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Strength from within: Supporting economic growth in **Preston**

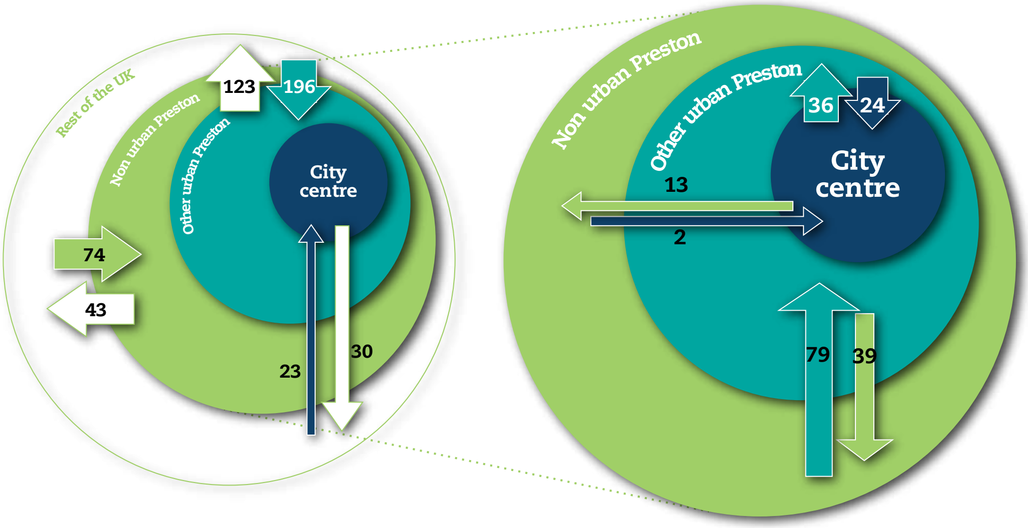
An independent report by Centre for Cities

December 2011 - Paul Swinney & Zach Wilcox

Preston is a Partner City in the Centre for Cities' Partner City network. The programme works closely with a small group of cities to inform economic development strategies and improve economic performance.

In this paper we answer three questions which provide insight and advice on how to best support economic growth in Preston.

- How does Preston's growth affect the wider Lancashire economy?
- What has been the pattern of spatial development within Preston in recent years?
- What can Preston do to support future growth for the benefit of both the city and wider county?



Business movements in, out and within Preston

Key recommendations

- Given Preston's key role in the wider Lancashire economy, Preston City Council, Lancashire County Council and the Lancashire Local Enterprise Partnership should **work together to support growth within the city**. This will be to the benefit of the wider Lancashire economy and its residents.
- To support future economic growth, Preston City Council and Lancashire County Council should look to strengthen the appeal of the city centre to businesses by **easing transport bottlenecks, becoming more business friendly and improving office space provision** where appropriate.
- The Lancashire Local Enterprise Partnership should use its £12.9 million allocation from the Growing Places Fund to help **kick-start development within Preston city centre** in the wake of the decision not to proceed with the Tithebarn development in its current format.

Executive Summary

Previous research by the Centre for Cities found that Preston had the third highest growth of private sector jobs out of all of England's cities in the decade prior to the recession (1998 to 2008). While economic growth for Preston is positive for the local economy, the pattern of growth and its wider effects may be affecting neighbouring cities differently. This research report answers three questions:

- How does Preston's growth affect the wider Lancashire economy?
- What has been the pattern of spatial development within Preston in recent years?
- What can Preston do to support future growth for the benefit of both the city and wider county?

Preston's strong economic growth is likely to have brought benefits to the wider county. The large increase in private sector jobs supported Preston's overall position as a supplier of jobs to residents in neighbouring areas. And much of this growth does not appear to have come at the cost of growth elsewhere. Therefore, growth in Preston should be encouraged in order to support the wider growth of Lancashire's economy.

But the spatial pattern of growth in Preston Primary Urban Area (PUA) has been rather unexpected; most private sector growth has occurred in the outer areas of the city along the motorways. The city centre, on the other hand, actually lost private sector jobs at a time of overall strong growth in the city economy. Given that "higher value" businesses have tended to concentrate in strong city centres in recent years this pattern questions the strength of future growth in Preston.

To make the most out of future economic growth, Preston can make some changes to support the business environment in the city centre. Unsuitable office space is a challenge to some businesses, so improving and adapting the existing office stock is important for attracting firms to the city centre. Relieving transport bottlenecks will reduce the traffic congestion and free up flows into the city for work. And the council should strive for a reputation of excellence in being supportive of businesses – including planning processes – to ensure their needs are met to facilitate the growth that they can provide. Meeting these challenges will be integral to capitalising on Preston's potential and supporting the future expansion of the Lancashire economy.

To make the most out of future economic growth, Preston can make some changes to support the business environment in the city centre

1. Introduction

As shown in Centre for Cities' *Private Sector Cities* report in 2010, Preston increased its number of private sector jobs by around 16 percent between 1998 and 2008. This was the third strongest performance out of all England's cities, with only Milton Keynes and Brighton seeing stronger relative jobs growth.

City	Percentage private sector jobs growth (1998-2008)	Absolute private sector jobs growth (1998-2008)
Brighton	24.8%	20,100
Milton Keynes	23.7%	22,400
Preston	16.2%	17,100
Portsmouth	15.4%	20,900
Bristol	15.4%	37,200
Northampton	13.8%	11,400
Bournemouth	12.7%	13,900
Wakefield	12.5%	11,000
Reading	10.3%	16,900
Newcastle	10.2%	24,200

Figure 1: Top ten English cities for private sector jobs growth, 1998-2008

Source: NOMIS 2010, Annual Business Inquiry, workplace analysis. Estimates based on jobs added between1998-2005 and 2006-2008 to take into account changes in ABI methodology.

This report aims to build on the findings of *Private Sector Cities* to better understand the nature of Preston's strong private sector -performance. It investigates the following two main questions:

What is the role that Preston plays in the wider Lancashire economy?

Preston's role in the wider Lancashire economy has been somewhat contentious in recent years. The objection that was lodged against the regeneration of Preston's city centre by Blackpool and Blackburn with Darwen local authorities demonstrates this – the grounds for the challenge were that retail growth in Preston would harm the sector's performance in its near neighbour. This report aims to investigate the role that Preston plays in the wider county economy and whether its recent success has been beneficial or detrimental for areas surrounding the city.

Which areas within Preston experienced the strongest private sector jobs growth between 1998 and 2008?

Preston's excellent motorway network – it is served by the M6, M55, M61 and M65 – is likely to have been a key driver the recent growth in its private sector. As a result, the city has certainly benefited from strong growth on its employment sites around its motorway junctions. But this raises questions about the spatial nature of development that has occurred in the city. The report aims to get a better understanding of the role that Preston's out-of-town sites have played in its recent growth and what it has meant for growth within the city centre.

The report is structured as follows. Section 2 looks at the role that Preston plays within Lancashire. Section 3 examines the spatial development of Preston between 1998 and 2008. Section 4 evaluates the barriers to growth that exist in the city centre. And Section 5 offers policy recommendations to Preston City Council, Lancashire County Council and the Lancashire LEP.

Box 1: Preston Primary Urban Area

Preston Primary Urban Area

This report uses the definition of Preston Primary Urban Area (PUA), which includes Preston, Chorley and South Ribble local authorities. Any references to Preston refer to the PUA definition. In instances where data refer to Preston local authority only this is clearly labelled.

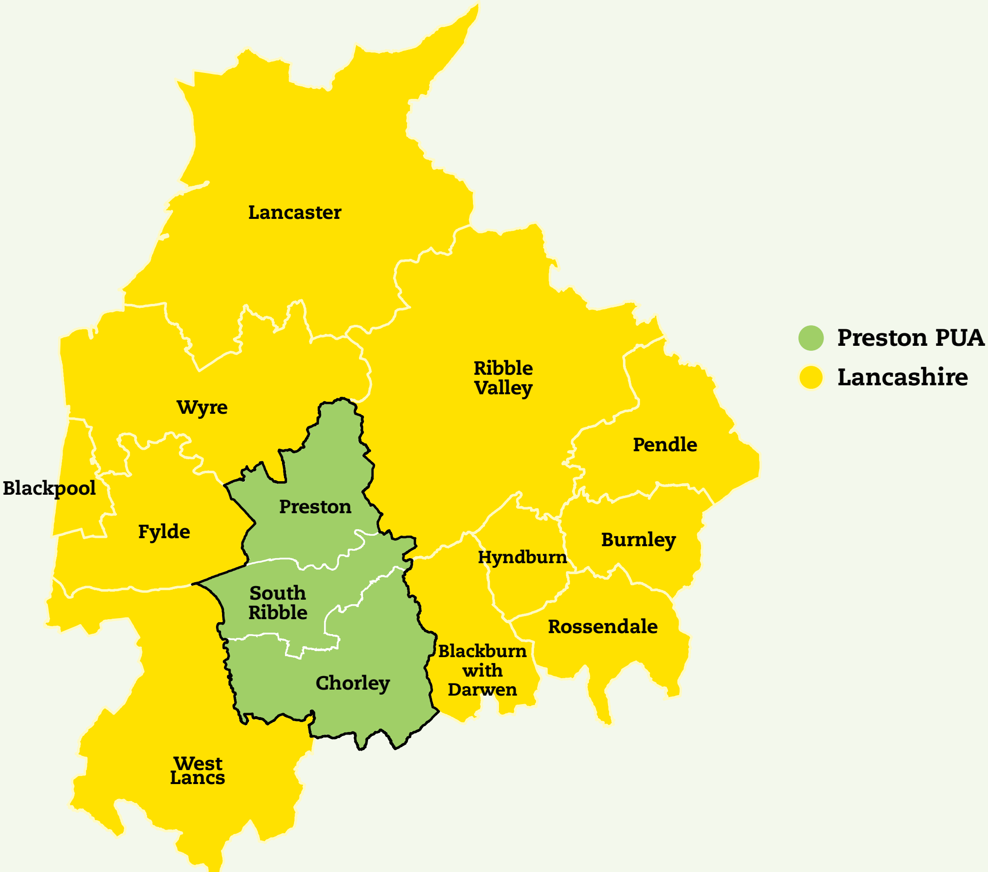


Figure 2: Preston Primary Urban Area

2. Preston's place in Lancashire

Preston's private sector performed very strongly between 1998 and 2008, which made it both Lancashire's star economy and one of the best performing cities in England. This has helped strengthen Preston's position as a source of jobs for the wider county.

Preston has been Lancashire's star performer in recent years

The economic geography of Lancashire is very uneven. Figure 3 shows the private sector jobs growth of all local authorities in Lancashire between 1998 and 2008, the decade prior to the recession. During this time, Lancashire saw a two percent drop in private sector jobs, but the story was very different in Preston. As can be seen, the local authorities that make up Preston PUA saw very strong jobs growth – the number of private sector jobs increased by 15 percent, 24 percent and nine percent in Preston, South Ribble and Chorley local authorities respectively.

Overall, Preston PUA saw private sector jobs growth of 16.2 percent, the third strongest performance out of all England's cities. Contrary to this, local authorities in East Lancashire actually saw a contraction in their number private sector jobs. Blackburn with Darwen lost 10 percent of its private sector jobs, Burnley local authority lost 17 percent and Rossendale underwent a contraction of 33 percent.

Preston's private sector performed very strongly between 1998 and 2008, which made it both Lancashire's star economy and one of the best performing cities in England

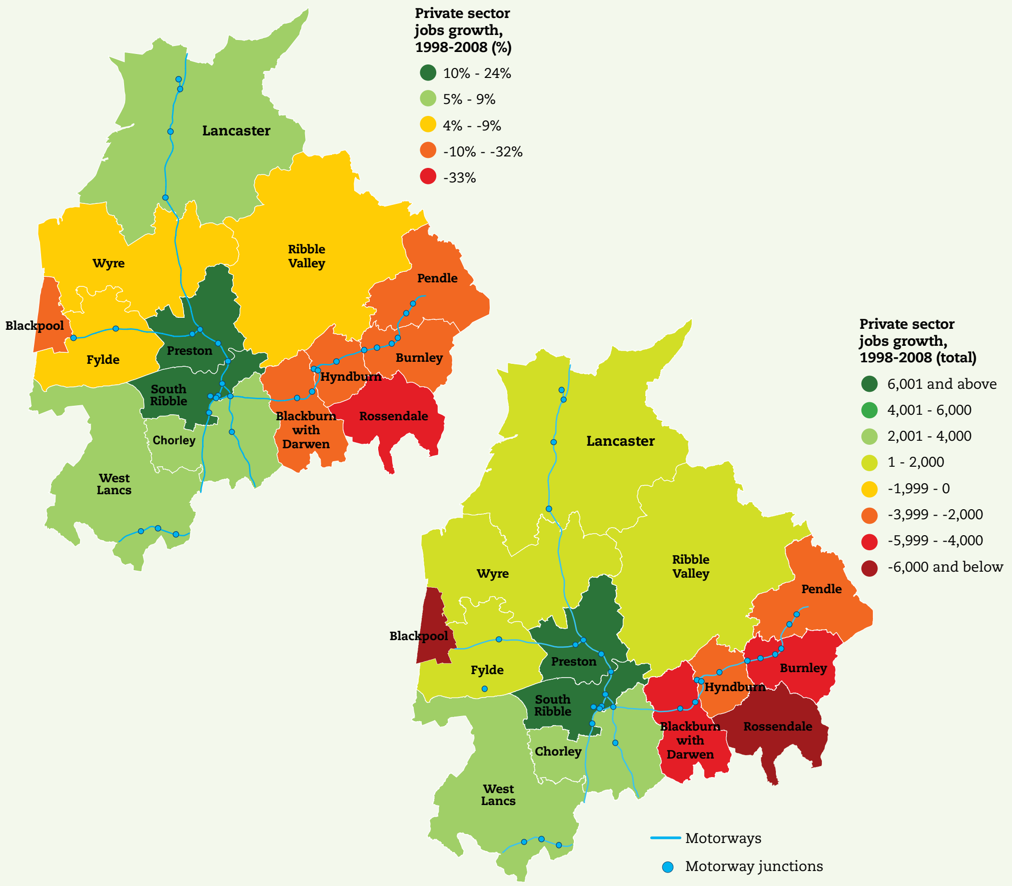


Figure 3: Private sector jobs growth in Preston, 1998-2008

Source: NOMIS 2011, Annual Business Inquiry, contains Ordnance Survey data © Crown copyright and database right 2011

Preston's performance does not appear to have been to the detriment of wider Lancashire

The strong private sector performance that Preston underwent between 1998 and 2008 does not seem to have been to the cost of growth in other parts of Lancashire. Figure 4 shows the top five industries[1] in terms of jobs growth over this period compared to the specialisation of industries in the rest of Lancashire. Manufacture of transport equipment was the only industry out of the top five sectors for jobs growth in Preston that wider Lancashire had a specialism in. This suggests that, on the whole, the economic relationship between Preston and the wider county appears to be more complementary than competitive.

As well as undertaking quantitative analysis, a range of businesses and other stakeholders in sectors ranging from banking to retail and professional services were also interviewed. These interviews provided qualitative evidence on the role of Preston within Lancashire and other cities in the North West. Interviewees felt that Preston played a different role to other parts of Lancashire, serving as the county-wide capital of Lancashire. For example, some reflected that Preston tends to host headquarters in Lancashire with branches elsewhere in the county. They also noted that retail offer was middle range – somewhere in between smaller and less affluent markets but without the major and luxury retailers you can find in Manchester. This implies that Preston's retail is part of a range of offers that meet different markets within the region.

1. At the two digit SIC Code level. A location quotient (LQ) is the specialisation of a sector in a local economy compared to the specialisation of that sector in the national economy. A LQ of 1 means that a local area has the proportion of jobs that is equal to employment in that sector at the national level, and a LQ less than one means they have fewer jobs in that sector than at the national level. An area is said to have a specialisation in a sector if the LQ is greater than 2.

Top 5 Jobs Growth Sectors	Preston PUA jobs growth (1998-2008)	Jobs growth in rest of Lancashire (1998-2008)	Specialisation LQ[2] for rest of Lancashire (minus Preston PUA) Specialisation if LQ > 2
74: Other business activities	10,200	7,900	0.6
45: Construction	6,500	8,000	0.9
35: Manufacture of transport equipment	4,300	-3,800	6.2
72: Computer and related activities	1,700	500	0.6
51: Wholesale trade and commission trade, except of motor vehicles and motorcycles	1,400	1,300	1

Figure 4: Top 5 areas of growth in Preston, 1998-2008

2. At the two digit SIC Code level. A location quotient (LQ) is the specialisation of a sector in a local economy compared to the specialisation of that sector in the national economy. A LQ of 1 means that a local area has the proportion of jobs that is equal to employment in that sector at the national level, and a LQ less than one means they have fewer jobs in that sector than at the national level. An area is said to have a specialisation in a sector if the LQ is greater than 2.
Source: NOMIS (2010), Annual Business Inquiry

Although there is no clear evidence of competition within Lancashire, there do not seem to be clear signs of complementarity of economic activity either. The structure of the financial services and retail sectors in Leeds City Region[3] serve as a good example of complementarity. Leeds acts as the hub of the financial services industry in the sub region, while Bradford and Wakefield tend to act as centres for back office functions. And in terms of retail, Leeds tends to offer the greatest choice and diversity to consumers,

3. Leeds City Region is made up of Leeds, Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Selby, Wakefield and York.

while places such as Harrogate and York tend to be more specialised. Greater complementarity between areas is likely to have a positive impact on economic growth.[4] This complementarity between different parts of the Leeds City Region is well recognised by the Local Enterprise Partnership and reflects its emerging agenda.

The different structure of Preston's economy compared to other areas of Lancashire (for exmaple, Preston has more of a services focus than East Lancashire) means that the lack of complementarity between them is not a surprise. However, the authorities in Lancashire through the Lancashire Local Enterprise Partnership should seek to encourage complementarity where possible to help encourage economic growth in the county. Competition for growth between local authorities is likely to be to the detriment of growth in the wider county, whereas complementary activities, where appropriate, would be of benefit to county-wide growth.

Preston: Supplier of jobs to Lancashire

Contrary to growth in Preston being detrimental to other local authorities in Lancashire, it is likely that Preston's strong performance has allowed residents from outside of the city to benefit from the opportunity that has been created. Figure 5 shows "job balances" – the difference between the number of jobs available and resident workforce in a local authority. A place with a jobs surplus has more jobs than it has working-age residents, so it supplies jobs to residents from other areas. Preston has a large "jobs surplus" – there were around 5,000 more jobs than working residents between 2007 and 2010 – meaning that the city is a net provider of employment for surrounding areas. Preston local authority is the main driver of this surplus – there were around 46,000 more jobs than working age residents over the same period.

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

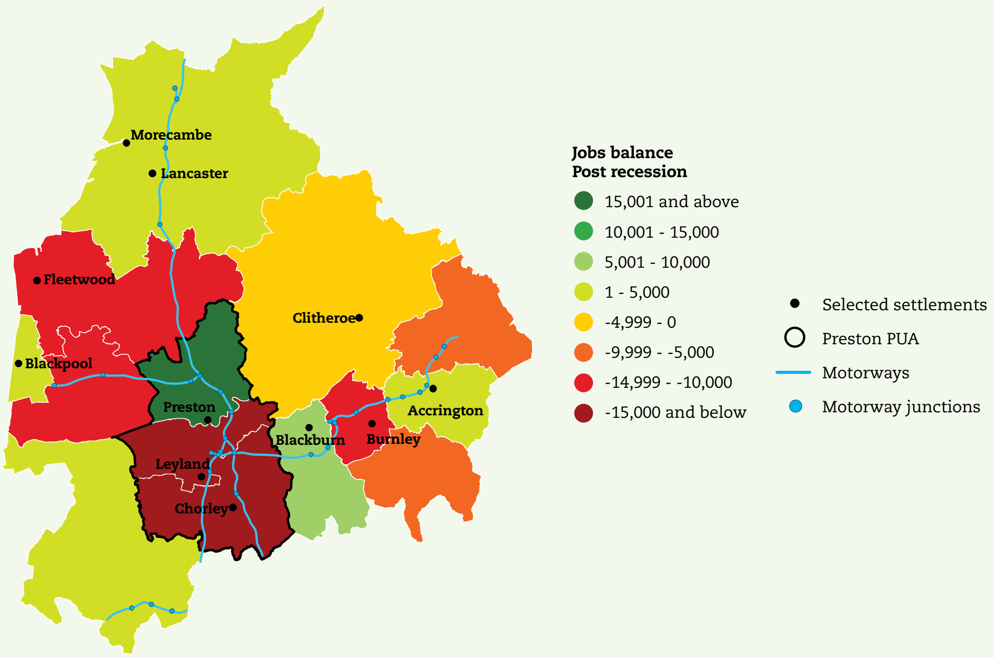


Figure 5: Jobs balances in Lancashire, October 2007 to September 2010

NB a jobs deficit does not necessarily represent a weak local economy as we would not expect an economy to have full employment, especially during the early stages of recovery from a recession.

Source: Nomis 2011, Annual Population Survey, residents and workplace analysis, Oct 2004 - Sep 2007and Oct 2007 - Sep 2010 data; Nomis 2011, DWP vacancy statistics, live unfilled vacancies, Oct 2004 - Sep 2007 and Oct 2007 - Sep 2010 data; Nomis 2011, Claimant Count, usual occupation, Jan 2005 - Sep 2007 & Oct 2007 - Sep 2010 data. Contains Ordnance Survey data © Crowncopyright and database right 2011.
Note: Methodology builds on Green A & Owen D (2006) *The geography of poor skills and access to work*, York: JRF

Other urban authorities in Lancashire also act as employment centres, although to a lesser extent. Both Blackpool and Blackburn are "jobs suppliers". Burnley, on the other hand, has fewer jobs than it does working-age residents.

Preston's role as a provider of jobs holds for all skill levels. As Figure 6 shows, Preston local authority acts as a supplier of jobs to the wider county throughout the skills spectrum. This is particularly pronounced for "Level 4" jobs which represent high skilled employment. Average wages in Preston, particularly in Preston local authority, are also some of the highest available in the county. In 2010 the mean gross weekly wage available in Preston was £470, while it was £412 in Burnley local authority. The implication of this data is that commuting links between Preston and the wider county need to be made stronger in order to allow residents from other local authorities to access the job opportunities that exist within Preston.

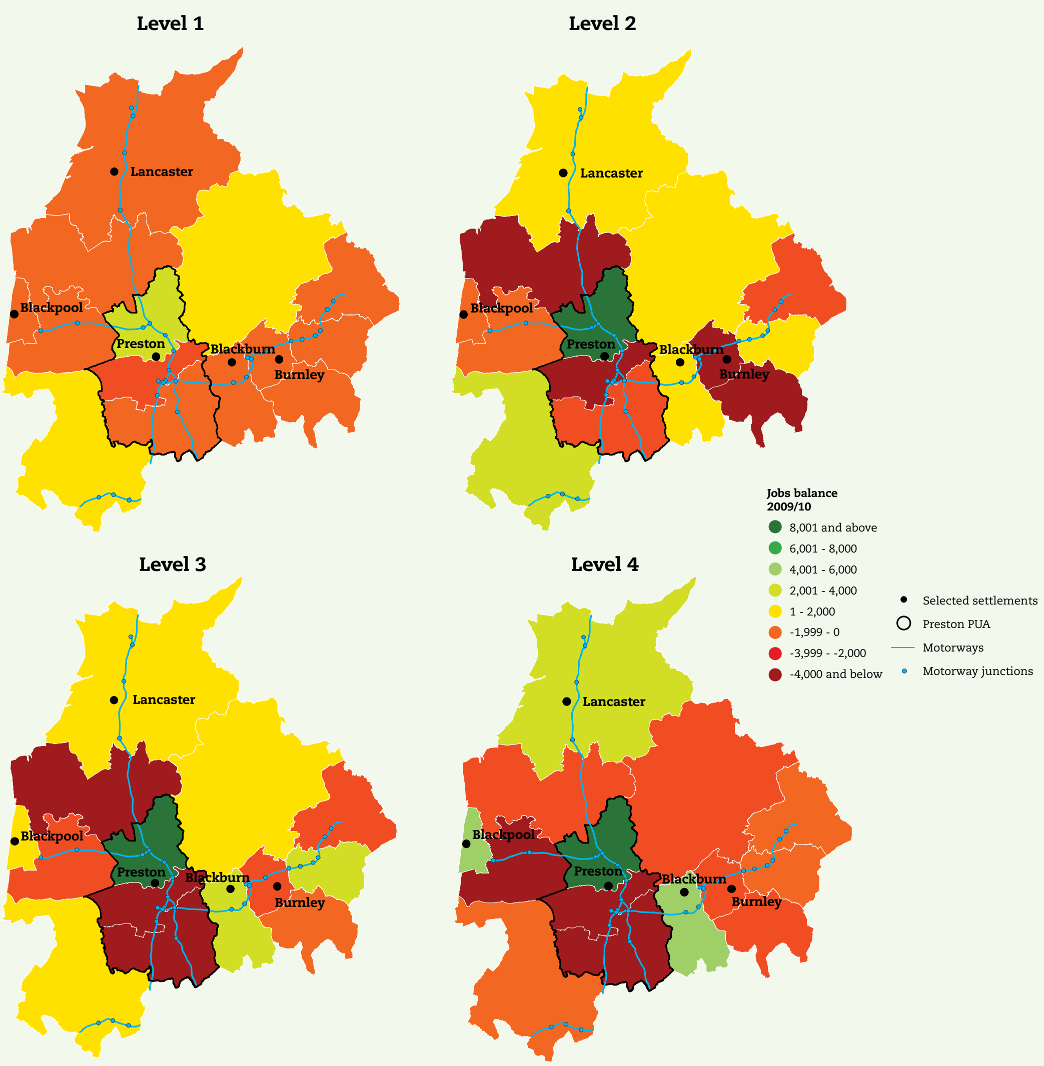


Figure 6: Jobs balances in Lancashire by skills level, October 2007 to September 2010

NB a jobs deficit does not necessarily represent a weak local economy as we would not expect an economy to have full employment, especially during the early stages of recovery from a recession.

Source: Nomis 2011, Annual Population Survey, residents and workplace analysis, Oct 2004 - Sep 2007and Oct 2007 - Sep 2010 data; Nomis 2011, DWP vacancy statistics, live unfilled vacancies, Oct 2004 - Sep 2007 and Oct 2007 - Sep 2010 data; Nomis 2011, Claimant Count, usual occupation, Jan 2005 - Sep 2007 & Oct 2007 - Sep 2010 data. Contains Ordnance Survey data © Crowncopyright and database right 2011.
Note: Methodology builds on Green A & Owen D (2006) *The geography of poor skills and access to work*, York: JRF

Commuting links from East Lancashire are weak

We can gain insight into how exactly Preston serves as a destination for jobs by looking at commuting data. Data from 2004 (see Figure 7) shows that there was a high level of commuting into Preston PUA from around the north side of the city, particularly from Fylde and the Ribble Valley. For example, around one in seven working residents from the Ribble Valley commute into Preston PUA, and a similar proportion travel from Fylde.

Commuting from East Lancashire to Preston is low, suggesting that Preston has much weaker labour market ties with the local authorities to the east. For example, a higher percentage of residents commute to Preston from Wigan than they do from Burnley (despite Wigan's closer proximity to the Manchester employment centre). This suggests that residents in the east of the county are less likely to have benefited from Preston's recent strong performance. This is all the more concerning given the area's difficulty in creating private sector jobs between 1998 and 2008.

Figure 7: Commuting to Preston, 2004

Place of Residence	Percent of working residents who work in Preston PUA	Number of working residents who work in Preston PUA
Summary		
Preston PUA	79.2	128,100
Rest of Lancashire	5.1	25,000
Greater Manchester	1	11,700
Rest of Lancashire		
Fylde	13.7	4,600
Ribble Valley	15.2	4,100
Blackpool	5.6	3,300
Blackburn with Darwen	4.7	2,800
West Lancashire	4.7	2,400
Hyndburn	4.3	1,600
Lancaster	2.2	1,200
Pendle	2.3	900
Burnley	1.4	500
Rossendale	1.7	500
Greater Manchester*		
Wigan	3.5	5,100
Bolton	3	3,800

*Wigan and Bolton are two authorities within Greater Manchester that had the largest flow of commuters to Preston
Source: Annual Population Survey 2011, 2004 data

Road links into Preston from East Lancashire are unlikely to be a barrier to commuting. The M65 means that the two areas are well connected by car. And the journey from Burnley to Preston takes a similar time by car to the routes from Wigan and Bolton into the city. However poor public transport connectivity is likely to have had a role to play. Previous research has found that public transport linkages across Lancashire are weak. Train services between Preston and East Lancashire for example are relatively slow and are of low frequency. An implication of this is that the county is much more car based than the North West on average – public transport usage is lower than the region as a whole.[5]

There are two main implications from these patterns. Given poorer people are less likely to own a car, [6] they will find it more difficult to access employment sites in Preston, particularly out-of-town sites (which are discussed in more detail below). Secondly, the higher reliance on the car has environmental implications for both Preston and the county. CO_2 emissions from road transport (excluding motorways) in Preston are below the national average. But they are higher than other cities including Manchester and London that benefit from a higher density of economic activity and stronger public transport systems.

Attitudes may also play a role in these commuting patterns. Previous research suggests that the tradition of jobs being close to residence in former industrial areas reduces travelling across Lancashire.[7] Such attitudes will take time to change, but Work Programme providers in the county should encourage commuting by their customers in order to increase the job opportunities available to them.

Key Lessons

- In the ten years before the recession, Preston was Lancashire's strongest performer in terms of the creation of private sector jobs. This growth does not seem to have come at the expense of the wider Lancashire economy.
- The Preston economy acts as a supplier of jobs across skill levels to the wider county. However, commuting patterns suggest that the residents in East Lancashire tend to benefit less from the job opportunities available in Preston.
- For the benefit of the wider Lancashire economy, public policy should look to support growth opportunities in Preston where necessary.

5. Atkins (2009) A *Sub-Regional Transport Framework for Lancashire*, Manchester: Atkins
6. Source: National Travel Survey, DFT Great Britain 2011
7. Atkins (2009) A *Sub-Regional Transport Framework for Lancashire.* Final Report—Draft.

3. Growth within Preston

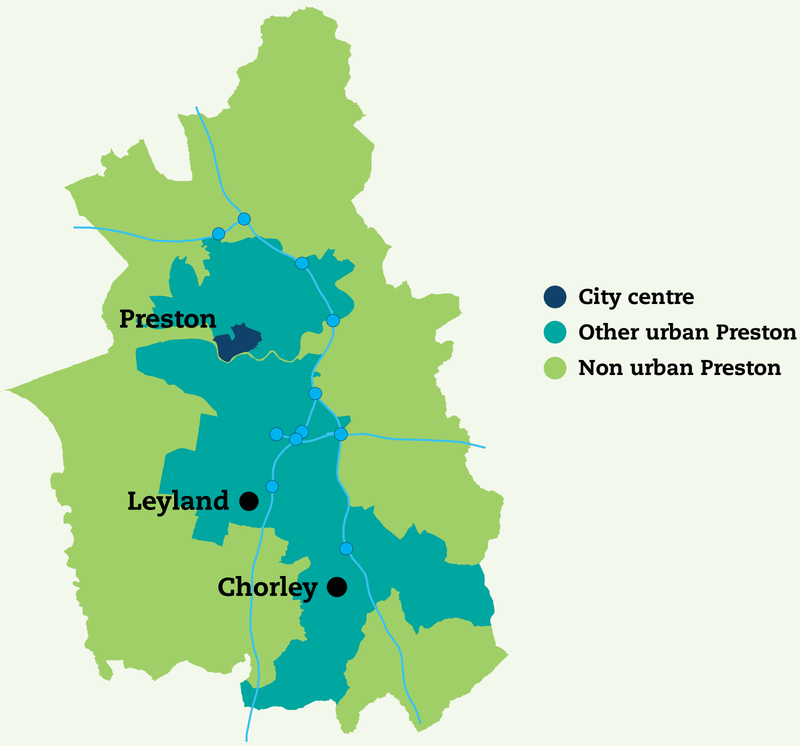
As noted above, Preston's private sector jobs growth between 1998 and 2008 was impressive, making it not only the strongest performer in Lancashire but one of England's best performing cities over this period. However, the pattern of Preston's spatial development over this time has been somewhat surprising. Despite its strong city-wide performance, Preston's city centre actually lost private sector jobs. We now turn to examine what spatial development within Preston looked like over this period.

Box 2: Defining Preston city centre, "other urban" Preston and "non urban" Preston

Defining Preston city centre, "other urban" Preston and "non urban" Preston

In Figure 10 and Figure 12 we present analysis on three areas of Preston defined at Preston city centre, "other urban" Preston and "non urban" Preston. The definition is mapped below, and the list of the medium super output areas (MSOAs) used can be found in the appendix.

Figure 8: Preston city centre, "other urban" Preston and "non urban" Preston



Preston's city centre has not benefited from the city's strong private sector jobs performance

Somewhat surprisingly, the strong performance of Preston's private sector was not driven by its city centre. Figure 9 shows the spatial nature of jobs growth across Preston. Areas based around Preston's motorway infrastructure saw the strongest growth. For example, the industrial park at Bamber Bridge created 1,700 private sector jobs. And the area north of Leyland created 2,900 private sector jobs. Contrary to this, Preston city centre[8] saw a contraction in its number of private sector jobs – private sector employment fell by 2.7 percent over the period (a net loss of 430 jobs).

8. Preston city centre is defined as the middle super output area Preston 017

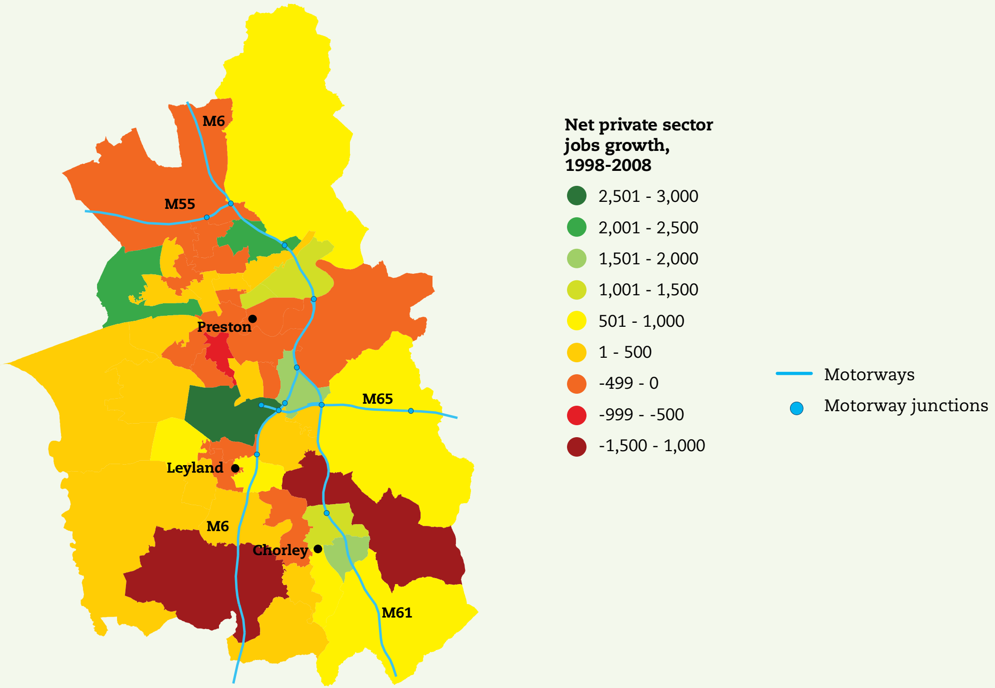


Figure 9: Private sector jobs within Preston, 1998-2008

Source: TBR Data Observatory 2011, contains Ordnance Survey data © Crown copyright and database right 2011

Figure 10 shows a breakdown of this growth for selected sectors across the three areas of Preston – the city centre, "other urban" Preston and "non urban" Preston. A decline of employment in some sectors in a city centre is of less concern than others. Construction, for example, is a sector that is unlikely to benefit from a city centre location because of its requirements for space. As such, the contraction of construction employment in the city centre while there was a large expansion in the sector in "non urban" Preston is not troubling.

However, the varying performances of the other sectors in the figure are more concerning. In theory, the retail, financial intermediation and business services sectors should benefit from a city centre location.[9] But relative to the other areas of Preston, employment growth has been very weak in the city centre within these sectors. This is most marked for real estate and business services – 7,760 extra jobs were created in the sector in "other urban" Preston, while just 620 jobs that were created in the city centre.

9. Graham D (2007) "Agglomeration Economies and Transport Investment", *Journal of Transport Economics and Policy* 41(3)

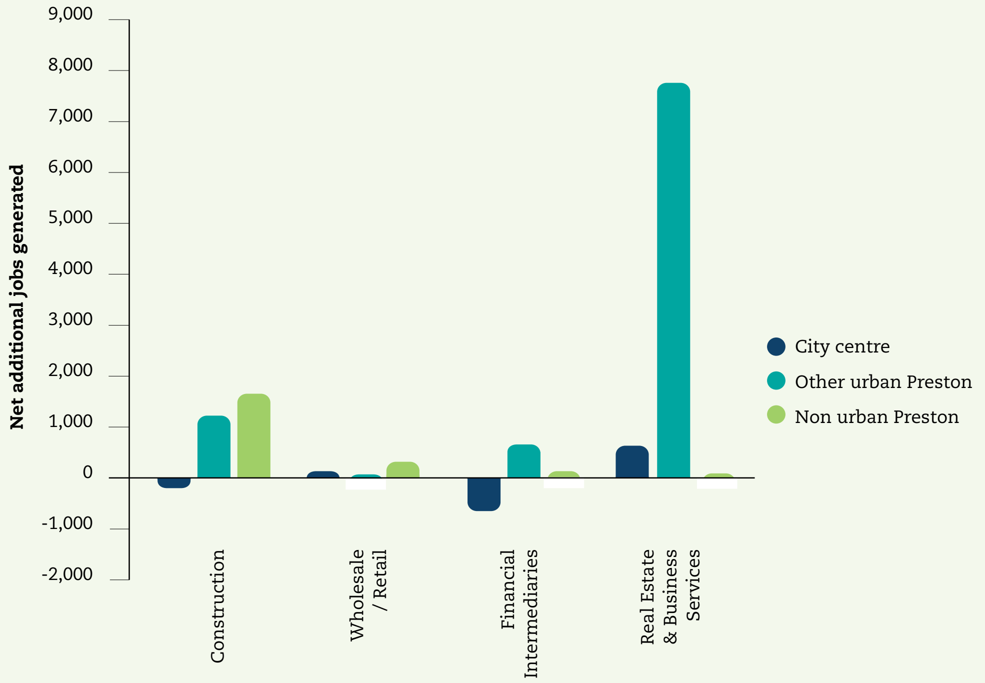


Figure 10: Sectoral composition of growth in Preston, 1998-2008

Source: TBR Data Observatory 2011

It is important to note here that Preston city centre does still have the largest concentration of jobs in the city. In total, 11 percent of private sector jobs are located in the urban core.[10] This means that the city centre continues to be the main source of private sector jobs in the economy. But as Figure 11 shows, employment is dispersed around Preston, with motorway sites such as Bamber Bridge accounting for a share of total private sector jobs that is not dissimilar to the city centre.

10. Urban core is used interchangeably with city centre in this report.

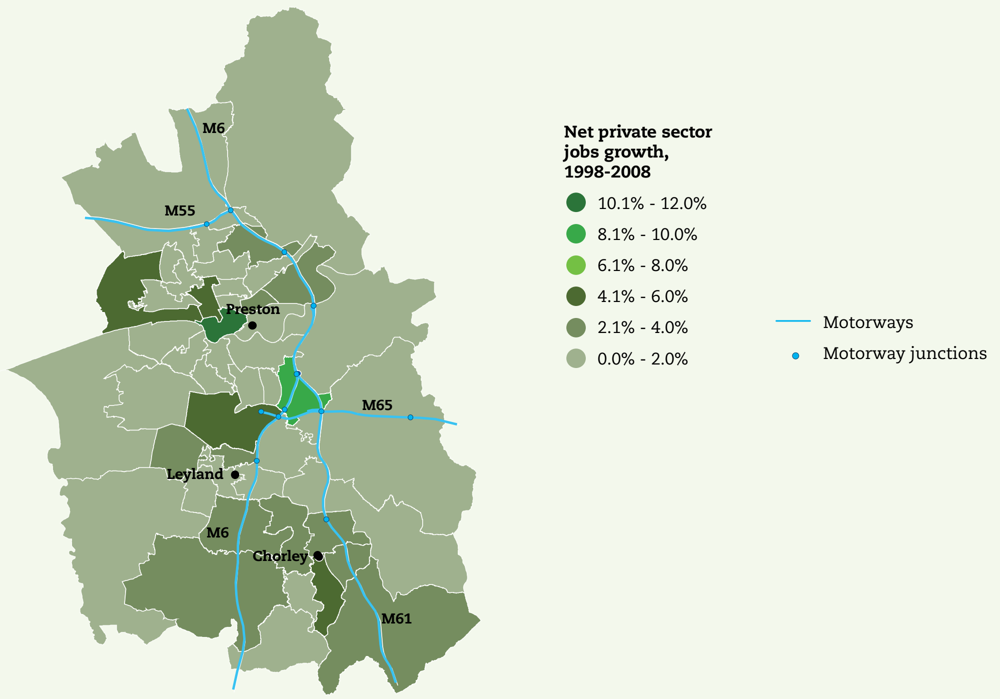


Figure 11: Distribution of private sector jobs in Preston, 2008

Source: TBR Data Observatory 2011, contains Ordnance Survey data © Crown copyright and database right 2011

The city centre has not been a popular choice amongst relocating businesses

While the total number of businesses in Preston city centre grew, the share of Preston businesses that were based in the city centre declined between 1998 and 2008. The number of businesses in the city centre grew by 15 percent, but this growth was much lower than for the rest of the city. In part this was because the number of business start ups was lower and closures higher in the centre than elsewhere. But it was also due to business migration patterns; there was a net outflow of 20 businesses from the city centre between 1998 and 2008. Consequently, the city centre's share of businesses declined from 11.7 percent to 9.4 percent.

Preston has certainly been an attractive location for businesses moving from elsewhere in the UK. There were 300 businesses located in the city in 2008 that were located elsewhere in the UK in 1998.[11] But of these businesses, just 30 chose to locate in the city centre. In contrast, 196 of these businesses located in "other urban" Preston. These businesses principally operated in wholesale and retail, business services, manufacturing and construction. A similar pattern can be seen for indigenous businesses, as shown in Figure 12. There was a net outflow of businesses out of the city centre to the rest of the city, further suggesting the lack of appeal that Preston city centre holds for businesses.

11. This was higher than the outflow of firms – 189 businesses were located elsewhere in the UK in 2008 that were located in Preston in 1998.
12. Graham D (2007) "Agglomeration Economies and Transport Investment", *Journal of Transport Economics and Policy* 41(3)

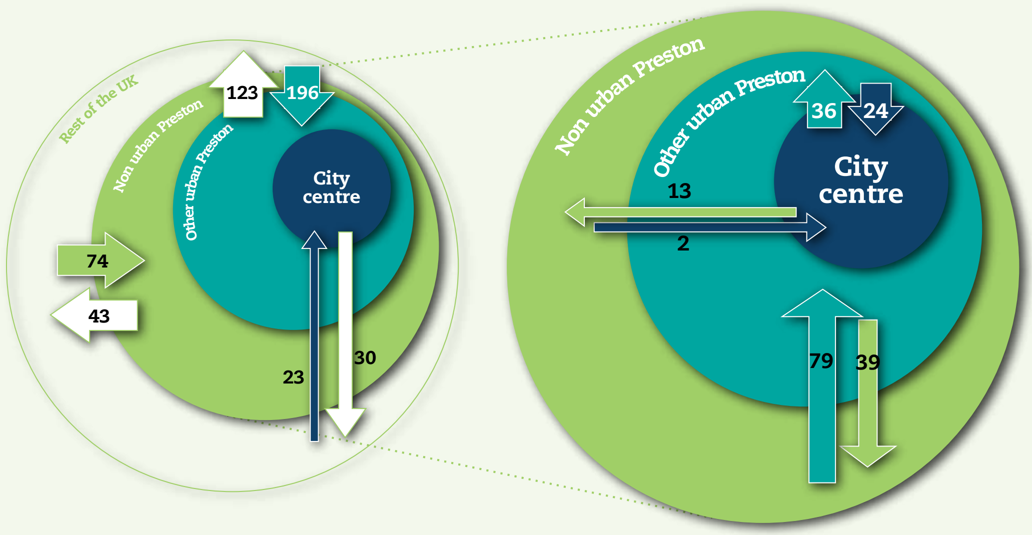


Figure 12: Business movements in, out and within Preston

Source: TBR Data Observatory 2011

As argued above for the employment data, the movement of businesses in some sectors, such as construction, out of a city centre location is unsurprising. But, as Figure 13 shows, it was businesses in the financial and business services sectors that were the main drivers of the overall net out migration from the urban core, recording a net outflow of 17 firms between them. Given that these types of businesses tend to benefit from proximity to other similar businesses,[12] their movement out of the centre of Preston to either elsewhere in the city or elsewhere in the UK suggests that there are some push factors in the city centre that are causing such businesses to relocate.

Sector	Net movement of firms into the city centre
Manufacturing	-1
Construction	-1
Wholesale/Retail	2
Hotels & Restaurants	2
Transport Storage & Communication	0
Financial Intermediaries	-6
Real Estate and Business Services	-11
Other Community & Personal	0

Figure 13: Net movement of firms to Preston city centre for selected sectors

Source: TBR Data Observatory 2011

Key Lessons

- Preston's strong private sector jobs performance was driven by its employment sites based around its motorway network. Areas such as Bamber Bridge and the north of Leyland in particular saw strong growth.
- Despite strong employment growth at a city wide level, Preston's city centre has lost private sector jobs. It has also seen a net out migration of businesses in recent years to elsewhere in the city, suggesting that the city centre is a less desirable place for businesses than Preston's out-of-town employment sites.

4. Barriers to growth in Preston's city centre

The weakness of the private sector in Preston's city centre is somewhat of a surprise given the strong city wide growth in private sector jobs. This section looks at the reasons why the city centre has underperformed and whether the smaller role that the city centre now plays in Preston's economy is something to be concerned about.

Why is the city centre a less popular choice for business location?

Over the course of the work, we interviewed a range of local businesses and other stakeholders to ask their views on either; why they chose not to locate in the city centre for those located elsewhere in the city or; disadvantages to being based in the city centre by those that are located there. Issues raised included:

- **Suitability of commercial space** – several interviewees told us that Preston city centre's office stock is characterised by small offices that are not suited to growing or larger businesses.
- **Road transport** – road transport links around the out-of-town sites are much stronger than they are into the city centre, making commuting by car to the former much easier.
- **Parking** – many people raised the issue of the lack and cost of parking in Preston city centre. This is in contrast to the free parking available on out-of-town sites.
- **Perceptions of the City Council and Planning Department** – Several businesses have cited that the city council and planning department are not perceived as proactive as neighbouring local authorities for helping firms with issues such as planning.
- **Lack of "city culture"** – either because of the pattern of other urban Preston growth or as the cause of it, there is a lack of a city culture in Preston. For example, one respondent said that Preston is a city in name, but did not feel like one in its culture.

Should we be concerned about poor city centre performance?

The strong jobs growth that has occurred along the motorway corridors of Preston has been very positive for the city economy. The development of out of town sites has generated employment for many thousands of people. There are questions however about the longer term sustainability of such growth and the access that lower skilled people have to such opportunities.

There are three reasons why having a weak urban core can undermine the overall performance of a city. Firstly, a weak urban core is unlikely to attract "agglomerating" industries whose activity has spillover benefits for other businesses around them.[13,14] Creating the right conditions to attract such businesses would likely have a multiplying impact on activity in the city centre, further increasing the output of the economy. However, the data above shows that such industries have preferred to locate in out of town sites in Preston rather than the city centre, so making economic activity in

13. Overman HG & Rice P (2008) 'Resurgent Cities and Regional Economic Performance', SERC policy Paper 1
14. Certain types of businesses, such as many business services firms, tend to prefer city centre locations because they benefit from "agglomeration economies" – locating next to other related and supporting businesses can make them more productive. This has obvious benefits for city economic growth too. However, this is linked to the scale of a city centre – we note that agglomeration is likely to be larger in a city the size of London relative to Preston.

Preston rather dispersed. The profile of the business services sector in the city matches these patterns – much of the employment in the sector tends to be in lower value activities, such as call centres. Strengthening the offer of the city centre may make it a more attractive location for higher value business activities that are present in stronger performing city centres.

Secondly, high skilled employment tends to cluster in city centres. Recent work by Centre for Cities showed that lower skilled jobs have been moving out of city centres in recent years while higher value employment has become more concentrated there.[15] Given the likely continued influence of globalisation and the UK's specialisation in services, the presence of high skilled services jobs is likely to become ever more important to a city economy. And given the tendency for such jobs to prefer city centre locations, having a city centre that supports such job creation will be important for the long term growth prospects of a city economy overall.

15. Tochtermann L & Clayton N (2011) *Moving on up, moving on out? Overcoming the jobs-skills mismatch*, London: Centre for Cities

Thirdly the drawn out nature of the Tithebarn project is likely to have had a negative impact on the employment in and output of the city centre economy due to the under utilisation of its land. In other words, the city centre has operated under capacity in recent years. Box 3 gives an overview of the history of the Tithebarn development. Sensibly, the city council stopped any intermediate development in the area to pave the way for the Tithebarn project. But the subsequent delays are likely to have created uncertainty for both businesses located in the city centre and those looking to set up in Preston's core. This is likely to have had a resulting negative impact on the level of investment in the city centre.

Redevelopment is crucial to the future performance of the city centre

In light of the weak performance of Preston's city centre and the abandonment of the Tithebarn scheme in its current form, Preston City Council needs to focus on new incremental opportunities to strengthen the city's urban core. The analysis above shows that the city centre does not seem to be a desirable place for businesses to locate, which has significant implications if the trend for higher skilled work in locate in city centres persists. And such a development will have an impact on its appearance and is likely to improve the perception held by interviewees that the Preston's urban core did not "feel" like a city centre.

The encouraging news is that there are other developments that are proposed for the city centre which include but also go beyond Tithebarn. A main spoke of this is the proposed Central Business District (CBD) area which is receiving interest from developers, and some sites in the CBD have already received planning permission. Options for redeveloping the area where St. John's Shopping Centre currently lies are also being considered, and the Council is working with Lend Lease on new projects that may come ahead in lieu of the previous Tithebarn plans. One developer is also willing to bring a major scheme forward without pre-lets – an anomaly outside of London in the current economic climate. So the Council is pursuing investment in a mix of developments which would support growth of Preston's urban core.

What was proposed in the Tithebarn development?

The redevelopment of the Tithebarn area of Preston city centre has become a long running issue for the city. The scheme was first proposed in 2000 and aimed to develop 1.5 million square feet of new building in the urban core. It gained real footing in 2007 when the John Lewis Partnership signed on as the anchor and Lend Lease became joint development partners with Grosvenor.

The development was not welcomed by all of Lancashire however. Both Blackpool and Blackburn with Darwen Councils objected to the scheme. And it was later refused planning permission on grounds of congestion. This decision was later overturned by Eric Pickles, the Secretary of State for Communities and Local Government, in November 2010. Blackburn with Darwen Council appealed against Mr Pickle's intervention, but this appeal was finally rejected in June 2011.

The scheme was granted planning permission for a mixed use development of retail, leisure and residential development including the anchor John Lewis, over 100 retail units, a multi-screen cinema, 400 residential apartments, 2,700 parking spaces, a new market area and the relocation of the bus station. Much of this new development would have replaced current office and public space which may be unsuitable for the current needs of businesses in the city centre.

But the delays have meant that the redevelopment of the Tithebarn area finds itself in a very different world to the one in which the original plans were drawn up. This was underlined by John Lewis, itself adapting to changes within its own industry, announcing in November 2011 that it would no longer look to take up the anchor tenancy at Tithebarn. With this decision Preston City Council decided not to proceed with the scheme in its proposed format as it was not viable without the commitment of John Lewis.

Box 3: What was proposed in the Tithebarn development?

Any future development should consider current constraints

Any development that does take place in Preston city centre must be done in the context of the wider Preston economy. Previous plans for Tithebarn focused very much on improving Preston's retail offer. While this is important, development must also address any deficiencies in Preston city centre's office market too. This could encourage a broader mix of job creation from lower skilled retail jobs to higher value added office employment.

Comparative pricing of Preston's office space suggests Preston as a whole does not suffer from an undersupply of office space.[16] This implies that any future development must be careful not to further expand the amount of office space available as this is likely to generate an oversupply, further lowering the price of office space. To ensure an oversupply is not generated, new stock should replace the old – similar to a one-in/one-out policy. This is not to say new stock cannot be built without demolition or change of use of current stock. But the Council should be cognisant of its vacant and unsuitable stock when bringing forward plans for new development and create incentives for the retrofitting and replacement of unsuitable office space.

This is particularly the case in the city centre. Despite traditionally being the central business district of the city, Figure 14 shows that office space in the city centre is slightly cheaper than the rest of Preston. This suggests that there is no city centre premium within the city. In contrast, and although we note that it is an extreme example, there is a large premium to locate in Central London relative to the rest of the capital.[17] This suggests that a central location can bring much larger benefits to businesses than locations in outer lying areas of cities, and in the strongest city centres businesses are willing to pay for those benefits.

16. Preston has lower cost per sqm of office space than comparator cities of Brighton, Milton Keynes, Newcastle, Derby and Wakefield. Lower cost implies that there is ample supply for the level of demand for office space. Retail space, though, was on par with Wakefield and Derby.
17. Prices per square meter of commercial space in inner London are more than double that in outer London boroughs: £170 per square meter for the former compared to £84 for the latter (most recent data from VOA, 2008).

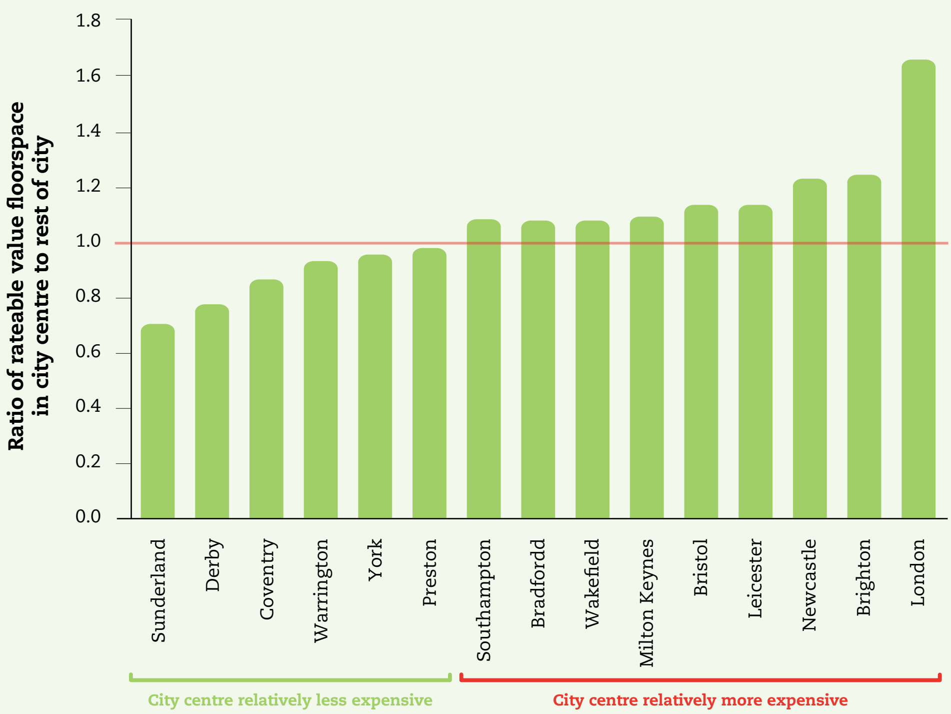


Figure 14: Ratio of rateable value of floorspace in a city centre relative to the rest of a city, 2008

Source: Neighbourhood Statistics 2011, Commercial and Industrial Floorspace and Rateable Value Statistics

However, as noted above, interviewees did suggest there was an issue with the size and quality office space available in the city centre. It was suggested that this was particularly acute in Winckley Square, which has traditionally been viewed as the office area of the city centre. The large number of "to let" and "for sale" signs in the area suggest that the availability of office space is not an issue. But interviewees reported that one element of the lack of apparent demand in the area is in part due to the size of the office space available. Much of the space is outdated or small, offering a contrast to the space available on out-of-town sites.[18] This is likely to make the city centre relatively less attractive to larger businesses. Any future office development should therefore look to offer larger office space which is of better quality than currently exists and offers flexibility if demand so dictates.

Box 4 illustrates the approach taken in Spinningfields in Manchester. While a development of this scale would be unsuitable for Preston, lessons can be learnt from the approach taken at Spinningfields.

18. As of 2008, Preston city centre has about 40 percent of the office space in the PUA. However, employment data suggests that the centre has only around a quarter of all office jobs in the city. This could lend support to the argument of unsuitable office space – the mismatch between jobs and space suggests that there are high vacancy rates. But it could also suggest that businesses have lower density of workers per floorspace in the city centre to elsewhere. It is not possible to disentangle the two explanations using available data. Source: Gavurin from Valuation Office Agency (VOA). 2008.

Spinningfields Manchester Case Study

Box 4: Spinningfields Manchester Case Study

The recent Spinningfields development in Manchester demonstrates the success of adapting development plans to fill a gap in the property market. Spinningfields is a 4.5 million sq ft mixed-used development located west of Manchester City Centre between the Deansgate area and the River Irwell. What makes this development unique is that it provides large commercial office floor plates of between 20,000 and 45,000 sq ft,[19] which is a first for the City of Manchester and the UK.

The main reason for the success of Spinningfields, which was driven by a combination of partners in the public and private sector, is that it filled a gap in the market where businesses were seeking to find high quality, large office space. The expansive floorplans have allowed firms to consolidate smaller operations into one larger unit, relocate to enable future expansion, or co-locate and expand as a regional business. Providing firms with the space they need to consolidate previously disparate divisions can allow them to be more efficient, passing on benefits to the wider economy through higher GVA or increased employment. Creating the suitable space which meets businesses' needs can help unlock their potential and benefit the wider economy.

19. Manchester City Council (2010) Spinningfields. Available at www.manchester.gov.uk/egov_downloads/Spinningfields.pdf accessed on 12/09/11.

Any future development must also address congestion around the city centre

Any improved offer made in the city centre must be complemented by an improvement of transport infrastructure into the urban core. In fact, increased congestion was the major issue of contention of the Inspector at the Tithebarn Public Inquiry.[20] Mapping the congestion on the main road routes into Preston city centre on a Monday morning shows there is very little congestion shown on the motorways surrounding the city.[21] But there

20. The lack on evidence to demonstrate that the scheme would not result in undue congestion was cited by the Inspector as the reason to recommend the planning application for refusal.
21. See http://bit.ly/vvB7yz for a map of main employment sites and live traffic flows.

is considerable congestion on the main routes into the city centre. While we note that congestion in Preston is less than other major urban areas, the relative congestion of the city centre makes Preston's out-of-town employment sites relatively more attractive to businesses than the urban core. This has an impact on the competiveness of city centre firms, a point raised in our interviews with businesses.

Any growth in the city centre is likely to put further pressure on the road infrastructure around the urban core. So in order to encourage city centre employment growth, infrastructure improvements into the city centre should be done in parallel with any development. Travel time is an added cost for any worker or consumer visiting Preston's core, and that cost should be minimised to make it the most attractive place to work, conduct business, and seek out shopping and entertainment.

The City and County Councils have recognised this as a problem for city centre growth in Preston and the County Council is in the process of creating the "City Centre Movement Strategy" to address congestion. Within the limits of the current funding environment Preston City Council and Lancashire County Council should prioritise the infrastructure improvements identified in the plan and look to bring forward the most important projects as soon as possible.

In order to encourage city centre employment growth, infrastructure improvements into the city centre should be done in parallel with any development

Capitalise on the spending of students

The University of Central Lancashire (UCLan) has an important role to play in supporting the future development of the city centre. Around 30,000 students attend the university each year, and these students spend up to an estimated £300 million in the local economy.[22] This equates to 4.3 percent of total output of the Preston economy.

The direct impact that UCLan has on local businesses is less clear. The university-business interaction that Preston had with businesses within its own region between 2004 and 2008 was the second highest out of all of England's university cities. Around 85 percent of total university-business interactions were with businesses in the North West. But the absolute spend that UCLan received from local businesses for services such as consultancy was actually quite small. Over the four year period, this amounted to just £23 million. To put this in contrast, the universities of Southampton received just 27 percent of their total business income from the South East. But this amounted to £26 million.

There may well be scope to strengthen local business links with UCLan. The university's new business support unit, which has been formed in response to the nationalisation of Business Link, is likely to increase the impact that it has on the local business base. This initiative could also be used to link some of the university's academic expertise to relevant businesses within the local economy.

But this must be done in context of the main role that a university plays – it exists as an educator. And in attracting many thousands of students, it has a major indirect benefit on the city economy in terms of the spending of its students. Given the importance of student spending to the city economy the university should be supported in any expansion plans it may have. In particular, the position of any new student halls should be well linked to the city centre in order to encourage footfall and allow businesses to benefit from any potential student spend.

22. Swinney P (2011) *Starter for ten: Five facts and five questions on the relationship between universities and city economies*, London: Centre for Cities

Key Lessons

- Arguments in favour of density of economic activity and recent trends in higher skilled jobs suggest that city centre growth is important for longer term economic development. This makes the redevelopment of the Tithebarn area and other city centre sites important for the future development of Preston.
- Any such development should consider how it could address any deficiencies in the city centre office market. It must also consider how it can make transport improvements to ease pressure on roads leading in to the city centre.
- Any future expansion of UCLan should consider how it can support increasing the density of Preston's city centre.

5. Policy Recommendations

1. *Preston's growth has a beneficial impact on the wider Lancashire economy and should be supported*

The growth that the city underwent in the 10 years before the recession did not seem to have a negative impact on the growth of its neighbours. Additionally, the city acts as a supplier of jobs to the wider county, proving employment opportunities for the residents of neighbouring local authorities.

This trend has implications for the economic policies of the Lancashire Local Enterprise Partnership. Growth opportunities that emerge in Preston should be supported rather than constrained for fear of having a negative impact on neighbouring areas. Limiting the performance of Lancashire's strongest area will hold the county's economy back which will have a negative impact on all local authorities in that county.

By implication, any growth opportunities that present themselves elsewhere in the county should also be supported. Supporting growth in Lancashire does not mean that a "Preston only" policy should be implemented. But it should also not be 'anything but Preston' either.

Preston's growth has a beneficial impact on the wider Lancashire economy and should be supported

2. *Improve connectivity between Preston and the rest of Lancashire to allow wider Lancashire to continue to benefit from employment opportunities in Preston*

Preston's role as a supplier of jobs to the wider county means that transport links in and out of Preston should be improved where possible to allow workers to access these jobs. This is particularly important in allowing the residents of East Lancashire to access employment opportunities. Commuting data suggests that there are barriers to commuting into Preston from the east of the county, and so the Lancashire LEP should consider how it can best address these barriers, particularly through public transport, to open up Preston's employment opportunities. The Preston and Lancashire councils should also work together on finding ways to break the cultural and historical barriers that prevent workers from commuting across Lancashire; this will leverage infrastructure investments and support commuting for a range of skill sets, especially if public transport links are improved and affordable.

3. *Preston City Council must consider how it can best support growth within the city centre*

Preston City Council must consider how it can best support growth within the city centre

Globalisation is likely to mean that higher skilled employment becomes ever more important in the UK economy. The trend for such employment to cluster in city centres means that the business environment in Preston's urban core must be improved to support such activity. And as noted above, any such improvement is likely to bring benefits to the wider Lancashire economy. To do this, the City Council should:

- **Aim to become more business friendly.** Principally this means becoming more pro-development, especially in the city centre. Businesses that are looking to expand are looking to increase the output of the city economy and so should be supported and encouraged to do so. But it also means creating easily reached single points of contact between the City Council and the business community in order to improve interaction between the two.

  If the Government's proposals on changes to the business rate are enacted, then being more business focused will also allow the City Council to capture the financial benefits of future business growth.

- **Work with Lancashire County Council to improve transport bottlenecks into Preston city centre.** The motorway access that Preston's out-of-town sites have means that businesses there are well placed for access by car. The same can not be said for the city centre which suffers from congestion on the main routes into it. Accordingly, this, as well as the lack of parking, makes the city centre a relatively less appealing destination for businesses.

  There are two possible responses to this. Supply expansion – increasing road capacity and parking – will be needed in the short and medium-term to provide the infrastructure to unlock Preston's potential and remove the barriers to city centre growth. Secondly, there should be encouragement of a modal shift away from cars to public transport. However, embedded attitudes towards commuting (see Section 2) must evolve over time to make this structural change occur.

- **Consider how to improve the range of office space available in the city centre.** Preston does not appear to suffer from an undersupply of office space, but there appears to be some issues with the suitability of the office space available, particularly that offices may be too small for growing businesses. The planning department of Preston should therefore be supportive in the plans of business that seek to extend their properties or look to build new office space and provide incentives for companies and developers to replace or retrofit existing offices. It should also consider removing or changing the use of some office stock if it has been empty for a long period of time.

- **Work with South Ribble and Chorley local authorities to support growth within the Preston primary urban area.** Wider policy areas such as housing will also have an impact on city centre growth. So Preston City Council should work with its neighbouring authorities to act in a co-ordinated manner to support growth within the city.

However, policy should not be used to restrict growth in Preston's out-of-town sites. At an aggregate level, the location decisions of private sector businesses reveal where they find it most profitable to do business. It may not be appropriate for certain businesses to locate in the city centre, especially those in manufacturing or warehousing which require large commercial spaces. These decisions on the whole will have been made for business reasons, and, as such, the private sector should not be pushed by the public sector (through more restricted planning policies, for example) into places where it does not want to go. This is likely to limit overall jobs and output growth.

4. *Where possible, the City Council should seek to give businesses greater certainty around the city centre development*

The current uncertainty around the city centre development is likely to restrict other private sector development as businesses are unlikely to commit to large scale investment. This is no easy task – there is currently a great deal of uncertainty in regeneration. Now that Tithebarn is no longer going forward, other private sector investment will need to move forward relatively soon. So where possible the City Council should look to give clarity on its plans for future development opportunities in the city centre and work with developers and lenders to bring new projects forward.

5. *Preston City Council should also look to access funding from the recently announced Growing Places fund to help re-start city centre development*

The Growing Places Fund has been specifically created to kick-start development projects that have stalled due to the recession and has made £500 million available for this purpose. The Lancashire LEP has been awarded £12.9 million from the fund which can be used for infrastructure investments to unlock economic growth. Based on the findings of this report, Preston should make a strong case for the LEP to use the Growing Places Fund to support city centre development.

Preston City Council should also look to access funding from the recently announced Growing Places fund to help re-start city centre development

Appendix: Definitions

Preston city centre
Preston 017

Other urban Preston
Chorley 001, Chorley 003, Chorley 004, Chorley 006, Chorley 008, Chorley 009, Chorley 010, Chorley 012 Chorley 013, Preston 003, Preston 004, Preston 005, Preston 006, Preston 007, Preston 008, Preston 009, Preston 011, Preston 012, Preston 013, Preston 014, Preston 015, Preston 016, South Ribble 001, South Ribble 003, South Ribble 004, South Ribble 005, South Ribble 006, South Ribble 007, South Ribble 008, South Ribble 009, South Ribble 012, South Ribble 013, South Ribble 014, South Ribble 015, South Ribble 016, South Ribble 017

Non urban Preston
Chorley 002, Chorley 005, Chorley 007, Chorley 011, Chorley 014, Preston 001, Preston 002, Preston 010, South Ribble 002, South Ribble 010, South Ribble 011

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