Greater Manchester
The Engine Driving the Powerhouse?
April 2016
Executive Summary

This Report provides an overview of Greater Manchester’s remarkable growth in recent years; the City Region’s likely role as the driving force behind the Northern Powerhouse initiative; and why this is important for ‘UK Plc’. It explores the responsibilities and likely policy shifts that Greater Manchester needs to deliver this growth, looking at lessons from successful City-regions elsewhere in Europe, before summarising how progressive planning can help facilitate and provide the platform for Greater Manchester’s continued renaissance.

The Challenges of being at the forefront of the Northern Powerhouse

Greater Manchester’s recent history represents a success story of a City Region transformed from one of post-industrial decline towards a smart, diversified and high-growth economy that has transformed perceptions of the area as a place to live and work. As a result, Greater Manchester has become a figurehead for regeneration and economic growth for the North. However despite Greater Manchester’s resurgence it is still punching below its weight in a number of key areas, including skills, state dependency and productivity levels, which mirrors wider problems across the north of England more generally.

In an effort to overcome these issues, Chancellor George Osborne proposed the creation of a ‘Northern Powerhouse’ - not one city, but metaphorically joining together a collection of northern cities and in so doing, providing a powerful counterbalance to the dominance of London and the South East. A strong political will and a desire to reinvent the City Region sowed the seeds for today’s economic performance as well as future devolved benefits. This powerful performance is set to continue for the foreseeable future.

In order to maintain this strong performance, Greater Manchester must build on a plethora of key resources including a globally renowned University; a youthful and energetic demographic profile and its close proximity to other large cities in the North which creates a larger labour market and greater flexibility.

Greater Manchester’s planning and housing strategy

The emerging Greater Manchester Spatial Framework [GMSF], which will set the agenda for planning across the City Region, aims for population growth of 0.5% annually; 0.7% for jobs; 0.8% for dwellings; and 2.7% for GVA growth. There is a clear strategic disconnect between the Northern Powerhouse growth ambitions and the suppressed housing and economic analysis at the heart of the emerging GMSF. If Greater Manchester is to underpin the Northern Powerhouse, driving growth and reducing national inequalities as envisaged by the Government, the GMSF must be more proactive in supporting economic growth and provide a clear vision for boosting housing provision to service a new, highly skilled, workforce.
Greater Manchester’s future

For the North West’s growth rate to be raised to that of the UK as a whole, then an additional 503,970 jobs would need to be created (net) over the period 2014-2035, 155,160 higher than the baseline. If Greater Manchester bears the burden of this additional job growth, then the City Region would need to see annual average employment growth rates of 1.0%. This rate of growth does not appear unreasonable, given that it is below the 1.2% average annual growth rate achieved since 1999. For this level of growth to be a realistic prospect, key infrastructure investment is required, particularly in transport and housing.

Manchester’s planned level of housing growth in the emerging GMSF - at 0.8% annually - falls well below other comparable Cities in the UK including Leeds, Bradford and Sheffield and is below even the national average of 0.9%, which risks the City Region falling behind the rest of the country.

Given the scale of the issue and the need for homes in a variety of locations across the conurbation, there will be a need for Green Belt release. NLP’s demographic modelling suggests that delivering 1.0% job growth annually would require a step change in the amount of housing provision that the GMSF would need to provide, from the 10,350 dpa currently being proposed, to the 16,643 dpa needed to sustain the local economy at 1% growth. A failure to pursue the higher target would lead to very substantial opportunity costs of missed job growth opportunities, GVA, New Homes Bonus and Council Tax.

Lessons from elsewhere

Greater Manchester’s success is certainly not unique. Comparisons with other similar cities elsewhere in Europe, such as Dortmund and Nantes, presents clear lessons and common themes we can draw from and apply to Greater Manchester going forward, including:

1. Strong, but flexible, devolved local governance arrangements;
2. A clear vision for growth, and understanding your target market;
3. A high degree of fiscal autonomy;
4. A pro-active approach towards development from the City leadership, with the provision of high levels of aspirational housing to change the nature of the market;
5. A flourishing service sector economy leading to agglomeration benefits;
6. Substantial levels of investment in intra-city transport infrastructure; and,
7. Across a wider region, cities working together for a common overall goal, whilst retaining their own specialisms and expansion agendas.

What needs to change?

The Northern Powerhouse is a much broader concept than simply jobs and economic growth. It is about education & skills, investment, transfer of powers through devolution and quality of life. Greater Manchester can lead the way as it has in the past, but the emerging GMSF risks missing this opportunity by pursuing conservative levels of housing and employment growth well below many cities elsewhere in the UK, notably London, Leeds and Liverpool.

Developers need to be confident that the GMSF will facilitate growth over the long term, and be provided with a sufficiently ambitious Plan that encourages investment decisions to be made that will allow Manchester to compete in the global marketplace. The scale of housing needed will require a wide variety of sites coming forward across Greater Manchester, including Green Belt land releases.

However, strong leadership and increased devolved powers means that Greater Manchester is very well placed to take the positive steps needed for sustainable growth as it has in the recent past. The emerging GMSF must better reflect these opportunities and ensure that the gap between the ambitious rhetoric of devolution and the reality of the underwhelming housing and economic growth targets are reconciled.
Introduction

This Report has been produced to provide an overview of Greater Manchester’s remarkable growth in recent years; the City Region’s likely role as the driving force behind the Northern Powerhouse initiative and why this is important for ‘UK Plc’. It explores the responsibilities and likely policy shifts that Greater Manchester needs to deliver this growth, and in particular the extent to which there is a significant gap between the ambitious rhetoric of Greater Manchester devolution and the reality of the overly cautious emerging GMSF.

The document examines lessons from successful city regions elsewhere in Europe before summarising how a more ambitious GMSF can help facilitate and provide the platform necessary for Greater Manchester’s continued renaissance.
Greater Manchester’s recent history represents a success story of a City Region transformed from one of post-industrial decline towards a smart, diversified and high growth economy that have transformed perceptions of the area as a place to live and work:

“Factories have been replaced by hospitality and leisure, but also important agglomerations of high-tech and knowledge based industries. This transformation is visible in terms of the physical appearance of the city – the warehouse conversions, the trams, the shiny new buildings and stadia – but also in terms of a resurgent civic and cultural identify. Having once led the way as the world’s first industrial powerhouse, Manchester has reinvented itself as a truly modern British City for the twenty-first Century”3.

Greater Manchester has become a figurehead for regeneration and economic growth for the North. Having said this, despite Greater Manchester’s resurgence it is still punching below its weight in a number of key areas, including skills, dependency and productivity levels, which mirrors wider problems across the north of England more generally. Greater Manchester still needs further powers to be in control of its own destiny.

As recently as 1993, the population of London and the North West was broadly identical, yet due to the attractiveness of the capital to migrants, London’s population has since grown by 1.7 million people, almost 6-times the North West’s growth. This is projected to continue into the future - by 2037 London is forecast to have 3 million more inhabitants than the entire North West region. There is a strong link between the size of an economy and improved productivity levels, which leads to increased wages and prosperity 4.

In terms of physical connectivity, the north has suffered from increasing fragmentation in recent years. The north of England pioneered rail travel, with the Liverpool and Manchester Railway being the world’s first mechanised public transport system. However, many key northern rail routes now have slower services than in Victorian times - the Manchester to Liverpool route itself now takes 4 minutes longer now than it did in Victorian times5. Furthermore although the north has several world class universities, including 7 of the 24 Russell Group Universities, retention of talented graduates is a significant issue, with an average retention rate of UK students of 40%, compared to 68% across London’s combined Universities and a UK average of 47%6.
In an effort to overcome these issues, Chancellor George Osborne’s speech in June 2014 made the case that whilst all the northern cities had individual strengths, they lacked scale - unlike London and the greater South East, weak economic and physical connectivity between the Northern cities was holding back their growth.

For Osborne, the solution to this challenge was the creation of a ‘Northern Powerhouse’ - not one city, but metaphorically joining together a collection of northern cities “sufficiently close to each other that combined they can take on the world” and in so doing, providing a powerful counterbalance to the dominance of London and the South East.

The key ingredients to creating this Powerhouse were identified as transport connectivity; backing science and Universities; creative clusters and, crucially, devolution of power – the transfer of decision-making to a city-regional level, with elected mayors with a remit that includes overseeing strategic housing delivery.

The scale of growth proposed and the potential rewards of achieving such growth were articulated in the Long Term Economic Plan for the North West, set out by the Prime Minister and his Chancellor in January 2015:

“To increase the long term growth rate of the north-west to at least the forecast growth rate of the whole UK, by building a Northern Powerhouse, which could generate an £18 billion real terms increase in the size of the north-west economy by 2030;”

“To raise the employment rate in the north-west to that of the UK average. That will ensure over 100,000 more people in employment in the north-west during the next Parliament by supporting the private sector.”

Whilst no comparable ‘Powerhouse’ targets have yet been identified for Greater Manchester, as a shining light of the Government’s devolution process with the biggest and most successful economy in northern England and an area likely to be one of the major beneficiaries of the Government’s infrastructure investment, clearly it will have a fundamental role in helping the north close the economic gap with the rest of the UK.

This report analyses how a resurgent Greater Manchester can drive the Northern Powerhouse and UK Plc.
2. Greater Manchester’s History – How have we got to this point, and where are we going?

The transformation Greater Manchester has undergone over the last two decades cannot be overstated. Since the Arndale bombing in 1996, Greater Manchester has risen to become one of the few effective counter-weights to the economic might of London and the Greater South-East. In continuing to drive forward its proactive post-industrial policies with the formation of the Association of Greater Manchester Authorities [AGMA] in 1986 and the Central Manchester Development Corporation in 1988, regeneration, renewal and the redevelopment of the CBD attracted Knowledge Intensive Business Services (KIBS) to the city.

This progressive city governance, foresight and relentless will, duly returned impressive economic performance. Between 2000 and 2015, Greater Manchester experienced a 15% growth in jobs (with 70% of this rise found within Manchester alone) and a 46% increase in average nominal wages.

A strong political will and desire to reinvent the City Region sowed the seeds for today’s economic performance as well as future devolved benefits. In 2014, Greater Manchester made up almost 20% of Gross Value Added [GVA] of the Northern Powerhouse and over the last two decades, has seen faster economic growth than any other comparable city region in the North. This powerful performance is set to continue for the foreseeable future. Over the next three years, Greater Manchester’s employment is projected to increase at a faster rate than the North West and the UK as a whole. Furthermore, high value jobs will be driving this, with 30% of the jobs growth likely to come from professional, scientific and technical services.

In order to maintain its strong performance, Greater Manchester must build on a plethora of key resources.

Firstly, Greater Manchester has a globally renowned university that provides first-class education to students from around the world and which is also a huge contributor to GDP (£1 billion in 2011/12). In terms of turnover (in 2012), it was larger than Manchester United FC, Manchester City FC and Manchester Airport - combined.

Secondly, like most urban areas, the demographic profile of Manchester is youthful. However, Manchester is an exceptional case as it is the only large non-capital city in the EU with an old-age dependency ratio of less than 20%. This is important for an economy looking to expand its labour force.

Thirdly, Greater Manchester can benefit from its proximity to other large cities in the North which creates a larger labour market and greater flexibility. In order to take advantage of this proximity, it requires substantial investment into infrastructure – something the Chancellor supported as part of the 2016 Budget. In this regard, previous research found that the amount spent on transport infrastructure in the North West averaged £1.1 billion annually between 2004/05 and 2014/15, but is anticipated to increase to around £1.7 billion annually between 2014/15 and 2020/21 – an increase of almost 70%. Given that six of the top 40 projects identified in the National Infrastructure Plan specifically affect transport in Greater Manchester, it is not unreasonable to assume that a significant proportion of that £1.7 billion annual investment will gravitate towards the City Region.
3. Greater Manchester’s Future

Greater Manchester’s planning and housing strategy

Central to the Northern Powerhouse concept is the role of ‘joined up planning’ - co-operation and co-ordination not only between but also within different city regions and combined authorities. Devolution and the advent of an elected and powerful mayor with a wide remit will go a long way towards achieving this goal.

**Fundamental to the successful delivery of nationally-significant development projects is far-sighted planning at a strategic level,** which will be critical not only to Greater Manchester’s growth aspirations, but also the ambitions of the Northern Powerhouse.

The Greater Manchester Combined Authority [GMCA] published its ‘Strategic Options Consultation’ for the GMSF in November 2015. The GMSF represents a *once in a generation opportunity to set the agenda* and provide the backing for the pro-development sentiments expressed in other key policy documents.

This document identifies the levels of growth and housing planned for across Greater Manchester between 2014 and 2035. It aims for growth levels equal to 0.5% annually for the local population; 0.7% for jobs; 0.8% for dwellings (10,350 dwellings per annum [dpa]) and 2.7% for GVA growth.

**As it currently stands, we believe that there is a clear strategic disconnect between the Northern Powerhouse growth ambition and the suppressed housing and economic analysis at the heart of the emerging GMSF.** If Greater Manchester is to underpin the Northern Powerhouse, driving growth and reducing national inequalities as envisaged by the Government, the GMSF must be more pro-active in supporting economic growth and provide a clear vision for boosting housing provision to service a new, highly skilled, workforce.

Unaffordable and poor quality housing in Greater Manchester does not just impact on its residents; it also acts as a disincentive to companies looking to invest in the area. The Confederation of British Industry [CBI] found that businesses regard the current housing crisis as a major threat to competitiveness. Two thirds of businesses feel housing costs have a negative impact on the recruitment of staff at entry level. Households across the UK are losing out on £3.2bn a year due to soaring rents and mortgage payments; money which could otherwise be spent in local economies.

The GMSF, as currently drafted, will result in a situation whereby companies will struggle to recruit and retain talented graduates and more senior employees, negatively impacting on the overall attractiveness of the region and potentially resulting in investment going elsewhere.

Greater Manchester is a sub-region of significant national importance to the UK economy and therefore faces unique economic pressures. The ability of the city’s residents and workers (current and future) to be able to access affordable housing across all incomes and tenures is fundamental for Manchester to retain and grow its workforce. Failure to do so will have an impact on the UK’s economic prosperity and the ability of the Northern Powerhouse to act as a counter-weight to London.
The future

Greater Manchester is clearly a key driver of growth for the Northern Powerhouse – it is economically strong, politically advanced and geographically well-placed. It is precisely this strength which has encouraged the Government to drive forward the Northern Powerhouse concept. But the key question remains – what needs to happen to make the Northern Powerhouse rhetoric a reality? In particular, how fast would Greater Manchester need to grow to help the Government achieve its policy aims for the Powerhouse?

No explicit targets are provided for the wider Northern Powerhouse. However the Government’s Long Term Economic Plan for the North West envisages that over time the employment rate across the North West will be raised to that of the UK as a whole.

In this regard, Experian employment data indicates that the UK is forecast to experience job growth in the order of 0.64% annually between 2014 and 2035. Over the same time period, the North West is expected to grow by just 0.45%, or 16,610 annually (348,810 jobs in total). In comparison, Greater Manchester is forecast to grow at a rate of 0.57% - still below the UK average rate, but at a significantly higher rate than the regional average.

In order for the North West to match the UK employment growth rate of 0.64%, there will need to be a substantial uplift to this baseline scenario. Greater Manchester accommodates by far the highest number of jobs of any conurbation in the region - 39% of the total in 2015. If Greater Manchester’s employment contribution were excluded, the North West would grow by just 0.37% annually, or, to put it another way, we estimate that almost half of the North West’s entire job growth over the period 2014-2035 is likely to be based in Greater Manchester (+172,600, or 8,219 annually). Without this economic stimulus, the region’s wider economy would be severely suppressed. Given the City-Region’s highly favourable economic growth prospects, investment, critical mass and pro-active local governance, it is not unreasonable to suppose that it will continue to be the main driver for growth across the wider region in the coming years.

The Manchester Independent Economic Review [MIER]18 concluded that outside London, Greater Manchester was the sub-region which, given its scale and potential for improving productivity, was best placed to take advantage of the benefits of agglomeration and increase its growth. However, it was currently punching below its weight in terms of its productivity. This will continue to be the case without the right mix of aspirational housing and economic growth policies in the GMSF.

Figure 2: Annual Job Growth Rates 2014-2035

![Annual Job Growth Rates 2014-2035](source: Experian, NLP analysis)
For the North West to see job growth of 0.64% annually over the coming years (Figure 3), then an additional 503,970 jobs would need to be created (net) over the period 2014-2035, a figure 155,160 higher than the status quo. For the purposes of this report, if it is assumed that Greater Manchester bears the burden of this additional c.155,000 job growth, then the City Region would need to see annual average employment growth rates of 1.0% between 2014 and 2035.

This rate of growth does not appear unreasonable. For context, in 2012/13, Greater Manchester grew at an average annual rate of 1.44% and by an impressive 3.29% in 2013/14, although the figure of 2014/15 was lower, at 0.64%. Past research indicates that employment in Greater Manchester has averaged 0.76% per annum since 1999, despite the deepest recession in post war history, and has averaged 1.22% annually in the five years since 2009.

However, for this level of growth to be a realistic prospect, key investment is required to boost economic and employment growth, particularly in transport and housing. The Chancellor supported many key initiatives set out in the National Infrastructure Commission (led by Lord Adonis) in the 2016 Budget. Investment into rail and road infrastructure will greatly improve connectivity, increase the labour pool across cities and will help more people access more jobs.

We must not underestimate the need for housing. Greater Manchester is already a high-growth City Region that is benefiting from a young population that demands a vibrant city and competitive cost of living. To secure the higher levels of inward migration of skilled workers to drive the local economy, a range of housing at a variety of sizes, tenures and prices are necessary to ensure Greater Manchester maintains its competitive edge.
How does Greater Manchester’s housing growth compare to other City Regions in the UK?

The ‘Better Together’ strategy describes Greater Manchester’s ambition to ”secure our place as one of Europe’s premier city regions” and to “compete on the international stage for investment, trade and ideas”. However as it stands the GMSF risks Greater Manchester failing to build on the successes of recent years and falling behind other Northern Powerhouse cities.

To sustain economic growth and avoid high levels of unsustainable long distance commuting, there is a need for comprehensive housebuilding programmes. The evidence suggests that housebuilding levels in Greater Manchester have fallen well below the level needed since the recession; whilst the current draft GMSF figure of 10,350 dpa (or 0.8% growth annually), is below the level currently planned for by other comparable City Regions including Cheshire and Warrington (+0.9% annually) and Leeds/Bradford (+1.2%) and Greater London (+1.2%) (see Figure 5 and the summary Table in Appendix 1).

Given that the 2012-based SNHP suggests that England’s annual dwelling growth required to meet basic demographic needs is 0.9% between 2014 and 2035; a growth rate of 0.8% across Greater Manchester risks the City Region falling behind the rest of the country. Failing to build enough new homes to attract and retain a talented workforce is likely to mean that companies may look to invest elsewhere in England.
Risks and opportunities

MIER suggests that addressing the limitations of Greater Manchester’s housing stock by providing more family homes is essential if we are to retain and attract more of the skilled labour force that will drive the Northern Powerhouse economy. **Given the scale of the issue and the need for homes in a variety of locations across the conurbation, there will be a need for Green Belt release.**

A failure to do this risks reduced levels of inward investment, increased net in-commuting and worsening congestion.

To take the example of London, whilst we might envy the capital’s growth rate and infrastructure, it is facing an unprecedented housing crisis. London has for decades developed too few homes for its growing population. Insufficient housing numbers, of all types, have resulted in a situation where buying or even renting a home is no longer a realistic possibility for many Londoners; even those on an above average incomes. London also suffers from a lack of family housing which has pushed people who work in the city to live further afield, resulting in long commutes on overburdened roads and trains.

The emerging GMSF puts Greater Manchester at risk of making those same mistakes. Developing an insufficient number of family market and affordable homes across the sub-region will push those who work in the city to live in surrounding areas such as Cheshire, East Lancashire and Warrington, adding more cars to the North West’s roads and public transport infrastructure which are already at, or close to, capacity.

A job growth rate in the order of 1.0% annually would equate to a total net job growth of around 327,800 over the period 2014-2035. This level of growth is significantly higher than the level envisaged in the emerging GMSF, at 0.7%, but is necessary if Greater Manchester is to play its role in driving forward the Northern Powerhouse.

It also appears a more realistic fit when set against the level of growth that has been achieved in similar high growth European cities in recent years (see below), with Dortmund achieving just under 1% growth annually 2008-2014 (despite its rejuvenation being well established by this point) and Nantes achieving around 1.4% annual growth over the same time period. It is actually slightly below the level of growth achieved in Greater Manchester since the economic downturn in 2009.

**There are numerous opportunities from pursuing a robust level of housing growth to meet the Northern Powerhouse objectives.**

In this regard, NLP has undertaken an initial demographic modelling exercise for Greater Manchester, based upon a range of housing, economic and demographic factors, trends and forecasts.

The data in Appendix 2 and Figure 6 demonstrates that the increased level of jobs would require a step change in the amount of housing provision that the GMSF would need to provide, with the currently proposed 10,350 dpa being 38% below the 16,643 dpa level needed to sustain the local economy at 1% annual job growth. This level of housing growth, at 1.2% annually, would be in line with the level of housing growth currently targeted by nearby Leeds City.

This would lead to very substantial opportunity costs of missed job growth opportunities, GVA, New Homes Bonus and Council Tax. Furthermore as these figures do not include many of the wider supply chain benefits likely to arise (including head office functions), the figures are likely to be conservative.
# Figure 6: Demographic/Economic Benefits of Higher levels of Housing Growth across Greater Manchester 2014-35

<table>
<thead>
<tr>
<th></th>
<th>2014 - 2035</th>
<th>Northern powerhouse 1.9% job growth</th>
<th>GMSF 10,350 dpa (0.7%)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GM Population Growth</td>
<td>661,300 (1.0% p.a.)</td>
<td>333,800 (0.5% p.a.)*</td>
<td>327,500</td>
<td>+ 327,500</td>
</tr>
<tr>
<td>Total Housing Growth</td>
<td>349,500</td>
<td>217,310*</td>
<td>132,190</td>
<td>+ 132,190</td>
</tr>
<tr>
<td>Annual Dwelling Growth</td>
<td>16,643 dpa (1.2% p.a.)</td>
<td>10,350 dpa (0.8% p.a.)*</td>
<td>6,293 dpa</td>
<td>+ 6,293 dpa</td>
</tr>
<tr>
<td>Total Job Growth</td>
<td>327,760 (1.0% p.a.)</td>
<td>221,442 (0.7% p.a.)*</td>
<td>106,317</td>
<td>+ 106,317</td>
</tr>
<tr>
<td>Total Capital Investment</td>
<td>£34.6 billion</td>
<td>£21.5 billion</td>
<td>£13.1 billion</td>
<td>+ £13.1 billion</td>
</tr>
<tr>
<td>Total Person Years of Construction Employment</td>
<td>384,600</td>
<td>239,100</td>
<td>145,500</td>
<td>+ 145,500</td>
</tr>
<tr>
<td>FTE Direct Construction Jobs</td>
<td>38,460</td>
<td>23,910</td>
<td>14,550</td>
<td>+ 14,550</td>
</tr>
<tr>
<td>Indirect FTE Jobs Supported</td>
<td>58,070</td>
<td>36,110</td>
<td>21,960</td>
<td>+ 21,960</td>
</tr>
<tr>
<td>Construction GVA, direct + indirect (p.a.)</td>
<td>£5.4 billion</td>
<td>£3.3 billion</td>
<td>£2.1 billion</td>
<td>+ £2.1 billion</td>
</tr>
<tr>
<td>Total Net Additional Resident Expenditure (locally)</td>
<td>£3.2 billion</td>
<td>£2 billion</td>
<td>£1.2 billion</td>
<td>+ £1.2 billion</td>
</tr>
<tr>
<td>Local Jobs Supported</td>
<td>34,900</td>
<td>22,200</td>
<td>12,700</td>
<td>+ 12,700</td>
</tr>
<tr>
<td>New Homes Bonus (cumulative over 6 years)</td>
<td>£2.7 billion</td>
<td>£1.6 billion</td>
<td>£1.1 billion</td>
<td>+ £1.1 billion</td>
</tr>
<tr>
<td>Council Tax (annual)</td>
<td>£414 million</td>
<td>£257 million</td>
<td>£157 million</td>
<td>+ £157 million</td>
</tr>
</tbody>
</table>

*Data relates to Scenario 8a, taken from GMSF Strategic Options Background Paper 3: Objectively Assessed Housing Need (November 2015)

**Data relates to AGS-SNPP, taken from GMSF Strategic Options Background Paper 3 (November 2015)

Source: NLP Analysis / GMSF / PopGroup
4. Lessons from Elsewhere

Greater Manchester’s recent success is certainly not unique. There is a considerable body of evidence that analyses how cities grow, and what makes one urban area more successful in achieving sustainable levels of growth than another. In this section we highlight a number of case studies of European cities and City Regions, building on work undertaken by Frontier Economics that identified cities with similar populations to Greater Manchester, to see what lessons can be applied to Greater Manchester.

The European Commission’s “State of European Cities Report” (2007) identified Manchester as being in the ‘Transformation pole’ typology, which included “cities with a strong industrial past, but well on their way to reinventing themselves, managing change and developing new activities”. The Frontier Economics report compared Manchester’s post 2007 performance to other growing cities within this grouping to provide an insight as to potential employment growth levels that could be achieved in Manchester.

The remainder of this Section analyses two of these cities, Dortmund and Nantes, to understand the factors that have underpinned their recent success, and what lessons can be applied to the Greater Manchester context.

Figure 7: Annual employment growth of cities that share Eurostat’s typology of ‘Transformation Pole’ and have GDP growth at least as good as Manchester since 2008

Source: Frontier Economics (2016)
Lessons from Dortmund

As with Greater Manchester in Northern England, Dortmund is located in a ‘polycentric’ urban region - the Ruhr. In the past, cities in the Ruhr tended to have a common economic specialisation (coal and steel industries) but generally competed rather than co-operated with one another. However, over the past 10 years local bodies including business associations and universities joined forces at a regional level whilst the regional governing body (the Ruhr Regional Association), worked towards improving a sense of regional awareness to encourage further co-operation. Furthermore, to prevent inter-city competition, innovation strategies for 16 industries were agreed upon at a regional level by the state-owned economic development agency NRW.INVEST.

Following the decline and closure of Dortmund’s coal and iron/steel industry in the 1990s, a key mining and industrial firm relocating elsewhere helped fund the ‘Dortmund-project’. This was a new industrial policy that helped support new start-ups that were focused on specialist and high-value sectors stemming from science and technology. This shift in sector specialism coincided with an already growing service sector within the area – insurance, finance and HQs of many businesses – and strong university links that provided strong agglomeration benefits.

Working closely with developers, businesses and local Universities, Dortmund’s Municipal Government developed a number of masterplans in the early 2000s including the ‘Masterplan Wohnen Dortmund 2004’. A key part of the plan was to rejuvenate Dortmund’s overall image. This was to be done in a number of ways including facilitating the private acquisition of social housing, rejuvenating run down social housing estates and in particular, to provide better quality new housing, which included the development of substantial greenfield sites beyond the edge of Dortmund’s urban area.

Dortmund recognised the crucial role that housing could play in helping shape the market. Controversially, it emphasised the importance of high-value housing in order to attract and retain those with higher skills and higher earnings. This emphasis was required as the region was a traditional stronghold of social housing but a greater
mix of housing across the city meant ultimately reinforced its industrial structural shifts. The right homes in the right places and at the right prices helped strengthen Dortmund’s reinvention.

In response to business demands for increased levels of larger family housing to support the town’s economic growth, in 1998 the City of Dortmund Council set up a so-called “Sondervermögen” (special fund for property). This is similar to the ‘Umlegung’ powers available to German Municipal Councils that allows them to assemble land and work with developers and self-builders to deliver high quality masterplans and housing. The Council’s aim was to facilitate the rapid development of high quality large detached properties suitable for families. Inspiration was drawn from the ‘Gartenstadt’ (literally ‘Garden town’) area of Dortmund, an affluent suburb with very attractive environs and large, expensive detached properties.

The Municipal Government specified that new developments to be constructed along the lines of the Gartenstadt, with high environmental standards and a high proportion of new detached or semi-detached properties, of a very high design quality, to attract more affluent families. The number of properties built annually has more than doubled since the late 1990s and the City now has one of the highest levels of detached properties of any comparable City in the country, and is generally recognised as one of the most sustainable cities in Germany.

The drive to turn around negative perceptions of the town by prioritising high quality detached new build dwellings for families to boost the local economy, as well as enhancing the local environment and rejuvenate social housing estates has clear resonance for Greater Manchester. It is important to recognise that German municipalities have significantly more fiscal autonomy which allows cities to take a long term planning approach as they will earn the rewards for the risks and decisions they undertake. Moreover, Dortmund can rely on excellent transport infrastructure (including high speed rail links and two airports in the region), making it an attractive location for skilled workers. Nevertheless, increased devolution and fiscal responsibilities, including 100% retention of business rates and transport infrastructure investments present Greater Manchester with a significant opportunity to follow the same path to growth as Dortmund.
Lessons from Nantes

The City of Nantes sits on the estuary where the Loire River meets the Atlantic Ocean and is steeped in history, particularly stemming from its port and associated shipbuilding industry. In the 1960s and 1970s, shipbuilding in Western Europe began to decline and the last major shipbuilding facility in Nantes closed in 1987.26

As with Greater Manchester, the 1980s and 1990s were critical times for Nantes as the City shifted firmly towards the service sector as the lynchpin of its economy. The closure of the last shipbuilding facility kick-started the planning and eventual creation of a major regeneration project on the Île de Nantes and pro-active urban planning.

Shifting to the service sector and reinventing itself in a post-industrial age led to significant economic benefits. Between 1998 and 2005, the economic output of Nantes grew by 23% - the third fastest rate of all major French cities. Between 1998 and 2008 the City became a leader in business and financial services and it is now the third most important financial centre in France after Paris and Lyon. This economic growth has led to a big increase in jobs. Nantes has been the 4th leading city in France in terms of job creation since 1999 with an average job creation rate of 4.6% per annum.27 The Nantes urban area saw population growth of over 100,000 people in the last 20 years, with a further 100,000 people expected to live in Nantes over the next two decades.

Nantes wanted to further reinvent herself and ensure sustainable and liveable population and economic growth by becoming a Green City. In order to do this, City leaders invested heavily in public transport, with a particular focus on connecting homes and jobs. Since the 1990s, 5,000 new homes per year have been built, especially for lower-middle-class households, in order to limit the number of households moving outside of the City. In 2007, Nantes set out a plan for business zones, housing zones and infrastructure, while protecting important agricultural land and natural spaces, notably the Loire estuary and other green and blue corridors.28

In 2013, Nantes was awarded the European Green Capital Award. With an increasing number of people now living in urban areas and pressures on climate change concerns Nantes has become recognised for its green credentials. This stimulates economic growth in a sustainable way by limiting sprawl, increasing densities and investing in public transport.

Nantes, like Greater Manchester, drives the region in which it sits. The town has constantly reinvented itself in order to drive sustainable economic growth. The very substantial recent (and forthcoming) infrastructure investment in Greater Manchester and the wider Northern Powerhouse corridor can help unlock the economic, population and jobs growth places like Nantes have achieved. Crucially, this takes strong political will to drive forward a vision that distinguishes Greater Manchester from comparator cities further south.
Key Lessons

From these case studies there are clear lessons and common themes we can apply to Greater Manchester going forward. These include:

1. **Strong, but flexible, devolved local governance arrangements** able to direct resources to where they are needed most;
2. **A clear vision** for prioritising sustainable economic growth, with a recognition of the need to provide better quality, larger family housing to supply the highly skilled workforce needed for new growth industries;
3. **Knowing who your target market is**, and providing suitable homes to meet their needs;
4. Whilst you don’t necessarily need a **formal governance structure** to succeed, this can represent a lost opportunity and leads to inefficiencies;
5. **A high degree of fiscal autonomy** leading to City leaders accepting greater responsibility (and risks) for the decisions they make;
6. **A pro-active approach to development from the City leadership**, with the provision of high levels of aspirational housing to change the nature of the market, supporting a growing and highly skilled workforce;
7. **A flourishing service sector economy** leading to agglomeration benefits, with strong Higher Education linkages and a focus on skills;
8. **Substantial levels of investment in intra-city transport infrastructure**, encouraging the workforce to live in the suburbs rather than commute long distances; and,
9. Across a wider region, **cities working together for a common overall goal**, whilst retaining their own specialisms and expansion agendas.

Greater Manchester already has many of these attributes, but there is a compelling need to further develop and strengthen these areas, much of which can be achieved through a sufficiently positive GMSF.
5. What Needs to Change?

**Opportunity cost – the time for action is now**

The Northern Powerhouse is a much broader concept than simply jobs and economic growth. It is about education & skills, investment, transfer of powers through devolution, and quality of life. Greater Manchester can lead the way as it has in the past, but the emerging GMSF risks missing this opportunity by pursuing conservative levels of housing and employment growth well below many cities elsewhere in the UK, notably London, Leeds and Bradford.

To ensure that Greater Manchester truly becomes the Engine for the Powerhouse, we want the following actions:

1. **A 1.0% economic growth aspiration at the heart of the GMSF would establish a positive but deliverable level of growth.** This achievable level of growth will give developers confidence that the GMSF will facilitate ambitious growth over the long term and will encourage investment decisions to be made that will allow us to compete in the global marketplace.

2. **Economically successful European cities consistently pursue a pro-growth agenda**, investing heavily in local transport infrastructure and good quality housing, and have strong, devolved, governance arrangements enabling critical fiscal decisions to be taken locally. This ethos must be reflected in the GMSF.

3. **The scale of housing needed will require a wide variety of sites to come forward across Greater Manchester, including Green Belt land releases.** This is a normal part of plan-led City growth that is being embraced elsewhere, with Green Belt Reviews undertaken in Newcastle, Leeds and Coventry.

4. **Strong leadership and increased devolved powers means that Greater Manchester is very well placed to take the positive steps needed for sustainable growth as it has in the recent past.** The emerging GMSF must better reflect these opportunities and ensure that the gap between the ambitious rhetoric of devolution and the reality of the underwhelming housing and economic growth targets are reconciled.

5. **A new independent forecast should be commissioned which reassesses the economic potential of Greater Manchester to better reflect the opportunities presented by the Northern Powerhouse.** This should then be incorporated within the GMSF housing and economic analysis.

6. **Improved engagement is needed with the wider business community through the GMSF** on issues relating to the planning system, potential Green Belt release and how housing impacts on investment and business growth.

7. **For Greater Manchester to compete globally, we must attract significant levels of highly skilled individuals.** Whilst improvements in local education provision will be a long term action to address this skills crisis, in the meantime the City Region must provide good quality, aspirational family housing to ensure that highly skilled individuals choose to live in Greater Manchester.

8. **The 10,350 dpa dwelling requirement identified in the emerging GMSF is insufficiently ambitious. A figure closer to 16,600 dpa should be incorporated at the heart of the GMSF to support the Northern Powerhouse’s growth aspirations.** This would support an additional £13 billion of capital investment; 14,550 more FTE direct construction jobs; 12,700 additional local jobs supported from the additional expenditure of new residents; over £1 billion more in New Homes Bonus and £157 million additional Council Tax receipts annually.

9. **The housebuilding industry has the appetite, ability and capacity to deliver this level of housing in Greater Manchester. However, it needs the right sites in the right places, identified in a suitably ambitious long term plan for the City Region that will provide the certainty of supply necessary for the industry to invest and put the resources in place to deliver.**

In summary, capturing the value of greater levels of economic growth, sustained by a higher level of housing provision throughout the City Region as set out in a re-booted, pro-development GMSF, will be beneficial for Greater Manchester, sustain the Northern Powerhouse and act as a healthy counterweight to London and the Greater South East, preventing an over-heated economy for the wider benefit of UK Plc.
### Table A1: Comparison of City Region Annual Housing Growth Targets

<table>
<thead>
<tr>
<th>City Regions</th>
<th>2012-based SNHP</th>
<th>% Annual Housing Growth pursued by LPA(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Powerhouse Areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leeds/Bradford</td>
<td>0.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>England</td>
<td>0.9%</td>
<td>n/a</td>
</tr>
<tr>
<td>Cheshire and Warrington</td>
<td>0.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>South Yorkshire</td>
<td>0.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Greater Manchester</td>
<td>0.7%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Hull/ East Riding</td>
<td>0.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Merseyside</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Tyne and Wear</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Tees Valley</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other Selected UK Cities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milton Keynes</td>
<td>1.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>London</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Greater Nottingham*</td>
<td>0.8%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Bristol/South Gloucestershire</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Birmingham**</td>
<td>1.0%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: NLP Analysis / Various

*Comprising Nottingham City, Gedling Borough, Broxtowe Borough and Rushcliffe District

**Birmingham City Council’s emerging Birmingham Development Plan plans for 51,000 homes to 2031. However, this is some way below the identified level of need, a fact that is recognised by the Council: “In the case of housing the City Council has sought to maximise the level of housing delivery within the built-up area of the City. However, it is not possible to achieve the levels of new housing development which would be required to meet this need within the City boundary. This reflects the fact that the land supply within the City is limited, even when Green Belt development options are considered. To meet the rest of Birmingham’s housing need, options outside the City’s boundaries will need to be explored” Birmingham Development Plan Pre-submission version December 2013, paragraph 4.6.
### Appendix 2: Economic Benefits

**Table A2: Demographic/Economic Benefits of Higher levels of Housing Growth across Greater Manchester 2014-35**

<table>
<thead>
<tr>
<th>2014-2035</th>
<th>Northern Powerhouse 1.0% Job Growth</th>
<th>GMSF 10,350 dpa (0.7%)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GM Population Growth</td>
<td>661,300 (1.0% p.a.)</td>
<td>333,800 (0.5% p.a.)*</td>
<td>+327,500</td>
</tr>
<tr>
<td>Total Housing Growth</td>
<td>349,500</td>
<td>217,310*</td>
<td>+132,190</td>
</tr>
<tr>
<td>Annual Dwelling Growth</td>
<td>16,643 dpa (1.2% p.a.)</td>
<td>10,350 dpa (0.8% p.a.)*</td>
<td>+6,293 dpa</td>
</tr>
<tr>
<td>Total Job Growth</td>
<td>327,760 (1.0% p.a.)</td>
<td>221,443 (0.7% p.a.)**</td>
<td>+106,317</td>
</tr>
<tr>
<td>Total Capital Investment</td>
<td>£34.6 billion</td>
<td>£21.5 billion</td>
<td>+£13.1 billion</td>
</tr>
<tr>
<td>Total Person Years of Construction Employment</td>
<td>384,600</td>
<td>239,100</td>
<td>+145,500</td>
</tr>
<tr>
<td>FTE Direct Construction Jobs</td>
<td>38,460</td>
<td>23,910</td>
<td>+14,550</td>
</tr>
<tr>
<td>Indirect FTE Jobs Supported</td>
<td>58,070</td>
<td>36,110</td>
<td>+21,960</td>
</tr>
<tr>
<td>Construction GVA, direct + indirect (p.a.)</td>
<td>£5.4 billion</td>
<td>£3.3 billion</td>
<td>+£2.1 billion</td>
</tr>
<tr>
<td>Total Net Additional Resident Expenditure (locally)</td>
<td>£3.2 billion</td>
<td>£2 billion</td>
<td>+£1.2 billion</td>
</tr>
<tr>
<td>Local Jobs Supported</td>
<td>34,900</td>
<td>22,200</td>
<td>+12,700</td>
</tr>
<tr>
<td>New Homes Bonus (cumulative over 6 years)</td>
<td>£2.7 billion</td>
<td>£1.6 billion</td>
<td>+£1.1 billion</td>
</tr>
<tr>
<td>Council Tax (annual)</td>
<td>£414 million</td>
<td>£257 million</td>
<td>+£157 million</td>
</tr>
</tbody>
</table>

Source: NLP Analysis / GMSF / PopGroup

*Data relates to Scenario 8a, taken from GMSF Strategic Options Background Paper 3: Objectively Assessed Housing Need (November 2015).

**Data relates to AGS-SNPP, taken from GMSF Strategic Options Background Paper 3 (November 2015).*
Greater Manchester comprises the local authority areas of Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Trafford, Tameside, and Wigan

The Greater Manchester Spatial Framework, or GMSF

Respublica (September 2014): “Devo Max – Devo Manc: Place-based public services”, page 10


ASHE workplace analysis – accessed via NOMIS

Defined here as the North West, North East and Yorkshire and the Humber

GVA ONS

E&Y

Manchester University

EuroStat

Frontier Economics (January 2016): The Economics of the Greater Manchester Spatial Framework

HM Treasury and Infrastructure (2015): National Infrastructure Plan


Housing Britain: Building New Homes For Growth (2014)

Manchester Independent Economic Review (2011)

NLP analysis; Experian data March 2016

Frontier Economics (January 2016): The Economics of the Greater Manchester Spatial Framework

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Frontier Economics (January 2016): The Economics of the Greater Manchester Spatial Framework


Umlegung is a proactive land purchase and assembly system enabling the Council to purchase land at existing use value. Typically German municipalities are able to do this (often with an overage agreement with the landowner) and then grant themselves planning permission, which increases the value before the land is parcelled off to private developers/custom build etc at full value based on strict criteria (standards/environment etc). The gain that is captured is then invested in infrastructure that makes the enterprise viable

http://www.metropolitiques.eu/Nantes-urban-project-putting-the.html


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