


The State of English Cities



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November 2000

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Rotherham S63 9BL
Tel: 01709 891318
Fax: 01709 881673

ISBN 1 851124 42 X

Printed in Great Britain. Text printed on material containing 100% post-consumer waste.
Cover printed on material containing 75% post-consumer waste and 25% ECF pulp.

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CHAPTER 1

England's Cities: Old Problems, New Prospects

The government's core objectives are to promote a creative, competitive economy, to facilitate social inclusion and cohesion, and to revitalise governance and citizenship. For much of the last twenty years policies were dominated by an intellectual framework which emphasised a short-term model of competition that regarded economic behaviour as somehow detached from its social context. The prevailing orthodoxy at the Treasury was that spatial policy, whether aimed at regions or neighbourhoods, was primarily about redistribution, and that space and place had little generative role in the economy. In that context, city and regeneration policies were essentially seen as redistributive palliatives for treating symptoms in the poorest places, in response to supposed 'market failure'.

There is, however, new thinking emerging which envisages a more positive role for territorial policies and management, whether at regional, city or community levels. This emerging view has a number of key strands. First, there is the recognition of the interconnected nature of social and economic life, and policy. Economic policies which create stocks of unused assets, whether unemployed people or discarded brown-field land, may result in system costs and lost opportunities which reduce the long-term growth potential of an economy. At the same time, policy actions in single sector 'boxes' may lead to waste of resources. A connected rather than a reductionist view of the world is emerging. Modern urban governance is about making those critical connections.

The second major change in thinking is a rediscovery of an older understanding that 'space' (or accessibility) and 'place' (the milieu of locally available connections) matter in the economy and in society. There is a growing discussion in Britain of the salience of 'regions', 'cities' and 'neighbourhoods/communities' and, at the same time, a recognition that the scales at which lives are led overlap in important ways. Good policy is not simply about joining-up sectoral initiatives (horizontally) but about joined up places, about a coherent, nested framework of policies and powers for geographic levels (vertically). The challenge for modern urban policy is to establish a national-to-local framework for enabling the exercise of subsidiarity in a strategic fashion. It must allow local policy choices, but at the same time ensure that strategic wider connections and objectives are pursued.

The third major element of a new perspective on cities is the emphasis on developmental processes. Past thinking has tended to cast cities as the often heroic, if ageing, victims of externally driven (top-down or exogenous) economic change. In the conditions of global competition which now prevail, it is clear that firms and clusters and cities face a continuing storm of change. This places great emphasis not just on the fixed assets of places, but upon their capacities to be agile in the face of change. Places can be doomed by their sluggish adjustment systems as much as their adverse locations. At the same time

there is a recognition that cities are 'booms in space'. That is, there may be exceptional periods when cities do not simply react to external change, but rather that they create change. The empirical evidence remains scant, as yet, but there is at least a valid question of whether we should be developing a bottom-up approach to economic change (a development policy to support a macro policy) which would consider the creative roles of places and reduce tensions in social, economic and environmental objectives.

The challenge for the Urban White Paper is therefore to set a framework for nested, integrated governance, from Whitehall to Whitechapel, in which cities can begin to capitalise on their assets and, at the same time, overcome their difficulties. This paper is a broad overview of the state of English cities and possible directions for urban policy. The paper reviews in turn: the economic role and performance of cities, with particular reference to the city or city-region scale; socio-economic patterns, with reference to neighbourhood scales; and the governance arrangements for local regeneration policies. It then outlines experiences in the USA and Europe and concludes with a discussion of the policy implications of the earlier sections.

The evidence in the paper is based on work conducted under the ESRC Cities Programme to which DETR contributes funding. It also draws on Joseph Rowntree Foundation research, more general research in the published literature, and recent research by the authors themselves. The principal sources are listed in the bibliography. Of the many people who have helped in its preparation, we would in particular wish to thank Professors Ian Begg of South Bank University and Tony Champion of Newcastle University.

CHAPTER 2

Economic Failures and Successes

Box 1: Economic Issues

Key indicators of economic competitiveness that help to define successful cities include: GDP; net business formation; net population migration; house prices; levels of educational attainment. There are two major geographic dimensions of economic success; 'urban/rural' and 'north/south'. The first is important because it is clear that at present it is the larger and more urban districts that have done less well. The second, 'regional', element is by no means straightforward. There are variations within regions, but these are dwarfed by the systematic differences between the fortunes of places in 'the North' and 'the South'. Variations within regions are a function of the nexus of local-regional-national-international linkages which different cities have established for themselves and which affect their ability to compete and collaborate. Governance arrangements clearly shape these outcomes.

To take an example from the North West, most cities score low on economic competitiveness and this reflects the peripherality of the region and its inheritance of old traditional industries. Its more successful cities are those which either fulfil significant roles in a regional or sub-regional context, as high-quality dormitory and/or service centres (like Chester or Wilmslow among the medium-sized places), or because they have claims as second-order centres on a national and European scale (like Manchester, relatively).

Whilst there is some evidence of the continuing relative economic weakness of British cities, there are also signs of a renaissance in their roles as centres of economic strength. In the 1990s, they lost fewer people (or gained population) and lost fewer jobs (or gained jobs). Are these changes simply a reflection of the long recovery in UK employment levels since 1991 or do they herald a successful readjustment from old to new economic opportunities? It is important not to under-estimate the scale and suddenness of the negative shocks experienced by English cities from 1970 to 1990 and the scale of the adjustment they required in land and labour markets. The 'post-industrial' shape of the economy suggests the importance of knowledge-based and consumer-based industries. Cities appear to be playing a disproportionately significant role in both areas. There are signs that cities are proving successful in the development of telematics, of cultural industries and of some high-tech activities, all of which have key roles in the economies of the future. At the same time, centralised accessibility may regain some of its economic importance as fuel costs and environmental awareness grow.

Assets and employment

Most of Britain's large cities are industrial centres established in the 19th century, or manufacturing centres of the inter-war years and the 1950s. Their specific legacy, in terms of physical, economic, social and institutional structures, their industrial mix and their skills base, has impacted adversely on their competitiveness and quality of life in subsequent years. Without making significant changes to their economies and roles, they are in many ways unsuited to the current and future needs of the national economy. A disproportionate number of these 'old industrial' cities are located in the North of England. To this extent, the agendas about the competitiveness of urban areas and of regions overlap to a significant extent.

For much of the half-century from 1950, the interaction between land costs, transport costs, planning policies and the availability of female labour sustained a spatial shift of jobs from

core cities to the suburbs and, increasingly, beyond. There are now some signs that more diverse sets of locations are becoming attractive to investors and core authorities have become more adept at assembling and marketing sites in their areas. However, sectoral change in the overall economy has reinforced the decline of traditional manufacturing, much of it concentrated in older urban areas. Cities such as Birmingham lost up to a third of their manufacturing base in periods as short as five years. This pattern is now changing as job losses in the now much smaller manufacturing base are being outweighed by service employment. But problems remain since many of the jobs have been for women and on a part-time basis; thereby leaving a large residue of unemployed men.

New patterns of urban growth, including edge-city development and more complex commuting patterns, have replaced traditional in/out flows. New patterns of retail and leisure, including out-of-town complexes, have brought consequent challenges to city centres. Much of the existing transport infrastructure, especially for public transport, has found it difficult to respond to this new geometry of flows.

Which cities have done well and which have not? Some have done consistently well while others have lost ground:

- The large conurbations have generally had acute problems
- Most New Towns have done well
- Those that have done best are generally closer to London and have not suffered from the decline of traditional industry
- Coastal towns and traditional industrial areas, particularly some of the smaller one-industry settlements in the north, have suffered.

In part, these differences reflect the different assets that cities have inherited or on which they have been able to capitalise (Box 2).

Box 2: The Urban Asset Base

Taken in combination, a variety of elements have influenced the success of cities:

Location. Places close to London and in 'the South' have been able to capitalise on growth pressures linked to access to European markets. In part, this has been encouraged by the patterns of national investment of such assets as scientific institutes, which have in turn reflected the high degree of centralisation within the English polity. There has been a process of creating a virtuous spiral in the South and a vicious spiral in the North.

Age. Places with older stocks of inherited investment (for example, older housing and utilities) have done less well than those with newer infrastructure: a specific example is the advantage gained by New Towns. This, however, has been over-ridden where older stock has some potential as 'heritage' attraction for tourism or for high-quality residential investment.

Favourable economic structure. Places endowed with businesses in sectors that are buoyant in terms of turnover, profits and employment tend also to grow overall. Certain sectors have a generalised propulsive effect on the urban economy. Examples include professional services such as legal, accountancy, insurance, and financial services. For example, Sheffield has been disadvantaged in this respect by comparison with Leeds. Other information-based activities are also important. The overall performance of different sectors clearly impacts on individual places in different ways depending on the particular endowment of different places in terms of industrial mix. The latter also affects the impact of 'top down' policies including macro-economic and structural policies on different places.

Company characteristics. Places with dynamic companies, selling in growing markets and with strong growth potential, will tend to grow more quickly - company characteristics are clearly a key factor over and above the effects of industrial structure.

Skills, learning and innovation. Places with high levels of formally qualified population (measured in terms of formal educational qualifications) have been at an advantage in comparison to those whose labour force has on-the-job experience, especially within the manufacturing sector. A particular aspect of this has been the role played by the presence of higher and further education establishments. Places which are able to encourage the capacity of firms to innovate and which foster entrepreneurship will also do well.

Communications. Places with good road and air communications have benefited. Internationally well-connected airports have played a key role in this.

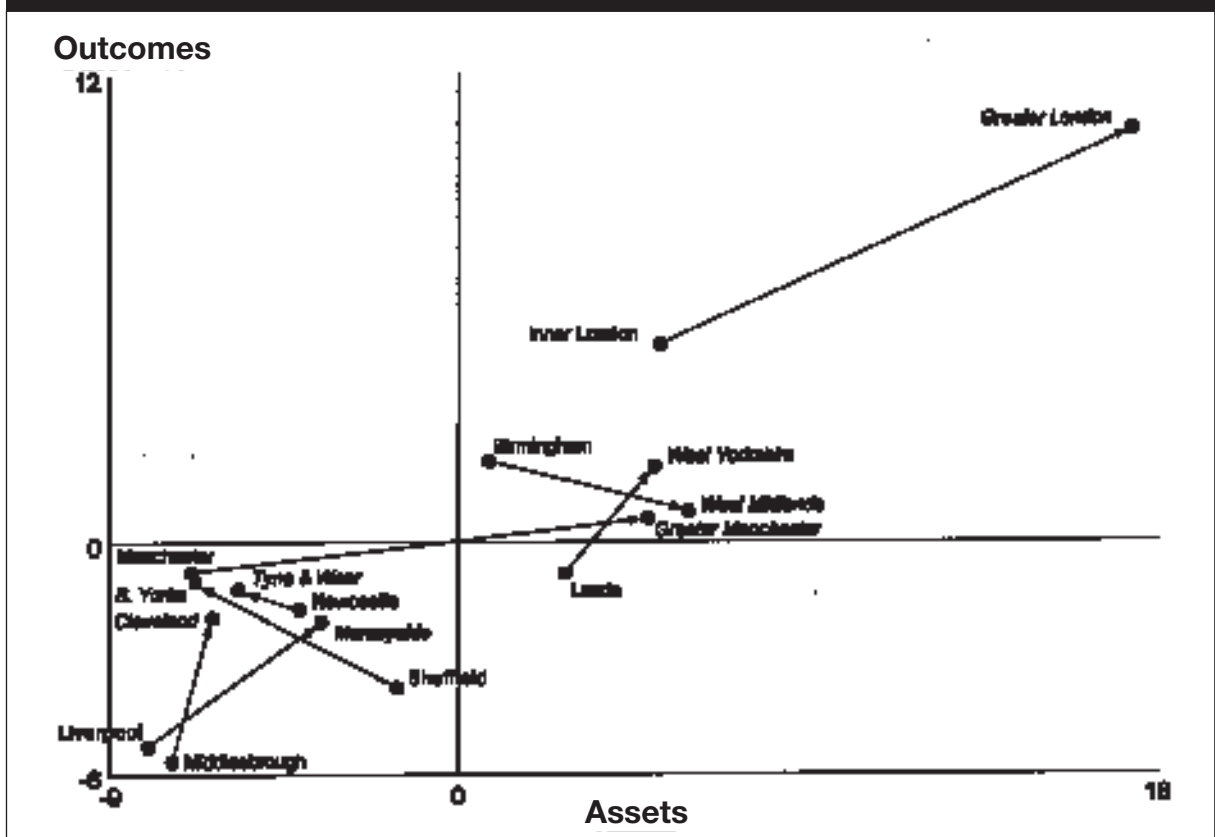
Quality environments and services. High quality local environments and services provide a favourable context for business activity and are attractive to skilled, managerial and professional labour. The stock of property, both business and residential, is important, as are factors such as the crime rate, school performance and civic amenities.

Alert local governance. The responsiveness and innovativeness of local authorities - other things being equal - has been an important element influencing their ability not only to attract streams of public resource, but also private investment. The role that local authorities have played in the process of 'boosterism' has not been unimportant in this respect.

Conceptually, such assets are an important element in determining the success of different cities. This can be thought of in terms of the relationship between a city's **assets** and its **outcomes** (although there is a practical difficulty in studying this relationship since there is considerable ambiguity about the distinction between the two, the outcomes of an earlier period become the assets on which a city can currently build). One attempt at examining this has looked at the 'success' of the principal English conurbations and their core cities (Figure 1 and Box 3). It suggests that there is a clear relationship between assets and outcomes and this provides pointers to the areas in which policy intervention could help to alter the fortunes of the lagging cities. The array of 'successful' places suggests that London is, by a degree of magnitude, better placed than any of the other conurbations; that West Yorkshire, the West Midlands and Greater Manchester are relatively successful; and that

Merseyside, South Yorkshire, Tyne and Wear, and former county of Cleveland are least successful. There are also interestingly different relationships between the core cities and their conurbations. For example, most core cities have a poorer asset base than do their conurbations, but this is not true of Sheffield or Newcastle. Equally, the apparent lack of 'success' of some of the core cities can be strongly influenced by the happenstance of how tightly their administrative boundaries are drawn and whether or not they include commuting areas within them. Manchester, for example, is the most dramatic example of a core city whose boundaries are tightly drawn around the conurbation's inner area. Hence, taken in isolation, it appears unsuccessful by comparison with places with more generously defined boundaries, but when looked at in relation to its broader conurbation is far more successful. This highlights the importance of having governance arrangements which mesh with the geography of key economic systems such as labour markets and housing markets rather than old administrative boundaries.

Figure 1: The relationship of assets and outcomes in conurbations and their cores



Box 3: Indicators used to measure assets and outcomes

The following indicators were used to measure assets and outcomes that are shown in Figure 1 - some of the asset measures being scored as negative values.

ASSETS**Skills levels**

- % 15 year-old pupils with no/low GCSEs (NEGATIVE)
- % pupils with 5+A*-C GCSEs
- % aged 16-19 in full-time education
- % employees in managerial administrative & professional occupations
- % employees in craft & related occupations
- % employees in unskilled occupations (NEGATIVE)
- % employees receiving job related training
- Average university Research Assessment scores

Infrastructure

- % house sales at <£30K, 1995-97 (NEGATIVE)
- Ratio of average house prices to average gross yearly full time earnings
- % area derelict (NEGATIVE)
- Total Road Length per km sq

Poverty

- % households on Council Tax Benefit (NEGATIVE)
- Standardised mortality rate ages 0-64 (NEGATIVE)
- % unemployed claimants (NEGATIVE)

'Social capital'

- Electoral turnout at local elections

Discretionary grants

- Grant per capita European grants
- Grant per capita SRB funding

OUTCOMES

- Net new business registrations as % of total business stocks
- Ratio of businesses to population
- Ratio of PLCs to population
- GDP £ per head (conurbations only)
- Top office rent achieved
- Top retail rent achieved
- % Economically active

During the 1990s the bigger cities (but few of the smaller one-industry manufacturing towns in the North) significantly changed their economic base. They succeeded in attracting a much higher proportion of service-based activities. These have been a mixture of producer services (such as legal, financial and technical services) and of jobs related to consumer services (such as in hotels and catering, leisure and recreation). Moreover, some have seen a growth of creative industries and of high-tech businesses, often linked to spin-outs from local higher education establishments. Such changes suggest that some of the cities have begun to re-invent their economic base and to develop activities much more attuned to the demands and opportunities of current economic circumstances.

Innovation and knowledge-based activities will be central to future economic growth and competitiveness. Such activities encompass both technology-based clusters and the creative and media sectors. Two prime examples of this are the development of high-capacity local-area ICT networks in London's Docklands and in Manchester. Reinforced by social and institutional networking, cities represent a key locus for the future development of such activities – they will focus, however, mainly in the more buoyant and larger urban centres.

Technological change, in particular ICT, could hold considerable potential for cities. New information and communications technologies have major implications for the future of cities. The general view is that ICT innovations will not lead to the dispersal and disintegration of concentrated urban areas, as sometimes suggested. Like other step changes in mobility and communications, they will tend to reinforce existing urban concentrations and possibly further disadvantage other areas. The policy and planning framework in relation to ICT, the possibilities for shaping its development in the urban context and the benefits it can bring have, however, lagged behind the pace of change.

The economic fortunes of cities are therefore somewhat mixed. On one hand, they have suffered disproportionately from the process of de-industrialisation during the course of the 1980s and 1990s. Table 1 shows how such changes have impacted differently on males and females and on full-time and part-time work. On the other hand, there is evidence that many of the largest cities have begun to turn around their employment prospects and to have succeeded in capitalising on the 'new' economic sectors linked to IT, tourism, cultural industries and industries linked to R&D. As Table 2 suggests, the trends in total employment show the deepening contraction of urban employment during the 1980s, but a resurgence of employment especially in the latter part of the 1990s. Table 3 suggests that some of the cities (Leeds, Manchester, Birmingham) succeeded in attracting substantial numbers of new jobs in private sector services.

Table 1: Changes in employment composition by settlement type

	% change in male full-time employment, 1991-96	% change in male part-time employment, 1991-96	% change in female full-time employment, 1991-96	% change in female part-time employment, 1991-96	% change in total employment, 1991-96
Categories*					
Inner London	-3.3	53.3	-0.8	42.2	5.0
Main mets	-9.3	19.5	-4.3	6.7	-3.5
Large cities	-8.2	29.3	0.4	10.0	-0.3
Other mets	-3.7	31.5	4.5	6.2	2.0
Industrial	-6.5	31.4	3.0	8.0	0.5
Outer London	-6.6	36.9	2.3	4.4	0.3
Small cities	-5.0	29.9	-0.9	12.1	1.8
New Towns	4.1	46.9	6.1	17.4	8.8
Resort/retire	-5.6	22.3	2.9	3.9	0.8
Mixed urban/rural	6.5	36.6	10.3	13.8	10.7
Remote rural	4.5	30.0	9.8	13.4	9.4
ENGLAND	-2.3	33.7	3.5	11.3	3.9
Conurbations					
Gr.London	-4.7	45.2	0.4	20.1	3.0
Gr.Manchester	-5.0	23	7.9	6.7	2.1
Merseyside	-14.4	17.2	-8.6	-3.7	-8.9
S.Yorks	-10.8	38.5	-5.6	11.0	-2.8
Tyne & Wear	-5.9	39.3	-0.1	8.4	0.7
W.Midlands	-4.5	30.7	0.1	7.7	0.4
W.Yorks	-1.2	20.9	3.1	7.3	2.8
Cleveland	-11.3	31.8	1.6	-2.3	-4.8
* In this and many later tables, the categories are those used in an ONS classification of English authorities. They have been arranged, roughly, to follow the urban-rural continuum, with the most urban categories at the top. Main mets are the central metropolitan districts in each of the seven conurbations; other mets are the remaining metropolitan districts. Data are shown both for categories of all English authorities and, separately, for the seven conurbations plus the former county of Cleveland.					

Table 2: Trends in overall employment by city type

City type*	Employment, including self-employment (000s)					Change, %			Share (% of GB total)	
	1959	1971	1981	1991	1997	59-81	81-91	91-97	Share in 1959	Share in 1997
Conurbations	10074	9351	8688	8395	8710	-13.8	-3.4	3.8	43.7	33.8
Free-standing	3369	3496	3484	3580	3647	3.4	2.7	1.9	14.6	14.1
'Northern'	1105	1104	1084	1097	1107	-2.0	1.2	0.9	4.8	4.3
'Southern'	1752	2010	2129	2384	2529	21.5	12.0	6.1	7.6	9.8
Expanded	519	594	651	706	766	25.5	8.5	8.5	2.3	3.0
New Towns	448	552	649	808	918	44.8	24.5	13.7	1.9	3.6
Coastal	394	412	421	464	457	6.8	10.3	-1.5	1.7	1.8
Gr.Britain	23034	23476	23298	24647	25775	1.1	5.8	4.6	100.0	100.0

* In this, and some later tables, the city categories are those used by Begg et al, as follows: conurbations - all districts in the seven English conurbations, plus Glasgow; free-standing - the next tier by size; northern - smaller cities in the three 'northern' regions, Scotland and Wales; southern - smaller cities in the five 'southern' English regions; expanded - old city with a contiguous new town; new towns - free-standing new towns; coastal - coastal resort and retirement towns.

Table 3: Trends in sectoral employment by settlement type

Categories	% change in employment in manufacturing & construction 1991-96	% change in employment in private services, 1991-96	% change in employment in in public services, 1991-96
Inner London	-14.4	12.3	-2.4
Main mets	-11.5	1	-4
Large cities	-6.1	0.6	3.4
Other mets	-6.1	6.2	7.5
Small cities	-11.8	3.3	6.6
Industrial	-3.7	4.6	3.9
Outer London	-15.9	5.9	-0.2
New Towns	-0.8	14.9	10.4
Resort/retire	3.3	-2.7	3.2
Mixed urban/rural	-0.4	16.5	9.9
Remote rural	4.8	11	9.8
ENGLAND	-4.6	8.1	4.6
Conurbations			
Gr.London	-15.3	9.6	-1.5
Gr.Manchester	-10.4	6.7	7.2
Merseyside	-24.8	-3.2	-5
S.Yorks	-4.7	1.3	0.8
Tyne & Wear	8.6	-5.5	5.1
W.Midlands	-7.4	8.7	-2.4
W.Yorks	-5.6	5.5	8.9
Cleveland	-12.1	7.3	-11.6

To this extent, the evidence suggests that the big cities have turned something of a corner. Their potential as information-rich contexts has obvious relevance for the development of 'modern' economic activities based on knowledge industries. Their 'heritage' environments have significance for leisure and tourist activities.

Cities and their regions

Cities cannot be seen in isolation. They exist as part of a system of interlinked urban places. They also sit in a broader sub-regional or regional context to which they relate and with which they interact. They are affected both by other cities with which they compete and which they complement, and also by their regional context.

There are clearly issues of scale and the extent of the 'region' to which particular cities relate. Different cities vary in the degree to which they are linked with a broader sub-regional or regional context. The 'standard regions' generally make little sense in terms of city-region links and relationships - the South West is perhaps the most extreme example of this.

Some cities, and especially the large core cities, have a generative or propulsive impact on the region of which they are a part. This is especially likely to be the case where cities:

- Represent centres for learning and education, including higher education
- Form a focus for knowledge transfer and innovation
- Provide significant employment opportunities over a wide catchment area
- Have a high profile or image which also identifies them with and reinforces the profile of the region

Cities are increasingly seen as propulsive or generative in their broader regional context. In the South West for example, Draft Regional Planning Guidance acknowledges the role of Bristol as a competitive focus for economic activity with an important role to play in the regional context. Strategy should therefore aim both to sustain this competitive strength and to link it to other parts of the region with the aim of spreading the benefits.

Population, households and cities

Much of the economic history of cities is reflected in their recent demographic experience. As with employment, the population figures show accelerating losses during the 1980s, followed by rather smaller losses during the early 1990s, but with a distinctive turn-around in the latter part of the 1990s. Table 4 shows the relevant data.

Table 4: Population trends by type of settlement

	Population (000s)			Changes, %			Share (% of GB total)	
	1951	1991	1997	51-81	81-91	91-97	1951	1997
Conurbations	19,320	17,096	17,328	-9.9	-1.7	1.4	39.4	30.9
Free-standing	6,866	6,944	7,040	2.1	-1.0	1.4	14.0	12.6
'Northern'	2,180	2,211	2,219	2.5	-1.1	0.3	4.5	4.0
'Southern'	3,410	4,709	4,823	33.0	3.8	2.4	7.0	8.6
Expanded	1,080	1,455	1,486	29.6	3.9	2.1	2.2	2.7
New Towns	576	1,253	1,293	97.5	10.1	3.2	1.2	2.3
Coastal	871	1,091	1,119	18.3	5.8	2.5	1.8	2.0
Gr.Britain	48,979	54,856	56,058	9.3	2.4	2.2	100.0	100.0

Migration trends reinforce this picture. There has been a recurring combination of migration flows: principally they have been down the urban hierarchy from the bigger urban areas to the suburbs, the smaller urban areas, shire towns and rural areas; but also with a net flow from north to south. International migration flows have partly compensated for the losses from urban areas, especially in the case of London.

The urban exodus in Britain continues to be strong, net out-migration from Greater London and the major conurbations to the rest of the UK averaged over 90,000 per year in the period 1991-97.

- Greater London accounted for half of this net loss, but international migration into London offset internal migration so there was no net loss in the case of London
- In most conurbations, rates of net out-migration are highest for the better-off; for the higher status occupations of professional, technical and managerial workers. This has implications for house prices, and development pressures in adjacent areas, and it reinforces social-spatial segregation.
- London experiences high rates of loss of skilled manual and managerial workers, but holds on to professional workers better than other conurbations.

However, these migration data are net figures. For every five people that move out of the conurbations, four move in. It is not that the cities do not attract in-migrants. Rather, there is a (small) net balance of out-migrants (Table 5).

Table 5: Components of population change in UK conurbations (figures in 000s)

	Total population change 1991-97	Natural change	Within UK migration	Overseas migration
Greater London	+232.4	+229.1	-286.5	+289.8
Greater Manchester	+2.3	+31.9	-44.1	+14.4
Merseyside	-36.2	+3.3	-32.3	-7.2
South Yorkshire	+2.1	+9.5	-16.7	+9.4
Tyne and Wear	-10.0	-0.2	-17.9	+8.0
West Midlands	-8.4	52.1	-91.3	+30.8
West Yorkshire	+25.9	+34.1	-25.9	+17.7
Clydeside	-17.1	+4.0	-28.8	+7.7
Conurbations excluding London	-41.8	+134.7	-256.9	+80.4
All conurbations	+190.7	+363.8	-543.4	+370.2
Rest of UK	+1010.1	+316.7	+543.4	+150.0
Total UK	+1200.7	+680.5	0.0	+520.2

The recent migration data therefore tell a much more positive story about cities than might commonly be supposed. The overall components of change show that:

- Whereas all the big cities suffered significant percentage losses of population in the 1970s and 1980s, there has been a widespread turn-around in the 1990s and particularly in the latter part of the decade.
- Major net out-migration from London has been more than offset by the scale of natural increase and in-migration from overseas. Greater London's population increased by 232 thousand over the period 1991-97.

- Greater London has both exported population on a significant scale and also grown significantly over this same period.
- Merseyside, the West Midland and Tyne and Wear lost population overall between 1991 and 1997 (but at rates far less than was true in the two preceding decades), while South Yorkshire and Greater Manchester showed slight population increases and West Yorkshire gained 25,000.
- Taking the conurbations as a whole, outside of London, overall loss of population was significantly less than the scale of out-migration that they generated over this period.

Numbers of households have also increased relative to the size of the population through a combination of factors – partly the changing age structure of the population, but particularly through the desire or ability of younger people to live in smaller or single-person households. This 'thinning out' of households has major implications in terms of the impacts of population trends and migration, and also in terms of the demand for housing in the cities. Despite their relatively static populations, the increasing fission of households means that there is a continuing demand for housing in the cities. At the same time, the demand for housing space is relatively income elastic so that space demands per adult have steadily increased. Smaller homes that housed whole families in the middle of the last century now attract single-person and childless households. Moreover, household growth will more than offset the effects of any reduction in overall population in the main conurbations up to 2021 in terms of overall numbers of households and demand for dwelling units (Table 6). In short, the expressed demand for housing is rising not falling and has been for the last twenty years. But the new demands are for houses of high quality and secure tenure. These require structural change and, where these do not occur smoothly, the capacity exists for acute excess demand for some sub-markets to co-exist with neighbourhoods of acute decline. As noted below, declining neighbourhoods are of concern, but they do not in themselves signal the demise of a city.

Table 6: Projected % change in population and household numbers, English conurbations 1996-2021

	Population	Households
London	9.4	21.4
Greater Manchester	-1.9	8.9
Merseyside	-10.0	1.7
South Yorkshire	-1.2	8.7
Tyne and Wear	-4.4	6.7
West Midlands	-2.1	7.5
West Yorkshire	3.4	14.6
England	6.9	18.9

These demographic patterns of the 1990s differ significantly from those of the 1970s and 1980s. The main conurbations are now both generating significant flows of out-migration down the urban hierarchy and simultaneously, regardless of whether or not they are losing overall population, are actually increasing their household numbers. Lower down the urban hierarchy, tightly bounded cities are experiencing household growth on top of stable or expanding population growth, with even greater implications in terms of pressures for expansion and overspill. This is helping to drive net out-migration further down the settlement hierarchy. In essence, migration flows and their consequences create wider spillover or externality effects which markets ignore but which are crucial to the likelihood of achieving long-term policy objectives. There is still potency in the longstanding

argument that inherent urban congestion in the South has effects on the quality of life in that region but also has backwash effects in the North as macro policy is adjusted to cool inflation in Southern housing markets. The Urban Task Force and the government's goal to re-use brownfield sites address one way of reducing the trade-off between environmental and economic policy objectives. The crucial point is that urban policy cannot simply be concerned about creating enabling frameworks for lower levels of governance. It will have to address the broader national and inter-regional issues, for example: determining how much land to release for development in the South; what support to give to connections between South and North, and to east-west links in the North, especially through rail investment; what stance to adopt on the location of investment in national R&D; and what encouragement to give to the new agenda of regional innovation.

CHAPTER 3

Social Failures and Successes

Box 4: **Social Issues: Dangerous mosaics**

There is also a social justice dimension to city success. Geographic change is normally unbalanced, at any time favouring one place rather than another. And within cities or city regions there are well established 'sorting' mechanisms that lead to the concentration of particular age, ethnic, income and lifestyle groups into particular neighbourhoods. These patterns may reflect preferences or budget constraints and they may take place through housing markets or social systems. Our cities have now become complex mosaics subject to continuing change, with no simple inner/outer city patterns.

These local patterns may influence subsequent economic change if they foster significant 'neighbourhood effects' on such issues as school performance, labour market information and participation. It is these interactions which make it so difficult to disentangle future prospects from past outcomes and 'people' from 'place' policies.

It is often overlooked that more than four-fifths of urban residents in England are satisfied with their homes and neighbourhoods. Indeed, it is arguable that the major process of neighbourhood change in UK cities over the last few decades has been upward succession and improvements in quality. Gentrification, which has negative as well as positive consequences for cities, has attracted a great deal of attention, but the reutilisation of land and spaces by middle-income households has been a more pervasive process. Arguably too much time has been spent researching neighbourhoods that don't work rather than those that do.

At the same time council housing has undergone almost a quarter of a century of declining investment and consequent falling popularity. Nationally, there is ample evidence that social exclusion has grown more intense over the course of the last decade and this has been particularly apparent in the social housing sector. High and increasing social rents combined with means-tested housing benefits have, until the last few years, encouraged the formation of benefit-only ghettos. In some areas RTB sales have encouraged tenure and social mix, but in many other areas the prevalence of poor housing and neighbourhood conditions simply leads households to quit social housing even although they may not have wished to leave their localities. Where social housing pressures are light or non-existent, vacancy churning of unstable households rapidly turns into unstable neighbourhoods and the combination of slack demand and social problems such as ubiquitous drug dealing means that streets and estates can rapidly empty out in a matter of months, even in cities with a rising number of households.

The experience of cities can be measured in two ways: either in terms of the scores on standard indices of socio-economic deprivation; or in terms of measures of spatial disparities at a sub-local-authority scale. All the evidence is that cities perform badly on both counts: unemployment, educational levels, health, crime and poverty tend to be worst in the big cities; equally, it is within the major cities that the highest levels of spatial polarisation continue to be found, although this is in part a function of the scale at which indices are measured. There is also evidence to suggest that there is a correlation between poor economic competitiveness and inequality. This, however, is a difficult relationship to explore. The quality of life in economically successful cities is generally superior to that in unsuccessful cities, but even they have areas of deprivation. London is a classic case.

Social exclusion and deprivation are found differentially amongst families with children - and over time this has grown worse. A focus on targeting young children is therefore a well-placed policy priority. Addressing the needs of the deprived and ensuring that they share in the benefits of economic growth clearly remains a key challenge for urban policy.

The evidence of social exclusion at a national level has been well documented. The Rowntree study of poverty provided conclusive evidence of the relative improvement of 'comfortable' Britain and deterioration of the circumstances of the poorest. The latest Joseph Rowntree report on Monitoring poverty and social exclusion 1999 has reinforced this in its analysis of some 50 indicators that measure poverty and social exclusion in Britain. Most of the statistics cover the period up to either 1998 or 1999 and therefore do not fully capture the most recent trends. However, the overwhelming message is that most indicators show little change, with the important exception of employment trends, and that in some policy domains deprivation appears to have got more polarised. Some illustrative examples are given in Box 5.

Box 5: Monitoring poverty and social exclusion 1999

Only 15 of the 50 indicators of poverty and low income show improvement over both a five year period and over the last year.

People at less than half the average income have shown little change up to 1999, while those on less than 40% of the average have risen from 7.3m to 8.4m between 1995 and 1998. Even though unemployment has continued to fall, those in long-term workless households have remained at over 2 million continuously since 1995.

Two policy domains in particular provide evidence of increasing polarisation. On health, for example, the long-term ill have risen from 3 million to 3.6 million between 1991 and 1998 (perhaps as a reflection of hidden unemployment). Districts whose mortality rates are more than 10% above the average have increased from 28% in 1991 to 39% in 1998. And there is growing evidence that children in particular suffer disproportionately from social exclusion. Child poverty has continued to become more polarised. For example, the concentration of poor children in particular schools has risen consistently between 1996 and 1998.

The Report's commentary notes that getting everyone to the current level of half the average income would appear eminently achievable since it would take only some 1% of GDP. The National Minimum Wage and, in particular, Working Family Tax Credit may well turn out to be prime instruments in helping with this. When the statistics are revisited for 1999-2000 some of the effects of such legislative change may begin to be evident.

Translated into an urban context, this continuing and in some respects increasing polarisation can be seen from analysis of DETR's successive indices of deprivation. Comparison of the 1991, 1998 indices and the new Indices of Deprivation 2000 shows a remarkable degree of similarity in the rankings of the most deprived places between the three dates. The most deprived places are predominantly the big metropolitan districts, some London boroughs, large industrial cities in the North and Midlands, some seaside towns and former coalmining areas. The latter two types of area appear more deprived on the most recent indices, but overall there appears to have been remarkably little change over the 1990s.

The new indices of deprivation provide six different measures of relative deprivation across local authority districts reflecting the complex and different patterns of deprivation found in different types of places. Table 7 shows the top 20 most deprived districts on each of the measures.

Table 7: The twenty most deprived districts in the Index of Multiple Deprivation 2000

Rank	Employment Scale	Income Scale	Concentration	Extent	Average Rank	Average Score
1	Birmingham	Birmingham	Middlesbrough	Hackney	Tower Hamlets	Tower Hamlets
2	Liverpool	Liverpool	Liverpool	Tower Hamlets	Hackney	Knowsley
3	Manchester	Manchester	Knowsley	Newham	Newham	Liverpool
4	Leeds	Leeds	Manchester	Manchester	Easington	Hackney
5	Sheffield	Bradford	Great Yarmouth	Knowsley	Liverpool	Newham
6	Bradford	Sheffield	Newcastle upon Tyne	Easington	Knowsley	Manchester
7	Wirral	Newham	Redcar and Cleveland	Liverpool	Manchester	Easington
8	Sunderland	Kirklees	Easington	Middlesbrough	Islington	Hartlepool
9	Wigan	Sandwell	Wirral	Islington	Southwark	Middlesbrough
10	Newcastle upon Tyne	Nottingham	Hartlepool	South Tyneside	Hartlepool	Blackburn with Darwen
11	Wakefield	Hull	Tower Hamlets	Hartlepool	Sandwell	Islington
12	Doncaster	Leicester	Hull	Southwark	Nottingham	Nottingham
13	Bristol	Bristol	Rochdale	Halton	South Tyneside	Hull
14	Nottingham	Wirral	Sheffield	Nottingham	Hull	Southwark
15	Hull	Sunderland	Birmingham	Blackburn with Darwen	Sunderland	South Tyneside
16	Sefton	Tower Hamlets	Blackburn with Darwen	Doncaster	Barnsley	Halton
17	Lambeth	Hackney	Bradford	Hull	Wandsbeck	Sandwell
18	Hackney	Newcastle upon Tyne	Oldham	Leicester	Halton	Sunderland
19	Kirklees	Doncaster	Pendle	Sandwell	Wear Valley	Barnsley
20	Newham	Coventry	Hackney	Walsall	Bolsover	Haringey

The majority of the districts that rank highly on the new indices also suffered very high levels of deprivation according to the previous 1991 Index of Local Conditions and the 1998 Index of Local Deprivation. This is despite the fact that the methodology and indicators used are different.

Since the new indices are able to draw wholly on new ward-level data they provide a much finer scale of analysis. The new extent measure shows that there are 43 districts where more than a third of the population live in one of the ten per cent most deprived wards in England. These are predominantly metropolitan districts, cities, London boroughs, seaside towns and coalfield areas. Table 8 shows the sixteen districts where more than half of the population live in one of the ten per cent most deprived wards.

Table 8: Districts with high proportions of deprived populations, Indices of Deprivation 2000

District	% of population living in one of the 10% most deprived wards in England
Hackney	100
Tower Hamlets	97
Newham	95
Manchester	79
Knowsley	79
Easington	79
Liverpool	72
Middlesbrough	60
Islington	58
South Tyneside	58
Hartlepool	57
Southwark	56
Halton	53
Nottingham	53
Blackburn with Darwen	51
Doncaster	50

The new indices illustrate the regional distribution of deprivation and particularly the overall differences between Northern and Southern regions (except London). Overall, nearly half of the 10% most deprived wards in England are located in the North East or North West whereas less than 5% of the least deprived wards are located in these regions (Table 9).

Table 9: The regional patterns: the most and least deprived wards		
	Regional breakdown of 10% most deprived wards	Regional breakdown of 10% least deprived wards
North East	19.0	0.8
Yorkshire & Humberside	9.4	2.7
East Midlands	9.0	9.5
Eastern	3.7	17.4
London	18.0	5.6
South East (excluding London)	3.4	47.1
South West	3.6	9.4
West Midlands	8.2	3.4
North West	25.7	4.0
Total	100.0	100.0

Some of the most striking examples of increasing relative deprivation amongst urban areas during the 1990s are the levels of educational performance and child-related poverty. Social deprivation has impacted most severely on families with young children and it is the young who have suffered most severely from social exclusion. Table 10 shows much higher levels of educational under-performance in urban areas. It is also notable that performance appears to get relatively worse at later stages of schooling: the relative under-performance of some urban areas becomes progressively worse between ages 6, 10 and 15. Further, there is a consistently worse performance (with the exception of Leeds) within the core cities compared with their wider conurbation.

Benefit receipt is proportionately more concentrated amongst families with children than amongst the population as a whole. Evidence of the scale of the problem is reinforced by the new Indices of Deprivation 2000. There are no fewer than 20 wards in England which had more than 80% of children living in households that depend on means-tested benefits. And there are 208 wards where more than two thirds of children live in this type of household. If the aim of ending child poverty within a generation is to be met, there will have to be some serious re-thinking of creative policies for young people in cities and these will need to be not simply about work skills, but about citizenship skills, healthier choices and the development of neighbourhoods that are a terrain for fun rather than fear. It is in the nursery schools of today that better cities for the future will be built.

Table 10: Educational performance by settlement type

	% pupils aged 6 with < Level 3 SAT, 1998	% pupils aged 10 with < Level 4 4 SAT, 1998	% pupils aged 15 with no/low GCSEs, 1997
Categories			
Inner London	21.8	11.3	8.8
Main mets	19.3	10.0	10.9
Large cities	22.8	11.0	8.8
Other mets	18.1	8.9	8.1
Industrial	17.8	8.7	6.3
Outer London	17.6	7.3	6.2
Small cities	20.1	9.7	7.9
New Towns	17.3	7.7	5.9
Resort/retirement	17.5	7.5	5.2
Mixed urban/rural	14.4	5.8	3.9
Remote rural	15.4	6.7	4.0
England	17.5	8.1	6.4
Conurbations			
Gr.London (Inner London)	19.1 (21.8)	8.7 (11.3)	7.0 (8.8)
Gr.Manchester (Manchester)	18.0 (23.0)	8.2 (10.8)	8.0 (14.6)
Merseyside (Liverpool)	16.1 (17.8)	7.9 (10.3)	10.0 (12.5)
S.Yorkshire (Sheffield)	19.5 (19.2)	10.6 (11.3)	10.2 (10.3)
Tyne & Wear (Newcastle-on-Tyne)	18.1 (17.6)	8.8 (12.7)	9.6 (14.7)
W.Midlands (Birmingham)	20.0 (20.3)	9.8 (10.1)	8.2 (9.5)
W.Yorkshire (Leeds)	18.2 (17.2)	10.1 (7.6)	9.4 (9.3)
Cleveland (Middlesbrough)	17.5 (20.6)	8.9 (8.6)	8.4 (14.7)

Within cities, there are persistent pockets of deprivation and growing disparities between better-off and poorer neighbourhoods within cities. High levels of absolute and relative levels of poverty and deprivation are clearly evident in many inner urban areas. These have been persistent over time, with little if any evidence of amelioration. The increasing immiseration of social housing and particularly of outer estates has become a major new English phenomenon since the 1980s.

There are also very marked differences between areas at a relatively fine spatial scale. This is clear across a wide range of social and economic indicators. Differences are particularly stark in terms of health and mortality indices. For example, neighbourhoods no more than half a mile apart can have differences of 10 years in life expectancy. As noted above, indicators of educational attainment are also a particular concern given the implications for the persistence of such patterns into the next generation.

The dynamics of neighbourhood change are important in this respect. Snapshots of particular neighbourhoods can show the persistence of high levels of poverty and deprivation over successive time periods. A distinction can, however, be made between more dynamic and more stagnant neighbourhoods. In the more dynamic, there is a higher level of 'churning', a greater tendency for households to move up and out as their individual circumstances improve (and usually for poorer households to take their place, so that the neighbourhood itself shows no improvement). In the more stagnant neighbourhoods, households tend to be trapped over the longer term. These may represent a more intractable problem. In policy terms, securing a degree of dynamism may be at least a minimal aim.

There are also neighbourhoods where there is virtually no effective demand for existing dwellings, with hard-to-let social housing and a collapse in the housing markets for owner occupation and private renting. Part of this reflects a general move out of council housing

and a perception of the tenure as being one of last resort. Between 1991/2 and 1996/7, the number of council tenants leaving the social sector increased from 220,000 to 260,000 and most of the increase was in cities in the North. This has dramatically undermined the market for social housing. Yet there is little proportional difference in the demand for private housing in those same Northern cities by comparison with the South. The problem of collapsing demand can therefore be interpreted as an essentially local one; a reflection of local housing choices rather than fundamental regional economic difficulties.

There is, nevertheless, a significant difference between the experience of Northern and Southern housing markets, reflected not only in the wide disparity between average house prices, but also in the proportion of sales that can be considered to be at 'sub-market' levels. If we take a figure of £20,000 as signifying the lack of effective demand for private housing, there is a striking pattern (Table 11). Of the 32 districts with 10% or more of house sales at less than £20,000, all are in the North – with the sole exception of Hastings (significantly, a seaside resort) – and all are either big cities, medium-sized one-industry towns, or seaside resorts.

Table 11: House sales at prices below £20,000

		% house sales at <£20K, 1995-97					
Categories							
Inner London		0.7					
Main mets		8.1					
Large cities		5.9					
Other mets		7.7					
Industrial		6.5					
Outer London		0.5					
Small cities		2.8					
New Towns		3.2					
Resort/retirement		2.3					
Mixed urban/rural		0.7					
Remote rural		1.8					
ENGLAND		3.1					
Conurbations							
Gr.London (Inner London)		0.6 (0.7)					
Gr.Manchester (Manchester)		11.0 (20.5)					
Merseyside (Liverpool)		9.9 (16.1)					
S.Yorkshire (Sheffield)		9.1 (5.6)					
Tyne & Wear (Newcastle upon Tyne)		7.2 (6.3)					
W.Midlands (Birmingham)		3.9 (3.1)					
W.Yorkshire (Leeds)		7.4 (5.9)					
Cleveland (Middlesbrough)		8.1 (12.5)					
Districts with 10%+ sales <£20K							
Burnley	26	Stoke	18	Derwentside	14	Rochdale	11
Hyndburn	25	Wansbeck	18	Wear Valley	14	Blyth Valley	11
Barrow	24	Salford	17	Bolton	13	Rotherham	10
Pendle	23	Hull	17	Bolsover	13	Hastings	10
Easington	22	Liverpool	16	Sedgefield	13	Ashfield	10
Manchester	21	Rossendale	16	Middlesbro'	13	Copeland	10
Blackburn	20	Mansfield	14	Barnsley	12	Tameside	10
Hartlepool	20	Oldham	14	Doncaster	12	Bradford	10

Most of these examples of socio-economic collapse are concentrated in relatively small neighbourhoods. They can co-exist with buoyant markets in neighbourhoods that are virtually cheek-by-jowl. An important part of the explanation lies in the greater ease with which less deprived households can move out of the social housing market and deprived households move around within it. This is partly a consequence of the reduction in finance for state housing and its replacement by household-related benefits. High rents and the lack of a relationship between rents and housing quality in the social sector have increased the incentive for the more affluent to move out of social housing. This has been reinforced by the greater availability of low- and medium-priced private housing in many of the Northern cities, which have consistently seen an 'over-provision' of housing in comparison to the targets set by household projections (for an example, see Table 12). Both processes have increasingly made social housing tenure one of last resort. The initial lack of demand is related to poor quality housing combined with marked, localised, social problems. The passing of thresholds in terms of disrepair, vandalism, crime and workless households, can trigger a spiral of severe decline. So too can the allocation of even a small number of 'problem' families on estates. Neighbourhoods with council housing which becomes hard-to-let have seen a localised knock-on effect that has dragged down even newly-built good-quality housing built by housing associations or the private sector.

Table 12: Housing requirement (based on household forecasts) and dwelling completions in Greater Manchester

	Annual requirement	Annual completions				
		1990-1	1992-3	1994-5	1996-7	1998-9
Bolton	590	924	908	1198	921	738
Bury	480	534	448	467	411	343
Manchester	1067	1492	1289	1976	1381	1525
Oldham	561	678	620	453	736	582
Rochdale	533	530	469	843	536	519
Salford	400	650	708	803	555	559
Stockport	617					
Tameside	607	742	621	431	373	332
Trafford	200		493	570	383	383
Wigan	1030	926	829	698	1004	1267
Gr.Manchester	6084	6476	6385	7439	6300	6248

Despite these examples of intensely deprived neighbourhoods, it is clear that, even in the most deprived communities, there are considerable social strengths on which policy could build. Social surveys consistently show that high proportions of residents in deprived areas speak warmly of the 'quality' of the people in their neighbourhoods and argue that the problems of crime, dereliction and social disruption are caused by a small minority of residents. This suggests that almost all deprived communities still retain elements of their traditionally strong community structures. Much of this is maintained by women, and particularly middle-aged and elderly women. The danger with any policy of large-scale demolition of properties in such neighbourhoods is that these community strengths would be swept away alongside the buildings. As with the experience of demolition in the 1950s and 1960s, such community bonds would be re-established only over long periods of time. A more appropriate response would be an urban policy that encouraged neighbourhood strategies that put local communities at the heart of decision-taking about neighbourhood management and change.

The concentration of problems within small neighbourhoods therefore reinforces the argument for the development of forms of neighbourhood management that may capitalise on some of the inherent community strengths within such areas and can encourage what might be called 'guided community-led' approaches to the revitalisation of such

neighbourhoods. Clearly, at their heart, the problems stem from poverty and joblessness; and there are therefore macro issues about re-engaging residents into the labour force through wider training programmes and targeted schemes of linking jobs to deprived areas. However, there are now many lessons about what works in local neighbourhood management schemes from the wide variety of experiments that have been developed in cities throughout the country (Box 6). Perhaps the most critical lesson is that future schemes of neighbourhood management are most likely to succeed if they are able to develop approaches that blend the service-led top-down with genuine community-led bottom-up mechanisms.

Box 6: Neighbourhood management

There is a wide variety of examples of neighbourhood schemes aimed at building community capacity to tackle local problems. The essential element is to create structures that combine commitment from the local authority with opportunities for widespread engagement of local residents. Four components appear to be important in achieving area co-ordination and community involvement:

- The creation of neighbourhood structures to deliver services, develop an action plan and monitor progress and change.
- Oversight by a 'champion' leading a team that includes community development workers and staff with responsibilities for particular areas of work (with some drawn from the area itself).
- A community development fund that can pump-prime key initiatives.
- Neighbourhood forums and annual area conferences that can provide opportunity for wide involvement by local residents.

Low levels of educational attainment, and related social and life skills, are major sources of social exclusion, including exclusion from the labour market and employment opportunities. There is growing evidence that educational performance and school outcomes are to a significant degree affected by the social context of the neighbourhood in which individual schools are located. Issues of school performance and teaching quality (the 'Woodhead model' that focuses on failing schools) can therefore only be a partial response to the evidence that cities in particular have very low – and relatively declining – educational performance levels.

This is combined with the effects of residential choices of those parents who have the ability to exercise such choice in terms of school catchment areas. Choices over residential location are often simultaneously choices in terms of schooling. Most parents moving into owner-occupied developments in cities have a schooling strategy to match their housing choices. Year 11 is particularly crucial. The choices of those households with the ability to move tend to reinforce existing patterns of educational performance and school outcomes. This is clearly linked to social context as such households move out of the catchments of schools with poor records. Poorer households cannot buy into school catchment areas as a way of generating better educational qualifications. This in turn reinforces established patterns and processes of social exclusion.

Re-populating city cores

The obverse side of these patterns of deprivation and collapsing neighbourhoods has been the new vitality that has increasingly been evident in the cores of some older urban areas where there has been significant selective growth in the residential population. This represents a sea-shift in the nature of urban populations. Some of the main cities, Manchester, Leeds and Birmingham being the chief examples, now have sizeable residential populations in their core areas (Table 13 and Box 7); and this represents a radically new phenomenon. The new households are overwhelmingly small, childless and professional. Their significance is not merely the fact of re-populating the cores, but that they have added to the local demand for consumer activities in urban cores.

The future challenge that such cities will face is how best to encourage 'singles' households to continue to live in cities if they start families. This would require the development of neighbourhoods with appropriate amenities such as schools, nurseries, GPs and clinics rather than simply as housing developments. Manchester, for example, is about to launch a feasibility study to test the market for a new primary school that could serve its central residential population. Neighbourhood management should be a response not merely for poor areas. There may be valuable lessons on which to draw from the Scottish experience where, in Glasgow, a 'get singles in' strategy was started some twenty years ago.

Table 13: New housing development in Central Manchester Development Corporation area (as of 1995)

	CMDC grant (£000s)	Total investment (£000s)	No. of units	Type of development	Price range
Castle Quay	1715	6341	44	Refurb	£61-160K
Chepstow House		5000	77	Refurb	£79-125K
6 Fairfield Street		2900	32	New Build	Rent £45pw
Granby Village	3300	16094	238	Refurb/New	£60-120K
India House		5200	140	Refurb	Rent £66-84pw
Lambert Hall	335	2400	183	New Build	Rent £45.40pw
Lancaster House	1255	6805	71	Refurb	Rent £45.50pw / £69-82K equity share
Lincoln Place	254	1349	23	Refurb	£46-68K
Orient House	1255	10225	171	Refurb	Rent £90-120pw
Oxford Place		3200	40	Refurb	£40-130K
Peveill Bank		4000	93	New Build	£58-110K
Piccadilly Village	1130	13698	144	New Build	£58-110K
Princess Court		3000	50	New Build	Rent £61-68pw
Riverside Mews		725	6	Refurb	£105-195K
42-4 Sackville Street		2000	29	Refurb	£60-130
Sally's Yard		600	10	Refurb	£43-105
Slate Wharf		5000	95	New Build	From £54K
Student Village	4000	26300	1039	Refurb/New	Rent £45pw
The Warehouse	340	1840	32	Refurb	Rent from £85pw
Woollam Place	396	3513	66	New Build	£55-60K
TOTAL	13950	120190	2583		

Box 7: Residents in central Manchester

The resident population in the core of the City rose from less than 300 in 1998 to some 3000 by 1995 and (according to estimates) to some 6000 by 2000. The major initial expansion was prompted by the work of the Central Manchester Development Corporation (CMDC) which injected public resources into the area. Towards the end of CMDC's life, new developments were being undertaken without public subsidy and this market-led growth has subsequently continued apace.

A survey of 170 households was undertaken in the area in 1995. This provided a portrait of the new resident population:

- Household size was small: 40% were single-person households, and over 50% were 2-person. Only 5 of the 170 households contained children.
- Most were employed in professional occupations: 65% were in employment, 26% were not employed and 4% were unemployed.
- Most of those employed worked in the City: 95% worked in Greater Manchester, 86% in Manchester itself, and 44% in Manchester city centre.
- Many were students at the local universities: over 30% of households included at least one student.
- Many were drawn from outside the region: excluding students, 11% came from the city centre, 32% from elsewhere in Manchester, 16% from elsewhere in Greater Manchester, 7% from elsewhere in the North West, and 35% from beyond the North West.
- The tenure was mixed: 48% were owner occupiers and 51% rented from private landlords (the survey did not include any of the housing association properties in the area, and their inclusion would have affected this balance).
- Most owners were first-time buyers: 68% of owners were first-time buyers.
- For many, the housing was a second home: of the total non-student owner and renter households, 25% had primary residences elsewhere.

CHAPTER 4

The Policy and Governance Context

One of the key challenges for the White Paper is to create decision-making processes and systems that will deliver effective regeneration at local level. It should build upon the strengths and avoid the weaknesses of recent policies in this area. During the past decade, there has been a variety of such initiatives, including Urban Development Corporations, City Pride, Action for Cities, City Challenge, Single Regeneration Budget. More recent initiatives include the New Deal for Communities, New Commitment to Regeneration and the Urban Regeneration Companies. Many of these involved the creation of new decision-making institutional arrangements, especially at area-based level. What lessons do they provide for the White Paper? With recent initiatives it is probably too early to make definitive judgements. But there have been a number of evaluations of the earlier initiatives which constitute a guide to future policy.

The evaluation of Action for Cities, for example, pointed to a mix of successes and failures. It identified a series of limitations to regeneration policy: there were restricted declining resources; smaller cities had benefited but larger ones less so; there had been insufficient co-ordination between different government departments that had different spatial priorities and did not link relevant policy sectors; local communities and local authorities had not been given the resources or opportunities to be full partners in regeneration.

The key lessons for future policy were that public-private partnerships of local players were a good way of promoting regeneration. Local authorities should be given greater opportunities, powers and resources to play a significant part. Local communities should be given a larger role with specific resources provided to encourage community capacity building. Greater coherence was needed between different government programmes. There should be greater financial flexibility between different departments and years with a single urban budget uniting all departmental resources, administered at regional rather than national level.

During the 1990s two regeneration initiatives attempted to carry through these principles – City Challenge and the Single Regeneration Budget. Both have been extensively evaluated. Both had benefits to build upon as well as limitations to be avoided. They were regarded as an advance upon previous initiatives because of their partnership basis, community and private sector involvement, strategic and targeted approach and use of dedicated multi-disciplinary teams. The competitive element of the programmes had encouraged cross-sectoral involvement and produced more positive and imaginative proposals for change. In particular, the scale of City Challenge resources had encouraged a more strategic approach to regeneration. They had variously pump-primed, speeded up or attracted new development and brought added value by linking separate programmes, agencies and types of expertise. The programmes had stimulated more corporate working within local authorities and encouraged new alliances between partners.

At the end of the 1990s the key principles of regeneration policy were partnership, spatial targeting, integration, competition and a commitment to combined economic, social and environmental regeneration. Amongst public, private and community partners there is some agreement on the strengths and weaknesses of this approach. In terms of benefits, there is a consensus that policy has encouraged some integration of departments and funding, partnership and a regional approach. It has recognised the importance of the links between the economic, social and environmental dimensions. It has recognised that the problems are not narrowly confined geographically. It has accepted that the local authority and community sectors, as well as the private sector, need to be involved in partnership. And policy has adopted a longer time frame.

Despite these merits, there is a series of continuing concerns that future policy will need to address about competition, the dispersal of resources, parity between partners and departmentalism. Many partners are concerned about the use of competition to allocate regeneration funds. In the narrow sense, there is some evidence that competition has encouraged innovation, collaboration and partnership in particular areas around specific programmes. But many partners regard it as problematic as a basis for the long-term allocation of resources since it is potentially divisive, distorts local strategic priorities, consumes scarce organisational resources and penalises areas without conspicuous development opportunities. There is also a view that SRB has been diluted spatially so that it now spreads resources too thinly across too many projects within and across too many regions, some of which have not traditionally received Urban Programme funding. The strategic policy dimension has been lost, with SRB becoming a collection of discrete projects rather than an integrated approach to clearly defined areas.

In terms of partnership, there is evidence of increased collaboration within regeneration programmes. Nevertheless there are concerns that local authorities have lost so many powers and resources that they cannot be equal partners in the regeneration process, and community groups in particular are not equally powerful partners. Moreover, urban problems do not respect departmental boundaries. There is again evidence that increased departmental working has been encouraged by City Challenge, SRB and the creation of Government Regional Offices (GORs). Much remains to be done to achieve genuinely integrated departmental working, both at the centre of government and in the regions and localities. In the latter, in particular, not all departments are equally involved in or committed to the GORs and the roles, responsibilities of relationships between GORs and RDAs are not well clarified.

Hence, despite the considerable successes of much regeneration policy, and the valuable learning curve that three decades of experience have represented for the various agencies involved – there remain a number of weaknesses. An area focus cannot by itself tackle the broader structural problems, like unemployment, that underlie the problems of small areas; and linked to this is the failure to bend mainstream policies to underpin and reinforce the targeted regeneration programmes. Problems of departmentalism, both at central and local government level – continue to subvert the aim of creating seamless policy delivery across different service sectors. And the welter of recent zonal initiatives introduced by various spending departments has re-awakened concerns about the fragmentation of policy and a return to the ‘patchwork quilt’ scenario which characterised regeneration policy in the 1980s. Finally, the emphasis on output-driven measures continues to favour physical projects and to marginalise community and voluntary groups from the process of regeneration.

The role of Regional Development Agencies

Over and above these lessons from regeneration initiatives, the governance arrangements through which regeneration will be delivered in the future will be affected significantly by the establishment of the Regional Development Agencies in England (Box 8), not least since the principal element of the RDAs' resource base has been drawn down from the previous budgets for the SRB and from the regional activities of English Partnerships - two of the key components of regeneration.

Box 8: Regional Development Agencies

- The establishment of the eight Regional Development Agencies in April 1999 has begun to stamp a regional dimension onto the thinking and structuring of many of the local agencies that are key stakeholders within the regions.
- The role of the RDAs continues to be shrouded in ambiguity. It is difficult to see them as elements in a process of devolution since they have somewhat limited autonomy and the fledgling regional chambers have as yet only limited political purchase. It is equally difficult to see them as effective responses to regional inequalities across England since each has been charged with identical tasks.
- Their principal role, as suggested by the regional strategies, is to sharpen the economic competitiveness of regions. Yet the budgets of the RDAs are primarily drawn from resources targeted at regeneration rather than at economic goals. Moreover, the budgets have given them relatively little uncommitted resources.
- Their financial resources are currently limited and highly circumscribed since most of their budgets are specifically drawn from ring-fenced regeneration funds so it is encouraging that as part of the recent Spending Review the intention to move towards a more flexible regime supported by a single funding stream was announced.
- Each RDA has produced a Regional Economic Strategy through a process of widespread consultation. These published strategies differ rather little from each other, partly because of the common guidance from the centre, and partly because the RDAs appear to have adopted a lowest-common denominator approach to ensure agreement from the various stakeholders in the regions.
- Most of the regeneration initiatives to which RDA resources are dedicated will be delivered by local partnerships. These partnerships are looking both for a framework, a 'spatial architecture' through which local priorities can be determined and a free hand to deliver 'their' regeneration programmes. There is as yet little evidence that the RDAs have begun to address the need to develop mechanisms to handle such regional-local relationships. There is therefore a danger that the RDAs will be squeezed between the demands of the centre and the expectations of localities.
- Many of the regeneration partnerships feel that local voices, from the voluntary sector, community groups and the partnerships themselves, have been able to exert only marginal influence on RDA strategies.
- The real test of the effectiveness of the RDAs will come as they produce action plans. This process will determine whether local-regional tensions can be resolved and whether a distinctively regional dimension of social and economic issues begins to emerge.

There is a risk that the RDAs have added a further layer of complexity to an already confused governance structure. Their relationship to Government Regional Offices is unclear. For example, at present decisions on SRB programmes will be at the behest of the RDAs, yet the not dissimilar New Deal for Communities programmes are the responsibility of the GORs.

Most fundamentally for regeneration, the published regional strategies from the RDAs have not provided a clear 'spatial architecture' within which the delivery of local regeneration programmes could best be determined. This may begin to emerge as the RDAs develop their action plans as part of their current activities, but it remains a key lacuna in the thinking about connecting together the scales of localities, cities, sub-regions and regions.

If regional governance is to become effective, there are lessons both for central government and the RDAs themselves:

central government would need:

- to show greater support for the role of RDAs;
- to clarify the relationship between the roles of RDAs and government regional offices; and
- to accelerate the timetable for statutory elected chambers in order to give greater legitimacy to the regional domain;

individual RDAs would need:

- to show greater readiness to draw up priorities within their spending plans;
- to develop frameworks within which regional and local tensions could be resolved; and
- to give greater support to enable voluntary-sector bodies to contribute more effectively to the evolution of regional priorities and the implementation of programmes.

The recent Comprehensive Spending Review began to address some of these issues since it significantly increased the budgets of the RDAs. The RDAs themselves are now in the process of developing action plans and these should help to ensure that the Agencies identify their priorities both in terms of areas and of substantive programmes.

Cities and city regions

This debate clearly raises the question about what is the right spatial scale at which to intervene, the region, the city or the neighbourhood? This may vary across policy sectors. For example, in terms of economic policy, labour market, transport, infrastructure, planning issues, the wider regional framework might be the most appropriate spatial level. By contrast, for addressing social exclusion, the neighbourhood might be the most appropriate level. Just as policy cannot be confined to neighbourhood initiatives but must connect to the wider city, the fate of urban areas cannot be considered outside their regional context. This is particularly the case in terms of labour markets. It may never be possible to find enough jobs for excluded people within the excluded community. There needs to be a strategy for the wider labour market. If area-based approaches towards excluded communities are adopted, there is still a need to develop mechanisms which link them strategically to the economic and social mainstream of the wider urban and regional areas.

The relationship between cities and regions is crucial, they cannot and must not be separated. There is a growing recognition that economic, social and institutional links between cities and regions, functional regions as opposed to administrative regions, are becoming more complex. Just as urban regeneration cannot be confined to neighbourhood initiatives but must connect to the wider city, so the fate of urban areas cannot be considered outside their regional context. The threats and opportunities faced by cities are similar to those faced by regions and equally the challenges for regional policy are similar to those for urban policy. A recent OECD review of developments in regional policy, for example, identified the following trends:

- a shift in the goal of policy away from the simple goal of achieving regional equality to one of economic competitiveness;
- new territorial bases for regional policy, with a greater recognition not only of sub-national territories but of the role of regions in their national and international contexts;
- the state is ceasing to be the lead actor in policy with the move towards the enabling state and broad partnerships between state, industry, and community involving the transfer of skills, new forms of joint financing and new structures based on equality rather than hierarchy.

These trends in regions are identical to those faced by cities and by urban policy. But in the past governments have not recognised the scope for institutional and policy collaboration between cities and regions. The policies for the two sectors should be more closely aligned in future - at both national and European level. Cities and regions often do not function well together even though problems and opportunities frequently cross urban and regional boundaries. But typically this is not recognised, and this gives rise to such problems as:

- fiscal exploitation, with the region using but not paying for services provided by the city;
- the physical segregation of excluded communities, with an unwillingness across the region to collaborate and share services and financial responsibility for those communities;
- local tax regimes which encourage municipalities to compete against each other;
- administrative boundaries which are often too narrowly drawn to make economic or social sense.

This is reinforced by evidence relating to territorial competition between cities in the context of European economic integration. Increasing integration has led to increasing competition between cities; and cities at the core of the urban market have benefited more than those at the periphery, gaining in relation to weaker urban areas. Evidence also suggests that while the trajectories of urban areas are to a large extent governed by external factors, local-level policies and structures of territorial governance have impacted on growth rates at urban and regional levels.

In particular, the most effective scale for territorial competitive agencies is often larger than that of established units of city government because those units rarely correspond to

economically functional areas. Partnership structures or multi-level collaboration may go some way towards achieving this, but regions with fewer transactional costs in mounting territorially competitive policies will be more successful than those without. And there are likely to be fewer transaction costs where the boundaries of the administration are wider and fit more closely with the functional urban region. In other words, cities will be more economically successful in an increasingly competitive European marketplace when their government boundaries most clearly approximate their functional economic areas. Local government boundaries are too small and regional boundaries are too large to maximise economic gains. The most appropriate level is the city region and, other things being equal, city-regional government would encourage economic competitiveness.

CHAPTER 5

Comparisons – The International Experience

The experiences of cities and urban policies in the United States and (especially northern) Europe can provide a useful broader background against which to assess English urban policy. While traditionally it has been to the USA that many British policy-makers have turned, the European experience is in many ways more germane since there are closer parallels between the polity of northern European countries and England and since the contexts, generally high density, more compact settlement patterns and cities with longer historical roots, are somewhat more similar. The following account therefore looks briefly at the American experience and, at somewhat greater length, at the state of European cities.

The state of cities in the United States

The State of the Cities report shows that most cities in the United States are experiencing a much stronger fiscal and economic recovery than is true in Britain (Box 9). This reflects the comparative strengths of the two national economies.

Box 9: Growth trends in US cities

- Many cities across the country are demonstrating new vitality and improvement in fiscal conditions, service delivery and central city public safety. Two thirds of the country's 539 central cities experienced population growth, 1980-1996.
- Population is still growing faster in the suburbs than in the central cities, but the gap is narrowing - 95% of metropolitan growth nation wide was in the suburbs from 1970 to 1980 falling to 77% from 1980.
- Between 1991-98 unemployment in central cities fell from 8.5% to 5.1%.
- More than half of central city households are now homeowners.

However, many central cities are still being left behind and continue to experience population decline, loss of middle class families, at best slow growth in jobs, income inequality and poverty (Table 14, Box 10).

Table 14: Population change: US central cities and suburbs

City	Metropolitan Population 1980	Rank 1980	% change 1980-92	Central city population change			Suburban population change		
				1970 -80	1980 -90	1990 -96	1970 -80	1980 -90	1990 -96
New York	7,071,639	1	3.4	-10.4	3.5	0.8	2.3	1.7	3.2
Chicago	3,005,072	2	-7.9	-10.6	-7.4	-2.2	15.0	9.3	8.4
Los Angeles	2,968,528	3	17.6	5.4	17.5	2.0	7.2	18.5	3.9
Philadelphia	1,688,210	4	-8.0	-13.4	-6.1	-6.8	6.4	8.0	4.3
Houston	1,595,138	5	6.0	29.4	2.2	7.0	76.4	47.6	21.6
Detroit	1,203,368	6	-15.9	-20.4	-14.6	-2.7	8.3	2.1	2.6
Dallas	904,599	7	13.0	7.1	11.4	4.6	53.0	45.8	20.5
San Diego	875,538	8	31.2	25.7	26.8	5.5	49.5	38.4	7.2
Phoenix	789,704	9	28.2	35.8	24.5	17.9	6.4	8.0	4.3
Baltimore	786,741	10	-7.7	-13.1	-6.5	-8.2	19.7	16.8	9.5

Box 10: Poverty in US cities

- About one in five central cities experienced serious population decline during 1980-96. Some 57 central cities lost 10% or more of their population over this period. Most cities losing population are small to medium size (unlike the UK).
- Unemployment rates are particularly high in some central cities - rates were 50% above the national rate in 17% of cities in 1998. As in the UK, there are pockets of high unemployment even in cities with low overall rates.
- Persistent poverty affects a third of central cities - official poverty rates are 20% or higher in 170 central cities and 30% or higher in 30 cities. Again, most of these are small or medium size cities. High poverty rates reflect structural barriers to participation in the changing economy including the skills gap and problems in attracting investment to parts of the city.
- Poor residents, particularly the minority poor face increasing shortages of affordable housing as strong growth in the economy and employment market pushes up rents faster than wages.

Some older suburbs are experiencing the problems once associated with core urban areas including job loss, population decline, rising crime and disinvestment in the residential and commercial sectors (Box 11).

Box 11: Problems in older US suburbs

- Older 'inner ring' suburbs around cities such as Cleveland, Pittsburgh and Cincinnati are experiencing problems of crime, poverty, disinvestment, blight and population loss characteristic of central cities.
- This is evident across the country as a whole with nearly 400 suburban jurisdictions in 243 different states considered to be suffering distress based on levels of poverty (exceeding 20%) and population loss (5% or more, 1980-96).
- Out migration of middle income households has undermined the economic vitality and skill base of inner suburbs.
- Job growth beyond the inner suburb associated with sprawl has left pockets of high joblessness in some inner suburbs.

Other, particularly newer, suburbs are suffering the effects of growth pressures including sprawl, traffic congestion, overcrowded schools, loss of recreational opportunities and open space, and lack of affordable housing (Box 12).

Box 12: Pressures in newer US suburbs

- Lack of affordable housing excludes poorer workers from new suburbs with job opportunities. This jobs/housing mismatch undermines competitiveness.
- Sprawl drives up the costs of roads and other infrastructure
- Reducing sprawl could reduce the costs of development, costs of congestion and consumption of open space.

The need has been recognised for joint city/suburb-based strategies to address the linked problems of central city decline, suburban sprawl and the decline of older suburbs. There is increasing recognition that the competitiveness of regions is directly tied to the economic strength of urban core areas, and that long-term vitality will require greater co-operation between cities and suburbs. Investing in central cities is therefore seen as a key to creating competitive metropolitan economies. The strength of central cities is increasingly seen as the basis for competitive success. In the context of economic expansion, central cities have the relevant resources, including labour and developable land together with the market potential, to extend the economic boom.

In response to such trends, some of the key issues within the US urban policy agenda include:

- Capitalising on favourable conditions for tapping new markets and anchoring positive trends in central cities
- Helping cities and suburbs to address joint challenges
- Addressing issues of sprawl and promoting co-ordinated approaches to regional growth.
- Promoting metro-wide co-operation

Key initiatives can be grouped under four main headings:

- **Opening doors to new markets:** the New Markets Initiative aims to stimulate private capital investment in low-income areas with high concentrations of poverty.
- **Investing in working men and women:** strengthening job creation, training, housing and employment services for those moving from welfare to work.
- **Expanding homeownership and affordable rented housing:** a range of measures including mortgage insurance, housing vouchers, public housing renewal and the Housing Security Plan for older people.
- **Promoting smarter growth and liveable communities:** curtailing sprawl and promoting growth in already developed communities. There is a range of measures to promote regional growth strategies and to enhance the attractiveness of central cities to business and residents including: dedicated bond issues, transport investment,

measures to support abandoned buildings and brownfield development, new policing initiatives and measures to improve schooling to stem the outflow of middle class residents and to benefit those who remain.

Much of this policy package is not dissimilar to that currently in place in Britain. However, there are two key differences in the focus of American policy: the emphasis given to the co-ordination of metropolitan and regional strategies; and, as part of this, the stress placed on problems being experienced in suburban areas. The latter partly reflects a difference between US and British suburban areas where, in Britain, even though some older suburban areas show evidence of problems associated with disinvestment, the tighter control of planning regulations has meant that suburbs generally suffer from less acute problems than in America. If there is a lesson here it is that there is a need to maintain regulatory control over the location of new developments in order to avoid the excessive sprawl that can undermine the market for investment in inner suburbs. However, the emphasis on the importance of city-region linkages does appear to have direct lessons for policy in Britain. The US emphasis stems from the twin recognition of: (i) the reciprocal links between the success of core cities and their regions; and (ii) the need to extend the canvas of strategy and policy intervention beyond the artificial boundaries of administrative jurisdictions.

The state of cities in mainland Europe

In the last decade there has been a transformation in the perceptions of the role cities play within the European Union. During the 1970s economic and population decline and growing social problems in many large European cities raised serious questions about their long-term futures. However, during the 1980s and 1990s the trend changed as cities re-emerged not simply as recipients of substantial public assistance but as important economic and political actors in an emerging European-wide urban economic system. Cities are now high on the European agenda.

During the 1980s a pattern of re-urbanisation emerged in some mainland European cities. This process had two elements. First, the growth rate of smaller cities slowed. Second, larger cities, which had steadily declined throughout the 1960s, 1970s and early 1980s, began to grow again from the later part of the 1980s. Re-urbanisation was particularly marked in the former West Germany, reflecting immigration from the former East Germany and Eastern Europe. However, this trend was not confined to Germany. It has also emerged in cities in France and the Netherlands.

The most important factor in re-urbanisation is almost certainly the successful restructuring of metropolitan economies and the rapid development of higher-order service-sector activities in the centres of many large cities. Economic resurgence has been paralleled by cultural changes which have seen older and younger households, often child-free with above average incomes, move back to take service-sector jobs or enjoy the cultural and lifestyle advantages of urban living. It has also been encouraged by city governments undertaking initiatives to revitalise their city centres. The revival of urban cultural activities, lengthening travel-to-work times, and public and private sector investment in prestigious urban regeneration schemes have also made living within cities more attractive. In some cities, higher birth rates amongst ethnic communities is fuelling urban population growth. Such trends seem set to continue in many cities and the early 1990s could be a watershed for cities in Europe, marking the beginning on demographic and economic

renaissance.

However, re-urbanisation brings social costs as well as economic benefits. Low-income residents and low value-added economic activities can get displaced from city centres or squeezed into less desirable areas with fewer facilities as gentrification occurs. There is prosperity, energy, creativity and innovation, juxtaposed with poverty, exclusion and deteriorating neighbourhoods. The growth in social exclusion is intimately connected to, and partly caused by, the search for economic competitiveness.

The result of these changes is that European cities now present a contradiction. Some of the larger cities play important roles as the command and control centres of a rapidly developing global economy. The concentration of economic, physical and intellectual resources makes many of them centres of prosperity, creativity, culture, communication and innovation – the dynamos of the European economy. But at the same time many cities are experiencing declining economic competitiveness, growing social exclusion and physical and environmental deterioration, making them a drain on Europe's potential economic performance and its social stability. The growth in social exclusion is intimately connected to, and partly caused by, the search for economic competitiveness. At the same time, the growth in social exclusion is limiting the economic competitiveness of cities and regions.

Some indications about the condition of European cities can be seen from the emerging findings of the European Commission's Urban Audit which looks at 58 cities in all 15 member states of the EU (Box 13).

Box 13: Trends from the EC Urban Audit

- City population levels are stabilising and populations at wider conurbation levels are growing
- The cities are becoming more international and more cosmopolitan. 10% of the population of the cities were non-nationals, around one third from the EU and two thirds from outside.
- Cities have relatively small households and they are getting smaller.
- Cities bear the brunt of unemployment and long term unemployment.
- Income disparities and poverty are growing. About 25% of households had income which was less than 50% of national household income.
- Home ownership is increasing. 95% of cities had experienced an increase in levels of ownership.
- Cities are improving on health indicators.
- Crime rates are higher in cities especially northern and capital cities.
- Service sector employment is increasing. Over three quarters of employment is now in services and less than a quarter in industrial employment
- Voter participation in city elections is relatively low and declining. Average voting in local elections varied enormously from 20% to 60%. But the percentage had fallen in two thirds of all cities between most recent elections.
- Educational levels are rising. Cities lag behind at lower educational levels but most have more graduates than the national average.
- Travel is increasing, car ownership is increasing and public transport is declining

At present the European Commission does not have an explicit urban policy. But many of its actions directly and indirectly impact upon cities. Commission policy has broadened and deepened to confront the complex mix of opportunities and problems European cities face. The Commission's growing involvement during this period can be traced both through its policy documents, 'Urbanisation and the Functions of Cities in the EU', 'Europe 2000' and 2000+ and 'Towards an Urban Agenda', as well as through the introduction and expansion of Urban Pilot Projects and the Community initiative URBAN. The publication of 'Sustainable urban development in the European Union: a framework for action' marks a further important stage in this process.

The Commission is encouraging and financing more integrated, area-based and partnership actions at national and local level and facilitating the exchange of good practice about urban regeneration through a range of institutions and networks. It proposes 24 actions to meet four broad goals:

- Strengthening economic prosperity and employment
- Promoting equality, social inclusion and regeneration;
- Protecting and improving the urban environment;
- Contributing to good urban governance and empowerment.

Arguably the most significant part of the framework document is the Commission's proposal to introduce Integrated Urban Development Plans. These will require that cities are integrated into regional development plans, as a central feature of structural fund negotiations in future. Although confined to Objective 1 and 2 regions, this is an important development that places cities at the centre of regional policy. In the short term, it implies more support and resources for cities. But in the longer term the plans could be a lever to achieve much better working relationships between cities and their regions.

National-level policies are also an important part of the context in which cities have to respond to change. The institutional, financial, planning and legislative frameworks still vary enormously between European countries. Nevertheless, three trends which transcend national boundaries are worth noting (Box 14).

Box 14: European trends

- A changing balance between national, regional and local responsibilities and powers during the 1980s and 1990s. In particular, there has been a growing pattern of decentralisation of powers and responsibilities to lower levels of government. Traditionally decentralised countries like Germany have continued that process. But even countries more traditionally centralised like Belgium, France, Spain and Italy have been creating or increasing the authority of regional and urban institutions during the past decade.
- The emergence of more explicit national urban strategies. The countries which urbanised first and hence experienced urban decline first – Britain, France and Germany – were the first to develop systematic urban policies. The process which began during the late 1960s increased in the 1980s. But the trend emerged in many other countries during the 1980s.
- Growing recognition of the economic opportunities for cities. This was encouraged by increased awareness of the importance of economic competition between nations and cities during the 1980s and the potentially increased pace of that process after the creation of the Single European Market. Urban leaders became more aware of the need to avoid falling behind already successful European cities and sought to identify new niches in the European economy. But national leaders also became conscious of the potential contribution of cities to national economic competitiveness and performance. In particular, in many countries the contribution of capital and larger cities was acknowledged and restrictions that had been placed upon their growth in the 1970s were frequently relaxed during the 1980s.

There has been a particular thrust by European countries to develop solutions to the growth of social exclusion in their cities, in particular through the use of area-based initiatives. There is disagreement about the merits of an area-based approach, but supporters argue that by focusing public resources it can:

- help to compensate for market failures where the private sector is unwilling to invest in areas which have concentrations of excluded people;
- increase community social capital – skills, confidence, assets, organisational capacity, internal networks;
- increase the prospects of individuals finding routes to inclusion;
- help to improve the prospects of excluded areas by linking them strategically to economically and socially successful areas of the city through city wide regeneration strategies which also have a neighbourhood focus;
- encourage a more integrated approach at regional level linking regional economic growth and neighbourhood regeneration;
- improve the delivery of services in excluded communities by integrating the policies and resources of different agencies and partners in the area, linking mainstream programmes to special initiatives;
- encourage the development of good practice and policy innovation.

A recent study examined how France, Ireland, the Netherlands and Denmark are dealing with these policy challenges. Despite their diverse contexts, there has been a convergence of views about the policy responses they should be adopting. In all four countries, policy makers are confronting growing social exclusion in urban areas created by globalisation, economic restructuring, technological change, institutional restructuring and urban competition. All are grappling with the need to reduce centralisation, improve the

performance of national and local governments, de-bureaucratise delivery systems and create partnership mechanisms and cultures. Equally, they have all moved, if in different ways, in the direction of area-based approaches to reduce social exclusion in urban areas. Ireland is experimenting with 38 area-based partnerships funded by the European Union; the Netherlands has developed its Grosse Steden Beleid (Big Cities Policy). The French are working with the contract-based approach in over 200 towns and cities, the Danes are piloting Kvarter-Luft (neighbourhood lift) in 7 urban areas.

Partnership is an explicit goal in all the countries. But the progress made towards more partnership-based decision-making varies. Involving the private sector has proved difficult in most of the countries. Often there is little tradition of direct private engagement in local decision-making and little incentive to participate. Equally there are problems of empowering the community sector in all four countries. The degree of centralisation in France and Ireland has traditionally left little space for communities to participate in decision-making. Where community empowerment is being attempted, as in Denmark, a range of familiar problems emerged:

- the lack of community capacity and resources in relationship to professionals and the public sector;
- low levels of community interest and worries about activist burnout;
- worries about community representativeness;
- awareness of the long-term commitment required to empower communities.

In every country, the process of regeneration began by focusing upon physical investment, but the focus has increasingly shifted to the economic dimension of exclusion, with efforts to address it through labour market strategies as well as trying to engage the private sector in the process. In future, the challenge for government, including Britain, will be to recognise that a single-pronged attack, for example, either through community development or flagship projects alone, will not work.

Two political targets are particularly difficult to achieve. Integrated area-based policy making calls for a shift towards cross-departmental working as well as the bending of resources towards excluded communities. These have not been easily attained in any of the countries. Every national government has created cross-departmental teams of politicians and/or officials. In general, getting support at cabinet level or from the Prime Minister's office, is critically important. This has implications for Britain; for example, underscoring the value of the Social Exclusion Unit in the Cabinet Office. But achieving substantial departmental commitment and changes in attitudes, priorities and behaviour, as was demonstrated by the RDA developments in Britain, remains a major challenge in all the countries.

There are also problems about concentrating resources sufficiently. An important political objection to area-based programmes is that they inevitably favour the designated areas at the expense of the others. The practical consequence in every country is that enormous political pressure has built up to increase the number of areas that are eligible for the special programmes. Just as in Britain, where over 600 SRBs replaced 31 City Challenges, governments elsewhere have found it very difficult to resist such pressure. Ireland started with 12 Area-Based Partnerships, but increased to 38. France began with 12, but increased

to 214 Contrats des Villes. The Dutch started with the 4 big cities, but have extended the initiative to 26. The Danes are moving in the opposite direction; having recognised that the first initiative was too dispersed, they reduced the current initiatives to 6. But mobilising sufficient resources to make a significant impact upon an area, without generating resentment and envy amongst those left outside, remains a fine political balancing act.

The current policy debate in Europe is less about the principle of area-based interventions, than about the right spatial levels at which to tackle exclusion and, in particular, how to integrate area-based approaches with wider conurbation or regional-level strategies. Amongst many French policy makers, there is a strong view that a decade of contract-based initiatives, recently overlain by centralist and market oriented interventions, has left urban government fragmented and urban policy incoherent – pursuing welfare as opposed to developmental policies which are targeted at the wrong spatial level. There is also a view that policy has been too strongly led by the process of central grant giving and local grant getting, than by the long-term strategic needs of urban areas focusing upon programmes, capacity, delivery and performance. There is growing demand for a greater focus upon: the wider conurbation as opposed to smaller areas, a limited number of big cities with larger problems and an economic development as well as a welfare-oriented strategy.

The experience across the different countries and cities is diverse. However, a number of policy implications for Britain can be highlighted. The most general one is that in many respects Britain is in the lead rather than lagging in terms of designing area-based initiatives. The experience of other European countries does not suggest that there are many radically different approaches that Britain should adopt. Rather, it confirms that it focuses on the right administrative and political issues, since other countries are also grappling with many of them. However, achieving the goals of regeneration is proving as great a challenge to them as it is for the British.

It is also clear that there is a need for a degree of realism about the apparent successes of other European countries and the transferability of specific programmes. Initiatives which seem attractive from afar, for example, the French Contrats des Villes system, on closer inspection reveal their own dilemmas and challenges for indigenous policy-makers. However, the evidence also underlines a more general point about the relationship between special initiatives and mainstream programmes. The nature of welfare state provision in different European countries is a critical element that encourages or discourages the emergence of social exclusion in the first instance, as opposed to the role of area-based initiatives which respond to it once it has emerged. The contrasts for example between the Danish, Dutch and Irish welfare state models and the extent of social exclusion in their cities, despite intense area-based partnership activity in Ireland, most vividly underline the point.

In broad terms, while there are clearly lessons to be learned from the European experience of urban policy, there is nothing radically different that is operating effectively in mainland Europe but has been neglected here. Indeed in some respects such as area-based policies, Britain serves as a role model. The broad principles underpinning British policy – encouraging partnership between state, market and community; attempting to integrate government policies at horizontal and vertical level; attempting to empower communities; linking area-based initiatives to metropolitan wide strategies; focusing upon the economic dimensions of exclusion – are increasingly also the policy objectives of other European countries.

One final judgement can be made on the basis of the European experience about the relationship between area-based initiatives and wider government programmes. Britain has had more experience of addressing social exclusion on an areal basis than have other European countries. It could also be argued that it has had more success in implementing such policies. There have been clear improvements in, and benefits from, the targeted programmes in the 1990s. However, many other public policies also influence the nature and level of social exclusion. The Dutch and the Danes may lag behind Britain in terms of designing and delivering area-based programmes, but their more regulated labour markets and traditionally greater support for welfare state services through social housing, welfare benefits, health and education systems have arguably limited the severity of social exclusion in the first instance. Inequality has not grown during the 1990s in those two countries. By contrast, the deregulation of labour markets and reductions in the nature and level of support for welfare state services arguably contributed to the growth of inequality in Britain during the same period. Area-based approaches are clearly valuable ways of addressing the problem of social exclusion. But the European experience emphasises that mainstream programmes are the more important factor. The wider comparative lesson is that prevention, rather than cure, may be the more intelligent strategy.

CHAPTER 6

Issues to be Addressed

This broad review of urban trends and policy responses in Britain, mainland Europe and America suggests a number of basic principles that might valuably inform the proposed Urban White Paper. Six generic issues can be emphasised.

Continuing the principles.

It is clear, not least from the comparisons with other European countries, that the principles that have progressively been embodied in the gradual evolution of urban policy over the last twenty years are the right ones. Britain has been in the lead in developing effective regeneration initiatives and much has been learned from the experience. The principles include:

- vertical integration across targeted geographical areas;
- horizontal integration across service deliverers to link the economic social and environmental domains;
- the creation of partnerships that incorporate public private and community interests;
- a lead role in co-ordination being taken by local authorities.

These are all essential elements of effective regeneration programmes. They may be difficult to achieve in practice, but they are the right goals for policy to address. Given this, and given the need for long-term persistence in intervention programmes, it would now be a mistake to abandon or radically to change the focus of regeneration policy. Not least is this the case in light of the evidence that some cities have begun to reverse their long years of decline and that many now show signs that they are successfully re-inventing themselves for the new challenges of increased competition at a global (or at least, a European) scale.

Rethinking and linking the scales of intervention.

One of the strongest messages to emerge from the American and European experience reinforces the need to rethink the scales at which policy is conceived and implemented; and to consider the ways in which linkage between these scales can best be achieved. There are two elements to this. First is the need to tie city policies to the broader frameworks of regional and sub-regional strategy. Second is the scale at which specific regeneration interventions should be targeted.

On the city-region linkages, it seems clear that, there is a risk that, the advent of RDAs

could if anything merely add a new layer of complexity to an already confused institutional stage. The published RDA regional strategies do not yet appear to have teased out what might be the distinctively regional aspects of the strategy and the delivery of regeneration.

There are three critical elements to regional governance: to clarify the importance that government gives to a regional dimension and to determine whether regional governance will be in the hands of RDAs or GORs; to determine what elements of economic strategy are distinctively regional – the subsidiarity argument; and to establish a clear 'spatial architecture' that could link sub-regional strategies and the delivery of regeneration into the regional scale and national scales. The challenge is to create a framework to link the local and the national and with the principle of subsidiarity at its heart.

The experiences of America and of countries in mainland Europe suggest that it may be the sub-regional scale that is the most critical for many aspects of achieving this linkage in economic development. There is, indeed, a strong argument that it is city-regions that should be the basic building blocks for developing much of the strategy for economic regeneration, not least in terms of developing the skills base. The most meaningful functional economic entities for planning purposes are areas that embody labour market catchments (and are therefore based on conurbations and large cities and their hinterlands). They represent the most appropriate scales for developing the strategies necessary to address the needs of skills development, strategies for the retention and attraction of businesses, and for many aspects of infrastructural development (such as transport, environment, and housing).

The most critical need is for a framework through which interventions and policy development at the range of scales can most effectively be joined together. This would require a hierarchy of priorities at regional, city-region, city and neighbourhood scales, aimed at ensuring that each is consistent with the other so that maximum synergy can be achieved.

On the second issue, that of the scale of regeneration interventions, there are overwhelming arguments for ensuring that regeneration initiatives are focused on relatively large areas in order to maximise the likelihood of encouraging synergy across different service departments and agencies. Co-ordination across local authority services and the incorporation of agencies such as the police, probation, health services and the like are much more probable if they are attempted within programmes that tackle big areas. It is in this respect that exploring the scope for Urban Priority Areas is especially germane. As suggested in the report of the Urban Task Force, such areas could benefit from having specific fiscal and planning regimes that could help to kick-start investment by giving added confidence to potential investors. Selected UPAs could usefully be developed in conjunction with the establishment of a limited additional number of Urban Regeneration Companies, using the flexible model of those currently being experimented with in Liverpool, Manchester and Sheffield, developed as the strategic and delivery agencies within such areas.

Encouraging co-ordination across service areas.

Integration across geographical scales of strategy and policy intervention should be paralleled by the need to achieve greater horizontal integration across departments and agencies both within central and local government. Ironically, this seems to be happening somewhat more effectively at local than at national level. All the evidence appears to

suggest that the recent initiatives aimed at modernising local government are beginning to have significant effects on at least some local authorities. The restructuring of traditional service-based committee structures into cabinet-style government in local authorities is increasing their ability to develop cross-departmental strategies and to break free of the service-based silos through which services have traditionally been delivered. The New Commitment to Regeneration may provide a valuable model in this respect.

At national government level, however, the traditional departmental structure has proved more resistant to change. This can have deleterious effects on any urban policy since its concerns inevitably straddle the direct responsibilities of a wide range of departments, such as DETR, DTI, DoH, DfEE, DSS and the Home Office. The palimpsest of zonal initiatives that have been established by various departments has rightly been criticised in the recent Performance and Innovation Unit's report. Each of the initiatives work within different geographical areas, and to different timescales and performance criteria. They present local authorities and other agencies on the ground with bewildering complexity. Moreover, many of the policy decisions taken by a range of central government departments can have indirect effects on the fortunes of cities. There are numerous examples:

- as the RDAs have argued, the Monetary Policy Committee's decisions on interest rates have differential impacts on big northern cities with their continuing relatively strong dependence on manufacturing industry;
- decisions on the location of public investment in national research institutes or on investment in specific sectors of the economy can have dramatic effects on the economic prospects of cities in different regions;
- decisions about benefit entitlements have massive differential impacts on big cities;
- decisions on the balance between brown-field and green-field development can have profound effects on the likelihood of urban regeneration, especially in areas within the North where demand may be less buoyant.

Government might consider two approaches to better tackle the need to achieve consistency in its urban policy. First would be the establishment of an Urban Policy Unit, based on the model of the Social Exclusion Unit. Staffed by secondees from across a range of departments, such a Unit would have the task of sensitising central departments to the often unintended impacts of their policies on urban areas and of monitoring the state of the country's cities. More radical would be the creation of a single urban 'pot' of resource drawn from across the budgets of central departments and operated either through the RDAs or (more plausibly) the GORs.

Promoting partnership and inclusion in the policy process.

There is increasing recognition of the benefits of partnership and of involving the widest range of stakeholders within partnerships. There is clear evidence of the benefits that this could bring. Partnership processes have tended, however, to revolve around established institutional structures and structures of governance. Emerging ideas around new forms of democratisation, citizen involvement and participation need to be supported and developed to complement and extend established approaches to partnership and consultation. Such

ideas encompass 'deliberative democracy', collaborative planning, citizens panels, electronic polling and citizens juries,

This is important at a city-wide scale, broadening political engagement and building on and extending established forms of electoral democracy. It is particularly important, also, at the neighbourhood scale, providing opportunities to include local residents in a positive and pro-active fashion into goal-setting, policy formulation and implementation on the ground. Initiatives like New Deal for Communities start to suggest something of the potential of bottom-up involvement linked to established institutional structures and stakeholders. At the same time it has to be recognised that diversity, tension and conflict of interest between different stakeholders and social groups will remain. The goal cannot simply be one of consensus. Democratic decision-making processes must, however, be able to reflect and incorporate difference and diversity.

Maximising the impact of resources.

All the evidence points unambiguously to the fact that existing targeted regeneration programmes are but a minute fraction of the resources channelled to areas through main programmes. Urban policy in Britain has long recognised the importance of bending mainstream resources to reinforce the beneficial impacts of targeted regeneration programmes. In practice, this has proved an elusive yet vital ambition. Given the scale of the need for policy intervention to tackle the problems faced by cities, the arguments for continuing targeted initiatives such as SRB or New Deal for Communities is overwhelming. However, a key element of resourcing is the degree to which targeted initiatives could lead more effectively to continuation strategies for regeneration once targeted resources come to the end of their span. Mainstream spend and the restructuring of local authorities should be encouraged to come together to create the policy frameworks aimed to ensure that priority continues to be given to targeted areas to the point at which they may develop self-sustaining regeneration.

It is here where the government's New Commitment to Regeneration appears to hold some promise. NCR focuses on a wider area than neighbourhood regeneration programmes. It involves the mainstream programmes and budgets of all the public agencies in the area, not just the special regeneration initiatives. It involves national government as a key partner. It attempts to explore flexibilities in the way that national policies, for example in welfare, housing, finance, planning, transport, education and training, are carried out locally to encourage greater creativity, innovation and success. While it is too soon to provide definitive assessment of the impact of NCR, experience so far has indicated a variety of advantages and dilemmas with the policy that, alongside additional resources channelled to targeted initiatives, could form the basis for a model of effective local regeneration.

Recognising a degree of diversity.

To date, most regeneration initiatives have been targeted primarily at the big cities and guided by indicators of socio-economic need. This focus has great strengths, not least given the critical role that is played by the core cities as drivers of their regional economies. It is in large part this key economic rationale of the core cities that justifies the continuing support for urban regeneration and the re-invention of cities. While this emphasis should continue, there is also need to recognise the variety of other types of districts in which deprivation is found. Seaside resorts and ex-coalfield areas are particular examples. But

there is also a preventative argument that should inform the focus of policy. It is here where the situation of suburbs is important. The American experience suggests that older suburbs can face increasing problems of disinvestment as the process of outward migration continues. The situation may be less critical in Britain, but even here out-of-town council estates and some inter-war private suburbs already have or are beginning to show early signs of the onset of socio-economic problems. While the principal focus of policy should be directed at the core cities, the needs of such areas of incipient problems are also important.

The rural case appears to be of a different order of magnitude and of a qualitatively different sort. While the evidence suggests that there can be extensive deprivation in non-urban areas, few if any rural areas show the degree of deprivation that is found in cities. This is partly a function of the scale at which deprivation is measured, since deprived households in rural areas are typically a relatively small proportion even at the scale of wards or enumeration districts. Moreover, the principal distinguishing element of rural deprivation is isolation and poor accessibility to goods and services. Such problems would appear to be tackled best not through area-based initiatives, but rather through a twin-track approach of using the individual-based benefits system on one hand and addressing accessibility (through supporting dispersed services, rural transport and peripatetic services) on the other.

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