

# Beyond the High Street:

Why our city centres really matter

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**“The Centre for Cities is a research and policy institute, dedicated to improving the economic success of UK cities.**

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## Executive summary

### **More and more attention has been paid to the High Street in recent years.**

Many policy documents, column inches and even TV shows have been dedicated to the woes of the High Street. All too often, they portray retail as an isolated activity. In reality the reverse is true – the fortunes of the High Street are dependent on the fortunes of the wider city centre in which they are based. The debate must be about jobs and city centres, not just about shops and High Streets.

**Our data shows that in London and large cities, city centres are playing an ever increasing role in city-wide economic performance.** Eight of the 10 largest cities have seen private sector jobs become more concentrated in their city centres. The result is that more than one third of jobs in large city centres are in knowledge intensive service activities, such as finance, law and marketing. In London this figure is almost 50 per cent. And in turn they are less reliant on retail, with retail jobs making up 9 per cent and 5 per cent of all jobs respectively.

**But the opposite has occurred in medium and small sized cities.** These cities, on average, have seen an increasing number of private sector jobs being based away from their city centres, with out-of-town employment sites playing a larger role in their economies. And fewer of their city centre jobs are in knowledge intensive activities – one quarter of jobs in the city centres of medium size cities are in this area, while the figure is one fifth for small cities. This in turn makes them more reliant on retail, which makes up at least 16 per cent of all jobs in each.

**Jobs are always good, but where those jobs are located can affect how well a city's economy performs in the future** for four reasons:

- 1. Retail - if a city has more jobs in out-of-town locations, it reduces the number of people who have to come to the city centre five days a week;** reducing the size of the market that retailers can sell to.
- 2. Future economic growth - many of the highest skilled and best paid industries – which have been critical sources of jobs growth in recent years - prefer to locate in city centres.** This is because a city centre location offers advantages including access to more skilled labour (because of transport connections) and opportunities to exchange information as a result of being close to clients, competitors and collaborators.
- 3. Access to jobs - it is easier to provide public transport for economic activity concentrated in one place.** This has implications for low skilled workers in particular, who are less likely to own a car.
- 4. The environment - less concentrated economies have a greater dependence on the car.** This increases CO<sub>2</sub> emissions from road transport.

**By focusing too much on High Street shops and not enough on helping city centres to attract and retain a wide range of jobs, policymakers are failing to help our cities adapt to a changing economy and potentially damaging national economic growth.** We have to stop just thinking about shops and start thinking about how best to support different city centres as places to do business.

This means unpicking some of the contradictory policy in this area. For example, some policies are trying to protect city centre retail, such as Town Centre First and

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the Government's response to the Portas Review of the High Street. Other policies such as Enterprise Zones, when located on out-of-town sites, incentivise businesses, and so jobs, to move out of city centres, inadvertently reinforce a 'hollowing out' of some cities.

**Rather than focus on retail in isolation, policymakers need to start focusing on the role of the city centre economy as a whole.** For this to happen the Government should make city centres a key priority within its National Infrastructure Plan and allocate funding to address the physical and digital infrastructure requirements to support business growth within city centres.

**Cities also need to consider how the role of their city centre is changing in the 21<sup>st</sup> century – not every city can or should seek to become like London or Manchester.** Smaller cities are likely to struggle to attract some of the highest skilled jobs unless they have a clear offer (such as proximity to a university). Instead, cities need to consider how their city centres can play to their distinctive assets and complement one another in a wider labour market – for example, in Manchester City Region, 'knowledge intensive' services jobs are concentrated in Manchester city centre rather than in the centres of surrounding cities such as Wigan and Bolton.

Large cities need to maintain the advantages that their city centre economies have as places to do business by managing congestion and rising office rents. Medium and small cities need to improve the operation of their city centres as a business environment – of which High Streets are just one part. They also need to consider their role within their wider city regions when considering how to improve the performance of city centres. Working in partnership in a city region to play to the strengths of different cities, large and small, in order to attract jobs is likely to bring greater economic benefit to the city than working alone.

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## 1. Introduction

Very little is understood about the patterns of economic activity *within* cities in Great Britain. But these patterns are very important – they have implications for economic growth, the ability of people to access employment opportunities and the environment. For the first time, this report provides a comprehensive analysis of employment patterns and economic activity within cities in Great Britain. It investigates the role that city centres play in the wider economies of cities, the importance of out-of-town employment sites and the role that policy has had in influencing this.

Within policy circles the term ‘High Street’ seems to have become shorthand for city centre. And for many, saving the High Street has become a crusade. Retailers, celebrities and politicians have all lamented the decline of it. In turn, policy documents, newspaper articles and TV programmes have been dedicated to turning around its fortunes.

The approach of nearly all of these commentators assumes that High Streets are the *raison d’être* for city centres. Yet our research shows that sluggish retail is the symptom of an underperforming city centre, not the cause of it. If a city centre lacks jobs, residents and/or leisure amenities – the primary functions of city centres – then this will shrink the size of the market that a secondary activity such as retail can serve.<sup>1</sup> This may well sound obvious. But the economics behind the struggles of some High Streets has been largely overlooked by those that are looking to arrest their decline.

There needs to be a shift in the debate, moving beyond a narrow discussion about the future of retail to a much more practical focus on the future role of city centres. Retail is just one part of a city centre economy. Central locations are particularly attractive to ‘knowledge’ industries such as law, accounting or financial services because they benefit from locating close to clients, competitors and collaborators, making them more productive. In other words, by concentrating economic activity in one place, cities can get more out of what they’ve got, and this will support activity on the High Street.

Our report also shows that the patterns vary from city to city: it’s not just about trying to recreate the same city centre in Manchester, Middlesbrough and Mansfield. It’s about recognising how neighbouring city centres can complement and strengthen one another.

This report attempts to move the conversation on from one focused on retail to the real issue – and the one that makes a big difference to the national economy – the wider economic underperformance of many of our city centres. The debate to date has largely been devoid of data and economic analysis. Using information on individual businesses, this report presents a comprehensive analysis of patterns of jobs growth within cities and sets out the implications of these patterns for future economic performance in different cities.

The report is structured as follows. Section 2 provides a comprehensive overview of the patterns of private sector job location and creation across our cities. Section 3 sets out the reasons why these patterns of spatial development in our cities matter

“Within policy circles the term ‘High Street’ seems to have become shorthand for city centre”

1. Jacobs J (1961) *The Death and Life of Great American Cities*, New York: Random House





*“There needs to be a shift in the debate, moving beyond a narrow discussion about the future of retail”*

for overall economic growth. Section 4 looks at how these trends are influenced by the relationships that cities have with each other within City Regions. Section 5 summarises the role that policy has had in influencing these spatial patterns, and Section 6 offers policy recommendations to influence the future spatial development of our city economies.

### **Box 1: Methodology**

#### **Definition of central areas**

There is no consistent definition of city centres in UK cities. The size and development of them has been influenced to different degrees by topography – such as coast lines – and man-made structures – such as roads.

To facilitate data analysis, this paper defines the central core of a city as being those businesses that are located within a given radius of a central point in its city centre. For this reason the data for all cities is presented for the ‘central’ area of a city, which may not always match local views about where the ‘city centre’ is.

The central point was identified by studying aerial views of each city and locating the point in the middle of the “city centre” as determined by the location of shopping streets, offices and road patterns.

The size of the radius was adjusted to the population size of the city, again by studying aerial maps. Population was chosen, rather than land mass, to define the size of the city centre as landmass is dependent on local authority boundaries that have been influenced by a range of non-economic factors.

The radii used were:

- 2.0 mile radius for London
- 0.8 mile radius for cities with populations between 600,000 and 2.5 million in 2011
- 0.5 mile radius for cities with populations under 600,000 in 2011

A number of case studies were also undertaken to ensure we understood what was happening ‘beneath’ the data. The case studies are used throughout the report to illustrate specific points raised by analysis of the ‘all city’ data.

#### **Definition of cities**

The definition of cities used throughout this report is the Primary Urban Area (PUA). For more information go to [www.centreforcities.org/puas](http://www.centreforcities.org/puas).

#### **Non-geographic postcodes**

The data has been extracted using individual business records from the ONS’ Business Structure Database (BSD). Businesses were matched to our defined areas by their postcodes. In this process we excluded all non-geographic postcodes, such as PO Boxes, as the location they are given does not give an indication as to the location of the business.



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This means that in some instances the jobs growth figures that Centre for Cities has presented in the past on private sector jobs growth between 1998 and 2008 in cities do not closely match to those presented from analysis on BSD data when non-geographic postcodes are excluded. A good example of this is Birmingham. When non-geographic postcodes are included as they were in Private Sector Cities, the city saw a 7.7 per cent contraction in private sector jobs between 1998 and 2008 (the BSD data supports this). When non-geographic postcodes are excluded as in this report, however, the city sees a much smaller reduction in private sector jobs.

### **Definition of the private sector**

The majority of the analysis in this paper refers to the private sector. This is because decisions made by private sector businesses about location and growth are likely to have been heavily influenced by commercial pressures rather than by political decisions. The Standard Industrial Codes for public administration and defence, health and education are used to define the public sector.

### **About the data**

This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.



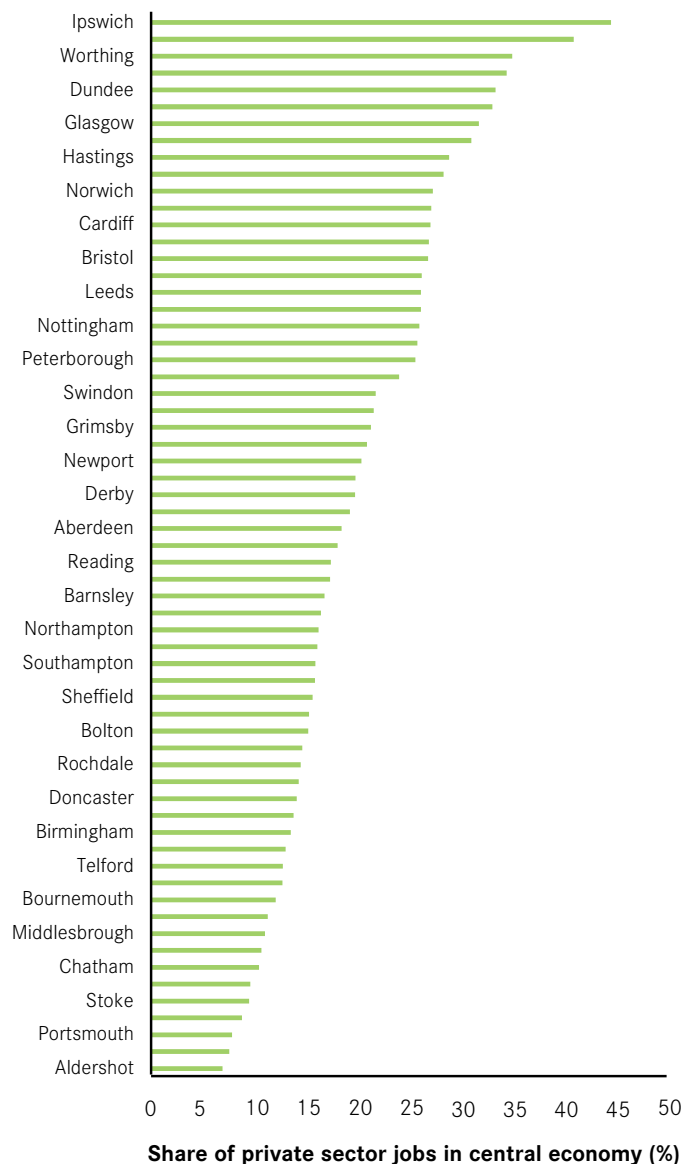
## 2. The role and performance of city centre economies

**Previous work by Centre for Cities has shown that private sector jobs growth across our cities has been highly variable.<sup>2</sup>** Cities such as Milton Keynes and Wakefield saw very strong private sector jobs growth in the decade before the downturn, while cities such as Barnsley and Stoke saw job losses. But this analysis did not look at where jobs growth occurred within cities. Using microdata on individual businesses and their branches, the analysis in this section shows that not only has there been variation in the scale of private sector jobs growth within cities, but the nature of this growth has varied too.

**On average, almost a quarter of all private sector jobs in cities are based in city centres, but the picture is far from uniform across the country.**

As Figure 1 shows, in 2011 Ipswich was the most centralised city – almost half of its private sector jobs were located in central Ipswich. Aldershot was the most decentralised, with fewer than one in 10 jobs located in its centre.

**Figure 1: Share of private sector jobs in central areas, 2011**



Source: ONS 2013, Business Structure Database

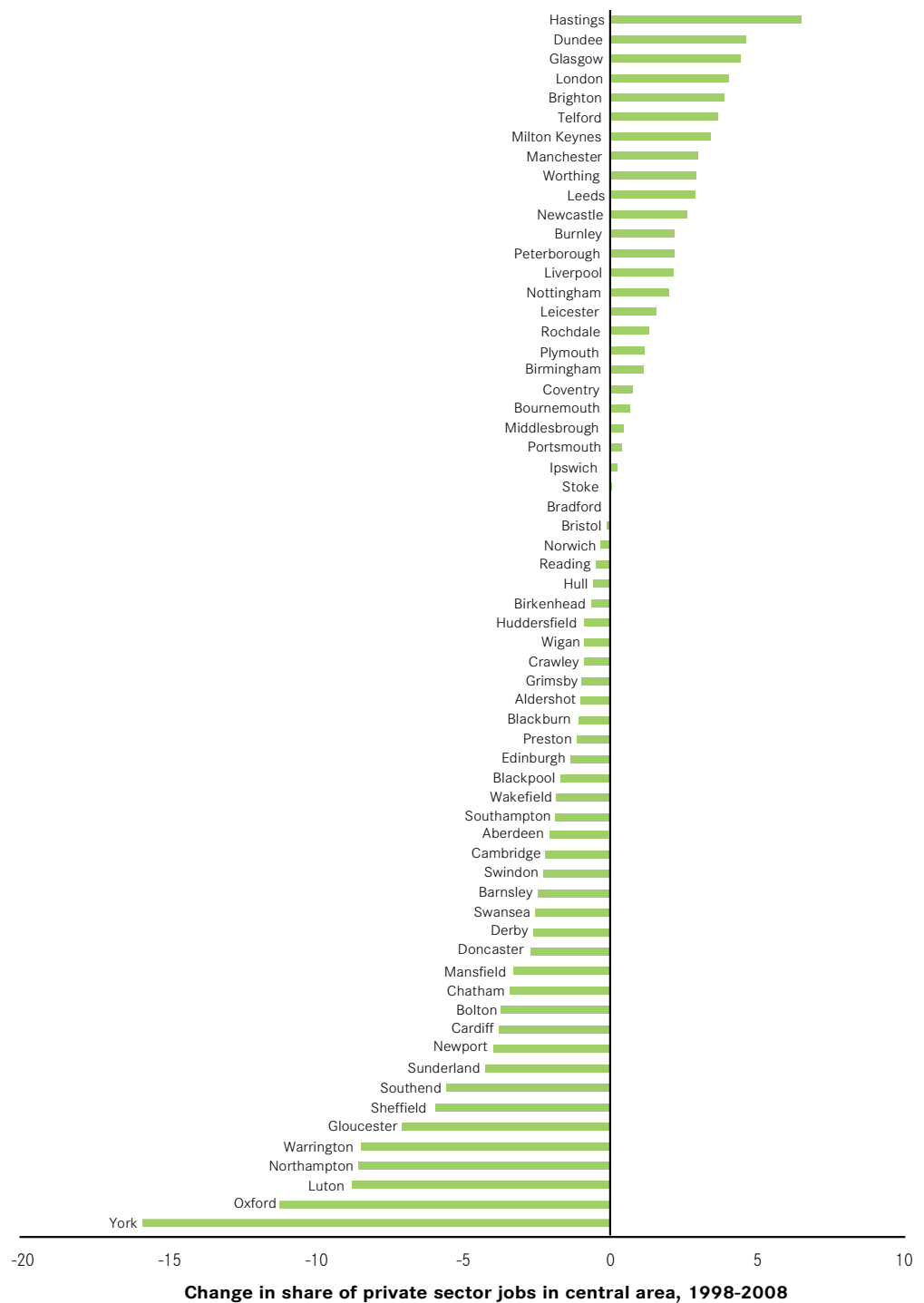
**“On average, almost a quarter of all private sector jobs in cities are based in city centres”**





**In general, cities have been decentralising in recent years**, with the central areas of cities, roughly equating to city centres, performing less well than the wider city economy. Between 1998 and 2008 (the decade before the beginning of the current downturn), just 25 of our 63 cities saw a concentration of private sector jobs in their central areas. As Figure 2 shows, there was a broad range of performance within this headline statistic. Hastings saw the greatest centralisation of private sector jobs in its central area, while York saw the greatest decentralisation.

**Figure 2: Change in the share of private sector jobs in the central areas of cities, 1998-2008**



Source: ONS 2013, Business Structure Database

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“London and other large cities have seen their central economies take on an ever greater role in their wider economies in recent years”

**This trend varies by city size: while London and other large cities have seen their central economies take on an ever greater role in their wider economies in recent years, medium and small sized cities have seen a reduction in the role that their central economies play.** Figure 4 shows that London and the other nine cities with a population size of over 550,000 in 2008 saw a centralisation of private sector jobs in their central areas. Of the large cities only Sheffield and Bristol saw a decentralisation of jobs away from their central areas.

In contrast, other cities saw a decentralisation of private sector jobs. On average medium sized cities<sup>3</sup> saw a 0.6 percentage point shift in private sector jobs away from their central areas. Small cities<sup>4</sup> saw an even greater decentralisation, with a 4.1 percentage point shift in private sector jobs to their wider economies.

**Figure 3: Centralisation of private sector jobs according to city size, 1998-2008**

City Group	Percentage point change in share of private sector jobs in central areas
London	4.0
Large	1.8
Medium	-0.6
Small	-3.1

Source: ONS 2013, Business Structure Database

**Yet, as always, beneath the averages there are different stories for different cities.** Some smaller cities saw a strong centralisation of jobs in their central areas, with cities such as Brighton and Milton Keynes in particular seeing their central areas drive overall city wide private sector job creation. Figure 4 sets out the relationship between growth in the central area of a city and the rest of the city for all cities in Great Britain. Those cities in the green half of the chart saw a centralisation of private sector jobs in their central area, while those in the red half experienced a decentralisation.

**The cities that saw a decentralisation of jobs (those in the red part of Figure 4) can be split into two groups: growing but decentralising city centres, and hollowing out cities.**

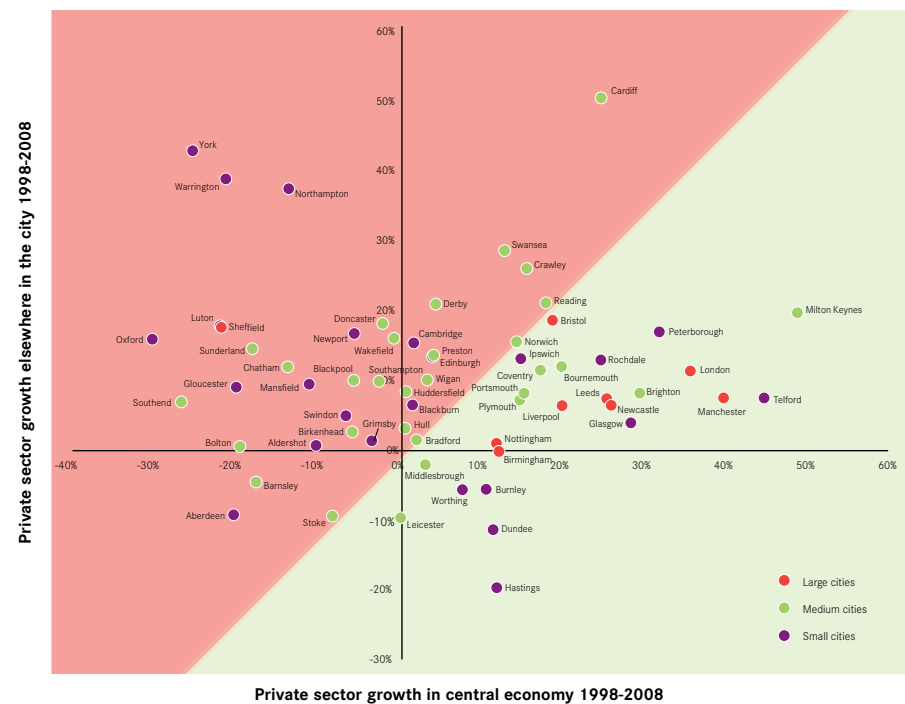
- **Growing but decentralising cities**, such as Swansea and Cambridge saw private sector jobs growth within the city centre but this growth was outstripped by the private sector job creation in the outer areas of their economies. This meant that overall there was a relative shift in economic activity away from their central to wider economies.
- **‘Hollowing out’** cities comprised of 21 cities, a third of all cities in Great Britain, including Blackpool and Luton. These cities saw a relative shift in economic activity away from city centres to wider areas, *and* they saw wider areas grow their private sector at the same time as the city centre went into reverse, either stagnating or losing private sector jobs.

3. Cities with populations between 230,000 and 550,000 in 2008.

4. Cities with populations below 230,000 in 2008.



**Figure 4: Growth of private sector jobs in the central areas of cities and the wider city, 1998-2008**

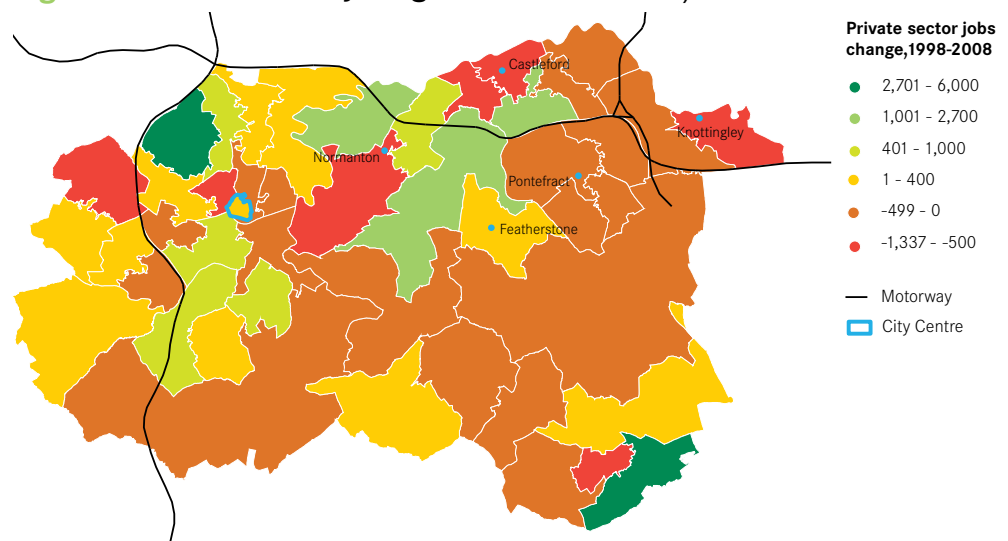


Source: ONS 2013, Business Structure Database

**Wakefield provides a good example of a decentralising city, where the performance of the city centre has diverged from the wider economy.**

Previous work by Centre for Cities showed Wakefield to be one of the UK's stronger performers in terms of private sector job creation in the decade before the downturn.<sup>5</sup> But as Figure 5 shows, the city centre made no net contribution to the economy's overall private sector jobs growth. Instead, private sector job creation mainly occurred on employment sites close to the M1 and M62. This pattern reflects previous analysis by Centre for Cities on Sunderland and Preston which experienced very similar patterns of spatial development,<sup>6</sup> but as discussed in Box 2 contrasts strongly to growth in other small to medium sized cities, such as Brighton.

**Figure 5: Private sector jobs growth in Wakefield, 1998-2008**



Source: ONS 2013, Business Structure Database. Contains Ordnance Survey Data © Crown copyright and database right 2012

5. Webber C & Swinney P (2010) *Private Sector Cities: A New Geography of Opportunity*, London: Centre for Cities

6. Swinney P & Carter A (2012) *Hidden Potential: Fulfilling the economic potential of mid-sized cities*, London: Centre for Cities

*“Wakefield provides a good example of a decentralising city, where the performance of the city centre has diverged from the wider economy”*



**“In Brighton 64 per cent of jobs growth occurred within its city centre”**

### Box 2: Polar opposites - private sector job creation in Brighton and Wakefield<sup>7</sup>

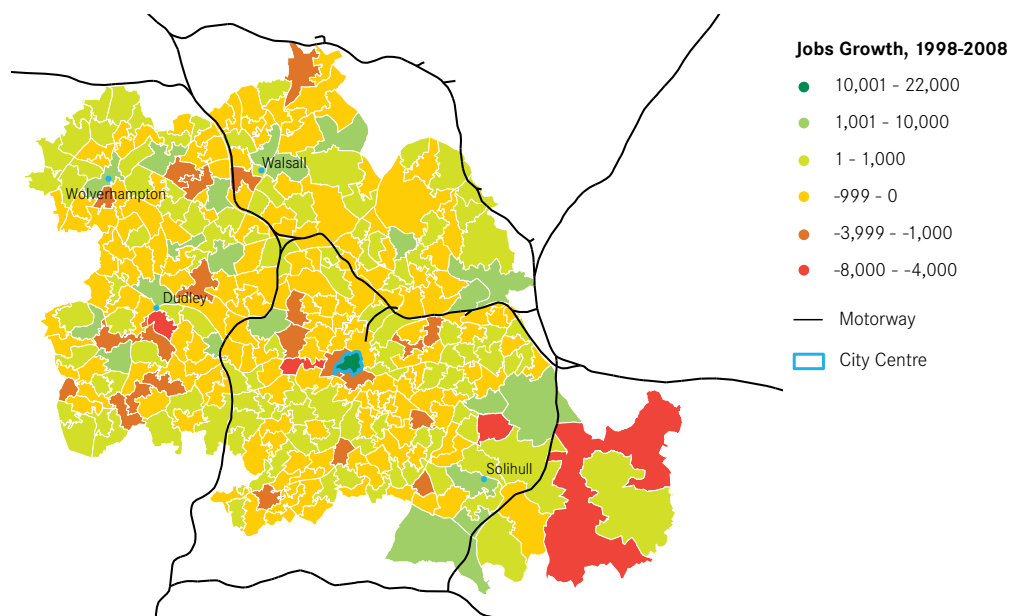
In the decade before the downturn Brighton and Wakefield experienced similar proportions of private sector job creation. But the nature of this jobs growth looked very different across the two cities in three ways.

The first difference was the location of job creation. In Brighton 64 per cent of jobs growth occurred within its city centre, meaning that economic activity became even more concentrated in its urban core – there was a 4.3 percentage point increase in the city centre’s overall share of private sector jobs. In contrast, Wakefield city centre’s share of private sector jobs fell by 1.1 percentage points, with growth principally in out-of-town employment sites.

The second difference was the size of business that contributed to overall growth. Small and medium sized businesses<sup>8</sup> more than accounted for all of the net increase in private sector jobs in Brighton, expanding by 123 per cent of the overall growth of all businesses in the city. Conversely large businesses in the city underwent a contraction in the number of private sector jobs available. The opposite occurred in Wakefield – at 62 per cent, large businesses made up the bulk of private sector job creation over the decade.

Thirdly, the industrial make-up of growth varied between the two cities. In Brighton the majority of private sector jobs growth was accounted for by the ‘knowledge intensive business services’ (KIBS) sector which tended to favour a city centre location. In Wakefield the transport, storage and communications sector was a large contributor to private sector job creation, which preferenced locations close to motorway junctions. KIBS jobs also saw strong growth in the city, but unlike Brighton this growth mainly occurred in out-of-town sites located close to the M1. The spatial patterns of KIBS jobs growth is discussed later in the report.

**Figure 6: Private sector jobs growth in Birmingham, 1998-2008**



Source: ONS 2013, Business Structure Database. Contains Ordnance Survey Data © Crown copyright and database right 2012

7. These case studies use a bespoke definition of Brighton and Wakefield’s city centres, as explained in Box 1.

8. Those employing fewer than 250 employees.



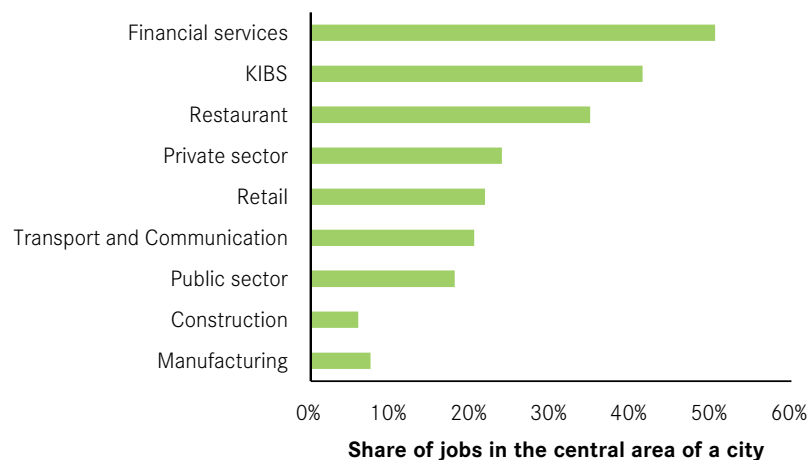
**“Some sectors prefer a central location more than others”**

**Birmingham is an example of a centralising city.** It did not perform well in the decade before the downturn overall but Birmingham’s city centre far outstripped the performance of its lagging wider economy. Figure 6 shows private sector job creation across the city between 1998 and 2008. While the city saw virtually no change in the number of private sector jobs, its city centre saw an increase of 27 per cent.<sup>9</sup>

**Cities such as Oxford, Cambridge and York are also examples of growing but decentralising cities.** The growth of these city centres is likely to have been constrained by the desire to preserve their historic character. The impact this has had on Cambridge is discussed later in the paper.

**Some sectors prefer a central location more than others.** Figure 7 shows that knowledge intensive business services (KIBS)<sup>10</sup> jobs are almost twice as likely to be concentrated in the central areas of cities, as private sector employment in general. All but four cities – Aldershot, Cambridge, Portsmouth and Southampton – had a greater concentration of KIBS jobs in their city centres than the private sector average. The concentration is even greater for knowledge intensive financial services jobs<sup>11</sup> – around half of all financial services jobs based in cities are based in a central location. In contrast, a central location is much less important for construction and manufacturing. Just 6 and 7 per cent of jobs in cities in each sector respectively were located in the centre of a city.

**Figure 7: Concentration of jobs in central areas of cities, 2011**



Source: ONS 2013, Business Structure Database

**KIBS jobs tend to cluster in city centres because they benefit from agglomeration, or more specifically, ‘knowledge spillovers’ as a result of people being close to one another and interacting.** Similar patterns can be seen in the USA.<sup>12</sup> And research on agglomeration in Germany has shown that knowledge intensive businesses are more productive when they locate in dense employment areas next to businesses from other industries.<sup>13</sup> The implication of agglomeration is that by concentrating economic activity a city gets more out of what it has got. Box 3 discusses agglomeration in more detail.

9. When including non-geographic postcodes that are assigned to Birmingham, the city wide economy saw a fall in private sector jobs of more than 4 per cent.

10. Knowledge intensive business services jobs are defined in the appendix.

11. Note that knowledge intensive financial services jobs are a subset of KIBS jobs.

12. Kneebone E (2009) *Jobs Sprawl Revisited: The Changing Geography of Metropolitan Employment*, Washington DC: Brookings Institution

13. Hafner (2013) *Agglomeration economics and clustering – evidence from German and European firms*, Applied Economics, 45, pp. 2938-2953.





**“The benefits of shared inputs and infrastructure, such as roads and rail, are significant at a regional level.”**

### Box 3: Why city centres are important business locations

The areas to which agglomeration economies are thought to operate over varies across the academic literature, with some authors suggesting that its benefits can stretch as far as 50 miles.<sup>14</sup> But the different elements of agglomeration are likely to operate over different geographies.<sup>15</sup> Some benefits of agglomeration, such as labour pooling and shared inputs, can be enjoyed by businesses across a large metropolitan area. However, information spillovers are only a significant factor in places with high concentrations of firms, like in city centres.

- The benefits of shared inputs and infrastructure, such as roads and rail, are significant at a regional level.
- The benefits of labour pooling (proximity to a large number of potential employees with relevant skills) is significant both at local and regional levels.
- The exchange and diffusion of ideas, driven by face to face interaction, are likely to operate over much smaller distances. For the advertising industry in Manhattan this has been estimated to have the greatest impact over 750 metres,<sup>16</sup> while other research finds that these agglomeration effects are strongest over a distance of one mile.<sup>17</sup> This would suggest that strong city centres are important firstly to encourage ideas exchange and secondly for a city economy to benefit from the externalities or spillovers that result from this activity.

It is the third element of agglomeration, known as ‘knowledge spillovers’, which this paper is most concerned about. Density facilitates these spillovers by increasing the flow of information within a city centre. This supports innovation- in the US patent rates have been found to be positively associated with employment densities in the urbanised parts of metro areas. The citations of patents are also more likely to come from the same area as the patent itself.<sup>18</sup> It also boosts productivity - a number of studies have found that productivity increases with employment density.<sup>19</sup>

Density varies across cities. Figure 8 shows that London has by far the densest central area, and is more than twice as dense as the average for large cities. In turn the central areas of large cities have more than 50 per cent more private sector workers per hectare than medium cities on average. Meanwhile small cities have the fewest number of private sector workers per hectare in their central areas. And London has triple the number of KIBS workers per hectare than large cities, which in turn have double the number seen in the central areas of medium cities.

14. Rosenthal S & Strange W (2008) *The Attenuation of Human Capital Spillovers*, Journal of Urban Economics (September 2008), pp. 373-389.

15. Rosenthal S & Strange W (2001) *The Determinants of Agglomeration*, Journal of Urban Economics, 50, pp 191-229.

16. Arzaghi M & Henderson J (2008) *Networking Off Madison Avenue*, Review of Economic Studies (October 2008), pp. 1011-1038

17. Rosenthal S & Strange W (2003) *Geography, Industrial Organization, and Agglomeration*, Review of Economics and Statistics (May 2003), pp. 377-393

18. Carilino G, Chatterjee S & Hunt R (2006) *Urban Density and the Rate of Invention*, Working Paper 06-14 (Federal Reserve Bank of Philadelphia, 2006); Jaffe A, Trajtenberg M & Henderson R (1993) *Geographic Localisation of Knowledge Spillovers as Evidenced by Patent Citations*, Quarterly Journal of Economics, vol. CVIII, August, no. 3, pp577-598.

19. Ciccone A & Hall R (1996) *Productivity and Density of Economic Activity*, The American Economic Review, 86. Retrieved from <http://www.stanford.edu/~rehall/Productivity-AER-March-1996.pdf>; Graham D (2007) *Agglomeration Economies and Transport Investment*, Journal of Transport Economics and Policy 41 (3)





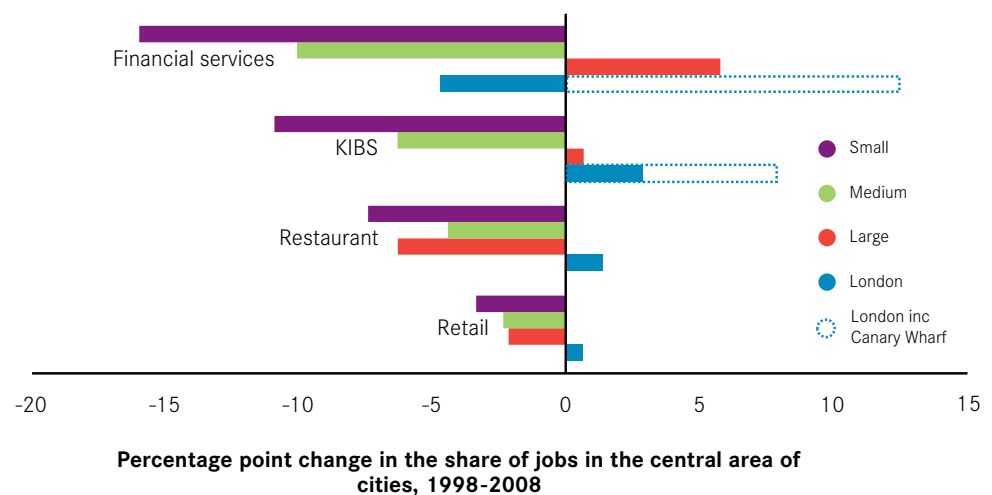
**Figure 8: Density of private sector and KIBS jobs in centres of UK cities (jobs per hectare, 2011 data)**

City Group	Density of private sector jobs in city centres (jobs per hectare), 2011	Density of KIBS jobs in city centres, 2011
London	379.8	193.5
Large	134.2	63.5
Medium	82.3	28.0
Small	61.0	19.5

Source: ONS 2013, Business Structure Database

**Despite this, KIBS jobs have not centralised in every city. Between 1998 and 2008, large cities saw a concentration of knowledge intensive jobs but smaller cities saw the reverse.** And as Figure 8 shows, this pattern was even more pronounced for financial services (with the exception of London, as result of the huge growth of Canary Wharf, a former enterprise zone<sup>20</sup>). So not only have total private sector jobs shifted away from the centres of medium and small cities, but so too have the types of jobs that, in theory, have most to gain from a central location.

**Figure 9: Change in the share of jobs in central areas of cities by sector, 1998-2008**



Source: ONS 2013, Business Structure Database

These patterns have occurred despite office space being cheaper in the central areas of medium and small cities than in out-of-town locations in the same cities. This suggests two things. Firstly, businesses are prepared to pay higher office costs to be in the central areas of London and large cities to benefit from knowledge spillovers. Secondly, the central economies of medium and small cities are not functioning so well as business locations – businesses are choosing not to locate there despite office costs being lower than elsewhere in the city.

**Retail and restaurant employment decentralised in all city groups apart from London, which saw a centralisation in both sectors.** While there was no clear pattern across cities for restaurant jobs, the decentralisation of retail jobs did vary according to city size, with small cities undergoing the largest decentralisation.

20. Including Canary Wharf, this figure would swing from a 5 percentage point decentralisation to a 12 percentage point centralisation of financial services jobs



**Figure 10: Ratio of rateable value of floorspace in a city centre relative to the rest of a city, 2008**

City Group	Ratio of office rateable values in city centres to city wide average
London	1.24
Large	1.15
Medium	0.94
Small	0.87

Source: Neighbourhood Statistics 2013, Commercial and Industrial Floorspace and Rateable Value Statistics. Note: There is no comprehensive measure of office rents across cities, so rateable values here are used as a proxy.

**During the downturn, the overall trends tended to continue.** Between 2008 and 2011, London saw a further concentration of its private sector jobs in central areas, while large cities saw virtually no change to the distribution of private sector jobs across their economies. Medium and small cities, on the other hand, saw a continued decentralisation of private sector jobs away from their central areas (see Figure 11).

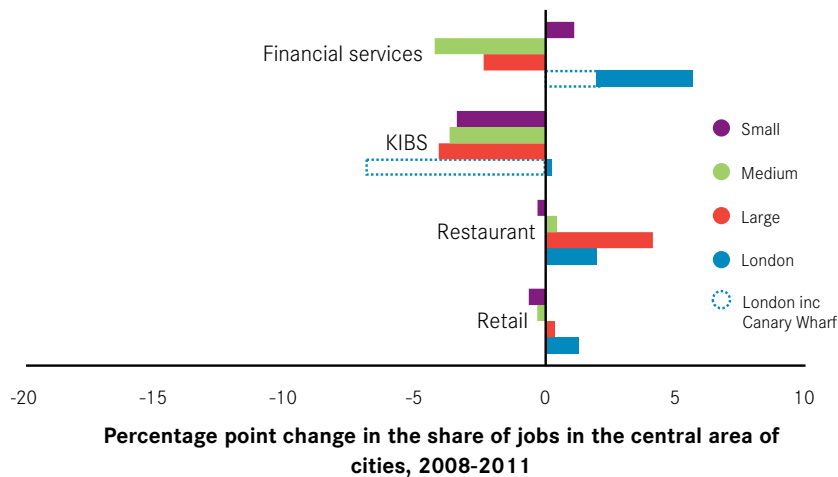
**Figure 11: Centralisation of private sector jobs according to city size, 2008-2011**

City Group	Percentage point change in share of private sector jobs in central areas
London	1.4
Large	0.0
Medium	-0.6
Small	-0.9

Source: ONS 2013, Business Structure Database

**The trends also continued in retail, although the pattern for knowledge jobs was less clear.** Retail continued to decentralise in small and medium cities, while large cities and London saw their retail sectors centralise. However, although KIBS jobs in London continued to centralise, Figure 12 shows that large cities underwent the largest decentralisation of jobs in this sector. This could reflect the nature of the short term impact of the downturn on KIBS employment, with knowledge intensive jobs in central London more insulated than in large cities elsewhere in the country.

**Figure 12: Change in the share of jobs in central areas of cities by sector, 2008-2011**



Source: ONS 2013, Business Structure Database

**“Retail and restaurant employment decentralised in all city groups apart from London, which saw a centralisation in both sectors”**

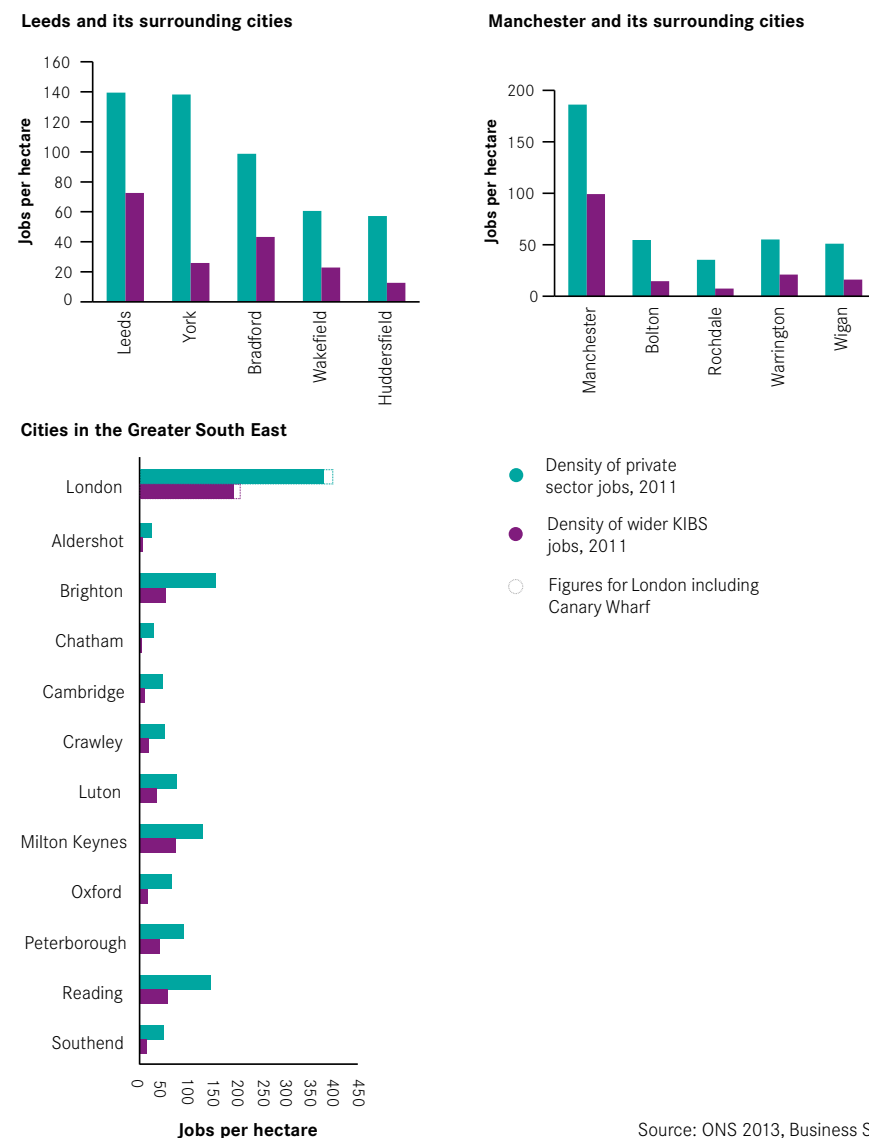
It is also worth noting that these trends are replicated in the USA too, as discussed in Box 4. However, the continued decentralisation of private sector jobs in these cities during the downturn does diverge from the US experience, where this movement has temporarily halted at least.

#### Box 4: Patterns of spatial development in US cities<sup>21</sup>

Work undertaken by the Brookings institute in the USA has shown that decentralisation has been even more extreme across US cities. Using a radius of three miles to define the central area of a city, just nine of the 100 largest metro areas studied saw the concentration of jobs within three miles of the centre of the city increase during the 2000s.<sup>22</sup> Meanwhile the share of jobs more than 10 miles from the centre increased in 86 of the metro areas.

The decentralisation of jobs in US cities halted between 2007 and 2010. This was mainly because those industries that tend to preference edge of city locations, such as manufacturing and construction, were those that were hardest hit by the recession.

**Figure 13: Densities of the central areas of cities within city regions of selected English city regions, 2011**



Source: ONS 2013, Business Structure Database

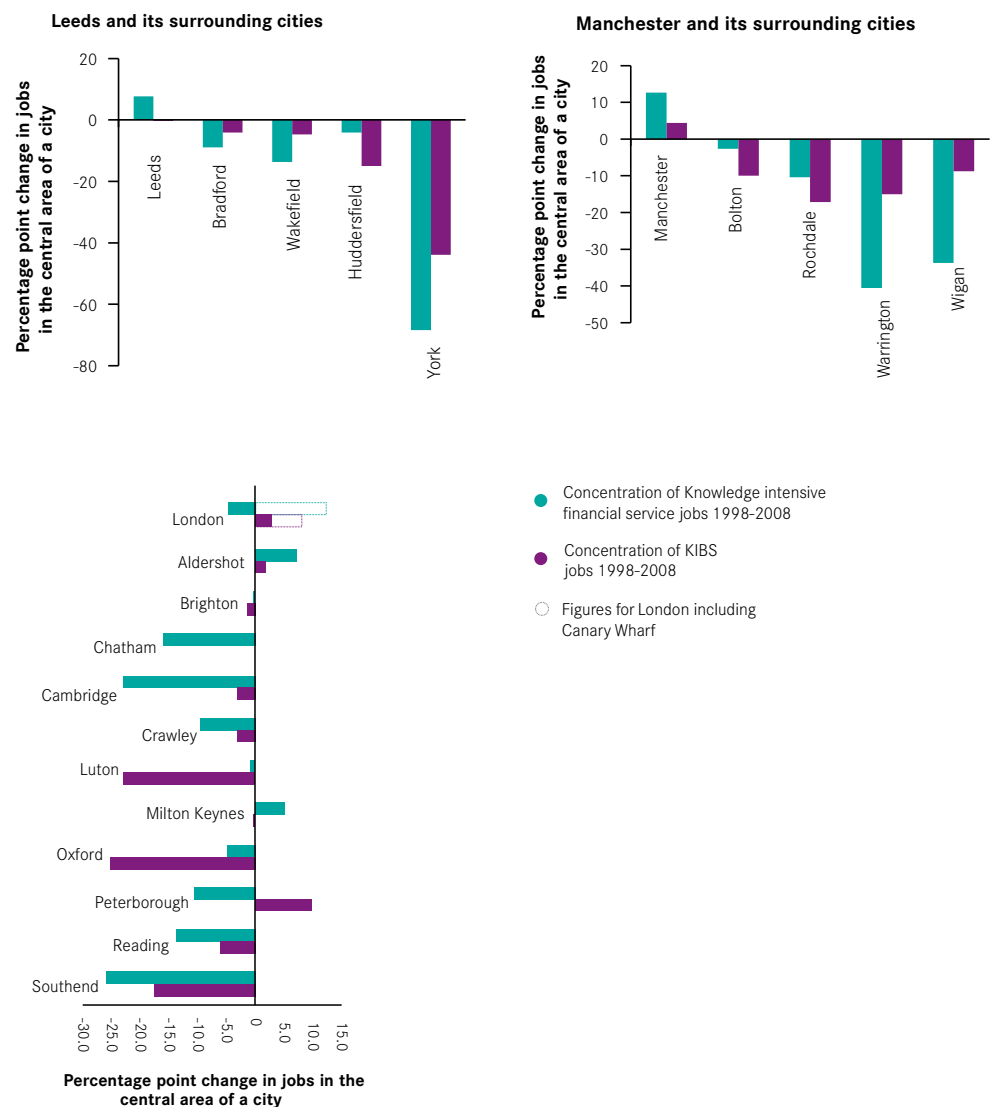
21. Kneebone E (2013) *Jobs Sprawl Stalls: The Great Recession and Metropolitan Employment Location*, Washington DC: Brookings Institution  
 22. For both public and private sector jobs.



The increasing centralisation of high skilled employment in large cities raises questions about the relationships between those cities and medium and small sized cities within their vicinity. If high value work is increasingly found in the central areas of the UK's biggest cities, then are the city centres of these large cities increasingly acting as the city centre of their wider city regions?

Looking at three city regions – Manchester, Leeds and London – sheds some light on the answer to this question. Figure 13 shows that all three of these large cities tend to have more dense central areas (in employment terms) than the cities in their hinterlands. This also holds for KIBS jobs – it is interesting to note that while the central area of York is as dense as the central area of Leeds when looking at all private sector employment, the concentration of KIBS jobs is much lower in the former than the latter.

**Figure 14: Concentration of KIBS and financial services jobs in cities within selected English city regions, 1998-2008**



Source: ONS 2013, Business Structure Database

*“Large cities tend to have more dense central areas (in employment terms) than the cities in their hinterlands”*



“Looking at the dynamics of KIBS jobs and financial services jobs shows these jobs to have been concentrating within the central areas of Manchester and Leeds in recent years”

Looking at the dynamics of KIBS jobs and financial services jobs in particular shows these jobs to have been concentrating within the central areas of Manchester and Leeds in recent years, while they have been decentralising in surrounding cities. This reflects the two cities’ positions as regional service centres. For Leeds in particular this reflects earlier findings on the hierarchy of financial services that plays out across the city region – the highest level jobs in the sector are found in Leeds, while back office functions tend to be found elsewhere in the city region.<sup>23</sup> The more routinised nature of the latter functions means that they are less likely to prefer prime city centre office space. These findings suggest that, in economic terms, the central areas of Manchester and Leeds are playing the function of city centres for their wider city regions, while neighbouring cities are playing vital complementary roles.<sup>24</sup>

The picture in London is less clear cut. As well as centralising in London, KIBS jobs have also centralised in the nearby cities of Aldershot and Peterborough. Meanwhile Financial Services jobs have centralised in Aldershot and Milton Keynes. While not conclusive, this suggests that the relationship that London has with its surrounding cities is different to the relationship that Manchester and Leeds have with the rest of their city region. Box 5 presents a more detailed look at Brighton, Reading and Milton Keynes. It gives further support to the notion that their proximity to London does not reduce the role that their city centres play – when looking at a more defined definition of the city centre in these three places, their city centres are performing relatively well.

#### Box 5: Cities around London

As with other case studies used in the report, a tighter definition of the city centres of the following case studies has been used. These city centres were defined using aerial photographs and were guided by the location of commercial buildings, roads and railways.

##### Brighton

Brighton is perhaps the city outside the large cities where knowledge spillovers appear to be the most pronounced. Using a more tightly defined definition of its city centre through case study work showed that between 1998 and 2008, the city centre of Brighton accounted for over 60 per cent of the overall private sector jobs growth in the city economy. And 65 per cent of this growth in the city centre was accounted for by KIBS businesses. This crowding in of jobs into the city centre continued throughout the downturn – the city centre continued to create private sector jobs against the wider city trend of a loss of private sector jobs. By 2011, 28 per cent of all private sector jobs were located in Brighton’s city centre. And the 2008 rateable value of office space in the city centre relative to the city average was the highest of all medium and small sized cities.

23. The Northern Way (2009) *City Relationships: Economic Linkages in the Northern City Regions, Leeds City Region*, Newcastle: The Northern Way

24. The Northern Way (2009) *City Relationships: Economic Linkages in the Northern City Regions, Leeds City Region*, Newcastle: The Northern Way

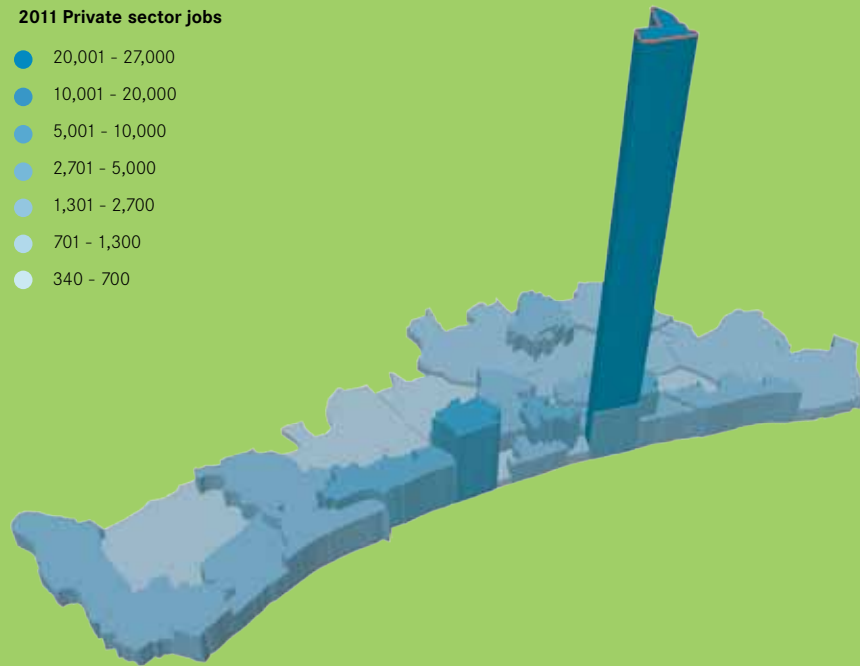


*“Reading presents an example of a poly-centric small city near London that combines a relatively strong main city centre”*

**Figure 15: Distribution of private sector jobs in Brighton, 2011**

**2011 Private sector jobs**

- 20,001 - 27,000
- 10,001 - 20,000
- 5,001 - 10,000
- 2,701 - 5,000
- 1,301 - 2,700
- 701 - 1,300
- 340 - 700



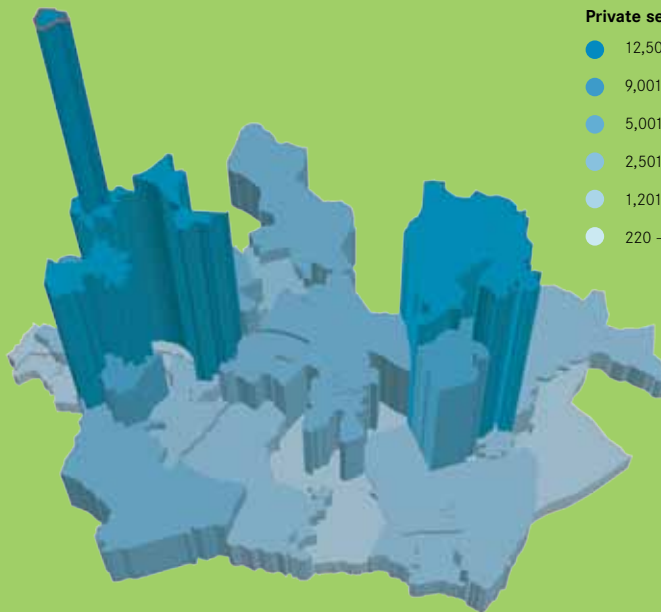
Source: ONS 2013, Business Structure Database. Contains Ordnance Survey Data © Crown copyright and database right 2012

**Reading**

**Figure 16: Distribution of private sector jobs in Reading, 2011**

**Private sector jobs 2011**

- 12,501 - 21,000
- 9,001 - 12,500
- 5,001 - 9,000
- 2,501 - 5,000
- 1,201 - 2,500
- 220 - 1,200



Source: ONS 2013, Business Structure Database. Contains Ordnance Survey Data © Crown copyright and database right 2012

Reading presents an example of a poly-centric small city near London that combines a relatively strong main city centre with good performance in a secondary centre and on out-of-town business parks. If a tighter definition of a city centre is applied it appears that private sector jobs have concentrated in the city centre between 1998- 2008. During this period the city centre accounted for 17 per cent of all additional private sector jobs created. One of three new jobs in the city centre was in KIBS businesses, but overall KIBS jobs were decentralising, which can be explained by relatively strong performance of

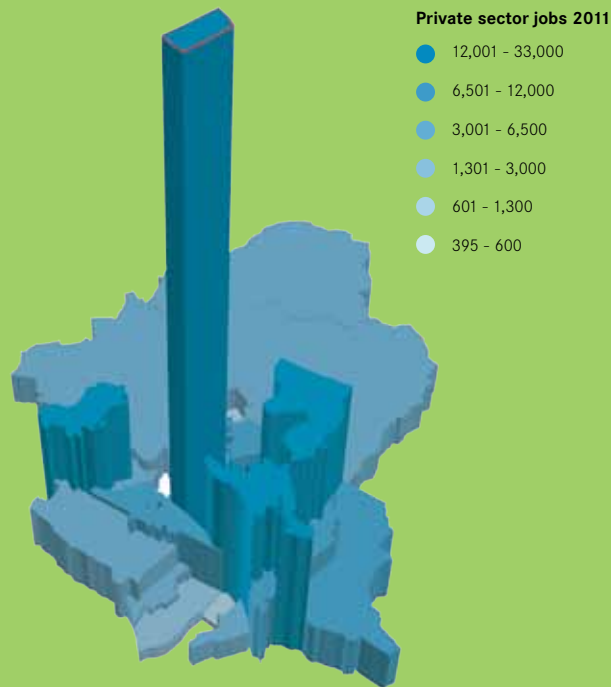




Bracknell town centre that falls within the Reading PUA and several out-of-town business parks where the offices of Microsoft, Oracle and Version are located. On the other hand retail and restaurant jobs were rapidly concentrating in the city centre during the same period – the share of jobs in these industries located in the centre increased from 24 to 28 per cent in a decade.

### Milton Keynes

**Figure 17: Distribution of private sector jobs in Milton Keynes, 2011**



Source: ONS 2013, Business Structure Database. Contains Ordnance Survey Data © Crown copyright and database right 2012

Milton Keynes, just like Brighton, follows a very centralised pattern of growth. A quarter of all private sector jobs are located in the city centre, including 39 per cent of retail and restaurant jobs and almost a half of all KIBS jobs in the city. However Milton Keynes city centre is very different from Brighton city centre. Milton Keynes is a new town and its city centre can be described as an inner city business park with office blocks with large floor plates, wide boulevards and ample parking. This means that although it is very centralised, Milton Keynes city centre has the lowest employment density of all 63 city centres in Great Britain. This would suggest that the spillover benefits of locating there may be lower than would be the case in a more dense layout. However unlike most other cities located around London, Milton Keynes city centre can offer modern office stock, large floor plates, and relatively affordable rents, which makes it attractive for certain types of businesses such as secondary offices of large corporations.

### Smaller cities and agglomeration

The case study of Brighton in particular shows that the benefits accrued from agglomeration aren't just generated in large cities. Two further pieces of evidence would support this. Firstly, as shown above, KIBS jobs are more concentrated than total private sector jobs in all but four cities, irrespective of their size. Secondly, large cities do not necessarily have denser urban cores than smaller cities. Cities such as Leicester, York and Norwich have a greater density of private sector jobs than Liverpool and Sheffield.

*“Milton Keynes, just like Brighton, follows a very centralised pattern of growth”*



Scale alone is not enough to facilitate a strong performing city centre, as illustrated by the performance of Central Sheffield in recent years. Not only does Sheffield's urban core have the lowest density of all the large cities, but it was the only large city to see a substantial decentralisation of private sector jobs from its centre in the decade before the downturn. This suggests that the city does not generate knowledge spillovers to the same extent as other large cities.

## Summary

The analysis contained within this section has highlighted a number of key spatial patterns regarding the creation of private sector jobs within our cities, namely:

- The performance of the central economies of cities varies according to city size. The UK's biggest cities have tended to see their central economies increase their share of overall private sectors jobs in the city. Meanwhile small and medium sized cities have seen a decentralisation of private sector jobs, with their central economies accounting for an ever smaller share of overall private sector jobs in their cities.
- KIBS employment was one of the main drivers of these patterns. In large cities KIBS jobs have centralised in the central economies of these cities. This is even more pronounced for financial services employment. But the opposite has been seen in medium and small cities.

The next section sets out why these patterns of spatial development have big implications for the future economic performance of our cities.

***“The performance of the central economies of cities varies according to city size”***



### 3. Do these spatial patterns matter?

Job creation, wherever it occurs in a city, is a good thing for that place and its residents. But while positive in the short term, the underperformance of some city centres could have implications for the future economic performance of cities. This section sets out four reasons why the patterns identified in section one matter for future economic growth across the country.

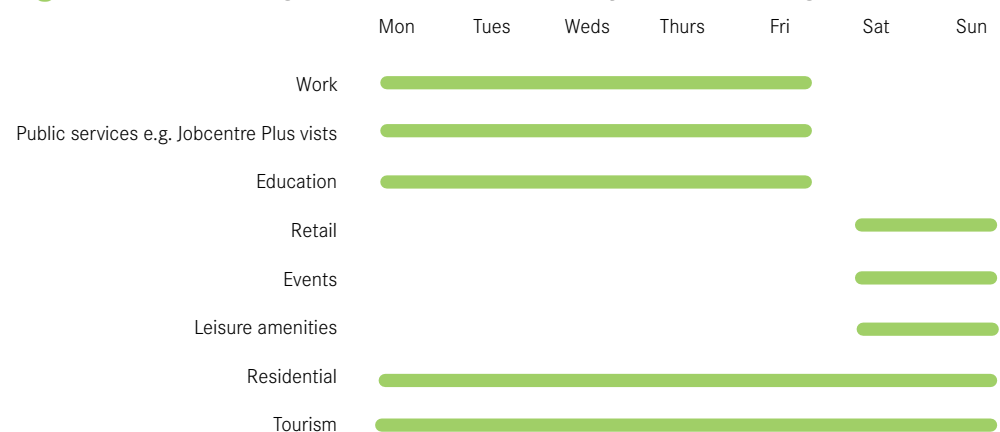
#### 1. City centres matter to the future performance of the High Street

**Calls to defend or revive the High Street have been made since at least the 1980s.**<sup>25</sup> These calls have intensified in recent years, most notably via the Government's commissioning of the Portas Review of the High Street<sup>26</sup> and in light of the demise of high profile retail chains such as JJB and Woolworths. Yet most of the debate completely ignores the role of the wider city centre economy in the trends seen in city centre retail. For cities that have seen a hollowing out of private sector jobs in recent years, the current policy recommendations targeted narrowly at the retail sector are likely to have a marginal impact at best.

**City centre retail relies on footfall as this determines the size of the market that retailers can sell to.** This means that in most cases retail is secondary to what goes on within a city centre, benefiting from the presence of other activity in an area to generate footfall and extend their customer catchment area.

Figure 18 gives an indicative list of the drivers of footfall in city centres across a week. On a weekend, when people tend to have more free time, events, leisure amenities and the retail offer itself is likely to pull footfall in to a city centre. But this is just two of seven days. Discounting tourism and (higher) education, which are only likely to be important for a handful of our cities, the main generators of daytime footfall for the other five days of the week are workers, non-working residents and the use of public services, such as Jobcentre Plus.

**Figure 18: Indicative generators of footfall in city centres throughout the week**



Note: This diagram is indicative only, and works on the assumption that people work 9am until 5pm, Monday to Friday

**In other words, jobs located within city centres make a big contribution to weekday footfall.** Those city centres that serve as large employment sites pull in many thousands of commuters on a daily basis, considerably increasing the market that city centre retailers can reach. As Figure 19 shows, in large cities, this averages a daily increase of up to 81,000 people every day.

25. Dawson J (1988) *Futures for the high street*, The Geographical Journal, Vol. 154, No. 1, pp43-68

26. Portas M (2011) *The Portas Review: An independent review into the future of our high streets*, London: The Stationery Office

“City centre retail relies on footfall as this determines the size of the market that retailers can sell to”

**Figure 19: Average contributors to footfall across cities by size, 2011**

City Group	Non-working population within walking distance of the central area of a city	All jobs within the central area of a city
London	308,308	1,444,771
Large	68,686	88,955
Medium	33,467	22,010
Small	25,608	18,199

Source: ONS 2013, Business Structure Database; ONS 2013, Census 2011

Note: Walking distance is assumed to be one mile further from the defined boundary of the central area of a city. One mile was chosen after discussions with retail consultants. Scottish cities are excluded from this table as census output area population data by economic activity has not yet been released.

**“Sluggish retail is the symptom of an underperforming city centre, not the cause of it”**

**It is therefore no surprise that there is a positive relationship between the estimated weekday daytime population<sup>27</sup> and the number of retail and restaurant businesses in the central area of a city,** as shown in Figure 20.

Those city centres that have higher daytime populations have a larger number of retail and restaurant businesses. As Box 6 discusses, the same trend is also seen for independent retailers.

#### **Box 6: Footfall and independent retailers**

Much of the underlying rhetoric around the current debates about the High Street appears to be influenced by the belief that independent retailers are good for the vibrancy of any retail offer, while chain retailers are not. While this may or may not be true, independent retailers are governed by the same broad trends as all retailers – there are more independent shops where daytime population, and so the size of the market, is larger. And so those cities that have fewer jobs and residents living in their city centres will see their city centre retail struggle, whether the shops are chains or independents.

**Sluggish retail is therefore the symptom of an underperforming city centre, not the cause of it.** The worry for medium and small cities is that the decentralisation of private sector jobs in their economies has both reduced the size of the market that their High Street retailers can sell to, and at the same time has left their central economies more reliant on retail. Retailers account for 16 per cent of central employment in small cities, compared to 9 per cent in large cities and 5 per cent in London.

And yet the Portas Review, amongst others, fails to recognise this, relying too much on the idea that *“once we invest in and create social capital in the heart of our communities, the economic capital will follow.”*<sup>28</sup> ‘Jobs’ are mentioned once within the review, while there is no reference to ‘commuting’, ‘employment’ or ‘offices’ at all.

Contrary to the claims in the Portas Review, our research shows that it is those places where ‘economic capital’ is strongest where retail performs the strongest. Too much policy focuses on weekend contributors to footfall shown in Figure 18, rather than sustained footfall throughout the week.<sup>29</sup> While the Portas Review covers

27. The daytime population has been calculated by adding the number of city centre jobs in the public and private sectors to the non-working population living within the city centre and in Census Output Areas that lie, at least in part, within a one mile radius of the city centre boundary.

28. Portas M (2011) *The Portas Review: An independent review into the future of our high streets*, London: The Stationery Office

29. Portas M (2011) *The Portas Review: An independent review into the future of our high streets*, London: The Stationery Office



England only, Box 7 shows that the Devolved Administrations have demonstrated a similar lack of understanding of the importance of city centre jobs in their policy approach to the High Street.

### **Box 7: The approach to High Streets in Scotland, Wales and Northern Ireland**

#### **Scotland**

In September 2012, the Scottish Government appointed an External Advisory Group to come up with a National Review of Town Centres. Although it is meant to be more “*wide-ranging*” than the Portas Review, it will again focus on retail and issues like “*rents, rates, planning and empty premises*.”<sup>30</sup>

#### **Northern Ireland**

Northern Ireland has embraced the recommendations set out in Portas’ review. In April 2012 it established a Retail Action Programme that included support programmes aligned with Portas’ review. This was followed up in November 2012 with a report on the High Street which published by a task force appointed by the Department for Social Development. A main aim was to establish how the recommendations in the Portas Review could help improve support for the High Street in Northern Ireland.

#### **Wales**

The Welsh Assembly has at least noted the importance of employment in the performance of High Streets. In a 2012 report published by its Business and Enterprise Committee one of the 17 recommendations stated that “*local planning authorities should be encouraged, within their Local Development Plan to see office and work-place development as a means of increasing footfall within town centres*.”<sup>31</sup> However, it did not set out how this should be done.

There are many useful insights in the Portas, and more recently, Grimsey Reviews. But if there is to be a future for the High Street, the principal focus of policy should be to encourage footfall during weekdays as well as weekends. As well as encouraging residential activity in city centres, this should be done through the concentration of employment within the centre of cities – **our city centres need to function as effective business locations.**

“Too much policy focuses on weekend contributors to footfall shown in Figure 18, rather than sustained footfall throughout the week”

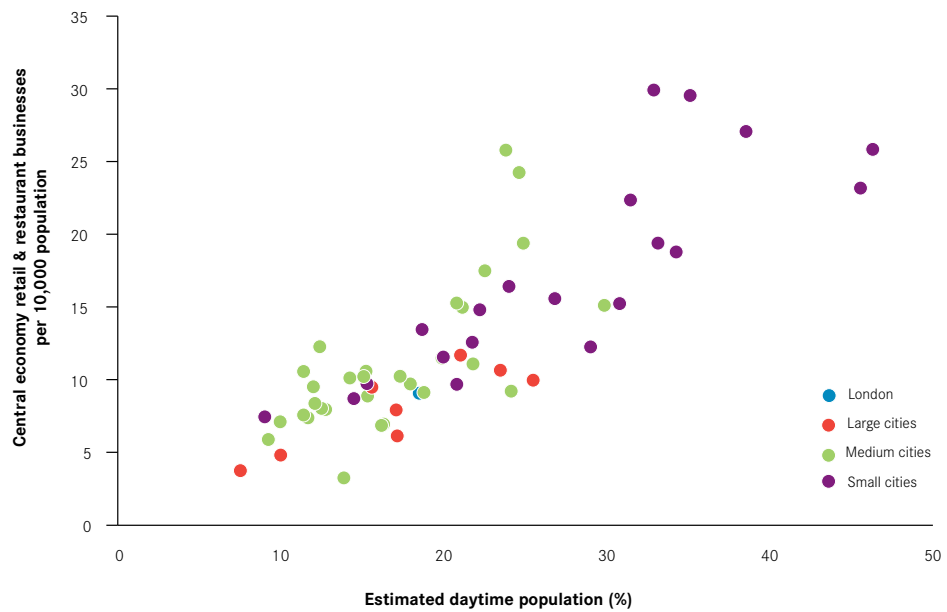
30. The Journal (2012) ‘Scotland to get own high street review’ published by The Journal Online, 10 September 2012.

31. National Assembly for Wales, Enterprise and Business Committee (2012), Regeneration of Town Centres





**Figure 20: Daytime population and retail and restaurant businesses in central areas, 2011**



Source: ONS 2013, Business Structure Database; ONS 2013, Census 2011 Note: Scottish cities are excluded for this table as census output area population data by economic activity has not yet been released.

## 2. The future economic sustainability of UK cities

**City centres are likely to become increasingly important drivers of both local city economies and the national economy as the UK economy continues to specialise in high value service activities.** This means that the strengthening of London and large cities' city centres bodes well for their future economic performance. However, the decentralisation of medium and small sized cities is a cause of concern for their future economic sustainability.

**The decentralisation of KIBS jobs in medium and small cities is likely to say something about the nature of job creation in this sector in these cities.** KIBS jobs here are defined using Standard Industrial Classification (SIC) Codes. While SIC codes identify which sector a job fits in to, they do not identify jobs by type. This means that the definition of financial intermediation includes banking as well as call centre support. The former is likely to preference a city centre location, while the more routine nature of the latter means that they are less likely to benefit from knowledge spillovers and so prefer edge of town locations.

The patterns above suggest that there has been a difference in the type of KIBS jobs growth that has been seen in large and smaller cities – large cities have seen growth in higher paid, more knowledge intensive jobs in their city centres, while medium and small cities have seen growth in more administrative and routine jobs based outside of the city centre. This means that high skilled jobs are increasingly concentrating in the central areas of our largest cities.<sup>32</sup>

**The outcome is that higher skilled, knowledge intensive employment is playing an ever larger role in the central economies of London and the large cities.** Near half of all jobs in central London are KIBS jobs, while more than one in three jobs in the centres of large cities are in KIBS activities. This compares

32. This is supported by previous research by Centre for Cities which found high skilled jobs to be centralising in the city centres of case study cities, while low skilled jobs were becoming more decentralised. See Clayton N, Smith R and Tochtermann L (2011), Access all areas: Linking people and jobs, London: Centre for Cities

**“City centres are likely to become increasingly important drivers of both local city economies and the national economy”**





to one in four in medium cities and one in five in small cities. As such, many medium and small cities are in a vulnerable position; they are less well placed to benefit from future growth in higher skilled services and are likely to be more reliant on jobs that are more vulnerable to mechanisation or job relocations.

### 3. Providing good access to job opportunities

**Any city centre needs to be served by good transport links to efficiently link workers to jobs and to manage congestion.** As well as making jobs more accessible, good transport links also increase the pool of labour that businesses can hire from, so increasing the attractiveness of a city centre as a business location. This in turn facilitates agglomeration – recent research in the USA has found that doubling public transport services increased employment densities and increased wages by between 1.1 and 1.8 per cent.<sup>33</sup>

This is particularly important for low income workers. Lower income groups are more dependent on public transport – 43 per cent of people living in households in the lowest real income group have no access to a car or van compared to 8 per cent of people living in households in the highest real income group,<sup>34</sup> while over two-thirds of Jobseekers Allowance claimants have no access to their own car or cannot drive.<sup>35</sup> Lower income groups also tend to travel shorter distances, with commuting horizons typically being less than 10 miles per day.<sup>36</sup> This means that access to employment sites in out-of-town locations, which tend to be less well served by public transport, are not as accessible to lower paid workers.

Figure 21 shows which cities have the highest number and highest share of jobs in their central areas. There were over 1 million jobs in Central London in 2011, more than 10 times the number of second placed Glasgow. This made London the seventh most centralised city in Great Britain. Ipswich has the highest share of jobs in its city centre, followed by York and Dundee.

**Figure 21: Jobs within central areas of cities, 2011**

Top 5 for total jobs		Top 5 for share of jobs	
City	Number of jobs, 2011	City	Jobs as a share of all jobs in a city, 2011
1 London	1,444,228	1 Ipswich	40%
2 Glasgow	140,928	2 York	34%
3 Leeds	115,821	3 Dundee	34%
4 Manchester	115,388	4 Oxford	33%
5 Birmingham	111,719	5 Gloucester	31%

Source: ONS 2013, Business Structure Database

Good transport links are also important for businesses because it increases the pool of workers that they can recruit from. This in turn will have an influence on business location decisions. Figure 22 shows which cities have the highest number and

33. Chapman D & Noland R (2013) *Transit Service, Physical Agglomeration and Productivity in US Metropolitan Areas*, Urban Studies 0042098013494426, first published on August 1, 2013

34. Department for Transport (2009) National Travel Survey

35. PTEG (2011) *Total Transport Leeds*: PTEG

36. Department for Transport (2009) National Travel Survey



highest share of high skilled workers in their central areas.<sup>37</sup> It is no surprise that the largest cities have the deepest pools of skilled labour – London has over 2 million graduates living within this catchment area, while Manchester has over 460,000 and Birmingham has over 360,000. When looking at graduates as a share of the total population, Cambridge comes out on top – 36 per cent of residents held a degree. It is followed by London, Oxford and Reading. These city centres are likely to be relatively more attractive to high skilled services businesses.

**Figure 22: Graduates living within 18 km of city centres**

**Top 5 for total graduates**

City	Number of graduates, 2011
1 London	2,133,706
2 Manchester	464,578
3 Birmingham	365,845
4 Bradford	310,849
5 Bolton	304,051

**Top 5 for share of graduates**

City	Graduates as a share of total population, 2011
1 Cambridge	36%
2 London	32%
3 Oxford	31%
4 Reading	28%
5 Aldershot	28%

Source: ONS 2013, 2011 Census

**There are two ways to deepen the pool of skilled labour available to centrally based businesses in a city.** The first is to increase skills attainment of residents in a city. The second is to improve transport links to reduce travel times to city centre employment opportunities and so widen the commutable area that city centre businesses can access to hire workers. Both should be considered as part of any policy decisions about improving the performance of a city centre economy.

Increasing parking reduces the density of a city centre. To mitigate this each city should look at how they can improve public transport relative to their specific circumstances to make it more attractive relative to car usage, so managing any future increase in the demand for car parking.

**A complaint that is commonly heard amongst businesses who locate in city centres is that there is not enough parking available, and this acts as a disincentive to locate in central areas.**<sup>38</sup> Car parks take up space – the average car park space takes up around the same area as an office cubicle.<sup>39</sup> Increasing parking reduces the density of a city centre. To mitigate this each city should look at how they can improve public transport relative to their specific circumstances to make it more attractive relative to car usage, so managing any future increase in the demand for car parking.

#### 4. Environmental considerations<sup>40</sup>

**A more dispersed economy increases the requirement for private transport, as providing good public transport links to a number of employment sites is not commercially viable.**<sup>41</sup> This has implications for CO<sub>2</sub> emissions and the environmental sustainability of a city. In Brighton, where economic activity is highly concentrated, CO<sub>2</sub> emissions from road transport are 1.3 tonnes per capita. In Wakefield, where economic activity is much more dispersed, CO<sub>2</sub> emissions from road transport are 2.2 tonnes per capita. The top 10 cities that have

37. Using data from the 2011 Census allows us to create an estimate of the number of highly qualified workers within a commutable distance of a city centre – defined as an 18 kilometre ring from a central point in a city centre. Eighteen kilometres was defined as the upper quartile of commuting distances by managers and senior officials in Green A (2009) Geography matters: The importance of sub-national perspectives on employment and skills, Wath-Upon-Deane: UK Commission for Employment and Skills p.14-15

38. Centre for Cities interviews

39. Glaeser E (2011) *Triumph of the City* London: Macmillan

40. Camagni R, Gibelli M & Rigamonti P (2002) *Urban mobility and urban form: the social and environmental costs of different patterns of urban expansion*, Ecological Economics, Elsevier, vol. 40(2), pages 199-216, February

41. Clayton N, Smith R & Tochtermann L (2011) *Access all areas: Linking people and jobs*, London: Centre for Cities

**“A more dispersed economy increases the requirement for private transport”**



the lowest road transport CO<sub>2</sub> emissions had on average 27 per cent of all jobs in their central areas in 2011, while the 10 cities with the highest emissions on average had 17 per cent of all jobs located in their central areas.

**Not all cities in the bottom 10 have highly decentralised economies.** Road emissions in Milton Keynes are 2.4 tonnes per capita, despite the concentrated nature of its economy. This is likely to be in part a result of the layout of Milton Keynes which has a low density, car friendly city centre, and its low levels of public transport usage.<sup>42</sup>

**These variations show that it is not enough to have economic activity centralised to reduce CO<sub>2</sub> emissions – growth must be supported by an efficient public transport system.** London serves as a case in point. Its strong core is underpinned by the Underground, Overground and bus network. Consequently road emissions in the capital are on a par with those in Brighton despite its size.<sup>43</sup> This also underlines that when considering a city centre economy, local and central government must not only think about specific development sites – transport links to and from the city centre are an important component of central economies.

“The top 10 cities that have the lowest road transport CO<sub>2</sub> emissions had on average 27 per cent of all jobs in their central areas in 2011”

42. Milton Keynes Council (2011) *A Transport Vision and Strategy for Milton Keynes, Local Transport Plan 3 - 2011 to 2031*, Milton Keynes: Milton Keynes Council

43. The scale of London has likely determined the extensive coverage of London's transport system. While it would not be feasible to create such extensive coverage across all cities, the example nevertheless illustrates the impact of good public transport links on the environment.



## 4. The role of policy in driving these patterns

Whilst there are many factors that determine where businesses choose to locate, policy has had an influence on the patterns of spatial development that we have seen across our cities. There have been a number of public sector interventions over recent decades that have guided where development has occurred in our cities. What's more, these policies have often inadvertently contradicted each other, highlighting the confusion that there appears to be in policy around patterns of economic development.

This section looks at three policies that have resulted in economic activity being pulled away from city centres and two that have explicitly sought to support city centre activity. The evidence suggests that the former, which have principally focused on the locations of jobs and businesses, have been much more effective than the latter, which have mainly focused on retail, in influencing the distribution of economic activity across cities.

### Certain policies have served to pull economic activity away from urban cores

#### 1. Enterprise Zones

Enterprise Zones were first introduced back in the 1980s under Margaret Thatcher, offering 100 per cent capital allowances on constructing, improving or extending commercial or industrial buildings and exemption from business rates in a predefined area. Because of the incentives offered over a defined geography, this policy encouraged businesses to cluster together and so was inherently spatial in its nature. While the original concept for Enterprise Zones was to place them within urban cores,<sup>44</sup> all of the 38 zones that were created between 1981 and 1996 were in rural areas or the urban fringe.<sup>45</sup>

The Enterprise Zones of the 1980s have been widely criticised for displacing jobs from one area to another, rather than generating net additional employment.<sup>46</sup> This displacement also changed the geography of economic activity in the cities that they were located.

Figure 23 shows the distribution of private sector jobs in five of our case study cities that were awarded Enterprise Zones in the 1980s. With the exception of Birmingham, the areas that contain the Enterprise Zones now contain a considerable share of each city's overall private sector jobs.

In Sheffield, almost 8 per cent of private sector jobs are located in this area (compared to 10 per cent in the city centre), while in Swansea one in four private sector jobs are in the area containing its former enterprise zone (compared to 18 per cent in the city centre). These jobs aren't just in manufacturing businesses that would be less suited to a city centre location- in Swansea, 43 per cent of jobs in the area containing the enterprise zone were in retail and KIBS industries in 2011, while in Sheffield this figure was 46 per cent.<sup>47</sup>

The site of the Tyneside enterprise zone is located next to an earlier attempt of spatial planning by central Government. The Team Valley trading estate was established as a result of the 1934 Special Areas Act, which aimed to encourage enterprise to move to areas with high levels of unemployment.<sup>48</sup> The special areas site and the 1980s enterprise zone

44. Hall P (1998) *Cities in Civilization: Culture, Technology, and Urban Order*. London: Weidenfeld & Nicolson

45. DCLG (2009) Enterprise Zones Monitor report 2006-2007

46. See Larkin K & Wilcox Z (2011) *What would Maggie do? Why the Government's policy on Enterprise Zones needs to be radically different to the failed policy of the 1980s*, London: Centre for Cities

47. The areas are defined as the MSOAs that include the enterprise zone, and so are wider than the enterprise zone itself.

48. <http://www.parliament.uk/about/living-heritage/transformingsociety/tradeindustry/industrycommunity/overview/interwaryears/>, accessed 29 May 2013

“Certain policies have served to pull economic activity away from urban cores”



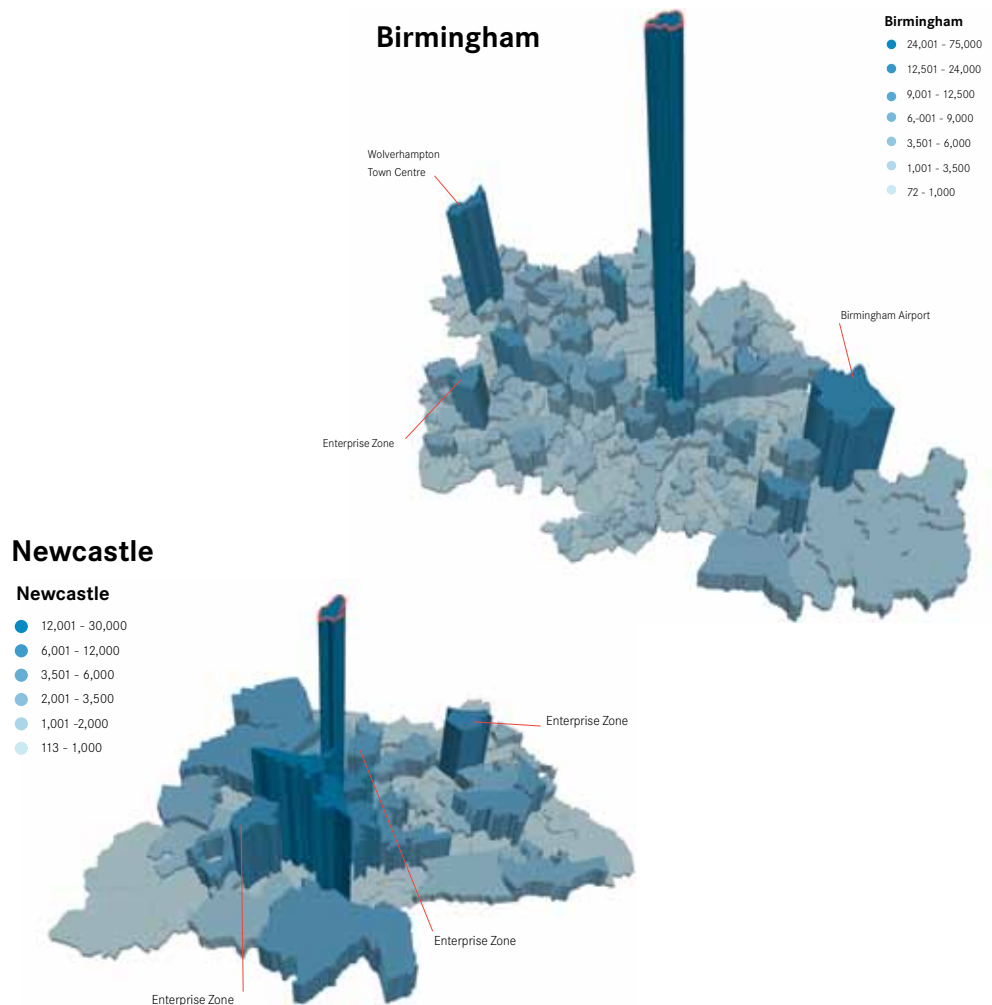
**“Canary Wharf is often held up as the most successful of the 1980s and 1990s Enterprise Zones. But, it changed the geography of jobs in the London economy”**

account for 12 per cent of all private sector jobs in Newcastle. One in three of these jobs is in a retail or KIBS business.

Canary Wharf is often held up as the most successful of the 1980s and 1990s Enterprise Zones. But as shown above, it changed the geography of jobs in the London economy. The area underwent huge growth in private sector jobs between 1998 and 2008, increasing by almost 500 per cent. Financial services accounted for three quarters of this growth, seeing an increase of over 50,000 jobs over the period.

Enterprise Zones have been reintroduced by the current Government, and 25 areas have been given enterprise zone status. Again the majority of the sites are situated on the fringes of cities or in rural areas, with only the Birmingham, Bristol and Northampton zones having a city centre focus. Given that the incentives that Enterprise Zones offer encourage the concentration of businesses in a defined area, and the advantages of having a concentration of economic activity in urban cores discussed above, there would likely be a more positive impact of the current Enterprise Zones policy if it had focused on city centre sites.

**Figure 23: Distribution of private sector jobs in Birmingham Newcastle, Sheffield, Swansea and Wakefield, 2011**

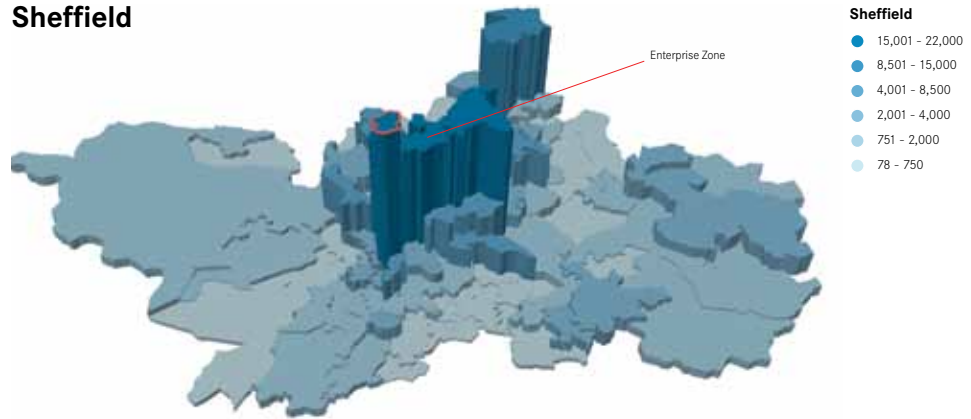






*“There has been a proliferation of business and science parks around UK cities in recent decades”*

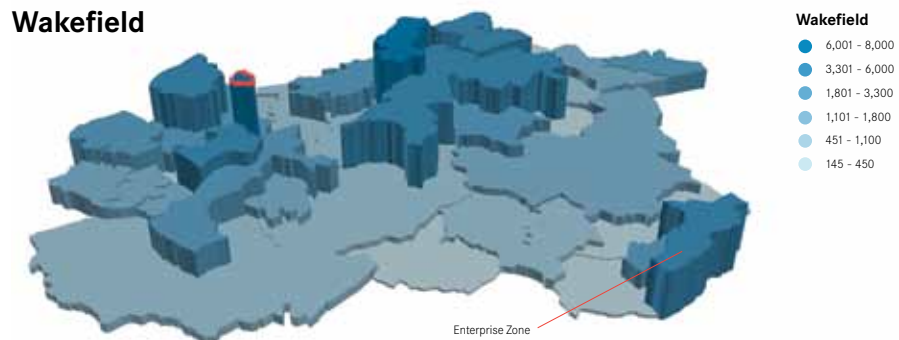
### Sheffield



### Swansea



### Wakefield



Source: ONS 2013, Business Structure Database, Contains Ordnance Survey data © Crown copyright and database right 2012

## 2. Business parks

There has been a proliferation of business and science parks around UK cities in recent decades, with the public sector playing a role in the development in many cases.<sup>49</sup> As noted above, a city centre location will not be the most profitable location for all businesses, particularly those businesses that have a high requirement for land, such as manufacturing businesses. But subsidising employment space for those businesses that might otherwise have chosen a city centre location is likely to have had a negative impact on a city economy.

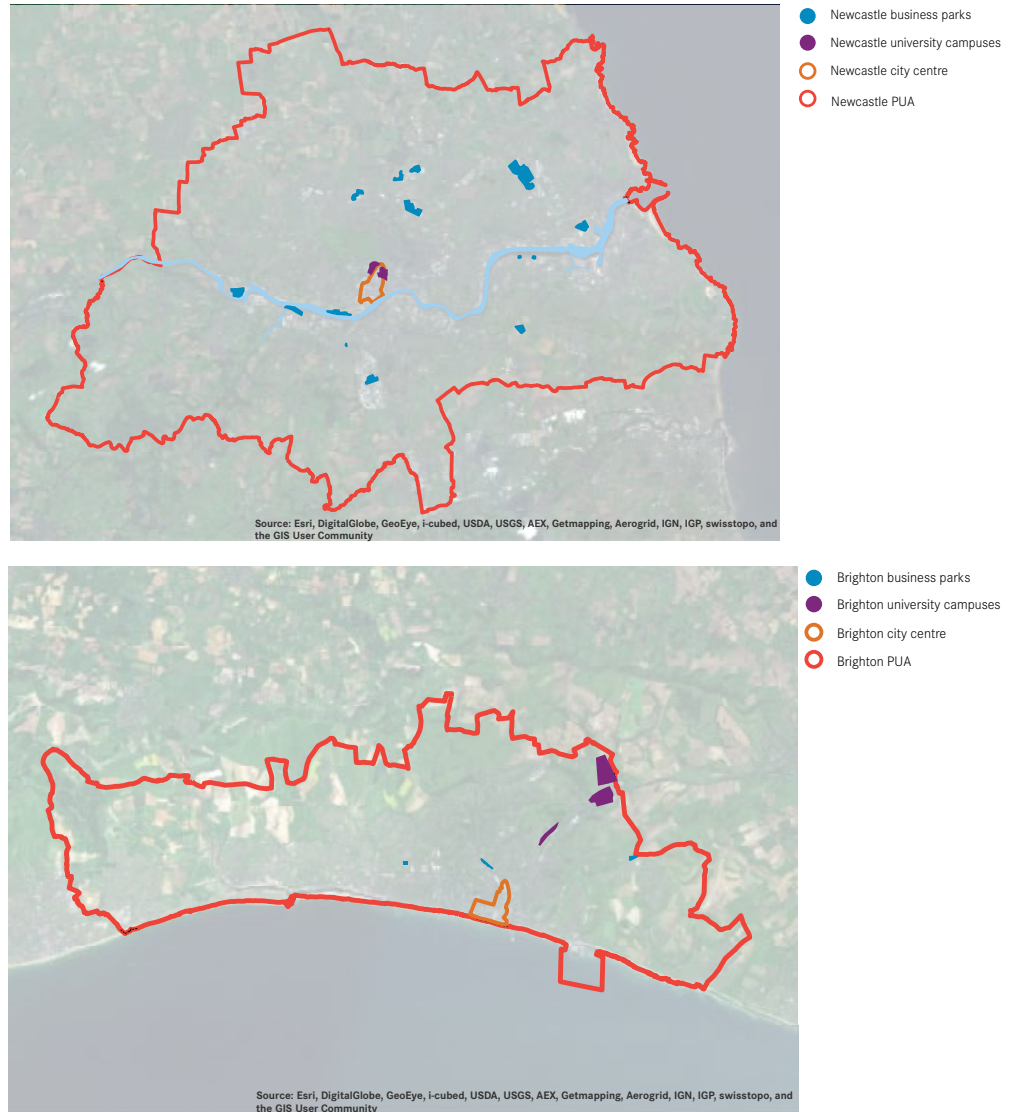
Figure 24 shows the number and location of business parks in Brighton and Newcastle. While there are only three business parks in Brighton, there are 14 across the Newcastle PUA.

49. Of the RDA assets that were handed over to the Homes and Communities Agency, 33 assets were either whole or parts of business parks. This is likely to under-represent the ownership of business parks by RDAs (noting that they may not have developed the sites themselves) – for example, One North East passed ownership of some of its land assets to the joint venture Onsite North East. BIS 2013, RDA assets to be transferred to the homes and communities agency, accessed via <http://webarchive.nationalarchives.gov.uk/+/http://www.bis.gov.uk/policies/economic-development/englands-regional-development-agencies/assets/transferring-assets>; [www.onsitenortheast.co.uk](http://www.onsitenortheast.co.uk)





**Figure 24: Business parks in Newcastle and Brighton**



*“The building of many of the business parks in Newcastle and the wider North East have been driven by policy, creating an oversupply of office space”*

The building of many of the business parks in Newcastle and the wider North East have been driven by policy, creating an oversupply of office space. This has been compounded by the subsidisation of other business parks by the public sector in the area, both in the construction and the letting of the office space. According to interviews with local agents this has had a strong adverse impact on the office market in the wider North East. Box 8 discusses the role of policy in more detail.

Cambridge has also seen a proliferation of business parks in recent decades, likely in part to have been a reaction to planning restrictions in the historic city centre. Despite its strong performing economy – it has the second highest GVA of all cities and the highest patenting rate – much of Cambridge’s recent growth has been on out-of-town employment sites.<sup>50</sup>

50. Sarling J, Swinney P, & Coupar K (2012), *Making the Grade*, Centre for Cities, London



### Box 8: The role of policy in the supply of office space in the North East

The provision of Enterprise Zones in the North East appears to have had a big impact on the office market in the area. Two of the business parks in Newcastle – Quorum and Cobalt – were originally Enterprise Zones, as were the Hylton Riverside and Doxford International Business Parks in Sunderland and the Spectrum and Whitehouse Business Parks in East Durham. According to local agents these business parks have distorted the office market in the North East in two ways. Firstly they have created an oversupply of office space. In July 2013 the Quorum and Cobalt business parks alone had over 960,000 sq ft of office space available.<sup>51</sup> This has pushed down office rents, so reducing the viability of new development elsewhere, including Newcastle and Sunderland city centres.<sup>52</sup> Secondly the capital allowances given to the enterprise zone sites mean that they can offer substantial rent free deals, so increasing their attractiveness over city centre locations. One occupant on the Quorum business park was incentivised to move there with a 10 year rent free deal.<sup>53</sup>

The oversupply of office space has been compounded by the subsidisation of other business parks in the area. One such example is the Newburn Riverside business park, which received funding from One North East, the former Regional Development Agency, and the European Regional Development Fund.<sup>54</sup> There has been little demand for occupancy from the private sector – One North East itself moved in as the anchor tenant, and the site is currently home to DEFRA, the NHS, the North East Ambulance Trust and a housing association.<sup>55</sup> This represents a double subsidy from the public sector to create this business space: first, a subsidy for the initial investment and second for its on-going use.<sup>56</sup>

### Box 9: Business parks in and around Cambridge

The Cambridge Science Park, on the North-Eastern edge of the city, was the first of its kind when it was constructed in 1973. The site was developed by the university's Trinity College as a result of the then Labour Government's push for a greater amount of technology transfer between universities and business.<sup>57</sup> This was followed by the opening of the St John's Innovation Centre in 1987,<sup>58</sup> and a series of developments within and just outside Cambridge since. This in part meant that between 1998 and 2008 office stock in Cambridge grew by 16.4 per cent, while office stock in South Cambridgeshire (which surrounds Cambridge) grew by 83.9 per cent.<sup>59</sup> Research using aerial maps identified 13 office employment sites in and around the city. Figure 25 shows the impact of these parks on the economic geography of Cambridge – the centre of Cambridge does not have the largest number of private sector jobs or KIBS jobs within a 10 mile radius, with a large number being located between two and three miles from the centre.

**“The Cambridge Science Park, on the North-Eastern edge of the city, was the first of its kind when it was constructed in 1973”**

51. <http://www.quorumbusiness.co.uk/space/buildings01/>, <http://www.cobaltpark.co.uk/#/availability/overview/>, accessed 26 July 2013

52. Centre for Cities interviews

53. Centre for Cities interviews

54. <http://www.planningresource.co.uk/Business/article/642575/Top-100-Regeneration-Projects/>, accessed 26 July 2013

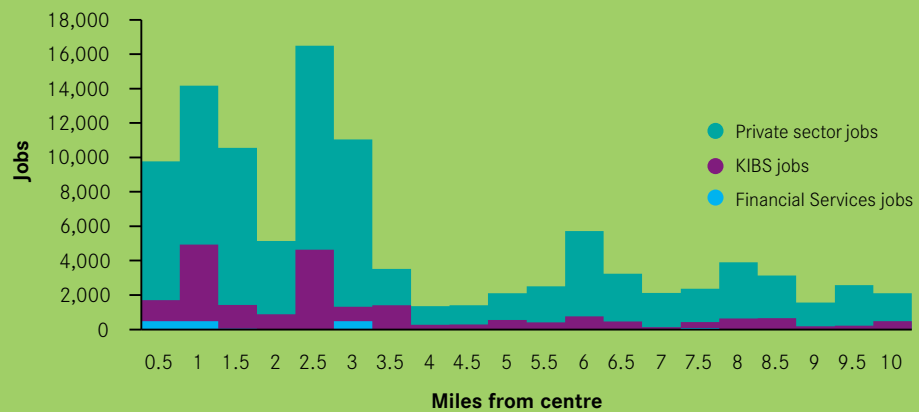
55. <http://www.gatewaywest.co.uk/newburn.php>, accessed 13 July 2013

56. Webber C, Larkin K, Tochtermann L, Varley-Winter O & Wilcox Z, *Grand Designs? A new approach to the built environment in England's cities*, London: Centre for Cities

57. <http://www.cambridgesciencepark.co.uk/about/history/>

58. <http://stjohns.co.uk/about/>

59. Sarling J, Swinney P, & Coupar K (2012) *Making the Grade*, Centre for Cities, London

**Figure 25: Location of jobs within 10 miles of Cambridge city centre**

Source: ONS 2013, Business Structure Database

**“As is the case with the location of private sector jobs, the location of public sector jobs is likely to have an impact on patterns of spatial development”**

The result is that Cambridge has a very decentralised private sector knowledge economy. Just 16 per cent of private sector KIBS jobs in the city were in central Cambridge in 2011, making it one of only four cities where the share of private sector jobs in the central area of the city was higher than the share of KIBS jobs. The dispersed nature of development is likely to have allowed Cambridge to protect the historic character of its city centre. But this has come at the cost of limiting the potential benefits of information spillovers for business and imposed high infrastructure costs.

In the context of this decentralised pattern of development it is interesting to note the large scale of development that is currently going on around Cambridge train station, marked on Figure 25. The scheme currently aims to build around 63,000m<sup>2</sup> of office space<sup>60</sup> and has Microsoft as an anchor tenant. In the same way that Canary Wharf in London and La Défense in Paris grew out of historic planning restrictions in the centre of both cities, it will be interesting to see if this development encourages the creation of a new central business district within the city, allowing businesses to benefit from any knowledge spillovers created.

### 3. Public sector and university locations

As is the case with the location of private sector jobs, the location of public sector jobs is likely to have an impact on patterns of spatial development. And there are many cases where the public sector has chosen not to locate within city centres.

There are further examples in Newcastle beyond Newburn Riverside given above. Benton Park View, to the north of Newcastle city centre, has been home to public sector administrative activities for many decades, and currently is occupied by the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC), employing many thousands of workers.<sup>61</sup> HMRC also has a large office at Waterview Park, an out-of-town location in neighbouring Sunderland, opened in 2002<sup>62</sup> and financed by a Private Finance Initiative (PFI) scheme.<sup>63</sup> The subsequent rationalisation of HMRC's estate in the North East proposes to close the department's two offices in Sunderland city centre, moving the jobs to its out-of-town sites in Sunderland and

60. <https://www.cambridge.gov.uk/cb1-station-area-planning-applications>, accessed 30 July 2013

61. According to public sector employment data, almost 8,000 people were employed by HMRC and DWP (excluding JobcentrePlus) in Newcastle local authority in 2011. The majority of these jobs are likely to have been at Benton Park View. Source: Nomis 2013, Annual Civil Service Employment Survey

62. Source: Valuation Office records

63. Source: data.gov.uk



Newcastle.<sup>64</sup> This will have an impact on footfall, and so retail, in the city centre. These proposals are in contrast to the proposals of Coventry City Council to consolidate their operations within the city centre, as explained in Box 10.

**Box 10: Consolidation of Coventry City Council's activities into its city centre<sup>65</sup>**

Coventry City Council is planning to rationalise its estate from 27 locations across the city to nine. As well as consolidating activities in the city centre, it plans to sell 10 buildings that are based outside of the city centre, bringing the majority of jobs into a new purpose built development at Friargate. In doing so the City Council estimates that 350 jobs will be relocated into the city centre.<sup>66</sup>

The location decisions of universities have implications for the footfall of students as well as employees. Figure 24 shows the main university campuses of Newcastle's two universities to be on the north edge of its city centre. The opposite is seen in Brighton, where its main university campuses are located to the north east of the city centre. So while retail in Newcastle's city centre is likely to have been negatively impacted by the business parks that have been located elsewhere in the city, it does at least benefit from the location of the city's two universities.

It is for this reason that it is a surprise that in Swansea the university has received outline planning permission to build a new Science and Innovation campus on an out-of-town location.<sup>67</sup> As well as teaching and research facilities, the first phase contains 2,000 student bedrooms. Northampton Council has chosen to do the opposite, recently making the decision to relocate the university campus into the enterprise zone located on the edge of the town centre. The decision is targeting two challenges: declining town centre and slow development of the enterprise zone. After relocation policymakers hope that the students and university staff will help increase footfall on the High Street, while after the addition of the university the enterprise zone site will become more attractive for businesses.<sup>68</sup>

The spread of public sector employment sites and universities pulls the potential footfall created by public sector workers and by students away from city centres and reduces the impact of any spillover effects that these institutions may have. In areas with weak city centre property markets concentrating public sector and university activities would at the very least support ancillary activities such as retail. While encouraging such concentration in strong performing city centres would have the same positive effect, it would also increase demand for space. Without addressing this through the building of new office space, the higher prices for office space shown in Figure 10 would likely be pushed up further.

**“The location decisions of universities have implications for the footfall of students as well as employees”**

64. <http://www.sunderlandecho.com/news/business/hundreds-of-jobs-taken-from-sunderland-city-centre-in-government-tax-office-closures-1-4578656>, accessed 29 July 2013

65. <http://democraticservices.coventry.gov.uk/documents/g9682/Public%20reports%20pack%2018th-Jun-2013%2014.00%20Cabinet.pdf?T=10>, accessed 1 August 2013

66. Coventry City Council

67. [http://www.regen.net/Economic\\_Development/article/1163277/swansea-out-of-town-campus-gets-go-ahead/](http://www.regen.net/Economic_Development/article/1163277/swansea-out-of-town-campus-gets-go-ahead/), accessed 29 July 2013

68. Centre for Cities interviews





## Meanwhile other policies have attempted to centralise activity, but they have overly focussed on retail

### 1. Town Centre First

Various iterations of a ‘town centre first’ approach have been formally part of the planning system in England for almost two decades. It was first formally introduced in 1996 through Planning Policy Guidance 6 and required a developer to undergo sequential tests in which potential town centre sites had to be ruled out before out-of-town sites could be considered.<sup>69</sup> In practice it has misunderstood the problem by focusing on retail, it also has not reversed the rise in popularity of out-of-town retail.

Town centre first policies are popular – the Portas Review called for exceptional sign-off on any out-of-town development by the Secretary of State (although this was not accepted by the Government). But three reasons suggest that impact of this policy has not been positive:

- Firstly, the trend towards the decentralization of economic activity and the rise of out-of-town shopping has continued in some cities despite such policies being in place.
- Secondly, academic research has shown that small and independent shops have been hurt by town centre first policies,<sup>70</sup> and that that sales per store fell after the introduction of Town Centre First.<sup>71</sup>
- Finally the previous Government also noted the shortcomings of the policy – the former ODPM suggested that Town Centre First appeared to have acted as a brake on retail development without seeing a revival of smaller towns and district centres.<sup>72</sup>

In spite of the evidence Town Centre First has been continued in the current Government’s publication of the National Planning Policy Framework (NPPF), which specifies that there must be a presumption in favour of town centre development. Given the negative impact that it has had on businesses this policy should be dropped.

Policy should not be about restricting choice. Instead of looking to create barriers to growth elsewhere in a city, which could reduce overall investment in a city, it should look to remove barriers to growth in city centres for the benefit of the city economy overall.

### 2. Retail and culture-led regeneration

Retail led regeneration was very popular through the 1990s and 2000s, with many cities drawing up some form of retail led scheme for their city centres over that time.<sup>73</sup> But for the reasons set out above, focusing on retail to regenerate a city centre is unlikely to be successful if other measures are not put in place to increase footfall. It is therefore unlikely that regeneration through retail will have a wider impact on regeneration if a city is seeing economic activity shift away from its city centre.

69. Cheshire P, Hilber C & Kaplanis I (2011) *Evaluating the Effects of Planning Policies on the Retail Sector: Or do Town Centre First Policies Deliver the Goods?* SERC Discussion Paper 66

70. Haskel J & Sadun R (2009), ‘*Regulation and UK Retail Productivity: Evidence from Microdata*’, IZA DP No 4028, February

71. Cheshire P, Hilber C & Kaplanis I (2011), *Evaluating the Effects of Planning Policies on the Retail Sector: Or do Town Centre First Policies Deliver the Goods?* London: LSE

72. ODPM (2004) *Policy Evaluation of the Effectiveness of PPG6*, London: The Stationery Office

73. Some of these plans have been implemented, such as Liverpool One, Trinity Leeds, Trinity Walk Wakefield. But an internet search shows that many more either stalled as a result of the downturn, such as Westfield’s proposed development in Bradford or Preston’s Tithebarn development, or never made it beyond architects plans.

“Various iterations of a ‘town centre first’ approach have been formally part of the planning system in England for almost two decades”





The term ‘culture-led regeneration’ has been another popular concept in economic development in recent years, spurred on by the championed success of the Guggenheim Museum in Bilbao.<sup>74</sup> While no doubt culture has an important role to play in cities, the goals of cultural investment have often been conflated in the past, with grand claims about likely job creation impacts being attached to schemes to justify investment.

Although assessing the economic impact of such schemes is difficult, we can at least look at job creation around the areas of large scale cultural investment. The development of the Gateshead Quayside in Newcastle<sup>75</sup> is a good example of large scale investment in cultural regeneration which funded the erection of the Millennium Bridge, the renovation of the Baltic Flour Mill as an art gallery, and the building of the Sage, a music and arts centre, at a cost of £22 million, £45 million and £70 million<sup>76</sup> respectively.

Despite the success of the venues as cultural institutions, the wider economic benefit that they create for their immediate surroundings has been questionable. In the ten years to 2008 there was an increase of 9 per cent in the number of private sector jobs in Newcastle. During this period the area around the Baltic and the Sage saw net private sector jobs losses of 11 per cent. While it is impossible to know what would have happened without the building of these cultural venues or to accurately measure the impact that it has had on the wider economy, data on jobs growth suggests they have not created a large economic stimulus for the immediate surrounding area.

Investment in culture may have a number of positive impacts on a city. But on its own it should not be expected to have a large impact on job creation and economic development. While such investment may be part of the solution, it will not singlehandedly provide the solution.

### **Recent initiatives offer more potential to support future city centre growth**

Two more recent initiatives – Business Improvement Districts (BIDs) and the meanwhile use of empty space – offer two potential ways of supporting city centre growth. While neither policy has been exclusively applied to city centres, a refinement of both approaches could be used to encourage the location of jobs into central areas in the future.

#### **1. Business Improvement Districts**

Business Improvement Districts levy a charge on the business rates (usually 1 per cent) paid by businesses within a defined area. Although sanctioned by the public sector, they are run by the private sector. Today there are 160 BIDs in the UK designed to improve their areas as places to do business, 137 of which are in town or city centres.<sup>77</sup>

The key aspect of a BID is that it brings the management of the area under the control of one body, overcoming issues of fragmented ownership that can arise in city centres in particular. Being able to take a wider view allows the BID to make

74. Gonzalez S (2006), *Scalar Narratives in Bilbao: A Cultural Politics of Scales Approach to the Study of Urban Policy*, International Journal of Urban and Regional Research, Volume 30, Issue 4, pages 836–857, December 2006

75. We use the Primary Urban Area definition of Newcastle which includes Newcastle, Gateshead, North Tyneside and South Tyneside local authorities

76. <http://johndevlinconsulting.com/images/documents/The%20Sage%20Gateshead.pdf>; <http://archive.balticmill.com/index.php?faq=true>; <http://webarchive.nationalarchives.gov.uk/20110107183648/http://www.betterpublicbuilding.org.uk/finalists/2002/gateshead/>, accessed 31 May 2013

77. Nationwide BID Survey 2012 <http://www.britishtids.info/LinkClick.aspx?fileticket=trAd9d4alXc%3d&tabid=172>

**“Recent initiatives offer more potential to support future city centre growth”**



decisions for the benefit of the business community as a whole that individual businesses would not take on their own. This in turn allows cities to get more out of what they have in city centres. So far they appear to have been popular with businesses that have been part of a BID – the terms of existing BIDs have been extended in 94 per cent of all renewal votes.<sup>78</sup> Box 11 provides a case study on Newcastle’s BID.

#### Box 11: Newcastle NE1 BID

Newcastle city centre’s NE1 BID was set up in 2009 and is widely recognised as one of the most successful in the country. The BID runs a diverse range of programs that target the needs of a wide range of city centre business from high street retailers and restaurants to office based businesses private and public sector organisations.

NE1’s flagship initiative **Alive After 5**, launched in 2010, aimed to extend retail working hours and bring people into the city centre after work. Through coordinated opening hours, free parking, a series of events and a marketing campaign NE1 estimates that the scheme has brought 4.3 million additional visitors to Eldon Square, the city centre shopping centre, after 5pm.<sup>79</sup> Other activities such as a new events programme, improved signage, promotion via a new website and magazine have been implemented to help bring more people in to the city centre.

However, only a third of BID members are high-street businesses and a significant share of BID’s initiatives target problems outside those directly related to the High Street. A key aim of the BID is to demonstrate business leadership and provide a voice for business to communicate with the public sector. This has been demonstrated in two main ways. The first has been the improvement in access to Newcastle Central Station. After being identified as a key issue for businesses, the BID successfully bid for £5 million from the Regional Growth Fund to undertake the work. This investment was matched with further money from the city council, Network Rail and East Coast trains.

A second example is the **Space2** initiative which has used vacant units to establish a space for young people in the city centre. It combines opportunities for socialisation and entertainment with training courses and employment support, with some companies offering work placements through the scheme.

BIDs now risk being a victim of their own success. The imposition of further levies on business rates within defined areas, such as the Late-night Levy and Tourism BIDs have been suggested by the public sector. The top-down introduction of these levies risks diluting the concept of BIDs. While BIDs put a further tax burden on businesses, they are voted for (or against) by the business community and allow these businesses to have a say over how the money collected from the BID levy is used. Further proposals for levies do not follow the same principals, being forced upon businesses rather than being voted on.<sup>80</sup>

78. British BIDs (2012), Nationwide BID Survey 2012, Milton Keynes: British BIDs

79. ReNew: Business consultation (2013) NE1 Business Improvement District Company, Newcastle. [http://www.newcastlene1ltd.com/media/17129/NE1%20Renew\\_LR.pdf](http://www.newcastlene1ltd.com/media/17129/NE1%20Renew_LR.pdf)

80. A Late-night Levy, for example, will be split between the police and the local authority and will not be enforced on the outcome of a ballot.

*“The key aspect of a BID is that it brings the management of the area under the control of one body, overcoming issues of fragmented ownership that can arise in city centres in particular”*



Despite their success, BIDs based in city centres should be considered as only part of the solution to addressing poorly performing city centre economies. Much of their focus to date has been on improving the public realm and holding events with the aim of generating increased footfall. Following the lead of the NE1 BID, BIDs should look to broaden their focus to increase the number of non-retail businesses based within city centres. This could include keeping a register of empty properties and acting as a third party in matching businesses to empty business space.

## 2. *Meanwhile uses*

In the past vacant land and stalled schemes have often been seen as a problem. But there are examples where these spaces have been used as more of an opportunity. Cities should use vacant sites to their advantage, treating them as flexible spaces that can be used to trial new ideas.

There's certainly no shortage of spaces that could be used for this purpose – vacant shops (in April 2013 one in eight shops in UK was vacant<sup>81</sup>) and stalled construction sites have become a common feature of urban landscape in the years since the beginning of the downturn. Not only can these sites be an eyesore and have the potential to be a focus of crime and antisocial behaviour, they are also a waste of valuable space that could be otherwise contributing to the city economy. Introducing temporary uses on stalled and vacant sites and properties in central locations is an alternative way to utilise these assets to support local economies.

Much of the focus to date has been on 'pop-up shops'. But once again any policy designed to make better use of interim space cannot just be about retail – it should look to encourage non-retail businesses to experiment and test new business ideas. Cities have an opportunity, particularly where land is in public ownership, to use vacant space in city centres to allow people to trial new business ideas that are not just focused on retail. These spaces should have short, flexible terms to allow entrepreneurs to trial their ideas. More permanent space should also be identified so that those entrepreneurs who would like to take their idea further can quickly do so within the city centre.

Box 12 gives three examples of private, public and voluntary sector lead projects that have successfully introduced temporary activities to vacant spaces in different parts of the UK. Local authorities across the country are well positioned to combine these experiences to utilise vacant sites and properties for the benefit of city centres.

### **Box 12: The experiences of temporary use projects in the UK**

The Coin Street Community Builders was set up as a social enterprise on London Southbank with a goal of developing this up and coming area of the Capital as a mixed-use accessible space. For many years Coin Street has taken advantage of providing space on flexible, short term basis to make a commercial return.

One such site – known as the Doon Street site – provides a very good example of the flexible use of empty space. The current plans to develop out the land have stalled. But instead of lying empty, the site is used to make a return through the leasing of it for a range of activities. As well as being used as a car park, it is also used by the private sector for TV filming, film production, car exhibitions and commercial events.

**“Cities should use vacant sites to their advantage, treating it as flexible space that can be used to trial new ideas”**

81. <http://www.guardian.co.uk/business/2013/may/20/record-number-of-empty-shops>



**“The Stalled Spaces Project that is run by Glasgow City Council is an example of the way local government can help unlocking the potential of unused spaces”**

Interviewees stressed that putting an intermediary between the landlord and the potential user of space may make a crucial difference. Meanwhile Space – a London based community interest company, has been working on unlocking vacant outdoor and indoor spaces across the country for temporary use. The organisation engages with landlords, local authorities and communities to identify potential types of use and negotiate conditions suitable for all parties. It also helps communities develop ideas for temporary use of vacant properties in their area.

The Stalled Spaces Project that is run by Glasgow City Council is an example of the way local government can help unlock the potential of unused spaces.<sup>82</sup> The initiative is aimed at making the city centre more attractive and has recently brought 12 hectares of land into various types of communal use. Stalled Spaces helps community groups or local business associations negotiate conditions for use of space with developers and provides a £2,500 grant to selected projects. So far the scheme has only focused on outdoor spaces. However, the option of applying a similar model to vacant shops is currently being considered. The project has attracted attention of city leaders in the UK and across Europe.<sup>83</sup>

82. <http://www.glasgow.gov.uk/index.aspx?articleid=3248>

83. Centre for Cities interview



## 5. Conclusions and policy recommendations

The performance of city centres varies across our cities. In some cities, particularly large cities, city centres are playing an increasing role in the economies of the wider city. But in other cities the role of city centres is decreasing, suggesting that they are not working well as a business location.

This has two implications. First, the shift in the share of private sector jobs away from city centres reduces footfall within them. This in turn reduces the size of the market that High Street retailers can sell to. Second, it raises questions around the sustainability of future jobs growth. City centres are likely to become increasingly important drivers of city economies as the UK economy continues to specialise in high value service activities. Those city centres that are struggling to function as attractive business locations will be in a weaker position to benefit from this future growth.

### **The Government needs to stop focusing on retail in isolation and start prioritising policy that focuses on the role of the city centre economy as a whole**

The Government announced in last December's Autumn Statement that an extra £5 billion was to be made available to invest in the UK's infrastructure to support economic growth by 2015. But the Office for Budget Responsibility (OBR) forecasted that around half of this money will not be spent.<sup>84</sup> To address this underspend, and support growth, the Government should make city centres a key priority within its National Infrastructure Plan. It should allocate a portion of its earmarked spend on infrastructure to address the physical and digital infrastructure requirements to support business growth within city centres. Using this money to create a City Centre Growth Fund would also create a framework to match this money to European funding and private sector investment.<sup>85</sup>

Where government support is required, cities should put forward a coherent plan to Government about how they intend to support city centre growth. Such a plan should consider the city centre and its supporting infrastructure in its entirety, rather than focusing on one or two development opportunities. These plans will look very different from city to city, depending on each city's specific circumstances. But there will be two broad approaches according to the strength of a city centre.

### **Cities that have centralised economies need to guard against the costs of density**

Cities that have seen the share of private sector jobs centralise in their economies should focus on maintaining their city centres as a business location. This should focus on minimising the costs of density in their city centres. These cities should:

- Use permissive planning to cap increases in the cost of office space and offset the costs of agglomeration.
- Consider the implementation of a road user charging scheme, similar to the London Congestion Charge, where congestion needs to be managed.

84. Office for Budget Responsibility (2012), Economic and fiscal outlook December 2012, London: The Stationery Office

85. The model that this fund could use is set out in Swinney P & Wilcox Z (2013), *Developing interest: The future of Urban Development Funds in the UK*, London: Centre for Cities

**“The Government needs to stop focusing on retail in isolation and start prioritising policy that focuses on the role of the city centre economy as a whole”**





## **Cities that have seen private sector activity decentralise need to improve their city centres as places to do business**

Aiming to improve the way that their city centres function as business locations should be the key focus of not only supporting the activities of the High Street but the future performance of the city economy more generally. This approach should focus on the positives of making a city centre a more attractive business location, rather than taking the more negative approach of limiting out-of-town development. The focus of policy should be on removing the barriers to growth in city centres, incentivising businesses to choose a central location, rather than creating them elsewhere in the city.

To improve the functioning of city centres as business locations cities should:

- Remodel their city centres through the creation of planning free zones or the use of Local Development Orders. This flexibility will reduce the regulatory costs on businesses of looking to bring forward new development.
- Be proactive about removing long term vacant office and retail stock in their city centres. Some of this could be done through change of use, but some of it may also have to be demolished. Simply further increasing the supply of office space (or in some cases even just maintaining the current supply of office space) in a weak property market is more likely to compound the issues that city centres face rather than resolve them. Any new office space built should be in response to a detailed understanding about the performance of the office market in each city, addressing an identified need for different types of office space.
- Offer Business Rate incentives to businesses to locate in city centres. This will cause a distortion to the market. But unlike Enterprise Zones that have been set up outside of city centres, this policy would allow businesses and cities more generally to benefit from the advantages that density brings. The business rate reduction would help encourage knowledge spillovers.
- Improve transport links and skills issues that may reduce the appeal of the city centres as business locations.
- Not use restrictive planning law to prevent business growth outside of the city centre.

Encouraging private sector jobs growth through the above will increase the market that retailers can sell to. Two further policies should be used to increase footfall, support access to jobs and reduce CO<sub>2</sub> emissions from road transport:

- Cities and Government should consolidate public sector functions and universities into the city centre where property markets are weak.
- Cities should encourage residential use of space in city centres, either through the conversion of existing empty office and retail space into housing or through the building of new homes.

## **All cities should look to improve the operation of their city centres**

To do this, cities should:

- Make better use of empty properties (including public buildings) and spaces through the flexible use of these assets. A particular focus of this should be to

**“Cities that have seen private sector activity decentralise need to improve their city centres as places to do business”**



encourage entrepreneurs to trial business models and ideas that could lead to the creation of new businesses within city centres.

- Support the introduction of BIDs in those cities that do not have one. BIDs that are currently in place should expand their remit to look to encourage a concentration of business in their areas which goes beyond retail.
- Collect better data on commercial premises to inform businesses of vacant units and to help local authorities manage these units.

**Local Enterprise Partnerships (LEPs) should attempt to better understand patterns of spatial development across the areas they cover**

Where they cover a large city, LEPs should look to support growth within the centre of this city. While supporting growth within the city centres of other cities is important, they should improve transport links into the city centre of the largest city so that opportunities that arise from past and future growth can be easily accessed by residents from across the LEP area.

**Finally central Government should drop its focus on explicitly supporting the High Street**

Retail is a secondary activity that feeds off the primary activities of city centres, the two largest contributors of which are jobs and residences. Policy should instead focus on addressing the weaknesses that a city centre economy faces as a whole. Successfully doing this will automatically create a market for retailers which they can then exploit without any further policy support.

**“All cities should look to improve the operation of their city centres”**



## Appendix: Sector definitions, SIC 03

### Knowledge intensive business services<sup>1</sup>

- 65 : Financial intermediation, except insurance and pension funding
- 66 : Insurance and pension funding, except compulsory social security
- 67 : Activities auxiliary to financial intermediation
- 7011 : Development and selling of real estate
- 7032 : Management of real estate on a fee or contract basis
- 7210 : Hardware consultancy
- 7221 : Publishing of software
- 7222 : Other software consultancy and supply
- 7230 : Data processing
- 7240 : Data base activities
- 7411 : Legal activities
- 7412 : Accounting, book-keeping and auditing activities; tax consultancy
- 7413 : Market research and public opinion polling
- 7414 : Business and management consultancy activities
- 7415 : Management activities of holding companies
- 7420 : Architectural and engineering activities and related technical consultancy
- 7430 : Technical testing and analysis
- 7440 : Advertising
- 7450 : Labour recruitment and provision of personnel

### Financial services

- 65. Financial intermediation, except insurance and pension funding
- 66. Insurance and pension funding, except compulsory social security
- 67. Activities auxiliary to financial intermediation

1. As defined in Office of the Deputy Prime Minister (2006), State of the English Cities, London: the Stationery Office



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