The Future of Cities

As the pandemic continued we began to consider some of the specific changes that may result such as what the future may hold for our cities.

The Future of Cities

Image by Tumisu from Pixabay

A key "megatrend" identified by SAMI and many others is increasing urbanisation, globally. This interacts with a great many other trends and forces in complex ways. In this series of posts, I'll look at the factors affecting the future of cities in the UK.

Making decisions about cities requires thinking about the long-term, and considering the many and varied forces acting upon them. Not only is the future of cities intrinsically linked with the future of work and the future of transport, developments in entertainment and housing are very relevant too. These are all affected by the core STEP forces (which themselves interact), overlaid with impacts from the pandemic and the climate emergency.

In this first of a series of blogposts, we will address the social and behavioural factors.

Work

Working from home (WFH) has become a major feature during the pandemic. Figures vary between 60% to less than 20 per cent of all workers in Barnsley, Burnley and Stoke. It was already a significant trend: before the lockdown more than 1.5 million people worked from home for their main job, up from 900k 10 years ago.

Much has been written about how substantial and enduring an effect this will be post-pandemic. One survey suggested that 26% of Brits plan to continue to work from home permanently or occasionally after lockdown. Most seem to agree that many people appreciated some of the advantages of WFH, whilst still wanting some of the communal benefits of the office. So a hybrid approach seems generally likely, resulting in a reduction in city centre footfall, and less demand for – or at least re-purposing of – office space. Suburban communal working spaces may also be seen as more attractive.

City centre service businesses such as shops, cafes and pubs depend on office workers for much of their custom, so may be forced out of business. It is currently estimated that the retail industry will lose £253 million.

Shopping

The behaviour of shoppers has been changing for many years. In 2019, 22% of retail sales revenue was online, with a projection then of growth to 29% by 2023. This was already having a major impact on the fortunes of major high street retailers, with many well-known names going into liquidation. Multi-channel shopping ("click and collect") was becoming an established approach that provided a compromise giving a more hybrid experience – linking social aspects of shopping with functional ones.

The pandemic has super-charged growth in online shopping. The proportion of total sales that took place online has grown by over 10% when comparing the period of the lockdown this year (March to August) against the same period last year. Clothing, household goods and "other" stores have all seen their proportion of online sales more than double during the pandemic period. While the proportion of instore sales for food stores remains high, there has been a significant increase in online sales, which now accounts for almost 10% of all sales.

Sales at online only stores (in non-store retailing) have stayed flat, so the boost in online has been driven by a move from physical stores to their websites.

Surveys suggest that the new behaviours will become entrenched with many more purchases being made online, and that high street shopping will not return to previous levels.

Before the pandemic hit, out-of-town shopping centres were seeing a trend towards more frequent, smaller purchases. For city centres this was a promising reversal of previous trends. However, the pandemic has also led to increase in shopping in suburbs and local centres as people have avoided travelling to the city centre – a sense of more local community is emerging.

Transport

Changes in working and shopping patterns directly affect the transport system. The fall in public transport use during the lockdown will no doubt recover somewhat. However it seems unlikely to reach previous levels, not just because of lower total transport needs but also because of a reaction against crowded spaces.
Air pollution fell during the lockdown, making active transport (walking and cycling) more attractive. Many cities wish to sustain those gains, but the British weather and an ageing population will limit the opportunity. A general greater appreciation of the

climate crisis may help to support a move towards greener travel and zero carbon, but there is also a strong possibility of an increase in car journeys replacing public transport.

Ageing and accessibility

Demographic trends are clearly showing an ageing population in the UK. However, this is less true for cities: the average percentage of the population aged 65 years and over in local authorities containing a city is 15.2% compared with 18.5% of the UK population as a whole. For London boroughs the difference was even greater with an average value of 12.1%.

Nonetheless, cities will need to do more to accommodate the needs of the elderly, and indeed others for whom accessibility is an issue. There will be implications for street design, public transport and communal facilities. Older people in the working population will call for re-design of office spaces too.

Older people – and the vulnerable – may exhibit more “virus-phobia” and be more reluctant to visit city centres.

Entertainment

One of the traditional appeals of city centres has been their ability to support entertainment venues – theatres, music, sport – and associated bars and restaurants. The trend had been towards ever larger venues – O2, Manchester Arena – but social distancing rules, an increased sense of local community and an aversion to crowded spaces may provide more opportunities for smaller venues perhaps in suburbs. Local restaurants and bars are already benefitting.

Housing

The changing shape of cities may be an opportunity to address the housing shortage, converting unwanted office space into housing. The city centre could become another “local” hub, with a rich mix of housing, shops, smaller offices and entertainment.

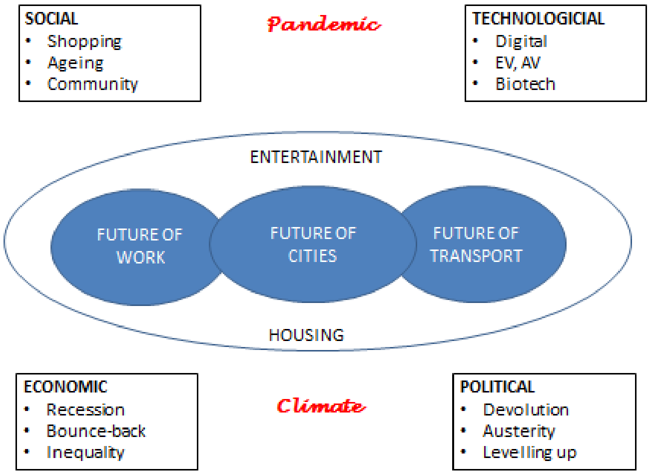
As always, the way the various forces interact and play out is inherently uncertain, and any sensible city planning exercise should be reflect these uncertainties and develop robust approaches that work well in a range of scenarios.

Written by Huw Williams, SAMI Principal
Published 2 December 2020

The Future of Cities - 2


Image by Tumisu from Pixabay

In this second blogpost on the future of cities, we look at the impacts of new technology. The application of technology to city development often goes by the name of “smart cities”. But it’s important to look at the unintended effects that changing technology may have as well – it’s not necessarily all a digital utopia.



The EU describes a smart city as “a place where traditional networks and services are made more efficient with the use of digital and telecommunication technologies for the benefit of its inhabitants and business.”

This covers better resource use and less emissions; smarter urban transport networks, upgraded water supply and waste disposal facilities; more efficient ways to light and heat buildings; safer public spaces and services meeting the needs of an ageing population.

Smart cities use Internet of Things (IoT) devices such as connected sensors, lights, and meters to collect and analyze data. Examples include smart parking systems (notifying drivers of availability), connected vehicles that avoid traffic jams and smart lighting systems.

Inherent in the concept is a more interactive and responsive city administration. That is, a political will. In practice, most technological innovation in cities is led by the private sector.

Another characterisation describes features of smart cities as:

- Top-down: systems to support planners to manage public services more effectively –eg water monitoring sensors in Barcelona
- Connective: citizens using open data, and providing data to authorities – eg reporting potholes
- Bottom-up: citizens acting collectively and communally eg sharing or renting possessions or services

A European Urban Innovation project "SmartCity" initiates an innovative way of supporting local development:

- To invent new means for consultation and conception of the city
- To enhance local resources, identities and memory of a territory
- To experiment new products and services on digital city
- To study new urban uses

The ***Transport*** systems of cities could be radically re-shaped by new technologies. Electric vehicles will become the norm, so the necessary infrastructure needs to be installed. Hydrogen buses are already on our streets. Much has been written about the way Uber and other sharing economy concepts could change patterns of transport demand ("Mobility as a Service"), and innovative business models could emerge in the space between public (shared) and private transport. "Active" transport – walking and cycling – is making its way up the scale as a response to Zero-Carbon targets, and e-scooters and e-bikes gaining in popularity (and legality!).

Further out – and not yet fully realised – are autonomous vehicles. They could change travel patterns, as you could get the car to drop you at your destination and then send it off to park somewhere, calling it back when you need it. Many think that AVs would go hand-in-hand with MaaS; however, many people personalise their cars already and it's quite possible that you would want to personalise an AV even more – as your mobile office or lounge.

The sci-fi dream of flying cars may be getting closer. Air taxis are to be trialled in Barcelona and Santiago de Compostela in 2022. In some congested cities like Sao Paulo, helicopters are already the preferred means of travel for the rich. The whole transport system would be radically re-shaped.

The ***future of work*** is fundamental. We can reasonably assume that online collaborative tools will continue to be popular; working from home is not going away. Massive office blocks no longer represent *le dernier cri* of city architecture. AI and automation are now encroaching on white collar jobs too. So the whole character of city centres stands to change.

Add to that radical changes to ***shopping.*** Even before the pandemic, city centre stores were under pressure from online marketing. Major companies have collapsed, and there is an emphasis on making shopping more experiential. Technology offers many ways of improving the efficiency of retail through AI-based demand forecasting tools, improved logistics, and IoT-based stock control. Arguably lower cost of entry creates opportunities for smaller, independent stores, undermining the economies of scale of the major brands. Whether that is sufficient for the sector to retain its central place in city design remains to be seen.

Entertainment may be an increasingly important driver of city centres. Theatre, music, cinema, even sport depend on sufficiently large audiences for a central location, accessible by many, to be necessary for success. Online substitutes during the pandemic have not proved to be hugely attractive, so although some online activity may continue, there will be a drive to return to the physical reality of communal experience. Online galleries may be an acceptable substitute for some exhibitions. Conversely, the appeal of local, community venues and ventures might increase.

Cities can also be magnets for ***tourism.*** AirBnB is already transforming the tourist market in many cities, to the extent that some authorities are looking into ways of restricting it. Augmented reality glasses can be a cheaper alternative to a personal city guide – a development of the audio guides one gets in galleries today. But Virtual Reality could remove the need to travel altogether.

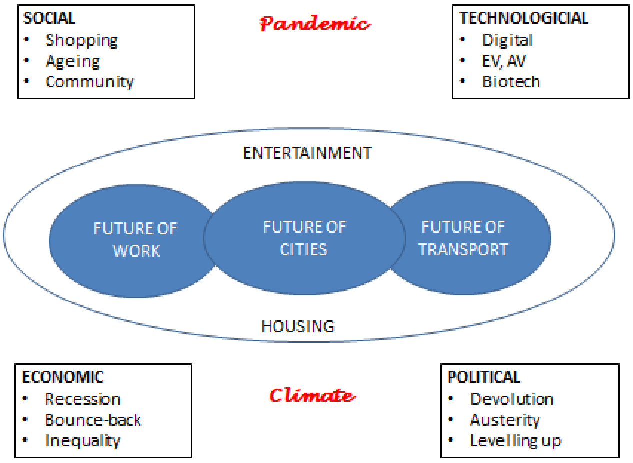
The next in our short series on the future of cities will look at economic forces – including the effects of the pandemic, recession and recovery.

Written by Huw Williams, SAMI Principal
Published 16 December 2020

The Future of Cities - 3

Image by Jimmy Chan from Pixabay

In this third blogpost on the future of cities, we look at city economics. Although tied up with political decisions, notably on devolution, it is worth considering the current dynamics of city financing.



Cities contribute massively to the economy. London alone accounts for 25% of UK GDP (2018) and the next 10 largest cities together contribute 16%. But city finances have been under pressure. Spending power has fallen by 18% since 2010, largely because of reductions in central government grants.   While grants from central government were cut, rates of council tax were increased generating a 21% increase in real terms in tax raised between 2009/10 and 2018/19. Metropolitan districts and London local authorities have borne the biggest reductions in spending power since 2010. This is because central government grants were cut and these grants made up a larger share of income for local authorities in areas of higher deprivation (many of which are metropolitan districts or London authorities).

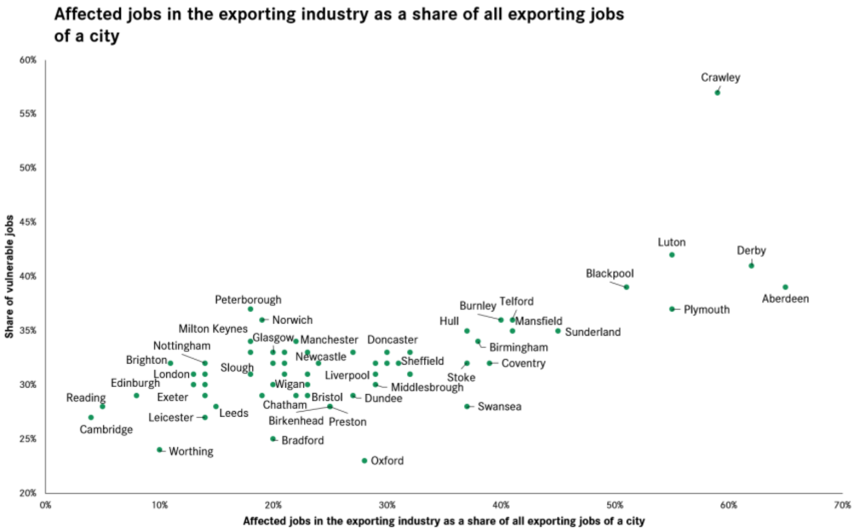
The scope to increase council tax is limited by the requirement to call a referendum if it exceeds a centrally set amount. Since 2013/14 local authorities have kept 50% of the business rates revenues raised locally, while the grant they receive from central government has been reduced to compensate. The government has said it intends local authorities to keep 75% of business rates from 2021/22 with the aim of increasing the incentive for them to promote local growth.

Councils are responsible for social services for adults and children, arts, leisure and sports services, local roads and waste collection. Social care accounts for 57% of council spend. Councils have faced particular difficulties because of rising demand for social care, even though they have – since 2016/17 – been allowed to increase council tax rates more quickly. Because this is a statutory responsibility, cost savings elsewhere (libraries, potholes etc) can represent a large proportionate cut. Croydon council is in effect bankrupt – it issued a formal declaration that it cannot meet the legal requirement to balance its books and will halt all but essential spending. (A report by the council's own auditors, Grant Thornton, savaged the council for "collective corporate blindness", so there are also other factors at play there).

In their Budget submissions, co-ordinated for the first time, the 32 London boroughs and the 11-strong Core Cities group — that includes Manchester, Birmingham and Glasgow — have asked for fiscal devolution. They want the right to introduce a tourism tax, borrow against future revenue and reforms to business rates and council tax. With government grants cut by 60 per cent since 2010, local authorities say they need fresh sources of finance to provide essential services. The Local Government Association predicts an £8bn budget shortfall nationally by 2025.

The pandemic and ensuing recession have both ramped up the demand for local government services and massively reduced councils' incomes. In the short to medium term, around a third of the jobs in cities and large towns are in industries that are expected to be severely affected – every city has at least one in five jobs classified as either vulnerable or very vulnerable. Crawley, Luton and Derby have high shares of employees in the aviation industries and employ more people in the automotive sector than in other parts of the country; Aberdeen's industry is largely dominated by the oil and gas sector, which is also expected to suffer particularly from the effects of the pandemic.

The scope for cities to bounce back depends on the proportion of vulnerable jobs in "exporting" industries (that is those that serve regional, national or international markets, in contrast to local services businesses). All of the cities above have more than half of their exporting jobs at risk. Conversely, Cambridge, Reading, Worthing and Edinburgh look relatively resilient.



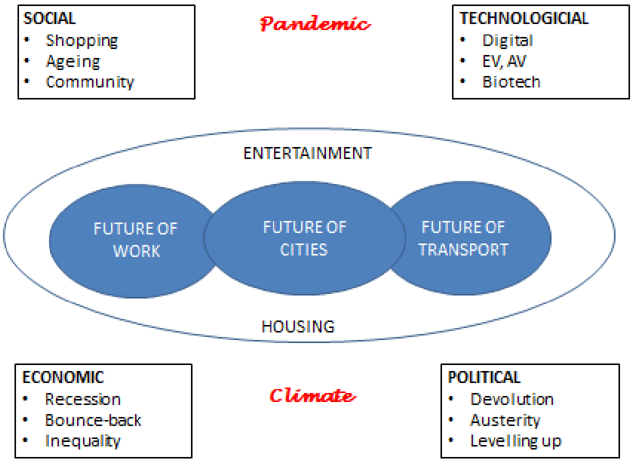
The future economics of cities and how they invest in infrastructure and “smart” technologies will depend heavily on how the Government manages the exit from the pandemic recession, and the extent of devolution and “levelling up”. These issues will be covered in the final blogpost in this series covering the political dynamics of change.

Written by Huw Williams, SAMI Principal
Published 21 January 2021

The Future of Cities - 4

Image by Tumisu from Pixabay

In this final post on the Future of Cities, we examine the Political decisions that will shape their development. As we noted last time, the economic situation caused by the pandemic forms the backdrop against which political decisions are taken.



Recession – recovery

Forecasts of GDP growth vary widely over the next few years because of the direct impacts of the coronavirus pandemic and the extended recession which is expected to follow. The World Bank's "Global Economic Prospects" report in June envisaged deep recessions leaving lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages. Countries hit hardest by the pandemic – notably the UK – will have lower growth.

The November OBR forecast estimated a fall of GDP during 2020 of 11.1%. There are a range of scenariosdepending on the course of the pandemic, but the November forecast of GDP remains 10% below the January 2020 level.

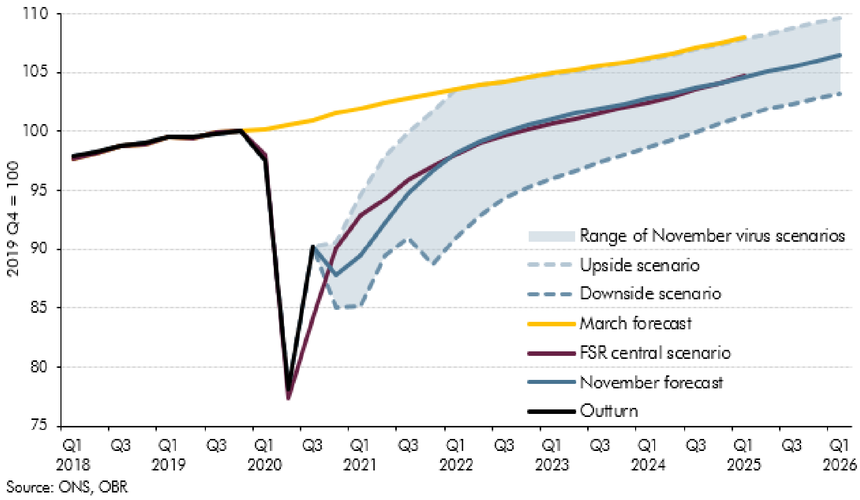


Chart 2.12: Real GDP paths

The central forecast returns to January 2020 levels in Q3 2023, and remains about 4% points lower than the March forecast at least until Q1 2026.

For the UK, the country's departure from the EU adds extra uncertainty. Whilst some seem convinced that Brexit will lead to an upsurge in entrepreneurialism and economic prosperity, the official forecasts point in the opposite direction.

Austerity?

The key political decision will be how fast to pay down the higher debt incurred by the emergency measures, and in what way. The November OBR forecast put borrowing at £394 billion in 2020/21 and £100m 2024/25. These decisions will hugely influence the speed, scale and shape of the recovery.

In the EU there seems to be an appetite for a substantial continued investment funded by borrowing, though some commentators believe even this is insufficient. In the UK, conversely, most discussion has revolved around increased taxation versus more spending cuts.

Paul Johnson, the director of the Institute for Fiscal Studies (IFS) thinktank, said: "It seems more likely than not that spending will end up significantly higher than set out today [25 November 2020], and so borrowing in 2024-25 will be considerably more than the £100bn forecast by the OBR. Either that or we are in for a pretty austere few years once again, or for some significant tax rises." In his November Spending Review, the Chancellor announced a public sector pay freeze (apart from the NHS), giving an early indication of his intentions. More recently, Tory MPs have expressed concern about possible tax rises and the Chancellor said there would not be a "horror show of tax rises with no end in sight".

The TUC and public service union Unison have argued that the UK's most deprived metropolitan areas had to "shoulder the burden of austerity" between 2010 and 2019.

Analysis by IFS and Centre for Cities of central government funding for local councils in England since 2010 shows a huge gap between urban and rural areas. Overall, councils in England are spending £7.8bn a year less on key services than they did in 2010, which equates to a cut of £150m a week.

Clearly, if the Government repeats that approach, scope for Cities to invest in new technology and infrastructure will be minimal, as obligations to cover statutory services such as social care will have to take priority.

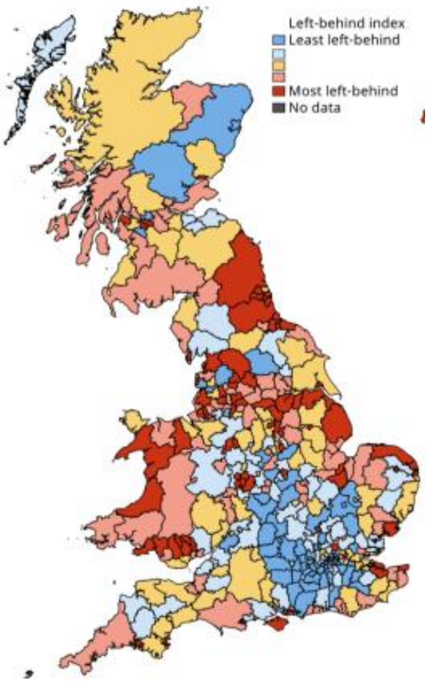
"Levelling up"?

A stated priority of the UK Government, perhaps thrown off course for the present by the pandemic, is "levelling up" – reducing regional inequality. It's not entirely clear what the term will mean, but a new group, the "levelling up taskforce" – which includes many of the new "red wall" MPs – is suggesting three key tests:

- areas that have seen the lowest growth in earnings, should see earnings rise faster than they have in recent years;
- areas with the worst unemployment rate should converge with the national average
- areas with the lowest employment rate should also catch up with the national average.

Unemployment is highest in the North East (October 2020) at 6.6%, though London is at 6.3%. It is lowest in the South-East and Northern Ireland (3.9%).

The IFS created a "left-behind" index with components of employment, formal education, incapacity benefit and pay. Nearly all of the North-East region, much of the metropolitan North, and large parts of Wales are in the "most left-behind" category.



"Levelling up" in a general environment of debt reduction would put a huge strain on other, more traditionally Conservative, areas.

The IFS suggest that the economic impact of Brexit is likely to impose a particularly high economic cost on some groups, such as less-educated male workers in blue-collar jobs. Many of these are concentrated in 'left-behind' areas.

The November National Infrastructure Strategy also addresses "levelling up" in areas such as strategic roads and rail, flood defences and broadband. There is a 'Levelling Up Fund' of £4.2bn over five years for the largest city regions outside London, which will be invested in relatively small local infrastructure projects across England and managed by three government departments (MHCLG, DfT and HMT).

Devolution.

Potentially going hand-in-hand with "levelling up" is devolution of decision-making. The white paper on devolution and local recovery, which was expected in September, has been shelved until later this year.

The "Levelling up Fund" is a competition for a pot of money, allocated from the centre, rather than devolution. The Institute for Government is concerned that "disagreements with combined authority mayors and local authorities over the Covid-19 response have stymied the government's enthusiasm for devolution".

Local Mayors argue that devolution allows for a more effective allocation of resources from a single pot than central Government can achieve. We will watch with interest how this debate plays out.

Overall, we see a tension between social changes and new technology, which offer the prospect of novel city developments and innovative services, against the limitations imposed by the pandemic recession and associated political reactions. This tension could be resolved to a degree by greater devolution, but how radical central Government is prepared to be we have yet to see.

Globally, we think the fine images of visionary, inclusive, smart green cities will, when faced with the economic facts of pandemic recession and the chaotic reality of places like Lagos, Kinshasa, Dhaka and Bangalore, become to be seen as idealistic, impractical, unsustainable, and expensive.

Written by Huw Williams, SAMI Principal
Published 27 January 2021