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Locational Investment –  
Where to target investment  
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# Report for Royal Institution of Chartered Surveyors

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## A report for Royal Institution of Chartered Surveyors

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Published by:

RICS, Parliament Square, London SW1P 3AD  
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## Why this matters to RICS? – letter from Senior RICS representative

What should be built, when, where and why to ensure the responsible use of limited UK public resources? How can investment in the infrastructure necessary to enable sustainable settlement growth be targeted locationally?

Location, location, location; as relevant to governments and their investment plans as it is to the most informed private investment bodies. This paper seeks to highlight that global economic realities must shape Government investment decisions by location. Assumptions based on the inertia of historic land use need to be understood for what they are. Radically different engines of growth, business linkages and economic outcomes will require location specific infrastructure investment if sustainable growth is to be secured in each region. Sensitivity to the economic outcomes achievable from each infrastructure investment and its sustainability in economic and social terms must be an unavoidable priority.

Governments around the world in mature and developing economic regions, whether they be the UK, the United Arab Emirates or China, are introducing programmes of investment in public infrastructure designed to boost the private sector economy and jobs with a presumption in favour of 'sustainable development'.<sup>1</sup> The sustainability of any one development may not be clear but the sustainability and location of the required infrastructure must be, if to be successful.

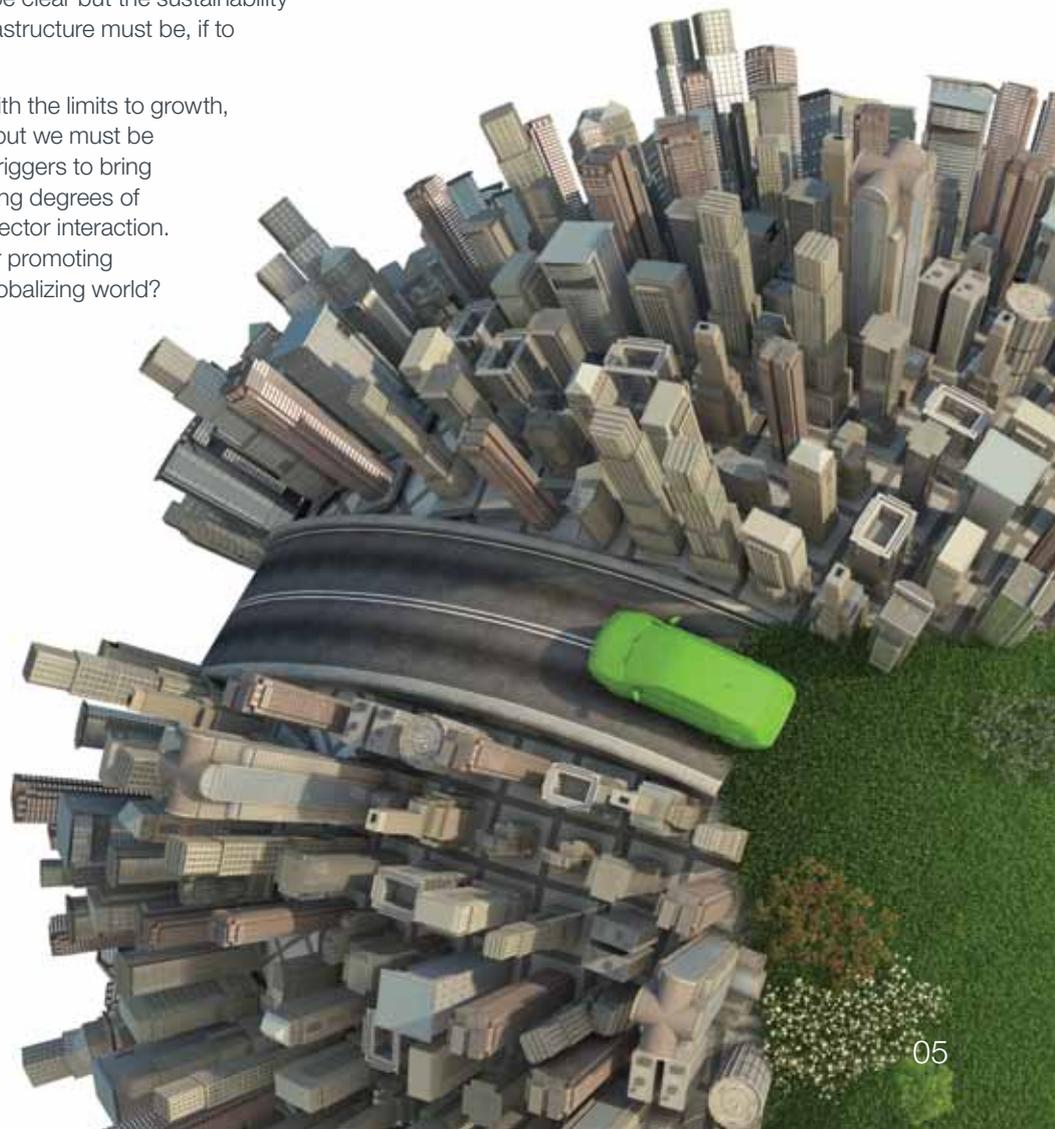
We cannot be too concerned with the limits to growth, for they are outside our control but we must be concerned with the necessary triggers to bring about growth and with the varying degrees of viability and public and private sector interaction. What are the right conditions for promoting sustainable development in a globalizing world?

The data referred to in this paper are powerful tools based, as they are on the study of business. We believe they provide a sound basis for the efficient use of our scarce resources and of our scarce land. We are as we now know – all in this together; we certainly are when it comes to the towns and cities we live in and use of our land; errors with the built environment are not easily rectified and land is not being made any more!

This paper considers recent European research that we believe provides the framework within which steps can be taken to deliver a sustainable Vision for our Cities. With this context now available, we can Begin With the End in Mind and legitimately allocate public resource to the necessary preparatory steps of funding mechanisms, land use planning and business and personal property needs. The relationship between economic sustainability and sustainable infrastructure planning is key; however the issues raised here are as significant for social cohesion and environmental sustainability.

**Jonathan Naughton**, Director of PPL – Urban Futures and Chair, RICS Land Use and Infrastructure Policy Panel

<sup>1</sup> The term first enshrined in the 1987 'Brundtland' Report on sustainable development: World Commission on Environment and Development (WCED), 1987, *Our Common Future*, Oxford, Oxford University Press.



The rise of electronic communications has not diminished the importance of cities as the location of wealth generating business activity. The proportion of the world's population living in cities as opposed to rural areas is now more than half and increasing all the time. Some mature cities are seen as becoming abandoned due to economic rebalancing but it is increasingly the case that city centre locations are sought by innovative businesses ... Cities matter.

Although cities are by definition physical spaces with buildings and infrastructure, to understand them and how they operate it is essential to understand how they work, which means understanding the human communications and movements within them and, increasingly, between them. This distinction – referred to below – has been called the difference between the “space of places” (physical places) and “the space of flows” (the functional activity created by interactions between people and firms and the movement of information and people).<sup>2</sup>

For policy makers to decide where to allow new buildings and changes of land use, or where to build infrastructure, or where to provide subsidies/incentives etc., to create sustainable development, it is therefore essential that they understand how cities are functioning through relations that extend beyond the local scale. A challenge for policy is that the social and economic vibrancy of cities is bound up with what is happening in other cities, other parts of the country and other parts of the world – activities and relations which can be completely off policy makers' radar and apparently beyond their control. Even remote parts of the country are impacted upon by the economic health of major cities whose functional “boundaries” are very different from those of metropolitan administrative areas and local communities.

A relatively new concept, but a very powerful and important one, is the mega-city region whereby what at first sight appears to operate economically as an individual city may in reality be a whole region which has one or more major cities within it and where the economic operation of “the city” actually includes many urban centres nearby. Perhaps the most surprising example of this phenomenon, described in the discussion paper, is London and the South East wherein what is functionally part of “London” must include activity taking place within and between Reading, Southampton, Milton Keynes, etc. London would not operate as it does without its surrounding urban constellation and the South East would not operate as it does without London – they are all bound up with one another – this is the London ‘mega-city region’.

So what are the implications of all of this for policy makers? The following issues are raised and discussed below:

- The integration of UK business in international markets and service networks in economic globalization makes **it vital for policy to identify and support the locational and operational needs of value-adding private sector activity.**
- The UK space economy is complex, with diverse responses to economic globalization and sub-national outcomes. In a rapidly changing international context, **active city participation in non-local business networks is essential.**
- Places with global business network centrality have a higher innovation capacity which can potentially lead to a paradigm shift in the degree of dependence on public spending and job creation – **urban concentration and agglomeration economies still matter.**
- In order to maintain a strong UK transnational labour supply and international links in advanced tertiary services network activity, **there is a need to invest in globally well-connected high density cities/ mega-city regions with existing specialized knowledge economy functions.**
- Sustainable development is a complex matter which requires more than the application of standards for green building, the use of renewable energy, waste recycling and so on. **A strategic and long term overview encompassing multiple spheres and scales of human activity is necessary.**
- Finally, in spite of the foresight of Manuel Castells' prediction that a ‘space of flows’ would come to dominate the ‘space of places’ in the network society, **government institutions still need to play an active role in orchestrating a strategic evidence base, regulatory frameworks and funding for urban development.**

## 3.0 Why cities matter

In spite of predictions that advances in virtual information and communication technologies (ICT) would lead to the future irrelevance of geographic space in an 'informational society'<sup>3</sup>, in practice, there is widespread agreement that cities have become increasingly important as the location of major resources, activity and finance as well as people in the globalizing world economy.

Their diverse roles as centres for commerce, employment, education, culture, social services and interaction, are inextricably linked with the globalization process. Alongside the dramatic growth of cities in developing countries with high levels of rural to urban migration, there has been a surprising economic resurgence of once depopulating cities with derelict infrastructures in the Western world in the second half of the twentieth century, such as London.

The link between urbanization and density, productivity and incomes, is widely recognised. Sustainable economic growth, as opposed to government subsidisation, is essential in a globalizing and competitive world economy.

More than half the world's population is now urban and the proportion of urban to rural inhabitants is increasing. The world urban population has grown from 220 million to 2.8 billion during the 20th century<sup>4</sup> and by 2030, it is estimated that almost 5 billion people will be living in cities.<sup>5</sup> At the same time, both in developing and mature economies, urban development patterns are evolving with the emergence of vast functionally inter-linked 'mega-city regions' in which a large number of towns and cities have overlapping activities, such as labour markets; in many ways, they operate interdependently, as functional entities.

### CITY MATTERS ...

Value-adding private sector activity

Non-local business networks

Urban concentration & agglomeration economies

Globally well-connected cities/mega-city regions

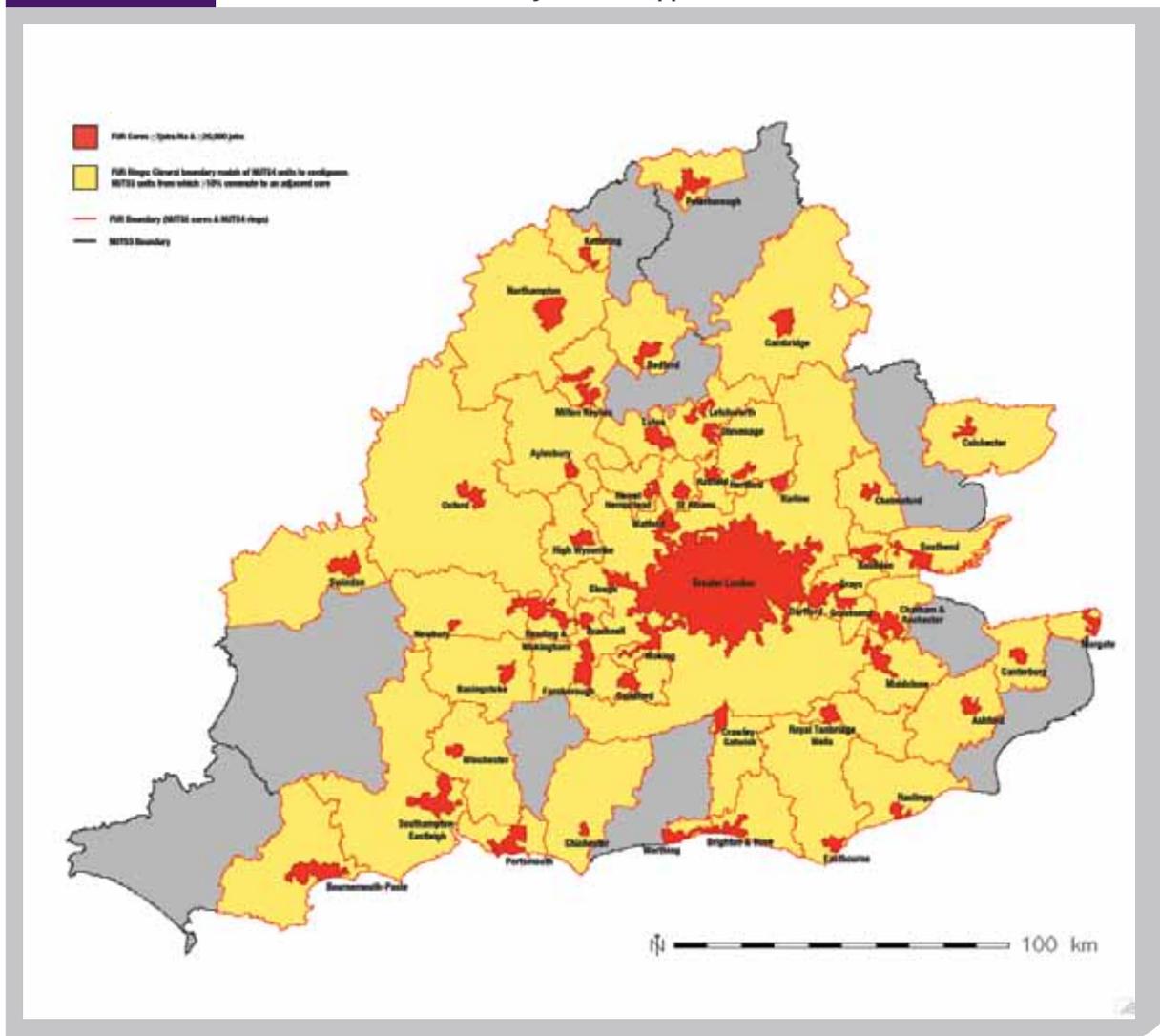
Strategic overview

Active government support

<sup>3</sup> The 'Death of Geography' thesis (Ohmae, 1990, *The Borderless World*, New York, Harper; Cairncross, 1997, *The Death of Distance*, Boston, HBS Press). <sup>4</sup> UNFPA, 2007, *State of the World Population 2007: Unleashing the Potential of Urban Growth*, New York, UNFPA, <http://www.unfpa.org> <sup>5</sup> UNDESA Population Division *World Population Prospects: The 2005 Revision*, New York, United Nations. <http://www.un.org/esa/population/>

Figure 1

The scale of the complex London functional mega-city region as defined by travel to work patterns in 2003 – its boundary is likely to extend even further to the North and South West of the area surveyed and mapped.



Source: Hall and Pain, 2006, *The Polycentric Metropolis: Learning from mega-city regions in Europe*, London, Earthscan

How to govern and administer these increasingly complex urban systems in order to reduce poverty, generate employment and reduce city ecological footprints, presents global challenges recognised by the United Nations Population Fund (UNFPA). Therefore in the context of global concerns for sustainable development, the scale, drivers and locational dynamics of urban development world-wide are now a more important priority for professional and policy attention than ever before, to inform policy on what infrastructure should be built, when, where and why.

It is critical to understand cities as a descriptor for wider overlapping urban areas, as human and commercial activity, resources, production and supply chains now extend far beyond administratively delineated individual metropolitan boundaries, presenting challenges for city governance.

## Box 1

### Discussion context

The drivers of urban development are not a new field of enquiry. The underlying reasons for urban and regional location patterns have been the subject of analysis throughout the twentieth century, for example in the US, the 'Chicago School' and Walter Christaller's 1933 'Central Place Theory' have been influential in informing European urban and regional planning.

However recent studies have developed innovative methods of urban data collection and analysis to examine the role of modern cities and regions in the tertiary knowledge economy – unleashed by developments in ICT since the latter part of the twentieth century.

Technological advances have supported the rapid development of a complex and dynamic interconnected world economy in which the key knowledge-intensive functions and labour, producing increasing returns, are located in cities and their extended functional urban regions.

In the globalizing world economy, cities are increasingly economically interlinked by flows of information, knowledge, people and finance, which circulate through cross-border business networks. Cities are the hubs for specialized skills, cosmopolitan lifestyles and intra- and inter-firm interaction.

The intensity of intermixing and face-to-face communication in dense urban agglomerations provides optimum conditions for transnational knowledge exchange and innovation in the newly significant, value-adding service sectors of the world economy [tertiary financial and professional 'advanced producer services' such as law, accountancy, consultancy/ICT and advertising/marketing]. Clearly interdependent information and economic transactions support wider social and cultural activities, and flows of people and resources within and between cities at different geographical scales.

In addition, during the past forty years, urban space has increasingly come to be shaped by globalizing markets and business networks. The financialization of development means that the impacts of activity occurring in one place can have far-reaching effects, as witnessed in the aftermath of the southern US sub-prime mortgage lending crisis. Furthermore, the cross-border flows of finance and real estate investments mobilized by business and professional network actors and passing through and settling in built infrastructure<sup>6</sup>, cannot be replicated by territorial government interventions.

**Sustainable infrastructure planning is thus not only vital for the economic sustainability of individual cities and regions but for whole countries as well as international priorities for social and environmental sustainability.**

## 5.0 The challenge to policy makers

The traditional roles of official government professional planners, surveyors, architects and engineers in urban development projects are now framed by global finance and capital markets and their volatility; physical city infrastructure development has become an intangible financial asset which is increasingly subject to non-local events. Transnational investment flows into and through urban infrastructures have local impacts world-wide, but their global scale of operation makes them, to a great extent, beyond the sovereign authority and control of nation state governments.

**In consequence, professional planning of infrastructure development today must take into account connections and flows between cities at local to global geographical scales which are the outcome of a range of actions taken by private and public sector institutional actors.**

Evidence of the way in which these global economic developments are impacting on changing urban settlement patterns in the UK is considered in this discussion paper.



## 6.0 The different models of settlement structure

European Union (EU) research commissioned under the North West Europe INTERREG IIIB initiative has compared the evolving urban settlement patterns of eight globally prominent city-regions in North-West Europe<sup>7</sup> in the context of their integration in advanced producer services networks<sup>8</sup>. The objective of the research was to inform EU-wide spatial policy on the 'polycentricity', or balanced distribution, of urban development in European regions as promoted by the EU 1999 *European Spatial Development Perspective* (ESDP).

Data on the location of offices and business functions of advanced producer service networks collected by researchers in the eight urban regions was computed by a specialist Globalization and World Cities (GaWC) Research Group at Loughborough University using network analysis<sup>9</sup>. This unique EU study has shed light on two important dimensions of North West European inter-city spatial relationships:

- First, the business connectivity of the case study cities to other cities at regional, national, European and global geographical scales, and;
- Second, the resultant spatial patterns of business inter-linkages produced by these network relations within each individual region.

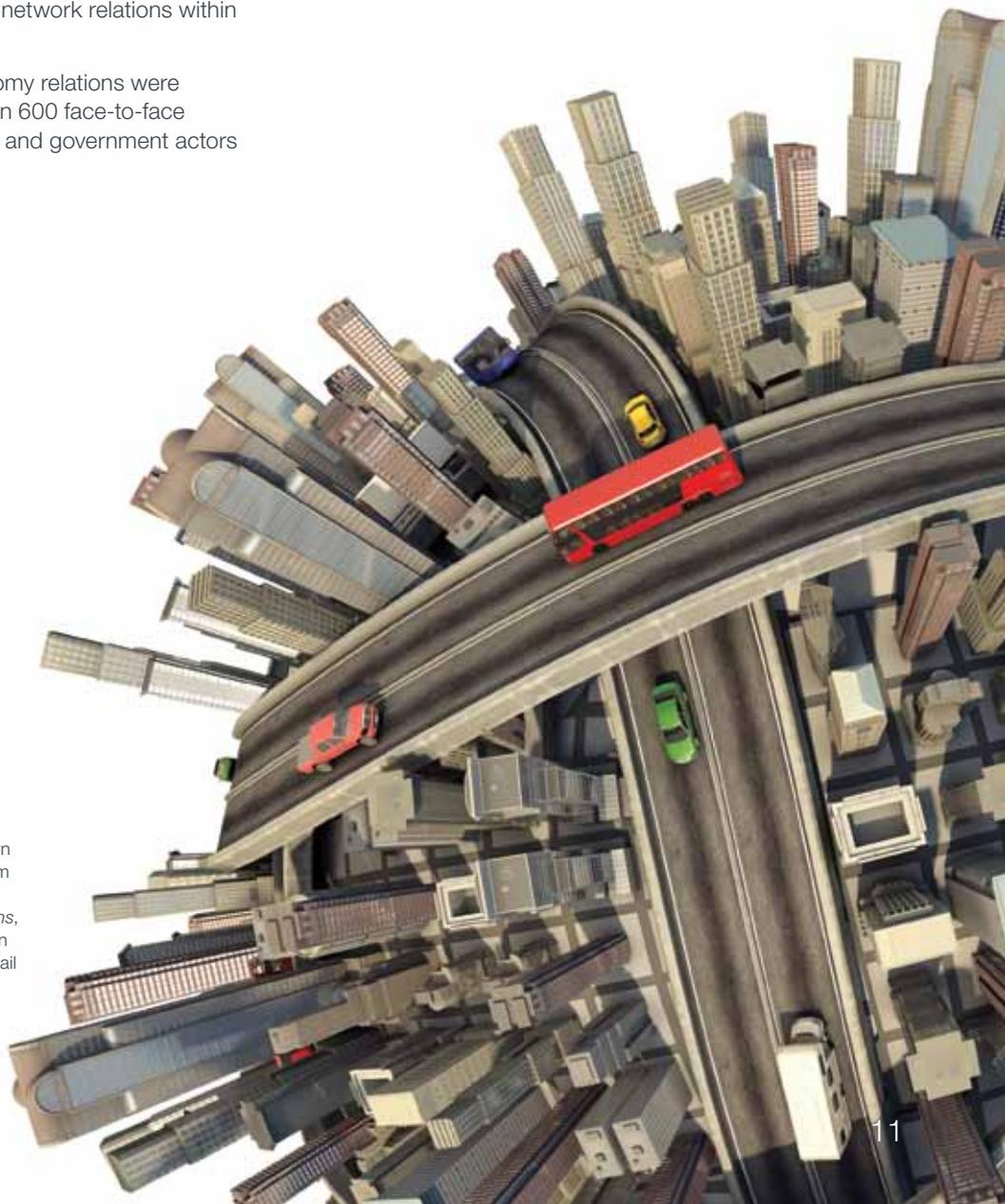
These multi-scale space-economy relations were investigated further in more than 600 face-to-face interviews with senior business and government actors working in the regions.

Additional, parallel analyses examined the changing structures of the eight regions as defined by standardized statistical data on population size, overall economic structure, daily travel to work patterns and communications. The empirical findings were compared with the then extant policy measures at EU, member state, regional and metropolitan scales.<sup>10</sup> The research has been unique in comparing the locational geographies of emergent European inter-city economic relations at different scales, with local settlement and spatial policy profiles.

**The results revealed that different cities and towns perform different but complementary roles in advanced producer services networks.**

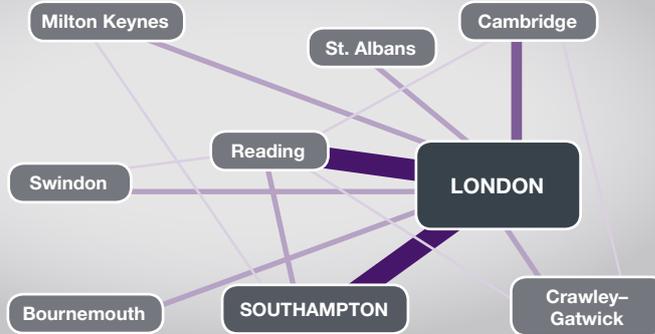
The different settlement structures of urban regions are indicative of two distinctive economic development processes active in North West European mega-city regions – a '**functionally polycentric**' economic expansion process and a '**morphologically polycentric**' settlement process.

7 South-East England, the Randstad Netherlands, Central Belgium, Greater Dublin, RhineRuhr and Rhine-Main Germany, the Paris Region and Northern Switzerland. 8 The 2003-06 EUR 2.4m POLYNET: *Sustainable Management of European Polycentric Mega-City Regions*, study. 9 The analytical method used in city network analysis is explained in detail in Taylor, 2004, *World City Network: A Global urban Analysis*, London/New York, Routledge. 10 The full results of the research are reported in Hall and Pain, 2006, *The Polycentric Metropolis: Learning from mega-city regions in Europe*, London, Earthscan.



**Figure 2** The eight *Polynet* mega-city regions

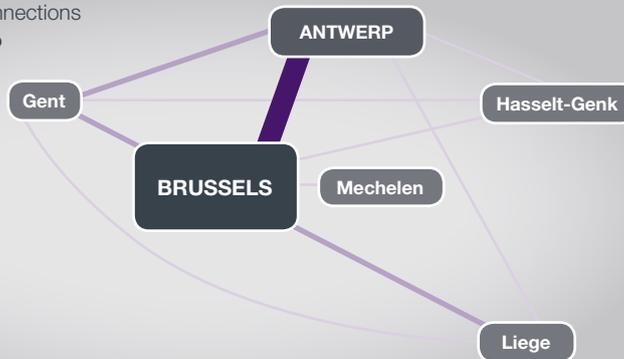
a) **London** Network Connections  
Standardised to Southampton



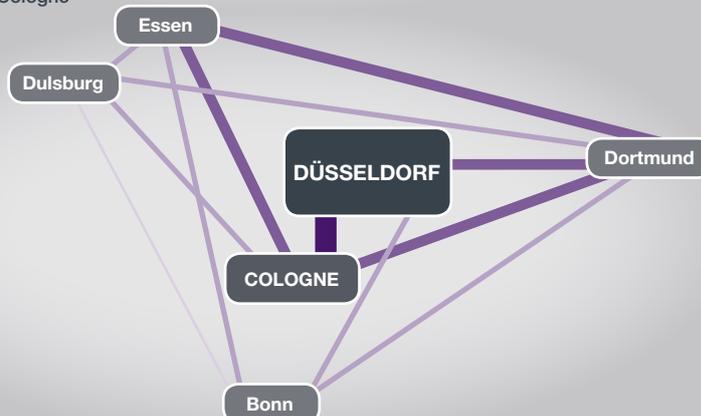
b) **Amsterdam** Network Connections  
Standardised to Rotterdam



c) **Brussels** Network Connections  
Standardised to Antwerp



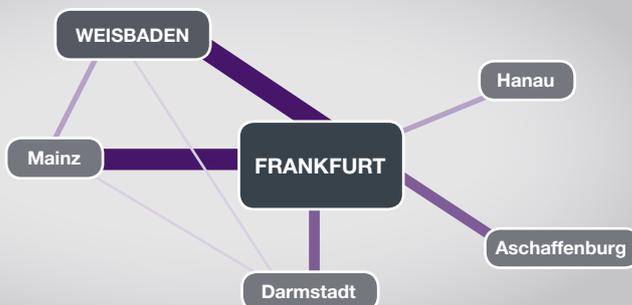
d) **Düsseldorf** Network Connections  
Standardised to Cologne



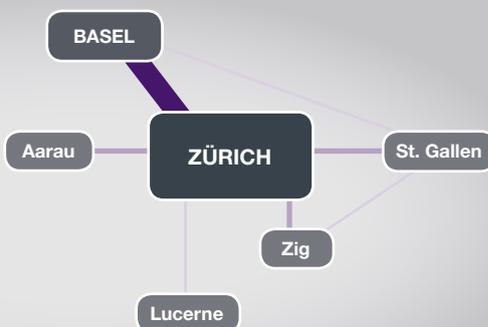
Source: Hall and Pain, 2006, *The Polycentric Metropolis: Learning from mega-city regions in Europe*, London, Earthscan

**Figure 2** The eight *Polynet* mega-city regions

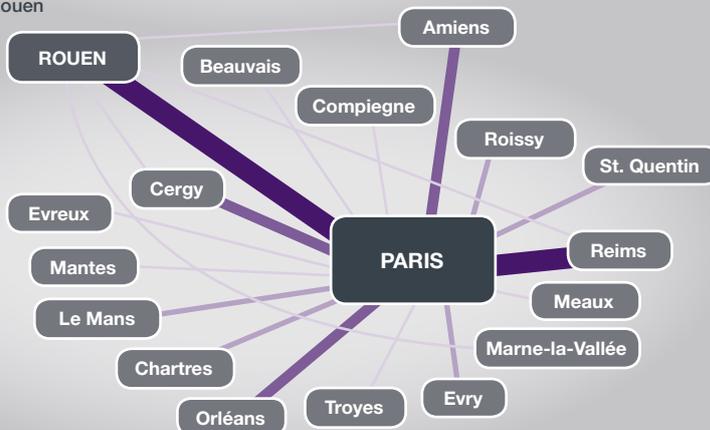
e) **Frankfurt** Network Connections  
Standardised to Weisbaden



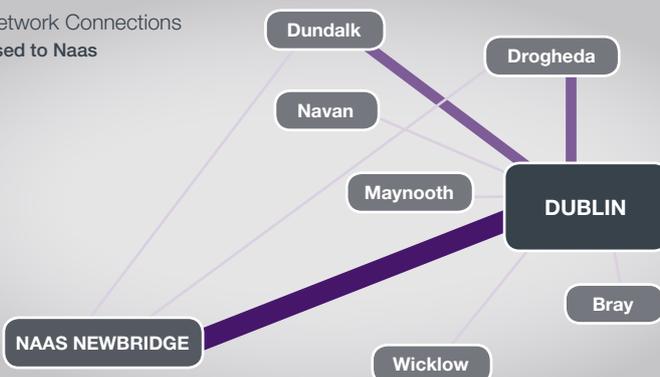
f) **Zürich** Network Connections  
Standardised to Basel  
(\*Winterthur & Baden-Brugg score 0.2)



g) **Paris** Network Connections  
Standardised to Rouen



h) **Dublin** Network Connections  
Standardised to Naas



**Connectivity**  
 ■ ≥ 0.8  
 ■ 0.6 – 0.79  
 ■ 0.4 – 0.59  
 ■ 0.2 – 0.39

The findings have vitally important spatial policy and planning implications in the context of urban investment priorities for Europe's global economic competitiveness in the knowledge economy and sustainable development

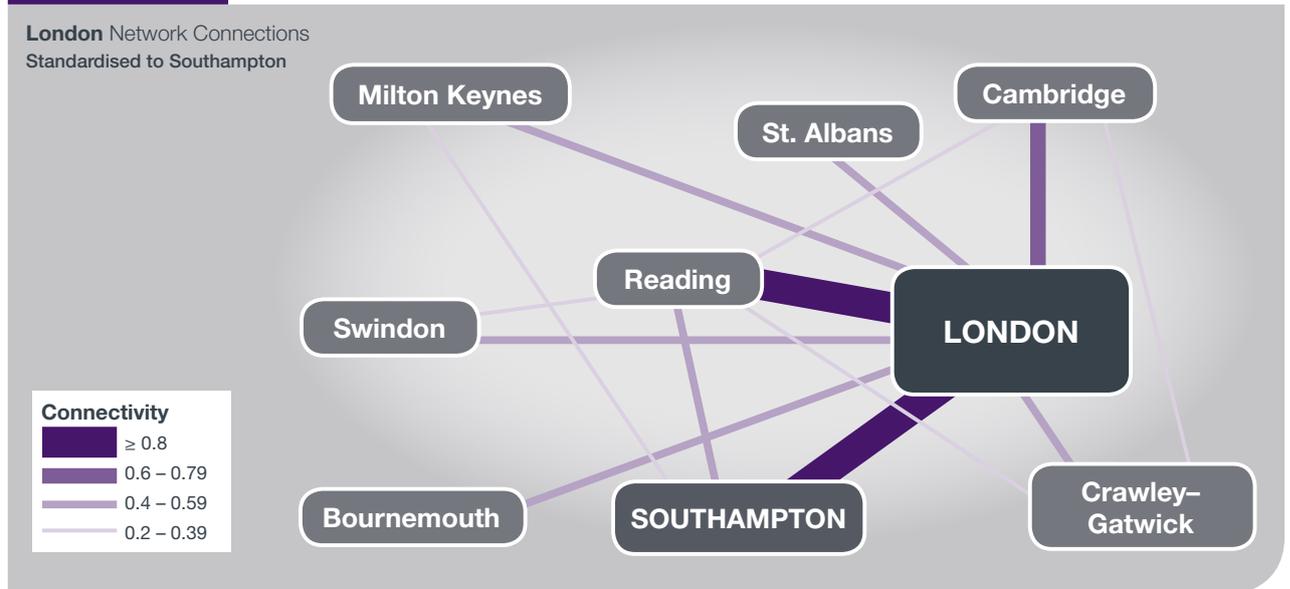
**Functional polycentricity:** The strength of the global connectivity of cities in advanced producer services networks, proved to have a major effect on the economic activity of wider ‘mega-city regions’. London is the most strongly globally networked city in the world and in Europe with a specialization in the Europe/North Africa economic region for high-value international ‘wholesale,’ or non-standardised services and transactions, for corporations and institutions.

This has led to the growth of economically vibrant multi-sector business clustering in proximate secondary towns and cities, such as Reading and Southampton, across South East England and beyond, contrasting with economic development patterns identified in other North West European regions.

“We used to be what is now the South Region, which encompasses everything south of Birmingham, outside of London and indeed Nottingham, which is a bit further north.”

**Management Consultancy, Southampton**

**Figure 3** London’s functionally polycentric ‘mega-city region’



Source: The 2003-06 EUR 2.4m POLYNET: Sustainable Management of European Polycentric Mega-City Regions study.

**Morphological polycentricity:** At the other extreme, in the RhineRuhr where the most globally connected city in advanced producer services networks is Dusseldorf, regional economic location patterns indicate considerable sectoral specialization of proximate secondary urban centres. Furthermore, interview analysis provided evidence of more active interaction between offices and urban centres in South East England than in any other regions. However in all regions, agglomeration of international actors and functions is present in just one city, indicating a global functional specialization between cities within all regions – furthermore, in no region was there evidence of a balanced spatial distribution of economic functions.

Not being not too distant physically, still really matters. The distinction between functional and morphological characteristics is essentially what gives rise to much of the difference in value between one location or site and another. Dependent upon business location requirements, specific cities and parts of cities with greater demand for high-value functional operations than others, have higher land and property values.

However whilst London's size and scale dwarfs that of nearby regional centres, its global connectivity in advanced sectors of the world economy is producing vibrant regional economic expansion in sub-regional multi-sector service clusters indicating the emergence of networked complementary economic functions between, and beyond, these settlements.

“We started off with four hundred and sixty staff in Bournemouth. We have grown since then – we now have four thousand two hundred people employed in Bournemouth in various capacities, that includes temporary staff as well. Three thousand three hundred permanent employee base here, at camp base. Initially we were set up as a regional technology hub and since then have developed into essentially one of a number of global hubs that we have within the organisation. Regional means Europe, Middle East and Africa.”

**Financial Services, Bournemouth**

“Customer relationship management, its main office is in Fleet in Birmingham and we have an automobile technology sector and the main offices in the UK are in Bristol and Cardiff. And we have a Dublin link, we also have a major activity in North America, we took over a company there and since we've taken it over it's tripled in size in the last couple of years to about 60 people. We've also got offices in Australia and in Melbourne. We've also got another utility site which we bought a new set of offices for in Milton Keynes and they also have a large operation in New Zealand.”

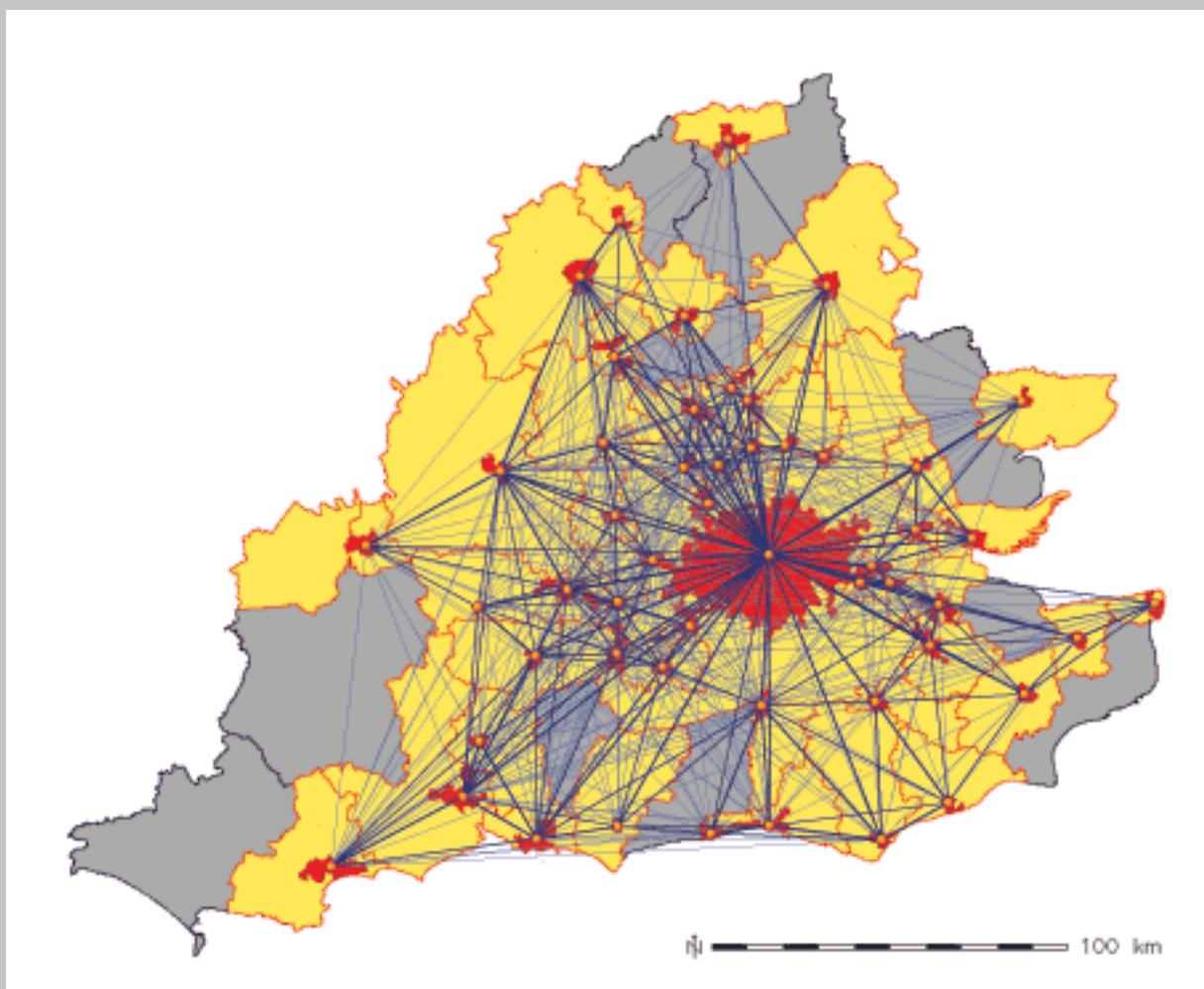
**Information Technology, Milton Keynes**

“The strategy in the South East is to have an office in Milton Keynes to cover that side of the circle round London ... there's one here [Reading] to serve Oxford and Basingstoke effectually and we've got an office in Southampton, basically [covering] all the South Coast.”

**Law, Reading**

Figure 4

London mega-city region cross-cutting commuting flows



Source: Hall and Pain, 2006, *The Polycentric Metropolis: Learning from mega-city regions in Europe*, London, Earthscan

“Every single day, there’ll be people coming into this office, or to clients in this area, not based here and vice versa, so we all have to be very mobile nowadays, therefore communication is very important and we don’t encourage people to come to the office for the sake of it, you know, we’d rather let the client or us be visiting companies, where they might become clients of the future. So there should be a reason for them coming to the office, but there’ll be big movement, I’m chairman of the South, so I’m responsible for here, but that includes Southampton, Bristol ... and Plymouth, so I’m not in the same office two days in a row, so it’s a lot of movement through here, yes.”

**Accountancy, Reading**

The locational distribution of buoyant centres outside London has a distinct western orientation. Two former Government 'Growth Areas', Milton Keynes and South Midlands (MKSM) and London-Stansed-Cambridge, contain such clusters but the Thames Gateway and Ashford Growth Areas were found to be relatively disconnected from important internationally networked service economy activities.

Subsequent studies applying advanced producer services network analyses at the UK scale<sup>11</sup>, indicate that the distinction between the two EU mega-city region development processes (an economic expansion process, versus a **morphological settlement** process), can also help explain economic differences noted between the North and the South (East) regions of England, widely referred to as the 'North-South divide'.<sup>12</sup> Inter-city advanced producer services network links in the North, and also in West and East Midlands and South West, are qualitatively different from those in the South-East. In spite of the diminishing returns associated with declining manufacturing production, many larger English cities are increasing their connectivity to global advanced producer services networks but economic diffusion into their surrounding regions is weaker than that found in the South East. The market town of Reading for example, has many important business network links to English 'Core Cities' far from London. This finding is highly relevant for coalition Government objectives to boost and rebalance the UK economy.

A further major finding from this research is the significance of interrelationships between polycentric, multi-centre, regional development and social and environmental sustainability. Electronic technologies are not diminishing the need for commuting and business travel within and between urban regions and, in the opinion of many interview respondents, they have instead increased it. High density cities like London allow efficient investment in multi-modal hub-and-spoke transportation infrastructure as well as in other public utilities and services. Nevertheless, analysis of daily travel-to-work data reveals the intensity of cross-cutting commuting flows, and this is augmented by trips essential for joint working and business efficiency, leisure and other non-work purposes, in South East England and in all other North West European mega-city regions regardless of their economic orientation towards knowledge-intensive economy activity.

"We have a lot of contact with Swindon but our area director reports out of Fenchurch Street in London and travels up here probably once every fortnight ... The two business centre managers look after North and South ... yet there's 22 of our branches across the country ... my boss is based in Nottingham but she will look after Nottingham and down. And then her colleague is based in Newcastle and she looks after the north."

**Financial Services, Cambridge**

"There is a central London office. Another one in Slough/ Thames Valley. And to the West there is a single office with two locations in Beaconsfield and Farnham, and if we go further South, there is one between Portsmouth and Southampton, and a few people in Brighton."

**Management Consultancy, Crawley-Gatwick**

11 GaWC Project 62: 'POLYNET UK: Multi-Nodal City-Regions in the UK'; GaWC Project 75: 'Absorptive Capacity as Knowledge Access: The Case of UK Cities' funded by National Endowment for Science, Technology and the Arts (NESTA); Taylor et al., 2009, 'The UK Space Economy as Practised by Advanced Producer Service Firms: Identifying two distinctive polycentric processes in contemporary Britain' *International Journal of Urban and Regional Research*, 33, 3, 700-718. 12 See The Smith Institute report: Ward, 2011, *Rebalancing the economy: Prospects for the North*, The Smith Institute. <http://www.smith-institute.org.uk/file/Rebalancing%20the%20Economy.pdf>.

“Businesses at the end of the day are rational entities and they will go where it makes sense for them to go. You can do anything you want and they’re like squeezing a bar of soap, they’ll pop up where they think most essential.”

**Financial Services, London**

“People will always drive to clients, much more than they used to ... if you’re based in London you very rarely go and visit clients because by the time you’ve got out of London it’s a day trip. We’re much more likely to visit clients on their patch, which they like, because it’s just easier to get around if you’re not actually starting from central London and if you haven’t got the commuting in the first place, you know, in the time you could be commuting to the middle of London, you can actually be travelling to wherever you need to be around the country. So we do a lot of vehicle miles.”

**Law, Reading**

Other UK studies illustrate the diversity of industrial structures and commuting patterns within, as well as between, English city-regions<sup>13</sup>. The exogenous and fluid nature of drivers of economic change identified in all these studies is making fixed administrative boundaries increasingly inappropriate as a basis for economic and spatial planning. This important finding has contributed to calls for new English systems of governance which reflect ‘real’ functional urban economic areas prior to the abolition of Regional Spatial Strategies (RSS) by the present coalition Government.

**The diverse multi-scale, network linkages of cities and regions today require urgent attention to support UK productivity, increasing returns and employment in leading sectors of the world economy. This requires institutional networking across sub-national boundaries to promote strategic approaches to land use and development and to counter unhelpful competition between locations.**

<sup>13</sup> Lucci and Hildreth, 2008, *City links: integration and isolation*, London, Centre for Cities. <http://www.centreforcities.org/citylinks>; Green, 2008, *City-States and the Spatial In-between*, *Town & Country Planning*, May 2008, 224-231. Work Foundation, SURF, and Centre for Cities, 2009, *City Relationships: economic linkages in Northern City Regions*. Newcastle upon Tyne, Northern Way. <http://www.thenorthernway.co.uk/document.asp?id=766>

## 8.0 What are the implications for policy?

A recent statement by the CLG Secretary reinforces the Government's commitment to the localism approach for future decision-making on city development and growth:

*"If we want our cities to be able to compete on the global stage, then we have to start locally. That's why we're putting decisions on growth in the hands of the local leaders and businesses who understand their local economy".<sup>14</sup>*

**However, in order to ensure the responsible use of scarce public resources, it is clearly imperative that UK Government investment initiatives are locationally targeted on settlement growth in ways which will address goals for economic and employment rebalancing appropriately.**

**The research outlined in this paper indicates the need to understand the external drivers of UK global competitiveness and the internal barriers to the efficiency of global and globalizing private enterprise networks.**

**1** The integration of UK business in international markets and service networks in economic globalization makes it vital for policy to identify and support the locational and operational needs of value-adding private sector activity.

**There is an urgent need for coordinated action at geographical scales larger than neighbourhoods, local authorities and local enterprise partnerships (LEPs) in order to address the fluidity of complex functional relations between cities at non-local and transnational geographical scales.**

The involvement of senior private sector leaders with experience of global business drivers in pan-LEP strategy networks, could counter a potentially myopic and territorially competitive focus, for example between 'Enterprise Zones' (EZs)<sup>15</sup> recently reintroduced by the Coalition Government. This is important to ensure that planning permissions for real estate investment address the functional needs of international business and UK firms joining cross-border network organisations and alliances. Recent Communities and Local Government (CLG) proposals for the introduction of new Permitted Development rights to change office and other B1 property to housing present the risk of ad hoc land use changes which do not take into account these long-term business and economic development needs.

<sup>14</sup> BIS (Department for Business Innovation & Skills), 2011, *Government renews focus on cities*. 19th July. COI. 2011. [http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=420483&NewsAreaID=2&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+bis-news+%28BIS+News%29](http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=420483&NewsAreaID=2&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+bis-news+%28BIS+News%29) <sup>15</sup> See critiques of the former Enterprise Zones in Sissons and Brown, 2011, *Do Enterprise Zones Work?* 0February, London, The Work Foundation; Larkin and Wilcox, 2011, *What would Maggie do?* February, London, Centre for Cities.



**2** The UK space economy is complex, with diverse responses to economic globalization and sub-national outcomes. In a rapidly changing international context, active city participation in non-local business networks is essential.

**There is a need to understand national urban space-economy variations and uneven development better.**

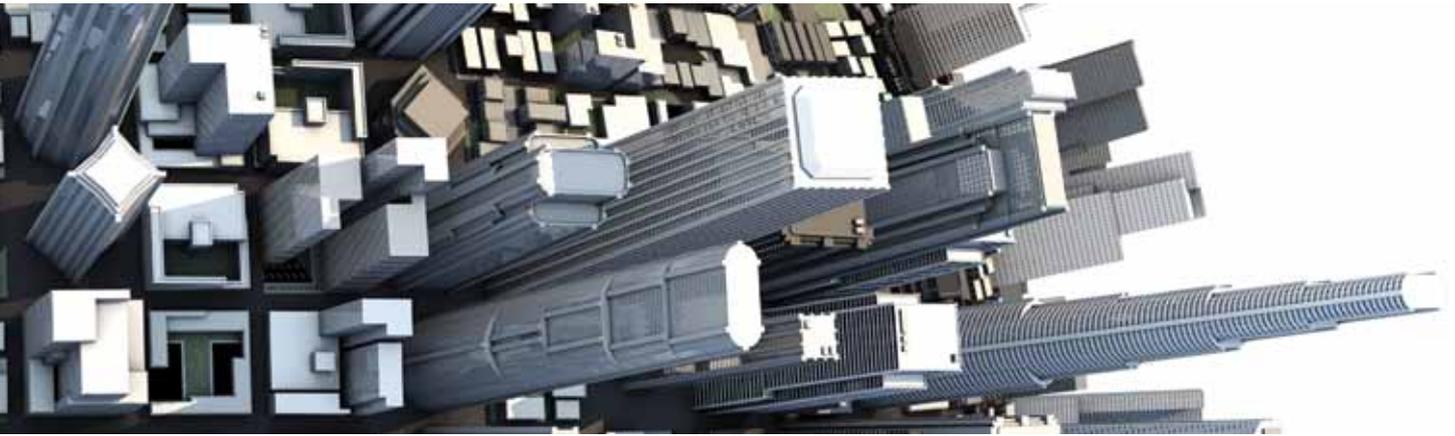
Reinforcement of the ‘duty to cooperate’ for public bodies through the Localism Act<sup>16</sup> misses the point that, with the demise of Regional Government Offices (GOs), Assemblies (RAs) and Development Agencies (RDAs), an evidence base with an international outlook is still needed to provide up-to-date information on increasingly non-local growth drivers for local planning and economic strategy. This should inform common, joined-up, approaches on infrastructure development which will support local adjustment to the dynamic global economy and ensure viability for investors and developers in a volatile global financial markets context. Integrated policy for spatial planning and economic development, lost with the abolition of regional government, needs to be promoted through new coordination mechanisms that go beyond present local plan consultation provisions to make administrative boundaries porous. At present, local authorities must pay regard to LEP growth strategy and LEPs will have statutory consultee status for planning proposals but LEPs will not have a formal active role in the comprehensive forward spatial planning process.<sup>17</sup>

**3** Places with global business network centrality have a higher innovation capacity which can potentially lead to a paradigm shift in the degree of dependence on public spending and job creation – urban concentration and agglomeration economies still matter.

**There is a need to pinpoint places where value-adding activity – in finance, advanced logistics, design and marketing, for example – could upgrade existing economic production, innovation and creative capacity in areas where industrial structures now have diminishing returns.**

Government Regional Growth Fund allocations should be informed by and aim to promote, advanced service economy inter-linkages between the English ‘Core Cities’ located in regions which need to adjust to global economic changes, and London. The appointment of a CLG Minister for Cities, announced on 19th July 2011, will focus attention on boosting city economic performance through LEPs and EZs but as London is specifically excluded from the ‘City Deals’ initiative<sup>18</sup>, its potentially growth-boosting functional relations and complementarities with the Core Cities are likely to be unexplored and supported. Such functional complementarities should be informing national investment in appropriate transportation infrastructures, (air, rail and road, especially high speed rail such as HS2)<sup>19</sup>, to facilitate efficient and environmentally sustainable business-related mobility. Given the rising global importance of inter-city business network relations, policy cooperation between Core and other UK cities with London, is essential.

<sup>16</sup> <http://www.communities.gov.uk/localgovernment/decentralisation/localismbill/> <sup>17</sup> Department for Communities and Local Government (2011) Growing Places Fund Prospectus, November, London, CLG; NPPF expectations for local authority consultation with LEPs fall short of a requirement for formalised joint working (for example, paras 160 and 180, Communities and Local Government, 2012, *National Planning Policy Framework*, March 2012, London, DCLG). <http://www.communities.gov.uk/documents/planningandbuilding/pdf/2116950.pdf> <sup>18</sup> HM Government, 2011, *Unlocking Growth in Cities*, December, London, HM Government. <sup>19</sup> Now dealt with in the ‘National Infrastructure Plan’ (HM Treasury, 2011, *National Infrastructure Plan*, London, HM Treasury).



**4** In order to maintain a strong UK transnational labour supply and international links in advanced tertiary services network activity, there is a need to invest in globally well-connected, high density cities/mega-city regions with existing specialized knowledge economy functions.

**There is also a need to promote sustainable growth in existing successful areas, London and vibrant South East centres for example, through timely investment in Crossrail and adequate housing supply, which could also help to address the issue of affordability.<sup>20</sup>**

Sustainable eco-extensions to existing settlements may require relaxation of policy on Greenfield land in areas of high demand.<sup>21</sup> Furthermore there is a need to coordinate economic and spatial development strategies for functionally polycentric mega-city regions across geographical areas larger than those covered by former RA/RDA strategies to ensure appropriately targeted building land availability. As a result of the London Mayor's intervention, the London LEP will now include the whole Greater London area, allowing economic development planning to be taken forward alongside strategic spatial policy set out in the 'London Plan' following the demise of the London (Economic) Development Agency (LDA). Nevertheless, the removal of the regional government tier outside London means that policy integration at the critically important wider London mega-city region functional scale is unlikely given a current lack of clear Government guidance on appropriate spatial scales and institutional arrangements that should frame the duty to cooperate in such cases, and how conflicting local interests should be resolved where these arise.

**5** Sustainable development is a complex matter which requires more than the application of standards for green building, the use of renewable energy, waste recycling and so on. A strategic overview encompassing multiple spheres and scales of human activity is necessary.

**Sustainable development in the globalization era requires regard for the contemporary cross-border 'flow-based' nature of cities whilst also privileging the use of local and renewable resources.**

Energy, water, food, commodities, minerals, waste, Broadband, information, skills, economic production and trade, as well as finance, are all interdependent components of sustainable development. Economic growth and sustainability, which are now the primary responsibility of LEPs, are intrinsically interlinked with social and environmental sustainability<sup>22</sup> however the recently published National Planning Policy Framework (NPPF)<sup>23</sup> remains ambiguous about tensions that can arise between these priorities and how they might be resolved, especially at scales above the local<sup>24</sup>. Albeit the NPPF now acknowledges the need for positive planning to support sustainable growth, this cannot be effective if its role is limited to guiding statutory local and sub-local (neighbourhood) development plans. Lead local authorities are to receive and account for LEP 'Growing Places' funding but economic growth priorities will be decided by the Partnerships. Despite the presumption in favour of sustainable development in core strategies and development decisions, it remains to be seen how the determinants of sustainability will be agreed in practice in the absence of higher level strategic spatial planning frameworks that that incorporate economic strategies and also intersect with EU *Europe 2020 strategy*<sup>25</sup> and associated development funding.

20 A recent report has claimed that the UK response of supply to demand for housing during the past 20 years is one of the lowest in the OECD: OECD, 2011, *Economic Surveys United Kingdom*, March 2011 Overview, p.9. [http://www.oecd.org/document/38/0,3746,en\\_2649\\_34569\\_47283558\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/38/0,3746,en_2649_34569_47283558_1_1_1_1,00.html), an IPPR report also predicts a UK shortfall in housing supply to 2025, Schmuckler, 2011, *The good, the bad and the ugly: Housing demand 2025*, March, London, Institute for Public Policy Research, p.19. 21 As suggested in the OECD report, *Economic Survey of the United Kingdom 2011*. 22 The need for Draft NPPF clarification on this point was stressed in the House of Commons Communities and Local Government Committee, 2011, Eighth Report, *The National Planning Policy Framework*, London, The Stationery Office. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1526/152613.htm>. 23 Communities and Local Government, 2012, *National Planning Policy Framework*, March 2012, London, DCLG. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/2116950.pdf> 24 The need to include effective strategic planning provision in the Localism Act was made strongly in the March 2011 House of Commons Communities and Local Government Committee report, *Abolition of Regional Spatial Strategies: a planning vacuum?* London, The Stationery Office. 25 EC. (European Commission), 2011, *Territorial Agenda of the European Union 2020 – Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions*. 19 May 2011, Godollo, Hungary (TA2020), Brussels, European Commission. [www.eu2011.hu/files/bveu/documents/TA2020.pdf](http://www.eu2011.hu/files/bveu/documents/TA2020.pdf)

**6** Finally, in spite of the foresight of Manuel Castells' prediction that a 'space of flows' would come to dominate the 'space of places' in the network society, government institutions still need to play an active role in orchestrating a strategic evidence base, regulatory frameworks and funding for urban development.<sup>26</sup>

**Governance at the national scale should provide the strategic regulatory and fiscal context to encourage extra-territorial development drivers.**

Integration of central government and local approaches and knowledge across a wide range of policies, decisions and interventions is needed to ensure that cities and their functional regions are able to respond to the locational requirements of successful business. Incremental additions to the responsibilities of LEPs to coordinate investment at appropriate functional scales, such as for transport, are problematic given their non-corporate status and lack of strategic spatial planning expertise. The absence of accountable infrastructure delivery planning at scales above the local level to ensure that objectives for strong and sustainable growth are met, has not been addressed by the NPPF. Its main focus, the rationalization of statutory planning policies, does not attend to the need for nationally integrated spatial strategy. There remains a void of institutional oversight to ensure the overall coherence of, and best fit between, multiple sub-national approaches to complex UK development issues in a dynamic global context. At the same time, the National Infrastructure Plan 2011 lacks engagement with the strategic spatial context of economic development.

<sup>26</sup> Castells, 1996, *The Rise of the Network Society*, Oxford, Blackwell.





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