant satisfaction with improvements high</li> <li>• Evidence of relatively sophisticated succession arrangements</li> <li>• Ground-breaking stock transfer and neighbourhood management mechanisms</li> <li>• Only partial success in diversifying tenure and social mix because of economic factors, declining popularity of social housing</li> </ul>

**Table 9.14: Selective examples of recent housing policies targeting deprived urban areas (continued)**

Key features of policy intervention	Evidence of impact	Policy lessons and issues
<p>Large Scale Stock Voluntary Transfers:</p> <ul style="list-style-type: none"> <li>• Transfers of stock out of council into RSL sector, providing there is tenant assent</li> <li>• Increase investment in housing and raised standards through attracting private finance</li> <li>• Means of encouraging local authorities to separate strategic and provider role</li> </ul>	<ul style="list-style-type: none"> <li>• By early 2003, £11.6bn private finance raised, £5.4bn for repairs, 180 transfers of 0.75m houses (18% of 1988 council stock).</li> <li>• LSVTs attractive to local authorities with surpluses on Housing Revenue Account given changed rules regarding surpluses and restrictions on local authority borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluations generally positive about way transfers handled, tenant satisfaction, LSVT performance</li> <li>• LSVT scheme more expensive than renovation under LA ownership but additional benefits such as improved service to tenants, more tenant participation, community regeneration and risk transfer</li> <li>• Tenants reassured by rent and other guarantees</li> <li>• Effective way of releasing equity in stock, injecting private finance, advantages in terms of avoiding public sector borrowing</li> <li>• Process is lengthy, cumbersome and quite costly</li> <li>• Tentative evidence that stock improvements can be achieved by other means (e.g. ALMOs) and there have been some high profile cases where tenants voted against transfer (e.g. Birmingham)</li> <li>• But LSVT likely to be main means of investment for tackling high debt, low quality council housing given recent gap funding scheme announcement (the Estates Renewal Challenge Fund provided a good model for dealing with negative value transfers in terms of intensive management, refurbishment, resident involvement and wider regeneration)</li> </ul>

Sources: *Renewal Areas*: DETR, 1997; ODPM, 2002; ODPM, 2005. *HATs*: Evans & Long, 2000; DETR, 2000b. *Large Scale Stock Transfers*: Audit Commission, 2002; NAO, 2003; ODPM, 2005b.

Notes:

1. It is too soon to judge the impact of Housing Renewal Market Pathfinders.
2. Multi-agency programmes with a housing element such as City Challenge, Single Regeneration Budget and New Deal for Communities are considered in more depth in the governance chapter.

9.3.10 Support for groups with special needs or vulnerabilities has taken the form of sheltered housing, Care in the Community and Supporting People programmes. While Care in the Community has reduced institutionalisation and diverted older people from early entry to residential care by offering them appropriate packages of support, providing support for highly dependent

people has often proved equally expensive and added to budgetary pressures which resulted in Social Service departments cutting lower level services. The Supporting People Programme introduced in 2003 is designed to complement Community Care by supplying a wide range of low intensity support to enable a wide range of clients to live independently in general needs housing. Only limited conclusions about impact can be drawn since the programme has not yet been systematically reviewed. It has the potential to provide greater coherence to former ad hoc support and to reduce homelessness. But doubts have been expressed whether floating support services can overcome poverty, unsuitable residential neighbourhoods and guarantee enhanced independence and self care (Pleace, 1995; Quilgars, 1998, Jones et al, 2002). There are also concerns about 'cost-shunting' since the boundaries with NHS funded services are not always clear. Care provision and availability of care workers may also be detrimentally affected by booming house prices.

- 9.3.11 Another target group are ethnic minority communities which are largely based in urban areas. The Government has promoted greater understanding of equality and diversity issues by issuing good practice advice about counteracting racist practices, participation methods and adjusting service delivery (Harrison and Phillips, 2003). Growth of ethnic minority-led agencies has the potential to highlight ethnic minority needs and empower such communities. However, the adoption of such practices by housing providers has been uneven and many ethnic minority organisations are small and vulnerable to financial difficulties. There is a dearth of research on the impact of mainstream provision and regeneration programmes on different ethnic minority communities which implies that their needs are not being systematically analysed and met (ODPM, 2005). Available evidence suggests that the housing options of different ethnic minority groups tend to reflect their wider socio-economic prospects.
- 9.3.12 The Government in 2000 set the clear target of achieving the Decent Homes standard in all social housing stock by 2010 and to increase the proportion of vulnerable households living in decent homes in the private sector to 70 per cent. There are relatively high concentrations of non-decent social housing in city centres, although most are found in urban centre locations or suburban residential areas. Table 9.15 shows that in the period 2001-2003 the numbers of households living in non-decent homes fell slightly more in the most deprived urban areas than elsewhere. This suggests that the Government is on track to hit its 2010 target. This is due to a combination of the injection of public and private finance into stock refurbishment – stock transfers, the creation of Arm's Length Housing Organisations, regeneration programmes – and, to a more limited extent, use of the Private Finance Initiative. Evaluation has shown that the current policy framework does allow for the standard to be achieved within the timescale, although concerns have been raised as to whether it sufficiently reflects tenants' aspirations and whether attaining it will force some local authorities and tenants down prescribed routes in terms of type of landlord (House of Commons, 2004; ODPM, 2005). Also, there is a concern that the new formula for rent-setting does not sufficiently allow for continuing maintenance in future.

9.3.13 In terms of the private sector target, the proportion of vulnerable households in non-decent private dwellings has also fallen from 42.7 per cent in 2001 (baseline year) to 37.2 per cent in 2003. Private sector households resident in deprived urban areas are more likely to be vulnerable and if so, more likely to be living in non-decent homes. Despite such progress, opinion is divided as to whether the Government will hit its 2006 target of 65 per cent decent private dwellings, especially in high demand areas such as London. Optimists cite that the Government is currently ahead of target and has allowed for attrition and also market, demographic and other factors such as the behaviour of the private rented sector. Others take a less sanguine view because of the possible effects of regulation on supply of homes, the limited means or inclination of the growing numbers of ageing owner occupiers and the limited availability of renovation grants (ODPM, 2005b).

**Table 9.15: Number of English households living in non-decent social housing in deprived areas and throughout England**

	<b>112 most deprived areas (m)</b>	<b>England (m)</b>
2001 Baseline	1.07	1.65
2003	0.931	1.44
% change	13	12.7

Note: National target to bring all social housing into decent condition by 2010.

Source: English House Condition Survey

## 9.4. The balance sheet – have policies made cities more socially cohesive?

9.4.1 What have we learned? The evidence is uneven and the position varies between different urban areas. However, a variety of important messages have emerged.

9.4.2 A variety of worklessness programmes, work-related tax and benefit changes have contributed to rising employment rates in the most disadvantaged areas which have increased to a slightly greater extent than elsewhere. Results have been most impressive where different government policies have been packaged so as to remove the various barriers to employment, for example New Deal for Lone Parents. The National Minimum Wage has probably assisted urban areas containing higher than average concentrations of low paid workers although no work on its distributional effects has been carried out. Despite these achievements, the prospects of the least qualified and other most disadvantaged groups have not improved relative to the national average. Recent attempts to boost enterprise and investment in urban areas through initiatives such as City Growth Strategies, Enterprise Areas and the Phoenix Fund are welcome but their impact has not yet been established.

9.4.3 A succession of community safety measures have contributed to significant reductions in burglary, street robberies and anti-social behaviour. Agencies have adopted a more co-ordinated, intelligence-based approach and have blended enforcement, diversionary and preventative measures. However, an overall steady fall in the incidence of crime since 1997 conceals marked variations, with burglaries and vehicular crime falling but robbery and some

categories of violent crime increasing. Some evaluations have identified how the criminal justice system has at times struggled to cope with new initiatives – which validates recent consolidation measures.

- 9.4.4 Greater emphasis on early years provision has led to marked increases in childcare provision in urban areas. However, quality of care remains a significant issue given the extent to which families in poorer areas utilise childminders and more general recruitment problems. Sure Start has proved an exemplar in terms of policy design, popularity with parents and its supply of effective parent support, play and learning opportunities and social benefits. However, there is no evidence as yet of educational and health benefits. It will be important to maintain its community ethos and the right balance between its childcare, health, family support and employability aspects as it is rolled out more widely. A range of initiatives have led to some convergence in attainment at KS1 and 2 and GCSEs between lower and high performing authorities within a context of rising achievement everywhere. Literacy and numeracy measures, mentoring and intensive learning support for disaffected pupils have probably had the greatest impact. The Excellence in Cities programme is widely regarded as superior to its predecessor, Educational Action Zones. However, more fine-grained analysis shows that attainment at KS3 and GCSE level by pupils from poorer backgrounds and Black families is still markedly inferior to that of pupils from more wealthy families. There is a growing correlation between schools' performance and the socio-economic profile of their neighbouring catchment areas. The nature of targets and performance tables could be strengthening the relationship. Research has shown that the Educational Maintenance Allowance programme has increased staying on rates. However, the proportion not in education, training or employment has remained stubbornly the same as it was in 1997. It is still too soon to tell to what extent recent higher education reforms will alter patterns of access and participation in different urban neighbourhoods.
- 9.4.5 It is also still too soon to judge properly the urban impact of health policies. Evaluative research has shown that individual initiatives have worked. Both Health Action Zones and Healthy Living Centres have raised health awareness, promoted more healthy lifestyles and introduced preventative measures in more deprived neighbourhoods. The Teenage Pregnancy Strategy has probably helped to reduce teenage conception rates more rapidly in worst affected areas than elsewhere. However, a range of indicators, for example, life expectancy, incidence of cancer and coronary disease, show that while health has generally improved since 1997, the gap between socio-economic groups and wealthy and less wealthy urban areas has not diminished. Problems of low birth weight and the numbers reporting that they are in poor health have worsened in the latter areas during that time.
- 9.4.6 The housing research validates the thrust of the Sustainable Communities Plan by demonstrating that past policy has insufficiently boosted supply in growth locations and either exacerbated or failed to arrest problems of low demand in urban areas in the Midlands and North. While area-based programmes in deprived social housing estates and run down areas of private housing have become increasingly sophisticated in scope and content, they have essentially been holding operations in the face of wider economic forces, growth in income inequalities and the increasingly residual status of social housing.

Government promotion of stock transfers and Arm's Length Management Organisations have contributed to a marked reduction in the incidence of non-decent social housing. However, there is concern whether recent formulae will provide sufficient scope for future maintenance. Within the private sector there is a tension between enforcement of standards and maintaining supply of homes. Housing policy has successfully addressed the most visible manifestations of homelessness but the number of homeless households in temporary accommodation has grown. Enhanced support has been offered to those with the most severe needs and vulnerabilities.

- 9.4.7 Past policy has produced winners and losers. Home owners have benefited from rising prices and hence equity. Right To Buy and low cost home ownership schemes have enabled those with lesser means to join their ranks. Those living in sub-standard accommodation either have or will gain from fulfilment of the Decent Homes Standard. Those in most extreme need have received additional care support. On the other hand, those who do not own a home, residents in low demand and run down areas have experienced more mixed fortunes. Evaluation of the impact of housing growth plans and the Housing Market Renewal Pathfinders is underway but it is too soon to assess their impact. However, early reviews have shown that although they address previous policy shortcomings, they face a variety of challenges. The former are facing challenges about local acceptability, supply of the wider infrastructure, environmental impact and agency co-ordination whilst the latter face issues about broadening areas' appeal, extensive redevelopment, speculation, displacement and integration of their plans with wider economic and social programmes.
- 9.4.8 The Government's attempt to address market failures and improve mainstream services in the poorest neighbourhoods has begun to narrow the gap between those areas and the rest of Britain in important respects such as educational achievement, employment rates and teenage pregnancy. Particular groups in the urban population such as young children, the unemployed and the most vulnerable have benefited from the introduction of more joined up, cross-cutting, strategies and initiatives. There have been significant improvements in many urban areas in terms of the quality of the worst social and private rented housing, incidence of burglary and vehicular crime. However, some aspects of educational and housing policy have worked in the opposite direction. Prospects for personal enhancement amongst the least qualified and the most disadvantaged have not yet improved in relation to national norms. The incidence of robbery and certain categories of violent crime and poor health remains high in more deprived urban areas. There are tentative signs that the Government's recent focus on 'liveability' is beginning to reverse the long-term deterioration in the quality of urban public spaces. Area-based interventions have generally become increasingly sophisticated in scope and more effective. However, they have all run up against powerful wider forces such as economic restructuring, income inequality and divergent regional prospects. Progress will critically hinge upon the degree to which neighbourhood interventions not only complement each other but also fit together with wider policies to stimulate urban economies and improve their quality of life.

# Chapter 10: Have policies made cities more competitive?

## 10.1 Introduction

10.1.1 Urban competitiveness is a key policy goal in view of the Government's plan to create sustainable communities. Such communities require flourishing and diverse economies with:

- a wide range of jobs and training opportunities; sufficient land and buildings to support economic prosperity and change; dynamic job and business creation;
- with benefits for the whole community; a strong business community with links into the wider economy; economically viable and attractive town centres (ODPM, 2005a).

10.1.2 Prosperous urban areas can also help make their surrounding regions more successful and so contribute to the Government's ambitions to reduce the persistent gap in regional growth rates.

10.1.3 Government policy in this field has sought to increase productivity by providing local areas with the flexibility to exploit their indigenous strengths and achieve balanced growth. This approach is designed to reduce congestion, overcrowding and overheating in successful localities and benefit less prosperous areas (HMT, 2004a). Intervention has sought to go with the grain of economic change and target factors with a crucial effect upon firms' productivity – innovation, enterprise support, education/skills attainment, capital investment and supporting competition. Policy has also intended to tackle market failures at the local level including the shortage of venture capital, under-investment in skills and lack of market information. Research by the ODPM, Treasury and DTT's Regional Performance PSA Team has argued that the five key drivers of productivity growth account for 60 per cent of the persistent disparities between regions. (HMT, 2004b). Therefore we structure our assessment in these terms.

10.1.4 This chapter assesses the extent to which government policies have successfully promoted urban innovation, increased skill levels, enterprise, investment and competition, principally through tackling market failures. It also asks whether government policy has helped urban areas realise their full economic potential by harnessing their distinctive assets, removing constraints and strengthening local decision making capacity. As with other chapters in this section of the report, it is designed to provide a policy context for the work on drivers and trends identified in Chapter 4 on the competitive economic performance of English cities. It again identifies the key policy messages on the basis of an extensive review of the literature evaluating recent government policies.



## What is urban competitiveness?

- 10.1.5 England's major urban areas contain the majority of the country's population, firms, employed and unemployed people (Table 10.1). Recent research has shown that cities as well as their firms compete in terms of how effectively they exploit their physical, human and fiscal assets, overcome market failures and barriers to investment and stimulate novel and dynamic forms of economic activity (Begg, 2002). In Europe, the most successful economies are the most urbanised (Rodriguez-Pose, 1998) and every successful regional economy contains equally dynamic urban areas (ODPM, 2004). Indeed, English core cities which until recently were regarded as the casualties of profound economic restructuring actually accounted for a growing share of regional GVA over the period 1995-2001 (ODPM, 2004a).
- 10.1.6 In view of the continued search for heightened national competitiveness in the face of stiffening international competition, the degree to which public policy promotes urban economic competitiveness is a crucial issue. European research has shown that government policy can exert a key influence on urban performance and prospects (ODPM, 2004). Inter-urban competition at both domestic and international level for new product markets, inward investment, public funding and skilled individuals is growing. Maintaining competitiveness is also fundamental to sustaining individual and collective attempts to deal with multiple deprivation and social exclusion.

Table 10.1: The economic importance of urban areas

	<b>% in Primary Urban Areas (2003 unless stated)</b>
Population	58.1
Firms	52.5
VAT registrations	57.4
Total Employment (FTE)	62.3
Research and Development jobs (FTE)	44.9
Higher Education jobs (FTE)	78.4
High Technology jobs (FTE)	53.8
Medium Technology jobs (FTE)	56.0
Unemployment (2001)	60.1

Source: CSO

- 10.1.7 Economists have interpreted the term competitiveness in contrasting ways, since they disagree about whether it can be applied to territorial units as well as individual firms, the way markets function and which are the key drivers (DFT, 2004). However, there is a broad consensus that towns' and cities' economic prospects critically hinge upon:
- their ability to attract and sustain economic activities which offer comparative advantage and achieve productivity growth through creating the right business environment by developing land and property, communications infrastructures, human resources and capital;
  - their effectiveness in harnessing different forms of agglomeration (or cluster) economies which provide increasing returns to scale through

inducing technological innovations and increased specialisation within firms and amongst workers;

- their capacity to stimulate local innovation and learning by acting as knowledge hubs which contain a concentration of higher education institutions, consultancy and technical services and public institutions;
- the strategic capacity of public and private sectors to mobilise and implement long term economic development strategies (ODPM, 2004);
- softer, more intangible factors such as entrepreneurial culture, shared values and mutual trust affecting institutional linkages and capacities (EC, 2003; Begg, 2002);
- the quality of life they offer to their employees such as their range of facilities, culture and environmental appearance.

10.1.8 Linking these factors together, this study adopted the following working definition:

*Urban competitiveness is the ability of cities to continually upgrade their business environment, skill base, and physical, social and cultural infrastructures, so as to attract and retain high-growth, innovative and profitable firms, and an educated, creative and entrepreneurial workforce, thereby enabling them to achieve a high rate of productivity, high employment rate, high wages, high GDP per capita, and low levels of income inequality and social exclusion.*

## 10.2 Urban innovation

10.2.1 Innovation in firms and organisations is crucial to national prosperity. The OECD has estimated that half of the output growth in the developed world between 1970 and 1995 stemmed from innovation (OECD,2003). It seems reasonable to assume that the same applies to urban areas since they contain concentrations of research and educational institutions which are the main font of new ideas, and also knowledge-based industries, advanced producer service companies and support infrastructure. Urban areas also act as incubators for related start-up businesses because they can provide both the necessary support services and a ready market for their goods and services. Conversely, lack of pressure or incentive to innovate may adversely effect efficiency of production and perpetuate outmoded working practices in urban areas. Recently, an increasing amount of international comparative research has been conducted on what makes for innovative cities (Simmie,2001). Such research showed that urban size, firm size and sector and different forms of national innovation system all have a bearing upon outcomes but that the relative significance of these factors varied depending upon urban, regional and national contexts. The promotion of innovation and removal of barriers is becoming an area of increasing policy interest as research has shown that the level of innovation in both manufacturing and service sectors is inferior to some other EU member states (SBS,2004a).

- 10.2.2 The distribution of government research and development expenditure has a direct influence on urban areas. Such expenditure is heavily skewed towards particular sectors such as defence, health and welfare. Most such firms are located in Greater London and the south east, but there are also important concentrations in other regions such as the south west and north west. Government expenditure on higher education institutions has important ramifications for University towns and cities and their wider regions. The lion's share of HEI research funding is allocated according to national rather than local criteria, primarily research excellence. Government has increasingly skewed HEFCE research funding towards the highest rated research institutions which are concentrated in urban areas in the south east. This reflects the fact that most research-intensive companies are also located there and that most business higher education links are local. On the other hand, it reinforces the need for government policy to help less innovative areas suffering from low productivity/output equilibrium problems.
- 10.2.3 The Government has recently attempted to improve national links between industry and relevant research centres and knowledge transfer between more and less successful regions' HEIs and firms. However, it is too soon to tell if such moves are compensating for spatial imbalances in the research base and hence potential for innovation. The evidence base suggests that this will prove challenging. There is a relative dearth of demand for research amongst businesses in many urban areas outside the south east. Most partners engaged in business university collaboration are located in relative proximity to one another. Knowledge transfer from urban areas with excellent research departments and many knowledge intensive businesses to those lacking these attributes remains rare.
- 10.2.4 Although new and 'blue sky' research is funded separately by the seven Research Councils, in practice the top-rated research departments also attract the majority of such funds given the award criteria. Recent investment in infrastructure – Science Research Infrastructure Fund – has followed a similar pattern. Conversely, funding has been squeezed in the case of all but the most highly-rated departments which has adversely affected more provincial universities and, in some cases, led to closures. Recent research has argued that the Government should attach greater priority to the economic use of research outputs to promote technology transfer between HEIs and local firms which would in turn contribute to the achievement of the Regional Performance PSA2 target (Simmie et al, 2004).
- 10.2.5 Funding for knowledge transfer programmes, so called 'third stream' funding, is channelled equitably to all HEIs in the form of the Higher Education Innovation Fund (HEIF). HEIF finances improved linkages between science base and business and has increasingly sought to help the less research intensive universities develop such capabilities (HMT,2004b). However, funding is comparatively modest, amounting to about £90 million per annum, which is dwarfed by the £1 billion provided by HEFCE and £800 million by the Research Councils. As yet, England does not possess the institutional equivalent of the German research institutes, the Fraunhofer, which provide a strong base and spur for urban and regional innovation (HC Treasury Select Committee, 2004).

10.2.6 Table 10.2 presents the main findings from available evaluations of national innovation programmes. They are largely positive but do not have a spatial component to them. It is therefore not possible to gauge their precise urban impact. But it can be said that the government has acted on the main findings by expanding budgets, rationalising and simplifying business support programmes, increasing regional and local input by handing increasing responsibility to RDAs and promoting more cross-sectoral research.

Table 10.2: The impact of university-oriented Government innovation programmes

Scheme	Aim	• Evaluation findings
<b>Knowledge Transfer Partnerships</b> (formerly Teaching Company Scheme)	Enable firms access to knowledge and expertise of science base (High-calibre graduates are recruited to work on projects crucial to strategic development of business, also providing them with work experience).	<ul style="list-style-type: none"> <li>• Evenly distributed between HEIs, 50% projects cross-regional</li> <li>• 75% participating businesses regarded scheme as of strategic importance</li> <li>• 50% of them expected KTF to have positive impact on future sales/profitability</li> <li>• 94% of businesses would recommend scheme to others</li> <li>• 38% introduced new technology, 45% significant advance existing technology</li> <li>• general awareness of scheme low, requires better marketing</li> </ul>
<b>University Challenge</b>	Seed funding for 37 selected HEIs to develop research with commercial potential	<ul style="list-style-type: none"> <li>• Assisted creation of regional centres of excellence, through joint input of government and RDAs</li> </ul>
<b>LINK Collaborative Research</b>	Main mechanism for promoting pre-commercial research between business and research base	<ul style="list-style-type: none"> <li>• Good value for money, substantial economic benefits (profits, employment) to participants, well regarded by them</li> <li>• Application process involved</li> <li>• Protracted negotiations over intellectual property</li> </ul>
<b>University Innovation Centres</b>	Strengthen regional capabilities in innovation, skills and enterprise in regions lagging behind in terms of both knowledge creation and collaboration	<ul style="list-style-type: none"> <li>• No formal evaluation</li> </ul>

Table 10.2: The impact of university-oriented government Innovation programmes  
(continued)

Scheme	Aim	• Evaluation findings
<b>Research and Development Tax Credits</b>	Boost business usage of research and development expertise in universities – initially available to SMEs (2000), later to large companies (2002).	<ul style="list-style-type: none"> <li>• Introduced comparatively recently, not yet capable of proper evaluation</li> <li>• Anecdotal evidence suggests it is regarded as useful policy tool</li> <li>• Targeted at key sectors e.g. defence</li> <li>• Tax breaks comparatively generous by international standards</li> <li>• Scheme improperly understood, scope for better marketing</li> </ul>
<b>Faraday Partnerships</b>	Promote two way exchange of information between HEIs and business, collaborative projects, technological and dissemination events	<ul style="list-style-type: none"> <li>• 24 partnerships involving over 60 University departments, 2,000 businesses, 27 independent research organisations and 25 intermediaries</li> <li>• Played a valuable role as intermediaries between business and universities (Lambert Review, 2004)</li> </ul>
<b>Regional Centres of Manufacturing Excellence</b>	Practical advice to manufacturing SMEs on best practice in introducing world-class manufacturing techniques and technologies	<ul style="list-style-type: none"> <li>• No evaluation but scheme regarded as successful by DTI</li> </ul>

Sources: SQW, 2001; Lambert Review, 2003; ODPM, 2003a.

10.2.7 One vital element of the local innovation system is the availability of risk and venture capital. There is evidence that the equity gap continues to have an urban and regional dimension (Mason & Harrison, 2002; Martin et al, 2003). The industry and investment activity is heavily concentrated in London (61 per cent investment) with Manchester the only regional centre having an investment community and capital market of any significant size (BVCA,2002; Martin et al, 2003). Since such investment requires close and regular contact between investor and recipient, there is a strong likelihood that other urban regions are underserved. Some local evidence supports this (SBS, 2004a). This situation contrasts with Germany, for example, where the industry is more evenly distributed between the major urban centres. It is still too soon to tell if recent government initiatives, for example, Regional Venture Capital Funds, will redress this imbalance.

10.2.8 In terms of local and regional policymaking, Regional Development Agencies are devoting about half their business support budgets to local science and innovation projects involving business-university collaboration – £250 billion

per annum. They have played a useful role in shaping local bids and more generally have promoted innovation as part of their Regional Economic Strategies. They have led Regional Science and Industry Councils, worked to create successful economic clusters and promoted knowledge transfer and generally recognised the contribution of other urban institutions. The impact of RDA-funded activities has not yet been formally evaluated. A major recent study of business support programmes affecting deprived areas concluded that targeting those with innovative business concepts is the most effective way of ensuring higher growth and survival rates (ODPM/NRU/SBS, 2003). Another study of the performance of incubator-based firms in high tech sectors confirmed this (Sherman, 1999). Research has also shown that small businesses have more potential to develop radical innovations than large ones (Mole, 2002). However, at present they are much less likely to engage in research and development than large firms (Cosh & Hughes, 2003). In this area, the SMART programme has made an important contribution. It provided SMEs with grants to enable them to develop technologies leading to commercial products and has proved highly successful (PACEC, 2001).

- 10.2.9 There is scope for the Government to do more with its urban and regional partners to remove constraints upon local innovation (Cosh & Hughes, 2003). Urban innovation systems remain embryonic, unlike in France and Germany, where there are more structured, local linkages between central and local governmental institutions, educational and financial institutions and firms (Parkinson et al, 2004). There are also instances where government legislation and taxation policy militate against universities exploiting innovative ideas commercially. For example, Schedule 22 of the 2003 Finance Act imposes a tax penalty on academics involved in start up companies who receive a dividend from shares. This discourages staff from translating innovative ideas into new businesses (Simmie et al, 2005).

### 10.3 Urban skill levels

- 10.3.1 Skills issues critically affect each productivity driver, underlining their crucial importance to urban competitiveness. Urban areas offer firms access to sizeable pools of labour. There is a strong relationship between the quality of cities' skills base and their competitive performance in terms of innovation and output per head (Boddy & Parkinson, 2004). Neither the proportion of the workforce with intermediate skills nor the percentage of residents in our major urban conurbations with a third level education compare favourably with our leading European counterparts (ODPM, 2004b; LSC, 2003). Variations in skill levels within and between urban areas are marked. This is particularly true of London where the proportion of the local population with a degree qualification ranges from 9 per cent in Barking and Dagenham to 56 per cent in Richmond upon Thames.
- 10.3.2 Since 1997, the Government has adopted a twin-pronged strategy to addressing skills deficiencies, centred on improving the skills of young people entering the workforce and boosting the skill levels of the existing workforce. Under the former, it has introduced various measures to raise educational and

skills attainment in schools and colleges; improved careers information and advice measures via Connexions; developed youth apprenticeships; introduced post-16 transition measures for low income students and boosted resources in higher education through securing greater graduate contributions.

- 10.3.3 Adult skills measures have focused upon different forms of market failure which principally include credit constraints, lack of information about the value of training and businesses' inability to reap a full return on their investment. This has involved training subsidies for employers – Employment Training Pilots; schemes to raise adults' basic skills; programmes to develop high quality leadership and management skills; making local training provision more responsive to individuals' and employers' needs.
- 10.3.4 In terms of local responsiveness, the government has replaced the 82 Training and Enterprise Councils with a national Learning and Skills Council (LSC) and 42 local LSCs. It has given them responsibility for further education as well as adult and employer-based learning. A network of Sector Skills Councils – Skills for Business Network – has been established to give employers a more powerful role in identifying skills needs and shaping supply. Regional Development Agencies have been charged with drawing together different economic development bodies, for example, LSCs, Small Business Service, Job Centre Plus, Skills for Business Network, local authorities, trade unions and employer bodies into Regional Skills Partnerships in an attempt to ensure a more integrated, demand-led approach to skills provision. Very recently, LSCs have been instructed to instigate strategic area reviews to assess whether further education and training provision meet local and regional skills needs.
- 10.3.5 Very few education and training programmes are specifically focused on urban areas. The main exceptions are Excellence in Cities and London Challenge, which have both tried to break the link between socio-economic disadvantage and educational under-attainment, and Aimhigher which seeks to boost participation in Higher education and is focused on disadvantaged areas. However, these programmes constitute a very small percentage of total DfES spend. The budget for EiC, the largest, is less than 0.5% of total government educational expenditure. However, a considerable number of other programmes are likely to benefit urban areas because they target disadvantaged groups which are concentrated in towns and cities. The urban implications of education and training programmes are shown in Table 10.3. Also, three of the five factors used to determine the allocation of the schools budget between LEAs count in urban areas' because of their socio-economic and ethnic composition. The proportion of GDP spent on education has risen from 4.7 per cent in 1996/7 to 5.4 per cent in 2004/5. The training budget through the Learning and Skills Council also discriminates in favour of the most deprived wards.

Table 10.3: The urban impact of recent Government skills programmes

Schemes improving skills of young people	Urban impact
<p><b>Educational Maintenance Allowance:</b> scheme piloted in one third of LEAs which provides support up to £1,500/year depending upon household income and aims to remove financial barriers preventing young people from poorer families pursuing education beyond age of 16</p>	<ul style="list-style-type: none"> <li>• No urban dimension to analysis but urban bias likely given that scheme is targeted at individuals with low family income</li> <li>• Educational participation has increased by 5% on average amongst those eligible for support and by 7% amongst young people from poorest families</li> <li>• Scheme launched nationally in September, 2004</li> </ul>
<p><b>Connexions:</b> universal service to improve pathways into work and further training and education, but targeted at those at most risk of underachievement and disaffection</p>	<ul style="list-style-type: none"> <li>• No explicit urban dimension but local delivery mechanism/discretion and targeted at groups at risk of disengagement from learning which are more commonly found in urban areas</li> </ul>
<p><b>Modern Apprenticeships:</b> National framework of work-based learning and education in key skills and sector specific qualifications</p>	<ul style="list-style-type: none"> <li>• No urban dimension to analysis but targeted at those not in employment, education or training who are more heavily represented in urban areas</li> <li>• 1m starts since 1997, trialling extension to adults</li> <li>• Scheme has succeeded in increasing participation and widening vocational choices: enrolments more than doubled over period 1997-2003 (111,700-226,800)</li> </ul>
<p><b>Skills for Life:</b> strategy for improving adult literacy, numeracy and English incorporating number of elements including free entitlement to learning and targeting of priority groups (unemployed, prisoners, homeless etc.)</p>	<ul style="list-style-type: none"> <li>• No urban dimension to evaluation</li> <li>• Likely to especially benefit urban areas because they contain concentrations of most priority groups</li> <li>• Increased understanding of different learning paths individuals can take</li> <li>• Better support infrastructure developed in terms of standards, curricula, teaching, recognisable qualifications</li> <li>• Additional funding incentives to providers to offset extra costs, flexibility of provision</li> <li>• 0.84m adults improved basic skills in period 2001-2004</li> <li>• 71.3% adults in workforce qualified to level 2, 2003/4 compared with 68.2% in 1998/99</li> <li>• Annual number of ESOL qualifications doubled from 32k to 70k 2000/1-2003/4, benefiting urban migrants</li> <li>• Still need to improve participation amongst hard to reach – older adults, those with personal problems and health issues, asylum seekers</li> <li>• Good practice lessons concerning use of learners as role models and linking basic training to individuals' interests and vocational training</li> <li>• Need for better mapping of local provision and needs</li> </ul>



Table 10.3: The urban impact of recent Government skills programmes  
(continued)

Schemes improving skills of adults	Urban impact
<p><b>Employer Training Pilots in six LSC areas each containing substantial urban areas:</b></p> <ul style="list-style-type: none"> <li>• Designed to address market failure inhibiting take up of training</li> <li>• Scope for local partners to shape provision</li> <li>• Paid time off, work/wage compensation for employers</li> <li>• Free subsidised training up to level two</li> <li>• Training information and guidance to employers/employees</li> </ul>	<p>First and second year evaluation by Institute for Employment Studies: No urban component to analysis but..</p> <ul style="list-style-type: none"> <li>• Over 12,000 employers (mainly SMEs) participated – availability of flexibly delivered, free training most attractive feature</li> <li>• 80,000 learners participated, 4% of eligible total – learner and course characteristics, thoroughness of initial assessment and extent of employer support key to completion</li> <li>• No evidence that other training activity displaced but 20% of training supplied would have occurred anyway</li> <li>• Satisfaction amongst employers/learners very high</li> <li>• Scheme successful in getting substantial numbers of employers involved in training their low skilled employees and encouraging individual progression</li> <li>• Pilots extended in September, 2004, to 18 other areas covering one third of England</li> </ul>
<p><b>Adult Learning Grants:</b> Grants to help 19-31 year olds on a low income who lack a level 2 or 3 qualification meet cost of learning in 10 pilot areas</p>	<ul style="list-style-type: none"> <li>• 2,200 learners received grants</li> <li>• 75% aged 19-21</li> <li>• Grant helping people stay in learning</li> <li>• Intention to extend nationwide from 2005/6</li> </ul>
<p><b>Career Development Loans:</b> Designed to address credit market failures which prevent people from obtaining finance to fund learning</p>	<ul style="list-style-type: none"> <li>• Lack of evidence on urban impact</li> <li>• Take-up tends to be higher in urban areas where more credit-worthy individuals</li> </ul>
<p><b>Entitlement to Foundation Skills for Employability (EtFSfE):</b> designed to incentivise and support adults lacking a level 2 qualification</p>	<ul style="list-style-type: none"> <li>• Scheme too new to assess</li> <li>• Likely to benefit urban areas with large numbers of unskilled</li> </ul>
<p><b>Skills for Business Network (SfBN):</b> designed to improve quality and relevance of public learning at sectoral level</p>	<ul style="list-style-type: none"> <li>• Scheme too new to assess properly</li> </ul>
<p><b>Learndirect:</b> delivery of online courses and information and provision of learning opportunities (Skills for Life, ICT, Business and Management)</p>	<ul style="list-style-type: none"> <li>• No urban dimension to evaluation</li> <li>• 2000 Learndirect centres and 6,000 on-line centres</li> <li>• 900,000 learning opportunities for 500,000 learners</li> <li>• Major urban benefits likely given that centres largely based in urban areas and users tend to have lower level qualifications and be outside labour market.</li> <li>• Evaluation shows Learndirect encourages participation in learning, provides basic qualifications and first rung on ladder, helps individuals gain confidence and skills</li> </ul>
<p><b>Centres of Vocational Excellence:</b> specialist training and educational units within colleges and private training organisations</p>	<ul style="list-style-type: none"> <li>• Evaluation at individual COVE and programme level but not for urban areas</li> <li>• 262 centres established since launch, 2001</li> <li>• 2/3 of employers highly satisfied with COVEs</li> </ul>

Sources: HMT, 2004b; Institute for Employment Studies, 2003&2004; Skills Alliance, 2004; NAO, 2004

- 10.3.6 It is not possible to make causal connections between the impact of special and mainstream measures and changes in different urban areas' skills base since none have been evaluated in terms of their urban impact. Also, local Learning and Skills Councils' boundaries do not always match urban areas. However, some broad conclusions can be drawn about policy design from the available evidence. We focus attention on the Government's training as distinct from the educational measures, particularly those relating to early years provision. The latter are only likely to register an economic impact in the longer term.
- 10.3.7 First, Table 10.4 shows that educational attainment, participation and workforce qualifications have all improved and that the gap in performance between the most deprived areas and the national average has narrowed. This suggests that the measures targeting disadvantaged areas are having a positive effect. There have been absolute national improvements in qualification levels over the last decade, especially in terms of the reduction in proportion of those with no qualifications and increasing percentages of those with NVQ3-5 qualifications. (LSC, 2005). Second, the majority of adult training interventions so far, with the exception of recent Level 3 training initiatives, have majored upon enhancing basic skills. Such programmes address England's most serious skills deficits and should yield economic returns (LSC, 2005; Moser Report, 1999). However, continuing warnings about the lack of intermediate trade and higher order technical skills suggest that the measures announced in the 2005 Skills Strategy to boost such higher skills are still needed (Semta, 2005). Third, the raft of government measures at urban and regional level could provide scope for more integrated, demand-led, locally attuned skills provision. However, serious urban and regional skills imbalances remain. Inability to recruit suitably skilled staff is still the main factor limiting the growth of top inner city enterprises (New Economics Foundation, 2004). Disparities in the pace of regional economic growth, coupled with housing undersupply, have caused regional skills shortages and imbalances. Severe housing availability and affordability problems have hampered labour supply in the south east. Skill retention problems have probably deterred investment in human resources in the north. Better mapping of urban and regional skills needs and provision would be a useful starting point (NAO, 2004).

Table 10.4: Progress towards achieving Government training and education indicators

Education/Training indicators (England unless stated)	1997	2003
% 16 year olds with at least 5 GCSEs at grades A*- C	45.1	52.9
% 16 year olds in NRF areas with at least 5 GCSEs at grades A*- C	36	44
No. of schools 25% below floortarget at GCSE/GNVQ	361	114
% of 16-18 year olds in learning	74.9	75.5
% of working age people without a qualification at NVQ level 2 or higher	39.2 (1998)	34.6

Source DWP, 2004

## 10.4 Urban enterprise

- 10.4.1 Successful urban economies contain a good mix of firms of different size, age and sector which operate in a range of markets. Continued urban competitiveness hinges upon a combination of new business creation, expansion of existing enterprises, attraction of inward investment and retention of those companies so that subsequent rounds of re-investment are captured. There are significant inter and intra-urban disparities. Foreign direct investment is increasingly directed towards London and other parts of the south east. It has been particularly lacking in inner urban areas and coalfield communities (Balls et al, 2004; Potter & Moore, 2000; Bennett et al, 2000). Urban areas as a whole have fewer VAT registrations than rural areas – 380 per 10,000 population as against 411. In the most deprived, primarily urban, local authority wards, start-ups are only 27 per 10,000 residents as against 51 in the least deprived districts. While there is a statistical relationship between deprivation and levels of enterprise, there are exceptions to this, for example in some London wards (North et al, 2003). The causes of such locational variations in enterprise performance are varied and complex, demanding different responses in, for example, former coal, steel and textile areas, remote coastal towns and inner cities (Westhall et al, 2000).
- 10.4.2 The reasons for disparities in enterprise development are not well understood. Research has, however, shown that variation in service sector representation, especially business and real estate services, is a key factor. Other factors include the characteristics of entrepreneurs, level of demand for products and services, cultural factors and the low productivity/output equilibrium problem (ODPM,2003b). Research for the Social Exclusion Unit PAT 3 report concluded that inner city enterprises face barriers including:
- market failures in access to finance;
  - insufficient accessible, high quality business support;
  - weak culture of support for enterprise across local and national institutions;
  - complexities of the tax and benefit system (HM Treasury,1999).
- 10.4.3 Government attempts to promote enterprise have traditionally fallen into two categories: firm-based measures and area-based initiatives. There are major gaps in the evidence base, since most evaluations do not distinguish policy effects on different urban areas. (North et al, 2003). But the key messages from evaluations of government firm and area-based measures are summarised in Tables 10.5 and 10.6. The North study also drew a number of general policy lessons from these findings:

- Business development policies worked most effectively when they focused on a few objectives, targeted firms according to sector and business type and were complemented by wider regeneration measures such as physical development and training initiatives.
- Entrepreneurs in deprived urban areas found it more difficult to access finance. Ethnic minority businesses faced added cultural barriers.
- Most future business investment was likely to come from firms already based in the local and regional economy, highlighting the importance of promoting indigenous investment and ‘follow on’ investment by inward investors.
- Physically-oriented regeneration schemes, for example, UDCs, EZs, generally scored well in terms of job additionality and low business displacement but much less well in terms of recruiting local residents. Conversely, programmes which adopted a broader holistic perspective, for example, UP, City Challenge, SRB, were more successful in the latter. But many of the companies were in low value added activities and in competition with other local firms which resulted in high displacement and relatively poor survival prospects.
- Deprived areas require a combination of ‘place-based’ and ‘people based’ strategies to ensure that local residents benefit from business development. Strategies should incorporate labour market and public transport measures enabling residents to access sub-regional employment opportunities in view of the limited scope to stimulate new jobs locally.

10.4.4 The Government has introduced a number of measures to support enterprise. Some are national such as corporation tax concessions and a range of measures to improve entrepreneurs’ access to finance such as loan guarantees, tax incentives for investments in high growth SMEs and capital investment schemes. Others are targeted at regions and localities. These include a range of incentives in disadvantaged neighbourhoods known as ‘Enterprise Areas’, measures to improve access to finance and business advice and tax relief for institutions lending to social enterprises. These are detailed in Table 10.7, together with evaluation findings. Government has also handed RDAs a key role in promoting enterprise and devolved responsibility to them for co-ordinating Business Link services. This should in principle promote more flexible, locally-driven services and greater integration with other local and regional policies.

Table 10.5: The impact of pre-1997 firm-based enterprise measures

Type of measure	• Government initiative	Impact
1. Training, advisory and mentoring services for SMEs	<ul style="list-style-type: none"> <li>• DTI TEC services to SMEs including information, advice and business skills training</li> <li>• Business Link (BL) – business support provision</li> </ul>	<ul style="list-style-type: none"> <li>• Cost effective delivery of efficiency and profitability gains in client firms leading to enhanced investment, productivity and output (DTI, 1995)</li> <li>• Some evidence BL assistance has had positive effect on productivity growth of client firms, less clear links with turnover and employment growth (Roper et al, 2001)</li> </ul>
2. Subsidised finance and grants	<ul style="list-style-type: none"> <li>• Small Firms Loan Guarantee Scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Low take up in inner city areas due to low rates of firm formation, preponderance of local firms in ineligible sectors such as retailing, difficulty in accessing finance, and culture gap between bank managers and businesses, especially BMEBs (CEEDR, 1995)</li> </ul>
3. Income support	<ul style="list-style-type: none"> <li>• Enterprise Allowance (EAS) Scheme (guaranteed income during early stages of business)</li> <li>• Business Start-up (as EAS but with additional counselling, training, on-going support)</li> <li>• New Deal for Self Employed &amp; Work Based Learning for Adults (WBLA)</li> </ul>	<ul style="list-style-type: none"> <li>• Low quality enterprises in non-growth sectors, low survival rates (Kuusisto et al, 1999)</li> <li>• Similar to EAS, but improved short term survival (TEC Journal, 1996)</li> <li>• Low rates of take-up and lack of co-ordination with other business support programmes (Lyon et al, 2002; PIU, 2002); WBLA more successful in promoting self-employment</li> </ul>
4. Incubators	<ul style="list-style-type: none"> <li>• Examples include: National Fund for Incubators, Science Enterprise Challenge, HEROBAC, Phoenix Fund, Internet Incubator Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Available studies generally suggest incubator based firms have higher growth and survival rates (Sherman, 1999; SBS, 2001) especially in disadvantaged areas (HM Treasury, 1999) and where more 'hands on' support supplied (Chaplin &amp; Hannon, 2001)</li> </ul>
5. Encouraging entrepreneurship	<ul style="list-style-type: none"> <li>• Young Enterprise (school/college-based experience building)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase business skills and positive effect on career and study choices (Gavron et al., 1998)</li> </ul>
6. Support for social enterprises	<ul style="list-style-type: none"> <li>• Various funding sources: ESF, SRB, RDAs' etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Address real constraints (e.g. lack of finance) but absence of impact studies</li> </ul>
7. Support for Black and ethnic minority businesses	<ul style="list-style-type: none"> <li>• Mainly delivered by Business Link and/or specialist agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Very low penetration of BMEBs by BL and Enterprise Agencies (Marlow, 1992; Ram &amp; Sparrow, 1993)</li> <li>• Various barriers to uptake: Low level of awareness of support, confusion about which provision best suited to needs, trust, unwillingness to pay and cultural issues (CAG consultants, 1998; Fadahunsi et al, 2000)</li> </ul>

Table 10.6: The impact of area-based business support initiatives in deprived urban areas

Scheme/type of support	Evaluation findings
<p><b>Regional Selective Assistance:</b> grant support for commercially viable projects needing support which create or safeguard jobs and contribute to national economy</p>	<ul style="list-style-type: none"> <li>• Created or safeguarded 84k jobs (40% of gross figure) representing 14% reduction in Assisted Areas unemployment at cost per net discounted job of £17,500, 1991-95 (Arup Economics &amp; Planning, 2000).</li> <li>• Majority of expenditure (58%) on expansions and modifications to existing plants</li> <li>• Most successful where complemented by broader regeneration programmes which improve physical infrastructure and labour supply</li> </ul>
<p><b>Urban Development Corporations:</b> various property and business support measures</p>	<ul style="list-style-type: none"> <li>• Enabled existing businesses to expand into modern premises in high quality environment in Tyne &amp; Wear and Sheffield (Robinson et al., 1995; Dabinett &amp; Ramsden, 1999)</li> <li>• Majority of incoming businesses previously located in city-region</li> <li>• Low level of displacement of economic activity in vicinity of Bristol, Manchester &amp; Leeds UDC's (Robson et al, 1999)</li> <li>• Low level of local recruitment by resident firms because of range of institutional, cultural and labour market barriers facing local unemployed (Nevin, 1998; Meegan, 1999)</li> </ul>
<p><b>Enterprise Zones:</b> ten year rate exemption and capital tax allowances to free-up land market, promote property investment and stimulate inward investment, new business investment and expansions</p>	<ul style="list-style-type: none"> <li>• Stimulated functioning property markets, encouraged enterprise and assisted environmental improvements</li> <li>• Highest additionality with manufacturing firms, lowest in case of retailing and distribution which were strongly represented in some urban cores, threatening established retail centres.</li> <li>• Relocation of firms into zones did not create displacement because former premises usually re-occupied by firms at different stages of development – level of displacement varied according to sector of constituent firm</li> <li>• Impact of EZs on employment prospects in neighbouring areas not considered (DOE, 1995)</li> </ul>
<p><b>Urban Programme:</b> assisting firms to refurbish and upgrade their premises</p>	<ul style="list-style-type: none"> <li>• Schemes which increased recipient firms' market share most targeted businesses with growth potential</li> <li>• Most successful schemes in generating jobs and other long-term benefits for residents were those which were well integrated with other regeneration initiatives such as training, mentoring and infrastructure improvements (Baldock, 1998).</li> </ul>
<p><b>City Challenge:</b> various measures including business support, grants, one stop shops, local recruitment schemes, business parks and managed workspaces</p>	<ul style="list-style-type: none"> <li>• Cost effective in supplying business advice and physical development projects but relatively expensive in providing support for business start-ups because of displacement and sustainability issues</li> <li>• High proportion of jobs taken by residents of City Challenge areas (62%)</li> <li>• Impressive physical transformations and better economic conditions but lingering resident concerns about crime and future jobs (DETR, 2000)</li> </ul>

Table 10.6: The impact of area-based business support initiatives in deprived urban areas (continued)

Scheme/type of support	Evaluation findings
<p><b>Single Regeneration Budget:</b> range of business support programmes and inward investment promotion</p>	<ul style="list-style-type: none"> <li>• Only 15% of schemes primarily concerned with business development/inward investment</li> <li>• Net additionality low in one scheme because of poor survival rates and displacement (Brennan et al., 1999)</li> <li>• Business survival rates were higher where there was a specific focus on start-up support (DfEE, 1998)</li> <li>• Most of businesses created very small (Brennan et al., 1999)</li> <li>• The most successful schemes concentrated on viable, quality business propositions, showed flexibility in meeting participants' needs and provided a good mix of training, counselling and financial support (DfEE, 1998)</li> </ul>
<p><b>Business Development in Coalfields:</b> land and property interventions by EP, RDAs, RSA, SRB, European Structural Funds and business assistance by Business Link</p>	<ul style="list-style-type: none"> <li>• Overall, limited success in attracting inward investment (Bennett et al, 2000)</li> <li>• Cost per net job of providing business support relatively high – £26k and additionality relatively low 38% (DETR, 2000)</li> <li>• Solutions to problems of coalfield communities unlikely to be found locally but rather within wider sub-region, requiring public transport improvements and various education and training measures (Bennett et al, 2000)</li> </ul>

Table 10.7: Government policy measures targeted at urban enterprises

Barrier/market failure	Policy measure	Evaluation findings
<p><b>Access to finance</b></p>	<p><b>Small Firm Loan Guarantee Scheme</b> (last resort financing for those with good business ideas but insufficient security)</p>	<ul style="list-style-type: none"> <li>• Attempts made to overcome weaknesses of earlier phases by opening up to wider range of businesses including catering and retail and lending, raising turnover limits and introducing complementary measures</li> <li>• Objectives not well understood, availability patchy and bureaucracy a barrier to involvement</li> <li>• Scheme has benefited a number of now successful inner city businesses</li> </ul>
<p><b>Access to finance</b></p>	<p>Support in form of capital and revenue grants and loan guarantees (£49m, 2001-4) for <b>Community Development Finance Institutions</b> (delivering credit and related services to individuals unable to access mainstream lending).</p>	<ul style="list-style-type: none"> <li>• Scheme effectively reaching deprived communities and scheme popular with CDFIs involved (60) and addressing an area of market failure</li> <li>• Awareness of CDFIs amongst inner city businesses limited</li> <li>• Volume of private investment attracted to date limited</li> <li>• Long term viability still an issue, and issues surrounding charging for services</li> </ul>

Table 10.7: Government policy measures targeted at urban enterprises (*continued*)

Barrier/market failure	Policy measure	Evaluation findings
<b>Access to finance</b>	<b>Community Investment Tax Relief</b> (tax break to encourage private investment in both for profit/not-for-profit enterprises in under-invested communities through CDFI's)	<ul style="list-style-type: none"> <li>• Scheme showed early promise in enabling CDFI sector to show its value to RDAs and enhance its reputation with mainstream financial institutions</li> <li>• But take up by investors much slower than expected – £8m private sector lending raised from 136 investors and only 5 of 23 CDFI's receiving CITR accreditation making active use of it</li> <li>• Need for CDFIs to focus activities in higher growth areas and handle more capital to attract greater private investment</li> </ul>
<b>Access to finance</b>	<b>Bridges Community Development Venture Fund</b> (£40m public/private fund for SMEs in <b>Enterprise Areas</b> – 25% most disadvantaged wards in England)	<ul style="list-style-type: none"> <li>• Successfully boosted equity investment in businesses in deprived areas and expanded into Phoenix Fund</li> <li>• Built dialogue and joint working between SBS and RDAs</li> <li>• Worth noting that some firms prefer other methods of financing to venture capital because of loss of control.</li> </ul>
<b>Property market, lack of private investment</b>	<b>Stamp Duty Exemption</b> (initially applied to transfers upto £150k in <b>Enterprise Areas</b> , 1999 and from 2003-5 on all non-residential transfers)	<ul style="list-style-type: none"> <li>• Not yet formally evaluated</li> <li>• Anecdotal evidence that property companies have welcomed non-residential exemption but argued that scheme should have been targeted to reduce deadweight rather than withdrawn</li> <li>• Impact offset by more fundamental problems affecting inner city businesses such as rising cost of premises, conversion to residential development (posing risk of decentralisation, increasing reverse commuting).</li> </ul>
<b>Property market, lack of private investment</b>	<b>Contaminated land tax credit</b> (to increase rate of remediation by purchasers of such land)	<ul style="list-style-type: none"> <li>• Not yet formally evaluated</li> </ul>
<b>Lack of suitable premises</b>	Higher feasibility grants from <b>Business Incubation Fund</b>	<ul style="list-style-type: none"> <li>• No known evaluation</li> </ul>



Table 10.7: Government policy measures targeted at urban enterprises (*continued*)

Barrier/market failure	Policy measure	Evaluation findings
<p><b>Need for business advice</b> (to raise awareness of opportunities, tackle cultural barriers)</p>	<ul style="list-style-type: none"> <li>• <b>Phoenix Development Fund</b> (range of SBS initiatives in <b>Enterprise Areas</b>):</li> <li>• Development Fund;</li>   <li>• <b>Community Development Financial Institutions</b></li>   <li>• Community Development Venture Fund</li>   <li>• <b>City Growth Strategy</b> pilots (engaging local business in preparation of formation of action plans to exploit areas of local competitive advantage;</li>   <li>• <b>Business Broker programme</b> (use of independent brokers to engage business more effectively in 10 pilot deprived areas)</li>   <li>• British Urban Regeneration Association;</li>   <li>• Business Volunteer Mentoring Association to raise awareness of enterprise opportunities and provide support, encouragement and guidance.</li> </ul>	<ul style="list-style-type: none"> <li>• Overall, 150 organisations in 1999-2002 and extended in 2002 Budget Review because seen as broadly successful (see below for more detailed remarks regarding sub-programmes</li> <li>• 90 projects, involving 8,100 new businesses and 8,900 existing businesses</li> <li>• See separate entry</li>   <li>• See separate entry</li>   <li>• Successful in persuading private sector to identify competitive opportunities and challenges, take lead in strategy making and action planning, refined version of scheme being extended</li> <li>• Mainly process lessons regarding business-led approach, strategy, aligning resources, no deliverables as yet</li> <li>• Scope to apply to areas of potential</li> <li>• Threefold increase in number of businesses actively supporting neighbourhood renewal projects in pilot areas</li> <li>• Successful example of flexible, business-led provision of support services, networking and awareness-raising activities</li> <li>• Sustainability issues associated with time-limited funding</li>   <li>• Effective networking/best practice/continuing professional development/training organisation</li>   <li>• Low profile, scope for more engagement of entrepreneurs</li> </ul>
<p><b>Need for business advice</b> (to raise awareness of opportunities, tackle cultural barriers)</p>	<p><b>Enterprise advisers in secondary schools in Enterprise Areas</b> (encouraging enterprise practice amongst teachers and pupils)                      NB.Enterprise Education Entitlement will further boost enterprise activity in schools from 2005/6</p>	<ul style="list-style-type: none"> <li>• Not yet formally evaluated</li> <li>• Responded to Davies Review recommendations about promoting enterprise culture (Davies, 2002)</li> <li>• Concern about advisers' degree of expertise, scope for more involvement of entrepreneurs themselves</li> </ul>

Table 10.7: Government policy measures targeted at urban enterprises (*continued*)

Barrier/market failure	Policy measure	Evaluation findings
<b>Tax incentives</b>	Raise investment limits for income tax relief in <b>Enterprise Investment Scheme</b> and <b>Venture Capital Trusts</b> to encourage investors to fill the finance gap	<ul style="list-style-type: none"> <li>• Too soon to say</li> </ul>
<b>Changing perceptions</b> about inner cities as investment locations by promoting new entrepreneurial role models (information failure)	Support for NEF <b>Inner City 100 Programme</b>	<ul style="list-style-type: none"> <li>• Scheme has showcased contribution of inner city enterprise to economic development and reducing social deprivation</li> <li>• Shown viability of social enterprises (10% of top 100 firms)</li> <li>• Highlighted need for Business Support to be simplified/rationalised and more attention given to growing small companies as distinct from start-ups</li> <li>• Helped shape subsequent interventions (more demand led)</li> </ul>

Sources: ICIC/Small Business Service, 2003; HMT, 2003a; HMT, 2004c; HMT, 2004a, NEF, 2004; DWP, 2004; GHK, 2004; SBS, 2004a, ODPM et al, 2005.

10.4.5 While some initiatives address real barriers and are showing promise, hard evidence of impact is so far thin on the ground. VAT registrations per 10,000 residents in the primary urban areas increased from 39.1 to 41.4 in the period 1996-2003. However, it is not possible to assess what part, if any, recent measures have played. What can be said, on the basis of the available literature, is that the interventions possess the following merits and strengths:

- They represent a serious attempt to address the weaknesses of earlier initiatives such as lack of attention to the spatial and sectoral manifestations of the finance and venture capital gap.
- They have placed greater store on direct business involvement in regeneration plans and initiatives.
- Recent attempts to improve the quality and responsiveness of Business Links have led to a marked increase in take-up.
- Some initiatives have devolved responsibility for enterprise support to more local institutions like RDAs to encourage more flexible, business-led provision.
- Most pilot initiatives have been well received by recipient businesses, showed promise and been subsequently expanded.
- The IC100 initiative has proved influential in shifting popular misconceptions about the viability of inner city businesses and social enterprises and boosted the 'investability' of such businesses and underserved areas.

10.4.6 On the other hand, research suggests that the programmes also possess some weaknesses:

- Many schemes are modest in scale and only operate in the most deprived areas.
- The number of different initiatives continues to confuse businesses, despite DTT's attempts to reduce their number.
- Some programmes could be better marketed and more user-friendly.
- Some initiatives are time-limited and are being transferred from central government to the RDAs, like the Phoenix Fund, which raises sustainability issues.
- Interventions do not tackle fundamental problems such as the rising price and limited availability of business premises in inner areas and the wish of entrepreneurs seeking finance not to lose control of their company.
- Some interventions such as Enterprise Areas have been introduced without the necessary consultation between departments which limits an integrated approach (House of Commons ODPM Select Committee, 2003).

## 10.5 Urban infrastructure investment

10.5.1 The Government has tried to improve levels of infrastructure investment in urban areas and boost their 'investability' with fiscal, planning and transport measures, as well as special purpose vehicles.

10.5.2 Assessing the overall impact of policy is difficult because of the lack of the comprehensive data on stocks and flows of public and private investment in urban areas and the lack of outputs and impact assessment (DETR, 1998). However, it is clear that an increasing proportion of private and foreign direct investment is occurring in and around London and other urban areas in the south east as distinct from other parts of the country. (Balls et al,2004). On the other hand, persistent government focus on urban regeneration has changed market conditions so that a growing number of financial institutions are prepared to invest in inner city firms and regeneration projects and urban regeneration has emerged as a distinct and recognised profession. English Partnerships has also been involved in a series of initiatives designed to correct major informational market failure and to combat the idea that inner cities are an inferior choice in terms of property investment and firm location. Research by IPD showed that property returns in regeneration locations exceeded those for the market as a whole during the period 1980-2001 (IPD,2002). IPD also showed that investment institutions have traditionally mimicked the behaviour of risk-averse property development companies which perceived that such areas offer only low returns and have not prioritised investment in them. This corroborates other research (Adair, 2003). These studies also show that urban regeneration projects and property performed particularly well in relative terms in down cycles. This was due to the cushioning effects of public policy through subsidies and occupancy by public sector agencies. The Inner City 100 index has shown that inner urban enterprises can generate impressive rates of return.

### Special purpose vehicles

- 10.5.3 Although the focus of this policy review is the period since 1997, it is worth rehearsing the experience of some earlier initiatives since similar vehicles may be used to implement elements of the Sustainable Communities Plan. For example, Urban Development Corporations (UDCs) helped to restore developer confidence and encourage private sector investment in urban areas suffering from housing, land and property market failures (DETR, 1998a, 1998b) primarily because of their large-scale reclamation, pump-priming infrastructural work and environmental schemes. Importantly, those cities which had UDCs, for example, Manchester, Leeds, Birmingham, Liverpool and Newcastle, were the first to experience dramatic increases in city centre residential development and cultural and leisure uses. Other factors, however, have contributed to this process. They include the emergence of a new breed of urban property entrepreneurs specialising in city living and entertainment schemes, the scope offered by the contraction of commercial office space in town centres and the degree of entrepreneurialism shown by some local authorities. Unlike some area-based initiatives, UDCs do not seem to have had a detrimental effect on neighbouring areas. One evaluation study undertook vacancy chain analysis in three UDC's and found only limited evidence of local displacement because of cross-boundary transfers (Robson et al, 1999).
- 10.5.4 The evaluation studies did, however, highlight significant weaknesses with UDCs. They underplayed the social and community aspects of regeneration, made little difference to local unemployment because most jobs were taken by in-commuters and did not always relate to the wider local context and policies, partly because they were centrally imposed. Such flaws pointed to the need for more integrated and multi-faceted policy responses and led to rounded, partnership-based programmes like City Challenge, Single Regeneration Budget, Urban Regeneration Companies and New Deal for Communities. Since UDCs are being used in the growth areas, these findings have some current relevance.
- 10.5.5 Another longstanding initiative is Enterprise Zones (EZs), which were introduced in tranches from the early 1980s. Few are still running and are due to be wound up in 2006. All but three of a total of 38 have been situated in urban cores or, on the fringes of urban areas. Evaluation has generally been positive. EZs stimulated both inward investment and new starts, the former accounting for a third of total employment at de-designation and over three quarters of new jobs. Cost per job figures for the scheme have been comparable to the DTI's Regional Selective Assistance scheme – £17,000 per job. Capital allowances to developers have proved the most important incentive, allowing developers to construct accommodation ahead of demand (Potter & Moore, 2000; ODPM, 2003c). On the debit side, Potter and Moore showed that EZs have caused some local displacement through transfers – one quarter of all jobs at de-designation – and benefited pre-designation and immobile firms. Evaluation studies have also stressed the importance of intervening in rescuable markets and the need for complementarity between EZ and wider transportation, environmental and training programmes.

- 10.5.6 The most prominent current urban regeneration vehicles are Urban Regeneration Companies (URCs). They differ from UDCs in that they are run more on a partnership basis and do not possess their own dedicated funding. An interim assessment of the three pilots is imminent but not yet available. However, process-oriented evaluation studies offer some indicative early findings and good practice lessons (Parkinson & Robson, 2000; DETR, 2001; ODPM, 2004b). The three pilots – Manchester, Liverpool, Sheffield – generated considerable public, private and community support for their preparatory work on company formation and staffing, partnership building, consultative processes and approaches to master-planning (Parkinson & Robson, 2000). URCs have in their early stages helped to boost private sector confidence and create a more positive investment climate, especially where they have engaged key partners, produced credible and well-integrated strategies and investment plans, launched early high profile projects and insisted on high quality design standards (AMION, 2001). The most recent stocktake revealed widespread support for the URC ‘brand,’ and identified their key strengths as specific focus, engagement of public and private partners and drive and leadership. The report also highlighted potential weaknesses such as their lack of direct powers and dedicated resources and dependency upon partners. Some URCs have overcome these problems by securing forward capital and revenue commitments from partners, introducing parallel appraisal systems and persuading local authorities to introduce fast track planning processes and utilise land for their benefit (ODPM, 2004b).

### Planning policies

- 10.5.7 Planning policies are important in boosting investment in urban infrastructure. However, although government passes legislation and provides the general framework and guidance, there is scope for local interpretation and discretion by local planning authorities. Different forms of development are also influenced by the local economic context, land ownership, investment opportunities and institutional arrangements (Bramley & Lambert, 2002).
- 10.5.8 A range of changes to the planning system during the past decade have had a significant effect upon urban economies. A critical example is guidance on retail and leisure development. PPG6 in 1996 gave primacy to development in town centres by introducing the ‘sequential approach’. This dramatically reduced out-of-town development approvals, ended the supply of new regional shopping centres and led to an increase in the number of conforming applications within town centres. There has been a refocusing of comparison retailing back in town centres, particularly in the larger ones. PPG6 has had more mixed effects on the convenience retail sector. Within the leisure sector, some evidence suggests that there have been fewer out-of-centre developments and more mixed-use developments and cinemas taking place in town centres (ODPM, 2004c).
- 10.5.9 The 2004 Planning and Compulsory Purchase Act aims to modernise the planning system by making it more strategic, streamlined, flexible and responsive to the needs of businesses, while recognising the importance of community consultation and the need to ensure sustainable development. It is as yet too soon to judge its full impact.

- 10.5.10 Supply of an adequate choice of housing has an important impact on urban areas' ability to attract and retain workers, promote labour mobility and economic growth and competitiveness (HMT, 2004a; Meen & Andrew, 2004). Housing and planning policies have had mixed overall effects. Financial deregulation and Right to Buy have extended home ownership, providing many householders with additional equity, especially in prosperous areas which have witnessed the most substantial price gains, and also generating knock-on expenditure effects. On the other hand, historic long-term cuts in public spending on social housing – only begun to be reversed in recent years – have reduced the supply of affordable homes. The shift from bricks and mortar subsidies to housing benefit has created work disincentives and poverty traps (ODPM, 2005b). Government attempts to supply additional affordable housing through use of section 106 agreements have not fully compensated for declining subsidies. This especially applies in less buoyant urban markets and to sites where considerable infrastructure work is necessary and where developers have limited scope to make additional contributions.
- 10.5.11 Since the Rogers' Urban Task Force Report and the Urban White Paper, planning and housing policies have favoured urban containment and consolidation. For example, the revised PPG3 on housing published in 2000 encouraged developers to make greater use of previously developed land. It set a national target that 60 per cent of new houses should be developed on brownfield land and regional targets for new construction and density. The 60 per cent target has been surpassed. The figure is currently 67 per cent (ODPM, 2004d). New homes are also being built at higher densities – 30 homes per hectare in 2003 compared with 25 between 1996 and 2001. There has, however, been substantial local variation in performance. Partly this has been due to larger towns and conurbations providing more opportunities for recycling and higher density development because land is more expensive and vacant sites more abundant than in smaller towns (CPRE, 2004a). Historically low rates of construction and limited greenfield development have made the targets easier to achieve.
- 10.5.12 National planning policy has been applied in contrasting ways locally and has had some perverse effects. In prosperous urban areas in the south east, local authorities have adopted a restrictive stance towards greenfield development because of 'nimby' influences amongst the local electorate, on environmental grounds or due to the lack of infrastructure capacity. Given the steady drift of economic activity to growth areas and increasing shortage of re-usable land especially in London, this has led to acute land and housing shortages and escalating prices. By contrast, urban areas outside the south east more willing to accommodate new economic and housing development have traditionally made relatively generous housing and other land allocations. Subsequent take-up has exacerbated problems of abandonment in declining central areas (Bramley & Lambert, 2002).

- 10.5.13 Previous regeneration programmes such as UDCs have had some success in helping to create new markets for private housing in inner areas. However, research has shown that city centre living has so far only appealed to limited sections of the population such as affluent young professionals without families or ‘empty nesters’ (older people free of such commitments) attracted by job or cultural and leisure facilities and those pursuing alternative lifestyles (ODPM, 2004e). Public policy has not so far changed most families’ preference for suburban or semi-rural living and succeeded in luring them back into the core areas of major towns and cities (Meen & Andrew, 2004).
- 10.5.14 The government recently commissioned a review of the supply of housing recognising that house price inflation could unduly influence monetary policy and that supply shortages are adversely affecting labour mobility (Barker, 2004). The Barker Report identified a number of constraints upon land supply including complexities of land ownership and the development of many brownfield sites, weak local incentives to develop land, the reduction in the supply of social housing, and the house building industry’s focus on land acquisition rather than issues of sustainability, design and innovation. However, Barker concluded that the main reason for undersupply was that the local planning system rarely took into account market information and tended to under-allocate land and over-estimate true availability. The absence of approved local plans or staff shortages was in some cases also blocking or slowing down development. Most housing and planning organisations and house builders now agree that more homes are necessary especially in southern and eastern England to address affordability and homelessness issues in the light of demographic, social and inter-regional migration trends. However, there are still considerable differences of view on questions of tenure split and the location and extent of development (TCPA, 2003; CPRE, 2004b; IPPR, 2005; NHF; 2005).
- 10.5.15 It is too soon to evaluate the Government’s strategy for reducing regional supply-demand imbalances set out in its Sustainable Communities Plan (SCP). However, this return to large-scale intervention is a tacit acknowledgement that the previous relatively weak strategic and sub-regional planning arrangements were not delivering the required local outcomes, especially in areas experiencing rapid economic growth. Some evidence is available on government attempts to expedite local planning decisions by making additional resources – Planning Delivery Grant – available to Local Planning Authorities. A recent study concluded that PDG has been successful in incentivising local authorities to improve resourcing of the planning service in terms of staffing and IT capability and speed in decision making. (ODPM, 2004f). Preliminary assessment studies show that implementation of the Sustainable Communities Plan is facing many challenges. The significant supply increases planned in the south are raising a series of unresolved issues about local acceptability, consumer preferences, infrastructure funding, natural resource demands, traffic generation, flood risk and environmental sustainability (Power, 2004). Both the SCP and the Barker Report also re-ignited longstanding debates about how best to capture betterment in the public interest. A variety of development tariff or land value tax levy have been raised to significantly increase revenue for infrastructural work, since section 106 agreements will not in themselves secure the necessary investment.

10.5.16 In the north, government has responded positively to the three northern RDAs' Northern Way proposal, a strategy to reduce gaps in economic performance. It focuses on the north's more successful urban economies and has the potential to rebalance regional economies and positively impact upon the Government's regional convergence PSA2 target (ODPM, 2004g). Translating the vision into reality will, however, require major infrastructure investment, the marriage of local and regional priorities to produce a coherent, a credible plan and careful finessing so that growth is not at the expense of less buoyant urban areas (Goodchild & Hickman, 2004; Robson, 2005). Preliminary assessment of the nine Housing Market Renewal Pathfinders prospectuses in northern urban areas affected by low housing demand showed that the scale of intended renewal will test the partnerships' capacity in organisational and human resource terms (Cole & Nevin, 2004). Plans will have to be shrewdly but sensitively executed to minimise speculation and its side effects, to secure developers' commitment, and maintain community support by minimising social dislocation and unwanted neighbourhood effects. They will also have to be integrated with local and regional economic development, housing, planning and transport strategies and regeneration programmes if they are to be sustainable and avoid displacement (Shelter, 2004; RICS, 2004).

#### Transport and telecommunications policy

10.5.17 Good connectivity is crucial to cities' prosperity. Substantial public and private investment in electronic infrastructure over the past decade means that most urban areas are connected by one or more of the terrestrial technologies and an increasing proportion of public services are accessible on-line (DTI, 2003). This ensures that urban areas are not held back by electronic communication deficits. In terms of physical transport, investment in infrastructure can reduce transport costs for firms, their employees and consumers and increase the effective size of local and regional markets. However, its precise relationship with urban competitiveness is improperly understood because of definitional problems, the shortage of research evidence, 'two-way' effects and causality issues (DfT, 2004). Heavy rail investment such as the TGV in France has been shown to favour urban cores as against ex-urban areas (Banister, 2000) and the London Jubilee Line Extension has boosted commercial and residential development, land values and employment in its vicinity (TFL/DOT, 2004). There is also evidence that light rail transit systems can promote local development in areas of economic potential if linked with the supply of attractive development sites (Hall & Hass Klau, 1985; Hack, 2002). Proximity of a major airport with good international connections has a major impact on inward investment decisions (McCann, 2004). The superior access and employment opportunities they provide have boosted local property prices (Tomkins et al., 1998). However, it is difficult to generalise from particular examples. Transport studies repeatedly show that the scale of impact varies significantly depending upon local economic conditions, planning policies, land availability and the market value of adjacent areas (Banister and Berechman, 2000).



10.5.18 Recent government policy has the following main strands:

- preparation of a ten year Transport Plan in 2000, amounting to £180 billion public and private investment, focusing on alleviating congestion on inter-urban trunk roads and large urban areas and improving the accessibility, punctuality and reliability of local public transport. This has recently been rolled forward to 2015 in the 2004 White Paper which seeks to achieve sustained investment, better transport management and fuller consideration of road pricing (DfT, 2004a);
- devolving more responsibility for decision making to regional and local level and integrating more effectively policies and priorities for transport, housing, economic regeneration and the environment;
- providing local passenger transport authorities with greater certainty and more scope to plan ahead within their five year Local Transport Plans;
- publishing an Air Transport White Paper in 2003 which sets out the government's 30 year vision, considers regional airport capacity and services between the regional airports and those in the south east (DfT, 2003).

10.5.19 Hard evidence of the urban impact of transport policy is limited for two main reasons. First, DfT has devoted most attention to modelling and appraising future projects rather than evaluating their subsequent impact. Second, most research has focused on national costs and benefits rather than spatial or distributional effects. DfT has lately devoted more attention to the regeneration effects of transport schemes and their wider social and economic impact, as well as the projected time savings to various users. However, related research is not yet available. Nevertheless, the literature does provide some policy messages.

10.5.20 Additional transport investment and alleviation of congestion blackspots should disproportionately benefit urban areas since it is there that planners have the most acute difficulty in reconciling growing circulation demands with other, more fixed, forms of land usage (Engwicht, 1992). However, increasing journey to work times in urban areas and increasing costs to business of associated delays suggest that the volume of investment and improvements in traffic management have been insufficiently extensive to contain traffic growth (Bibby Financial Services, 2005). Although they have tried to promote more space efficient public transport and environmentally friendly modes, most motorists have remained reluctant to switch mode. The Government and PTAs no longer exert direct control over key areas of investment after rail privatisation and bus deregulation, except in London. Some attempts have been made by a planning policy to steer development to locations more accessible to public transport. However, many local authorities have been reluctant to be over-prescriptive about limiting car access and modal split because they do not control all aspects of transport provision and fear reduced accessibility might affect their competitive position (DETR, 1999).

- 10.5.21 Research has shown that the Government's 10 Year Plan investment targets for roads are likely to prove more easily attainable than those for public transport since public investment accounts for a much higher projected share of the former – 84 per cent as against 36 per cent – and given also private sector under-investment in the past (Commission for Integrated Transport, 2002). Arguably, the introduction of company car tax in the April 2002 budget has proved the most effective recent policy measure in terms of discouraging travel. It has reduced excessive mileage claims, achieved savings of £15 million per annum for the companies running cars and also reduced pollution.
- 10.5.22 While government accepts the need for demand management, discovering the practical means of achieving this has proved difficult. The fuel duty escalator provoked a public outcry. Ways of implementing national road congestion charging are still being explored and are a long way from fruition. Congestion charging schemes have, however, been introduced locally in London and Durham. Evaluations have shown that the charge has reduced traffic levels and congestion by about 30 per cent, emissions by 12 per cent, contributed improved bus networks and patronage and not caused problems outside the boundary (TfL, 2005). Impact on retail businesses within the zone is, however, disputed. The TfL study concluded that the charge had a negligible effect on retail sales, footfall and the number of businesses, after allowance was made for the economic slowdown. However, another study commissioned by John Lewis Partnership which used the sales data of different stores, shopper surveys and modelling techniques to isolate the impact of the charge from other factors concluded that the congestion charge has reduced sales at its Oxford Street store by between 5 and 9 per cent (Bell et al, 2004). Recent rejection of the Edinburgh proposals suggests that adjustments and a more strategic, city-regional approach to the assessment of costs and benefits may be needed.
- 10.5.23 Most forms of rail travel within and between urban areas have had a steady increase in usage during the past twenty years (Department for Transport, 2004). However, a combination of accidents and continuing under-investment have checked progress and limited rail's potential to alleviate urban road congestion and compete with short-haul air flights. Light rail transit schemes have been introduced in a number of cities. Patronage and passenger growth have been impressive in the case of the Docklands Light Railway and Manchester Metro. However, other schemes such as the Sheffield Supertram, Croydon Tramlink and Midland Metro have struggled to achieve forecast passenger numbers. This is leading to closer examination of financing methods, benefits of different modes and integration of transportation systems. The number of bus journeys in urban areas has increased since 1998 after a period of decline since 1986 but there has been substantial variation in performance. Key factors have included quality of service and infrastructure such as bus priority lanes and signalling, park and ride facilities, modal integration, quality of ticketing arrangements and travel information.

10.5.24 Some economists have argued that government aviation policy is reinforcing the dominance of towns and cities in the south east by sanctioning expansion of runway and terminal capacity at Stansted and Heathrow (Simmie et al., 2004). A few towns and cities outside the south east should indirectly benefit from expansion of SE hubs as they have a good number of slots to London airports, for example, Manchester and Newcastle. But centres within the south west and Midlands are poorly served in this respect. Government does support expansion of the larger regional airports – Manchester, Birmingham, Liverpool and Newcastle – which should maintain the economic status of associated urban centres.

10.5.25 There is limited evaluation of recent government moves to devolve decision making to local transport bodies but recent experience in London is encouraging. The consolidation of 15 separate organisations into one body, Transport for London, has resulted in better planning, more integrated ticketing, pricing and travel information, better traffic control and the congestion charge scheme. In the period 1999-2003, public transport usage has increased by 16 per cent and car usage decreased by 4 per cent (Department for Transport, 2004). Elsewhere, complexity of institutional arrangements will present challenges to strategic investment planning, co-ordination of transport and other strategies and modal integration at the urban region and regional level, especially with moves towards English regional government postponed (Commission for Integrated Transport, 2002).

## 10.6. The balance sheet – have policies made cities more competitive?

10.6.1 It is difficult to assess the overall impact of government policies for the many reasons outlined in Chapter 9. However, this chapter has tried to assess the impact of government policies on each of the main competitiveness drivers – innovation, skills, enterprise, competition and investment. We summarise the main findings briefly next.

10.6.2 Innovation in firms and organisations is fundamental to continuing national prosperity. Government spending on research and development and higher education has not been systematically analysed in urban terms. However, most grant regimes tend to favour urban centres in the south east because they contain the most highly rated research institutions and also relatively high concentrations of the most knowledge intensive companies. The Government has recently placed much greater store on developing the links between research establishments such as HEIs and industry to boost innovation and have handed the RDAs a greater role. But funding for such knowledge transfer programmes is relatively modest. The evidence suggests they have been reasonably successful in prompting businesses to make greater use of the HE research base. Most are progressively being expanded. Nevertheless, urban innovation systems still remain embryonic, unlike in France and Germany, where there are more formal, structured, local linkages between central and local governmental institutions, educational and financial institutions and firms.

- 10.6.3 Very few government skills programmes have an explicit urban focus. Those which do tackle the link between deprivation and underachievement or non-participation. However, many others target individuals and groups which are concentrated in towns and cities. Headline indicators show that the government has made progress with improving GCSE attainment in the worst performing schools and most deprived areas relative to national norms. It has also improved levels of participation in learning and basic skills attainment. Skills policies have become more geared to employers' and individuals' needs. Combined with buoyant economic conditions, they probably account for the marked fall in the percentage of those with no qualifications and increase in those with NVQ levels 3,4 and 5. Individual training programmes have become increasingly sophisticated in delivering basic skills training in more personalised, tailored ways. However, there is continuing evidence of a shortage of medium and higher order skills generally and especially in inner city areas. Divergent job and housing markets in different parts of the country are producing serious urban and regional skills imbalances. Skill levels amongst some hard-to-reach sections of the urban population such as older adults, unskilled older employees, migrants, those with personal problems and health issues remain poor.
- 10.6.4 Government enterprise support policies have a long history. Evidence suggests that since 1997 policies have tried to remedy the weaknesses of earlier phases of policy making such as insufficient targeting of measures in terms of sector or type of firm, failure to fully integrate physical, training and financial support measures and design of policy mainly at a national level. RDAs now run Business Link and the Phoenix Fund. Efforts are being made to make services more responsive, less complex and confusing and to cut the number of programmes. VAT registrations have increased during the period 1996-2003. However, no studies have established the degree to which government policy has played a role. Individual programme evaluation findings and customer satisfaction surveys conducted by, for example, Business Link suggest that service provision is becoming more attuned to what businesses want. However, there is further scope to rationalise the number of schemes and integrate them more closely.
- 10.6.5 Little can be said about the competition driver, because there is an absence of research on whether the lack of competition in some urban areas is combining with low skills, inferior productivity/output and lack of local demand to produce inferior economic performance. Planning, transport and regeneration policies have had complex effects upon the level of investment in towns and cities. In larger urban areas, planning policy has promoted re-investment and attenuated, if not stopped, the threat from out-of-town retailing. It has also encouraged more efficient use of brownfield land for housing. Special regeneration vehicles, for example, UDCs and URCs, fiscal incentives and improved intelligence have helped to improve the attractiveness in investment terms of run-down areas of such towns and also town centres. Undersupply of housing, especially in growth areas has contributed to affordability and labour supply problems and the growth of long distance commuting and congestion, though current initiatives are seeking to address these problems. There have been some successes in traffic demand management and developing new forms of urban public transport such as trams. However, continuing under-investment in transport

infrastructure and fragmented institutional arrangements at the urban level mean that the English 'urban system' has not functioned as well as it might have done. Aviation policy has tended to favour either urban centres in the south east close to the key hub airports or those near northern airports with a good number of slots to the hubs.

# Chapter 11: Have policies made cities better governed?

## 11.1 Introduction

11.1.1. Earlier chapters have assessed the extent to which English cities have become more economically competitive, socially coherent and liveable during the past decade. It is increasingly recognised that the ways which cities are managed and governed has an important effect upon their economic and social performance. Put simply, the better the process the better the product. Since taking office the Government has introduced a wide range of initiatives designed to improve what can be called the governance of cities so they can become more economically successful, fairer and liveable. This chapter tries to see how far government has succeeded with these ambitions. As with other chapters in this section, it is based upon existing evaluation literature. Since policy is a moving target, this inevitably means that some of the more recent initiatives have not yet been properly assessed. In some cases it is just too soon to tell how things are working and in other cases it is too soon to tell how individual policy initiatives are working together. Nevertheless, since policy monitoring and evaluation has expanded under this Government, there is an emerging body of evidence which allows us to make some firm judgements about the direction and progress and future of government policy. We organise the evidence around the following themes: improving the local governance of cities; improving the national governance of cities; improving community governance of cities; improving leadership, resources, information and skills in cities; improving services in cities.

11.1.2 As we outlined at the beginning of this report, a critical feature of the Government's definition of sustainable communities is that they are well run and well served (ODPM, 2005a). To encourage that ambition since 1997 it has introduced a range of measures designed to:

- devolve more responsibility to local and regional level by creating new institutions or increasing local discretion for good performance;
- promote greater collaboration within and between local, regional and national partners;
- encourage greater citizen engagement in decisions;
- modernise local government by creating visible civic leadership, monitoring performance and rewarding achievement;
- improve the quality and value of local services and responsiveness to communities.

## 11.2 Assessing the impact of government policy on urban governance

11.2.1 Our assessment of policy does not begin with a clean sheet. We can draw upon evaluations of earlier waves of policy to provide a context for our assessment of current government policies. For example in 2000 the Social Exclusion Unit identified eight key failures of earlier policies:

- economic decline had outstripped attempts to regenerate;
- mainstream policies had failed to deliver;
- lack of joined-up working because of silo mentalities and fragmented delivery systems;
- partnerships had been dominated by fund chasing;
- lack of clarity about purpose and target such as areas or people;
- departmental practices prevented joined-up delivery because of silo-based accountability and spending regimes;
- communities had remained marginal to delivery;
- short-term funding or restricted expenditure meant change was not sustained (DETR, 2000a).

11.2.4 In fact, a striking feature of government response to this has been the attention it has paid to addressing such crosscutting issues at national, regional and local level. The Cabinet Office analysed barriers within Whitehall which have inhibited government from operating in a coherent way and recommended measures for improvement (PIU, 2000a). It recommended the creation of a Regional Co-ordination Unit to improve co-ordination of policy initiatives with a regional and local impact and a strengthening of Government Offices' role in cross cutting programmes. Both were taken up (PIU,2000b). Government also commissioned research into crosscutting issues affecting local government (DETR, 1999) and into the co-ordination of area-based initiatives and their relationship with mainstream programmes and Local Strategic Partnerships (NRU/RCU, 2002).

### Improving the local governance of cities – what is the evidence?

11.2.5 There have been many attempts to promote joined-up horizontal governance at neighbourhood, city and City-Region levels. We review each level in turn. The introduction of PSA floor targets has encouraged local organisations and government departments to work more actively to reduce inequalities between the most deprived urban neighbourhoods and the rest and reduce the social exclusion of disadvantaged groups (ODPM, 2004a). A study of the Neighbourhood Renewal Fund (NRF) has shown that it has enabled urban local authorities with their partners – such as the police, Primary Care Trusts, colleges, housing providers and the community – to develop a range of effective programmes that address issues facing localities in a cross cutting way (SIGOMA, 2004). That research also showed that NRF had allowed such

partners to test new ideas, lever in other funding and target resources at the most pressing problems of needy areas. It also encouraged partners to share information and work together on performance management systems. SIGOMA also found that NRF has helped to establish effective Local Strategic Partnerships by promoting inter-agency working at management and operational level and culture changes. However, findings from the Local Strategic Partnership (LSP) evaluation are more equivocal about NRF. Early rounds were dominated by established players who tended to use funding opportunistically to fill gaps in existing services and paid rather less attention to realigning mainstream budgets and joint working. Recently, however, the signs have been more promising. Funds have been used for more innovative, crosscutting measures with greater community involvement in decision making (Table 11.1).

**Table 11.1: Local Strategic Partnerships**

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• LSPs are non-statutory, non-executive organisations which operate at a sufficiently local level to enable both strategic decision making and grassroots community engagement and bring together public sector organisations and also the private, community and voluntary sectors so that different initiatives and services support each other and work together;</li> <li>• initiated in 2001 and required (along with production of Local Neighbourhood Renewal Strategy) in 88 most deprived local authorities in order for them to be eligible for Neighbourhood Renewal Funding;</li> <li>• LSPs have responsibility for overseeing preparation and delivery of Community Strategies (CSs) and Local Neighbourhood Renewal Strategies (LNRSs), rationalising existing local partnerships, programmes and initiatives and discussing Local Public Service Agreements (LPSAs) but have considerable discretion over organisation, procedures and business.</li> </ul>
<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• most localities have responded enthusiastically to the Government's proposals and established an LSP, not just NRF authorities.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• Government believes that such a framework for strategic partnership at the local level will: <ul style="list-style-type: none"> <li>– create more inclusive and pluralist local governance which will generate a shared local sense of direction;</li> <li>– bring together key organisations from public and private sectors and civil society to identify communities' top priorities and needs;</li> <li>– enable local agencies and people to work closely together to meet them;</li> </ul> </li> <li>• Government, together with the wider policy community, believes that such partnership working is necessary to solve complicated societal problems and achieve positive outcomes by building trust, sharing knowledge and resources and working collaboratively across organisational boundaries.</li> </ul>
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• most LSPs have made good progress in setting up effective and inclusive organisational structures but encountered tension between inclusivity/representativeness and remaining strategic and focused;</li> <li>• factors assisting progress have included proactive and widely respected local authorities, availability of CEF for capacity building, history of effective partnership working;</li> <li>• common hindrances have included shortage of LSP staff or requisite skills, overload in terms of responsibilities, lack of engagement of some public sector agencies because of centrally-driven priorities or differing spheres of operation;</li> <li>• engagement has generally been more uneven in two-tier areas because organisations tend to gravitate to whichever LSP most closely fits their own administrative geography and the extent to which upper and lower tier LSPs liaise has varied;</li> </ul>



Table 11.1: Local Strategic Partnerships (*continued*)

<p><b>Impact: (<i>continued</i>)</b></p> <ul style="list-style-type: none"> <li>• LSPs have made progress in making structures fit-for-purpose (rationalisation) by auditing existing partnership structures, focusing on key CS priorities, filling gaps in coverage and removing duplication and linking together better partners, programmes and policy themes but different priorities of national government departments, competing national, regional and local perspectives and the various inspection and performance management regimes have made this task difficult;</li> <li>• preparing CSs and LNRSs has largely been a positive experience for partners but plans of varying quality depending upon degree of partner input to LSP and LSP's success in reconciling agencies' operational priorities and cross-cutting local issues and in connecting local strategies and LPSAs together;</li> <li>• progressing from strategy to delivery has proved a slow process given the size of policy agenda, limited core resources, the number of organisations involved, initial focus on establishing partnership structures, complexities of performance management and absence of incentives for mainstreaming;</li> <li>• less evidence of LSP engagement and mainstreaming in economic development and transport/accessibility planning, environmental sustainability spheres;</li> <li>• benefits of LSPs have thus far related more to changes in governance than outcomes: <ul style="list-style-type: none"> <li>– providing a mechanism for securing cross-agency commitment to CSs and LNRSs and a means to drive them forward,</li> <li>– offering a single voice for local stakeholders' views which adds to their weight and legitimacy locally and externally,</li> <li>– enabling views of communities of place and interest and the voluntary sector to be more clearly heard and understood,</li> <li>– providing capacity to focus on particular issues and address them in a collective and integrated way by marshalling local knowledge, understanding and resources,</li> <li>– providing a forum for sharing ideas and information and build understanding and trust,</li> <li>– providing an opportunity for those involved in partnership working to widen and develop their skills and experience.</li> </ul> </li> </ul>
<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• need for clarity over where LSPs are expected to take lead as distinct from constituent partnerships and agencies as danger that LSPs will lose focus and dissipate energy and also risks of duplication and conflict;</li> <li>• partners need room for manoeuvre as most have to reconcile local political lobbying, central government funding requirements and community preferences and demands;</li> <li>• a series of factors can act as catalysts to mainstreaming including: effective leadership, committing agencies at senior, middle management and front-line levels, auditing plans, mapping provision, pooling information and other resources, reviewing service effectiveness, aligning plans and funding streams, developing multi-agency teams, joint planning at neighbourhood-level;</li> <li>• some supposed barriers to mainstreaming such as limits to local discretion are not always as real as claimed but different financial reporting and human resource regimes can be a problem;</li> <li>• requiring agencies to engage LSP in government targets and linking LSP performance to other performance management regimes would provide incentive for agencies to participate fully in LSPs;</li> <li>• availability of NRF in deprived communities has had mixed effects, providing incentives for partner engagement and innovative approaches to service delivery and subsequent incorporation into core delivery while on other hand encouraging funding opportunism and distracting some partners from realigning mainstream services and funds;</li> <li>• given that LSPs are voluntaristic partnerships and not direct delivery organisations, their effectiveness depends upon the inherent benefits of partnership working outweighing the costs and the ability of core members to lead, influence, cajole, set an example to other partners and mobilise them and their resources;</li> <li>• it has proved difficult to distinguish LSPs' distinctive contribution from that of other partnerships, given that the chains of causality are so complex.</li> </ul>

Source: ODPM & DfT, 2004

11.2.6 The other significant development at neighbourhood level has been the concept of neighbourhood management which has been pursued through the Local Government Modernisation Agenda and the National Strategy for Neighbourhood Renewal. This has encouraged neighbourhood-level governance and joint working in many urban areas. The national evaluation of the Neighbourhood Management Pathfinders (NMPs) has shown that Neighbourhood Managers and their small support teams can induce changes to services affecting local liveability and sensitise service providers to local needs given the right mix of skills, co-operation from service sector ‘champions’ and exploitation of grassroots research and intelligence (Table 11.2). On the other hand, both their funding and degree of impact on bending, mainstreaming and joining-up services has been comparatively modest. Such initiatives need to be linked to wider strategies and used as test-beds for ideas which could potentially be applied more widely. But many NMPs have only had limited dealings with their LSPs.

Table 11.2: Neighbourhood Management Pathfinders

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• NRU launched seven year programmes in two tranches – 15 pathfinders operational in 2002, further 15 in 2005;</li> <li>• comprise Neighbourhood Manager and small team, Board comprising residents &amp; service providers to steer initiative, thematic working groups and accountable body;</li> <li>• modest budgets of £1.5m to cover management and administration and project leverage funding.</li> </ul>
<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• targeted at deprived areas of between 10,000-15,000.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• stems from conviction that somebody needs to be in charge at the neighbourhood level and provide a more local focus to service delivery since provision has become more compartmentalised and remote and given the need for closer oversight of neighbourhood conditions in unpopular, difficult and disadvantaged areas;</li> <li>• potential means of improving and joining up local services by making them more responsive to local needs.</li> </ul>
<p><b>Impact:</b></p> <p>By end of Year 2, Round 1 pathfinders had:</p> <ul style="list-style-type: none"> <li>• in most cases, effectively engaged both residents and service providers (especially police, council environmental housing and leisure services, schools and PCTs) and established a good relationship with their local authorities in their capacity as accountable bodies;</li> <li>• gained a better understanding of local needs and relayed them to providers;</li> <li>• delivered ‘quick win’ projects which were popular with the local community to raise their profile and reputation;</li> <li>• helped to re-shape ‘liveability’ services relating to environmental and community safety issues (e.g. better street cleaning), often via piloting, and less frequently projects included: improved housing management, community health provision, job support and school-based initiatives;</li> <li>• in some cases NMPs have developed research and learning capacity to measure service performance in meeting local needs, influence providers and gauge impact of changes in service delivery and overall progress of NMP.</li> </ul>

Table 11.2: Neighbourhood Management Pathfinders (*continued*)**Policy lessons/implications:**

- critical success factors include managers/teams with clout and right mix of skills (listeners, catalysts, communicators, lobbyists, networkers) and ability of Board to influence service providers at managerial, middle management and front-line level;
- need for NMPs to understand constraints affecting service providers, how they allocate resources and best means of persuading them to introduce changes including enlisting officers/councillors as champions of NM;
- need to focus on priority issues of most pressing concern to residents in Delivery Plans given limited resources;
- need for better links with LSPs and scope for latter to be more proactive in championing NMPs' work;
- since actual service changes have been comparatively modest and bending, mainstreaming and joining-up services have been less evident, partners need to consider whether providers have sufficient flexibility and incentive to respond to local needs;
- different models of NM need to be further compared and contrasted to discover which are the most effective.

Source: ODPM,2004b

11.2.7 LSPs have been the Government's main vehicle for promoting greater joined-up working at the urban level. Although only mandatory in the 88 most deprived districts, most areas have adopted the concept. Independent evaluation of LSPs has revealed that they have brought significant benefits in terms of governance. They have to different degrees promoted more exchange of intelligence between local stakeholders, engaged community and voluntary sectors in decision-making, provided local stakeholders a voice for collective concerns and fostered greater collaboration on cross cutting local issues. Individual LSPs have acted as an advisory body, or a laboratory, commissioning projects and empowering community networks. However, success has depended upon local authorities and other key stakeholders exercising a lead in joint working, remaining strategic and focused on areas where they can collectively make a difference and influencing and mobilising other partners. LSPs are voluntary bodies and are not directly responsible for delivery. LSPs have found progressing from strategy to delivery a slow process because of their extensive responsibilities, multitude of stakeholders and limited resources.

11.2.8 Governance at the City-Region and regional level has become increasingly complex over the last two decades. Besides Government Offices, the Home Office and Department of Culture Media and Sport and many non-departmental public bodies have regional staff and activities, for example, Environment Agency, Employment Services, Countryside Agency, English Heritage, Benefits Agency. Within the economic development sphere, (Regional Development Agency (RDA) structures and initiatives have encouraged sub-regional economic or regeneration partnerships which have in some instances fitted and complemented more local economic partnerships or LSPs and in others cut across them. However, the dust is still settling. As set out more fully in Table 11.3, Regional Development Agencies' involvement in City-Regional and regional affairs has been steadily growing. But their impact has not yet been independently assessed and in any case many of the additional powers have been granted very recently. The new Regional Housing Boards have been charged with developing a better understanding of housing markets and working closely with regional planning and economic

development bodies. The introduction of inter-regional growth strategies by government and the RDAs has increased dialogue between urban and regional bodies. However, the best means of securing collaboration remains an open question since RDAs are only indirectly accountable to their respective regions. So current governance at this level has become increasingly complex and unresolved. This stems from the mix of unitary and two-tier local government and special arrangements applying in London where strategic city-wide services have been brought under unified political control. Moves towards elected regional assemblies have been abandoned following the no vote in the North East referendum. Many urban bodies find strategic discussions and negotiations involving the wider region difficult because Government Offices, Regional Development Agencies and Regional Assemblies sometimes have different regional perspectives.

**Table 11.3: Regional Development Agencies and related developments in regional governance**

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• RDAs were launched in 1999 in each of nine regions to further economic development and regeneration, promote business competitiveness, promote employment, enhance development and application of relevant skills and contribute to sustainable development (in the first year, they assumed work and funding streams of Single Regeneration Budget, English Partnerships and the Rural Development Commission);</li> <li>• combined budget has increased from £0.77m 1999/2000 to £1.85bn 2004/5;</li> <li>• although powers and discretion initially constrained, responsibilities have progressively increased to include: <ul style="list-style-type: none"> <li>– playing a leading role in the development of inter-regional growth strategies (e.g. Northern Way, Midlands Way, Sustainable Communities in the South West, South East Growth Areas),</li> <li>– delivery of Business Link services, research and development grants (e.g. Phoenix Fund) and enterprise in disadvantaged areas,</li> <li>– development of Regional Skills Partnerships which bring together RDAs, LSC, Jobcentre Plus, Small Business Service and Skills for Business Network in order to ensure that skills, business support and employment provision are planned and delivered in a more responsive and co-ordinated way,</li> <li>– joint planning with regional LSC of adult skills budgets, if so desired,</li> <li>– enhanced role in supporting business-university collaboration including establishing Science and Industry Councils (comprising major businesses and research organisations), preparing Regional Innovation Strategies and allocating technology transfer funds;</li> </ul> </li> <li>• various funding streams were combined into a Single Pot and appraisal arrangements streamlined in April 2002 and from April, 2005, RDAs will operate within a simpler and more flexible monitoring framework which combines national PSA targets and priorities set out in each RDA's Regional Economic Strategy and Corporate Plan;</li> <li>• Government is promoting closer integration of various regional strategy documents so that provision of jobs, housing and transport infrastructure proceed in tandem and has consulted RDAs, Regional Assemblies and Regional Housing Boards on prioritisation within and between its Regional Economic Development, Housing and Transport budgets for the period 2005/6-2007/8 and DfT will invite regional and sub-regional partnerships to put forward bids for local transport packages from its new Transport Innovation Fund and allow PTAs greater discretion over specifying service levels and retaining savings.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• conviction that regions and localities know best how to tackle the problems they face and need greater scope to collaborate with partners and test out new approaches.</li> </ul>

**Table 11.3: Regional Development Agencies and related developments in regional governance (continued)**

<p><b>Urban implications:</b></p> <ul style="list-style-type: none"> <li>• the impact of RDAs on urban competitiveness and urban regeneration has not thus far been independently assessed and neither has their impact on regional outcomes;</li> <li>• too soon to judge the impact of increased powers on urban and regional governance;</li> <li>• some GOs and RDAs have, however, recognised that cities are key drivers for regions and centres of exchange, culture and communication and supported investment in key infrastructure, often in consort with Urban Regeneration Companies and in some cases utilising European structural funds, and the sub-regional strategies focus attention on each City-Regions' assets, needs and potential and the linkages between them (e.g. NWDA/GONW);</li> <li>• the majority of regional and sub-regional stakeholders are satisfied with the way RDAs have developed coherent Regional Economic Strategies and addressed right priorities but scope for better communication of activities (2003);</li> <li>• the advent of RSPs combined with DfES/DWP joint efforts to introduce interventions which pay greater regard to local culture and circumstance under the New Deal for Skills initiative should in principle provide opportunities for more differentiated policymaking – Testbed Learning Communities are a good example of this.</li> </ul>
<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• RDAs have had to meet a considerable number of government targets but their impact on urban and regional economies has not been assessed thus far;</li> <li>• instances where the economic development and business investment agenda driven by the RDA and the economic and social inclusion agenda driven by other organisations such as the LSC do not connect;</li> <li>• outstanding question as to whether RDAs can help narrow the gap between the more and less prosperous regions and sub-regions given similar briefs and resources at their disposal;</li> <li>• wider brief has significant resource implications and need to review whether scope for simplifying regional and sub-regional institutional arrangements given significant transaction costs involved.</li> </ul>

Sources: Robson et al, 2000; NAO, 2003; DTI, 2005; ODPM, 2005b; ODPM et al, 2005.

### Improving the national governance of cities

11.2.9 Greater focus on joined-up horizontal thinking has meant that the traditional concerns of government departments have been supplemented by a raft of new policy areas. Examples include community safety, regeneration, economic competitiveness, social exclusion, sustainable development, community cohesion, drug addiction and issues affecting different groups. One of the perverse effects is that organisational arrangements have become ever more complex in the absence of significant rationalisation of existing structures. Plans and partnerships have multiplied adding significantly to transaction costs and it has become more and more difficult to assess the contribution of various partnerships and stakeholders to outcomes sought. Paradoxically, greater recognition of cross cutting issues has ultimately made 'joined-upness' harder to achieve. Although government has sought to rationalise its programmes and initiatives in various ways, it has only had partial success in this respect. For example, the Regional Co-ordination Unit has focused on area-based schemes which has meant that other types of intervention have proliferated with little scrutiny. New thematic and people-based special measures have offset reductions in the number of area-based initiatives and separate funding streams. Furthermore, an independent review of area-based initiatives found that parent departments exercised a stifling degree of control

over content, procedural matters and performance management which was hindering local initiative and efforts to co-ordinate such programmes (NRU/RCU, 2002). Government Offices (GOs) have played a significant role in advising and supporting individual partnerships and ABIs but they have not been able to solve problems caused by the conflicting requirements of different government departments. The end result is that urban leaders have had the unenviable task of piecing together the many strands of national programmes and initiatives after they have fractured on their way down from different departmental silos – the so called ‘humpty dumpty’ effect (Audit Commission, 2004). Localities have also had to cope with frequent changes either in institutional arrangements or in rules and procedures. Repeated restructuring of the National Health Service and countless changes in housing benefit rules are obvious examples of each.

11.2.10 Such local realities have prompted government to place greater emphasis upon the horizontal connections between government policies affecting localities and vertical integration between central government and local authorities and their partners. Its most recent innovation, Local Area Agreements (LAAs), involves central government departments working closely with local agencies on specifying outcomes and setting budgets and then allowing local authorities and their partners discretion over how they meet targets. Government has acknowledged that different places have different combinations of problems requiring different local solutions. Although the 21 pilots have only been running for a limited period and as yet there is no conclusive evidence of impact, preliminary lessons are beginning to emerge from the independent evaluation of LAAs. Enthusiasts outweigh the sceptics since they see LAAs as a vehicle for partnership working and agreeing local priorities and see evidence of a reduction in central government requirements. Some of the individual LAAs feature joint commissioning and budget pooling and these have the potential at least to improve local services. Others have expressed disappointment at the limited freedoms granted thus far. There is still a long way to go. If they are to work, LAAs will require changes in culture and ways of working, proper resourcing and negotiations which require careful handling to overcome inevitable tensions and sensitivities. Table 11.4 contains a more detailed summary of evaluation findings. Pursuing the same logic, the Government has in the second round Local Public Service Agreements (LPSAs) focused more on local targets, priorities and partnership activity and, to a lesser degree, on national targets. It has also extended their scope to cover the whole of the public sector rather than just local authorities and tied negotiations to LAAs where they exist. This should in principle offer added incentives to local stakeholders. However, the long-term evaluation of LPSAs has not yet released evidence of their impact to date on local outcomes.

11.2.11 Government has clarified roles and shifted around responsibilities within and between central government departments and agencies in a number of ways since 1997. It has created special units in Whitehall such as the Social Exclusion Unit, Neighbourhood Renewal Unit, Urban Policy Unit; devolved powers to RDAs; increased the responsibilities of Government Offices in neighbourhood renewal and the pilot Local Area Agreements.

11.2.12 Many of these changes have not been subject to systematic external scrutiny. However, fragmentary evidence from evaluations of LSPs, CNNs, NDCs, and LAAs does cast some light on GOs' evolving role. GOs have played a threefold role in local partnerships by providing advice on strategic direction and facilitating joint working and acting as a communication channel between such partnerships and central government. Traditionally, they have played a 'godparent' role in ABIs such as EAZs, EZ, Sure Start and New Start for which they have not had direct management responsibility. This involved communication and feedback between ABIs and relevant departments, brokering links between ABIs and seeking to prevent duplication and 'deadweight.' In these instances their influence was circumscribed. However, since they have assumed a key role in neighbourhood renewal, they have played a much more proactive, hands-on role in related programmes such as NDC and NMPs. They now vet and authorise bids, approved large projects and undertake monitoring and performance management. In some cases, GOs' dual role of facilitating partner/advisor and policing has given rise to tensions. Despite this, most evaluation findings suggest that local partnerships appreciate GOs' contribution (NRU/RCU, 2002). Clearer division of responsibilities between GOs and central departments is, however, seen as necessary in LAA negotiations. Adequate resourcing of GOs also remains an issue given their ever increasing functions and duties (Table 11.4).

Table 11.4: Local Area Agreements

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• twenty-one pilot LAAs announced in October, 2004 and further 66 areas declared for second phase in June, 2005 and the Government is committed to a third and final phase to ensure complete roll out;</li> <li>• mechanisms for improving the effectiveness and efficiency of local services through strengthening co-ordination between central government and local authorities and their partners;</li> <li>• means include: focusing on a range of agreed outcomes, simplifying the number of additional central government funding streams, reducing bureaucracy and cutting costs, helping to join up public services more effectively, allowing greater flexibility for local solutions to match local circumstances and devolving decision-making;</li> <li>• process comprises central government departments specifying high-level outcomes and geographical priorities, Government Offices agreeing targets and funding with respective LSPs, then LSPs and local authorities exercise discretion over spending in order to achieve targets, Government Offices then performance managing LSPs and LSPs receiving reward grant via LPSA mechanism should they achieve outcome targets;</li> <li>• pilot LAAs on average have brought together 40 different central government funding streams amounting to £800m.</li> </ul>
<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• many of pilots and phase 2 areas comprise largely urban areas.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• explore scope for central government departments to devolve detailed day-to-day control of their programmes by focusing collectively on outcomes for local areas rather than process-managing funding pots and moving towards stronger partnership working with local authorities.</li> </ul>

Table 11.4: Local Area Agreements (*continued*)

<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• evaluation does not identify particular pilots, no explicit urban dimension;</li> <li>• only process lessons thus far, no hard outcomes available as yet and ‘the proof will be in pudding’;</li> <li>• initial local enthusiasm about concept but varying motives for involvement: closer dialogue with central government, pooling budgets, experimentation with Public Service Board model, bringing together all public expenditure in area, devolution of power;</li> <li>• elements of LAAs have the potential to improve local services including: pooling of budgets for disaffected young people not engaged in education, employment or training, joint working between county and district level organisations to reduce homelessness; joint commissioning of health and social care services;</li> <li>• reduction in number of indicators required for different central government funding streams in some areas;</li> <li>• most agreements contain balance of national and local priorities but vary in detail especially regarding funding, indicators and targets;</li> <li>• process of agreeing outcomes, identifying funding streams and freedoms and flexibilities more resource intensive and time consuming than expected, leaving insufficient time for implementation planning, risk assessment and performance management arrangements;</li> <li>• process more difficult in two-tier areas because of number of partners, diversity of needs and priorities and perception at district level that LAAs could be a threat because they provide a means for upper tier to exercise greater control;</li> <li>• mixed local views about LAAs – viewed by some as stimulus to partnership working, agreeing local priorities, opportunity to rationalise funding streams and shift balance of power locally while others disappointed at limited freedoms granted thus far and lack of tangible benefits to date.</li> </ul>
<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• most effective LAAs to date characterised by: close dialogue between LAAs and central government departments, strong leadership from partners at senior level, strong LSPs which can face up to tough choices about priorities which may affect some parties’ autonomy and strain relationships;</li> <li>• those LAAs which have debated principles and scope for improving integration of services before looking at funding considerations have tended to make more progress since the latter can be divisive;</li> <li>• scope for better timing to suit planning and budgetary cycles;</li> <li>• need for greater clarity about LAAs’ scope and purpose, precise role of GOs, extent of local discretion, scope and pre-conditions for granting additional local freedoms and flexibilities but without going so far as to cramp experimentation or discourage involvement;</li> <li>• partners constrained by own performance regimes, planning and budgetary cycles, existing commitments, level of available funding and, in case of voluntary and community sector, capacity;</li> <li>• GOs have played a valuable facilitating/critical friend role but their lead negotiation role has meant that understanding within Whitehall of realities of service delivery and impact of regulations locally still limited;</li> <li>• need for GOs to receive additional resources to carry out LAA work, especially since LPSA negotiations will form part of process in future;</li> <li>• some government departments have played only a limited part in LAAs (e.g. DTI, DWP, DfT) and private sector not closely involved but addition of economic development and enterprise block in Phase 2 should encourage involvement;</li> <li>• to succeed, LAAs will require significant changes in central government culture and ways of working, enhanced local intelligence;</li> <li>• tension between devolving responsibility and keeping tight rein on performance in the case of some central government departments;</li> <li>• uncertainty about extent to which central government departments will let go, especially as benefits not yet demonstrable – trust required between partners in the short-term.</li> </ul>

Source: ODPM, 2005c



- 11.2.13 The division of responsibilities between GOs and RDAs has been a key urban governance issue. In 1999, responsibility for administering SRB was transferred from GOs to RDAs which raised questions as to whether future bids with a social exclusion emphasis would receive the same priority as those focusing on economic regeneration. However, it became clear during discussions about implementing the NSNR that GOs would in future oversee LSPs and neighbourhood regeneration while RDAs would concentrate on economic development and physical regeneration schemes. Thus arrangements have become clearer and more transparent. Concerns have been expressed, however, about whether the separation of economic and social agendas between RDAs and GOs militates against joined-up thinking and working by government at the local level (RCU/NRU, 2002).
- 11.2.14 In terms of rationalisation, the Government has made various attempts to simplify funding streams and programmes. In 2002, the Regional Co-ordination Unit carried out an ABI review which reduced the number of funding streams by almost a half from 40 to 23. It also simplified management arrangements and streamlined bureaucratic processes (ODPM, 2003). However, an enquiry into the effectiveness of government regeneration initiatives by the House of Commons Housing, Planning, Local Government and the Regions Committee found that although the RCU had made progress, new initiatives were still coming on stream and that the confusion surrounding the vast number of different systems, funds and timescales was still a problem. The double key process of checking new ABIs both within Whitehall and GOs had not prevented the establishment of Enterprise Areas without the Treasury, NRU or RDAs being consulted.
- 11.2.15 More recently, RCU has prompted local partners in 12 areas – 10 of which are mainly urban – to set up Single Local Management Centres (SLMCs) to rationalise ABIs and also wider programme requirements. Interim findings have been released from the independent evaluation of SLMCs, which show progress in rationalising ABIs and improving joint working and addressing current barriers without being able to specify concrete results as yet (RCU/ODPM/NRU, 2004). While most SLMCs have focused on ABI rationalisation, some have also investigated scope for changing mainstream programmes through developing strategic frameworks, establishing task forces, reviewing performance management targets, realigning resources and removing red tape. They have had different starting positions and access to different levels of expertise and hence made varying progress. RCU has given considerable discretion to each SLMC to adopt its own approach. Examples include the development of unified appraisal forms, moves to standardise the auditing and monitoring requirements of different funders, considering various forms of single pot and linking funding streams to wider debates about pooling budgets and realigning resources. Significantly, SLMCs confirm not only that a multiplicity of funding streams remains a problem but there is also a lack of co-operation from some government agencies and departments, for example, RDAs, because of lack of knowledge or ownership, or a desire to maintain control prevents changes being incorporated into mainstream programmes. Recent government papers on devolved decision-making, rationalisation of ABIs and funding streams take a more optimistic view. They maintain that the introduction of the Single Pot has given RDAs more

flexibility and is a model for rationalisation of other funding streams (ODPM/HMT/DTI, 2005).

- 11.2.16 The Government reduced the burden of inspection and plan requirements for local authorities rated as excellent or good in their Comprehensive Performance Assessment. This will remove the requirement to submit detailed service plans, and grant them a three-year holiday from external inspections, amongst other freedoms and flexibilities. Such moves have been welcomed, though concerns remain about the degree of central control exercised over less well performing authorities and other matters and the CPA methodology (Game, 2005).
- 11.2.17 Government is currently rationalising a significant number of service plans. This will mean that non-excellent authorities will only have to produce six major service sector plans in addition to the Best Value Performance Plan and Community Strategy after 2005/6. Evaluation has shown that establishment of strong mechanisms for cross-departmental working have helped to achieve plan reduction centrally. However, the merging of strategies as distinct from service delivery plans has proved easier to achieve (ODPM, 2005d). Community Strategies have also been used as a tool for rationalising or subsuming plans in some cases. But this depended upon partners' capacity and commitment.

#### Improving community governance in cities

- 11.2.18 Effective community involvement is a key part of urban policy and has been a fundamental aspect of government approach to regeneration, local government modernisation and local governance. To encourage greater community participation in decisions affecting their area, the Government has tried to decentralise service delivery, engage citizens in new forms of dialogue, promote different forms of resident-led delivery organisation and social enterprise and introduce measures to strengthen community life and ties. Different government departments have emphasised different aspects of community participation. ODPM has promoted more citizen engagement in local government, community activity and participation in local strategies and programmes such as LSPs, NDC and NMPs. The Home Office has majored on building community cohesion, primarily in response to the civil disturbances in Bradford, Oldham and Burnley in 2001.
- 11.2.19 The evidence available about the impact of government policy on community involvement is again partial. It falls into three main categories: analysis of community engagement in urban strategies and regeneration programmes; interim evaluation of the Home Office Community Cohesion Pathfinder Programme; assessment of the impact of the Local Government Modernisation Agenda on local accountability and public confidence.
- 11.2.20 Sustained attempts have been made to involve local communities more in regeneration programmes. This is particularly evident from the increased proportion of budgets invested in community development and capacity building, for example, SRB (Table 11.5). NDCs have been the most successful to date in getting local people involved. There is widespread acceptance that this has improved planning, decision-making, ownership of improvements and

the likelihood that they will prove sustainable (Table 11.6). Repeat MORI household surveys in the 39 NDC areas have also shown that the proportion of respondents who feel able to influence decisions in their area increased from 23-25 per cent over the period 2002-04, converging with the national average figure of 26 per cent. Although there is no definitive evidence of a causal connection, the data suggest that NDC programmes have been a factor, given the lack of other significant changes in such areas. Some NDCs have, however, struggled to balance participation with delivery which has led to some residents becoming frustrated over lack of early tangible results. Preventing activists from dominating partnership structures has also been a challenge. The fact that such impressive involvement has not yet translated into higher electoral turnout at resident board member candidates' elections than at recent local council elections also casts some doubt as to whether such participation will automatically contribute to democratic renewal. It is nonetheless valid on its own terms. NMPs have, despite their modest budgets, been reasonably successful in engaging residents and community groups. This is because they have tackled liveability issues of local concern such as community safety, street cleaning and other environmental issues and made use of grassroots intelligence to persuade service organisations to reshape provision in ways more tailored to local needs.

**Table 11.5: Single Regeneration Budget**

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• key source of support for local partnerships (comprising public, private, voluntary and community sectors) undertaking comprehensive area-based regeneration and thematic sub-regional and regional partnerships tackling different aspects of market failure, 1995-2001;</li> <li>• combined 18 previously separate programmes;</li> <li>• £5.7bn funding committed in six competitive bidding rounds, 1995/6-2000/1, involving £26bn total expenditure of which £9bn private sector;</li> <li>• 1,028 schemes funded, budgets ranging from £1-100m, running from 1-7 years, mostly for over five, area-based programmes of varying size, latterly large schemes in deprived areas, mainly;</li> <li>• wide range of permissible objectives: employment, education and skills, economic development, housing, ethnic minorities, crime, environment, quality of life.</li> </ul>
<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• two-thirds of expenditure occurred in 56 most deprived local authority districts.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• partnership approach necessary for sophisticated approach to solving multi-dimensional problems which will enhance prospects of securing real and lasting change either in terms of the areas concerned or market failure addressed;</li> <li>• freedom for local partnerships to specify local problems, boundaries, objectives and proposed solutions.</li> </ul>
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• SRB offered reasonable value-for-money: £25k per net additional job;</li> <li>• some but not all SRBs were successful in encouraging close community involvement by offering necessary support, communicating effectively, involving local people in board and other structures, projects, establishment of community-led regeneration bodies;</li> <li>• SRB levered significant private sector resources and some partnerships were effective in engaging businesses in property, business development and mentoring schemes;</li> <li>• SRB levered in as third as much again mainstream funding from local authorities, Learning and Skills Councils etc.</li> </ul>

Table 11.5: Single Regeneration Budget (*continued*)

<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• best thematic partnerships led by strong, effective central secretariats, typified by close joint working and good succession planning;</li> <li>• treating the community as equal partners has proved critical to success;</li> <li>• case studies showed importance of creating local employment and community role models, flexible delivery of services to suit clients' circumstances, scale of incentives to move from welfare to work, measures to ensure that residents can access job and training opportunities and effect of informal economy;</li> <li>• reservations about competitive bidding: overemphasis on bid capacity, fund chasing rather than needs;</li> <li>• mixed results in terms of linking SRB to partners' wider strategies and plans, limited scope of SRB to tackle wider problems;</li> <li>• some SRB schemes focused more on outputs than outcomes;</li> <li>• concerns about sustainability of projects post-SRB, risk of community cynicism especially given history of special initiatives – hence the importance of succession planning.</li> </ul>
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Source: DTLR, 2002; Lupton, 2003

Table 11.6: New Deal for Communities Programmes

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• programme launched in 1998/9 – £2bn will be invested in 39 local partnerships (comprising key local bodies and organisations, public agencies, local businesses, voluntary bodies and local communities) over a 10 year period – approximately £50m each;</li> <li>• programme mandate to narrow gap in conditions between the deprived communities targeted and national average in five theme areas of worklessness, education, health, crime and housing/physical environment.</li> </ul>
<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• deprived neighbourhoods (amongst worst 10%) of between 1,000-4,000 households, with an average of 10,000 people.</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• communities at the heart of the programme, in partnership with key agencies, to ensure ownership and improve likelihood that improvements will be locally owned, appropriate and sustainable;</li> <li>• handing inclusive local partnerships in some of the poorest neighbourhoods the resources to tackle their problems in an intensive and co-ordinated way;</li> <li>• long-term programmes and commitment from key partners to improve prospects of delivering real change;</li> <li>• action based on evidence about what works and what does not: useful test-bed and means of informing government's National Strategy for Neighbourhood Renewal.</li> </ul>
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• NDCs have usually secured input from Police, local authority departments such as economic development and housing, housing associations and increasingly Primary Care Trusts but Learning and Skills Councils, Social Services and Connexions rarely represented on NDC Boards;</li> <li>• impressive range of projects: evidence of convergence with national average in KS2 and GCSE outcomes, worklessness, increased satisfaction with environment, quality of housing and commitment to area, insufficient standardised evidence on other themes but 65% of partners believe NDC to be quite effective in addressing all themes and 20% very or extremely effective;</li> <li>• Neighbourhood Wardens projects most favourably received by residents/agencies, other liveability projects such as environmental improvements, changes to refuse collection and street cleaning services providing evidence of 'quick wins' have also proved popular;</li> <li>• comparison of resident households surveys in 2002 and 2004 show increasing proportion of respondents: feel part of community, fairly/very satisfied with police, believe that NDC has improved the area, feel that area has got slightly/much better in previous two years;</li> </ul>

Table 11.6: New Deal for Communities Programmes (*continued*)

<p><b>Impact: (<i>continued</i>)</b></p> <ul style="list-style-type: none"> <li>• programme more effective than predecessor ABIs in involving local people (50,000 during first three years) but some partnerships have struggled to get right balance between community participation and delivery;</li> <li>• employment usually the weakest element in plans – more scope for connecting unemployed to wider labour market opportunities, ensuring economic development agencies are working to boost investment in vicinity and private sector involvement;</li> <li>• linkages between NDC strategies, district and regional strategies variable, affecting likelihood of mainstreaming;</li> <li>• leverage of other finance less good than SRB (0.55%) but situation may quickly change.</li> </ul>
<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• strong/weak partnerships characterised by presence/absence of: powerful, shared vision between partners and good alignment between NDC interventions and wider strategies; robust rationale for investment of NDC funds; good, open and trusting relationships between partners and mutual acceptance of different roles and responsibilities; agency recognition of the need to support community participants, take on board their views and adopt new ways of working; strong leadership from chairperson and chief executive who work together well; investment in training and development of community board members, other local leaders and staff; effective communication of results and management of expectations;</li> <li>• importance of presentational clarity: initial portrayal of programme as ‘community-led’ encouraged go-it-alone mentality in areas where communities had in the past felt let down by service providers;</li> <li>• wide acceptance that community involvement in planning and decision-making has assisted good performance but need to guard against colonisation by activists and to counter disillusionment by communicating successes and engaging different constituencies;</li> <li>• some partnerships struggled early on to achieve spend – change in chair, chief executive, relatively high proportion of residents on the Board, low proportion of agency representation explained majority of variation;</li> <li>• turnout for election of community representatives on average marginally lower than most recent local authority elections;</li> <li>• mainstreaming assisted by alignment of NDC and wider objectives of partners and search for common ground; commitment from partners at all levels; better links with other ABIs; good links with LSP and recognition on the part of the latter that NDCs are important test-beds in neighbourhood renewal terms provided practice is transferable; champions; well-researched analysis of local problems and proposals; succession planning;</li> <li>• mainstreaming adversely affected by complexity of regeneration scene, differences in operational boundaries, lack of fit between NDC and other agencies’ objectives, silo mentalities and human resources issues;</li> <li>• agency involvement also constrained by tensions between local and national priorities, lack of facilities (e.g. secondary schools) in area and lack of staff;</li> <li>• problems with turnover of key staff and skill shortages underline Egan Report findings and importance of emerging network of Regional Centres of Excellence, training initiatives and NRA/GO/agency support;</li> <li>• recognition that senior management within GOs can play a key role in ensuring NDC plans link well with other plans (e.g. HMRPs) and also enhancing prospects for mainstreaming via government programmes;</li> <li>• right level of support from accountable body crucial – risk management rather than micro-management or hands-off approach;</li> <li>• Performance Management Framework appreciated by all parties – it has proved a useful tool for identifying where improvements necessary;</li> <li>• tension between freedom handed to partnerships and financial/monitoring/operational requirements – arguably standardisation of latter from outset would have been preferable leaving partnerships discretion over programme content and delivery.</li> </ul>

Sources: NAO, 2004; ODPM, 2004c; NRU, 2005.

11.2.21 LSPs have had mixed success in engaging local communities. Most have attempted to be inclusive and have provided greater scope for community interests and voluntary bodies to convey their views at a strategic level. Community representatives are having an increasing influence on the way that LSPs are run and NRF is allocated and spent, though in the early stages they resented the fact that important decisions were made about NRF before they reached a stage where they could actively participate (ODPM/DfT, 2004). Many voluntary and community representatives have appreciated the support they have received from GOs and NRAs. However, they still feel that they are treated as junior partners on some LSPs and that proceedings could be more community-friendly, for example, through respect for cultural differences, timing of meetings, use of jargon.

11.2.22 CPPs have redressed the disproportionate focus on more formal types of participation by promoting community development and strengthening local networks and ties which have led to greater involvement in local affairs and regeneration programmes (Table 11.7). The 'no strings attached' funding Community Chests given to community groups have proved immensely popular and stimulated the development of more groups. Community Learning Chests' provision of access to training opportunities has also been well received and has helped local people to become involved in supportive networks and to undertake small but significant community projects. The Community Empowerment Fund has complemented such funds by developing links between community and voluntary groups and has, through the LSP, encouraged groups to get involved in more strategic debates in ways that no other programmes have managed. Continued progress does, however, depend upon greater certainty of funding, LSPs making greater use of neighbourhood-based groups and treating the community and voluntary sector as equal partners.

**Table 11.7: Community Participation Programmes (CPPs)**

<p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• Three different funding pots introduced by Neighbourhood Renewal Unit in 2001 (integrated into the Single Community Programme from April 2004):</li> </ul> <p><i>Community Chests</i> (CCs) which provide small, easily accessible grants to stimulate and support community activity and enable more people to become involved in regeneration of their neighbourhoods;</p> <p><i>Community Learning Chests</i> (CLCs) to help residents gain skills and knowledge needed to play an active role in neighbourhood renewal;</p> <p><i>Community Empowerment Fund</i> (CEF) to support the involvement of the local community and voluntary sector as equal partners in local strategic partnerships (LSPs) through developing Community Empowerment Networks;</p> <ul style="list-style-type: none"> <li>• £86m committed to three programmes for period 2001-4, which were later combined and extended until March 2006 (further £96m allocated);</li> <li>• the majority of CC and CLC grants have been given for equipment, general group development costs and social activities, CLC grants have funded training visits and materials and training has mainly covered IT skills, leadership and meeting skills and diversity/equality awareness;</li> <li>• CENs have majored on developing networks based on neighbourhoods and communities of interest, organising consultation and information sharing events, developing communications media and auditing voluntary and community sector activities;</li> <li>• CPPs are part of a wider attempt by government to put community participation at the heart of current neighbourhood renewal and urban regeneration policy and other major elements include Local Strategic Partnerships, New Deal for Communities and Neighbourhood Management Pathfinder programmes (see separate boxes).</li> </ul>
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**Table 11.7: Community Participation Programmes (CPPs) (continued)**

<p><b>Urban areas affected:</b></p> <ul style="list-style-type: none"> <li>• 88 neighbourhood renewal priority areas</li> </ul>
<p><b>Rationale:</b></p> <ul style="list-style-type: none"> <li>• the Government is committed to community participation because it strengthens communities, brings local knowledge to bear on problems and solutions, improves the coherence of strategies and provides feedback to increase the accountability and effectiveness of services, establishes a sense of ownership of initiatives and increases the likelihood that resulting improvements will be sustained;</li> <li>• CPPs designed to address shortcomings of past efforts to secure community participation, namely, insufficient attention given to both community development and capacity building of all parties, lack of investment in voluntary and community infrastructure, rushed implementation, tokenism and failure of strategies to capture diversity of voluntary and community sectors.</li> </ul>
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• CPP has provided funds to support some 25,000 self-help and community group projects in the most deprived areas</li> <li>• CCs and CLCs have: <ul style="list-style-type: none"> <li>– proved very popular and given many groups access to funding for the first time with no strings attached,</li> <li>– provided people access to training and opportunities to learn from each other,</li> <li>– involved many people in decision-making for the first time,</li> <li>– helped people get involved in activities and mutually supportive networks which hold communities together and renew their neighbourhoods in small but significant ways;</li> </ul> </li> <li>• the CEF has, in general, enabled CENs to: <ul style="list-style-type: none"> <li>– build links between local groups, develop networks and improve cohesion and co-operation within the voluntary and community sector,</li> <li>– influence the way LSPs are run and the way Neighbourhood Renewal Funds are spent,</li> <li>– give marginalised groups greater access to decision-making,</li> <li>– establish their credibility as partners that can make a valuable contribution to neighbourhood renewal,</li> <li>– reach the point where they can begin to influence mainstream service provision;</li> </ul> </li> <li>• similar areas not in receipt of such funding have not had such success in broadening community activity and extending community interest beyond the concerns of individual neighbourhoods;</li> <li>• most CENs still face the challenge of how to engage the most hard-to-reach.</li> </ul>
<p><b>Policy lessons/implications:</b></p> <ul style="list-style-type: none"> <li>• programmes successful because of: <ul style="list-style-type: none"> <li>– their capacity for outreach and getting small grants to hard-to-reach and new groups,</li> <li>– access to central government funds that are independent of other LSP partners,</li> <li>– the requirement that LSPs have representation from the voluntary and community sector,</li> <li>– the importance that central government has attached to community participation;</li> </ul> </li> <li>• the most successful CENs are open, accountable and consult and communicate widely and are part of a wider infrastructure of support and development services for voluntary and community sectors;</li> <li>• NAO concluded from their evaluation of CPPs that there are six key requirements for community involvement: attract widest range of groups, help groups see their contribution to neighbourhood renewal, build confidence by supplying necessary training, let the community lead, be representative and demonstrate transparency;</li> <li>• many agencies, government offices and Neighbourhood Renewal Advisers have offered valuable practical support to CENs but the majority of the latter still feel they are treated as junior partners on LSPs and that proceedings could be more community-friendly;</li> <li>• the scope for LSPs to make greater use of neighbourhood-based groups and structures;</li> <li>• the need for more support measures outside 88 targeted areas;</li> <li>• the need to allow for differing starting points and engagement methods as the history of community relations and degree of cohesion, extent of diversity, local capacity, professional attitudes towards and support for community involvement vary appreciably;</li> <li>• the need for CENs to balance attracting new members and recognising experience, avoid the more powerful voluntary and community organisations dominating proceedings and to work with local councillors;</li> </ul>

Table 11.7: Community Participation Programmes (CPPs) (*continued*)**Policy lessons/implications: (*continued*)**

- the need for more emphasis on systematic monitoring/evaluation to demonstrate that community participation makes a tangible difference to neighbourhood outcomes, celebrates success and commands widespread support;
- greater certainty of funding long-term would ease problems concerning recruitment/retention of good staff and assure lead organisations that they will continue to be supported;
- increased consolidation of funding regarded as helpful but need to safeguard independence and autonomy of funding for voluntary and community sectors.

Sources: NAO, 2004; ODPM, 2005e.

11.2.23 In terms of wider attempts to promote democratic renewal via local government modernisation, a combination of Comprehensive Performance Assessment, Best Value, Community Strategies and LSPs have increased local authorities' accountability. New Council Constitutions have resulted in elected members being held more to account. However, the significance of performance management and inspection regimes has shifted the emphasis upwards towards central government rather than outwards. Most members of the public have not taken advantage of new accountability mechanisms. There is evidence to suggest that this is partly due to the lack of transparency and complexity of institutional arrangements, which some LGMA policies such as LSPs have made even more complex (ODPM, 2004d). Other research on New Council Constitutions and the New Ethical Framework has shown that they have not yet had a discernible effect on levels of public confidence and that service improvement and council conduct are more important in that respect (ODPM, 2004e). However, most research has been undertaken on a national basis and may conceal variations between places. Such findings may have implications for the Government's vision of councils providing democratic leadership for the whole community. Local authorities only account for about 25 per cent of locally relevant public expenditure (DETR, 1998) and LSP and other LGMA evaluation findings suggest that the public are unclear where accountability for services rests and underline that local authorities have no sanction over other public bodies' performance.

#### Improving leadership, resources, information and skills in cities

11.2.24 This section assesses the extent to which government policy has promoted better urban leadership, provided additional fiscal resources and freedoms, increased investment in relevant skills and improved the evidence base.

11.2.25 Previous research has shown that serious and sustained service failure invariably reflects poor corporate leadership and that, conversely, effective leadership of services and programmes improves the effectiveness of interventions (Audit Commission, 2002a,b). The Government's Local Government Modernisation Agenda has tried to encourage better urban leadership. Major dimensions include:

- promoting local authorities' community leadership role;
- handing them responsibility to prepare Community Strategies and bring together bodies in Local Strategic Partnerships;



- introducing executive decision making and a separate scrutiny function in local authorities;
- offering 'Beacon' status to the best performing councils to promote best practice;
- investing in capacity building measures across local government; and
- launching the Local Government Leadership Centre to promote excellent leadership.

11.2.26 Research shows that the 2000 Local Government Act has generally strengthened local government's leadership role by making leadership more visible, speeding up decision-making and clarifying where decisions are made (ODPM, 2004c,f). Councils' relationships with partners on LSPs has much improved, though other research has shown that council's leadership role is more likely to be accepted by local public and private partners than voluntary and community sectors. While authorities have opted for different variants of mayoral and leader cabinet systems and approaches to leadership and scrutiny have also significantly varied, research has shown that there is a significant positive correlation between authorities which scored well in Comprehensive Performance Assessments and those which had exercised both strong leadership and scrutiny. Other studies of city leadership, however, have shown that council leaders' effectiveness is not just contingent upon the model chosen and their personal attributes and relationships with political colleagues but also on the wider policy environment and effectiveness of partnership arrangements (Hambleton et al. 2001). In London, the mayor is high profile and, by virtue of his direct powers and responsibilities, is able to exercise clear leadership and influence partners. On the other hand, the GLA has limited service responsibilities and in the rest of Greater London governance is fragmented between many elected bodies and other organisations. This means that the mayor's influence is more limited and conditional on his ability to negotiate and broker agreements in order to achieve concerted action (Sweeting,2000; Kleinman, 2000). Attempts to cast non-executive members in new roles as community representatives and challengers of the performance of their authority have had more mixed results. There are signs that such scrutiny has influenced policy but many councillors have struggled to adapt to such a role (ODPM, 2004e).

11.2.27 Evaluation of the effects of granting councils beacon status has revealed that over four-fifths of those councils surveyed believed that it had raised their profile and their staff's morale but just under half thought that it had taken resources away from service delivery and a similar proportion did not think it had brought lasting benefits. However, the fact that a third of non-beacon local authorities thought that dealings with beacon councils had driven improvements in their council offsets the latter findings (Hartley et al, 2003).

11.2.28 Government has progressively introduced a raft of measures which will increase fiscal resources at the disposal of public organisations operating in our towns and cities including:

- major increases in public expenditure on key services such as education, health and housing over the period 1997-2004 and longer-term expenditure planning;
- the introduction of various fiscal incentives designed to induce additional private investment in urban areas such as VAT reductions, stamp duty exemptions for various areas and set periods and a contaminated land tax credit;
- the Local Government Act 2003 which gave local authorities a series of new powers such as the introduction in April 2004 of a new local government capital finance system, the Prudential System, which allows local authorities the freedom to take their own borrowing decisions, subject to them being affordable; general charging powers; freedom to retain income from fixed penalty notices and in all but the poorest performing authorities and permission to trade in any of their services;
- a reduction in the proportion of grants to well-performing local authorities which are ring-fenced from 11.1 per cent in 2004-05 to 8.9 per cent in 2005-06, providing them with additional flexibility;
- establishing, in conjunction with the Association of Town Centre Management, Business Improvement District pilot schemes in 22 locations which allow businesses in those areas to vote to raise supplementary rates to pay for specific improvements to their local areas;
- the introduction from April 2005 of the new Local Authority Business Growth Incentives Scheme which will enable local authorities to retain a part of the growth in local business rate revenue to spend on their own priorities;
- the reform of council tax to address its impact on those on low incomes and also look into the impact of revaluation.

11.2.29 Most of these additional fiscal powers have either not yet been evaluated or have been introduced too recently to be assessed. Although there is valuable research pulling together the evidence base about the impact of fiscal measures, this covers earlier schemes, many of which have transpired. These findings are in any case discussed in the sections on urban competitiveness and liveability (DETR, 2000b). Surveys by MORI have shown that only a fifth of local authority chief executives were satisfied with the freedoms and flexibilities offered by the CPA process but these findings predate more recent concessions (LGA, 2003).

11.2.30 The current government has always maintained that ‘what counts is what works’ in terms of service delivery and it has sought to better equip urban organisations with information about local problems and potential policy solutions. Measures have included:

- devising and updating on an annual basis indices of multiple deprivation which have been used by government departments to target their resources;

- the allocation of more resources for independent evaluation of programmes, ‘action learning’ in which experts work through programme issues with delivery agencies as they emerge and dissemination of best practice through organisations which have championed good design;
- the launch of a best practice website (renewal.net) to provide a repository of knowledge and information about effective interventions concerning a range of urban regeneration issues;
- provision of support and advice to neighbourhood renewal programmes such as LSPs, NDCs and NMPs to help them achieve local and national goals by deploying about 170 experienced Neighbourhood Renewal Advisors;
- in response to the Alsopp Review into the adequacy of regional statistics, the Office for National Statistics is in the process of introducing more reliable baseline GVA estimates for each region;
- development of better neighbourhood statistics to allow public bodies and local communities to better identify problems and the way they interact, assess relative need and target resources accordingly and later evaluate the effectiveness of interventions;
- improved access to new online datasets through Neighbourhood Statistics (NeSS);
- introduction of Floor Targets interactive, a web-based system which monitors progress made towards the ODPM’s PSA1 target;
- developments of new statistical geographies below ward level such as Super Output Areas which allow users to construct their own neighbourhoods;
- periodic research analysing the flow of public expenditure into local areas;
- production of a Towns and Cities Indicators Database to establish the baseline position of different types of urban area around 2001 and highlight key trends in urban change across England.

11.2.31 Evidence from evaluation of specific programmes suggests that these resources and datasets are well used and that availability of small area data and intelligence is no longer a policy constraint. Evaluation of neighbourhood renewal programmes has repeatedly shown that most stakeholders felt that their partnership had benefited from the input of Neighbourhood Renewal Advisors. Independent assessments of CABE have shown that national, regional and local organisations regard it highly for its research into best practice on urban design, its training activities and design advice to developers, government departments and local authorities (ODPM, 2004; ODPM Committee, 2005).

11.2.32 The adequacy of the skills base in terms of achieving sustainable communities has commanded increasing attention. Acting on the Urban Task Force’s recommendations, the Government has through RDAs, set up Regional Centres

of Excellence to develop the skills of those already in the regeneration sector and open up routes into the profession. ODPM also introduced a variety of measures to develop the range of skills and knowledge required to fulfil the neighbourhood renewal agenda (Social Exclusion Unit, 2001). ODPM and the LGA in 2003 jointly launched a Capacity Building Programme to improve corporate and service specific skills through more peer support, training in improvement planning, leadership and change management. It also launched a national graduate development programme.

- 11.2.33 After the publication of the Sustainable Communities Plan, the Deputy Prime Minister invited Sir John Egan to consider the skills needed to deliver it (ODPM, 2004g,h). Egan argued that effective implementation hinged upon equipping built-environment professionals with a broad mix of generic as well as professional skills. He recommended the establishment of a national centre for sustainable community skills to lead such work in conjunction with education providers, employers, professional institutions, relevant Skills Councils and skill bodies and Regional Centres for Excellence. Ernst and Young's review concluded that there were supply shortages of civil and structural engineers, town planners, transport planners and engineers and conservation officers and that there was a lack of comprehensive, compatible data about demand for and supply of core skills on a sub-regional basis. Egan also therefore recommended that the profile of core professions needed to be raised. The Government has acted on his core recommendation by setting up an Academy for Sustainable Communities to act as a catalyst in developing the necessary integrated skills for driving up standards of planning, design and maintenance of communities.
- 11.2.34 Evaluation studies repeatedly confirm problems with skill shortages as is evident from both high turnover of staff and difficulties in filling vacancies in some area-based programmes such as New Deal for Communities. However, evidence of the effectiveness of skills measures is thin on the ground, partly because they are so recent. Some Regional Centres of Excellence have taken considerable time to begin operations due to initial difficulties in deciding on priorities, properly engaging key stakeholders, institutional politics and also variable commitment and support from RDAs (Parkinson & Robson, 2003). North West, East and West Midlands and South West RCEs are now, however, well underway and most have made some progress in raising the profile of core occupations and intake and upskilling existing professionals. An independent evaluation of use of Planning Delivery Grant in 200 authorities indicated that only a very small proportion of the total £26.4 million had been allocated for training purposes, mainly training non-planning graduates (ODPM, 2004h). Close monitoring and evaluation of supply measures will be crucial as the dramatic upswing in activity associated with growth plans, housing market restructuring and now the London Olympics could produce bottlenecks.

### Improving services in cities

- 11.2.35 The evidence base on the impact of government policy on service delivery is partial and disparate. The most comprehensive studies deal with the fifth of urban services in expenditure terms provided by local authorities rather than the remainder. There are four main sources: evaluation of progress in

implementing the National Strategy for Neighbourhood Renewal; comparison of local authority scores in successive Comprehensive Performance Assessments, 2002-04; trend data from best value user satisfaction surveys; evaluation of the impact of the Local Government Modernisation Agenda on service improvement.

- 11.2.36 In deprived urban areas, the government and its partners are delivering improved services in the spheres of primary and secondary education, family services, job opportunities and housing. Crime and health outcomes are more mixed and experiences greatly vary between neighbourhoods.
- 11.2.37 The Comprehensive Performance Assessment reflects both councils' core service performance and also their ability to lead their communities and improve services. The proportion of authorities rated as excellent or good has steady increased from just over 50 per cent in 2002 to 68 per cent in 2004 and the proportion rated as weak or poor has fallen from 23 per cent to 10 per cent. Only one authority is now in the latter category. While there are debates about parts of the CPA methodology and concerns that it does not sufficiently reflect local factors such as levels of deprivation (Game, 2005), these results strongly suggest that local authority services are improving. Trends in national performance indicators confirm CPA scores and indicate that overall local authority performance has improved by 10 per cent over the period 2000/1-2003/4, in all individual categories except for primary education (ODPM, 2004i). Local authority officer perceptions paint a similar picture. Officers believe that the combination of performance targets and extra funding has contributed to better partnership working and more joined-up services (ODPM, 2004i).
- 11.2.38 There are eleven areas of government policy which could affect service improvement: the Beacon Council scheme, the Best Value regime, Capital Strategies and Asset Management Plans, capacity building, Comprehensive Performance Assessments, electronic governance, intervention and recovery support, Local Public Service Agreements, Local Strategic Partnerships, the local government procurement agenda and powers to trade and other freedoms. Overall evaluation has shown that such policies have been extensively implemented by local authorities. They have encouraged greater focus on improvement, more effective leadership by executive members and officers, increased engagement with users and front line staff, increased joint working across departments and with other agencies and greater use of performance management in the running of services (ODPM, 2004i). Survey evidence suggests that the CPA, Best Value regime, e-government, national procurement and external inspection have had the most significant impact on service improvement. Better local authority leadership, increased use of performance management, better service quality and customer handling and greater use of market testing have all helped local authorities to respond positively and improve services. The evaluation did note that more progress has been made in terms of service quality than efficiency and further analysis is needed on whether LGMA policies have improved access to services for those most at risk of exclusion. There was much less evidence of the governance aspects of LGMA leading to service improvements. Increased partnership working is taking place. But evidence of its effect on local

authority service improvement is mixed as only increased partnership working with the private sector is statistically linked with better CPA scores.

11.2.39 Despite such progress, public satisfaction with the overall performance of local authorities is low compared with most other public service providers and over the period 2000/01-2003/04 has decreased from 65 per cent to 55 per cent. Fewer than half of residents believe that local authorities are efficient or provide good value for money. London boroughs have repeatedly registered the lowest scores in terms of public satisfaction with overall quality of services. On the other hand, net satisfaction with overall quality of services is higher, particularly among service users. There are large variations between services and different sections of the community but overall:

- the level of public satisfaction with parks and open spaces, waste recycling and waste disposal is relatively high and increasing;
- satisfaction with libraries, household waste collection and the cleanliness of public land is relatively high but decreasing;
- satisfaction with sports and leisure facilities is relatively low and declining.

11.2.40 Evaluation of the LGMA suggests that the lack of impact of service improvements on public satisfaction is due to the relatively large increases in council tax, lack of priority given to street-scene and other liveability services which are the most important in driving public satisfaction with local government and a general decline in public trust in politicians and government (ODPM, 2004i).

### 11.3 The balance sheet – have policies made cities better governed?

11.3.1 The Government has made sustained attempts to promote more joined-up urban governance at neighbourhood, urban, City-Regional and national levels. It has placed greater emphasis upon breaking down traditional ‘silo’ mentalities by partnership-working. Some decision-making has been decentralised to give greater local room for manoeuvre. Area-based initiatives have been complemented by much greater focus improving mainstream service. Better community engagement has introduced a greater grassroots perspective into policymaking.

11.3.2 Neighbourhood managers have made service providers more aware of neighbourhood needs but the degree of mainstreaming has been modest. Achieving vertical as distinct from horizontal integration has proved more difficult as some providers operate over much wider areas. Links to LSPs remain underdeveloped in many cases, requiring greater thought about how such initiatives can pilot approaches with potentially wider application. The prospects for achieving this are better in the 88 NRF authorities, because the NRF and PSA floor targets provide incentives and sanctions.

11.3.3 LSPs have increased joined-up governance but have found it more difficult to move from strategy to delivery and to improve outcomes because of their many responsibilities, stakeholders and limited resources. Their voluntary nature has raised questions about their degree of influence, accountability and

transparency. They have difficulty in piecing together a burgeoning number of plans and programmes and dealing with the multitude of other bodies and partnerships. Local Area Agreements are meant to give local partners greater discretion over how they meet agreed central government targets. The second round Local Public Service Agreements also allow more local target setting. It is too soon to tell what their impact will be. There is enthusiasm for the concept but for many local partners the proof will be in the pudding.

- 11.3.4 Governance at regional level has become increasingly complex because of the mix of unitary and two-tier local government and the special arrangements applying in London. Questions remain about the local accountability of many regional institutions since moves towards elected regional assemblies have stalled and RDAs' and GOs' responsibilities have increased. RDAs' impact on urban and regional governance and outcomes has not been evaluated. GOs' greater role in supporting neighbourhood renewal initiatives has worked well, although clearer division of responsibilities with central government departments and adequate resourcing is required in their input to LAAs. Urban interests find strategic negotiations with the wider region difficult because Government Offices, Regional Development Agencies and Regional Assemblies sometimes have different perspectives. There are worries about whether the separation of economic competitiveness and social inclusion agendas between RDAs, GOs and LSCs deters joined-up working by government. Regional structures and urban working arrangements sometimes mesh with and sometimes cut across one another. The introduction of inter-regional growth strategies by government and the RDAs has increased dialogue between urban and regional partners. This will require government incentives and changes to governance arrangements if they are to work effectively.
- 11.3.5 The Government has recognised the need to rationalise the numbers of plans, programmes and structures to achieve joined up delivery. The RCU had had some success in reducing the number of funding streams but some evidence suggests the decrease in area-based initiatives has been offset by increased thematic and people-based special measures. LSPs have made some progress making structures fit-for-purpose, auditing partnership structures, focusing on key priorities, removing duplication and linking together better partners, programmes and policy themes. However, different priorities of national government departments, competing national, regional and local perspectives and the inspection and performance management regimes have made their task difficult. Government has recently reduced inspection requirements for better performing authorities and is rationalising the number of strategies and service plans required of local authorities. They have not yet been evaluated.
- 11.3.6 The Government has sought to improve local capacity to deliver by:
- promoting better urban leadership;
  - providing additional fiscal resources and freedoms;
  - increasing investment in relevant skills;
  - improving the evidence base.

- 11.3.7 The introduction of more executive decision by the 2000 Local Government Act has strengthened local government's leadership role – making leadership more visible, speeding up decision-making and clarifying where decisions are made. However, leader/cabinets' and mayors' power is circumscribed – even in the case of the more powerful London model. The complex and often fragmented policy environment means that they have to reconcile different national and local interests and network with many partners. LSPs have united partners but local authorities have to tread a delicate balance between exercising community leadership and not dominating a voluntary partnership. Accountability for performance remains blurred, however. Other measures to improve urban leadership have had mixed results. Beacon councils provide an example to many others but the National Capacity Building Programme has not affected local authorities' capacity to exercise community leadership.
- 11.3.8 Urban areas have been granted additional fiscal powers through increases in public expenditure, tax reductions, additional freedoms and revenue raising powers for local authorities. They have been welcomed but not yet evaluated.
- 11.3.9 The evidence base of policy seems to be improving: the availability of small area data is better; good practice is being disseminated more effectively; neighbourhood renewal advisors' contribution to neighbourhood renewal programmes is welcomed.
- 11.3.10 The Government has greater understanding of the regeneration skills needed. However, there is no evidence yet of the impact of Regional Centres of Excellence for regeneration, the Academy for Sustainable Communities or attempts to attract more graduates. The RCEs took a long time to get underway. Regeneration skill shortages remain a serious problem.
- 11.3.11 It is difficult to build up a clear picture about whether urban services are improving because the information is so dispersed. The best data are for local authority services which account for roughly a quarter of the public expenditure flowing into urban areas. Floor target data suggest that the Government and its partners are delivering improved services in deprived urban areas in primary and secondary education, family services, job opportunities and housing. However, crime and health outcomes are more mixed and vary greatly between neighbourhoods. Evaluation of the LGMA has shown that some of its aspects, especially CPA, Best Value regime, e-government, national procurement and external inspection, have had a significant impact on service improvement. Better local authority leadership, increased use of performance management, better service quality and customer handling and greater use of market testing have all helped local authorities to respond positively and improve services. However, more progress has been made in terms of service quality than efficiency. There was much less evidence of the governance aspects of LGMA leading to service improvements. While increased partnership working is taking place, its effect on local authority service improvement has thus far been mixed as only increased partnership working with the private sector is statistically linked with better CPA scores. Difficulty in measuring progress on crosscutting and quality of life issues may be a factor.



- 11.3.12 Despite these improvements, public satisfaction with the performance of local authorities is low compared with most other public service providers. During the period 2000/01-2003/04 it decreased by 10 per cent. Fewer than half of residents believe that local authorities are efficient or provide good value for money. However, satisfaction with overall quality of services is higher, particularly among service users. There are large variations between services and different sections of the community. Overall the level of public satisfaction with parks and open spaces, waste recycling and waste disposal is relatively high and increasing. Satisfaction with libraries, household waste collection and the cleanliness of public land is relatively high but decreasing. Satisfaction with sports and leisure facilities is relatively low and declining.
- 11.3.13 The lack of impact of service improvements on public satisfaction is probably due to relatively large council tax increases, lack of priority given to street-scene and other popular 'liveability' services and the general decline in public trust in politicians and government.
- 11.3.14 Government has made big efforts to involve the community and voluntary sectors in policy-making and governance. Programmes such as City Challenge, Single Regeneration Budget and most notably New Deal for Communities have broken new ground in terms of involvement, capacity building and support for community-led initiatives. There is evidence that this has boosted community involvement and increased the numbers who believe that they influence local decision-making. However, some NDCs have struggled to balance participation with delivery. There remain challenges to clarify the roles of residents, NDC officers and professionals and to ensure that different community interests are heard. Community Participation Programmes have provided a good platform for involvement in wider strategic debates. Small 'no strings attached' grants to community groups have proved immensely popular. The CEF element has enabled Community Empowerment Networks to become more involved in the running of LSPs in NRF areas. GOs and NRAs have also proved supportive. However, many LSPs do not yet treat the voluntary and community sector as equal partners or run their business in a 'community friendly' manner.
- 11.3.15 Wider attempts to foster local democratic renewal have achieved more mixed results. Some aspects of the LGMA Comprehensive Performance Assessment, Best Value, Community Strategies and LSPs have increased local authorities' accountability. New Council Constitutions have resulted in elected members being held more to account. However, emphasis on performance management and inspection regimes has shifted the emphasis upwards towards central government rather than outwards. Most members of the public have not taken advantage of new accountability mechanisms. There is evidence that this is caused by the lack of transparency and complexity of institutional arrangements. Some LGMA policies such as LSPs have made this problem even greater. Finally, despite this evidence of increased community involvement, other research suggests that government expectations about the public's appetite for civic engagement may be too high.

## Chapter 12: Policies on the ground

### 12.1 Introduction

12.1.1 Previous chapters looked at the way government policies affected cities, based upon formal evaluations of policy. One of the messages was that the policy world is always ahead of the literature. Many of the answers to questions about today's policies are not available because we have only looked at yesterday's policies. Often those chapters reported it was 'too soon to tell' about the effectiveness of current policies. This chapter addresses that dilemma by looking at the way current government policies are perceived by those who are responsible for making them work on the ground.

12.1.2 It is based upon two sources. The first is extensive interviews with senior decision-makers at national, regional and local levels from the public, private and community sectors. The second is case studies in three large cities – Manchester, Birmingham and Bristol. They have different challenges and experiences of government policies and have a different story to tell. Although they do not constitute a formal evaluation of the impact of policies, they give a good impression of how those responsible for making government policies work see the world. In some ways, their views about work in progress are as important as the more formal reviews we looked at in earlier chapters.

### 12.2 The policy makers' tale

12.2.1 This section reports and assesses the views of senior decision-makers from central government departments, Government Offices in the Regions, Regional Development Agencies, the Northern Way, local authorities, LSPs, URCs, English Partnerships, the Housing Corporation, English Cities Fund, Groundwork Trust and Argent. The purpose of the conversations was not to get detailed assessments of specific policy initiatives in specific places, but broader views about the current thrust of national policies for cities, in particular the way in which those policies impact upon the governance of urban areas. We asked our policy-makers the following simple questions. What is and is not working well locally and nationally? What explains comparative success and failure? Who needs to do what differently or better if we are to improve the performance of our cities?

12.2.2 Many of the answers were not new. Often they used new words for old problems but they were no less important for that. However, some were more specific to current policies. Inevitably there was not a consensus on achievements and challenges. However, there was enough agreement on enough key points to inspire confidence that their views are a good guide to the strengths and weaknesses of national policies. What is the big picture? There is much support for the strategic direction and priorities of national policy. The concerns are about cash, clarity, capacity and delivery. In other words, there is much support for the ends of current policy. Concerns are primarily about the means.

### What do the policy makers like?

12.2.3 Many policy makers expressed their support for these features of current national policy:

- ODPM's commitment to urban issues and challenges,
- increased recognition of the economic potential of cities,
- growing national awareness of the spatial impact of national policies,
- greater regionalisation of decision-making,
- the broad ambitions of the Sustainable Communities Plan,
- the Northern Way and the engagement of the Treasury and DTI,
- the emergence of City-Regions,
- the recognition of the role of Core Cities,
- the rationalisation of area-based initiatives,
- the principles of some area-based initiatives such as LSPs, LAAs, HMRPs, URCs,
- growing awareness of the importance of government's mainstream policies,
- reforms of the planning system and the focus upon sub-regional collaboration,
- recognition of skills shortages and the Academy for Sustainable Communities,
- increased concern for the quality and design of buildings and of the public realm.

### What do policy makers want?

12.2.4 There is support for many of the key principles and ambitions of policy. However, our interviews with policy makers identified a range of challenges that government still needs to address.

### Greater clarity

12.2.5 Policy-makers said that the Government needs to clarify its position and future plans on a range of issues, for example, the future of regions and regionalism. What is the role and potential contribution of City-Regions as key levers for change outside the north? What is their relationship to the regional agenda? Will city mayors be a major feature of future policy?

12.2.6 A number of the people we spoke to want a clearer statement from government about how much, and which, urban areas matter. The English Core Cities group has shaped much of the policy debate in recent years. Whereas the importance of that group is not challenged, partners would like to understand better how the Core Cities relate to the wider urban scene in the Government's eyes.

### **Better cross government working and emphasis on the importance of cities**

12.2.7 ODPM is committed to the urban agenda. The right organisational arrangements and resources are important to delivering it. The ODPM Urban Policy Directorate needs more capacity. Responsibility for policies that affect urban areas is spread across a number of ODPM's Directorates. Cities issues – and the ways in which cities and urban areas can contribute to wider policy goals – need to be more prominent in many of the Department's activities.

12.2.8 Interviewees wanted more government departments to demonstrate a stronger commitment to the urban agenda and they want to see urban proofing of policies across government. Some government departments, which are crucial to the performance of cities, are not organised at a spatial level. Some departments are much more reluctant to allow local partners to make decisions and relax controls than others.

12.2.9 A wide range of government departments have initiatives focussing upon urban areas. Many welcome their ambitions. However, they are in their infancy, have relatively modest resources and operate on different timescales and boundaries. Some policy-makers suggested that it would be more sensible to locate them in ODPM or run them in partnership with ODPM. Many partners point out that there is nothing wrong with diversity and complexity *per se* but that the efforts of different departments who are working on the urban agenda should be managed in a more integrated way in future, with greater certainty about political ownership and commitment. One proposal was to create a specific PSA target for urban areas. The only spatial target which the Government has to improve regional economic performance is through PSA 2. Some argued that an Urban PSA was necessary to give urban areas a comparable status.

### **More freedom and flexibility for local authorities**

12.2.10 Our conversations underlined the fact that local authorities are crucial to the success of many critical government policy initiatives. Interviewees said that while some parts of central government recognise the value of local government, other parts are less persuaded of its virtues. They try to constrain the actions of local authorities and partners too much.

12.2.11 There are also views that local government needs more powers and resources to do the job government expects it to do. There is a need for 'a new settlement' between national and local Government, with more powerful local leaders given the right national recognition. Many of our policy makers – and not just in local authorities – argued that the Government should recognise the contribution of local authorities and trust them more to deliver government ambitions.

12.2.12 The views of policy-makers confirm the experiences of our case studies. Programmes are designed nationally but implemented locally. The quality, experience and stability of local administrative and political leadership determine how well programmes operate. There was a considerable consensus amongst partners about the key features that characterise successful regeneration schemes such as LSPs, NDCs, and URCs. They include:

- committed political leadership from the local authority;
- a well managed, efficient local authority;
- strong performance management from the regeneration agency;
- a Chief Executive with significant political status and skills;
- good communication.

12.2.13 These characteristics are common to a wide variety of initiatives – LSPs, NDCs, HMRPs, and Excellence in Cities. It is ironic that regeneration initiatives often work better where they are least needed and vice versa. There are difficulties making programmes successful where the local authority is less well managed, has difficulties recruiting top quality staff and board members, relations with partners are less good, and programmes cross local authority boundaries. This privileges local authorities, that have had extensive experience of regeneration programmes over a period of years, and have therefore built up the capacity to win, manage and deliver regeneration programmes. Leaders in many places made the point that there were relatively few really good people in the field and that systems were threatened when they moved on.

12.2.14 As a Regional Director of GOR emphasised: “It’s not ‘rocket science’. It is people, not systems, that create success. We need to pay more attention to the first and less to the second”. The Director of the Liverpool LSP underlined these comments. The Government Office had recognised that Liverpool had really made partnership work. The Chief Executive and Council Leader had supported the initiative, had made partnership a standard way of working, and had mainstreamed it in the local authority. The voluntary sector had been committed and supported it. The LSP Chief Executive had the political authority to lead change. The LSP had created trust between partners, which allowed them to address difficult issues. It had made a difference on the ground in terms of more joined up working; shared priorities and the delivery of a series of high profile initiatives that would not have been delivered by agencies on their own in for example, health, housing, crime, neighbourhood management, increased recruitment from minority ethnic communities.

12.2.15 Others were less happy with their experience of LSPs. A frequent criticism was that the LSP remained voluntary so that whereas the local authority could not avoid government targets, other partners like the police or health authorities did not have to actively support them if they conflicted with their own departmentally-determined targets. However, a local authority chief executive still insisted that despite those concerns LSPs were still the way forward for local government. They encouraged partnership between key players. They encouraged the local authority in particular to see itself not as first but as ‘first

among equals'. In his judgement that was the right role for local authorities anyway. In addition, it was the only role for which it would get national government support in future and it was therefore in local authorities' self interest.

### **Fewer, simpler, more strategic initiatives**

12.2.16 Government says it wants fewer national targets and Local Area Agreements will, for example, reduce the numbers of targets for local authorities. Partners welcome this but there was a plea for the administration to be much lighter in future – fewer targets, fewer controls and less bureaucracy. Rather government should work out who it could trust and then back and empower them to do the job. They said that government should choose fewer, and more strategic, interventions and be braver in resisting pressures for new policy instruments whose rationale or funding had not been sufficiently thought through.

### **More time**

12.2.17 Policy-makers underline that it takes a long time to change urban areas. The secret of success in many reviving cities has been the stability of their political and officer leadership, which allowed them to build up the skills, track record, confidence, and networks necessary for regeneration. It is, of course, recognised that the Government works on shorter political timescales. Nevertheless there is a strong demand for places, people and policies to be given more time to succeed than currently allowed.

### **Back the Sustainable Communities Plan with greater, continuing investment**

12.2.18 There was considerable support for the principles of the Sustainable Communities Plan. However, many partners have said that as the policy moved beyond intention to delivery it was less clear that the necessary resources to deliver sustainable communities had been committed by government. Senior planning officials argued that the Plan may not be perfect but it was nevertheless an important attempt to avoid the excesses of the unregulated development of earlier periods and was therefore to be welcomed.

### **Build on the success of the Northern Way**

12.2.19 Many partners accept that this Government has paid considerable attention to the regional agenda and that there has been substantial regeneration of many northern cities. The Northern Way was cited as a good example of how relatively modest resources – £100 million – could be used to encourage collaboration around key strategic projects. Key partners believe that it will help to shape the uses of the £65 billion, which currently flow into the north.

- 12.2.20 Views of the Northern Way changed during the period of this study. Initially some policymakers were sceptical but views changed as the initiative has gained momentum, resources and organisational capacity. Many involved point out that the process has produced much better information about the challenges and strategies of the City-Regions, drawn together partners across the north and identified some key priorities for the region. It has focussed attention upon key issues like the need for urban areas to collaborate rather than compete, the importance of connectivity, the importance of boosting the competitiveness agenda, the importance of operating at the City-Regional and cross-regional level. It is accepted that the harder part will come as the northern regions have to specify strategic investment areas and as some areas realise that they will be less central to that process than others.
- 12.2.21 Across the northern regions there is considerable political enthusiasm for the Northern Way at local authority, private sector, the Government Offices level and a wish to make it succeed in the longer term. The initiative has also attracted substantial support from the Treasury and DTI, in addition to ODPM. Their political support is regarded as crucial.
- 12.2.22 Nevertheless a number of the people we spoke to argued that the scale of the gap between the north and the south has not been sufficiently recognised in national policy. There remains a challenge to get comparable support from other government departments and there were concerns about whether the resources going into the north were enough to overcome the gap. Transportation was constantly identified as a key gap in the north. There would need to be serious levels of investment in northern transport projects, for example, Manchester Airport and light train systems in four or five northern regions.
- 12.2.23 One interviewee argued for a northern agenda based on systematic state sponsored efforts with concerted investment in the RDAs and Centres of Excellence in the north, such as teaching hospitals which would match those in the golden triangle. National programmes would need to be more flexibly interpreted with national agencies being given more local flexibility. There ought to be a central PSA that should be supported by all departments, which determined, for example, to create three world-class cities in the north within the next 20 years. Another person argued that the Government should be much bolder in moving civil servants out of London and into the Northern Way regions.
- 12.2.24 One indication of the success of the Northern Way is that regions outside the north, in particular the midlands and the south west, want comparable initiatives. Of course their circumstances are different, economically, institutionally and politically. In some respects it has encouraged both regions to think about cross-regional collaboration independently. Nevertheless both feel that there is a missing centre in the Government's spatial strategy and that they might lose out in terms of government attention and support because of it. Government should address that concern.

## Develop the concept of City-Regions

- 12.2.25 There is a great deal of support for the emerging concept of City-Regions as the best way of addressing issues of sustainable economic development. Many said that the City-Region should remain the proper spatial focus for urban policy, politics and planning in future. However, the difficulties in making such arrangements work should not be underestimated. Those on the ground underline that City-Regional alliance is easier to say quickly than to undertake quickly.
- 12.2.26 There are a variety of political, historical, cultural, economic and institutional barriers to successful City-Regional working. They include clashes of economic interest, historic rivalries, fragmented governments, inappropriate boundaries, conflicts over development sites, and inadequate infrastructure. The process requires good local political leadership as well as time to build political relationships. It requires considerable maturity on the part of local authorities. For example, it requires a willingness by smaller local authorities to recognise the key economic and political role of the core local authority. In turn it requires mature political leadership from the larger local authorities so that smaller places do not feel threatened by larger ones or fear that their long-term economic interests will be neglected.
- 12.2.27 There are national challenges as well. Not all departments are committed to the City-Region principles. Their operating boundaries differ. The relationship between regional and local authorities is not clear. It seems inevitable that hard choices about, for example, the allocation of resources, designation of areas for growth, and infrastructure location, will seriously test the current City-Regional decision-making arrangements.
- 12.2.28 There was much debate about whether the City-Regional arrangements should be made formal and boundaries changed to reflect that or whether they should proceed as informal alliances. The very strong message from our policy makers – as indeed from our case study work – was that it would be unwise to pursue formal institutional change. There are a variety of reasons for not doing so. The process would be enormously time-consuming. Most say that it is better to spend those years pursuing City-Regional economic development rather than institutional change. In many places the political realities are that it is simply too soon to attempt to enforce institutional change. There is a wider view also that the precise boundaries of a City-Region are not static. They may vary over time. They may vary for the particular policy issue in hand, for example, planning, transportation, and economic development. Most argued that it is better to work with variable geometry and accept that the boundaries will be fuzzy at the edges rather than seek institutional clarity. Those boundaries would be politically difficult and time-consuming to agree. Indeed they might need to be changed as soon as they had been agreed.
- 12.2.29 The evidence from Europe in the ODPM's *Competitive European Cities* (ODPM, 2004) report underlines the merits of working with informal political alliances rather than seeking institutional change. There are very few examples of formal City-Regional institutions being successfully created. Stuttgart is the classic exception. Some other places have tried and failed to acquire political



support for powerful City-Regional economic institutions but in most countries informal alliances are the preferred method. This underpins a key message throughout our work. Local and regional partners must want to collaborate before collaboration can occur. The experience of a wide range of area-based initiatives at a variety of scales – NDC, URCs, LSPs, sub-regional partnerships, – shows that the same institutional models work very differently in different places. The local political, cultural and economic forces determine whether initiatives work well or badly. Vision, strategy, partnership and leadership have become clichés in this field. However, the fact remains that these qualities remain the fuel which drives institutions. Without them, institutions remain empty. Government should seek to encourage those qualities rather than attempting to mandate change. Providing incentives is the best way of changing behaviour.

- 12.2.30 Many partners argued that given local challenges, government should not simply exhort local partners to collaborate, it should actively incentivise them to do so. Since City-Regions are an important part of the Northern Way strategy, it should encourage City-Regional collaboration. Many feel it would still be worth exploring the principle underpinning the *Communauté Urbain* in France where the total public resources going into a City-Region were open for negotiation between the public partners and extra resources provided to encourage collaboration. A similar principle underpins the more recent French scheme specifically to encourage City-Regional collaboration around key projects. There is considerable support amongst policy-makers for the Government to take a more proactive lead on this issue. Many local partners pointed out that since they might have to make individual sacrifices for the greater sub-regional good, the Government can provide helpful political cover by encouraging and incentivising collaboration. A number of RDAs have already done a lot to encourage sub-regional working, by devolving budgets and funding demonstration projects. Many policy makers argue that national government should introduce the same principle at City-Regional level.
- 12.2.31 There is recognition that the eight City-Regions in the Northern Way area, for example, are very different. They vary in their internal coherence, history of collaboration, readiness to collaborate and capacity to develop effective City-Regional strategies. Manchester in particular has a very robust strategy, which reflects a decade of increasingly successful collaboration at City-Regional level. ‘Realpolitik’ and challenges faced at City-Regional level identified elsewhere in this report has meant that some areas are at a lower level of readiness. However, that simply reflects reality rather than the failings of those areas.

### **Local leadership really matters**

- 12.2.32 Our case studies underlined the contribution that different leaders had made to the recent performance of their cities. They showed that leadership is a crucial dimension of urban governance and performance. It is not simply an add on. Interviews with policy-makers heavily underlined that point. In response to the question about why some urban areas perform better than others, they typically focussed upon relationships between key people in those areas. In their views, successful cities had leaders who had been able to collaborate, build trust, give leadership in partnership, and demonstrate confidence.

- 12.2.33 For example, developers constantly mentioned these qualities about Manchester when asked to compare provincial cities as places to do business. In a way which reflects our case study. Our interviewees underlined that the city had the following crucial qualities: political stability, administrative capacity, a track record of delivering, willingness to take brave long-term decisions, willingness to enter into partnerships, ambition, the wish to do quality work, an understanding of the components of place which attracted innovative investors and an ability to be flexible with developers. In their judgement, Manchester far surpassed other cities in terms of these qualities. As one put it: “What developers want is confident leadership in partnership. Manchester gives it. You get objectivity combined with Manchester passion”. Another said: “You get from Manchester leadership, stability and pragmatism so developers are not exposed to the sniping of political enemies checking what they are doing”. Similar comments were made about the Manchester Salford HMRP. The local authority could be trusted to deliver HMRP, because it had a track record of delivering high quality long term ambitious programmes, carrying communities with them but giving leadership within partnership. As a senior ODPM official put it: “By meeting local officials you can just tell who knows what they are doing and who doesn’t in this field. Manchester does”.
- 12.2.34 Similar comments were made during our interviews about the achievements of Sheffield in recent years. Here policy-makers pointed to the crucial role, as in Manchester and Liverpool, of the chief executive. With political support, the dynamic chief executive had significantly changed the culture of the city and place, which had led to changes and improvements in behaviour on the ground. For example, he had worked hard to create a climate that raised the strategic ambitions of the local authority and city, improved the standards of leaders within the local authority which had encouraged improvement in other agencies, given confidence to the private sector that the city was suitable for investment. He helped drive up council standards to receive the most excellent local authority award, gained the trust and support of national government, got the support of the local communities through working in partnership with them and, by detailed work in the most difficult wards, helped improve educational and crime figures faster than other areas of the city. In an important way this list demonstrates the qualities of local leadership which ODPM interviewees identified as important. Their definition of those elements of local leadership which they wanted from local government comprised stability, visibility, accountability and democratic mandate. Successful cities have those as well as less formal qualities.

### Local leadership – what role for elected mayors?

- 12.2.35 This discussion of local leadership raised one of the key policy issues which government is now considering – whether to introduce directly elected mayors. There is a range of views on this issue which were reflected in our discussions with policy-makers. Elected mayors should do at least the following things: bring different and better people into local government; improve decision-making; and engage the public to a greater degree. Some policy-makers suggested that they had not yet seen enough evidence on this. However, many recognised the achievements of the Mayor of London and the standing this gave the city with national government. The Manchester experience also

indicated to some that dynamic local leadership could be given within existing frameworks.

- 12.2.36 Two issues emerged from our discussions which deserve consideration. The first is that people thought that elected Mayors would not add value unless they had greater powers and resources than the current incumbents held. The second concerns City-Regions. People wanted greater clarity about the boundaries of city mayors and the way they would relate to City-Regions. If mayors were based on local authority boundaries, that might conflict with the current thrust of strategic policy-making across local boundaries. Mayors would face voluntary negotiations with other leaders across the City-Region on a series of strategic issues including economic development, infrastructure, transportation and housing. If they were elected for the City-Region it was not clear whether the leader of the largest core authority would be elected to represent the City-Region. So there are important policy choices to be made about powers, resources, boundaries and the virtue of informal relationships as opposed to formal institutional change.

#### Planning system – beginning to deliver?

- 12.2.37 Our case studies revealed that there is considerable support for the thrust of much of the planning system, in particular its focus upon sub-regional partnership and working. This was also endorsed by a number of our policy-makers. It is recognised that planning can only set a framework for development. Other players have the means to make things happen. There is a recognition that the thrust of current planning policy is to support cities and City-Regions rather than undermine them. The Regional Spatial Strategy encourages City-Regions to think about linkages between economic and spatial developments. The requirement to have sub-regional partnerships has given important political cover for collaboration in some regions where it might not automatically happen. It was argued that Planning Guidance on housing, density levels, use of brownfield, city centres and out of town retail has helped city centre renaissance. It was forcefully expressed that the major investment in Sheffield City Centre would not have happened if the local authority had not been able to reassure the key potential developer that there would be no expansion of the existing out of town retail park, Meadowhall, which had impacted upon city centre retail badly during the previous decade. A senior ODPM official stressed that developers have built on the edges of cities and sucked life out of town centres and that the planning system needs to be operated more proactively to protect urban cores. Housing Market Renewal Pathfinders, for example, could not do this job on their own. The planning system would allow intelligent regional action and it required intelligent regional leadership if there were to be substantial restructuring of housing markets and regeneration of city centres. At present the planning system at regional level was not doing enough to achieve this.

## 12.3 What messages about governance from the case studies?

12.3.1 Case studies in Manchester, Birmingham and Bristol focussed especially upon the theme of urban governance. They are different places with different histories and economic structures and face different economic challenges from economic restructuring in Manchester to managing rapid economic growth in Bristol. In many ways the studies confirmed the policy messages outlined in the previous section – confirming the strengths and weaknesses of current policy. We focus upon three themes – in Manchester, messages about leadership and regeneration, in Birmingham, the challenges of improved City-Regional working and in Bristol, the challenges of sustainable development. Each illustrates important dimensions of current policy with future implications.

### ***The Manchester story – leadership and city development***

#### **Leadership and stability matters**

12.3.2 The city of Manchester has endured significant economic restructuring and still faces large economic and social challenges. However, the local authority during the past decade has shown significant civic vision, enterprise and leadership. It has had stable political and officer leadership, whose drive and energy have been crucial to Manchester's achievements over the past two decades. The city has been brave enough to focus on priorities and lead. The city council has had only two leaders in twenty years. This and the existence of long-serving team with local and national credibility and track record was crucial to achieving economic and physical development. It also allowed the city to move in a coherent way from one key development issue and area to another. Significant real social challenges remain but there is agreement amongst partners that the civic leadership and strategic decision-making capacity of the local authority has contributed substantially to the process of urban redevelopment.

#### **The quality of people matter**

12.3.3 The Manchester experience also underlines that it is the people in the place who have made the difference. They make the machine work. For example, a series of important local entrepreneurs have been committed and contributed to local regeneration. The local authority leaders had developed long-term development plans for the city overall and successfully delivered the economic regeneration of the city centre. They made significant efforts to link regeneration to excluded communities. It has delivered an effective physical and transportation infrastructure. It has influenced government policies and attracted substantial national resources.

### **The market and private sector matters**

- 12.3.4 Manchester leaders emphasise that to be successful, cities must emphasise economic opportunity as well as social need. Two decades ago local policy focussed only on need and special pleading to government for extra resources. The experience of Hulme first and then the city centre emphasised the need to change that culture and to get the private sector engaged rather than complaining about social problems. The local authority has formed very effective partnerships with the private sector. Manchester used to carry out housing-led regeneration, but leaders felt it wasted resources on areas which it could not fix. It practices triage rather than worst first. It goes with the market, working with what is sustainable and what it can grow. Manchester got into the game early. Other local authorities have followed.

### **The quality of place matters**

- 12.3.5 Manchester has made a conscious policy of insisting upon place making and quality in design – not just of buildings but also of the spaces between. The quality of the product is seen as one of its key economic assets. Senior figures admit that it is difficult to quantify but are convinced that it has encouraged more and higher quality development and investment. They point out that that physical regeneration is only important as part of a wider economic strategy. This was true of the development of Hulme, New East Manchester, the airport and the city centre, both before and after the IRA bomb. It is not an attachment to culture, transport, tourists or shopping that makes Manchester leaders pursue those sectors. They just believe that they are the best ways of creating jobs for local people.

### **Progress is uneven – across places and groups.**

- 12.3.6 The Manchester leaders are very aware of the scale of their achievements but are equally aware of their limits. They accept that Manchester has done well in creating wealth engines, especially in the city centre. However, they accept that they have done less well in the distribution of wealth. Ten years ago the authority was the third worst on the IMD. Now it is sixth. Educational standards in the city need to be significantly improved. There are many excluded from the labour market including young people. There is little complacency in the city and local authority about the scale of the challenges it faces across neighbourhoods and social groups.

## From city centre to City-Region

12.3.7 During the past decade, key partners have recognised the need to move beyond the very narrow boundaries of Manchester local authority and to operate at a wider spatial level, both to improve the overall prosperity of the City-Region and to spread the benefits to places and groups which are not currently sharing that prosperity. Effective political leadership from the local authority has gradually established partnerships with the nine surrounding local authorities and sub-regional actors. They are collectively committed to a coherent economic strategy and business plan which recognises its key economic assets in high value-added services, the media, higher education and the airport. These make the Manchester regional centre the economic driver of the City-Region, and they recognise that all parts of the City-Region will benefit from its success. The scale of the economic and social challenge in drawing the City-Region together remains great. A successful outcome is not guaranteed. However, grown up political leadership from key local authorities and a more mature political process in the City-Region have generated the strategies, processes, policies and priorities which make achieving that goal more likely.

### ***The Birmingham Story – building the City-Region***

12.3.8 Partners in Birmingham welcomed the increased attention upon City-Region level but point to some challenges, which have to be met if the process is to work well, which apply more generally. The greater regionalisation of economic development, planning and transportation policy with GOWM, the West Midlands Regional Assembly and Advantage West Midlands was welcomed in the city and City-Region. However, many felt that the relationship between the different tiers of regional governance and the role of local government within it should be clarified. That had been given added impetus by the stalling of regional devolution in the English regions. It was also stressed that some relationships between local government and regional bodies could be improved.

12.3.9 Some policy-makers argued that a lack of clarity over national sub-structures and increasingly complex regional structures made it difficult to position sub-regional components. There was also a risk that the regional agenda would not sufficiently recognise the contribution of cities, and regional agencies needed to be willing to take hard decisions about priorities and avoid lowest common denominator decision-making. Many argued that there was a need for some form of spatial planning framework for major urban areas with an overarching structure for urban regeneration. The Sustainable Communities Plan was seen as a helpful step in this direction.

12.3.10 It was suggested that the momentum behind the City-Regional idea had come primarily from local government and that there was a need to bring on board other partners. Many thought that there could be some rationalisation of partnership structures if a City-Regional LSP were created, mirroring the NWRA's role as a surrogate regional level LSP. Many felt that it was also important, given the LSPs' responsibilities for NRF, to ensure a link between City-Regional regeneration strategies and Neighbourhood Renewal. They suggested reallocating some of the resources given to the RDAs to City-Regions to allow them to experiment in funding City-Regional level initiatives. These devolved funding experiments would be a larger variant of Local Area Agreements but preferably less bureaucratic and with fewer targets. The proliferation of detailed targets was not helpful for strategic planning.

### ***Messages from Bristol – managing sustainable growth***

12.3.11 The Bristol story is a major contrast to the other two case studies which are essentially concerned with regenerating declining economies and urban areas in the industrial north and midlands. Bristol is about the management of growth in a sustainable fashion and has rather different messages for government. Here we discuss two related themes – the efforts to cultivate City-Regional working and the implications for creating sustainable urban development. Some policy-makers for example, suggested that the failure to generate collaboration across the City-Region had in the past undermined efforts to achieve sustainable development. This meant that if sustainable development was to occur, the current efforts to develop City-Regional collaboration were absolutely critical.

12.3.12 The Bristol City-Region has experienced substantial economic success during the past decade based on modern industries, finance, computers, and high tech industries. However, it was suggested that the gains have been less than they might have been – and their distribution across the area less equitable – because the City-Region had not in the past had sufficient strategic decision-making capacity. Partly this was because in areas which have faced larger economic challenges, local authorities have had to start collaborating. In Bristol historically the political imperative to collaborate had been less pressing because of the area's continuing economic success. One result is that the distribution of development is unbalanced across the City-Region. Another is that the physical and transport infrastructure is inadequate for the challenges which the City-Region now faces. The position is changing now as all partners at City-Regional level recognise the need to collectively address the lack of strategic decision-making capacity. Political relationships between the four local authorities have matured. There is a greater recognition of the need to take more sustainable decisions and to operate more collectively as a City-Region.

12.3.13 However there are concerns about the implications of growth in the City-Region. There is a willingness to accommodate more jobs and population. There is also a consensus that growth would only be possible if there was sufficient transport and community infrastructure to protect one of the key aspects of the region's prosperity – the quality of life for its skilled potentially mobile workforce. There is no wish to repeat in the City-Region the failings of the unregulated development of the 1980s. There were concerns that such a process would diminish its assets and attractiveness and this emphasises the importance of national investment in infrastructure. This presents a real challenge to government and underlines the need to not only will the ends – but also the means – of sustainable growth.

12.3.14 This raises a general policy issue – the lack of fit between the ambitions of LSPs with their neighbourhood focus and the wider City-Regional agendas which government is currently encouraging. More thought needs to be given to connecting those two agendas and how government can help that process. LSPs for City-Regions might be one avenue. Some senior decision-makers suggested that the best solution would be local government reorganisation but doubted whether either national or local government would want this. Nevertheless, there was a view that a purely voluntary model would not be able to address the hard choices which the region faces without further government support. There is a lot of support for the idea that the government should incentivise local authorities to continue collaborating. One senior official proposed exploring the principles of the French Communité Urbaine system in which local authorities were committed to sharing public resources and a percentage of funds was made available to encourage collaboration. It was accepted that the devil would be in the detail. If structural reorganisation were not possible, there would be considerable support for greater government effort in this area.

## 12.4 Conclusion

12.4.1 This chapter has explored the views of partners on the ground who are responsible for running and managing cities in England. In many ways they reinforce the findings of the reviews in earlier chapters. They also give some important insights into the way current policy is operating. Some of the traditional worries about the weaknesses of policy were underlined. However, many more of the key principles underpinning government thinking about, and policies for, cities received support. As stated at the beginning of this chapter, there is much support for current policy aims. Concerns are primarily about the means. Government can take action about this.





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## Chapter 13: English cities: picking up, catching up, staying up?

### 13.1 Introduction

13.1.1 This long report has presented a lot of complex evidence about a wide set of issues. This chapter draws together its most significant empirical findings and presents its key messages. It shows how different cities have performed in the past decade and whether less well performing cities have been picking up, catching up and will be staying up with the best performing cities in England or indeed Europe. There is a lot of good news. The report has provided much evidence that many English cities have picked up in terms of their economic and social performance in recent years. Despite these improvements, cities in the south and east are still more successful than those in the north and west. Matching the performance of the most successful continental cities also remains a challenge for many. Sustaining the economic advances of our cities will also require the national economic growth of recent years to be continued.

### 13.2 Demographic and employment change in cities

13.2.1 A number of major social changes are encouraging the renaissance and future development of cities. National population growth, strong net immigration from overseas, the rapid growth of the ethnic minority population, the increasing proportion of younger adults without children, the growth in the financial services sector and rising participation in higher education all suggest bright demographic prospects for urban England, especially its larger cities. However, some are pushing in the opposite direction. For example, an ageing population and a rising level of home ownership are linked to suburbanisation. The fall in average household size, especially the rising number of one-person households, presents housing challenges in view of the traditional pattern of family housing provision in cities. Also, the English search for the 'rural idyll' appears just as strong as in the past.

13.2.2 England's cities are important to national success, because they represent such a large part of the nation in terms of both population and economic activity. Until recently the rest of England was doing better in terms of growth in numbers of people and jobs but the cities' contribution has been growing more recently. Their 42 per cent contribution to national population growth in 1997-2003 was a clear and impressive improvement on previous experience (Table 13.1). London alone grew by 403,000 – 34 per cent of England's total population growth.

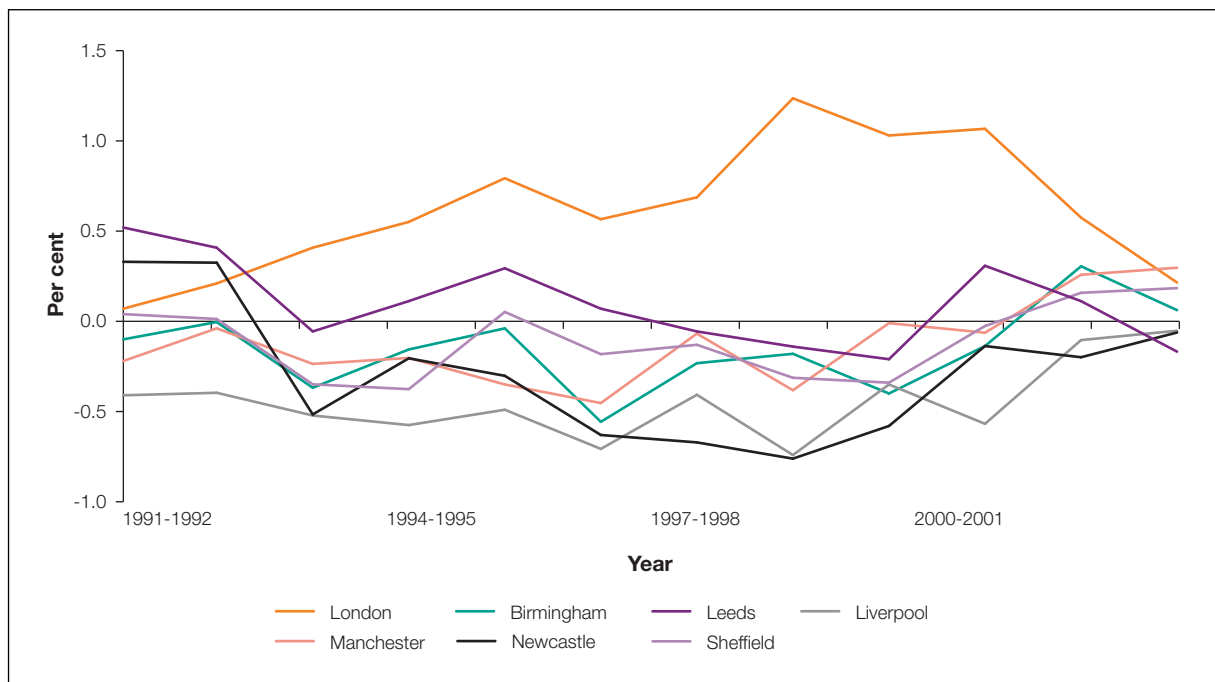
Table 13.1 The contribution of the 56 cities to England’s population growth, 1981-2003

	Share of 2003 population (%)	Contribution to England’s total population growth (%)			
		1981-2003	1981-1991	1991-1997	1997-2003
England	100.0	100.0	100.0	100.0	100.0
Towns and rural	41.9	72.2	92.8	64.0	58.0
Cities, of which:	58.1	27.8	7.2	36.0	42.0
London	17.3	21.0	2.3	28.7	33.9
Other 55 cities	40.8	6.8	4.9	7.3	8.1

Source: calculated from ONS’s revised mid-year population estimates. Crown copyright reserved.

13.2.3 However, London’s growth rate dropped after the turn of the century and the big six cities of Birmingham, Leeds, Sheffield, Manchester, Liverpool and Newcastle moved up steadily from their high losses of the early 1990s (Figure 13.1). This echoes their rise and fall during the previous economic cycle which rippled out from London from the mid 1980s.

Figure 13.1: Annual population change rate (%), 1991-92 to 2002-03, London and the Mets



13.2.4 Cities are even more important for employment than for population (Table 13.2). In 2003 the 56 cities combined accounted for 63 per cent of England’s total jobs, five percentage points higher than their population. Their overall contribution to national growth has been greater in recent years than earlier in the 1990s. Also, the number of cities contributing to the growth in jobs has increased, as London’s dominance has been challenged with economic recovery spreading further west and north.

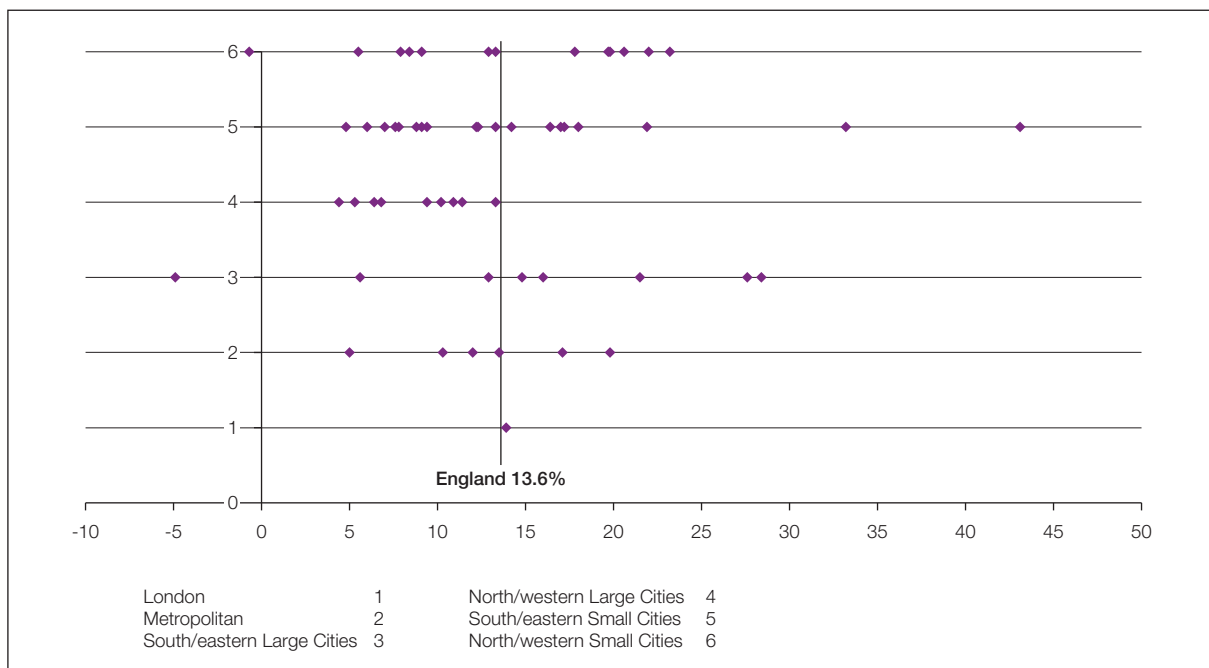
Table 13.2: The contribution of the 56 cities to England's job growth, 1991-2003

	Share of 2003 jobs (%)	Contribution to England's job total job growth (%)		
		1981-2003	1981-1991	1991-1997
England	100.0	100.0	100.0	100.0
Towns and rural	37.4	45.7	48.2	42.0
Cities, <i>of which:</i>	62.6	54.3	51.8	58.0
London	20.0	21.3	26.5	13.7
Other 55 cities	42.6	33.0	25.3	44.3

Source: calculated from ACE/ABI data downloaded from NOMIS. Crown copyright reserved.

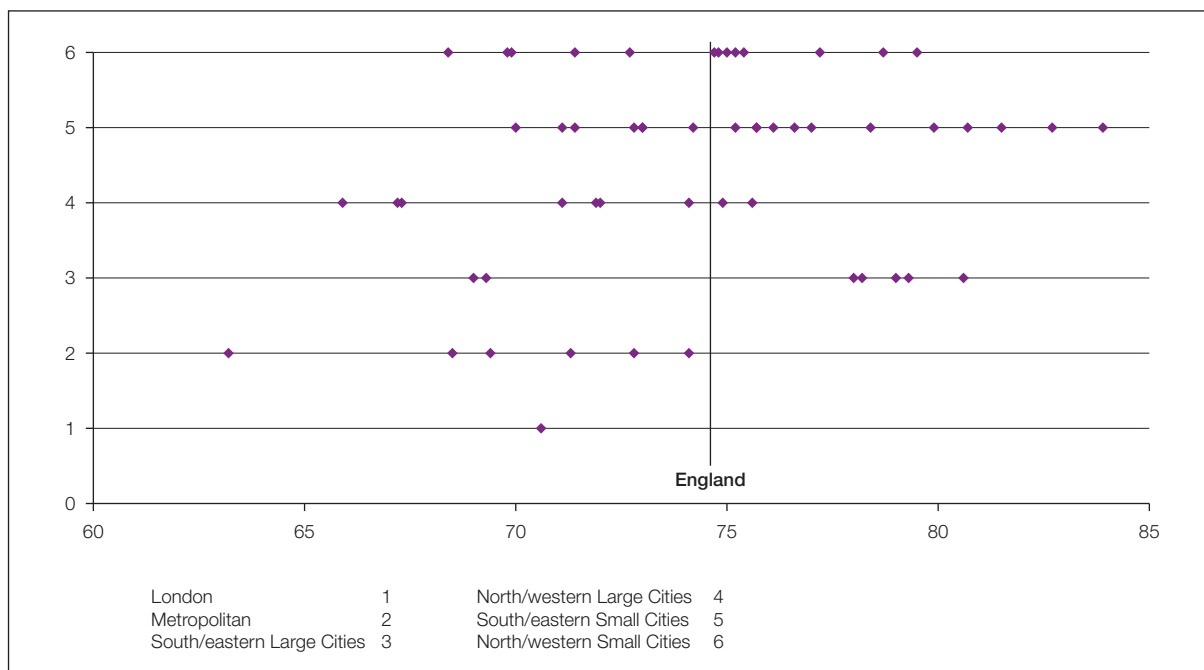
13.2.5 Growth in employment has varied between different kinds of cities. Large and smaller cities in the south and east performed well in the period 1995-2003. London was slightly ahead of the national growth level. Two Mets had growth rates ahead of the national average – Sheffield (17.1%) and Liverpool (19.8%), although they did start from a relatively low base (Figure 13.2).

Figure 13.2: Growth in employment rates 1995-2003



13.2.6 Figure 13.3 shows the results in terms of employment rates. Large cities in the south and east tend to perform strongly. The highest employment rates are found in southern and eastern small cities. The rates in three of the Mets are higher than London.

Figure 13.3: Employment rates 2003



13.2.7 Finally, it is important to remember that the position is fluid. London’s population growth rate began to fall around the year 2000, while the population growth rates of the six Mets moved upwards. By 2003, relatively little separated the population growth rates of these seven cities, although this was not unexpected. In the past, at key points of the national economic cycle, as the economy of London overheated, the combination of a tight labour market and inflated house prices led to the rippling-out of stronger job and migratory growth into the north and west. Nevertheless, this provides renewed life for the previously lagging cities in this part of England. It presents an important opportunity for policy intervention to build on the market trend and make an extra difference which could last beyond the end of the recovery cycle and lead to a ‘virtuous circle’ of future investment and growth.

### 13.3 Trends in social cohesion in cities

13.3.1 There has been improvement in social cohesion in cities in recent years, partly reflecting improved national performance. Employment conditions have improved considerably in some of the poorest cities. Health conditions have improved generally and people everywhere are living longer. The gap in educational attainment between cities and the rest of the country has narrowed slightly in recent years. The proportion of people with degrees has risen everywhere in the last decade, especially in prosperous cities which already have many graduates. Robberies have increased slightly, while vehicle crime and burglaries have declined slightly.

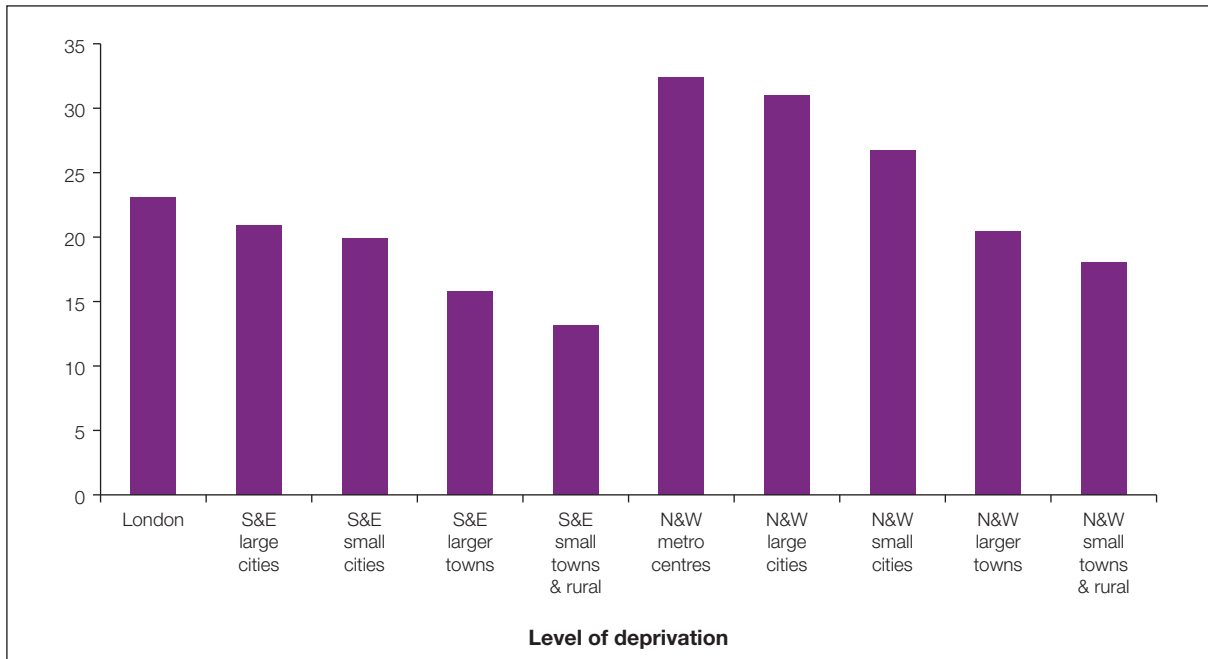
#### Social cohesion in English cities – the overall balance sheet

13.3.2 Three important trends emerge from this review of trends in social cohesion. First, all 56 cities across the country have improved their performance in recent years. Second, however, cities in the south and east have higher rates of cohesion than those in the north and west. Third, the large majority of

cities which were performing well at the start of the period, improved their performance more than those which had been performing less well. There has been progress across the country in increasing social cohesion. But more needs to be done to close the gap.

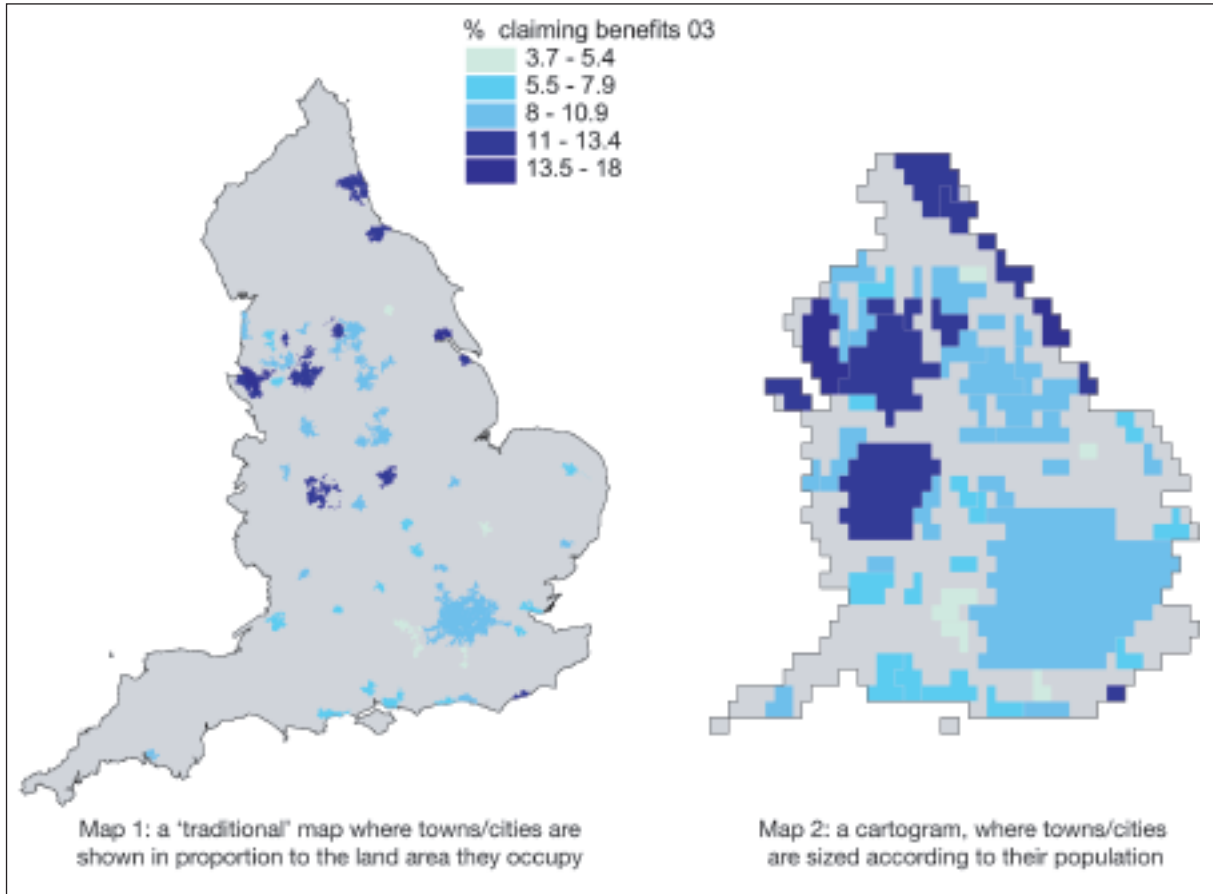
13.3.3 The level of deprivation is higher and more widespread in cities than in towns and rural areas as Figures 13.4 and Map 13.1 show. However, conditions have been improving in most cities, especially in some of the poorest.

Figure 13.4: Level of deprivation by city type 2004





Map 13.1: Adults claiming Income Support or JSA in 2003



13.3.4 Cities with high worklessness have low incomes, therefore increasing employment is a key to tackling deprivation. Involuntary worklessness among households and neighbourhoods is higher in cities in the north and west than elsewhere. However, conditions have undoubtedly improved over the last decade as Table 13.3 shows.

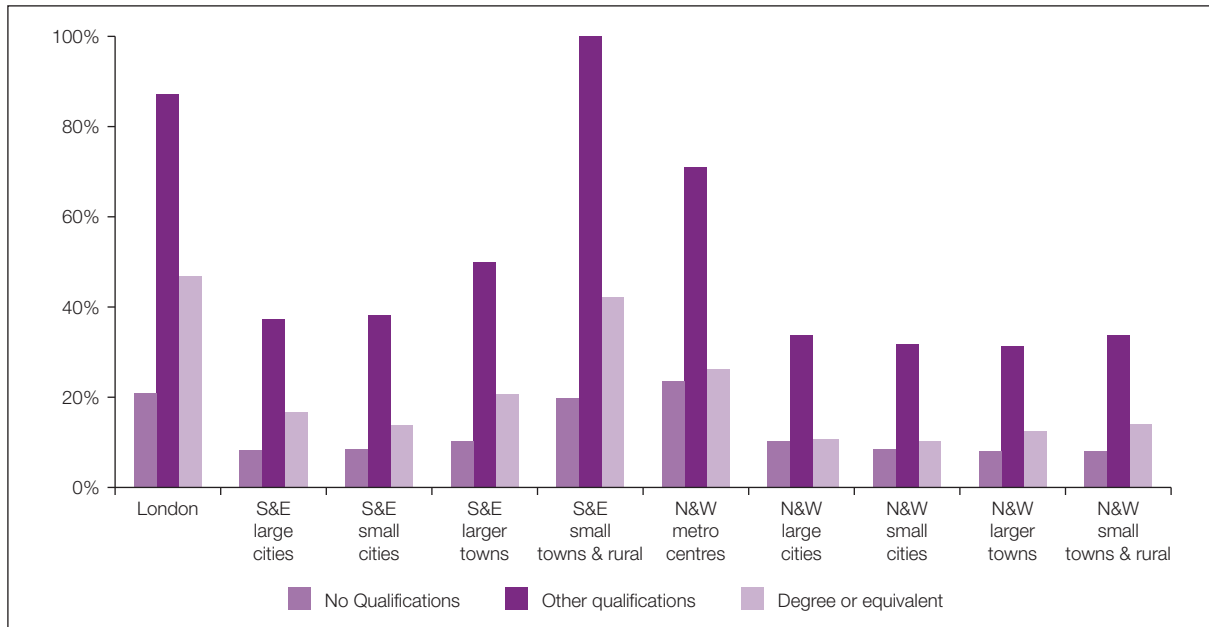
Table 13.3: Employment rate by city type, 1994-2003 (%)

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

Source: Labour Force Survey, quarterly unweighted data.

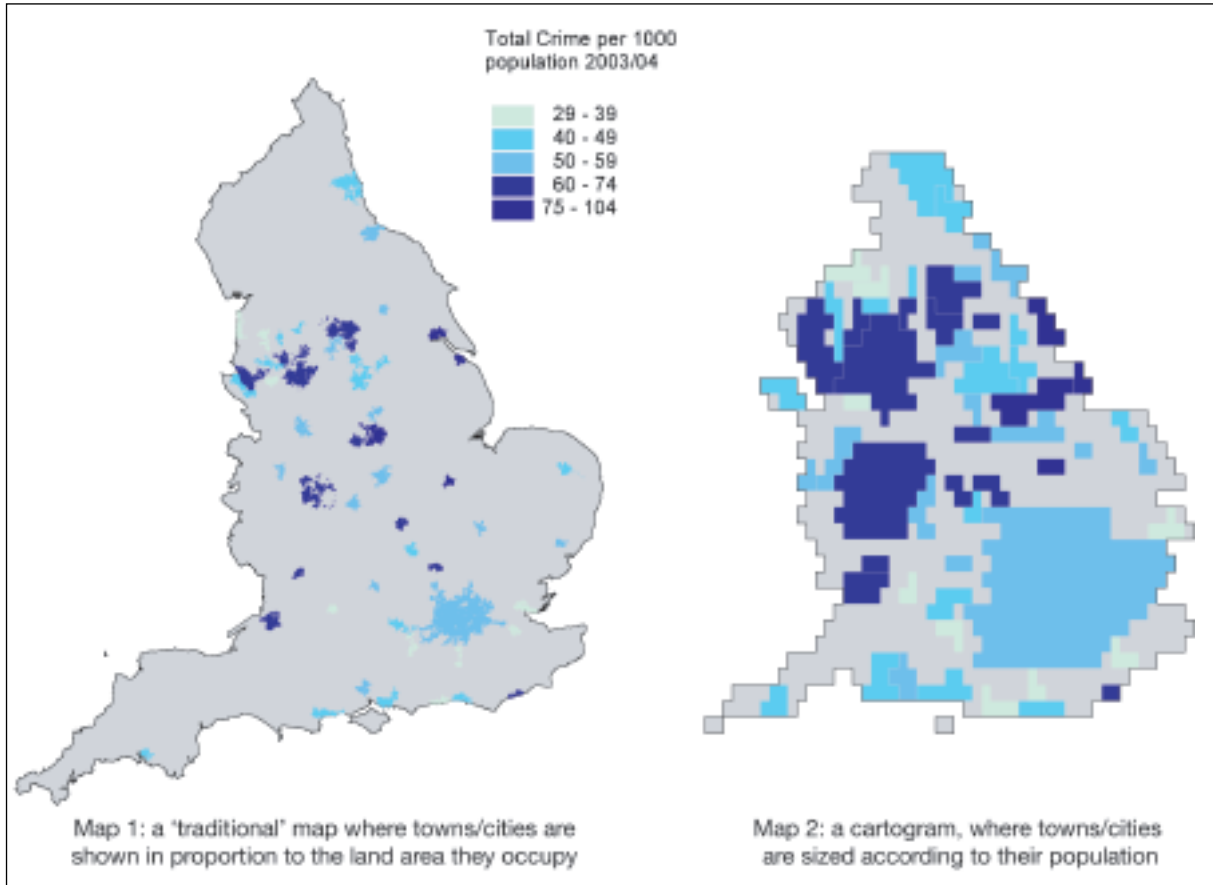
13.3.5 There is large variation in the level of educational attainment between cities and the rest of the country. Cities in the north and west have more people without qualifications and fewer people with degrees than elsewhere as Figure 13.5 show. However, the gap has narrowed slightly in recent years. The proportion of people with degrees has risen everywhere in the last decade.

Figure 13.5: Skills of the working age population by city type 2003



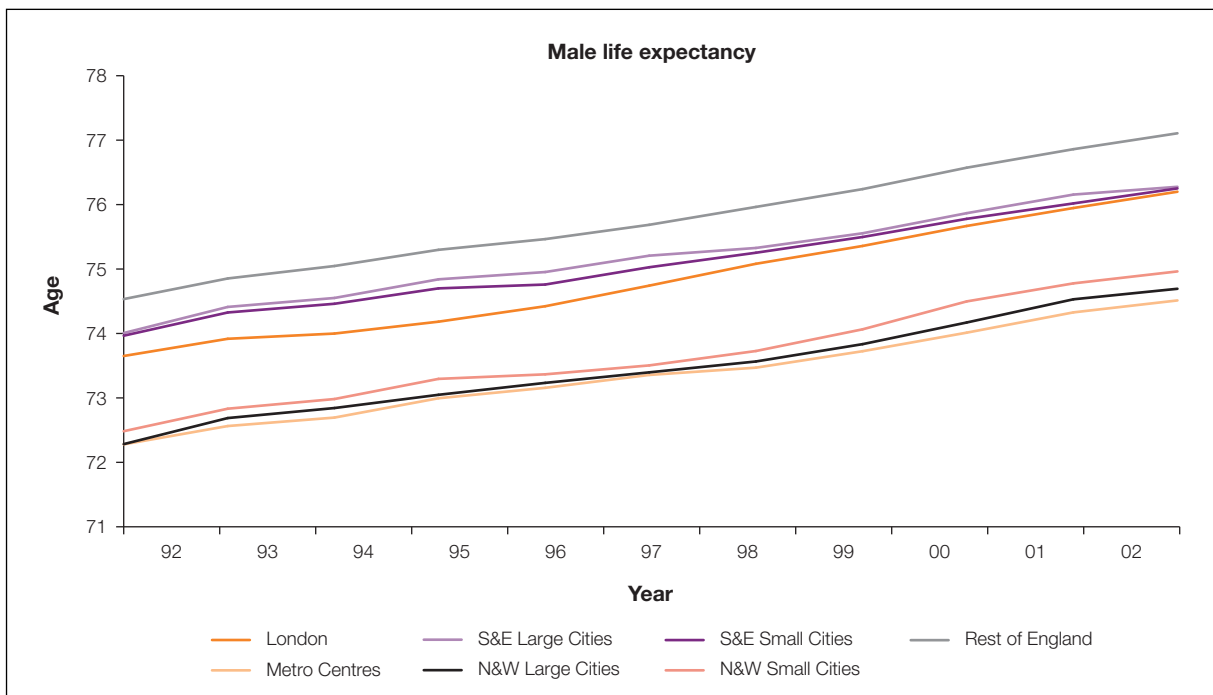
13.3.6 Although patterns of crime are complex, it is generally higher in cities. It also tends to be higher in larger cities than in smaller cities and in the north and west than in the south and east as Map 13.2 shows. However, there are large variations between individual cities.

Map 13.2: Incidence of crime by individual city 2003/4



13.3.7 Cities and towns in the south and east have better all-round health profiles than those in the north and west. Larger cities tend to have worse health records than towns and rural areas. However, health conditions are generally improving and people everywhere are living longer as Figure 13.6 shows.

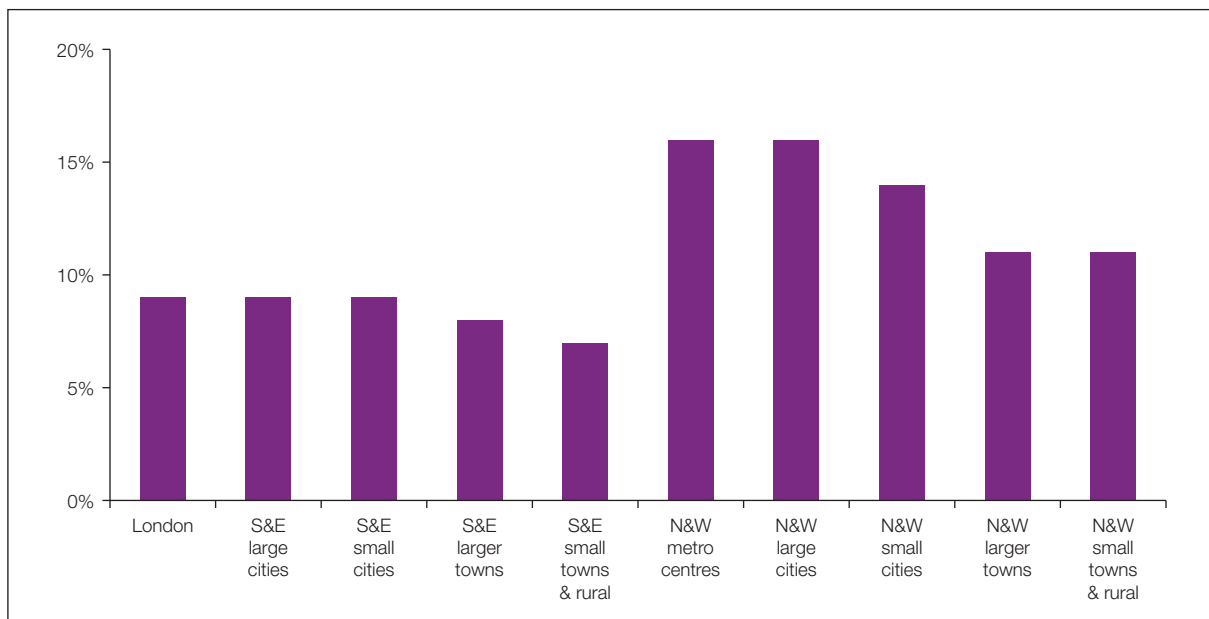
Figure 13.6: Male life expectancy



### Trends amongst ethnic minority groups

13.3.8 The ethnic minority population of England rose between 1991-2001 from 3.06 million to 4.46 million, an increase of 46 per cent. All types of cities increased their Non-White population. The increase at almost 700,000, was greatest in London. In seven of the 10 city types the Non-White population grew more than the White population. All six city types lost White residents, with especially substantial losses for the six Mets and London. However, the pattern of distribution of ethnic minority across particular cities barely changed during the decade (Figure 13.7).

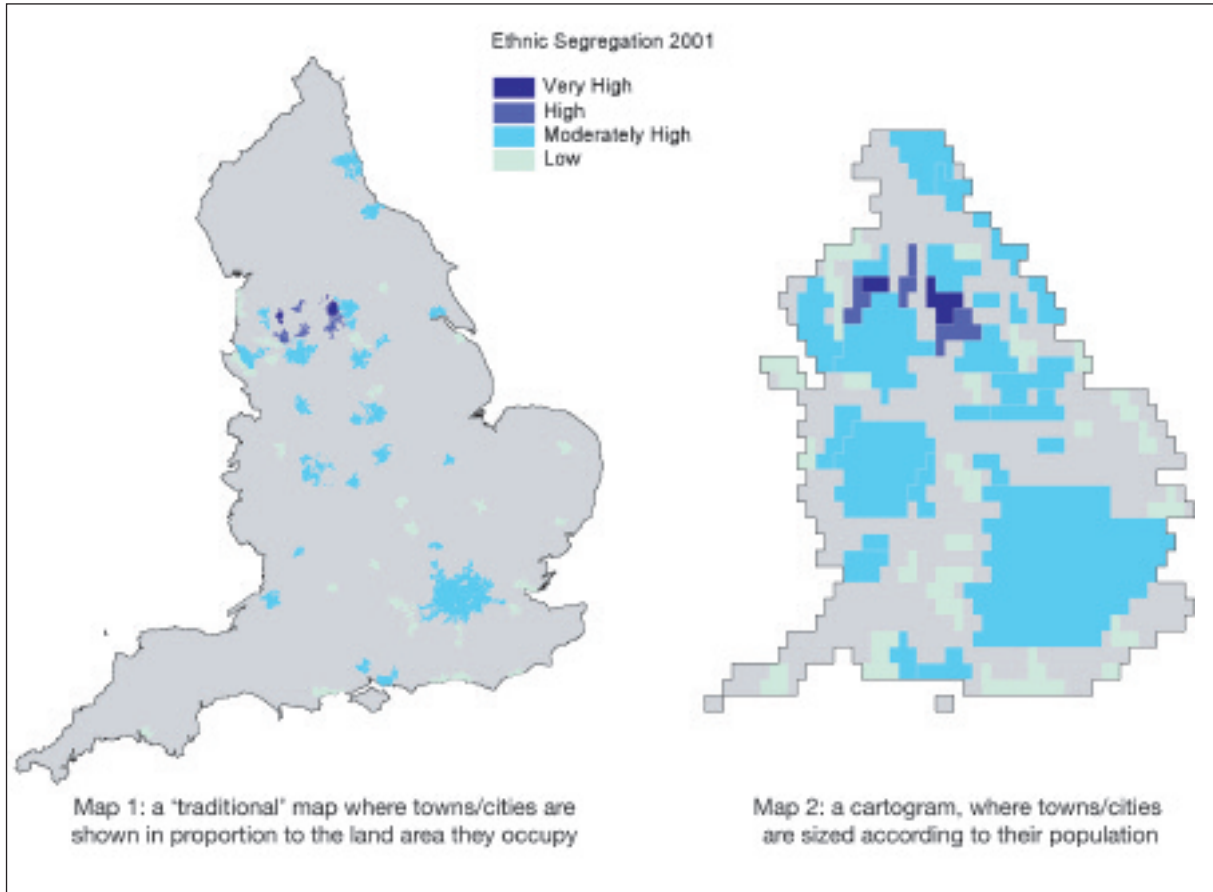
Figure 13.7 Change in numbers of all White and Non-White residents, 1991-2001, by SOCR type



### Cohesion, segregation and integration

13.3.9 Residential segregation between White and Non-White groups is higher in cities in the north and west of England than in the south and east. Seventeen of the top 20 most residentially segregated cities are in the north and west. By contrast, 17 of the 26 cities with the lowest levels are in the south and east (Map 13.3). Higher segregation is associated with lower earnings, higher unemployment, and fewer managerial and professional class employees at the city level, though these relationships are stronger in the south and east than in the north and west. Right across the country, there is a strong inverse relationship between the level of segregation and the rate of participation in further and higher education.

Map 13.3: Levels of Ethnic Segregation 2001



### But cities are becoming more integrated

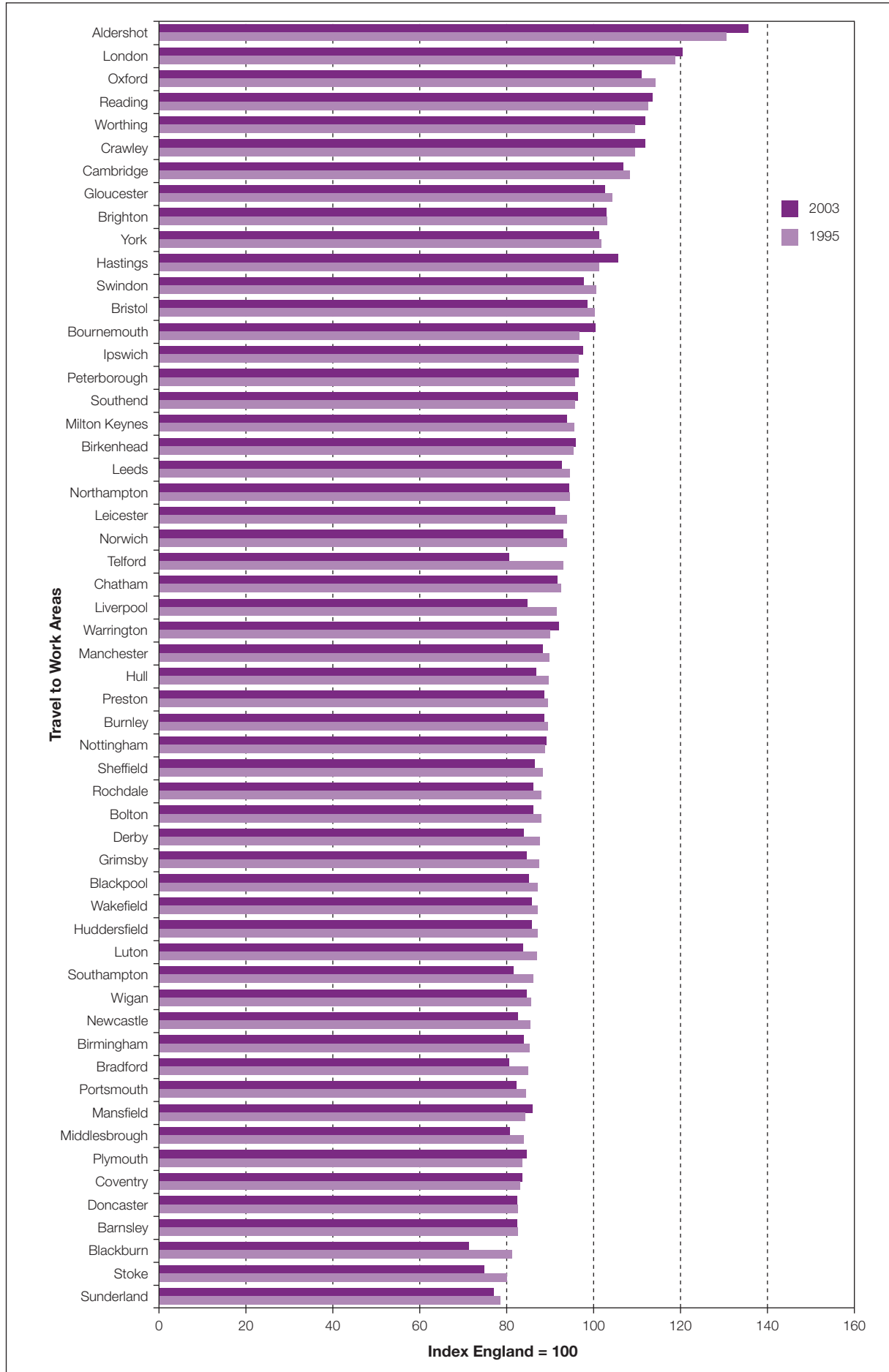
13.3.10 Segregation has actually declined and conditions have improved during the past decade. The level of residential segregation fell slightly between 1991 and 2001 in 48 out of the 56 cities. In the 48 cities, segregation measured at ward level, fell usually by five points or less. It increased in only eight cities between 1991 and 2001, but by very small amounts in six of those cities – Hull, Sunderland, Portsmouth, York, Southend, and Plymouth. In only two cases – Blackburn and Norwich – was the increase significant.

## 13.4 Economic competitiveness

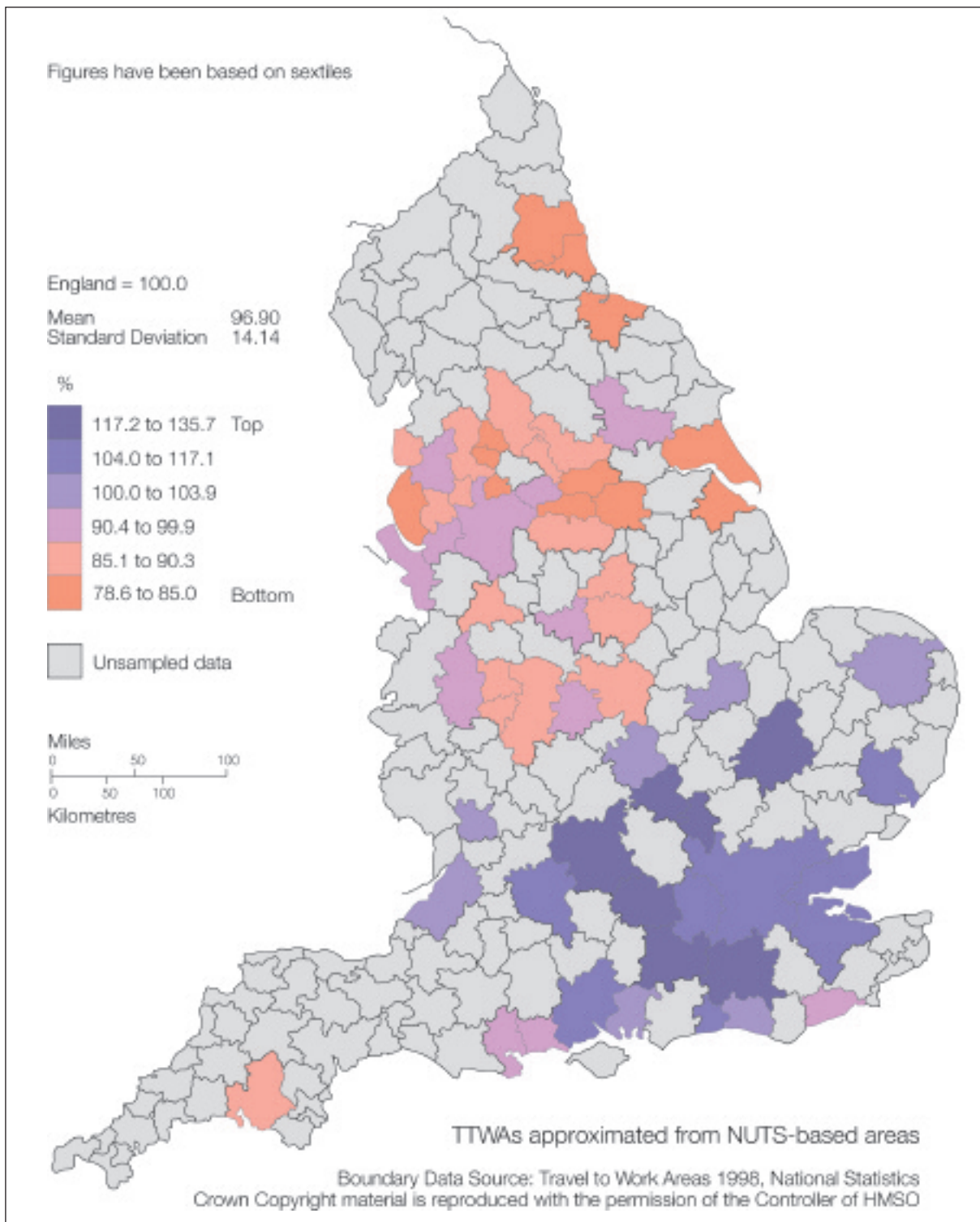
13.4.1 So far we have seen real evidence of progress. The evidence on economic competitiveness shows that many cities are performing well but it also underlines the scale of the economic challenge still faced by others.

13.4.2 Fig. 13.8 shows the Gross Domestic Household Income levels for the 56 cities for 1995 and 2003. The majority of the 56 cities fell below the average for England in 1995 and have continued to do so since. There is also a major regional gap in performance as Map 13.4 shows. The blue areas represent those cities that are above the English average, the red represents those below. Most of the blue areas were concentrated in and around the south and east. Most of the red areas were in the north and west.

Figure 13.8: Gross Disposable Household Income 1995 and 2003



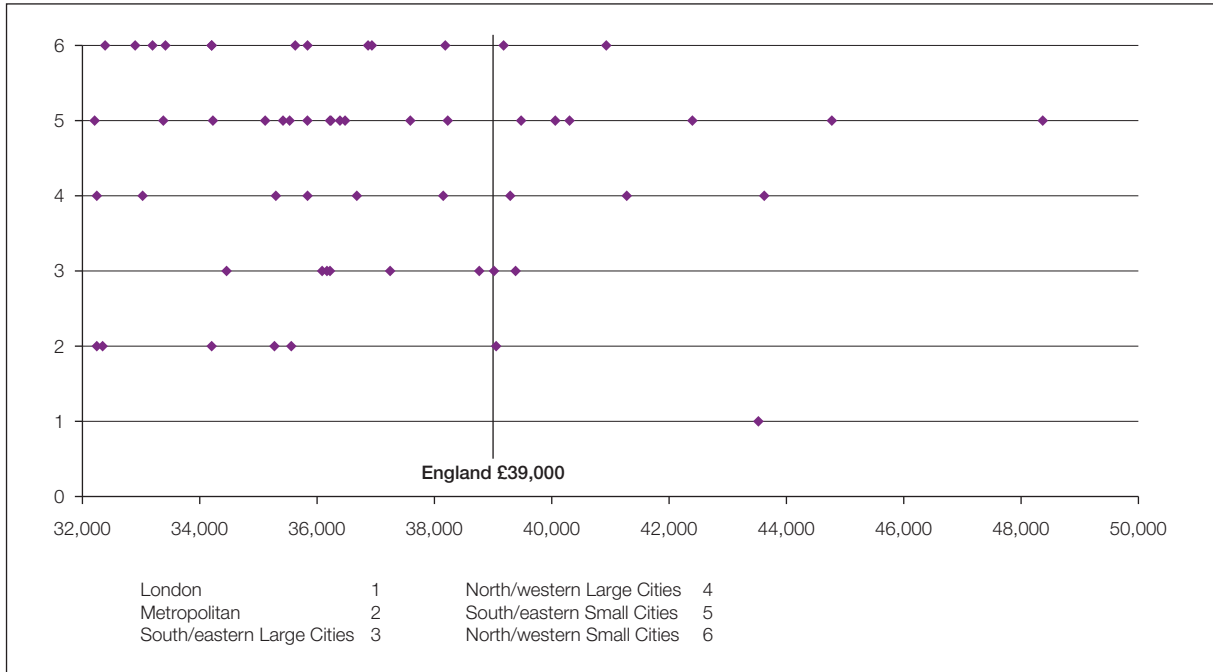
Map 13.4: Average disposable weekly household income, equivalised after housing costs, 1998



13.4.3 Figure 13.9 shows the productivity of the 56 cities, measured in terms of GVA per employee in relation to the national average. Again the superior performance of London and smaller cities in the south and east is clear.

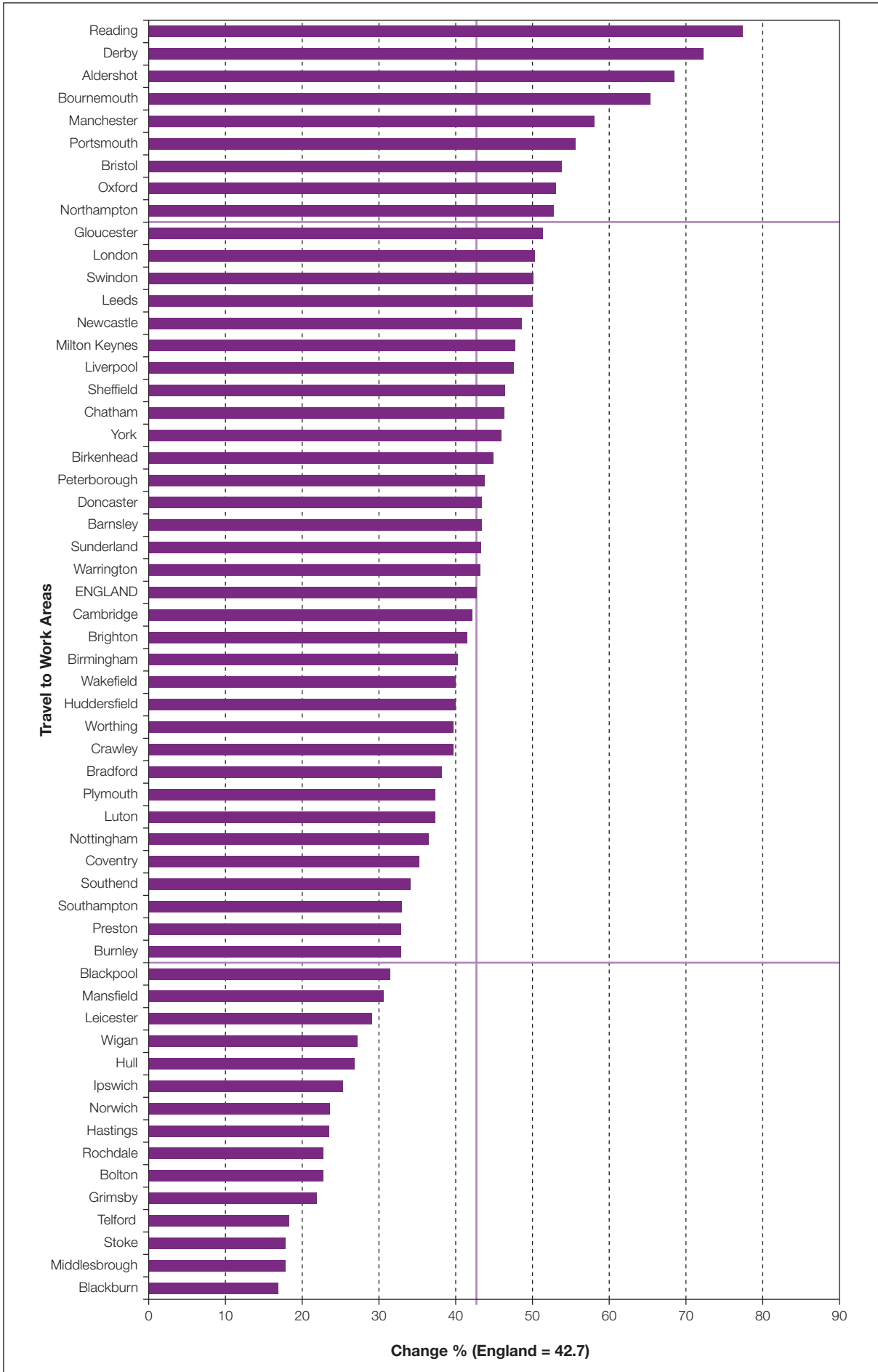


Figure 13.9: GVA per full-time employee (FTE) by typology



13.4.4 Changes in economic performance in recent years do show some positive improvement. Figure 13.10 shows the dynamics of the processes taking place between 1995 and 2002. Twenty-five cities grew faster than the national average, including six of the eight Core Cities. Nine cities managed growth rates of 10 per cent or more above the national average. Most of these were in the south and east, but Manchester was a notable exception.

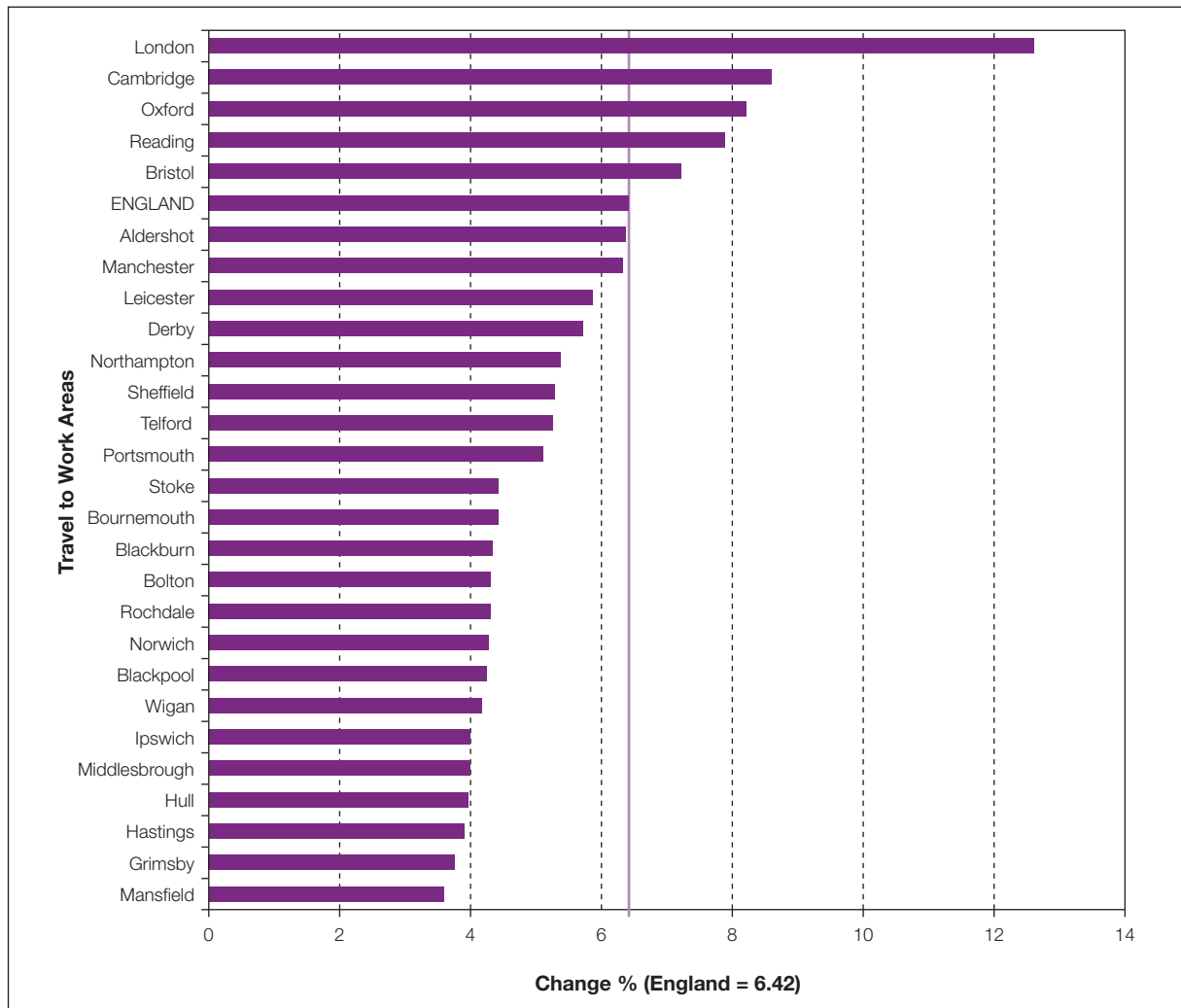
Figure 13.10: Change in Gross Value Added per capita 1995-2002



### What explains differences in performance?

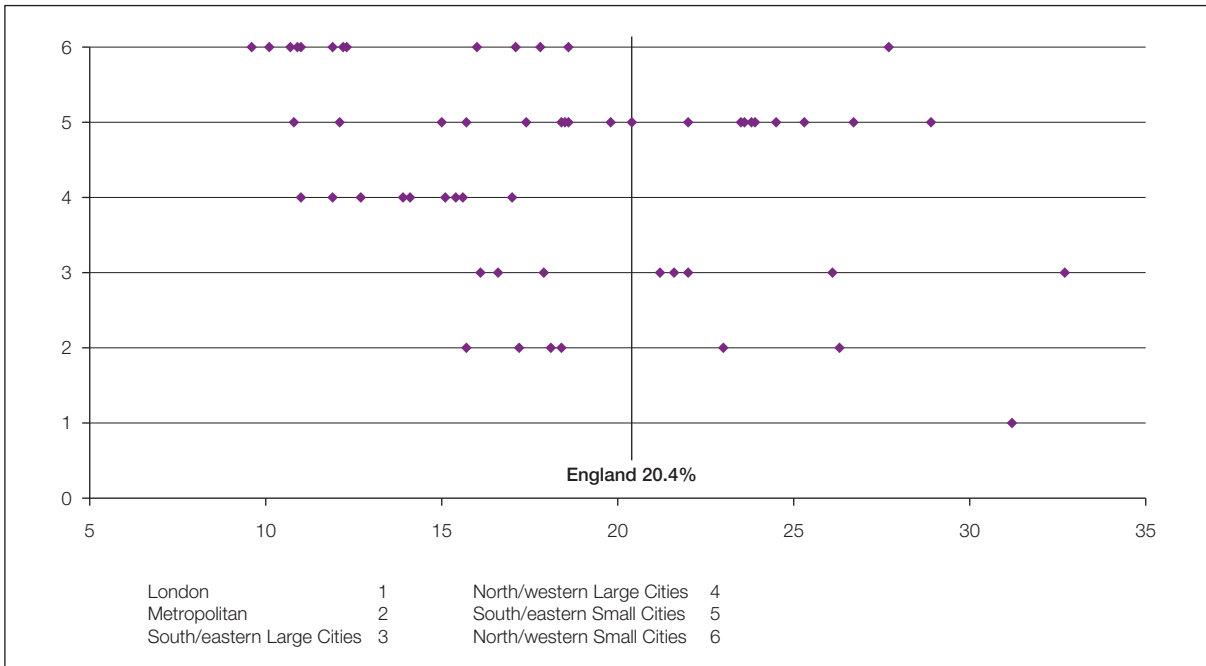
13.4.5 Differences in human capital are critical and lead to differences in invention, innovation and ultimately productivity. Figure 13.11 shows the highest and lowest economically performing of the 56 cities. Several increased the percentage of graduates in their population above the national average. Several others performed just below the national average. All of the lowest performers increased the proportion of graduates in their workforces by less than the English average. Attracting and retaining graduates matters.

Figure 13.11: Change in % of working age population with degree level qualifications 1991-2001



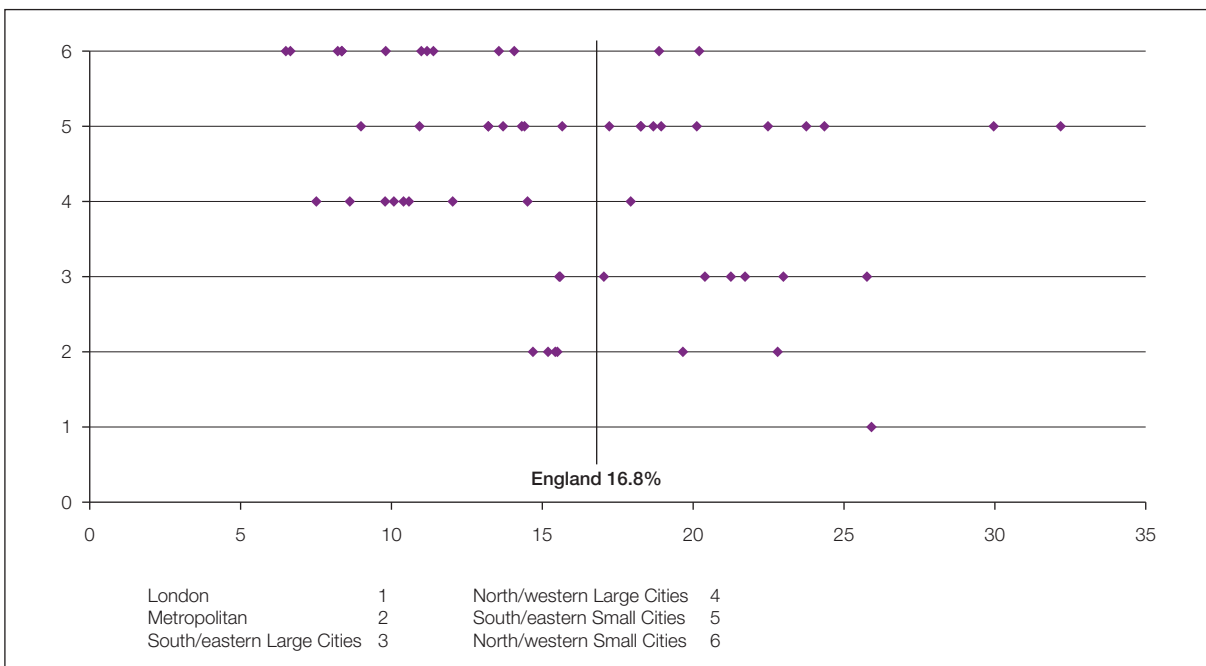
13.4.6 Employment levels in relatively high value added and knowledge-based industries are also a critical factor in urban performance. In general, cities in the south and east tend to be above the national average; cities in the north and west tend to be below. For example, Figure 13.12 shows that employment in the banking and finance sector is concentrated in the small and large cities in the south and east. Almost a third of those working in Reading (32.7%) and London (31.2%) are employed in this sector yet the Mets, Leeds and Manchester had employment in this sector above the national average.

Figure 13.12: Percentage of employment in banking and finance



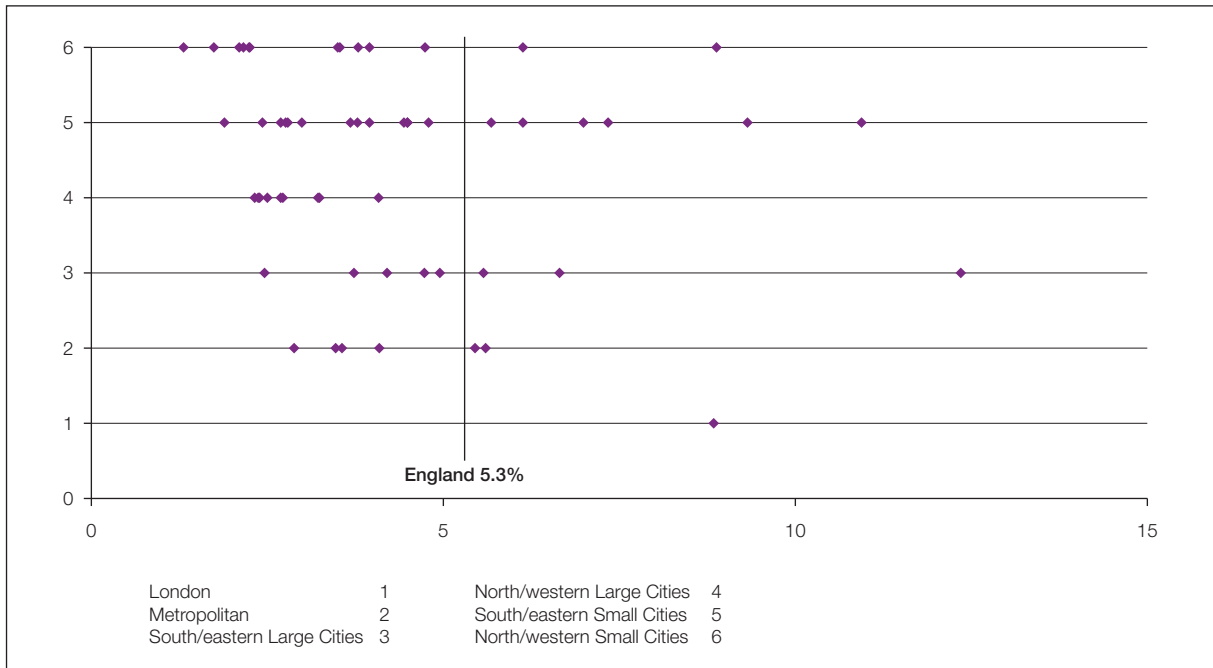
13.4.7 In terms of employment in knowledge intensive business services, almost all large cities in the south and east including London are above the national average. Again, Manchester and Leeds are important exceptions but the majority of the large and small cities in the north and west are below (Figure 13.13).

Figure 13.13: Percentage of employment in knowledge-intensive business services 2003



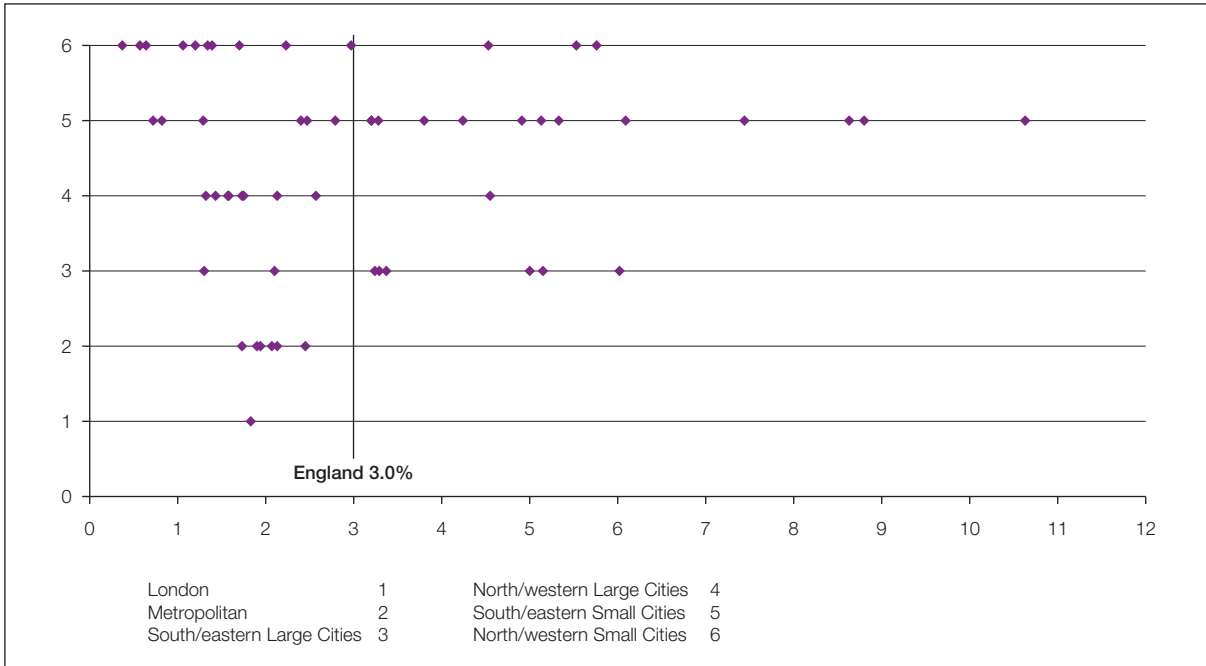
13.4.8 Only a quarter of the cities have an employment share in the creative industries above the national average of 5.3 per cent. These include London, Bristol and again Manchester and Leeds. Employment in the creative industries is more likely to be above the national average in southern and eastern small and large cities than those in the north and west (Figure 13.14).

Figure 13.14: Percentage of employment in the creative industries 2003



13.4.9 The proportion of the workforce employed in research and development is another key to differences in economic performance. Employment in high technology sectors tends to be higher in small and large cities in the south and east as Figure 13.15 shows. Employment in high technology sectors is not located in the largest cities – all the Mets and London have employment shares in high technology sectors below the national average of 3.0 per cent.

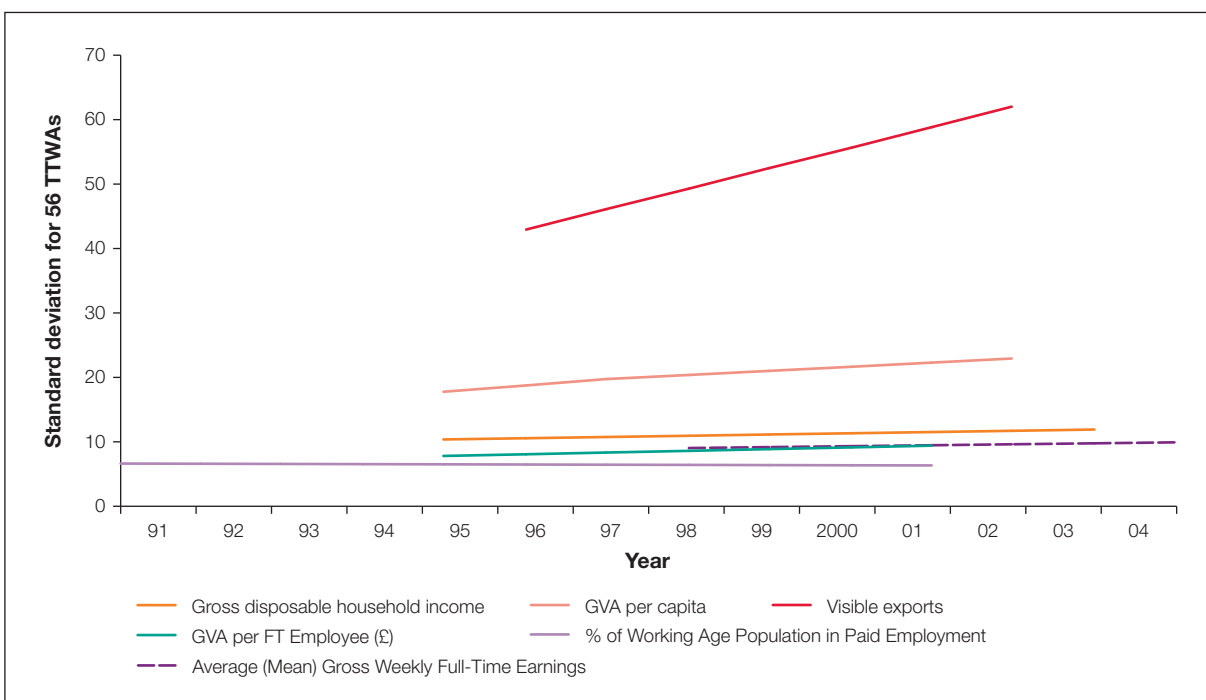
Figure 13.15: Percentage of employment in high technology sectors 2003



### Are cities catching up?

13.4.10 This section has shown the nature and scale of differences between the 56 cities. The key question is whether cities are converging or diverging? There is some convergence within clubs of similar economies, such as those in the western arc around London. Equally Manchester and Leeds have performed above the regional and national average in some sectors. From the early 1990s onwards indicators such as infant mortality, GDHI, GVA per capita, visible exports, productivity and average earnings all diverged. However the gap did not grow in employment (Figure 13.16).

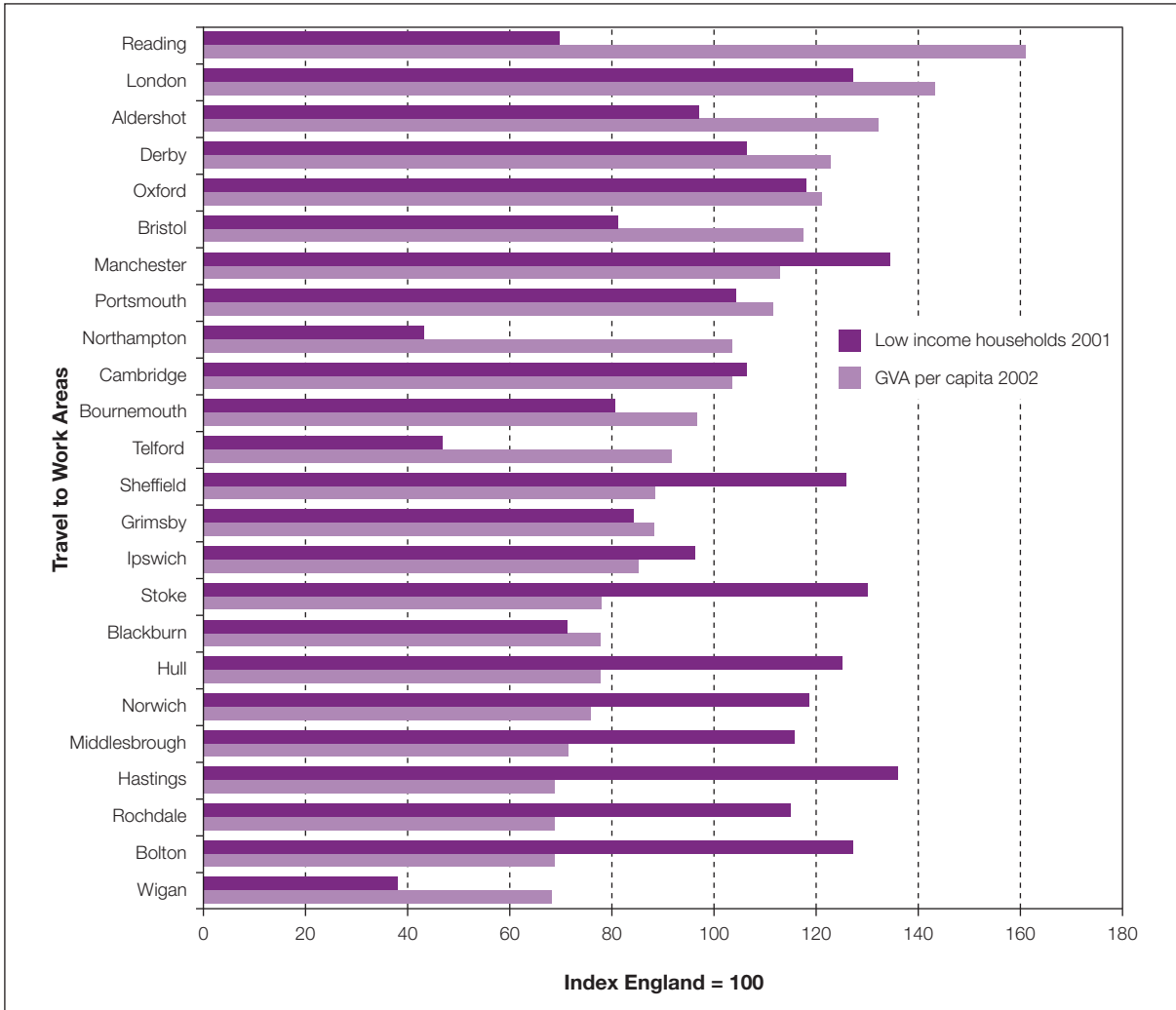
Figure 13.16: Relative divergence between 56 English cities



### Does economic success lead to social success?

13.4.11 A key policy question is whether economic success in cities leads to social success. Figure 13.17 throws light on this by showing the relationship between GVA levels and the standard of living defined as the proportions of low income households. The relationship is not straightforward. Both successful and unsuccessful cities have low income households. Nevertheless, the evidence shows that the chances of being income deprived are generally higher in cities where the economy is below the English average GVA per capita, than in those cities with more successful economies. Also our evidence on employment showed a strong inverse relationship between employment and income deprivation, which means that cities with more jobs tend to have less poverty and social exclusion. The search for economic competitiveness does not exclude a concern about social cohesion. A high value-added, knowledge-based, high-skill economy can lead to the achievement of wider social goals. It is easier to redistribute wealth than poverty but it does not automatically happen. It requires policy intervention.

Figure 13.17: GVA per capita 2002 and low income households 2001





## Conclusion

13.4.12 This chapter has shown the key changes that have taken place and the progress that has been made in terms of population growth, social cohesion and economic competitiveness. It has shown that many English cities have improved, especially in the most recent years. Cities are picking up. It also shows that despite that progress, and in particular the economic performance of Manchester and Leeds, many cities in the north and west are not yet catching up with the most successful cities in the south and east. More needs to be done for that to happen and for English cities to catch up with the best of those in Europe. If cities are to stay up and maintain the improvements of recent years, the success of the national economy must be sustained. The advances which many cities have made in recent years have also been encouraged by a range of policies, both national and local. The final chapter turns to the question of how policies have helped improve cities, and what more needs to be done next to sustain the gains which English cities are making.

# Chapter 14: Policies for cities: what's next?

## 14.1 Introduction

14.1.1 The previous chapter presented a balance sheet on the ways in which cities have been developing during the past decade. This report has assessed the contribution government policies have made to that balance sheet. It was not invited to make a detailed set of recommendations about policy instruments, but to outline some key principles and areas for action for future policy. This final chapter first draws together the key findings and policy implications regarding the impact of national policies on cities. It then identifies some key choices which government needs to make to help cities sustain the achievements which they have made during the past decade.

14.1.2 This report has shown that many current policies have improved city performance and that there is considerable support amongst the policy community for many of the key principles which shape government policies for cities. There is support for the following principles:

- greater investment in mainstream programmes;
- greater focus upon the economic potential of cities;
- a greater willingness to address regional imbalances;
- a recognition of the importance of sustainable communities;
- a greater focus upon City-Regions and collaboration across and between regions; and
- a willingness to simplify and relax national constraints upon cities. The last point is critical. A key argument of this report is that there is plenty of evidence that many English cities have the qualities, assets and leadership needed to make a growing contribution to national welfare and prosperity. More cities could contribute even more in future with continued and developing support from across government. There is potential for delivering greater local, regional and national benefits. The remainder of this chapter presents the evidence for this argument.

## 14.2 Have policies made cities more socially cohesive?

### Real progress made on social cohesion

14.2.1 The Government's attempt to address market failures and improve mainstream services in the poorest neighbourhoods has begun to narrow the gap between them and the rest of England in terms of educational achievement, employment rates and teenage pregnancy. Particular urban groups such as young children, the unemployed and the most vulnerable have benefited from more joined-up, crosscutting strategies and initiatives. There have been significant improvements in many urban areas in terms of the quality of the

worst social and private rented housing, incidence of burglary and vehicular crime. However, some aspects of educational and housing policy have worked in the opposite direction. Prospects for personal enhancement amongst the least qualified and the most disadvantaged have not yet improved in relation to national norms. The incidence of robbery and certain categories of violent crime and poor health remains high in more deprived urban areas. There are early signs that the Government's recent focus on 'liveability' is beginning to reverse the long-term deterioration in the quality of urban public spaces. Area-based interventions have generally become increasingly sophisticated in scope and more effective. However, they face powerful wider forces such as economic restructuring, growth in income inequality and divergent regional prospects. Further progress will hinge upon the degree to which neighbourhood interventions fit with policies to stimulate urban and regional economies and improve the urban quality of life.

## How can policy help more?

### Address the causes as well as the consequences of exclusion

- 14.2.2 The most successful places have addressed the fundamental drivers as well as the more immediate features of social cohesion. They have consistently sought to improve the underlying material circumstances of urban communities and to enhance the less tangible aspects of human relationships and identities. Sustained policies to expand employment opportunities and to help people to access jobs have proved crucial to lift households and communities out of poverty. Cities which have neglected their physical infrastructure and the supply of employment land have paid the price and become less competitive business locations. Similarly, cities which have struggled to improve their education, housing and transport systems have also fallen behind average living standards.

### Link opportunities, need and places

- 14.2.3 There are three broad kinds of urban policies. The first ones target need such as community-based personal services or transfer payments to poor communities. The second kind seek to expand opportunities and incomes such as city centre marketing initiatives or business growth schemes. The third ones try to link opportunities and needs, by improving the accessibility of unemployed people to jobs or tackling institutional barriers to economic and social inclusion. The balance between these will differ across different cities dependent on local circumstances and levels of prosperity. In most cities there is considerable experience of neighbourhood programmes and their role in focusing policy efforts on the poorest communities is well understood. In these places the main challenge for government is to provide the additional resources required on a sustained basis and to bend mainstream programmes to cities.
- 14.2.4 There is also growing recognition among local authorities and their strategic partners that a more outward-looking, expansive, economically oriented perspective is important. Concentrations of poverty are often localised symptoms of more generalised citywide economic problems. Here it is difficult

to provide lasting solutions unless there are more opportunities available which enable general progression. Cities have inherent advantages as economic locations because of their size, infrastructure, and underused assets such as vacant land, potentially attractive waterfronts and underemployed labour. These need to be exploited to boost employment and income generation, and approaches include attracting private investment, luring resourceful and talented people to study, live and visit, and helping local enterprises to secure a larger share of external markets. Since local powers and resources tend to be geared towards welfare services, the main challenge for government is to ensure that city authorities have the incentives and resources to sustain their efforts to make their cities more productive and increase prosperity.

- 14.2.5 It is important to avoid 'needs' and 'opportunities' policies being pursued independently of each other. Separate organisations are typically responsible for these two areas, creating the risk of inconsistency or even contradiction between them. If no one is charged with making the connections, the prospect of creating 'twin-track' cities, where poverty exists alongside prosperity, is reinforced. In some cases deprived neighbourhoods are treated in isolation to their wider housing and labour markets. The economic strategy amounts to a rather narrow agenda, for example high-tech industries or knowledge-based services in terms of the direct beneficiaries. New jobs, housing and consumer services have focused on high-level occupations and advantaged locations, often for commercial reasons and due to a lack of public investment. There is a risk that the benefits will not filter through to disadvantaged communities, especially if people moving to the city from elsewhere take up new opportunities, rather than local residents moving up the job or housing ladders.
- 14.2.6 Government needs to raise awareness of the importance of linking opportunities and needs more deliberately, and to help devise institutional arrangements and practical ways of reducing the barriers that prevent this from happening, including discrimination and skill mismatches. New jobs may need to be better located in relation to deprived areas, affordable housing made a bigger feature of new residential developments, and new amenities planned for a wider spectrum of the population. Programmes to increase labour demand and improve labour supply need closer coordination and alignment to ensure that communities in need get a share of the jobs. New ways of cross-subsidising the best development opportunities with less attractive and poorly located sites are also important.
- 14.2.7 A simple illustration of the imperative to link needs and opportunities stems from the fact that the UK employment rate for Non-Whites is only 59 per cent compared with 76 per cent for Whites. Black and ethnic minorities live disproportionately in cities and currently make up about 8 per cent of the UK population. They will account for half of the growth in people of working age over the next decade. It is therefore important, for both economic and social reasons, that employment, training, anti-discrimination and other equal opportunities policies are brought together and focused more on cities than they have been in the past.

### The challenge of building cohesion in cities varies – so should policy

- 14.2.8 Although cities face many common issues, they also differ in their challenges and in the ways in which policies affect them. Some cities have worked hard over many years to create a climate of tolerance and support for social and cultural diversity by establishing formal and informal networks between and within communities. They have also pursued vigorous equal opportunities policies, assisted a wide range of voluntary and community organisations to support individual households in many practical ways and generally celebrated multi-culturalism. Leicester, for example, has been rewarded with relative peace, stability and cultural richness. The city has taken great strides over three decades to accommodate successive waves of migrants without significant incident and now has one of the largest and most diverse ethnic minority populations in England. Stable and far-sighted leadership across all sections of civic society has been, and will remain, instrumental in avoiding the risks associated with people from different groups living separate lives.
- 14.2.9 Other places have a smaller but more deprived ethnic minority population, a falling total population and a more uncertain long-term economic future. In cities such as Burnley, public facilities including schools, housing and transport have needed major investment for some time. Following inter-ethnic tensions and street disturbances in 2001, a government investigation identified weaknesses in local leadership and a lack of strategic vision for the district. Since then, social cohesion has become a priority with far-sighted policies to encourage cultural interaction and progressive developments in education, housing, employment, community safety and sport for young people. There remains however a considerable challenge about Burnley's future place and role in the wider City-Region.
- 14.2.10 The physical and economic structure of some other cities presents almost as big an issue for cohesion as social diversity. A key challenge in, for example, Medway is to merge five towns which developed separately historically into an entity which feels and functions more as a city, with less leakage of resources so that it is sustainable in its own right. There is a big policy challenge for public authorities to build a clearer sense of place and purpose, a stronger economic base and a better reputation to help attract and retain investment and resources. A prosperous regional context in the South East and a prominent position in the Thames Gateway present a great opportunity to transform local conditions and build a more coherent city, in an economic and social as well as a physical sense. This will require a greater emphasis on jobs and transport infrastructure alongside current plans for substantial new housing.
- 14.2.11 In another group of cities, the regional context is far less favourable and there are major tensions and trade-offs facing policy-makers at city and regional levels. For example, policies in Sunderland have enabled the city to adapt better than some others in similar circumstances to the collapse of shipbuilding and coal mining by diversifying into other sectors. Concerted efforts to redevelop vacant and derelict land and to upgrade the core urban area, combined with a pragmatic approach to development beyond the built-up area, has allowed the city to attract jobs and investment in automotive suppliers, financial services and call centres. Nevertheless, there is a

widespread feeling that a more vigorous, coordinated and inclusive approach is needed, for example, to tackle the legacy of involuntary worklessness and improve skills for the contemporary labour market. The city's position and function in the wider North East also pose considerable challenges for governance and policy, since the region as a whole is not prosperous and there are tensions about strategic priorities.

- 14.2.12 In a different group of cities, the challenge to cohesion stems not from a lack of growth and investment, but from the form of new development which has polarising effects. In Leeds, for example, policies have succeeded in establishing a thriving regional service centre. It is a particular economic success story among cities in the north and west. However, the benefits have not yet filtered through to some of the poorer neighbourhoods and groups which have suffered from the decline of manual employment. The challenge here is to broaden the opportunities available and to develop a more effective strategy for linking persistent needs and emerging opportunities. Building harmonious communities and narrowing the gap between neighbourhoods are complementary objectives. They need stronger policy and practical connections with economic development strategies. They require broad-based, crosscutting interventions at neighbourhood, city and regional scales, involving voluntary and community as well as public and private sectors.

### 14.3 Have policies made cities more competitive?

#### Policies are helping

- 14.3.1 There is a growing conviction that the competitiveness of English cities matters and this is reflected in a number of current government policies. These policies would benefit from a more explicit urban focus. In many cases, government policy is deliberately national in scope to ensure standard provision or is targeted at particular types of firms and individuals rather than places since many localities face the same essential challenges. Government has recognised the need for more local input to make policy design more sensitive to local needs. However, urban and regional economic development partners still have to put together a range of national initiatives on the ground. Innovation in firms and organisations is fundamental to national prosperity. Most grant regimes tend to favour urban centres in the south and east because they contain the most highly-rated research institutions as well as relatively high concentrations of the most knowledge-intensive companies. Government has recently emphasised the links between research establishments and industry to boost innovation. However, urban innovation systems remain much less developed than in France and Germany, where there are more formal, structured, with local linkages between central and local government, educational and financial institutions and firms.
- 14.3.2 Government policies have helped to improve GCSE attainment in the worst performing schools and most deprived areas relative to national norms. They have also improved levels of participation in learning and basic skills attainment. Skills policies have become more geared to employers' and individuals' needs. Along with sustained national prosperity, they probably account for the marked fall in the percentage of those with no qualifications

and an increase in those with NVQ levels 3,4 and 5. Enterprise policies since 1997 have tried to correct the weaknesses of earlier policies. Efforts are being made to make services more responsive, less complex and confusing and to cut the number of programmes.

- 14.3.3 In larger urban areas, planning policy has promoted re-investment and reduced, if not stopped, the threat from out-of-town retailing. It has also encouraged more efficient use of brownfield land for housing. Special regeneration vehicles, for example UDCs and URCs, and fiscal incentives have helped to increase investment in run-down city and centres. There have been some successes in traffic demand management and in developing new forms of urban public transport such as trams. However, greater investment in transport infrastructure and more integrated institutional arrangements at city level would allow the English urban system to function more effectively.

#### **How can policy help cities become more competitive?**

- 14.3.4 Several key messages have emerged about making cities more economically competitive in future. Macro-economic and fiscal policies need to establish general and powerful market incentives for improved rates of productivity, innovation, learning, adaptation and knowledge-based economic activities. Tax incentives to encourage these activities need to be improved and more accurately targeted. In order to understand the spatial effects of its total expenditure the Government should develop further the currently experimental regional and, more importantly, sub-regional accounts of government output and expenditure. This is vital information because mainstream expenditures and procurements are many times larger than any specifically spatially-targeted funding. They have the most significant impacts on urban economies of any government policies. They have resulted in some unintended spatial policies, such as the level of public support for high-tech industries in London and the South East, as a direct result of defence procurement.
- 14.3.5 Priority should be given to improving the economic fundamentals of urban economies including the business environment, educational base, physical infrastructure and connectivity, social and cultural infrastructures and networks and governance structures.

#### **Provide urban fiscal incentives**

- 14.3.6 To improve the business environment, a major objective of central government policies should be to establish incentive structures which stimulate local authorities and businesses to positively encourage local economic development. These could include the 100 per cent return of business rates for all new knowledge-intensive business developments and tax breaks for these types of activity if located in certain City-Regions. They could also include the abolition of caps on government expenditure when growth exceeds certain levels. Attention should also be paid to the conditions that encourage micro-businesses to reduce unnecessary regulation. These can be highly innovative and collectively provide much new employment potential.

### Encourage knowledge transfer

14.3.7 The educational base of cities includes not only their schools but also the whole skills agenda and universities. In terms of skills, LSCs need to take more account of local demand. Also, universities play a much less significant role in innovation in local economic development than they do in some other North American, European and Far Eastern countries. To improve the situation, government needs to revise and improve third stream funding and incentives for universities to participate in their local knowledge-based economies. At present the main missions of universities make local innovation and knowledge-based development one of their least important and least financially rewarding activities. In other parts of Europe there are organisations whose specific mission is to search for and diffuse leading-edge knowledge and innovations from universities, the national and international economy into the relevant city specialisations. Establishing such institutions should be a policy priority for City-Regions.

### Strengthen hard and soft infrastructures

14.3.8 The hard physical infrastructure and connectivity of many of the cities studied in this report need to be improved. The development of facilities around regional airports combined with integrated multimodal transport systems should be a top priority for central and local government. Much of the responsibility for local economic development falls to the land use planning system. The system needs to play a positive role in the provision of an imaginative strategic vision together with the space to develop physically local knowledge-based economic activities. This should include provisions for greatly improved and integrated transport and communications networks. In addition, business and cultural networks are also important characteristics of modern knowledge-based economies. They can create a sense of common purpose, as our study of Cambridge showed. The cultural appeal of cities is important in attracting the kinds of highly qualified workers that are needed to increase numbers in such economies. High priority should therefore be attached to the generation and encouragement of these types of soft infrastructures.

### Mainstream money matters most

14.3.9 The most important policies affecting local economies are top down policies made by central government. These are macro-economic and fiscal policies and mainstream public funding for health, education, science and technology, and defence. These policies, combined with the upswing in the business cycle during the 1990s, are primarily responsible for the rates of economic growth in English cities in recent years.

14.3.10 The new experimental regional accounting systems show that in terms of mainstream funding, even 'identified' expenditure allocated according to formulae, distribute more funds to London and the South East than would be expected according to definitions of need. Also in terms of 'unidentified' expenditure, such as defence spending, London and the South East receive more than twice the level of the next most favoured region, which is the South West. The level of defence spending dwarfs that of regional assistance.



Inner London is also the largest recipient of money spent on government administration. It is followed by the South East. Although the GORs and RDAs benefit the provincial capitals in which they are located, the overall spatial pattern of government 'unidentified' expenditure and administration has contributed most to the economic growth of London and other cities in the South East. As mechanisms of cumulative causation operate, those City-Regions which started with most of the unevenly distributed 'unidentified' government expenditures in the first place tended to end up with more of them. These expenditure patterns have thus unintentionally limited the net effects of spatially targeted central government policies such as regional assistance in other areas.

#### **'Long termism' needed**

- 14.3.11 This report has underlined the point that individual cities economies arrived where they are today as a result of long-term interactions between their particular combinations of specialisms and wider external forces. It shows not only that history matters but also how long it takes for a city to develop along a particular path. This reinforces the need for similarly long-term perspectives and policies to make changes in those development paths. Improving urban competitiveness is necessary but it is not a quick option.

### **14.4 Have policies made cities more liveable?**

#### **Evidence of real improvement**

- 14.4.1 It is clear that the public places a greater emphasis on liveability and local environmental quality than ever before. It is also clear that the Government's liveability agenda is starting to make an impact. PSA8 targets are helping to focus investment and attention, especially when there is a clear and direct connection between the indicator and local authorities' responsibilities. BV199 on Local Environmental Quality is a good example where there is a clear relationship between the targets and the responsibilities of the local authorities and their ability to affect change. Where the public agencies have concentrated on elements of liveability, such as cleanliness and park quality, there have been noticeable improvements. Investment and corporate focus is yielding results. Evidence also suggests that government programmes, improved research on good practice and Lottery-funded projects are beginning to arrest the long-term decline in the quality of local parks and open spaces.

#### **How can policy help more?**

##### **Widen the agenda**

- 14.4.2 Measures to improve liveability must be complemented by wider urban quality of life issues such as the accessibility and quality of key services and environmental sustainability. Delivering liveability relies on significant public sector input, but not always in terms of delivery. The public sector is likely to lead on public transport, street cleanliness, park quality and the quality of the public realm. It is likely to have a supporting and mentoring role on the

quality of the built environment or the vitality and viability of key services. A liveability audit tool should be developed to capture that totality of liveability, targeted at local level.

### Follow the national lead

- 14.4.3 The Government is taking liveability seriously and investing significant sums of money in the 'Cleaner, Safer, Greener' agenda. It is less clear that this national focus is being universally applied at a local level. Some local authorities have clearly developed a range of innovative schemes and delivery mechanisms. Others have not. Research on best practice might point to a number of models which could be applied.

### Improve the evidence base

- 14.4.4 One of the greatest challenges is the absence of significant data across a wide array of desirable indicators. Government should establish an agreed set of indicators to establish a baseline against which future progress can be measured. Such indicators must respond to the characteristics of liveability insofar as they reflect the need to provide local level data. Much local environmental quality data, for example, is currently only available at local authority level.

### Decide who leads on what

- 14.4.5 The public sector will need to take the lead to deliver improvements in liveability. In certain cases this will mean local authorities or government agencies delivering improvements directly. In others it might mean the public sector working in partnership with the community and the private sector to set standards, encourage better quality design and foster greater understanding of the importance of local environmental quality. Given the broad ranging nature of liveability, it is unlikely that a single structure can accommodate the breadth of areas which the wider liveability agenda implies. However, it would be useful for the Government to fund a number of pilot projects to explore different methods of delivering investment in liveability. Another approach would be to integrate liveability more explicitly into higher level structures such as Local Strategic Partnerships. There needs to be clarity about who is responsible for setting priorities and targets, implementation and monitoring and disseminating good practice. Ironing out relationships and responsibilities between partners at a local, regional and national level will be critical.

## 14.5 Have policies made cities better governed?

### Real improvements in governance

- 14.5.1 There is evidence that government policies have already made a difference. The emphasis upon joined-up working has encouraged partnerships. There has been some reduction in departmental silo thinking. The shift in emphasis from area-based to mainstream programmes has helped. The spatial sophistication of policy-making has grown because of government floor

targets and the multiple tiers of governance and awareness of neighbourhood and City-Regional issues has increased.

- 14.5.2 Urban leadership and the transparency of decision-making has been improved. Making local authorities lead on Community Strategies has brought greater coherence into local policy-making. There is greater awareness of core skills deficits. Improved small area data and emphasis on evaluation and dissemination of best practice have improved the local evidence base. The emphasis on performance management has encouraged local authorities and other public agencies to raise their game.
- 14.5.3 Government has shown a commitment to decentralising more responsibility for service provision to regional and local level and to increasing fiscal and other forms of freedoms and flexibilities. The commitment to greater community involvement has encouraged the formation of new community groups, improved networking between community and voluntary groups and moved them from the margins of local decision-making to a position of being heard and able to exert influence in forums such as LSPs.
- 14.5.4 There is support from stakeholders for many of the current strategic priorities for national policy, including:
- the increased recognition of the economic potential of cities.
  - growing national awareness of the spatial impact of national policies.
  - greater regionalisation of decision-making.
  - the ambitions of the Sustainable Communities Plan.
  - the Northern Way and the engagement of the Treasury and DTI.
  - the emergence of City-Regions.
  - the recognition of the role of Core Cities.
  - the rationalisation of area-based initiatives.
  - the principles of area-based initiatives like LSPs, LAAs, HMRPs, URCs.
  - growing importance attached to mainstream policies.
  - reforms of the planning system and the focus upon sub-regional collaboration.
  - the creation of the Academy for Sustainable Communities.
  - increased attention to the quality and design of buildings and of the public realm.

There is much to build upon in the current thrust of policy.

## How can policy help more?

- 14.5.5 Despite these achievements a series of challenges remain. There is a need to rationalise existing structures and to reduce institutional complexity, transaction costs and the policy burden on local stakeholders. The key local institution, the Local Strategic Partnerships, has created trust between partners and has led to more joined-up working, shared priorities and the delivery of a series of high profile initiatives. They should have a stronger focus on providing strategic leadership to the local areas as well as pursuing floor targets and brokering money. There is a need to get the institutional arrangements right in terms of national, regional and sub-regional strategy making. A stronger urban dimension should run through all aspects of government policy, especially in crucial areas such as education, science and transport. Different aspects of government policy should encourage further joined-up thinking. ODPM needs greater focus upon cities and greater capacity to deliver the urban agenda.

## 14.6 Choices for government about cities

- 14.6.1 This final section identifies a set of key choices which government must make about the overall thrust of policies for cities. It is organised around six themes – strategy, principles, territory, tools and resources, organisation and leadership.

### Strategic choices

#### Cities matter – support them

- 14.6.2 Cities should be seen as assets and potential opportunities. Governments in continental Europe and the US have recognised the importance of cities as drivers of national and regional economies. Even in a suburban nation such as the US, cities and City-Regions remain important to the national economy and identity. Government would benefit by investing more energy and resources in cities. Most economic activities are concentrated in City-Regions and account for much of the success or failure of regional economies. Firms do not operate as self-contained islands but are linked through supply chains in different cities, nationally and globally and compete nationally and globally. To do this they need the assets provided by cities, including human and intellectual capital, connectivity, investment, and public services in schools, universities, hospitals, cultural and leisure facilities. In modern knowledge-driven economies the most successful cities also offer pools of technical and professional labour, finance, training, knowledge and information and specialised knowledge-intensive business services. Firms and cities need each other equally.
- 14.6.3 There is much evidence in this study of the growing economic contribution of English cities. Cities make up well over half of England's population and almost two-thirds of its jobs. Their overall contribution to national growth has been stronger in recent years than in the early and mid 1990s. Moreover, the number of cities contributing to national growth through increased jobs has increased as the economic recovery has rippled out beyond London, further west and north. Policy needs to encourage that contribution more.

### **Competitiveness, cohesion and liveability all matter**

- 14.6.4 Different governments in different periods have paid more or less attention to the economic, social or environmental challenges facing cities. These however, should be connected. A policy for cities cannot simply be about either buildings, or deprived neighbourhoods, or wealth creation. A successful policy needs to address all three elements as well as the best way of delivering policies at urban level, in other words; governance.

### **Focus on competitiveness**

- 14.6.5 Although all three legs of the stool are important, the competitiveness of cities has been a neglected focus and should be strengthened. The creation of economic opportunities, wealth and jobs in our cities in principle would improve the prospects of achieving socially cohesive and environmentally sustainable cities. There are a variety of possible relationships between competitiveness and cohesion. There are economically successful places with large social problems. The strong inverse relationship we showed between employment and income deprivation means that cities with more jobs tend to have less poverty and social exclusion. The connection is not automatic, but having a buoyant labour market clearly helps to promote social cohesion. European evidence also shows that the cities with the most buoyant economies often have the lowest unemployment rates. The search for economic competitiveness does not exclude a concern about social cohesion. A high value-added, knowledge-based high-skill economy can lead to the achievement of wider social goals. Policy has increasingly focused upon the roots of competitiveness. That focus should be strengthened. Linkages between institutions which deliver the different elements of the competitiveness agenda need to be strengthened.

### **Particular policies for particular places**

- 14.6.6 This report has explored the performance of 56 cities which contain more than half the population and almost two-thirds of jobs in England. At some points it has also discussed London and the major metropolitan areas separately. They clearly have different experiences, challenges, and opportunities. This raises the question as to whether future policy should focus upon all or some of those areas. At one level this is a false choice. A wide range of government policies – education, housing, transport, health, and social services – already impact upon all those areas. They need to be sustained across the whole urban fabric. Nevertheless, our analysis also showed that policies should be tailored to particular places. For example, many of the most economically successful cities in England are small and medium sized in the South and East. Policy should try to strengthen their performance. Often their challenges consist of managing growth successfully which raises issues of the appropriate levels of infrastructure investment. Other smaller cities in the North and West face the difficulties of declining economies, social challenges and racial tensions. A different set of policies is appropriate to their needs. All those different places need continued government support.

### **Start with the big nine**

- 14.6.7 Nevertheless, this report has shown that the really largest urban areas – London and the eight Core Cities – have particular opportunities and challenges, which require particular government attention. While not neglecting the rest of the urban system, policy needs to build upon the strengths of London as a successful global city and to maximise the contribution of Core Cities to their regional and national economies. Government should address the challenges and opportunities faced by the big nine in a coherent, concerted fashion. A policy which focussed upon them would actually capture the needs of much of the wider urban system. Their City-Regions contain a very high percentage of the people and economic activity across urban England. A phased policy which began with an initial focus on the opportunities and challenges of, and relationships between, the nine City-Regions would make sense.

### **Principle choices**

#### **Think and act long-term**

- 14.6.8 The secret of success in many reviving cities has been the stable political and officer leadership which allowed them to build up the skills, track record, confidence, and networks necessary for regeneration. In future, government needs to give people and policies as much time to flourish as is realistically possible and more than the political system currently allows.

#### **Make fewer, more strategic interventions**

- 14.6.9 The Government has been pursuing a variety of policy initiatives at a wide range of levels in recent years – regional, City-Regional, local authority, neighbourhood as well as a series of customised areas. Government should do fewer but bigger things better in future. Less means more.

#### **Provide greater clarity and a national spatial strategy**

- 14.6.10 Government has adopted a variety of goals, approaches and instruments since 1997. Many have met with approval. However, there is still a need for government to provide greater clarity about what it wants to do, how, where and when. It would be better to have greater clarity in a national strategy, which specified some clear spatial goals and some simple policy instruments.

#### **Support and trust local government more**

- 14.6.11 This report shows that relationships between national and local government are working better. However, there are still some frustrations about the role each is meant to play. This can lead to tensions as local and national governments must work in partnership. It can also be unproductive for government, since local authorities are critical about the delivery of many national ambitions for cities. This report has shown that in many cities which have improved their performance, the local authority took the lead. It has also shown that national regeneration policies are only successful where local

authorities are both well managed and politically committed to the initiative. The Government needs to recognise the contribution of local authorities and trust and empower them further to deliver national ambitions.

### **Expand contractual working**

- 14.6.12 Many of the individual initiatives introduced by government have been effective and welcomed by local partners. Moves to rationalise them have also been welcomed. However, the number of projects with different timetables, boundaries, budgets and targets still presents a challenge to local partners. There is considerable support for a simpler, more contractual based relationship as practised in the French contract system and already used in the Local Area Agreement initiative. Government should explore ways in which the contractual principle could be extended in future.

### **Territorial choices**

#### **Reduce the regional gap**

- 14.6.13 Government has paid considerable attention to the regional agenda. There has been substantial regeneration of many northern cities. There is much to build upon. Nevertheless the gap in performance between urban areas in the North and West and South and East shown in this study needs to be continually addressed if the PSA 2 is to be realised. It will require long-term proactive leadership and substantial resources from national government if the regional gap is to decrease. Public resources cannot be a blank cheque. They need to bring added value and to increase levels of innovation, entrepreneurial activity and productivity. Nevertheless the evidence is that resources will be required in cities in the North and West so that they can make as good use of public investment as cities in the South and East have done with public investment in higher education, R&D, defence, government and administration.

#### **Make greater, continuing investment in the Sustainable Communities Plan**

- 14.6.14 There is much support for the principles of the Sustainable Communities Plan, which is the Government's most clearly stated ambition for urban areas. However, it will be expensive if it is to work. Government needs to ensure that the resources to provide the key infrastructure – transportation, housing, hospitals, and schools – have been committed. The consequences of rapid growth without adequate infrastructure, which the report noted in the booming Bristol City-Region, underline the risks of not addressing the implications. The full resource implications of the Sustainable Communities Plan need to be addressed.

#### **Support the Northern Way – and others**

- 14.6.15 Support for the Northern Way has grown as the initiative has gained momentum, resources and organisational capacity. It has drawn together partners, identified some key priorities for the region, focussed attention upon the need to collaborate rather than compete, underlined the importance of connectivity, the competitiveness agenda and of operating at the wider

City-Regional and pan-regional level. The resources available are helpful incentives. The initiative has also attracted substantial support from the Treasury and DTI, in addition to ODPM. Other departments need to be equally committed to the initiative. The implications for other regions need to be addressed. Government needs to expand support for the initiative.

### Choose the right territorial level for the right policy

14.6.16 In the past, policy has focused upon different spatial levels. Traditionally it has focused upon local authority areas. Subsequently it focused upon deprived neighbourhoods within local authorities. More recently there has been a policy concern for regions. Now City-Regions have become a priority. Different things can be done differently at different levels. Many neighbourhood policies are working even though their economic challenges cannot always be met within those neighbourhoods. Equally local authorities will remain the primary delivery mechanisms for a wide range of policies which impact upon urban areas. Many institutions and policies operate well at regional level. We do not suggest that they are abandoned.

14.6.17 However, neighbourhoods and local authority areas are too small and regions are too big to deliver the urban economic competitiveness agenda, as the European experience suggested. City-Regions are a more appropriate level at which to make economies operate. The current policy thrust to City-Regions should be sustained. City-Regional boundaries will not be fixed but will vary for different purposes and markets. The European experience confirms this also. Equally City-Regional working is best encouraged through informal processes and networking rather than institutional change. The message from Europe is that structural change will not be worth the political time and effort.

### Provide incentives to City-Regions

14.6.18 Collaborating at City-Regional level often presents challenges to local partners. It has been achieved in some places but in others, it is in its infancy. In any City-Region, there are potential conflicts over turf, personalities, party politics, as well as the location of resources, infrastructure, and economic development. Resolving those conflicts requires political compromises which in turn require good local and regional leadership. Government should provide further resources, support, and freedoms and flexibilities to reward cities making progress and to encourage those which still face challenges.

14.6.19 City-Regions do not always seek larger sums of money. Often, they want greater freedom for manoeuvre. They also seek greater influence over national resources spent in regions, for example infrastructure, transport, education, housing and regional development. A City-Regional development fund might achieve this, aligning local, regional and national resources. This could include, for example, some regional economic development, housing and transportation budgets; seedcorn funding from national government; a proportion of the business rate and matching resources from local partners. It would create long-term agreed funding strategies between the Government, RDAs, English Partnerships and local authorities. It would have the advantage of being a contract which primarily uses existing public resources with some modest support from Government.



## Choices about tools and resources

### Greater financial powers and influence for cities

- 14.6.20 This study explored the powers, resources and tools cities have in England, the US and continental Europe. It showed that in many respects English cities are more constrained and have less freedom of manoeuvre than their competitors. Cities in continental Europe often have greater powers and resources. American cities have fiscal tools and instruments which give local leaders greater leverage in promoting economic development. In England, many of the levers for increased competitiveness are not held by city leaders but by national departments. In particular, the fiscal capacity of English cities is much lower than those in many continental cities, with over 85 per cent of local income derived from national government.
- 14.6.21 A wide-ranging review of the financial base and powers of local government is already taking place, whose remit has been extended to include the functional responsibilities of local government. We do not anticipate the outcome of its work in a very complex area. Nor has this report undertaken a detailed review of the financial powers and resources of local authorities. However, the evidence from European and American cities is that letting go encourages more entrepreneurial and innovative urban leadership. Giving English cities greater capacity could produce greater results. Apart from that, cities should have greater influence over the allocation and uses of national resources which already come into their areas. At present there are too many agencies with separate budgets which impact upon urban areas but do not have sufficient urban focus. Even if the sums of national money going directly or indirectly to cities are not increased, local influence over the uses and priorities of existing national resources should be so.

## Administrative choices

### More departments should recognise the importance of cities

- 14.6.22 There are already many things happening in this area. Several departments, including DFES, DTI, Treasury and DWP have developed specific urban initiatives, which, although new and relatively modestly resourced, have improved the process of decision-making. However, there needs to be closer cooperation between these initiatives and more clarity about their location and ownership. More widely, departments beyond ODPM need to more clearly recognise the potential contribution of cities to national ambitions and the relevance and impact of their policies upon them. Also, the efforts of the different departments which are working on the urban agenda need to be better aligned and integrated. This is already happening with the collaboration of ODPM, the Treasury and DTI generally in delivering the PSA 2 target to improve regional economic performance and specifically when supporting the Northern Way initiative. That principle should be expanded. It could encourage the developing urban initiatives of different departments and help raise the collective profile, significance and potential impact of national policies upon cities.

### Increase ODPM capacity to deliver the urban agenda

- 14.6.23 ODPM is committed to the urban agenda. However, the right organisational arrangements and resources are important for delivering it. To achieve this the Urban Policy Directorate in ODPM needs greater capacity. Responsibility for policies that affect urban areas, which is spread across a number of ODPM's Directorates, needs to be more focused. More generally, cities' issues – and the ways in which cities and urban areas can contribute to wider policy goals – need to be more prominent in many of the Department's activities.

### Create an Urban PSA

- 14.6.24 Government is increasingly committed to the urban agenda. However, it has no explicit target for urban areas against which it could measure progress. The only explicit spatial target is PSA2 which is designed to close the gap in economic performance between the regions. That has focussed considerable departmental attention on regional issues as has the introduction of PSA8 on liveability. Government should create a PSA target specifically for urban areas defined in terms of increasing their economic competitiveness, social cohesion and sustainability. It should be jointly owned by different government departments. It could help achieve a more explicit, coherent, specific, commitment to urban progress.

### Leadership choices

#### Local leadership matters – encourage it

- 14.6.25 Cities' room for manoeuvre is affected by wider forces like globalisation, long-term economic changes and national policies and performance. Cities cannot simply reinvent themselves. They must start from where they are in terms of economic and social structures. However, part of the achievement which cities have made during the past decade has been the result of local leaders exploiting the favourable national economic performance.
- 14.6.26 A key characteristic of successful cities is their strategic capacity to exploit their assets. Local leadership is important in helping to develop new economic futures for cities, their businesses and residents. This report showed how assertive, confident, proactive leadership in Manchester shaped the renaissance of the city and the emergence of a City-Regional political agenda. Government is therefore right to emphasise the need for such local leadership.
- 14.6.27 Government has identified stability, visibility, accountability and democratic mandate as the key features of successful local systems. Those qualities matter. However, our evidence of city performance is that there are other less formal qualities which local leaders need. Stability of political and administrative leadership, long-term commitment to strategic agendas, the willingness to take calculated risks, the capacity to encourage public and private sector partners, the ability to reconcile shifting agendas – all promote success. Government needs to encourage and support those qualities and behaviour. It should reap the reward for its investment with more successful cities.

## Looking forward

- 14.6.28 This long report has looked at how English cities are performing, how they are changing and what is helping or hindering their progress. It has considered a wide range of evidence, issues, arguments, places and people. Based on these, it has made many proposals for the future. There is no need to repeat them at this stage. However, one point is crystal clear. Cities differ but they matter. They are making progress. They have great potential. They can make an even bigger contribution to national welfare and prosperity. They deserve to be backed. Many other countries are doing so. Government has the necessary tools and resources to do the same. It should use them.
- 14.6.29 As we noted at the outset of this report, England's cities are better placed than at any time since the end of the nineteenth century to be the motors of national advance. The combination of sustained macro-economic growth, rising public investment in education, policing, health and transport, partnership with the private sector, growing higher education and a dynamic social and cultural scene is uniquely positive for cities. The years of decline and decay have been overcome. There is now an opportunity to create centres of economic and social progress which will shape the country for a generation. There are big challenges ahead. Only the right policy decisions will deliver that positive future. The opportunity is clear, present and exciting. It should be seized.

# Appendix 1

## State of the cities database current indicators

1. Residents by social classification (i.e. National Statistics Socio-Economic Classification)
2. Percentage of population under 16
3. Percentage of population over pensionable age
4. Ethnicity
  - Percentage of residents in Black African ethnic group
  - Percentage of residents in Bangladeshi ethnic group
  - Percentage of residents in Caribbean ethnic group
  - Percentage of residents in Chinese ethnic group
  - Percentage of residents in Indian ethnic group
  - Percentage of residents in Pakistani ethnic group
  - Percentage of residents in White ethnic group
  - Percentage of residents in other ethnic group
5. Lone parents households as a percentage of all households
6. Lone pensioner households as percentage of all households
7. Average household income
8. Percentage of adult population in receipt of income support
9. Mean gross weekly full-time earnings (residence based)
10. Unemployment – Percentage of economically active population who classify themselves as unemployed (ILO unemployment rate)
11. Employment Rate of Disabled residents – working age population in employment or self-employed
12. Percentage of working age residents with no qualifications
13. Percentage of pupils completing compulsory education with no GCSEs/no graded results
14. Percentage of residents by tenure type
15. Percentage of housing classed as council tax band A
16. Percentage housing stock classified as ‘unfit’
17. Life expectancy at birth (male)
18. Life expectancy at birth (female)

19. Infant mortality rates – percentage of under ones dying before their first birthday
20. Percentage of residents with Limiting Long Term Illness
21. Index of Multiple Deprivation and its predecessors – overall measure of deprivation
22. IMD Percentage of sub-areas in worst 10% of sub-areas nationally
23. Number of recorded crimes per 10,000 residents
24. Number of burglaries (dwelling) per 10,000 dwellings
25. Percentage of local electorate voting in local elections
26. Percentage of local electorate voting in general election
27. Total population
28. Total number of households
29. Total GVA
30. GVA per employee (FTE)
31. Total number of employees (FTE)
32. Percentage of employees working full-time
33. Percentage share of regional employment (FTE)
34. Percentage share of national (English) employment (FTE)
35. Employees by broad sector (all FTE)
  - % Employees working in Agriculture, Energy, Water, Mining Quarrying
  - % Employees working in Manufacturing
  - % Employees working in Construction
  - % Employees working in Distribution, hotels and restaurants
  - % Employees working in Transport and communications
  - % Employees working in Banking, finance and insurance etc.
  - % Employees working in Public administration, education and health
  - % Employees working in Other services
36. Employees in key sectors
  - % Working in high-tech industries (SIC92 div 30, 32, 33 class 244 and 353)
  - % Working in R&D (SIC92 div 73)
  - % Working in HE (SIC92 class 803)
  - % Working in knowledge industries (to be defined)
  - % Working in medium-high tech industries (SIC92 div 24, 29, 31, 34 and class 352, 354, 355 excluding 24.4)

37. Percentage of working age residents educated to degree level or above
38. Percentage of 16 and 17 year olds in full-time education and training
39. Percentage of year 11 pupils achieved 5+ GCSEs
40. HE/FE students as percentage of residential population
41. Percentage of working age population in employment or self-employed
42. Percentage of working age population in employment or self-employed Males
43. Percentage of working age population in employment or self-employed Females
44. Mean full-time earnings (workplace based)
45. Company survival rates – the percentage of VAT registered companies still registered after three years
46. VAT registrations per 10,000 adults (aged 20 and over)
47. Commercial floor space  
Amount and percentage floor space (sq m) Retail  
Amount and percentage floor space (sq m) Office  
Amount and percentage floor space (sq m) Factories  
Amount and percentage floor space (sq m) Industrial
48. Commercial rateable value  
RV sq m retail  
RV sq m office  
RV sq m factories  
RV sq m industrial
49. Percentage of employees and self-employed who travel 10km or more to work (residence based)
50. Percentage of employees and self-employed who travel 10km or more to work (workplace based)
51. Percentage of employees and self-employed who travel to work by car
52. Journey time to London by train – fastest timetable journey on a weekday
53. Average price all property sold
54. Average price semi-detached house
55. Average house price lowest quartile
56. Previously developed land that is derelict or vacant – amount and percentage of total area

57. Amount of green space
58. Percentage of household waste recycled
59. Comprehensive Performance Assessment – overall service score
60. Comprehensive Performance Assessment – council ability to improve score
61. Percentage of major planning applications determined in 13 weeks and minor and other applications determined in 8 weeks
62. Percentage of council tax collected
63. Percentage of business rates collected
64. Percentage of renewal claims (housing benefit/council tax) processed on time.

## Appendix 2

### Primary urban areas by local authority district

PUA	Local Authority District	LAD code
Aldershot	Rushmoor Surrey Heath	24UL 43UJ
Barnsley	Barnsley	00CC
Birkenhead	Wirral Ellesmere Port & Neston	00CB 13UE
Birmingham	Birmingham Dudley Sandwell Solihull Walsall Wolverhampton	00CN 00CR 00CS 00CT 00CU 00CW
Blackburn	Blackburn with Darwen	00EX
Blackpool	Blackpool Fylde Wyre	00EY 30UF 30UQ
Bolton	Bolton	00BL
Bournemouth	Bournemouth Poole Christchurch	00HN 00HP 19UC
Bradford	Bradford	00CX
Brighton	Brighton and Hove Adur	00ML 45UB
Bristol	Bristol City of South Gloucestershire	00HB 00HD
Burnley	Burnley Pendle	30UD 30UJ
Cambridge	Cambridge	12UB
Chatham	Medway	00LC
Coventry	Coventry	00CQ
Crawley	Reigate and Banstead Crawley	43UF 45UE
Derby	Derby	00FK
Doncaster	Doncaster	00CE
Gloucester	Gloucester	23UE
Grimsby	North East Lincolnshire	00FC
Hastings	Hastings	21UD
Huddersfield	Kirklees	00CZ
Hull	Kingston upon Hull City of	00FA
Ipswich	Ipswich	42UD
Leeds	Leeds	00DA



<b>PUA</b>	<b>Local Authority District</b>	<b>LAD code</b>
Leicester	Leicester	00FN
	Blaby	31UB
	Oadby and Wigston	31UJ
Liverpool	Knowsley	00BX
	Liverpool	00BY
	St. Helens	00BZ
London	City of London	00AA
	Barking and Dagenham	00AB
	Barnet	00AC
	Bexley	00AD
	Brent	00AE
	Bromley	00AF
	Camden	00AG
	Croydon	00AH
	Ealing	00AJ
	Enfield	00AK
	Greenwich	00AL
	Hackney	00AM
	Hammersmith and Fulham	00AN
	Haringey	00AP
	Harrow	00AQ
	Havering	00AR
	Hillingdon	00AS
	Hounslow	00AT
	Islington	00AU
	Kensington and Chelsea	00AW
	Kingston upon Thames	00AX
	Lambeth	00AY
	Lewisham	00AZ
	Merton	00BA
	Newham	00BB
	Redbridge	00BC
	Richmond upon Thames	00BD
	Southwark	00BE
	Sutton	00BF
	Tower Hamlets	00BG
	Waltham Forest	00BH
	Wandsworth	00BJ
	Westminster	00BK
Epping Forest	22UH	
Broxbourne	26UB	
Dacorum	26UC	
Three Rivers	26UJ	
Watford	26UK	
Dartford	29UD	
Gravesham	29UG	
Elmbridge	43UB	
Epsom and Ewell	43UC	
Mole Valley	43UE	
Runnymede	43UG	
Spelthorne	43UH	
Woking	43UM	
Luton	Luton	00KA

<b>PUA</b>	<b>Local Authority District</b>	<b>LAD code</b>
Manchester	Bury Manchester Oldham Salford Stockport Tameside Trafford	00BM 00BN 00BP 00BR 00BS 00BT 00BU
Mansfield	Ashfield Mansfield	37UB 37UF
Middlesbrough	Middlesbrough Redcar and Cleveland Stockton-on-Tees	00EC 00EE 00EF
MiltonKeynes	Milton Keynes	00MG
Newcastle	Gateshead Newcastle upon Tyne North Tyneside South Tyneside	00CH 00CJ 00CK 00CL
Northampton	Northampton	34UF
Norwich	Broadland Norwich	33UC 33UG
Nottingham	Nottingham Erewash Broxtowe Gedling	00FY 17UG 37UD 37UE
Oxford	Oxford	38UC
Peterborough	Peterborough	00JA
Plymouth	Plymouth	00HG
Portsmouth	Portsmouth Fareham Gosport Havant	00MR 24UE 24UF 24UH
Preston	Chorley Preston South Ribble	30UE 30UK 30UN
Reading	Bracknell Forest Reading Wokingham	00MA 00MC 00MF
Rochdale	Rochdale	00BQ
Sheffield	Rotherham Sheffield	00CF 00CG
Southampton	Southampton Eastleigh	00MS 24UD
Southend	Southend-on-Sea Castle Point Rochford	00KF 22UE 22UL
Stoke	Stoke-on-Trent Newcastle-under-Lyme	00GL 41UE
Sunderland	Sunderland	00CM

<b>PUA</b>	<b>Local Authority District</b>	<b>LAD code</b>
Swindon	Swindon	00HX
Telford	Telford and Wrekin	00GF
Wakefield	Wakefield	00DB
Warrington	Warrington	00EU
Wigan	Wigan	00BW
Worthing	Worthing	45UH
York	York	00FF

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**Glossary**



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## Chapter 12: Policies on the ground

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## Glossary

A/AS	GCE/VCE A/AS Examinations
ABC	Anti-Social Behaviour Contract
ABI	Area Based Initiative
ACE	Annual Census of Employment
ALMO	Arm's Length Management Organisation
AMION	Amion Consulting
ASB	Anti-Social Behaviour
ASBO	Anti-Social Behaviour Order
AWM	Advantage West Midlands
BCS	British Crime Survey
BL	Business Link
BMEB	Black Minority Ethnic Businesses
BV	Best Value
BVCA	British Venture Capital Association
BVPI	Best Value Performance Indicator
CABE	Commission for Architecture & the Built Environment
CAG	CAG consultants
CC	Community Chest
CCWG	Core Cities Working Group
CDFI	Community Development Finance Institutions
CDRP	Crime and Disorder Reduction Partnership
CEA	Cambridge Economic Associates
CEEDR	Centre for Enterprise & Economic Development Research
CEF	Community Empowerment Fund
CEN	Community Empowerment Network
CIS	Community Innovation Survey
CLC	Community Learning Chest
COVE	Centres of Vocational Excellence
CPA	Comprehensive Performance Assessment
CPO	Compulsory Purchase Order
CPP	Community Participation Programme
CPRE	Council for the Preservation of Rural England
CS	Community Chest
CSGC	Cleaner Safer Greener Communities
CSO	Central Statistical Office
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment Food and Rural Affairs
DETR	Department for the Environment, Transport and Regions
DfEE	Department for Education and Employment
DfES	Department for Education and Science
DfT	Department for Transport

DOE	Department of the Environment
DoH	Department of Health
DoT	Department of Transport
DTI	Department for Trade and Industry
DTLR	Department for Transport, Local Government and Regions
DWP	Department for Work and Pensions
EAS	Enterprise Allowance Scheme
EAZ	Education Action Zones
EC	European Commission
EHCS	English Housing Conditions Survey
EiC	Excellence in Cities
ENCAMS	Environmental Campaigns
EP	English Partnerships
EPO	European Patent Office
ESF	European Social Fund
ESOL	English for Speakers of Other Languages
EtFSfE	Entitlement to Foundation Skills for Employability
EZ	Enterprise Zone
FTE	Full-time Equivalent
GCSE	General Certificate of Secondary Education
GDHI	Gross Domestic Household Income
GDP	Gross Domestic Product
GHK	GHK Consulting Limited
GIS	Geographical Information Systems
GLA	Greater London Authority
GNVQ	General National Vocational Qualification
GO	Government Office
GONW	Government Office for North West
GOR	Government Office for the Regions
GOWM	Government Office for West Midlands
GSE	Greater South East
GVA	Gross Added Value
HAT	Housing Action Trust
HAZ	Health Action Zone
HC	Housing Corporation
HE	Higher Education
HEFC	Higher Education Funding Council
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institutions
HEIF	Higher Education Innovation Fund
HEROBAC	Higher Education Reach-Out to Business and the Community
HLF	Heritage Lottery Fund
HMRP	Housing Market Renewal Pathfinder
HMT	Her Majesty's Treasury

IC	Inner City
ICIC	Initiative for a Competitive Inner City
ICT	Information Communication Technology
ID	Index of Dissimilarity
IDeA	Improvement and Development Agency
IMD	Index of Multiple Deprivation
IPD	Investment Property Data Bank
IS	Income Support
ISCED	International Standard Classification of Education
JSA	Job-Seekers Allowance
KIBS	Knowledge Intensive Business Sector
KS	Key Stage
KTF	Knowledge Transfer Partnerships
LA	Local Authority
LAA	Local Area Agreement
LEA	Local Education Authority
LFS	Labour Force Survey
LGA	Local Government Association
LGMA	Local Government Modernisation Agenda
LIFT	Local Improvement Finance Trust
LLSC	Local Learning and Skills Council
LNRS	Local Neighbourhood Renewal Strategy
LPC	Low Pay Commission
LPSA	Local Public Service Agreements
LSC	Learning Skills Council
LSP	Local Strategic Partnership
LSVT	Large Scale Voluntary Transfers
MORI	Market and Opinion Research International
NACRO	National Association for the Care and Rehabilitation of Offenders
NAO	National Audit Office
NAPO	National Association for Probation Officers
NDC	New Deal for the Community
ND50	New Deal for 50+
NDLP	New Deal for Lone Parents
NDYP	New Deal for Young People
NEF	New Economics Foundation
NESS	National Evaluation of Sure Start
NFER	National Foundation for Educational Research
NHF	National Housing Foundation
NHS	National Health Service
NIC	National Insurance Contribution
NLUD	National Land Use Database
NM	Neighbourhood Management



NMP	Neighbourhood Management Pathfinder
NOF	New Opportunities Fund
NOMIS	Web-based database for Official Labour Market Statistics
NRA	Neighbourhood Renewal Area
NRF	Neighbourhood Renewal Fund
NRU	Neighbourhood Renewal Unit
NSNR	National Strategy For Neighbourhood Renewal
NVQ	National Vocational Qualification
NWDA	North West Development Agency
NWRA	North West Regional Assembly
OECD	Organisation for Economic Co-operation and Development
ODPM	Office of the Deputy Prime Minister
OFSTED	Office for Standards and Training in Education
OPM	Office of Public Management
ONS	Office for National Statistics
PACEC	PA Cambridge Economic Consultants
PAT	Policy Action Team
PCT	Primary Care Trust
PDG	Planning Delivery Grant
PDL	Previously Developed Land
PIU	Performance and Innovation Unit
PPG	Planning Policy Guidance
PSA	Public Service Agreement
PTA	Parent Teacher Association
PUA	Primary Urban Area
RCE	Regional Centres of Excellence
RCU	Regional Co-ordination Unit
R&D	Research and Development
RDA	Regional Development Agency
RSA	Regional Selective Assistance
RSL	Registered Social Landlords
RSP	Regional Spatial Plan
SBS	Small Business Service
SCI	Street Crime Initiative
SCP	Sustainable Cities Programme
SEM	Street Environment Management
SEU	Social Exclusion Unit
SEH	Survey of English Housing
SfBN	Skills for Business Network
SIGOMA	Special Interest Group of Municipal Authorities
SLMC	Single Local Management Centre
SMART	SMART – DTI scheme for Small and Medium-Sized Enterprises
SME	Small and Medium-Sized Enterprises

SOA	Super Output Area
SOC	State of the Cities
SOCD	State of the Cities Database
SOCR	State of the Cities Report
SQW	SQW Consultants
SRB	Single Regeneration Budget
SS	Sure Start
SSLP	Sure Start Local Partnerships
TCPA	Town & County Planning Association
TEC	Training and Enterprise Council
TFL	Transport for London
TGV	Train Grand Vitesse
TTWAs	Travel to Work Areas
URBIS	Museum of Urban Life, Manchester
UA	Urban Authority
UDC	Urban Development Corporation
UPD	Urban Policy Directorate
URC	Urban Regeneration Company
WBLA	Work Based Learning for Adults
WFTC	Working Family Tax Credit

Not included :

- CCTV
- EU
- HMSO
- US
- VAT