GO EAST: UNLOCKING THE POTENTIAL OF THE THAMES ESTUARY

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Published by *Centre for London*, February 2014

Published by:
Centre for London 2014

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Company Number: 8414909
Charity Number: 1151435

Series design by Studio Aparte

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Ben is the Director of Centre for London. He is a writer and policy thinker, with a particular focus on cities, citizenship, social capital, public service reform, and the built environment. Prior to joining Centre for London, Ben was an Associate Director of IPPR from 2003–2007 and subsequently led strategy teams in Haringey Council, DCLG and The Prime Minister's Strategy Unit, where he was responsible for producing the cross-government strategy World Class Places. Ben has written several acclaimed books on philosophy and history, published in the UK and the US, and is an experienced journalist and broadcaster. He is a visiting fellow of the Royal Society of Arts, and was a member of the Mayor's London Finance Commission chaired by Tony Travers.

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ACKNOWLEDGMENTS

The editors would like to thank all the individuals and organisations who have kindly given up their time to help us with this research. Particular thanks go to David Liston-Jones, Simon Lawrence, Colm Lacey, Jim Bennett, John Hughes, Keith Cornwell, Dylan Kneale, Dan Hawthorn, Graham Farrant, Andrew Wells, Eric Sorensen, Ralph Ward, Henry Cleary, Robert Morritt and Michael Ward.

At Centre for London we would like to thank Abigail Malortie and Ed Hickey for managing this project in its various stages. Thanks also go to Adam Tyndall and Benjamin Clayton for for their kind support, and to Jennie Pollock for her work in producing the collection.

We are very grateful for the generous support of our colleagues at GVA and CH2M HILL, without whom this project would not have been possible.

FOREWORD

Michael Heseltine

My involvement with the docklands came about entirely by coincidence. In the early seventies, as Minister for Aerospace, I was responsible for drawing up plans for a new London airport off the Essex coast. I had chartered a light aircraft in order to survey the proposed site of Maplin on the Foulness mudflats. The airport was never to be, but the trip was far from wasted. As I flew east across London in 1973, the immense tracts of dereliction left by the loss of the docking industry were graphically laid out before me. The abandoned docklands ran like open wounds east of the capital, 6,000 acres of crumbling Victorian warehouses and toxic methane-emitting dumps. I will never forget this grim vision of urban dereliction and waste, sitting right on the doorstep of our crowded but brilliant capital city.

Local economies are fragile things. Technological innovation can send entire cities into a tailspin of decline. Communities are also vulnerable to such vicious cycles. As indicators of dysfunction rise, those that can afford to move away do so, further concentrating the problems. In the 1960s, when I first entered parliament, traffic in the Royal Docks was at an all-time high. By the 1980s, however, when I took up my first cabinet post, the docks were dead. A new wave of globalisation, spurred by the advent of container shipping had, at a stroke, rendered the port obsolete. Unemployment on the Isle of Dogs quickly rose to 40%.

At the time opinion about what should be done was polarised. Those on the left recommended huge subsidy and social provision. The actions of central government have, historically, rarely been successful in addressing these problems. More often than not its response amounts to little more than expensive life support, with no prospect of the patient recovering to full health. Many of my colleagues, on the other hand, argued that attempting to support the area was at best unnecessary and at worst counter-productive. Once prices fell sufficiently, they argued, developers would move in. But although the free-marketeers liked to think themselves hard-nosed in their analysis, they were in fact taking a somewhat romanticised view of what the market would achieve in such an area, when left to its own devices. The lack of progress in East London and the Thames estuary is itself testament to this.

Now, I am, and always have been, a conservative, and I am deeply committed to the virtues and disciplines of competition. But the debate, as caricatured above, has always seemed to me to be a stale and rather unproductive one. In reality, no viable market can exist without the presence of the state and no modern state can excel without the dynamism of market activity. Instead, targeted state intervention must be used to return neighbourhoods and local economies to a position in which they can compete on their own merits. But the state has too often proved a blunt instrument in these matters. Instead it should use its resources and position to catalyse and spur development, working with private developers and communities to bring about renewal. Blunt as it may be, it has an essential role in unleashing private initiative.

In 1979 I was appointed Secretary of State for the Environment. I arrived at my new job determined to put these ideas into practice and on my first day, over lunch, I handed my permanent secretary, John Garlick, my list of priorities. It included a Development Corporation modelled on the New Town Corporation concept used to re-house the urban population after the war. The Development Corporations were single purpose agencies, free of political control, which enjoyed wide powers over planning, land-assembly and regeneration. We duly set up the London Docklands Development Corporation (LDDC). This we ran as a stand-alone body, staffed largely by people with experience of property development in the private sector. I was, however, determined to preserve political balance. Nigel Broackes, an experienced property developer, became chairman but Bob Mellish a former Labour Housing Minister became his deputy. The Labour leaders of the London boroughs involved were also appointed. The LDDC was able to compulsorily purchase areas of derelict land,

use public money to clean them up to a marketable state and sell them on in consolidated chunks to allow coherent large scale development projects. The relaxed planning controls meant whoever bought the land could be confident that delays would be minimised. The model was to prove extremely effective.

My senior cabinet colleagues saw it as a misguided attempt to get a government department to construct a local economy. They misunderstood what we were proposing. The thinking behind the Urban Development Corporation was never that bureaucrats should attempt to construct a new economy on the Isle of Dogs, or in any of the other 13 places where we eventually established them. The philosophy was clear. Faced with the accumulated detritus of long dead industrial life with its consequent pollution and toxicity, no private-sector developer would take on the cost of reclamation when cheaper, more profitable options were available for their investments. The idea was to take a derelict area, eliminate the negative value caused by pollution, assemble large sites through compulsory purchase, and release them back onto the market, ripe for development. Our ambitions were large both in terms of the scale of the area being regenerated and our desire for big coherent development projects, but our ambitions were also limited in the sense that we never had a ‘plan’.

Despite my belief in the approach, it does require a considerable amount of faith in the response of the business community. Who could we persuade to move to this somewhat inaccessible and barren peninsula five miles from the centre of London? The shape which the development would take would depend on the efforts of private investors, responding to the opportunity which we were providing. At the time we had no idea and, looking back at the remarkable chain of events that followed, there was no way that we could have guessed what would happen next.

The story of Canary Wharf is by now well known. There are currently 100,000 people working on the

Wharf and this year it overtook the City of London as the biggest banking centre in Europe. Plans for the new Wood Wharf development are set to double the number working there, meaning that by 2020 there will be more people working on this one kink in the River Thames than work in the city of Manchester! And it's not just bankers. Any modern office employs a large proportion of its staff in 'support' roles. For example, half of the people employed by JP Morgan (Canary Wharf's newest resident) are not bankers. ONS employment survey data show only 59% of employees in Canary Wharf and the immediate surrounding area work in Finance and Insurance, Professional Services and Public Administration. A further quarter of jobs are in admin, retail, catering, transport and storage, with another 16% recorded as 'other.'

Development has rippled out since the early investments in new office space. London City Airport was officially opened in 1987 and in its first full year handled 130,000 passengers. I had the pleasure of approving the expansion of the airport in 1991, and it now handles around three million passengers and contributes around half a billion pounds to the UK economy each year. The ExCel centre situated on the opposite bank of the George V dock is another big success story. It now boasts 90,000 square meters of world-class exhibition space, three dedicated DLR stations, and five on-site hotels. Since opening in 2000, it has received over five million visitors. In 2012 it hosted more than 150 events for the London Olympic Games. The Dome in Greenwich – created for the Millennium celebrations and financed almost entirely without taxpayer's money – is now the most popular entertainment centre in Europe.

Indeed, my main regret with the Docklands Development Corporation is that we didn't do more. The Docklands, and Greenwich across the river, make up only a small part of the larger East Thames region which stretches 40 miles along both banks of the river Thames all the way to Southend and Sittingbourne.

In 2012, David Cameron and George Osborne asked me to investigate how to boost economic activity in the UK. My report, *No Stone Unturned* (Heseltine, 2012), made 89 recommendations which ranged from reforming Whitehall and Local Government to updating our policy towards skills and how we work with business. Writing the report gave me a chance to review developments in the Thames estuary in recent years. To my dismay I found that progress had been positively glacial.

The essays in this collection take a forensic look at what has (or indeed hasn't) been going on in that time. The authors present a wealth of evidence and analysis to explain why so little has changed. But, more importantly, they also put together a plan for how to make the most of the remarkable opportunity it presents. I am encouraged to see among their recommendations some of those principles, and indeed some of the policies, which we used to such great effect in the early eighties. Most importantly, the ideas put forward in this excellent collection see the need for a new way of bringing together the unique abilities of the public sector with the brilliance of our best private developers. In doing so they put forward a practical and achievable way of helping restore the once-proud communities in the area to a position in which they can once again compete on their own merit and contribute to the prosperity of the wider area.

If, on the second reading of the legislation in 1981, I had outlined a plan that included Canary Wharf, London City Airport, and the ExCel Centre, all serviced by HS1 and Crossrail, the House of Commons would rightly have fallen about with laughter. Alongside implementing the detailed proposals outlined in this report, we must regain the belief that, though we cannot predict what will follow, if we can create the right opportunities, there is no limit to what can be achieved.

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UNLOCKING THE POTENTIAL OF THE THAMES ESTUARY

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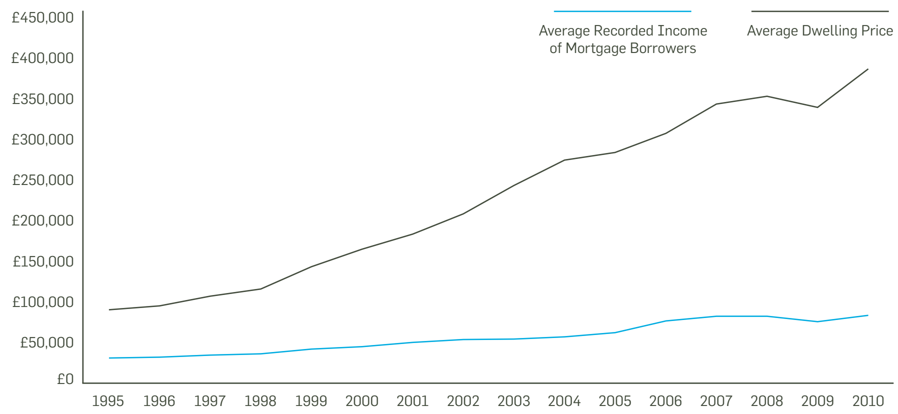
London is set to grow by two million people over the next two decades, becoming a city of ten million people by 2031 (Bains, 2012). This growth is to be welcomed, because as London grows in size so it should become a more productive and creative place (Overman, 2013). But growing by nearly a quarter in less than two decades puts the city under enormous pressure. Housing is increasingly unaffordable and unavailable (see Figure 1). Just under a quarter of Londoners now cite housing affordability as a "major problem" with quality of life, and the poverty rate in London almost doubles when housing costs are taken into account (Tunstall, 2013). An additional two million people will also bring already-stretched transport infrastructure under significant strain.

Accommodating an additional two million Londoners will require significant development in key sites in all parts of London, but some of the best opportunities for development remain to the east of the city. The huge potential of this area, often referred to as the 'Thames Gateway', is partly a result of its sheer physical size. It covers some 100,000 hectares (NAO, 2007) (the City of London covers just 315 (GLA, 2013)) stretching from Tower Bridge to the mouth of

Figure 0.1: Housing Affordability in London

Source: Authors' analysis of data.gov.uk Live Tables on Housing Market and House Prices, table 513



the Thames. More importantly, given the desire to avoid building on the greenbelt where possible, it also contains around a fifth of all brownfield (previously developed) land in the South East (Farrell, 2009). Potential for housing development within London is also significantly concentrated within the eastern riverside boroughs (McCarvill, 2012). Some estimates (see Christopher Hall's chapter) suggest that the entire East Thames area could accommodate about 200,000 new units of housing – in other words, homes for around half a million of the two million additional Londoners. Job estimates are inherently more uncertain, but suggest the area could support up to 350,000 additional jobs (DTZ, 2005).

There have indeed been some notable successes, particularly the pioneering early work on the Isle of Dogs (as described in Tony Travers' chapter) which led to the creation of Canary Wharf, now one of the world's largest financial centres. Big investments such as London City Airport, the Excel Centre, and the 02 Arena followed, along with significant housing development. In Stratford there are now plans in place for five new communities at the Queen Elizabeth II Park on the 2012 Olympic site (as described in Peter Hall's chapter.)

But while small parts of inner east London have been, or are being, transformed, housing and jobs growth across the East Thames as a whole has been disappointing. The last official progress report, by the National Audit Office in 2007 – tellingly entitled *The Thames Gateway: Laying the Foundations* – highlighted some serious shortcomings. The NAO pointed out that even prior to the financial crash the rate of new home building needed to double to 12,500 each year until 2016 if the then government's target of 180,000 homes was to be met (NAO, 2007). Shortly after the report was published, the crash reduced house building to a trickle. The 2007 NAO report was more optimistic about the jobs target being reached, noting that 34,000 extra jobs had been created in the Thames Gateway between 2001 and 2004. Closer inspection of the figures however, reveals that two thirds of this was due to the stratospheric growth of Canary Wharf. Regenerating the area as a whole will require employment growth well beyond the Isle of Dogs.

To inform future policy it is therefore vital to start with a hard-headed, unsentimental analysis of why progress in East Thames has failed so badly to live up to policy makers' expectations, and to learn the lessons from this. The contributors to this volume bring to this task a wealth of expertise and experience from planning to finance, development and government. In this introduction we draw on their detailed analysis to set out a bold yet credible approach to get the East Thames moving.

Why has the Thames Gateway failed?

The very concept of the 'Thames Gateway' – which assumes that the area exists as a single, coherent whole – is highly problematic, and this partly explains why development has been so disappointing. For this reason we drop the term completely when developing our recommendations and refer instead to the East Thames. The original concept is problematic in four key respects.

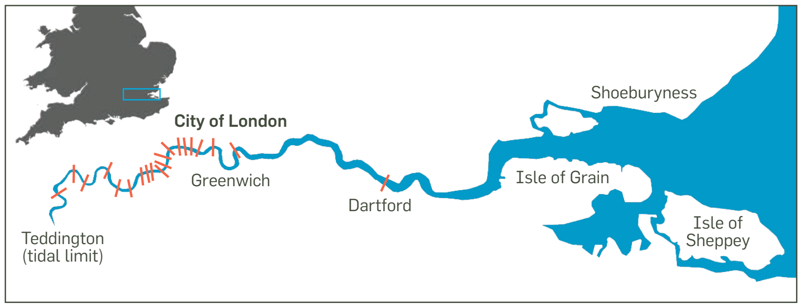
No one talks of living in the 'Thames Gateway'. You can't even travel around it easily. East of Tower Bridge, the Thames is a virtually unbridged chasm. This chronic lack of connectivity undermines the Thames Gateway as a serviceable development region.

There are no road bridge crossings at all between the large east London boroughs of Tower Hamlets, Newham and Barking and Dagenham on the north bank and Southwark, Greenwich and Bexley on the south bank. Because of this grossly inadequate transport infrastructure, east Londoners are far more isolated and divided in their communities than central and west Londoners. There are 16 road bridges going west for the 20 miles from Tower Bridge to Kew, but for the 20 miles east of Tower Bridge there is only one road bridge (the Dartford Crossing of the M25, well beyond London), and two low-capacity tunnels (the Victorian Blackwall tunnel and the Edwardian Rotherhithe Tunnel). Apart from the odd ferry, there is no connectivity whatsoever further east between, for example, Tilbury (Essex) and Gravesend (Kent), or Southend-on-Sea (Essex) and Sheerness (Kent).

The existing East Thames crossings are among the worst traffic bottlenecks in the country. Indeed, the Highways Agency describes the Dartford Crossing as the least reliable section of the strategic road network nationwide. In rush hour, vehicles attempting to get through the Blackwall Tunnel take on average 19 minutes to crawl along the final mile-long approach to the tunnel (TFL Planning and Corporate Panel, 2009).

A new bridge at Thamesmead-Beckton – linking Greenwich and Newham – was first seriously proposed in 1979, before being subjected to length enquiry, redesigned, subjected to another inquiry, given the go-ahead in 1991, cancelled in 1993, re-proposed in 2002, subjected to a public enquiry in 2005 and finally cancelled again in 2008 (Blake, 2008). Further down the river, there is also a clear need for additional crossing capacity to relieve the Dartford Crossing. After long gestation, the previous Government published three options for this crossing in 2009. In December 2013, the current Government finally published the responses to yet another consultation on these options, but has only gone as far as ruling out one of the three options

Figure 0.2: Thames Road Crossings between the Dartford Crossing and Twickenham Bridge
Source: Author's own graphic



(Department for Transport, 2013). A decade of work has still not led to a decision. The current Mayor of London, Boris Johnson, who formally cancelled the proposed Thamesmead-Beckton bridge, has built no new road crossing since becoming mayor six years ago. The result of all of this is that a new bridge or tunnel hasn't been opened in east London since 1967 – or east of London since 1991 – and anybody wishing to travel the two miles from Thamesmead to Dagenham by car faces a journey lasting between 30 and 60 minutes, depending on the traffic. For the health of London as a whole, let alone East London and the Thames estuary, it is essential that the East Thames chasm be bridged as soon as possible.

Beyond the inefficiency and delays, this lack of connectivity also seriously impedes housing and other investment right across the area. Development in Barking Riverside in particular is seriously constrained by the absence of either a direct rail link or a river crossing (see Peter Hall's chapter). Recent extensions to the DLR have increased connectivity for a few communities, and Crossrail will provide a further boost for a few more, but most of the Thames estuary remains poorly connected to central London and virtually unconnected to the opposite bank of the Thames.

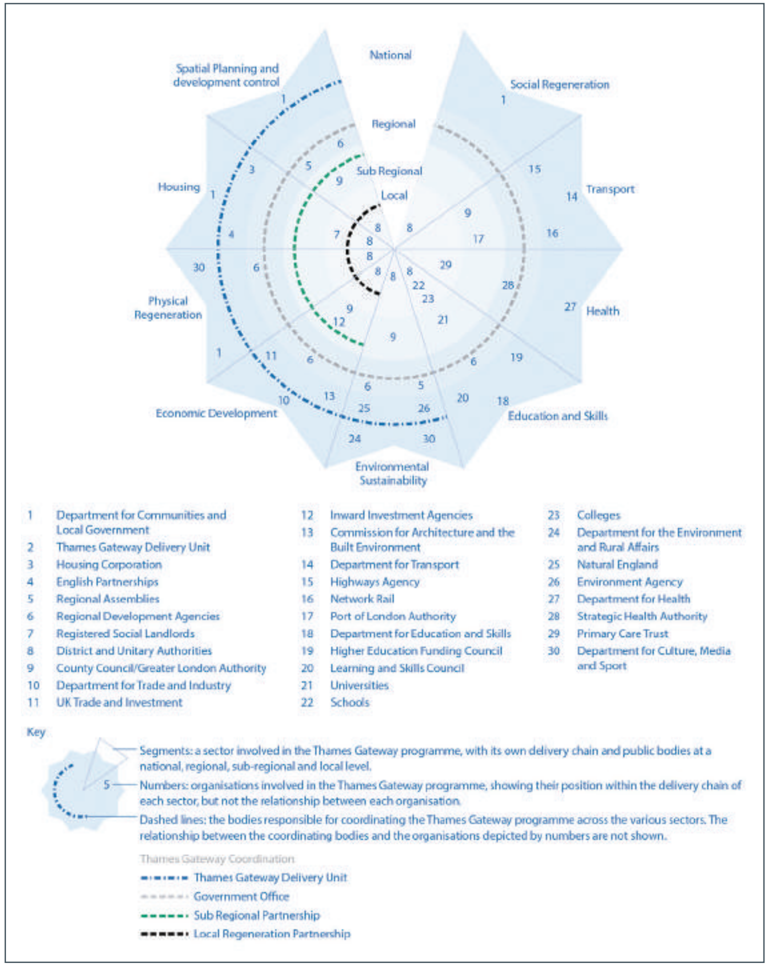
The second problem with the Thames Gateway concept is that it presupposed that 'big is beautiful' and in doing so created a damaging lack of focus. After the success of Canary Wharf in the 1990s, it was naively assumed that a larger regeneration prize could be secured by painting on an ever larger canvas. The somewhat-artificial term 'Thames Gateway' was itself invented to describe this vast area and became synonymous with this broad-brush philosophy. But the approach was flawed from the outset, and managed to ignore wholesale the lessons of development on the Isle of Dogs. The London Docklands Development Corporation covered just 8.5 square miles and development there only really took off after huge, concentrated public investment in the DLR, the Limehouse Link and the Jubilee Line extension, and even then only once the property market had recovered from the early 1990s recession. More recently, the huge redevelopment of Stratford Railway Lands into the QE2 Olympic Park has also been made possible only by a massive concentration of public investment on a small area. The same is currently true of North Greenwich, which is only now becoming a significant regeneration zone, 15 years after the completion of what is now the O2 Arena, but which in the late 1990s was a controversial Millennium project – 'The Dome' – widely seen as an expensive white elephant.

The lesson of Docklands, North Greenwich and the Olympics is that to get large new developments going you need to concentrate intensively, and sequentially, on a series of tightly defined, high potential development zones. Yet precisely the opposite approach has been employed in the East Thames over the last twenty years, with funding and focus spread too thinly over the entire area.

The third reason that thinking about the Gateway as a single development zone is problematic is that the Government and its agencies have been consumed by attempting to coordinate a bureaucratic delivery apparatus for the entire area, spreading their efforts far too thinly. In his chapter in this volume, Tony Travers gives an excellent analysis of this situation, explaining that the area defined as the 'Gateway' lies within 16 different local authorities. From 1994 to 2010, it also fell within three of the English regions, each of which had its own Whitehall Office and regional development agency. The various entities set up to promote regeneration since the mid-1990s have essentially been joint committees of multiple local authorities and Whitehall departments and agencies, together with (largely fitful and unfocused) engagement from a host of other quangos including the Homes & Communities Agency, the Port of London Authority, the Lea Valley Regional Park Authority, the London Legacy Development Corporation, Transport for London, Network Rail, the Highways Agency, the major utilities companies, sub-regional partnerships and, more recently, the London Enterprise Panel and the South East Local Enterprise Partnership. In an attempt to understand

this somewhat complex arrangement the National Audit Office produced the diagram below (Figure 0.3), which speaks volumes about the complexity and lack of focus in governance.

Figure 0.3: Map of the sectors involved in the Thames Gateway regeneration, showing how the different public bodies within each sector's delivery chain are drawn together by coordinating bodies at a national, regional, sub-regional and local level
Source: National Audit Office analysis



In their frustration with the lack of progress in the Gateway, the Blair and Brown Governments commissioned and published a series of progress audits and strategy reviews. These became a near-annual occurrence with major documents published in 2000, 2001, 2003, 2005, 2006 and 2007. A key theme running through these documents was the need to improve the coordination of this mass of governance.

In response, ministers created a succession of partnership arrangements and joint boards, each of which only complicated the picture by another degree. As Travers notes, the quest to manage this complexity was, in reality, never going to be achieved, but was remarkably successful in drawing attention away from the real challenge of focusing on delivering in the most promising areas.

Furthermore, government departments and agencies all had slightly (and sometimes very) different agendas and priorities. There was a lack of true cross government alignment, commitment and drive. There were also insufficient powers and resources to support and enable the Gateway programme, illustrated by the under-funded and under-powered UDCs that were created in East Thames and Thurrock.

This problem of bureaucratic stasis on the one hand, and lack of focus on the other, has worsened still further since the change of government in 2010. Responsibility for the East Thames in central government is assigned to a Parliamentary Under Secretary of State in DCLG – if he or she has a name, it can't easily be found in an internet search – and the coalition Government has published no substantive proposals for the area. Statistics are no longer even collected on house building and job growth. The South East Local Enterprise Partnership (LEP), a new 'localist' organisation created in the wake of the abolition of Regional Development Corporations, has, as one of its four strategic objectives in its Business Plan 2012–2015, "to secure the growth of the Thames Gateway" (South East LEP, 2012). But its legal and financial powers to bring this about are virtually non-existent.

Separately, the Mayor of London's London Plan includes only the following vaguely-worded pledge:

> *The Mayor will, and other partners including relevant London boroughs and sub-regions should, engage with relevant agencies beyond London to identify and develop… linkages across, and capacity of, nationally recognised growth areas which include parts of London (the Thames Gateway and London-Stansted-Cambridge-Peterborough).*
> (Mayor of London, 2011)

Michael Heseltine was entirely right when he wrote in *No Stone Left Unturned* – his government-commissioned report on promoting growth and jobs – that the "existing arrangements for the development of the Thames Gateway are wholly inadequate" (Heseltine, 2012).

Fourthly, thinking of the Thames Gateway as a single entity ignores the variety of challenges faced by the different places within it. Some places on the eastern stretch of the Thames have a strong identity and brand, particularly those with a strong naval heritage such as Greenwich and Woolwich Arsenal. However, as Tony Burton and Chris Brown point out in their chapter, many places in the East Thames suffer from the visual legacy of their industrial past and several of the town centres are in desperate need of regeneration. Even some of the new developments in the Thames estuary have failed to live up to decent quality standards. CABE, the Labour Government's architectural watchdog, published an audit of 100 new residential schemes in London, the South East and the East of England (CABE, 2004). Eight of these schemes were in the East Thames, of which three were judged poor, including the 103 unit Bellway Homes development at Purfleet in Essex. CABE were particularly critical of the way in which the scheme's public realm had been given over to car parking, and the lack of any direct pedestrian connections to the riverside. This poor quality of place has held back demand for new homes.

In the absence of focus from policy makers, private house builders have attempted to develop the largest sites independently. In his chapter, Peter Hall looks at two of these 'great stuck sites': Barking Riverside and Ebbsfleet, both of which were supposed to deliver 10,000 homes over the last 10–15 years. So far, they have delivered about 10% and 0% of that number, respectively. So why have these sites been so unsuccessful?

Francis Salway and Christopher Hall both analyse the problem of stuck sites from a commercial developer's perspective. Salway argues that large sites in the East Thames score badly on four of the main things that housing developers want from sites:

- established demand (existing communities which show that people want to live there);
- limited forthcoming supply (to ensure the market isn't flooded);
- short projects (to minimise risk of an economic downturn destroying demand);
- low up-front costs (to minimise cash flow problems, as even large sites may only be cash-flow positive after several years).

Christopher Hall particularly emphasises the cash flow problems that can be caused when developers have to pay high up-front costs for site-specific infrastructure. This becomes particularly acute in very large developments when requirements are triggered for funding of regional scale transport infrastructure. In combination, these factors create formidable barriers to the development of large sites under the model employed over the last twenty years.

In asking why development has not been more successful on the big sites, however, we should not fall into the 'big is beautiful' trap again. Smaller sites – 50 to 500 housing units – are just as important as large sites in the overall development of the East Thames. Indeed, in his chapter, Christopher Hall estimates that as much as 60% of the potential for housing growth in the Thames estuary is in smaller sites, but too many of these are also blocked. In some cases they are owned by smaller firms, often without the necessary resources or the appropriate business model to develop them (rather than simply engaging in land plays). Many are also prime candidates for 'land banking' because their central location means their value is likely to rise over time. Local government has often not done enough to resolve these blockages.

So what next?

Starting with the larger sites (though to emphasise again, these are only part of the way forward) policy and resources should focus on two or three of the most promising developments in the East Thames. In each case it should be considered whether a Development Corporation should be created in order to provide the necessary focus, resources and powers.

John Walker, Kathleen Dunmore and Heather Pugh describe in their chapter how a development corporation was used to pioneer the development of what is arguably the UK's most successful New Town, Milton Keynes. The results of this approach have been quite remarkable, transforming a patch of rural Buckinghamshire into an economically thriving city which is now home to almost a quarter of a million people. Adapting the model for the East Thames, they argue that a development corporation should be able to:

- Acquire (multiple) sites through compulsory purchase at present value. This would enable large sites to be put together for coherent development around key transport infrastructure, such as stations;
- Grant planning permission independently. This would remove much of the debilitating

uncertainty and delay that comes with the normal planning process, creating confidence and reducing costs, while allowing room for some flexibility in planning consents to take account of any changes in economic conditions;

• Release land in stages to private developers based on the quality of the development they plan to build and with deadlines for development. This would allow the Development Corporation to ensure timely delivery of desirable new places to live. It would also allow them to capture some of the uplift in land values that results from the granting of planning permission, which could then be reinvested in further development;

• Allow developers to build under licence, only paying for the land on which they build the houses after they sell them. This would significantly reduce risk and cash flow requirements for private developers and should unleash a wave of house building;

• Use Strategic Land and Infrastructure Contracts to deliver site-specific infrastructure in a way that creates confidence for investors, and satisfies government fiscal constraints.

Walker et al explain how the result of the approach employed in Milton Keynes was to

> *create confidence amongst those considering investment in the towns, whether they were developers, employers looking for premises, investment institutions looking at property investment, or families looking for a good place to live. They knew they could get clear, timely and consistent decisions and that there was a good prospect that the infrastructure and facilities would be delivered in accordance with the plan.*

Tony Travers also emphasises the importance of confidence, and argues that as well as the need for confidence from investors, developers, employers and families, it is essential for development/regeneration institutions to have the confidence of central government. Given that local government in the UK has very little freedom when it comes to raising revenue, persuading the Treasury to provide the funds necessary for site-specific infrastructure or land remediation is crucial. Historically, Travers points out, single-purpose arm's-length bodies such as the Metropolitan Board of Works, the London Docklands Development Corporation and the Olympic Delivery Authority have shown themselves to be easily the most successful model when it comes to securing Treasury funding. Without support for these important early steps, however, development on many sites will simply never get started. This is another key argument in favour of using arm's-length Development Corporations, with a combination of resources and teeth.

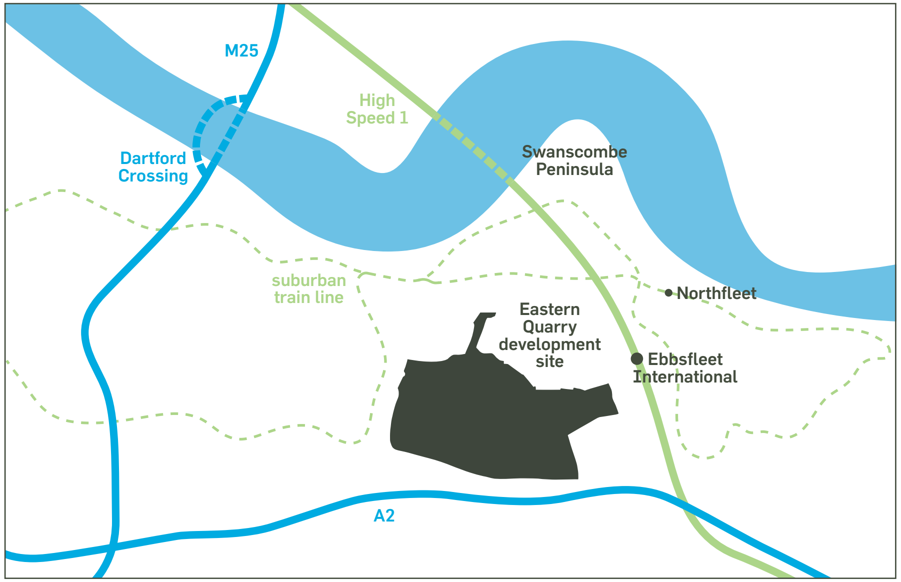
Ebbsfleet New Town

A large New Town project should be started in the Thames estuary in order to kick-start major development and to demonstrate what is possible when delivery is properly organised and overseen. This is our most far-reaching recommendation. Ebbsfleet, between Dartford and Gravesend in north Kent, appears to us the prime candidate. Ebbsfleet has three characteristics which make it ideal for immediate designation as a New Town, if it were given a powerful Development Corporation on the Milton Keynes model to take forward development using the staged, build-under-license approach outlined above.

First, its location is excellent, both for a London commuter town and as a location for businesses wanting to set up outside of London but still within travelling distance of the capital and the broader commuter belt. Twenty miles from central London, the large Ebbsfleet/Swanscombe development area is already served by the HS1 station at Ebbsfleet, from which it is only 19 minutes to St Pancras International or around three hours direct to Paris. There is also a commuter rail station at nearby Northfleet with frequent services through south-east London to Charing Cross and Cannon Street. Ebbsfleet is also immediately adjacent to the A2, the M25 and the Dartford Crossing. The Dartford Crossing is severely congested, but the existence of an Ebbsfleet New Town Development Corporation, with a plan for the rapid build-up of housing and jobs in the area, would itself be a significant spur to the taking of decisions about a second Lower Thames Crossing. The site also benefits from being close to attractive retail in the form of Bluewater shopping centre.

Secondly, the site has already received planning permission for a huge new development on a disused quarry just next to the railway station. The problem is that the housing development is stalled, and has been

Figure 0.4: Ebbsfleet and the Swanscombe Peninsula
Source: Author's own graphic



for many years, partly because the additional local infrastructure required is clearly too expensive for the developer to pay for up front, and partly because the three local authorities are unwilling to renegotiate the planning consent, despite changed economic conditions. The whole project has now reached something of a stalemate. A New Town development corporation could unilaterally solve this planning impasse and fund the up-front costs of phased site remediation and infrastructure development to overcome the cash flow problems, recouping the costs from housing developers at a later stage.

Third, there is a credible proposal for a huge new Paramount theme park on the adjacent Swanscombe Peninsula, which is another ex-industrial site dominated by the ruins of a large cement works, but with an otherwise stunning Thames-side location (BBC, 2012). This 880-acre, £2 billion theme park would be easily the largest in the UK and could credibly rival Disneyland Paris, attracting visitors from all over the UK as well as mainland Europe. If it goes ahead it could create upwards of 25,000 jobs and would support other catering and hospitality activity across the area. There is a well-financed consortium behind the deal who are confident that they have the capacity to deal with the difficult site remediation and development challenges. They intend to submit a planning application this year (2014). Although the developers are confident that the project will move forward rapidly on its own account, they also agree that the development would be greatly enhanced if it were conceived as part of an Ebbsfleet New Town – embracing the existing Ebbsfleet development areas, together with development zones in Northfleet and Swanscombe – with infrastructure and housing being constructed in conjunction with the theme park.

Tellingly, Disneyland Paris is itself part of a New Town development (Marne La Vallée, 20 miles east of Paris). Its construction was facilitated by the French state providing significant new infrastructure (including motorway connections and a high-speed rail line and station). Consideration was actually given at the time to building Disneyland in the south-east of England, but sadly the lack of commitment from the British government to build the necessary infrastructure killed the idea. Disneyland Paris opened in 1992 and 21 years later it attracts 15 million visitors a year, not far behind the Disneyland resorts in Florida and California.

For all these reasons, Ebbsfleet New Town is an idea whose time has come. It will be a long road (it took almost fifty years for Milton Keynes to grow to its current size), and there are a host of practical issues which would need resolving (about which the contributors to later chapters in this report have a good deal to say), but this is in reality all the more reason for getting started straight away. To recall the mantra of Lord Reith, the founder of the BBC who advised the post-war Attlee Government on New Towns policy, "indefinite planning is not planning at all". The concept of Ebbsfleet New Town should be consulted upon immediately, and if the case for it is as strong as we believe it to be, it should be designated forthwith.

Other candidates for early intervention in the form of New Town Development Corporations include Barking Reach and the area around the London Gateway Port near Thurrock. These have similar characteristics to Ebbesfleet in terms of 'stuck sites,' regeneration and overlapping public authorities. They also have significant potential for direct employment generation. They should be part of an early assessment 'big site' development priorities.

Smaller sites

Small sites constitute almost two thirds of the potential for new housing in the East Thames and will be a crucial component of any significant development. Because they require less land use change and often require no additional infrastructure investment, they can get started quickly. They will therefore be particularly important in the short and medium term, while the larger sites such as Ebbsfleet get going. In conjunction with focusing investment and development efforts on the larger sites

through development corporations, there are a range of local measures available to speed up development on these smaller sites.

In his chapter, Christopher Hall suggests combining greater freedoms for developers with a more assertive role for local authorities. Demands on developer contributions, in terms of local infrastructure and affordable housing, should be reduced and more nimble planning tools such as Supplementary Planning Documents should be considered. Hall also recommends that local authorities compulsorily purchase stalled smaller sites, package them up together with permissive planning consents and sell them on for development. Indeed, just the threat of this sort of implied use-it-or-lose-it approach should spur further development. Local authorities should also consider jointly developing the sites with private developers through the Local Housing Company model.

Richard Parker reminds us in his chapter that the recent reforms to housing finance herald a new era for local authority involvement in housing. Although Councils are now responsible for repaying the £28 billion debt that has been allocated at a national level to Housing Revenue Accounts (HRAs), they are able to retain all rental income and make decisions on how they use any net rental surpluses that they generate (Reeves, 2013). There are 16 local authorities in the East Thames, of which 13 continue to own, manage and maintain their own stock (through HRAs), comprising around 130,000 units of stock. Collectively, these authorities have borrowing headroom of around £300 million, which could provide a substantial stimulus for new development. Parker also highlights the important role that housing associations or 'registered providers' have to play in developing new housing.

Tony Burton and Chris Brown suggest establishing a challenge fund – along the lines of Michael Heseltine's City Challenge policy – in which local authorities could apply for money in order to improve the quality of key areas in and around town centres and stations. Local authorities would be free to shape their bids as they wish, but awards would be made on the potential of the bid to accelerate high quality house building in the area. The fund should focus on areas of significant opportunity for housing development, for example around the new Crossrail stations at Custom House and Abbey Wood. Within the Greater London boundary, the Mayor also has an important role to play. There are six mayoral 'opportunity' and 'intensification' areas inside the East Thames, but only two of the six currently have published development frameworks (Adonis, 2013). The remaining four should be worked-up and released immediately.

East Thames Crossings Development Corporation
New Thames crossings east of Tower Bridge are urgently required to support housing and regeneration projects large and small. David Leam, in his chapter, sets out the case for building three new river crossings as a matter of urgency. These new crossings – which would be at Silvertown, Thamesmead/Beckton and in the Lower Thames area – have already been extensively researched and consulted on (as outlined above) and little additional work is required. The challenge, which no one has overcome now for more than two decades, is how actually to deliver them.

These East Thames crossings are now so long overdue, and existing delivery processes so badly discredited, that we recommend the establishment of a dedicated East Thames Crossings Development Corporation, tasked with taking forward these three new crossings as soon as possible. This Development Corporation would be an arm's-length organisation, similar to a New Town Development Corporation, with the power to plan, give planning consent for, and manage the new crossings, subject to appropriate consultation and ministerial and Mayoral oversight. The corporation would take over responsibility for the Lower Thames Crossing from central government and the Silvertown and Thamesmead/Beckton crossings from the Mayor of London. The corporation should also take over the operation of the Blackwall and Rotherhithe tunnels, and the existing Dartford Crossing.

In order to fund the new crossings the Development Corporation would attract private finance which would be repaid through tolling the new crossings (with the price carefully regulated by government). In a time of fiscal constraint this is the most sensible way to ensure that the projects are not held back by further delays in trying to secure public funding. Investors would get an attractive but reasonable rate of return and, because the Development Corporation can grant planning permission for its own scheme, and would not be under political pressure to continually delay construction through diversionary consultations and public inquiries, investors could be confident that they would secure a timely return on their investment. Existing revenue streams from the Dartford Crossing would also be used to help fund the new crossings. Before the bridges are built the Thames Development Corporation should also work with the Port of London Authority to conduct a rapid review of the regulations regarding the minimum height of bridges across the Thames. The review should weigh up the costs of requiring higher (and therefore longer and more intrusive) bridges against the benefits of allowing tall ships to sail further up the Thames. An agreement should be reached on how far up the river tall ship access should be maintained.

Barking Riverside, and adjacent developments, which are prime housing development areas, would be significant beneficiaries of a Thamesmead/Beckton bridge. Leam and other contributors also make the case for a direct rail link to Barking Riverside in order to facilitate the expansion of this development. An extension of the DLR from the west is one option. The Mayor is currently examining a cheaper alternative, the extension of the Gospel Oak to Barking Overground line. Whichever of these is more practical and cost-effective, the imperative is for an early decision and construction.

Leam also recommends shifting Stratford into Travelcard Zone 2/3, partly in order to reflect its new status as one of London's main urban centres, but also to give a significant positive nudge to popular perceptions of the area.

Employment and industry
As Francis Salway comments in his chapter in this volume:

> *The ultimate objective of regeneration is not a quantitative measure of the volume of development, but rather the creation of places where people choose to live and work.*

Some of the initiatives mentioned here – like the redevelopment of the Royal Docks and the Ebbsfleet theme park – have very significant local employment potential. Previous analysis of job growth potential in the Thames estuary has also stressed the large number of jobs which will naturally result from housing growth as retail, leisure and other services open up in new and expanded communities (NAO, 2007). Focusing on getting the houses built and ensuring that new developments are planned in a way that leaves room for high quality retail and office space should therefore go a long way towards creating additional employment. There are further proactive steps that government could take to support economic activity directly.

Logistics and distribution has the potential to become a specialism for the Thames estuary. The massive London Gateway port and logistics centre under development near Basildon is set to revolutionise the way UK PLC imports and exports goods. It is an enormous development and is expected to directly create an additional 12,000 jobs (London Gateway, 2013). Marks and Spencer also recently committed to building a new distribution centre there which will create an additional 700 jobs (Odell, 2013). The Government and its agencies should be working with the port closely to facilitate expansion by ensuring that necessary

infrastructure investments are implemented without delay on a cost effective basis.

The Mayor should also renew efforts to attract world class universities and research institutions to East London. Higher education is one of the most important sectors in the UK economy, both because our strong reputation in this area attracts students from all over the world and because of the spill-over benefits of advanced research. Mayor Bloomberg has shown vision and ingenuity in persuading a Cornell-led partnership of universities to open up a major new research centre on Roosevelt Island, east of Manhattan in New York. This development is likely to pay huge dividends over the decades, generating high value technical innovation and the jobs and exports that go with it (Katz, 2013). If we could persuade a consortium of our best research-intensive universities to open up a new research centre in East London and East of London, then we could transform the area. A world class institute for finance, economics and computing research for example could, if done well, create powerful complementarities with the financial institutions in nearby Canary Wharf. Stratford is a particularly attractive location for this new higher education hub.

East Thames as a cultural destination
East London and east of London need to comprise places where people want to live and do business. For this they require attractive cultural and visitor destinations. A world class theme park on the Swanscombe peninsula would be one such attraction. For years Greenwich, the Whitechapel Gallery, and the Museum of London Docklands have been the only major cultural attractions in the area. Ben Rogers has previously argued that a permanent exhibition of the government art collection should be opened in east London, perhaps at the eastern end of the Royal Docks. A world class museum of migration, on the site of the old imperial port, and in an area that has long served as a home to new migrants, might be another fitting

way to increase the cultural capital of east London (Rogers, 2012).

There is also a lot more that can be done to capitalise on the natural heritage of the East Thames. Sir Terry Farrell has offered an inspiring 'parkland vision' for connecting the best natural assets in the area (Farrell, 2008). The estuary benefits from remarkable biodiversity, with over 120 species of birds, and has the largest concentration of RSPB sites in the country. Efforts should be stepped up to market the areas remarkable natural assets, perhaps by designating the most important areas as part of a 'national bird sanctuary.'

Conclusion: putting it all together

We must act now to ensure that London remains an excellent place to live, even as it grows by 25% in twenty years. There is still a strong case for looking east in order to build the extra homes and workplaces that these additional Londoners will need, but we must also learn the lessons from the failed 'Thames Gateway' approach employed over the last two decades in order to understand how we can really unlock the potential of the East Thames. What emerges from our analysis are three core principles.

First, future development efforts should focus on the most promising opportunities, rather than spreading resources thinly across the entire area. Our proposals for packaging up smaller sites around key transport links, focusing public attention and resources on localised development corporations and targeted challenge funding all embody this principle.

Second, development efforts must do a better job of combining the particular institutional strengths of public and private sectors, rather than relying on a plethora of uncoordinated public agencies or expecting private developers to take on huge developments for which they are institutionally unsuitable. Our proposals for staged, build under license development and SLICS, for example, are all designed to allow developers to do what they do best: get on with designing and building new homes and communities. Using private finance to build bridges at a time of fiscal constraint is also based on this principle.

Third, appropriate state authority and investment are critical to driving large scale development and regeneration.

Too often the approach employed in the Thames Gateway has ignored this reality, resulting in cautious stalemates. Our proposal for Development Corporations, however, is founded on it, seeking to harness state authority and investment, and by doing so to attract and instil confidence in private investors (e.g. in providing risk capital for new Thames Crossings) and developers (e.g. in choosing to invest in schemes whose payoff is subject to substantial policy uncertainty).

Applied effectively, these principles could create a substantial and sustainable increase in development. In summary, and in line with these principles, our key recommendations are that:

> Recommendation 1:
> Policy makers should refocus attention on just a few of the most promising large sites.

Central government should conduct a review of all the major sites in East Thames to decide on a case-by-case basis whether other large (existing or potential) sites could be better delivered by the use of a Development Corporation.

> Recommendation 2:
> Central government should immediately consult on establishing a New Town at Ebbsfleet.

If the case is as strong as we believe it is, central government should establish and resource a 21st century New Town Development Corporation at Ebbsfleet tasked with the long term objective of creating a large new town there:

(a) The New Town Development Corporation should operate on the staged, build-under-license model outlined above.

(b) The New Town Development Corporation should also be tasked with supporting the development of the new theme park on the Swanscombe peninsula and be given control of all the planning and other legal decisions related to that project.

(c) It should consider one or two other suitable locations for new town development corporations (including Barking Reach and the area around the London Gateway Port at Thurrock.)

> Recommendation 3:
> Central government should prioritise the delivering of individual infrastructure projects required to unlock development in East Thames:

(a) Central government should establish an East Thames Crossings Development Corporation tasked with a programme of bridge-building on the eastern Thames. These bridges and tunnels should be funded by tolls and construction should begin as soon as possible.

(b) New rail infrastructure should be delivered as a matter of priority to help unlock the Barking Riverside development.

> Recommendation 4:
> Local authorities should take the lead on smaller sites. This could be achieved by:

(a) using compulsory purchase powers to package up stalled smaller sites, granting flexible planning consents on them and then either making them available to developers; or

(b) working in conjunction with private developers through the local housing company model to build new homes on them.

> Recommendation 5:
> The Mayor of London should work with central government to establish an East London Challenge Fund.

Local authorities could then apply to this for funding to regenerate areas with the highest potential to support additional development.

> Recommendation 6:
> The Mayor of London should begin work on bringing major new institutions to east London including, for example:

(a) Launching a campaign to find funding for a world class cultural institution, such as a museum of migration, near one of the new Crossrail stations in the Thames estuary;

(b) Developing the case for a new research-intensive university in the Royal Docks and meeting with top flight universities from around the world to try and put together an alliance of organisations to work on the project.

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1
THE SCALE OF OPPORTUNITY AND PROGRESS TO DATE

Sam Sims and Ben Rogers

Over the last forty years successive governments have sought to regenerate and re-invent London's Docklands and the Thames estuary beyond them (see Travers, this volume). This reflects both a long standing desire to regenerate an area which suffered rapid economic decline and, more recently, the view that it could play a key role in managing the pressures created by London's continuing growth – the capital is expected to grow by two million people over the next two decades (Bains, 2012). In this chapter we assess the potential of the East Thames to support housing and employment growth, and provide an audit of the progress made on both fronts over the last twenty years.

Potential for housing growth
It is by now a well-worn cliché that the East Thames represents the biggest regeneration project in Europe. But what exactly is the scale of the opportunity? In physical terms the area is truly enormous, covering some 100,000 hectares (National Audit Office, 2007). To put this in perspective, the City of London covers just 315 hectares. The East Thames stretches from the Isle of Dogs – the iconic kink in the Thames – out to the mouth of the river between Southend-on-Sea and the Isle of Sheppey, and driving from one end to another would take just over an hour, in good traffic.

More importantly perhaps, it includes around a fifth of the brownfield (previously developed) land in the South East, giving it huge development potential (Farrell, 2009). Within London, the potential for new housing is significantly concentrated within the East Thames boroughs (see Figures 1 and 2 below). Government estimates of the housing potential of the broader East Thames have varied with time. When the area was first identified as a priority by the Department of the Environment in 1995, it was envisaged that 98,400 houses could be built there by 2016 (Thames Gateway Task Force, 1995). By 2005 the Office of the Deputy Prime Minister believed that 160,000 could be built by the same date (ODPM, 2003). There is no longer a target for house building in the area but adding together the capacity estimates for the relevant areas in the 2011 London Plan and the (now abolished) 2010 East of England Plan and South East Plan gives a figure of 200,000. The number of additional people that could be housed in East London and the Thames estuary would of course be a multiple of this.

The East Thames has a strong geological and ecological identity and regeneration initiatives often emphasize the region's natural heritage as an asset which could be used to attract new residents. Indeed, Londoners have long flocked to the area to appreciate the ancient marshlands and riverscapes. Pleasure Gardens were first established by the railway companies

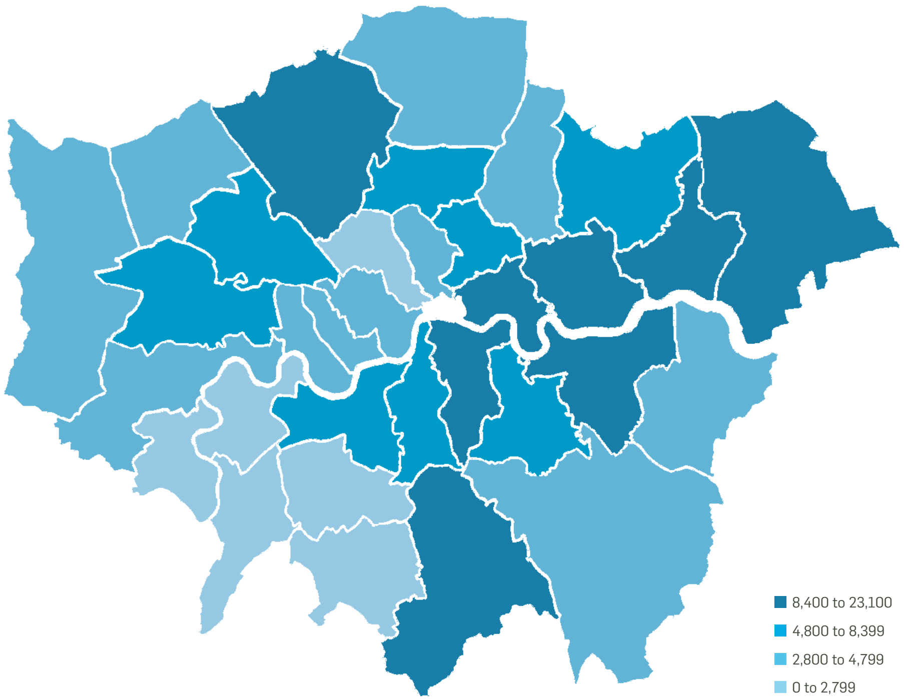

Figure 1.1: Large site housing capacity by London borough
Sources: Data: (GLA, 2009, p. 34), Graphical representation: (McCarvill, 2012, p. 45)

on the bank of the Thames in Woolwich in the late nineteenth century to allow Londoners the chance to escape the cramped conditions of the Victorian city. Later, the eastward extension of the railways allowed Londoners to travel to the seaside at what is now Southend. As London's industry expanded, development spread along the river – often in an unplanned manner – obscuring much of this natural landscape. More recently, however, as industry has declined, nature has re-established itself in some places. Rainham Marshes, closed to the public for 100 years while it was used as a firing range, has now been reopened as a huge RSPB site with an excellent visitors' centre. Indeed, the estuary has the largest concentration of RSPB sites in the country, and

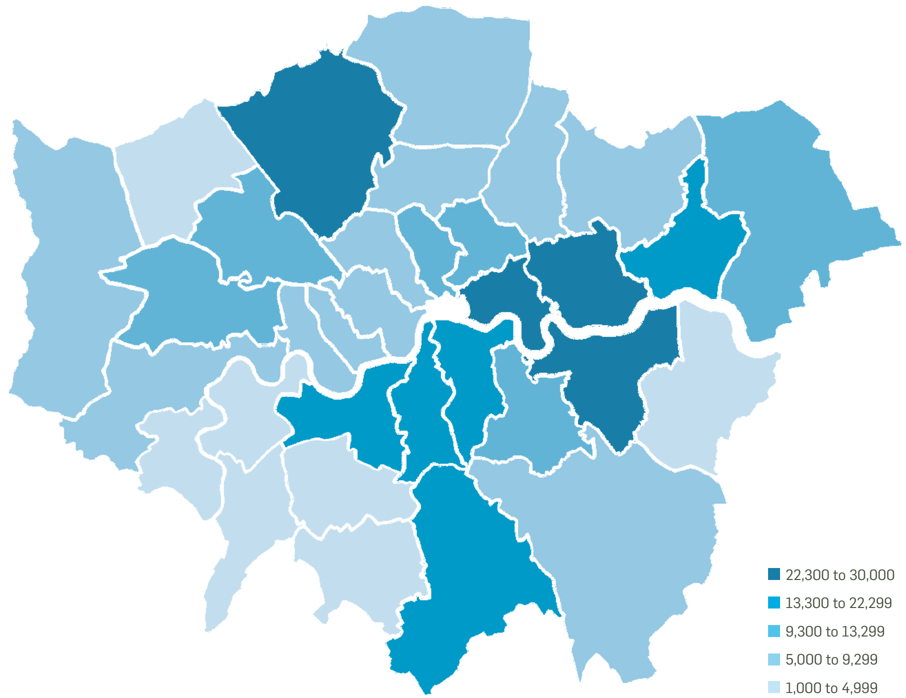

Figure 1.2: Total housing capacity by London borough
Sources: Data: (GLA, 2009, p. 46), Graphical representation: (McCarvill, 2012, p. 46)

is home to half a million ducks, geese and wading birds every winter (RSPB, 2013). As well as 120 species of bird, the marshes and river tributaries also support a host of other wildlife including voles and dragonflies (Farrell, 2008). The Thames Gateway Parklands Vision, developed by the government in conjunction with Sir Terry Farrell, sought to bring together these natural assets into a single spatial framework with the aim of providing "a network of accessible, high quality and sustainable landscapes and waterways" in order to "strengthen its character and identity, and transform perceptions of the area into it being a great place to live" (Ibid). But while Farrell and others are surely right to draw attention to the biodiversity of the East Thames, the natural beauty of the area should not be overdone. Much of the landscape is still scarred by the physical remnants of its recent industrial history and even the wilder parts, though striking, can at times feel unwelcoming.

Potential for employment growth

The rise and fall of the East Thames as a centre of employment has been dramatic, and is a salutary reminder of the unexpected speed with which a city's competitive advantage can disappear. For much of the nineteenth and twentieth centuries the area was an economic powerhouse. The Royal Docks, described by one historian as the "hungry mouth of the British empire", were built to accommodate the booming commodities trade that grew up on the back of imperial expansion. *The Greater London Development Plan Report* of 1969 stated confidently that:

> *The Port's dominance has been maintained… Trade with Europe is growing considerably and the PLA [Port of London Authority] suggests that London can expect to handle a large proportion of this future trade.* (Quoted in Gordon et al, 2008)

However, over the next few years the Docklands suffered a dramatic decline as containerisation rendered many shallow-water ports obsolete and the business of unloading goods destined for the British market moved to Felixstowe, Southampton and even Rotterdam. The first docks to go were those furthest west. Just a year after the development plan report, the PLA was forced to announce a five-year programme of phased closures and rationalisation of the enclosed docks. Even the Royal Group of Docks, the most modern on the Thames above Tilbury, quickly became obsolete as the size of container ships increased rapidly. By 1981, over 150,000 jobs in port and related activities had disappeared in east London since the closure of the first upper dock, the East India Dock in 1967 (LDDC, 2009). The residential population of the area also declined from some 55,000 residents in 1976, to just over 39,000 in 1981. By the end of this period, over half of the London docklands were in a vacant or derelict state, and mostly still in public sector ownership. The car industry, which was a major employer, also began its gradual decline around this time. While much of the research and development for Ford still takes place at the Dunton Technical Centre near Basildon, car manufacture is now almost extinct in the area. This structural change continues today, with almost 25,000 manufacturing jobs lost across the East Thames London Boroughs in the decade prior to 2007 (Thames Gateway London Partnership, 2013).

Estimates of the number of jobs that could be created in East London and the Thames estuary are inherently more uncertain than those for housing. Nevertheless, in 2006 the Labour government adopted specific and ambitious targets for job creation, aiming to generate 180,000 additional jobs there over the next decade (National Audit Office, 2007). A separate study by DTZ Pieda Consulting in 2004 estimated that if all the development sites they had identified in the area were fully developed, then the Thames estuary could accommodate an additional 350,000 jobs in the long run (though these would be concentrated in East London and many would be dependent on housing development) (DTZ, 2005).

Perhaps the most important determinant of the potential of the East Thames to support additional homes and jobs is its connectivity with London and the rest of the country (for more on transport see Leam, this volume). Howard Dawber of Canary Wharf Group argues that the key determinant of how far development has progressed on the Isle of Dogs is transport. Each time transport capacity has increased, first with the arrival of the Docklands Light Railway and then with the Jubilee line, the development has grown proportionately. The arrival of Crossrail in 2017 (which will provide capacity for an extra 100,000 passengers a day) will be instrumental in enabling the massive new development at Wood Wharf which is planned to include 3.3 million square feet of offices and shops and 1,600 homes (Goh, 2013). The DLR, which has now been expanded six times (north to Stratford, south to Lewisham, east to Beckton and over the river to Woolwich (TFL, 2013)) has also played a crucial role in the development of this part of the estuary. The Excel Exhibition centre, which has the capacity for 50,000 visitors per day, and City Airport, which now handles about three million passengers a year (LCACC, 2013), would have been impossible without it. In 2011 Transport for London briefly posted a map online of a proposed extension to the DLR from Beckton to Dagenham Dock through Barking Riverside. Alternative proposals involve the extension of the Overground from Barking. This would significantly increase the housing potential of Barking Riverside and the surrounding area.

The areas of the East Thames that fall outside of London also have huge potential in terms of connectivity. The opening of Ebbsfleet International station on the high speed line to Paris brings the potentially huge development at Ebbsfleet within 17 minutes of central London. Crossrail doesn't penetrate far into the estuary, quickly heading away from the Thames into Essex on the North East branch and only going as far as the London Borough of Greenwich on the South East branch. Neverthless, it will provide a substantial increase in transport capacity to places like Custom House and Abbey Wood. The route east of Abbey Wood all the way to Gravesend is also now protected (Crossrail, 2009). Whether the line should be extended depends, of course, on more detailed analysis. Major new housing development at Ebbsfleet and plans for a new theme park on the Swanscombe Peninsula (more on this below), would significantly boost the rate of return on extending the line and could make such an investment economical. In conjunction with HS1 services from Ebbsfleet this raises the exciting prospect that almost all of the Thames estuary south of the river could be brought within 30 minutes' travel time to central London. This could have a transformative impact on development.

Progress on house building

Despite this potential, actual development of new housing and jobs in the East Thames has been disappointing. The last big progress report, modestly entitled *The Thames Gateway: Laying the Foundations*, highlighted shortcomings in both respects (National Audit Office, 2007). Even prior to the global financial crisis, the NAO pointed out that the rate of new home building would need to double to 12,500 each year right up until 2016 if the target of 180,000 homes was to be met. The Government responded at the time by insisting that the delivery of new homes would be back-loaded, i.e. would predominantly come in the years leading up to 2016, as the big developments in Barking Riverside and Ebbsfleet Valley reach completion. But the plan for these developments was always for 2016 to be the delivery date for the first or second wave of development, with the full number of houses quoted in *The Delivery Plan* only set to be delivered over much longer timelines (DCLG, 2007).

Because statistics on housing completions are no longer collected for the East Thames area it is difficult to give an up-to-date assessment of progress, though housing development has likely slowed down considerably since the financial crisis in 2007. Recent estimates from GVA (for more detail see Peter Hall, this volume) suggest that between 2010 and 2013 only about 7,500 homes a year were being built. The development at Ebbsfleet, where the first planning applications were submitted in 1996, and master plans envisaged 10,000 new homes, has to date only delivered 300. Indeed, arguably the only really successful major development completed in the area is Royal Arsenal Riverside in Woolwich which has skilfully incorporated 10,000 new homes among the old naval buildings on the site, creating a real sense of place and history to what is in other ways a very modern development.

Progress on employment growth

The NAO report was more optimistic about the jobs target being reached, noting that 34,000 extra jobs had been created in East London and the Thames estuary between 2001 and 2004, a growth rate far higher than the UK as a whole. Closer inspection of the figures, however, reveals that two thirds of this increase was due to the stratospheric growth of Canary Wharf. Regenerating the East Thames as a whole will require development well beyond the Isle of Dogs.

There are, however, some reasons for optimism in this respect. The massive London Gateway port and logistics centre under development near Basildon is expected to directly create an additional 12,000 jobs (London Gateway, 2013). Marks and Spencer recently committed to building a new distribution centre there which will create an additional 700 jobs (Odell, 2013). Because the dock offers direct access to London and the South East (Felixstowe traffic comes to London only after being driven up to the Midlands and back down again), many other firms, keen to deliver more efficiently to one of the biggest regional markets in Europe, will surely follow. Big companies wondering whether to relocate their logistics operations to London Gateway can visit the site via the nearby 'London Southend Airport' which is among the fastest growing in Europe and now employs more than 500 people. Further up the estuary, the London Sustainable Industries Park at

Dagenham Dock is, partly thanks to Mayoral investment, also starting to develop a cluster of clean technology businesses including a substantial waste-to-energy plant and a new 900 megawatt gas-fired power station. Perhaps the biggest reason for optimism however, is the plan by London Resort Company Holdings to build a huge new Paramount-sponsored theme park on the Swanscombe Peninsula near Ebbsfleet, which could create up to 27,000 new jobs (BBC, 2012).

Conclusion

The potential for development in the East Thames area remains significant. Indeed, major transport investments over the last twenty years (and those set to be completed over the next five) have only increased the scale of the opportunity. Despite this, however, house building and employment growth beyond inner east London have been painfully slow. Many of the large scale projects have been beset by serious difficulties, or even failed to get off the ground (see Peter Hall, this volume). It is the irony of the East Thames that just as expectations and ambitions for the area has expanded, it has become increasingly clear that the approach is failing to bear fruit.

All the while, the reasons for which policy makers have been attracted to the area have remained just as compelling. Poverty is still a serious problem in many communities in East London and the Thames estuary, and London's housing shortage is more serious than ever. The justification for continuing to focus on the Thames Gateway therefore depends on whether a new approach can be found that can unlock significant new development. If this can be done, then the case for it remains strong.

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2
WHY ARE THE GREAT 'STUCK SITES' STUCK?

Peter Hall

In the great economic meltdown that followed the 2008 crash in the world's financial centres, one of the most spectacular and most dismal aspects was the collapse, across the western world, of housing markets and housing development projects. We should perhaps feel fortunate that we did not experience the catastrophic outcomes seen in the United States, Spain, Ireland, and even the Netherlands, where huge numbers of people were trapped in negative equity and many even subject to foreclosure on their mortgaged homes. But the impact here has been a good deal odder and, in its own way, equally dire. Perversely, because before the crisis struck we were building far too few homes to satisfy needs, afterwards there was a much smaller excess of new homes and thus an absence of the impacts that people felt in those other countries. Our failure has been well summed up as the crisis of two numbers: 240, the number of homes (in thousands) we should have been building every year to meet demographic needs, and 100, the number (again in thousands) of homes we were actually building. And in fact even those numbers represent an understatement, because recently we have failed to reach even the 100,000 a year mark. In 2012 builders managed to start 98,280 homes in England and Wales, down by 11% compared with 2011 (DCLG, 2013).

Further, this failure has been most spectacular in the South East of England, within a radius of about 100 miles from London. Whatever the basic cause – and the topic is endlessly debated – London has become the great powerhouse of the UK economy, disproportionately generating wealth and steadily increasing its economic power in relation to the other regions (Heseltine, 2012). One graphic measure is the regional crane count, the measure of large-scale construction activity, where London projects a huge bar across the page while the counts for the other regions barely register. But these cranes are building offices and other structures that will be filled by new workers. There is all too little sign of the building activity that is needed to provide them with places to live.

This was partially caused by the slump in building activity that followed the crash of 2008, and the drying-up of the mortgage market. But of course that is no longer an issue: in London the market is booming, in fact, approaching the condition of a bubble economy. Reports abound of potential buyers being forced out of now-fashionable inner boroughs like Islington and Hackney, into London's outer ring. Yet so far this seems to have benefitted established residential areas like Walthamstow; it has failed to reverberate in the new-build market. And this is most evident in the great stuck sites: the mega-developments, planned in the boom years, that failed to start and have now been left effectively abandoned. Three of the biggest of these sites are (or were) in the East Thames region: the Stratford Olympic Park, Barking Riverside and the Eastern Quarry at Ebbsfleet in Kent. At the first, there is good news: the London Legacy Development Corporation is making progress in negotiating with developers to secure delivery of its master plan for five new neighbourhoods. The second, twenty years after it was first proposed for development, has construction just starting – but remains largely an undeveloped wilderness. At the third, we may see the builders at work next year, or the year after that, on a minuscule part of the site – but, on present plans, it may take twenty or thirty years to complete development. The question has to be: why has Stratford made progress while the others remain stuck?

The intermediate anomaly: Barking Reach

The three sites have a common origin, but their subsequent histories have diverged – and herein lies a significant part of the explanation. All three took shape as part of the strategic master plan for the East Thames in the years immediately after Michael Heseltine first announced the project in March 1991. Published in 1995, RPG 9a, as it was known in the planners' jargon, proposed huge mixed-use developments – a commercial core, related housing – around the two stations that had been located on the Channel Tunnel Rail Link, later to

be renamed High Speed One: Stratford and Ebbsfleet (Thames Gateway Task Force, 1995). The planners did consider an intermediate station between the two, but the sheer logistics of the proposed rail link – trains operating at 186 mph between St Pancras and the Channel Tunnel – ruled it out. That left an enormous site by the side of the Thames where the new line would emerge from a 10-mile tunnel into daylight, a site beset by multiple problems of contamination and visual intrusion by overhead power lines. George Brooker, the memorably rumbustious working-class leader of Barking and Dagenham Council, said that his electors would get nothing out of the rail link but the noise. He got an extra mile of it buried in tunnel, but it was certainly true that Barking Reach – as it then was known – would be a pure housing development with some industry tacked on. And access would be a problem.

Barking Riverside, a 180-hectare (443-acre) site, is a joint venture between the Homes and Communities Agency (HCA) and Bellway Homes plc, signed in November 2003, which provided for the HCA and Bellway to share investment costs and prepare the land, including site remediation, master planning, gaining planning permission and creating the infrastructure for development. Bellway would act as the lead developer for many of the new homes on site and would project-manage the infrastructure works for the new community on behalf of the joint venture. The objective was and is to deliver serviced development plots for some 10,800 new, mixed-tenure homes to accommodate 26,000 people, together with healthcare, shopping, community and leisure facilities and environmental benefits, new public transport links and employment opportunities. Thirty-one per cent of the new homes will feature three or more bedrooms and over 40% will be affordable. Many of the attendant facilities – a primary school, places of worship, healthcare facilities and social enterprise units – will be within the new Rivergate Centre, which opened in September 2011, shortly before the first 350 homes were ready for occupation. These are set to be joined by 700 more during 2013–14: in total, 10% of the target set a decade ago.

The long delay in implementation was due in part to the difficulty and cost of preparing the land, much of which is marshy (and even mosquito-ridden) or rendered undevelopable by the overhead power lines that cross the site. This, it could be said, has paradoxically enhanced the quality of the future development: over 41% of the site will remain as open space, including a new ecology park, and the residential areas will be linked by parkland, cycle routes and footpaths, and play and sports areas. But another main problem was access. For a long time the plan was to extend the Docklands Light Railway from a point close to its present Beckton terminus, across a wilderness of sewage treatment works and a crossing of the lower Roding Valley (Barking Creek), into the new development. But this proved technically difficult and expensive, leading to pressure to increase development densities to help pay the cost. The DLT extension was finally abandoned, replaced by an interim scheme for a Bus Rapid Transit (BRT) link from Barking station, the first stage of which opened through Barking town centre in February 2010, completed by a second stage leading directly into the heart of the development in September 2013. There is a long-term plan to electrify the London Overground route from Gospel Oak to Barking and, rather remarkably, the 2013 Comprehensive Spending Review announced that this scheme would be funded. This would potentially allow an extension from Barking station on to the site. Transport for London are reported to be reviewing the possible options, which Barking and Dagenham Council enthusiastically promote, claiming it could be achieved at a relatively modest cost since the right-of-way already exists.[1] This could be the key that at last unlocks the huge development potential of the site.

1. Ironically, because of land originally reserved for High Speed One between Barking Station and Ripple Road, which was subsequently made redundant when this stretch was put into tunnel.

Stratford and Ebbsfleet: The saga of High Speed One, plus an Olympic complication

At the other two stuck sites, access presented a different – and unusual – problem. In the early 1990s, the intention was that High Speed One – to be built through a competition by private enterprise – would be ready by the end of the decade. But the winning consortium, London and Continental Railways, experienced a severe financial crisis three years after it started work because revenues from the Eurostar train service (which formed part of the plan) fell way below projections. The resulting delay, plus the solution of building the line in two stages, meant that it opened for international service only in November 2007 (but with an indefinite delay in serving Stratford, where the European platforms remain empty) and for domestic services to Kent only in December 2009 – ironically, just as the economy was stricken by the financial crisis and its housing aftermath.

Meanwhile, in 2005 a totally unexpected complication had occurred at Stratford: the success of London's bid for the 2012 Olympic Games, which meant that vast sums were poured into the site around the new station for remediation, servicing and construction of the Olympic Park, together with new rail links which further enhanced an already-phenomenally-accessible location. This effectively represented an extraordinary free subsidy to any subsequent developer, but it also meant that all long-term development was frozen until summer 2013, when the park could be cleared of its post-Olympic detritus and released for redevelopment. The sole exception was the Olympic Athletes' Village immediately next to the station, which immediately after the Games began conversion into 2,818 new homes for long-term residential occupation. Rebranded East Village E20, it will see its first permanent residents arrive in 2014.

Looking beyond that immediate milestone, in June 2012 – a month before the Games began – the London Legacy Development Corporation (LLDC) won planning permission for its 6,800-home master plan to transform the 30-hectare (64-acre) Queen Elizabeth Olympic Park. It features five neighbourhoods – Chobham Manor, East Wick, Sweetwater, Marshgate Wharf and Pudding Mill – alongside new schools, nurseries, community spaces and health centres. Around 40% of homes would be for families, while 35% of units would be affordable. The site is designed to feature three new schools (two primary and one secondary), nine nurseries, three health centres, 12 multi-purpose community spaces and 29 play spaces. The first phase, Chobham Manor, would be developed by East Thames with Countryside Properties, Barratt Homes with LeFrak Organisation and Taylor Wimpey with London & Quadrant. In June 2013, the Consortium lodged a planning application to the LLDC for an 870-home scheme, with the first homes to be ready in early 2015.

So the record here is respectable: one site agreed, four more to go. But a March 2013 report in the *Financial Times* suggested that the 'Olympic bounce' had failed to materialise (Bloomfield, 2013). Prices across the borough of Newham were stagnating 11.6% below their 2007 peak, and trailing the rest of London. Independent experts differed in their judgments. Some, the *FT* reported, were upbeat. Yolande Barnes, the much-respected director of residential research at Savills, said that she was "pretty optimistic":

> *There are extraordinarily good transport links there and clearly the housing offer is changing substantially. It is also one of the few places that indigenous Londoners can still afford.*

Mark Farmer, partner and head of residential at E.C. Harris, was more cautious: "The reality is that London is being driven by foreign investors and the clamour hasn't quite reached the east of London," he said. "Stratford will need a leap of faith from investors". Fingers are crossed; time will tell.

The same issue of access arose at the other HS1 station site, Ebbsfleet – though here without the Olympic bonus. Though a planning application had been submitted by the developers, Land Securities, to Dartford Borough Council as long ago as 2003, it took until August 2012 for agreement to be reached on the plan – for some

22,600 new homes and up to 60,000 jobs – by government ministers, three Kent councils (Kent County Council and Dartford and Gravesham borough councils) and the developers. Grant Shapps, the housing minister, commented that "the Kent Thameside development – offering the opportunity for tens of thousands of new homes – has been stuck on the drawing board for a whole decade." (DCLG, 2012) Meanwhile, the developers had invested over £100 million but plans had been repeatedly delayed over the need for further investment and transport improvements. These were finally resolved through a Section 106 agreement that provided £110 million in planning gain for improvements to the A2 Ebbsfleet and Bean junctions and Dartford town centre, as well as three new primary schools, a secondary school, a library, open space and buildings for adult education and social services.

Meanwhile, even in advance of this, Ebbsfleet was already enjoying a level of access second only to Stratford: high-speed services to St Pancras in 17 minutes, with a train approximately every ten minutes at peak hours; direct Eurostar service to Paris and Brussels; and a Bus Rapid Transit (BRT) System, Fastrack, connecting to surrounding residential developments, the giant Bluewater shopping centre and Dartford and Gravesend town centres, and to be extended through the heart of the Eastern Quarry development as it is rolled out.

Duly, in March 2013, Land Securities announced that – adding to 300 homes already built at Springhead Park – it had exchanged contracts with Ward Homes for the sale of 150 residential plots on a 2.5-hectare site: slightly less than one per cent of the entire 269-hectare (665-acre) Eastern Quarry development, which in turn constitutes less than a fifth of the wider Ebbsfleet Valley project. But though 1,500 homes are expected to be completed by 2020, a further 3,000 will take until 2030/31 and the entire Eastern Quarry development – eventually involving 10,000 homes – could be completed only in the 2030s – a positively glacial rate of progress. Why should this be? Land Securities tell their story:

a planning application was lodged for Ebbsfleet Quarry in 2004 and granted in 2007, but only after protracted negotiations with the Highways Agency on a Section 106 agreement, approving up to £40 million of highways and other infrastructure funding as an upfront commitment based on 6,500 homes. But in the economic environment that followed the 2008 crash they realised that this was impossible, and eventually renegotiated this down to £24.7 million – payable only on completion, not upfront. The rest of the s106 agreement – including a primary school – was left intact.

Another problem was that the Olympics decision meant that, effectively, Stratford stole a march on Ebbsfleet. The Government wanted a mini-Canary Wharf at Ebbsfleet with a major office element, and the 2007 planning permission incorporates this, but there is very low demand. Even at Stratford, demand for office space is not exactly buoyant. But despite the developers' doubts about the financial viability of the scheme, the local authorities are holding out for a big office building boom, which would bring jobs to the area.

A verdict: unsticking the stuck sites

What, then, has gone wrong? What can now be done to put it right? It is easy to identify some key features, common to all three sites, that delayed the start on them for ten years – or, tracking back to the 1995 Strategic Plan, eighteen years. Transport infrastructure was one, complicated by the fact that two of the sites depended on an underlying high-speed rail link of national – indeed international – importance, which was never going to be completed in short order, but was then further delayed due to unforeseen circumstances. From this viewpoint, perhaps it was the sheer scale – even grandeur – of the 'Thames Gateway' concept that would make it so hard to realise. And the underlying traffic forecast for the railway, a key source of the further delay, was seriously flawed. But everyone from government advisors to commercial bidders accepted it. It was the best we had.

At least this basic transport obstacle is now out of the way, but the irony is that, just as HS1 was up and running, the housing and residential development markets collapsed. This was unfortunate but hardly surprising. Throughout history development has been cyclical, following and even amplifying deeper trends in the economy (Barras, 2009). It is a risk that comes with the territory.

But there is a deeper question. Given these basic problems, should it have taken so long for government and government agencies to have reached agreement with developers on a formula that would provide funding for basic infrastructure and share the value uplift from the resulting developments? After all, for much of this time they were negotiating in almost unprecedented conditions of economic boom, and at all three sites there were mechanisms in place – in the two London cases, most remarkably, from 2004 to 2012 a single London Thames Gateway Development Corporation – with a specific remit to develop the land. Notoriously, however, it never had a single or clear responsibility, sharing its powers with a bewildering mosaic of nearly thirty other agencies in an organisational diagram that, exhibited to students, regularly brought howls of disbelieving laughter. There was never the equivalent of the New Town Development Corporations that built Stevenage, Harlow or Milton Keynes, or the London Docklands Development Corporation that was deliberately modelled on them.

What is left now, in 2013, is one site – Stratford – where such a corporation exists and with much of the basic infrastructure firmly in place. At the other two sites there are agreements between the public sector players and a single dominant preferred private landowner-developer, one of which (Bellway, at Barking) is a mass house builder in its own right, and the other (Land Securities, at Ebbsfleet/Bluewater) is a major commercial developer who has historically shown little interest in housing. At both, the risk is that the incentive for development – both in good times and bad – is weak (for more on this see the chapters by Salway and Christopher Hall, this volume). The potential value uplift from continued land banking may prove more attractive than the riskier returns from large-scale early development, and this may continue to be true despite the current buoyancy of the London housing market, which appears to be mirroring the bubble years before 2007, and which is driving potential buyers from London's hyper-priced inner boroughs, out along the underground lines into the outer ring – paradoxically, the main hope for these sites. This is the central paradox which will recur in the chapters that follow.

Here, however, there is also a key distinction. Barking Riverside currently suffers from its relative isolation, only partly remedied by the newly-completed BRT system, and by its lack of established reputation. Essentially, it is a new town in-town, barely started and little-known by most Londoners. It therefore suffers in comparison with established suburbs like Walthamstow, at the end of the Victoria Line, which is beginning to be colonised by gentrifying exiles from Dalston and Hackney. Completion of the Overground into the site could be transformative here, putting it on the tube map and so into the collective consciousness of London. Ebbsfleet is different: it is a site just outside London's boundary, reachable by exceptionally fast train services from the centre, and is thus comparable with successful residential and office locations like Woking, Slough, Watford and St Albans. But it suffers from the premium fares charged on the fast service and from the relatively slow access via the alternative route into London Bridge and Cannon Street. What would be truly transformative is the extension of Crossrail from Abbey Wood out to Ebbsfleet and onward to Gravesend, the route of which has been protected but awaits the transfer of the line to Transport for London – proposed by Boris Johnson but so far short-sightedly resisted by Kent County Council. The fact is that the transfer, which would need to protect service levels beyond Gravesend through the Medway towns, would be massively beneficial to both parties.

But, as history so often reminds us, transport improvements represent a necessary, not a sufficient condition. The momentum of London's residential housing market, if it is maintained, may now see Barking join Stratford to successful completion. Ebbsfleet remains an extraordinary anomaly: one of the prize development sites in the geography of south east England, anomalously dormant for so long and without prospect of early development. Here, a radical solution is urgently necessary.

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3
A DEVELOPER'S PERSPECTIVE

Francis Salway

Debates about major regeneration opportunities such as the East Thames have tended to focus on governance issues, examining which types of organisational structure, between central and local government, have been most effective. Less has been said about why developers are, or are not, attracted by major regeneration opportunities. An understanding of this could potentially lead to more appropriate government support and intervention. We can start by addressing the question 'What does a developer want from a development opportunity?'

Some of the answers to this question are:

1 — Established demand from occupiers;

2 — Limited supply (i.e. limited competing schemes);

3 — Quick 'in and out' to maximise returns on capital (i.e. optimising the time value of money);

4 — Ability to complete the scheme within a single economic cycle (in order to avoid being caught with a half-completed project during an economic downturn);

5 — Potential to create additional value, and hence profit, by repositioning a location higher up the price curve through the quality of a development and its impact on the perception of the area.

Many people would naturally assume that large-scale regeneration opportunities such as the East Thames would be enormously attractive to developers, but they actually score poorly against most of these criteria:

1 — Established demand from occupiers – very poor. A regeneration zone is typically characterised by semi-derelict land which was previously used for a now obsolete purpose. Because the majority of property moves (both commercial and residential)

are local, the task of the developer is made much more difficult if the likely future occupiers of the development are not currently working or living in the locality;

2—Limited supply – poor. The special purpose governance bodies will normally see it as their purpose to grant as many large planning consents as possible;

3—Quick 'in and out'– poor. Large sites in regeneration areas typically require new infrastructure and land remediation works, so it can be several years before the developer can start building new homes or new offices. In addition, it is often necessary to do land remediation works and site infrastructure works across the whole site before starting building on even a small part of it. Thus, the developer can be forced to carry the costs sunk into infrastructure and remediation works for many years until all phases of the development are completed. This means that even if the early phases of development are theoretically profitable, based on an apportionment of the site infrastructure costs, the project may be cash-negative until the final phases of building are completed. There are relatively few companies with a balance sheet able to carry such a negative cash flow over a number of years. In addition, it may be necessary to use (more expensive) equity capital rather than (cheaper) debt capital to fund initial infra-structure costs;

4—Risks from the economic cycle – poor. There is a perception that the largest development sites are highly profitable. This is rarely the case, however, because the developers of large sites often get caught by a combination of high up-front site preparation costs and being hit by an economic downturn before there has been any return on these costs;

5—Potential to create additional value through repositioning a location higher up the price curve – potentially positive. This is the big attraction for developers of regeneration opportunities. It is all about the opportunity to buy a site appraised off current house prices of, say, £300 per square foot and sell the final phases, once quality improvement has been recognised, at £400 per square foot (ignoring inflation). However, even on this issue, the very largest regeneration areas such as the East Thames may prove challenging for developers. For example, if there are no local schools and no retail and leisure facilities, it will prove more difficult to secure a value uplift through the quality of one individual development in an otherwise unappealing area.

This analysis may seem unduly pessimistic. However, the track record on large development sites gives it some credence. The initial developers of some of the highest-profile large development sites in the UK experienced severe financial difficulties or became insolvent: Stockley Park business park, near Heathrow Airport; Broadgate in the City of London; Canary Wharf in London Docklands; Battersea Power Station in London; and Brindley Place in Birmingham.

These challenges of developing very large sites may also be linked to one of the great enigmas in UK planning, the question of why volumes of development, particularly house building, often fall below expectations even when there are ample extant planning consents. This is attributable in part to land banking, but the publicly listed house builders are very transparent about the extent of their land banking and would be heavily criticised for using their balance sheet inefficiently if it was excessive. It seems that there may be another factor behind this mismatch between extant planning consents and the volume of building: that a number of the extant planning consents are for very large projects which are simply not deliverable, or not deliverable within the near future. Sometimes, an element of infrastructure such as a road link is awaited, but in other cases the delay comes from a developer being unable to overcome the initial hurdle of high up-front costs on large sites (for more on this see Hall, this volume).

The issues with large regeneration schemes are not just around high up-front costs on land remediation and infrastructure requirements. There are also challenges around scale and 'community'.

The desired transformation of 'place' can generally only be achieved through large scale projects; small developments can be swamped within the large semi-barren surrounding areas, themselves in need of regeneration. As property development is highly capital intensive, there are only a few development companies with the balance sheet strength to tackle these large sites and some of these may well choose the easier option of developing in better established locations.

The issue of 'community' is that few corporates and even fewer house buyers will choose to move to a location with no facilities. Government regeneration initiatives commonly provide the roads and rail stations required, but new locations are unlikely to take off without community facilities such as schools, shops, restaurants and so on (see Burton and Brown, this volume). It is no surprise to me that one of the country's most successful residential developers, Berkeley Group, regularly acquires medium- to large-sized sites where it can move prices up the curve through 'changing place', but typically buys on the edge of existing communities rather than on new road junctions in the middle of nowhere in regeneration zones.

What has worked in the East Thames?

Canary Wharf has been an outstanding success in terms of its contribution to regeneration, but it required major expenditure on road improvements, the Jubilee line extension and massive tax breaks. Even with this support it failed financially in its early stages. Critics may argue that Canary Wharf is isolationist in concept, with poor links to the communities around it, but its ultimate vibrancy has spawned many new and successful residential developments in the vicinity. New developments at Greenwich are also beginning to gain traction, benefitting from being on the edge of an attractive, historic community with a 'village' feel. It is likely that Stratford will see large amounts of development over the coming years with its strong base of new transport links, a major shopping centre and the infrastructure of the Olympic Park. A common theme across these sites is that they have at least attempted 'place making'.

The ultimate objective of regeneration is more than just a quantitative measure of the volume of development, as it should also encompass the creation of places where people choose to live and work. If that is achieved, the subsequent growth of those locations will become self-sustaining. Unfortunately, we have a shortage of 'place making' experience and skills in either the private or public sectors in the UK. Some of the tensions in the planning process are around where responsibility for 'place making' should sit, whether with the public sector or the private sector.

How should government approach future development in the East Thames?

Our recommendations for government bodies seeking to promote large scale regeneration would thus be:

> Recommendation 1:
> Focus public sector investment (e.g. on land remediation and infrastructure works) on a small number of locations.

A scatter-gun approach spread over large areas should be avoided. If the targeted centres become well established, then development activity will snowball without the need for further support. A focused approach is also likely to have better outcomes in terms of 'place making' and will lead to more efficient use of community facilities.

Recommendation 2:
Limit the remit of special purpose government bodies to a small number of targeted locations where development can be delivered within foreseeable time horizons.

The East Thames covers an enormous area and the redevelopment of the whole of it will extend years beyond the time horizons of the people running such bodies.

Recommendation 3:
Provide adequate people resources to process the volume of planning applications and to deliver the public infrastructure works.

Experience shows that the quantum of resource is more important than the governance body within which the teams sit.

Recommendation 4:
Recognise the importance of transport infrastructure by ensuring a co-ordinated approach between planners and transport agencies.

Lack of such coordination can be one of the biggest causes of delays in securing deliverable planning consents on very large sites.

Recommendation 5:
Produce an agreed protocol for managing planning applications which straddle local authority boundaries.

Recommendation 6:
Provide definitive guidance on the most efficient form of tendering for land related transactions under eu procurement rules.

Recommendation 7:
Recognise that retail planning consents are valuable and can materially improve financial viability for the developer, but tie them to prior completion of at least some of the new homes.

Recommendation 8:
Establish a recyclable pot of government money for 'up-front' land remediation and site infrastructure costs on large sites.

The money would become repayable by the developer as the development progresses to its later stages.

Recommendation 9:
Consider disposing of public sector land on a profit share basis instead of upfront land payments in order to mitigate a developer's upfront costs (see also Walker et al, this volume).

In return, the public sector vendor might wish to consider introducing a 'use it or lose it' provision in relation to the plots for later phases of the development to ensure that timescales are met for building out a large site.

It is implicit in these suggestions that both the public sector and the private sector need to be involved in the largest regeneration initiatives. At the very least, the private sector needs public sector input on transport and community facilities, and the public sector needs private sector capital and skills. There are conflicting views as to whether planning exemptions should apply in regeneration zones, but planning is only an issue if it is slow and unpredictable in outcome. More recognition is needed that large scale regeneration is less attractive to developers than might commonly be perceived, and that government assistance with upfront site expenditure can be critical to unlocking large sites.

4 CREATING CONFIDENCE IN REGENERATION: HOW CAN DEVELOPMENT CORPORATIONS HELP?

Tony Travers

The evolution of regeneration policy in London

London grew to its current scale as the result of private development, with limited government intervention. Certainly there were no nineteenth century super-plans of the kind put in place by Baron Haussmann for Paris and the New York Commissioners' grid plan. As the city grew in population and economic importance, the Metropolitan Board of Works (1855–88) and its successor the London County Council (1888–1965) effected substantial improvements to roads, sewers and other key infrastructure, but land owners and developers have remained the most powerful forces in delivering change.

Since the 1960s, rapid industrial and population change has created the need for regeneration. Many parts of London have witnessed substantial change. London's eastern boroughs, in particular, have witnessed economic decline. The docks declined rapidly between the 1950s and the late 1970s. Industrial sectors such as the manufacture of cars, electrical goods and chemicals largely disappeared.[1] Other sectors such as clothing, furniture-making, printing, food-processing and engineering have evolved into entirely different activities. De-industrialisation created abandoned ex-industrial zones and local residents with out-of-date skills. Efforts to provide training opportunities to allow residents find new jobs had mixed success.

Other parts of the London economy grew strongly even as traditional manufacturing and the docks declined. In the outer western boroughs, Heathrow became one of the world's leading international hub airports. In the centre, office employment grew strongly in the 1960s and 1970s. The 'Big Bang' deregulation of financial services in 1986 produced an electrifying boost to post-industrial activity in the City. However, the expansion of transport, financial and business services and other sectors such as cultural industries did not occur as the result of government planning. Change occurred because of the operation of the market and developers' responses to demand.

1. For a sense of London's established industries up to the 1960s, see Martin (1966).

The Greater London Development Plan, prepared during the late 1960s, did not directly address the need to regenerate ex-industrial London. Indeed, the Plan's *Report of Studies* stated the Government's established policy of limiting growth within London (GLC, 1969). In a city where restraining economic activity was accepted as a key objective, regeneration of declining areas was unlikely to be a priority.

It was only with the continuing and precipitous decline of inner city areas that government began to develop urban renewal policies. The Callaghan Government produced a white paper entitled *A Policy for the Inner Cities* in 1977, which marked a shift in policy away from developing new towns and towards the regeneration of older cities. Grants were offered to local government to work with the private sector to return economic vibrancy to ex-industrial areas of British cities. In London, many inner London boroughs and the Greater London Council began to develop regeneration policies.

For example, from 1970, The Port of London Authority, the GLC and the boroughs developed strategies to regenerate east London's declining docks. In 1973, a study jointly sponsored by the Department of the Environment and the GLC made a number of proposals for schemes to be pursued, though none were (Travers Morgan, 1973). In 1976 a 'Docklands Joint Committee' was set up, including GLC and borough members. The Docklands Joint Committee produced a strategic plan to develop the area, but it was unsuccessful because of political disagreements and a lack of resources (Bentley, 1997).

The continued decline of a number of areas and sites within London necessitated a new approach. The former docking areas which stretched from Tower Bridge to the Royals and, indeed, on towards the Thames estuary became a political issue, largely on account of their scale and importance within the capital city. The incapacity of the GLC and local boroughs led the post-1979 Conservative government to introduce a radical policy initiative.

London Docklands

In 1981, the Conservative government established the London Docklands Development Corporation (LDDC) to manage the redevelopment of 8.5 square miles of former docks and surrounding areas (see Heseltine, this volume). Development Corporations had previously been used to manage the expansion of New Towns in Britain. The Government appointed boards with powers to deliver radical structural and economic change to local areas, usually involving strengthened planning powers, compulsory purchase powers and enhanced budgets. The Thatcher Government was impatient for a solution to the regeneration problems of London's vast Docklands area. The Labour-controlled Greater London Council and Docklands boroughs were seen by Mrs Thatcher as extremist and anti-business. In 1981, Ken Livingstone had become leader of the GLC. Livingstone was avowedly left-wing and, from Thatcher's point of view, represented an obstacle to progress. Then Environment Secretary Michael Heseltine stated that London Docklands

> *displays more acutely and extensively than any other area in England, the physical decline of the inner city and the need for urban area regeneration.* (Quoted in Kalliney, 2006)

The LDDC was vested with land owned by the borough councils and utility companies within its area and was given powers to develop or sell such land as it saw fit. It was also given a substantial budget to build infrastructure and make environmental improvements (Hebbert, 1988). In other words, it had the legal and financial powers necessary to kindle the Docklands area back into productive life. With encouragement from the government, government-appointed board members and the officers of the LDDC adopted a 'can do' approach, though this left the boroughs and local residents feeling cut-off from decision-making. In the LDDC years, the Thatcher and Major Governments invested in much-improved infrastructure, including the DLR, the Jubilee

Line extension and the Limehouse link. Developers were given tax-breaks to encourage investment. A massive office development was executed at Canary Wharf, providing a 'third centre' for London.

In the 1990s, with Heseltine returned to the Environment department, the Government increasingly used 'challenge funding' and a single-pot regeneration budget to incentivise east London boroughs to adopt pro-business attitudes to regeneration and renewal. The efficacy of the LDDC in delivering short, sharp, regeneration had a powerful echo in the governance model adopted for the London Olympic Games in 2012. The Labour government in power when London won the games set up the Olympic Delivery Authority (ODA) in 2006 and appointed its board members. The ODA was given sweeping powers to assemble and purchase land, make planning decisions and develop new infrastructure. These powers, in turn, made it possible for the government to allocate over £9 billion towards the costs of redeveloping Stratford railway lands and delivering the Games. The further redevelopment of the Olympic site is now in the hands of the London Legacy Development Corporation, another government-appointed body.

Why were the LDDC and the ODA successful?

The history of the Development Corporations (Merseyside was also successful) and the ODA (Olympic Development Authority) is important not only because of their success in regenerating large sections of established cities, but also because it reveals much about the operation of government in the UK, particularly England. As stated above, Mrs Thatcher's Government was not fond of local government. In fact, most British Governments in recent times have not been willing to allow councils, city-regional or regional governments the autonomy to determine taxes and make decisions about major investments.

The LDDC showed that if central government had confidence in the governance structure for a regeneration

area, then it was willing to spend heavily and offer major tax-breaks. This reality is important in thinking forward to the possibilities for the wider East Thames area.

The pro-development policies of the LDDC were evidence of the kind of initiatives that are likely to gain support in Whitehall. Local councils and their use of the planning system have been seen as a restraint on development by successive governments. The LDDC was able to drive through major developments with little effective challenge from local residents and other lobbies.

Local control over taxation and much of the machinery of delivery remains an unachieved aspiration for London's government. Britain is a centralised democracy, with the Treasury and Whitehall departments very much in power. If powers and resources are to be made available for major regeneration and renewal policies, they have to come from central government. Only Parliament can legislate to create effective and powerful institutions to manage services or one-off challenges such as a large project. The Treasury will only allocate significant resources to public bodies where it is convinced there will be powerful top-down control over the way the money is used. Unfortunately, the way in which the East Thames has been governed up until now has largely failed to take this into account.

Governance in the East Thames

Having started life as the 'East Thames Corridor', the 'Thames Gateway' has been discussed for about 25 years. It covers a very much larger area than did the LDDC, extending well beyond the former boundary into Essex and Kent, and embraces a mixture of existing built-up city, ex-industrial sites, open land and riverside. Policy makers have been attracted by the area's potential to provide large quantities of housing and other facilities, which would simultaneously allow London to grow while regenerating areas which are generally in need of redevelopment. As far back as 1991 the Government commissioned consultants to examine the East London

Corridor. The report published as the result of this work (Farrell, 2009) led to the creation of a Thames Gateway Task Force and, in 1995, a Thames Gateway Planning Framework (Thames Gateway Task Force, 1995).

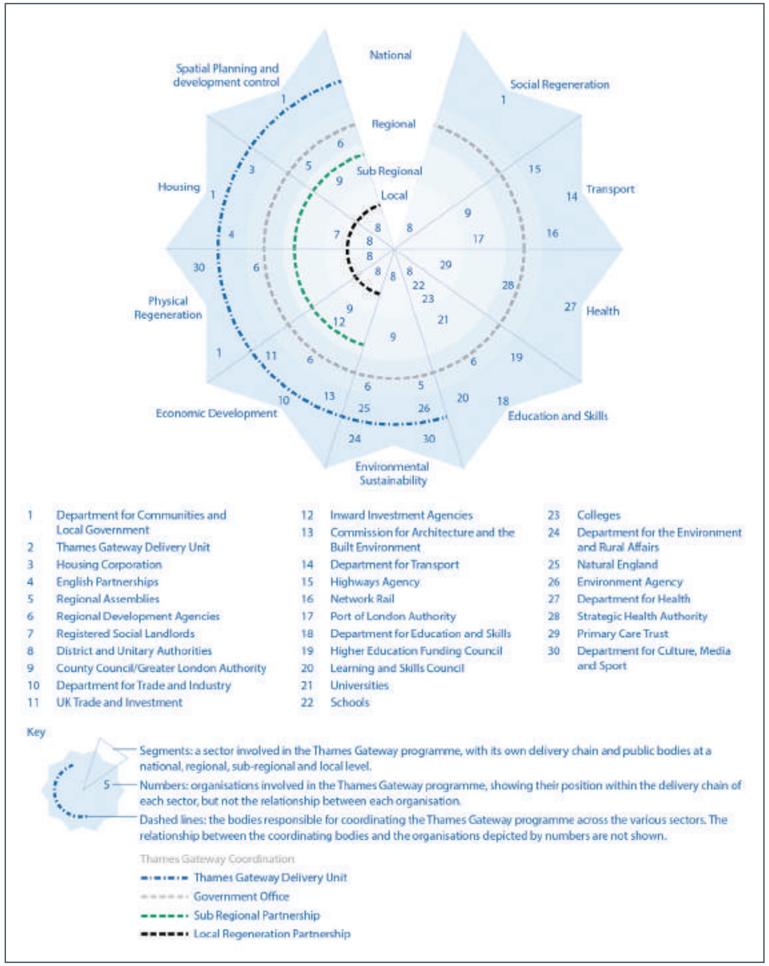
The governance of the East Thames has been complex, to say the least. The wider Thames estuary falls within three English regions: London, the East and the South East. From 1994 to 2010, there were regional offices of Whitehall for all regions. These government regional offices were instrumental in creating a number of the organisations and plans outlined above. From 1999 (2000 in London) to 2012 there were regional development agencies for each region. These bodies, too, had a role in the evolution of East Thames policy. Many other statutory authorities and agencies have also had a role, including the Homes & Communities Agency, the Port of London Authority, the Lea Valley Regional Park Authority, the London Legacy Development Corporation, Transport for London, Network Rail, the major utilities companies, sub-regional partnerships and, most recently, the London Enterprise Panel and the South East Local Enterprise Partnership. Several Whitehall departments also have key roles in relation to the East Thames, including the Departments for Communities & Local Government; Transport; Business, Innovation & Skills; Environment, Food & Rural Affairs, and the Cabinet Office.

In addition, the East Thames area falls within the remit of the Greater London Authority and Kent and Essex county councils. It is partly within parts of 16 different local authorities. In an attempt to understand this somewhat complex arrangement the National Audit Office produced the diagram opposite, which speaks for itself.

In their frustration with the lack of progress in the estuary, Labour governments commissioned and published a series of progress audits and strategy review documents. Indeed, these became a near-annual occurrence with major documents published

in 2000, 2001, 2003, 2005, 2006 and 2007. The common theme running through all the independent reviews of the project – Tym and Partners in 2000, Hornigold and Hills in 2006 and the NAO in 2007 – was the need to establish

Figure 4.1: Map of the sectors involved in the Thames Gateway regeneration, showing how the different public bodies within each sector's delivery chain are drawn together by coordinating bodies at a national, regional, sub-regional and local level
Source: National Audit Office analysis



governance arrangements with the legal and financial powers required to achieve serious regeneration. The Government's response to such criticism was consistently inadequate, however, and generally involved creating yet more partnership arrangements and joint boards. In 2000 the 'Thames Gateway Strategic Partnership' was created, in 2001 a 'Thames Gateway Growth Area Fund' was initiated to increase housing construction and 'sustainable communities' and in 2004, two new governance institutions, the London Thames Gateway Development Corporation and the Thurrock Thames Gateway Development Corporation, were set up. These were all pale imitations of the legal and financial freedoms enjoyed by the original Development Corporations.

Since 2010 the 'Thames Gateway' idea has diminished in prominence. Responsibility for the area in central government is assigned to a Parliamentary Under Secretary of State in DCLG; but the Government has no substantive published proposals on the area. Statistics are no longer collected on house-building and job growth for the area. The South East Local Enterprise Partnership, a new 'localist' organisation created in the wake of the abolition of RDAS, has as one of its four strategic objectives in its Business Plan 2012–2015, to "Secure the growth of the Thames Gateway" but has negligible legal or financial power (South East LEP, 2012). Meanwhile the Mayor of London's London Plan currently includes only the following vaguely-worded pledge:

> *The Mayor will, and other partners including relevant London boroughs and sub-regions should, engage with relevant agencies beyond London to identify and develop… linkages across, and capacity of, nationally recognised growth areas which include parts of London (the Thames Gateway and London-Stansted-Cambridge-Peterborough).*
> (Mayor of London, 2011)

Almost a quarter of a century of efforts to deliver on the promise of the East Thames have been consumed by inadequate governance arrangements. The merry-go-round of institutions which have come and gone since the idea was first mooted helps to explain why so little has been achieved. With so many different units of government, quangos and regulated utilities with responsibilities in the area, development has consistently been hampered by difficulties coordinating the myriad veto players, both public and private. Without a convincing governance structure, successive governments have been unwilling to invest the necessary resources, and this in turn has hampered private investment. The result has been a succession of strategies and plans but little in the way of delivery (see Sims and Rogers, this volume).

The needs of the East Thames: gaining the confidence of the Treasury and private investors. Throughout London's development since the early nineteenth century, UK government has from time to time imposed one-off and ad hoc bodies to solve the need for infrastructure development and/or to rationalise the system of metropolitan government. Many different kinds of institution have been invented and imposed. The Metropolitan Board of Works was created in 1855 to deliver sewers and other city-wide infrastructure. Subsequently, institutions as varied as the Port of London Authority, the London Passenger Transport Board, the London Planning Advisory Committee and the London Docklands Development Corporation have been created to serve particular needs. The Olympic Delivery Authority (ODA) is the best-known recently-invented body. Experience suggests it will not be the last such institution.

Each of the boards, joint authorities, single-purpose bodies, agencies and elected councils created has been the solution to a particular problem at a particular time. Some, such as the London and Home Counties Traffic Advisory Committee, which from 1924 to 1965 advised the Minister of Transport on issues relating to traffic and transport in a designated 'London Traffic Area', are deliberately given no executive functions. Others, such as the ODA, are very powerful. Many boards and authorities were subsequently abolished. New ones are continuously being created. But there are common themes which explain the rationale for government action. At its simplest, governments create powerful governance institutions when they want to be confident of delivering on a particular objective or project. When they create such a body they are generally willing to fund it in such a way that it can deliver on clear objectives. Institutions which are created with weaker or complex governance arrangements and few resources are far less likely to succeed.

It seems inevitable that at some point in the future, given the pressure for development in the Greater South East, government will refocus its attention on the East Thames. The experience of the Olympics and LDDC both suggest that major regeneration schemes can be delivered according to a set plan and within a limited time-scale. But this can only happen if governance and funding are in place. Governance mechanisms are not an end in themselves, but the lack of effective machinery of government will inevitably impede development. If the East Thames is ever to be able to function to its full potential, it may be necessary for government to return to the model which proved so effective in transforming the Docklands and establish a new set of Development Corporations with the powers appropriate to the task at hand.

An alternative would be some new form of governance vehicle for the East Thames to be put in place by the Mayor of London and key authorities on both sides of the London boundary. It would be open to the Mayor and London councils to work with the counties and districts in Essex and Kent to create a powerful delivery vehicle which could mimic a development corporation. But such an institution would have to be robust enough to make effective decisions and to deliver planning permissions. If it were not able to do so, it would never convince central government to give it the powers and resources it would require, and without these it will never create the confidence required to bring about large scale private investment.

The East Thames could become a reality if the lessons of earlier regeneration initiatives are learned. London and the Greater South East have shown over many decades that they are well-placed to accommodate strong growth of population, economic output, housing and other infrastructure. But they work most successfully where developers and investors are confident of the environment within which they are operating. This is the key role of government.

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5
LESSONS FROM MILTON KEYNES

John Walker, Kathleen Dunmore and Heather Pugh

Introduction
Milton Keynes was one of the most successful New Towns and continues to be one of the fastest growing places in the country. Launched as a New Town in 1967 with an urban population of 40,000 people, by 2007 the population had grown five-fold to just under 200,000 – roughly the population of the London borough of Islington. Population increase went hand in hand with employment growth, with a seven-fold increase in jobs from 20,000 to 140,000 over the same period. In 2011/121,500 new homes were built, of which 30% were affordable.

This chapter is an attempt to draw some lessons from the success of Milton Keynes and discuss how some of these approaches could be employed in East London and the Thames estuary. These lessons are presented under the headings:

1 — Creating the conditions for development;

2 — The New Town Development Corporation;

3 — Funding and delivering infrastructure;

4 — Finance (for house buyers, developers and government).

Taken together, these lessons should help unlock the potential of high quality new developments and create thriving new communities in the East Thames. Crucially, they do so in a way that delivers confidence for investors and is better able to withstand changing government policy and the economic cycle (for more on this see Salway, this volume).

1 — Creating the conditions for development
Experience suggests that there are four principal factors in creating the right conditions for delivering a high quality new place:

A clear vision
New places are often judged against what they look like rather than how they function. However, much of what makes good places in the long term has less to do with appearance and more to do with what goes on beneath the surface. The starting point in building new communities should be the drawing together of a vision: a set of long term non-spatial priorities (economic, social, infrastructure and environmental objectives) which becomes the fixed point against which all subsequent proposals, plans and investment decisions are evaluated.

A strong master plan
Many strategic scale new developments confuse a 'vision' with a 'master plan'. Spatial planning of a new community – the master plan – is necessary for planning approvals, to quantify costs and receipts going forward, and to help explain proposals to a wider audience. This should comprise a physical master plan, a delivery strategy and a funding/investment schedule – all of which are governed by and assessed against the priorities and objectives set in the vision. Some key messages for delivery agencies in drawing up a master plan (or series of master plan documents) for new communities are:

- Resist the temptation to start the process with a master plan before the vision has been fixed;

- Test all master planning against the overall vision already agreed;

- Create a master plan which is a flexible framework within which design and development can evolve: avoid fixing specific design elements (e.g. density or car parking) to what is in vogue at a single point in time;

- Re-focus the master plan(s) to encompass and test delivery as well as design - draw up a 'delivery plan' to sit alongside the master plan, against which progress and detailed proposals can be tested;

- Include a financial schedule, assessing year on year cash flow implications of what is proposed. When are the big ticket items to be paid for, who is best placed to build them and what can be afforded in terms of environmental excellence?

- Include the identification of those bodies (already in place or to be created) who can step in to manage aspects of the development once built, and set out how they will be funded;

- Build in reviews of each of the master plan documents and explain how changes will be assessed within the context of the overall vision.

Strong leadership
The most successful places – both private- and public-sector led – have been those with an identified 'champion', an individual or group of individuals who embrace the original vision and drive the process to ensure that that vision is not eroded or forgotten over time. They play a crucial role in acting as 'custodians' of the place, shaping it in readiness for the people who will come to live there.

At the same time, these champions are supported by a wider organisation committed to implementing the vision, but given the freedom to make decisions and manage budgets with a view to long term investment rather than short term financial return.

Local support
Delve beneath the surface of new towns, model villages and new communities today and you will find a community of local residents who are the best advocates of the place and have adopted a proactive role in taking the legacy forward once the delivery agency is wound up. But in their infancy, these places were delivered without

‘advance’ community buy-in from residents. Existing residents may originally have been sceptical or hostile, but one of the signs of a successful new community is that ‘genuine local people’ have a come to support the development and still think that this is a good place to live.

A major contributory factor to the successful development of Milton Keynes and the harmonious transfer of power from the Development Corporation to the local council was the continued support for the principle of development from the two local councils at Bletchley and Wolverton/Newport Pagnell, who together had lobbied for a New Town for their area. Their support was maintained (with some hiccups) because one of the duties which Milton Keynes Development Corporation took very seriously was its responsibility to safeguard and enhance the daily lives of residents of the five existing towns and 13 villages which were absorbed into the New Town. New developments in the East Thames should also work closely with existing local communities to ensure their needs are met as well as those of incomers.

Interestingly, surveys of those living within new communities show that local people are less interested in what the buildings or layout look like than in how the new community will function. They want to know: how will the land be disposed of and to whom; how will schools be managed and governed; where is the community support for new residents; how can people get involved in local leisure activities; how affordable are the homes; what shops and services will make up the district centres; and who will manage the public realm? Therefore a key message for securing effective community buy-in to proposals for new communities is not to limit (or focus) consultation on the physical planning and design stage of the process. Engaging with those responsible for delivering and using schools, infrastructure, medical facilities and such is at least as important as engaging with local communities themselves and it is an ongoing process.

The New Town Development Corporation

The key institution in the development of Milton Keynes was the Development Corporation. New Town Development Corporations were granted special powers by Act of Parliament, originally in 1946 and amended from time to time over the following 40 years. They were given a ‘brief’ by parliament, and were not to be wound up until it was clear that their task had been substantially completed. The four basic powers were:

- To acquire land (by compulsory purchase where necessary) for the purpose of developing their new town. This land was bought at agricultural value and sold on at residential and commercial land values, thereby generating revenue which helped finance development;

- To apply directly to the Secretary of State (today this would be DCLG) for ‘outline planning permission’ on land in which they had a legal interest (often covering hundreds of acres), and subsequently to grant detailed permission on such land, as long as the development complied with the outline consent. There was no right of appeal against these decisions, although the Secretary of State could decide to hold a public enquiry if the proposal was not consistent with the ‘accepted’ master plan for the town. The ‘outline planning permissions’ applied for and granted under section 7(1) of the New Towns Act were far more broad brush than today’s – not much more than a line to define the designated area and a proposed strategic land use plan. This allowed for certainty over development areas and layout of strategic infrastructure routes, for example, but left flexibility for detailed layout and development mix (and allowed some innovative development forms) over the ensuing years, so that it didn’t need to be repeatedly revisited;

• To invest in and construct infrastructure, housing and other development (such as factories, offices, local shops etc.);

• To borrow money from the public works loan board over 60 years at fixed interest rates (this was amended in the 1980s to make it more flexible, but by this time it no longer mattered because the remaining NTDCs were paying back, rather than taking out new loans). Such monies could be used to provide loans, grants and guarantees to developers and individuals as well as to fund land acquisition and provision of basic physical infrastructure.

Ancillary to these powers, NTDCs could also sell land, on leasehold or freehold terms, with planning permission granted according to the above rules. They could also help to set up institutions and enterprises of various kinds, by direct involvement or through financial support.

A final overriding power given to NTDCs, was to "do anything else considered necessary or expedient for the laying out and development of their new town" (New Towns Act, 1946). This one was probably used rarely, but on occasions it proved very useful. The Act made clear that this last power could not be used to do anything which the Corporation had been explicitly forbidden to do. This freedom was not popular with civil servants and over the years there were many additional restrictions applied. This diminution of executive power was generally damaging to the successful and efficient operation of the Corporations, though no doubt the civil servants would argue otherwise!

Creating an institution with these powers created the necessary confidence amongst those considering investment in the towns, whether they were developers, employers looking for premises, investment institutions looking at property investment, or families looking for a good place to live. They knew they could get clear, timely and consistent decisions, and that there was a

good prospect that the infrastructure and facilities would be delivered in accordance with the plan.

One of the key advantages of using a Development Corporation is that it allows the capture of increases in land value that result from the granting of planning permission. This is the only truly new financial resource created by and available to the growth process. All other public financial inputs rely on transfers from other government programmes or real increases in total public spending, or are already factored in to future revenue-spending projections. It is therefore imperative to capture as much of this added land value as possible whilst remaining commercially viable, in order to use it to support infrastructure provision. This is morally defensible as much of the value is created by public-sector policy decisions. It is also commercially sensible as it means development can proceed more rapidly and successfully backed by adequate, timely infrastructure. Landowners and developers cannot realise the value of their assets unless substantial infrastructure funding is made available.

A New Town Development Corporation also has unique strengths when it comes to selling the land on to developers. Experience at Milton Keynes showed that there is much to be said for regular testing of the market through open competition for sites. Such competition should be against clearly defined criteria, specifying the wider social and economic goals which the scheme is required to achieve as well as "best value" for the land. Under the MKDC model the winner and runners up were guaranteed a future supply of similar sites on a closed-tender basis, thereby providing an incentive to developers to enter into the expense and uncertainty of the competition process.

The Development Corporation also has a key role to play in ensuring that a wide range of developers enter the market, in order to ensure a range of different household types. Development briefs and master plans can be used to specify proportions of self-build and older persons' housing, for example. These should be based on proportions clearly identified through the local planning process, taking into account requirements of future residents as well as the current population. Similarly, the Development Corporation can ensure that local providers and small specialist developers have access to land, for example by requiring that all competition tenders include representation of a small or specialist house builders, or by allocating some sites specifically for smaller builders or self-builders (for more on self-build see Burton and Brown, this volume.)

Delivering infrastructure to support development
Historically, the New Towns were delivered on publicly owned land which had been acquired through compulsory purchase at agricultural values. The Development Corporation (and later English Partnerships) serviced the land and ensured the delivery of key infrastructure which was paid for up front using public monies which were then repaid through the sale of land to developers or end users. There is much to commend this model as a mechanism to capture and deliver public good. However in later years as the New Towns grew beyond their original boundaries it became necessary to evolve mechanisms which could cope with more complex forms of land ownership and infrastructure delivery partnership.

Most recently the Milton Keynes experience led to the development of the MK Strategic Land and Infrastructure Contract (SLIC). A SLIC is an agreement that links the delivery of strategic and local infrastructure to the contribution of funds from landowners and developers. Landowners pledge contributions at a set rate per house or square metre of commercial floor space in exchange for meaningful promises by the local authority and the local delivery vehicle (English Partnerships in the case of Milton Keynes) to find the funds needed to deliver an agreed total infrastructure package for the specified number of homes (in Milton Keynes' case 18,000). The land value contributions should supplement, but not replace, central and local

government funding, which must be subject to greater certainty than is normally the case.

In Milton Keynes the details of the infrastructure needed were discussed and agreed by the landowners and public authorities. In legal terms, the agreement was a large S106. English Partnerships (EP) acted as banker, and also as ringmaster, overseeing the delivery of the business plan that reflected the S106 agreement.
SLICs have several major advantages:

- In Milton Keynes, the agreement allowed EP to secure interim funding from HM Treasury, which solved the cash-flow gap inherent in most large projects. Although it is unlikely that this could be repeated today, even a partial contribution from the Treasury would reduce the risks perceived by private funders. This could be supplemented by long term private/institutional investment;

- The agreement should make it possible to secure interim funding on better terms by de-risking investment, enabling timely and predictable provision of essential infrastructure. This, in turn, increases general confidence in the project at an early stage;

- Unified land ownership should also support higher-quality development, since landowners share a longer-term interest in getting growth in values as development proceeds;

- Providers are galvanised by a one-off opportunity to secure key infrastructure at lower cost and landowners and developers develop greater confidence in the growth process and their ability to exploit their landholdings profitably;

- Since landowners are often asset rich, but cash poor, this type of arrangement should also improve their ability to raise funds to cover their cash-flow deficit in the early years, particularly if public-sector landholdings are included as part of the security and the public agencies can help to underwrite the funding risk;

• A SLIC can be used to enable landowner developers to deliver site-specific infrastructure such as schools and roads, funded by advances on SLIC/Community Infrastructure Levy (CIL) contributions from others. This is often quicker and cheaper than public sector agencies building infrastructure.

Finance
The experience in Milton Keynes, and existing urban extensions, also provides a series of potentially valuable lessons for financing new development in the East Thames.

Finance for house buyers
The recent Budget proposed to ease the situation for house buyers by offering a three year Mortgage Guarantee Scheme available on all types of residential mortgages from January 2014. The Equity Loan Scheme, which is targeted at buyers of new homes, is already in place. This scheme, which also runs for three years, offers a loan equivalent to 20% of the value of the property. Whilst these schemes are potentially useful in the short term it is likely that the East Thames will need a longer term source of accessible mortgage finance for first time buyers. Readily available mortgages for job movers was an important factor in encouraging firms and employees to move to the New Towns and a similar approach could be adopted in the East Thames. Milton Keynes Development Corporation used its guarantee powers to encourage private funders to make mortgages available within the New Town and did not need to offer publicly funded mortgages. Local authorities (including the GLA) have the power under Section 435 of the Housing Act to lend mortgages of up to 100% of property value.[1] Other public bodies, such as the HCA and the London Legacy Development Corporation also have the power to guarantee mortgages.

1. In the 1980s local authorities had 1/5 of the total mortgage market with a particular focus on people buying their first home.

Finance for developers
Costs of borrowing impact developers in two ways, through higher interest charges (typically now 8%+ including arrangement fees, compared with 6.75% before the credit crunch) and through requirements for higher profit margins (now typically 20–25% where they would previously have been 15–17.5%). On a £1 million scheme this can add £120,000 (12%) to project costs.

Borrowing costs can be reduced by 'build under licence' schemes which enable developers to pay for land once units have been sold rather than upfront, thereby reducing risk and overall financing costs. Build under licence was used very successfully by the New Town Development Corporations. It has typically been applied to public sector land, although there is no reason why private landowners participating in a SLIC should not be required to offer it; many of them already do so through the joint venture model.

Another way of reducing developers' borrowing costs (and hence freeing up money for investment in infrastructure) would be for the public sector or the delivery body to offer development finance at rates which were below those charged by the banks but still offered a competitive return to investors.

Both local worker mortgages and developer finance could be funded through a Local Development Bond. Such a bond could offer private individuals trying to save for retirement a more attractive and ethical option than most of those currently available to them. If purchase could be made as straightforward as buying Premium Bonds, eliminating the need for costly financial advisors and brokers, this would make such a bond even more popular. The LGA is currently seeking to set up an agency which could raise funding for Local Government Bonds. The GLA has already raised a £600 million bond to pay for Crossrail. The extension of the same principles to support development in the East Thames is a logical next step.

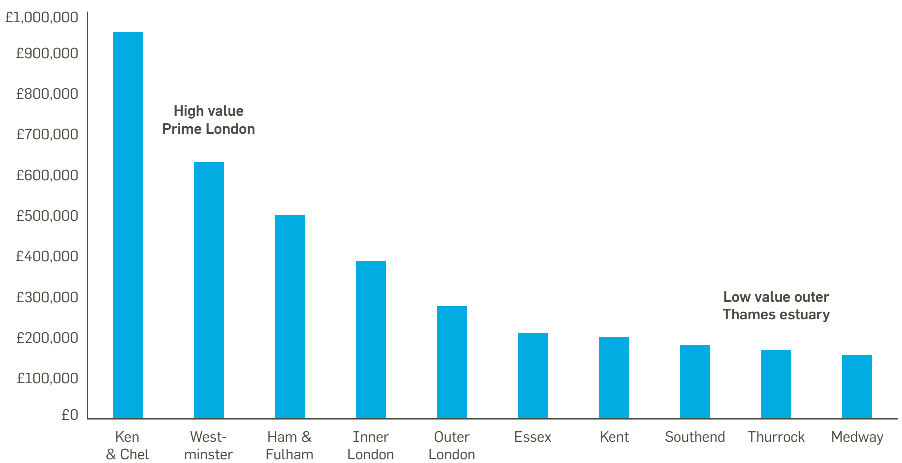
Government funding: Community Infrastructure Levy (CIL) is not enough

While CIL can contribute to infrastructure provision, it will not provide sufficient resources to do away with the need for upfront government funding of key infrastructure. There is ample experience from Sustainable Urban Extensions outside the East Thames to demonstrate that such large schemes are unlikely to be able to fund site-specific infrastructure and meet full local authority affordable housing requirements. Where they are also required to fund roads or other major local infrastructure they will struggle to provide even basic site-specific infrastructure.

Since public funds are currently limited, considerations should be given to part funding key infrastructure provision through a levy on existing households and businesses within the East Thames area. Given the dichotomy in wealth and house prices between Prime London and the rest of London (see Figure 5.1), which is set to increase in the near future,[2] a Mayoral tax on Central and Prime London to fund development in the East Thames would seem a logical way forward.

2. Savills forecast house prices in Central London and Prime Suburbs to increase by 22–25% by 2017, compared with 19–21% for inner and outer commuter areas and 15% for the wider South of England.

Figure 5.1: Median house prices, London and wider Thames estuary
Source: DCLG. Live Table 582: Median house prices based on Land Registry data, by district.



The Mayor has already proposed that the Treasury allow London government to retain stamp duty raised in the capital, in order to pay for housing and better meet the city's infrastructure needs. It would be worth considering whether housing development in the wider Thames estuary should have access to such funds, perhaps with the proviso that when key development locations moved into surplus the Mayor would have a share of any uplift in values to fund further expenditure on necessary homes and infrastructure.

Conclusions

The success of Milton Keynes demonstrates how it is possible to transform an area and create a growth mechanism which will withstand changing policies and the turbulence of the economic cycle. It is not a quick fix solution – it is nearly 50 years since Milton Keynes Development Corporation was set up – but in that time it has grown to be a major New Town. Let us not forget that the Olympic Village was delivered by people who learnt their development skills in Milton Keynes. Looking back on the history of Milton Keynes, we are also reminded that there was a real sense of fun and adventure for many of those involved, as well as an awful lot of mud!

Whatever are they doing?…They are snatching our identity, taking away our personality, taking away our history. We want peace and countryside. Take away your City. Take away your thoughtless hearts.
Susan, aged 13 (The People's Press, 1977)

I found out that Milton Keynes was ten times different from Glasgow... I had never seen a canal before or barges or trees. There are loads of them here. I had never seen so many in all my life.
Kenny, aged 12 (Ibid.)

When I go home I run to my house. I get changed and play in the mud. I get really muddy. I like the mud very much because it is such fun.
Peter, aged 10 (Ibid.)

The most vivid sights I recall were a Xerox Bubble and a strange mirrored Wall placed in the middle of fields where the new MK Central Station would eventually be… The wall was a perfect replica of the centre:mk fascia and it was erected to give would-be investors an idea of what MK would look like. Japanese, American and European investors were picked up from Bletchley Railway Station, shoved in a minibus, taken to the Wall, take in a few empty fields then up to the Bubble to look at some Lego sets and then incredibly hand over millions to make it all real.
(Scriven, 2007)

I moved to Milton Keynes in 1971 aged 5. As far as I was concerned I had moved to the countryside. We lived in a Grimm's style thatched cottage and I got a dog, and roamed the fields and bye-ways etc.

It seemed to me that all of a sudden my parents had loads of friends and every weekend there was a party where all these people would make terrific fools of themselves and my sister and I would wander around serving them cat biscuits as canapes…

There was then for me as a child this great confusion growing up in Milton Keynes of these passionate beautiful people building a wonderful visionary city for lots of people with whom they had nothing in common. We stayed in our lovely villages on the edge, and filled the middle with orderly grid squares of houses and health centres.
(Waugh, 2007)

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6
THE AGGREGATION OF MARGINAL GAINS: IMPROVING TRANSPORT LINKS

David Leam

Of all the British successes of the 2012 London Olympic Games, few captured the public imagination as much as those of Bradley Wiggins, Chris Hoy, Victoria Pendleton and the other members of the dominant British cycling team. When asked the secret of their success, the British cycling coach, Dave Brailsford replied that it was all about the "aggregation of marginal gains"; by making lots of small, incremental improvements, overall performance could be significantly enhanced.

A similar approach to transport infrastructure might, in general, now be appropriate for east London and the wider Thames estuary as it enters its next phase of development. Three decades of investments in major transport schemes, capped by the Olympics itself, have transformed connectivity in the region, though the benefits are greatest nearer to central London. With austerity set to last for much of the remainder of this decade, major new additional investments will in any case be difficult to unlock.

Adopting an 'incremental improvements' approach, this chapter sets out a number of priorities for action to enhance the connectivity of the East Thames to stimulate further regeneration. It starts, however, with the most obvious counter-thesis to the marginal gains strategy – the radical proposals that have emerged for a major new hub airport in the east.

A vision for a new hub

In his 2020 Vision for London, the Mayor of London set out an ambitious proposal for new airport capacity:

> *By far the best solution is to take the bold step – in the spirit of the Victorians who made London's transport infrastructure – and to give us the aviation capacity we will need for the long term, at a new hub airport.*
> (Johnson, 2013a)

Informed by Transport for London (TFL) analysis, the Mayor's submission to the current Airports Commission chaired by Sir Howard Davies – charged with reviewing aviation capacity – identifies three strong options for a new four-runway hub airport serving London, all located to the east of the capital. These are: on the Isle of Grain in north Kent, at an enlarged Stansted airport, or on an artificial island in the middle of the Thames estuary. TFL estimates costs of at least £70 billion for a new hub airport to the east, including supporting transport links. (Johnson, 2013b)

No-one could fail to be impressed by the sweeping vision and scale of ambition encapsulated by the Mayor and other promoters, including pioneering architects like Foster and Gensler. Indeed, what rational person could fail to see the considerable attractions of a brand new, state of the art airport with fast new transport connections?

Yet, taking into account the considerable uncertainties as to whether a new airport will ever happen, there are grave risks in making proposals for an estuary airport the centrepiece of our future plans for the East Thames. Given the sheer scale of the social, economic, financial and environmental challenges that any new airport must overcome – together with the lengthy timescales inherent in any project of this sort – it seems prudent to plan on the basis that airports policy will continue along the lines it has in the past, rather than betting on a radical discontinuity. Obviously, this would change should an airport to the east of London be recommended by Sir Howard Davies and then acquire political consensus and commitment to future expansion. But for now, we should avoid being seduced into resting our hopes on a knight on a white charger coming to the estuary's aid. Indeed, the Commission's recent interim report (December 2013) indicates that although the estuary hub option has not yet been ruled out, it is the expansion of Heathrow or Gatwick that are the frontrunners for recommendation. Instead, this chapter focuses on making the most of existing and planned infrastructure, supplementing it where it will make the most difference to jobs and growth.

Recommendation 1:
We recommend that London's transport planners avoid being consumed by proposals for a new airport to the east of London, until and unless it gains the support of the Davies Commission and major political parties.

A golden legacy

The past thirty years have brought significant improvements to the region's transport infrastructure driven primarily, but not exclusively, by public sector investment. The regeneration of Canary Wharf with the creation of the Docklands Light Railway (DLR) and extension of the Jubilee Line, the opening of the Channel Tunnel Rail Link, the creation of City Airport and the London Gateway super-port, and the stimulus provided by the triumphant 2012 Olympic Games, have transformed the quality and capacity of the area's transport links.

From its initial conception, the DLR has been a triumph of incrementalism, expanding faster than any other UK railway. Since opening in 1987 it has steadily extended to Bank, Beckton, Lewisham, London City Airport, Woolwich Arsenal and Stratford International – and now carries more than 80 million passengers a year (TFL, 2013a).

The £3.5 billion Jubilee Line Extension, despite problems around cost and delivery, has proven a tremendous success since it opened on the eve of the millennium. With seven new stations and major improvements at four existing ones across Southwark, Tower Hamlets, Greenwich and Newham, the line now carries over 125 million passengers a year (TFL, 2013b). With the recent successful completion of the signalling upgrade the line can now run over 30 trains per hour in peak times.

The £5.8 billion, 67 mile Channel Tunnel Rail Link to London St Pancras has flourished since opening in 2007. International services, operated by the newly profitable Eurostar, connect St Pancras, Ebbsfleet and

Ashford directly with Paris, Brussels and Lille – and were enjoyed last year by almost 10 million passengers (Eurostar, 2013). The gradual opening of the market to competition will see these services expand further.

High speed domestic services, operated by Southeastern, began in 2009, slashing journey times for Kent commuters. Commuting time from Ashford to central London has more than halved from 84 minutes to the current 37. In December last year, Southeastern announced that 25 million domestic passenger journeys had been made on High Speed 1 between London and Kent in the three years since its launch, and the service is now transporting over nine million people a year (Southeastern, 2013).

Since opening on a disused Docklands site in 1987, London City Airport has boomed and now carries over three million passengers a year to some 47 destinations. As well as its 25th anniversary, the airport last year celebrated its millionth flight and 36 millionth passenger. City Airport is also in the enviable position of having room to grow, without needing politically contentious new runways. The airport has permission to increase its operation to 120,000 movements a year, from its existing 70,000, and has detailed plans in place to enable it to achieve this by 2023 (London City Airport, 2013).

Further down the estuary, on the north bank of the Thames in Thurrock, London Gateway provides a new 21st century deep-sea container port for London, as well as Europe's largest logistics park. With a capacity equivalent to 3.5 million containers, the port will help meet demand for years to come.

Finally, the Olympic Games of 2012 provided the stimulus for a £6.5 billion programme of transport investment to better connect the Olympic Park with central London and the wider southeast. This included some of the improvements to the DLR, tube and high speed services set out above, as well as to Overground and other rail services, making Stratford and the Olympic Park area one of the best-connected places in London. As a result, during the Games the tube,

DLR and Overground carried more people than at any other time in their respective histories.

So, unlike in the 1980s, 1990s or even the turn of the century, parts of the East Thames, specifically those nearest London, can build on some strong transport foundations. For the next phase of its development we must now identify where the major opportunities for further economic growth lie, and what transport reforms or investments are required to realise that growth.

Maximising the Olympic legacy

Priority one must be to realise the ambitious plans set out for the future of the Olympic Park (see Peter Hall, this volume). These include new housing districts such as the former athletes' village and Chobham Manor, the re-use of the remaining eight permanent Olympic venues and a whole new business district in the form of The International Quarter, with four million square feet of new workspace being created to support 25,000 new jobs (TIQ, 2011).

The main obstacle to these plans being realised is not infrastructure. On the contrary, as a result of the Games the infrastructure is exceptional, with world class transport links, high capacity superfast broadband networks and a state of the art low carbon energy centre. Rather, the challenge is to overcome decades of negative perceptions that east London is too far away.

The Olympics temporarily challenged these perceptions, as Londoners travelling to the Games realised that Stratford was nearer central London than its location in Travelcard Zone 3 might suggest. It is now within the power of the Mayor to take symbolic action to redraw London's transport map and close the gap between central and east London, by rezoning Stratford's key stations from Zone 3 to the crossover designation 'Zone 2/3'.

A recent report commissioned by the Stratford Renaissance Partnership highlighted how Stratford is now one of London's busiest transport interchanges, and on a par with many Zone 1 stations on passenger numbers (SKM Colin Buchanan, 2013). It is also by some way the busiest station beyond Zone 1, with around double the passengers of other interchanges such as Earls Court, Finsbury Park and Clapham Junction. Other stations of a similar distance to central London such as North Greenwich and Willesden Green are in Zones 2 or 2/3, as is Pudding Mill Lane station which is some 200 metres away from Stratford regional station. As with other stations on the Zone 2/3 border, passengers travelling to and from Stratford would pay whichever fare was lower for their journey, a Zone 2 or a Zone 3 fare.

The cost of such a change is relatively small, estimated in the report at around £5 million. However, this would be recouped quickly if the initiative was successful through quicker development take-up or additional shoppers. Newham's report found that the opening of Westfield shopping centre generated an average of 50,000 more trips a day through Stratford's stations. Based on an average revenue of £1.50 per trip this equates to an annual increase in revenue of £26m (though not all of this will be net additional).

Recommendation 2:
We recommend that the Mayor of London nudge Londoners' geographical perceptions about the closeness of east London by symbolically redrawing the TFL map to place Stratford in Zone 2/3.

Seizing the potential of Crossrail

Priority two is to take full advantage of the range of development opportunities presented by Crossrail. After decades of discussion, Crossrail is now finally underway. Indeed it is now more than half complete. This £15 billion project shows the scale of what can be achieved when strong political leadership (through successive mayors and then central government) is allied to sustained support and financial commitment from the business community.

The facts are now almost commonplace, but bear repeating. Crossrail will bring an additional 1.5 million people within 45 minutes' commuting distance of London's key business districts. Around 200 million passengers will travel on Crossrail each year, and when it opens from 2018 the route will increase London's rail capacity by ten per cent and cut journey times across city.

Crossrail will pass through 37 stations on its 73 mile route from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east. In the south east, one branch will run from Canary Wharf to Custom House (where it interchanges with the DLR) and then under the Thames to Woolwich and Abbey Wood in Greenwich.

Abbey Wood will have up to 12 trains per hour at peak times, and will provide a new interchange and congestion relief for overcrowded North Kent line services. It will also provide significantly improved journey times – from Abbey Wood to Canary Wharf in 11 minutes, Liverpool Street in 17 minutes, Tottenham Court Road in 23 minutes and Heathrow in 51 minutes. This will transform Abbey Wood into a significant new commuter zone.

The second eastern Crossrail branch runs between Stratford and Shenfield in Essex and will bring station improvements along its route, particularly at Ilford, Forest Gate, Goodmayes, Chadwell Heath, Romford, Gidea Park, Harold Wood, Brentwood and Shenfield. Crossrail brings a significant improvement to existing Great Eastern Line services and will relieve crowding on Central and District tube lines. At peak times 12 trains per hour will run between Shenfield and central London.

In order to identify the potential wider economic benefits of such a major investment, Crossrail undertook a property and regeneration study to evaluate market activity in and around new Crossrail stations. The study, by commercial property advisers GVA, found that Crossrail could help create £5.5 billion in added value to residential and commercial real estate along its route between 2012 and 2021 (GVA, 2012). It concluded that Crossrail will support the delivery of more than 57,000 new homes and 3.25 million square metres of commercial office space within 1km of stations along the route.

Outside the central section of the route, GVA identified significant office potential at Stratford, Custom House (linked to the wider planned regeneration of the Royal Docks area) and to a lesser extent Brentwood. In retail it identified both an opportunity and a challenge given the enhanced connectivity to high quality shopping centres in Stratford and central London. However, the high volumes of additional residential property will themselves create increased demand for services all along the route. Much will depend therefore on effective and active management of existing town centres by the relevant local authorities.

In particular, GVA identify significant new residential potential in a number of areas on the route east into Essex and Greenwich. They project residential property values to increase immediately around Crossrail stations by some 20% in the suburbs (above a rising baseline). Development locations with the greatest potential include Custom House and the wider Royal Docks area, Woolwich and Abbey Wood. The property consultants CBRE similarly identify Abbey Wood as a major winner from Crossrail, predicting average house prices to rise by £41,000 over the next five years from their current level of £180,000 (CBRE, 2013). This reflects an annual uplift of 4.3% and overall uplift of 23% between now and 2018.

Even at Abbey Wood, however, GVA cautions on the overall scale and pace of change. It rightly notes that:

> *There are much larger challenges facing the property market than Crossrail investment alone can address, particularly related to property stock, deprivation, employment opportunities and the state of the physical environment.* (GVA, 2012)

This should act as a significant cautionary note for anyone who is tempted to believe that major new

transport infrastructure alone can stimulate regeneration and growth. It also highlights the long-term nature of much of the increase in land and property values in this area.

Outside the central zone, the scale, pace and quality of new development around Crossrail stations will be critically influenced by local authorities. For opportunities to be maximised, councils must have up-to-date local plans that are supportive of new development, particularly housing around stations. Complementary investment may also be required to enhance the quality of the public realm around stations and on local high streets (see Burton and Brown, this volume.)

> Recommendation 3:
> We recommend that the development potential of Crossrail be realised through complementary local authority-led planning and investment policies in areas around Crossrail stations.

Continuing to enhance rail and road links

A third priority is to support the East Thames' future growth through continued enhancement of its surface access links. Network Rail forecasts growth of 30% in its Kent route area to 2022, reflecting the major housing development taking place in Ashford and the Thames estuary, as well as significant office development in central London (Network Rail, 2013). The existing Crossrail and Thameslink schemes are seen as key to meeting this growth, as is train lengthening, which will provide 12-car capacity on key commuter routes.

Beyond this, Network Rail has committed to considering further capacity upgrades, including working with TFL on a potential eastern extension to Crossrail, through to Dartford or Gravesend and potentially Ebbsfleet. A potential route east has been safeguarded from development since 2009, though significant further work is now required to demonstrate a good business case and define the contribution such an extension might make to supporting housing growth in the region.

Additional and longer services on the High Speed domestic network may in time also be required.

On the Thameside route, demand into London Fenchurch Street is forecast to grow by 11% over the next twenty years (Network Rail, 2013). The Government's recent spending review announced progress on one longstanding ambition for the region, by providing £115 million to electrify the Gospel Oak to Barking rail line. This is an important cross-London freight and passenger corridor linking Tilbury and the new London Gateway port to the Midland mainline. Importantly, the Government also committed to exploring the case for extending the line to Barking Riverside. In his 2020 Vision, the Mayor estimated that this site had potential for over 25,000 new homes – with a further 10,000 at Dagenham Dock, potentially supported by an extended Overground service.

Moving on to the East Thames' road network, further action is needed both to provide additional capacity and connectivity and, in places, to reduce the impact of major roads or junctions on the quality of place. The recent publication of the Mayor's Roads Task Force (RTF) provides a useful route map for future action, which in many cases is replicable in local authority areas across the region (Roads Task Force, 2013). This is particularly so in the case of the RTF's emphasis on enhancing the quality of public space on high streets and in town centres and in reducing the dominance of motor vehicles and major gyratories in built-up areas.

TFL's response endorses the RTF and commits to a £4 billion investment programme to 2021 (TFL, 2013c). In particular, it specifically acknowledges the need to invest more in the road network to unlock potential growth areas and identifies a number of priority schemes for the period 2016 to 2021 including junction improvements to the A12 in the Upper and Lower Lea Valley and at Bromley-by-Bow, and to the A13 to help open up the Barking Riverside development. It also commits to undertaking detailed feasibility studies of the scope for new underground capacity to relieve surface congestion and for roofing over key arterial routes such as the A12 to reduce community severance as well as noise and air quality impacts.

Additional road capacity of this sort would easily outstrip currently available public funding. The RTF report therefore highlights the potential for greater use of existing funding such as developer contributions and the Community Infrastructure Levy, alongside new sources of funding, whether through subsidiarity of road tax (drawing on the work of the London Finance Commission), the potential for a London vignette scheme, or tolling new infrastructure. These should all now be looked at.

At the level of the strategic road network, the Government's recent plans for enhancing Britain's infrastructure covered a number of schemes (HM Treasury, 2013). From an East Thames perspective, the most striking of these were the potential junction improvements for Bean and Ebbsfleet on the A2 in North Kent. Previous plans for the A2 were put on hold shortly after the coalition Government came to office, reflecting the stop-go nature of the roads programme historically in the UK. However, the Government's recently announced plans to shift the roads programme onto a longer-term planning and funding cycle, as is already the case for rail, should help address this longstanding weakness (DFT, 2013). The Highways Agency is now committed to funding these schemes "subject to finalisation of options and agreement being reached on developer contributions" (HM Treasury, 2013, p. 75, Table A6).

Recommendation 4
We recommend that the Government deliver priority road and rail improvements and develop detailed longer term proposals, particularly in areas where these would support additional housing growth, such as Barking and Ebbsfleet.

Providing new river crossing capacity

The one glaring exception to the marginal gains thesis is the need for a step change in river crossing capacity in east London. East of Tower Bridge there are only three fixed road crossings (at Rotherhithe, Blackwall and Dartford), compared to 15 road crossings from Tower Bridge to Kew. Moreover, no new cross-river road capacity has been delivered since the opening of the southbound Blackwall Tunnel in 1967. The only crossing of note that has been achieved is a new cable car between the 02 and Excel, and that is used primarily for leisure and tourism purposes.

Detailed proposals for new river crossings to open up east London have been under discussion for almost 35 years now and the absence of any meaningful progress signifies a colossal failure of political leadership. Plans for a road bridge between Thamesmead and Beckton were developed during the 1980s before being dropped by the Government in the face of legal challenge in 1993. They were then resurrected and promoted by Ken Livingstone as Mayor, before being cancelled in 2008 by his successor Boris Johnson.

Congestion and poor connectivity continue to constrain housing and employment opportunity in the East Thames. Optimists will take heart at the statement in the Mayor's 2020 vision that: "By 2020 we must be well advanced in our plans to build new river crossings east of Tower Bridge" (Johnson, 2013). To translate these ambitions into reality, action is now needed on three fronts.

First, the Mayor must deliver on his commitment to open a new £600 million crossing at Silvertown by 2021. TFL surveys suggest that the journey time for the final 1.7 kilometre approach to the Blackwall Tunnel averages an unacceptable 19 minutes northbound in the morning peak period, or a delay of 11 minutes per kilometre on this key section of the road network (TFL, 2009). TFL's recent consultation has been followed by another period of hiatus, and the Mayor must now get a firmer grip and commit to a clear delivery timetable for 2014. He should also make the case for tolling both the new tunnel and Blackwall, so as to provide a funding stream towards construction of the new crossings and to help manage future congestion.

As an aside, the Mayor will in this respect be following a long tradition of using innovative funding mechanisms to construct new river crossings in London. As far back as the twelfth century, King Henry II introduced a special tax on wool and sheepskins to help pay for the rebuilding of London Bridge in stone. In order to get the job finished his successor, King John, drew on rental income from land deals with the City of London and houses and shops on the bridge itself.

Second, the Mayor must draw the curtain on the long-running East End farce that is the Thamesmead-Beckton crossing. The distance between Abbey Wood and Beckton is 5km as the crow flies, yet takes 45 minutes by road (TFL, 2009). Previous TFL work suggested that a new bridge here would support around 4,000 additional peak hour cross-river trips in 2021, opening up housing and employment opportunities on both banks of the Thames. A recent report for Newham estimated productivity gains of £55 million in annual gross value added for a fixed link (Peter Brett Associates, 2013).

Yet TFL's recent consultation on river crossings failed to include an option for a bridge, including only an upgraded ferry at Gallions Reach. The public response to that consultation clearly preferred a bridge, with 71% of respondents favouring a fixed link crossing compared with 52% in favour of a ferry (TFL Planning, 2012). As a priority for 2014, the Mayor must now set out firm plans for a Thamesmead-Beckton bridge, with associated improvements to access roads, including a delivery timetable that would see a bridge opening in the early 2020s.

The final piece of the jigsaw is an additional river crossing to relieve the existing Dartford crossing in the Lower Thames area. The existing crossing carries high volumes of traffic, catering for an average of

140,000 vehicles each day. This compares with an original design capacity for 135,000 vehicles, leaving the crossing operating above its design capacity for over 250 days during 2010. Users experience the third highest level of delay across the strategic road network, with delays over nine minutes experienced by around half of users. Almost half of the traffic using the crossing is made up of freight and business users, illustrating the national economic significance of a crossing in this area.

Successive studies by the Government have identified a need for additional capacity, but little progress has been made, with the most recent DFT consultation (DFT, 2013) largely replicating the previous one in 2009. The latest consultation sets out three options for a new crossing, including alongside the existing crossings. It assumes for all options that the Government would seek to recover the costs of providing new capacity through tolling. Given the economic importance of additional crossing capacity in this area, the Government must now choose its favoured option and set out a clear delivery plan in the autumn for delivery in the early part of the next decade.

> Recommendation 5
> We recommend that the Government deliver three new crossings at Silvertown, Thamesmead-Beckton and in the Lower Thames area within the period 2020–2025, supported by tolling.

Conclusion
So, inspired by the concept of aggregating marginal gains, our recommendations for a five-point plan for enhancing transport links in the East Thames are:

1 — Avoid being consumed by proposals for a new airport to the east of London, until and unless it gains the support of the Davies Commission and major political parties.

2 — Nudge Londoners' geographical perceptions about the closeness of east London by symbolically redrawing the TFL map to place Stratford in Zone 2/3.

3 — Realise the development potential of Crossrail through complementary local authority-led planning and investment policies in areas around Crossrail stations.

4 — Deliver committed road and rail improvements and develop longer term proposals particularly where these would support additional housing growth in areas like Barking and Ebbsfleet.

5 — Deliver three new crossings – at Silvertown, Thamesmead-Beckton and in the Lower Thames area – within the period 2020–2025, supported by tolling.

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7
FOCUSING ON THE MOST DELIVERABLE OPPORTUNITIES

Christopher Hall

Introduction

The East Thames sits at the heart of one of the most dynamic regions in Europe. The estuary has been an important economic gateway for millennia, and has a legacy of ancient and modern communities that now lead to London, a place that has been a global city many times over. Yet the region is much poorer than the surrounding area, and has never managed to achieve the ambitions successive governments have had for it.

The last government's strategy for the East Thames was focused, in large part, on the regeneration and building-out of a small number of large scale schemes. Yet as Peter Hall has already set out, even in the good times, these schemes struggled to get off the ground. Where schemes have been delivered at scale it has been on the back of massive public sector investment, most obviously at Stratford and the Olympic Park, but given current fiscal constraints, we are not likely to see further investment on this scale for some time.

In any case, our analysis shows that that the potential for housing development – especially in the short and medium term – is concentrated in smaller sites (between 50 and 500 units). These might not amount to much individually, but cumulatively they could make a substantial contribution to meeting regional housing need and regeneration. They could also help trigger a virtuous circle of investment, serving as market-makers and proof-of-case for the wider East Thames vision.

But if we are to make this new model work, then we need a responsive approach to planning that recognises how the private sector actually delivers on small sites.In this chapter, we argue that local authorities should take the lead in enabling development on smaller sites through proactively identifying and packaging up a predictable stream of such sites, applying flexible planning consents, and then either selling them on to developers or developing them jointly through the Local Housing Company Model.

The role of large schemes
The East Thames vision is predicated on the delivery of large schemes, many of which have identified housing potential in the thousands, if not tens of thousands of units. This includes a number of London Plan Opportunity Areas, which themselves are often comprised of larger land parcels, as well as strategic allocations in South Essex and North Kent. These large scale Opportunity Areas and schemes include:

London
Isle of Dogs
Royal Docks
Greenwich Peninsula
Charlton Riverside
Woolwich
Thamesmead Abbey Wood
Bexley Riverside
London Riverside

South Essex
Basildon Urban Extensions
Thurrock Waterfront

North Kent
The Bridge – Dartford
Ebbsfleet Valley/East Quarry
Northfleet Embankment
Gravesend Town Centre
North East Gravesend
Rochester Riverside
Chatham Dockyard/Maritime
Sittingbourne Town Centre
Kemsley Fields, Sittingbourne
Queenborough/Rushenden, Isle of Sheppey

The target of 160,000 homes by 2016 was set out in the Thames Gateway Interim Plan: Policy Framework published in 2006 by DCLG. In 2007 and 2008 the potential to deliver 160,000 homes by 2016 was still being proposed.

By annualising the various ten, fifteen and twenty year housing targets within current local plans for the authorities previously within the 'Thames Gateway' area, we have identified a notional operating annual target of 160,000 to 200,000 homes over a ten year period. Long-term potential has been discussed in terms that are magnitudes beyond this.

Recent housing delivery progress across the East Thames has not reflected this scale of opportunity. Between 2010 and 2013, the average annual rate of delivery across the area was actually 8,660 homes or 51% of the target. Some local authorities performed much better than others in delivering on their housing plans. Rates of delivery ranged from 29% to 116%. Nine local authorities met less than 50% of their target, but the rate was remarkably consistent across the London, South Essex and North Kent parts of the East Thames, taken as a whole.

This is a reflection of wider market conditions but also, we contend, a result of a focus on large schemes that had substantial barriers to delivery in the 2005 to 2010 period. Where large scale housing has been delivered it has often been in well-established markets, such as at Canary Wharf, and also in the Lower Lea Valley at Stratford, where it has been allied to major land and infrastructure investment and global marketing through the London 2012 Olympics.

Table 7.1: Rates of housing delivery
Source: GVA / Note: The data in tables 7.1, 7.2 and 7.3 has been collated by GVA from a range of local authority Annual Monitoring Reports, Five Year Housing Supply reports and Strategic Housing Land Availability Assessments to establish a broad profile of housing supply.

HOUSING DELIVERY: TOTAL FOR PLAN PERIODS				
Sub-region	Plan Target	Annualised Target	Annualised Delivery 2010/11–2012/13	Percentage of Annual Target
London	115,450	11,445	5,810	51%
South Essex	41,080	2,570	1,310	51%
North Kent	50,630	2,900	1,540	53%
Total	**207,160**	**16,915**	**8,660**	**51%**

The barriers to delivery
Recent years have presented a series of development challenges in terms of development finance, public infrastructure and housing funding, mortgage finance and household finances. Even if we look over a longer period between 1998 and 2008, when there was a more favourable environment, few of these large scale schemes advanced substantially in terms of delivery.

The largest East Thames schemes are easily hamstrung by the same issues found in other growth areas and corridors across the UK:

- The private sector is not organised and does not have the resources or appetite to deliver multi-thousand unit housing schemes;

- Large scale schemes require regional-scale transport infrastructure, whether extensions to rail systems, major highway and bridge works or water treatment capacity;

- Front-end site preparation and infrastructure costs are frequently high and out of scale with the rate of market absorption;

- Values are not universally high, with a significant trailing off in parts of outer East London, South Essex and North Kent.

There are a range of answers to the challenges that come with large scale development and many are addressed elsewhere in this report (see Salway, this volume). Major infrastructure, development funding, institutional change – including, in some cases, the creation of development corporations – and planning reforms will be required. This will inevitably take time and political will. But this does not mean we should give up on the East Thames and other growth areas in the short and medium term. While funding for major infrastructure, along with new approaches to planning, land assembly and delivery are

being resolved, we can establish and demonstrate the potential of the East Thames by focusing on the most deliverable schemes.

Lessons from high growth locations
The most significant additions to housing supply in the UK have been in urban areas. London and the core cities of Manchester, Birmingham and Bristol have seen significant growth in urban housing. Second tier centres such as Reading, Basingstoke and Norwich have also seen significant additions.

While charges of 'land banking' are often made, a mass housing strategy that relies on the private sector for delivery will need to accept that the private sector will only deliver at a rate of market absorption that maintains competitive returns on investment. While we also see housing as a social asset and public good, we do need to face the fact that we are attempting to deliver this through private market activity.

In fact, the key lesson from recent experience is that the private sector does deliver, but only under certain conditions. There are lessons worth taking from places that have grown consistently through years of boom and challenge. The key commonalities include:

- Regional access;

- An array of sites that allow schemes to come forward in components of phases of 200–300 homes each;

- An urban fabric of streets and amenities, whether already in place or created at scale;

- A strong local employment base.

The proposition
Analysis of the East Thames context has highlighted that a significant amount of housing potential is represented by smaller scale sites. The analysis shows

the distribution of identified housing capacity in schemes that are less than 500 homes identified for various ten, fifteen and twenty year plan periods. Approximately 64% of housing capacity, or 140,000 potential homes, are within sites of less than 500 units (see Table 7.2). Of the 16 London boroughs and local authorities across the area, 12 have the majority of their housing capacity for their plan periods in sites of less than 500 units.

Local authorities' Strategic Housing Land Availability Assessments show that approximately 107,000 potential homes (60%) are within schemes of fewer than 500 units (see Table 7.3). These smaller sites represent a key opportunity to advance and maintain progress on the East Thames vision in the short- and medium-term. Smaller sites also have the following key advantages:

- Sites often sit within an existing framework of amenities and infrastructure, in existing communities and town centres;

- Large scale land use change may not be required;

- Housing can be added without triggering major infrastructure requirements;

- The case-by-case scale of private financing required is smaller;

Table 7.2: Housing capacity
Source: GVA

HOUSING CAPACITY (SHLAA): TOTAL FOR PLAN PERIODS				
Region	Plan Targets	Housing Capacity over plan periods (SHLAA Sites)	Homes in Schemes (< 500 units)	% Small Schemes (< 500 units)
London	114,450	126,470	92,752	73%
South Essex	41,080	47,295	26,068	55%
North Kent	50,630	45,942	22,025	48%
Total	**206,160**	**219,707**	**140,845**	**64%**

- The case-by-case scale of public subsidy, particularly affordable housing, is smaller;

- Major policy changes are less likely to be required.

Taken together these advantages substantially reduce development risks, at least relative to larger sites.

Four steps for accelerating small site development
Local authorities should not wait for the re-emergence of a pan-estuary body which, if it ever happens, will take some time to establish. Local authorities should instead take the lead in facilitating, brokering and promoting opportunities to funders and developers while resolving local planning issues. We outline below four tools that the public sector in general, and local authorities in particular, should consider in order to accelerate development on small sites. In general, initiatives should involve cross-departmental working, particularly between housing and planning. Links to local economic development strategies are also important, particularly in supporting the local construction/ development industries.

Identify and package up small sites
Local authorities should establish dedicated 'small sites' teams, potentially through the reallocation

Table 7.3: Housing capacity, 10 year targets
Source: GVA

HOUSING CAPACITY (SHLAA): 10 YEAR TARGETS			
Region	10 Year Targets	Homes in Small Schemes (< 500 units)	% in Small Schemes over 10 Year Period
London	114,450	65,284	56%
South Essex	25,703	24,678	75%
North Kent	29,070	16,967	61%
Total	**169,223**	**106,929**	**60%**

of resources currently focused on stalled major schemes. Small sites not being delivered by the private development sector could be assembled into multi-site procurement packages. Such packages would include capacity for a minimum of 200 residential units across a number of sites within a cluster. This may require active intervention by the public sector. Sites should be clustered around town centres, existing high-profile regeneration initiatives or major new infrastructure, leisure or education investments. Prime opportunities for identifying small sites are:

- Under-utilised land, particularly low-density retail and business space with large parking or service areas;

- Vacant land, including former small business, pub, or utility sites;

- High Streets, including aging retail areas which could benefit from more town centre housing;

- Obsolete office stock: many town centres have a glut of 1970s office buildings that no longer have market appeal – a pro-active position on conversion through Permitted Development is encouraged here;

- Stock owned by local authorities or the public sector more broadly.

An OJEU procurement process can be used,[1] with high-level master plans and design guidelines setting out requirements that can be matched by a commercial proposition. This process can be used to establish a long term relationship with a developer, RSL or consortium that could be empowered to deliver across a number of sites in a three- to five-year period in a target area, once disposal to that developer or consortium has occurred.

1. Official Journal of the European Union – the public notice of invitations to tender for large government contracts, mandatory under EU law.

Incentivise development
There are a range of options for advancing small site development by applying a range of incentives, for example:

- Flexibility on development contributions, employment requirements and affordable housing requirements on existing consents;

- Targeted use of Private Rental Scheme funding;

- Public sector acquisition of stalled sites where private sector inactivity is the barrier;

- Loan guarantees, from central government or the HCA, for financing to support remediation, site preparation and infrastructure.

Clear the planning path
Local authorities are under enormous pressure to demonstrate a deliverable five-year housing land supply. Pro-active planning by local authorities can establish greater planning certainty, and therefore reduce developer risk around key sites. Sites identified in LDDs should be supported with clear timescales for delivery. Planning authorities should focus on developing:

- Site Allocation Development Plan Documents, potentially linking clusters of sites;

- Area-based master plans linked to more nimble planning tools such as Supplementary Planning Documents;

- High level Development Briefs to set out planning principles for clusters of sites, or for area-based strategies.

Establish a public-private delivery organisation
The Local Housing Company model is a joint venture

between the public and private sectors, with local authorities 'investing' land in the development process and private developers and other investors providing funding to an equivalent amount. The joint venture is owned with a 50:50 split, or 51% by the private sector and 49% by the public. Both organisations share the risks and benefits (such as uplift in land values) of the development process.

This model should be investigated further as a mechanism for delivering multiple sites once they have been assembled into procurement packages by the public sector. Continued ownership of smaller sites can serve as an equity position with a partner tasked with delivery across a package of sites. This can serve as an alternative model to the 'assemble and dispose' route, thus reducing initial acquisition costs for a developer or RSL partner, and potentially leading to more rapid delivery.

Conclusion

Fully realising the huge potential of East London and the Thames estuary will require development of the large sites within it. This will require a long term commitment on the part of national, London and local government, including major investment in transport and other infrastructure around large sites. It will probably also require new partnerships and delivery bodies to be established. All of this will take time.

In the meantime, however, it is worth focusing on the significant opportunities that exist for advancing development on small sites. A greater focus on local authorities promoting the development of smaller sites could boost the construction of badly needed new homes, while building momentum, and encouraging further investment in the area. Instead of waiting for the bus, let's start walking.

8
THE QUALITY AGENDA: CREATING PLACES WHERE PEOPLE WANT TO LIVE

Chris Brown and Tony Burton

East London contains some of the most attractive places in the capital. Tredegar Square off Bow Road is one of London's best residential squares. There is no rule that says nice places can only be in the west (or north or south) of London. But the Thames estuary also contains places characterised by heavy industry, obtrusive infrastructure and poor-quality development. These have combined to diminish their attractiveness and this has been perpetuated by a downward spiral of people and money leaving the area, values falling, buildings deteriorating and expectations declining.

The needs of the communities in outer east London and the Thames estuary are the same as elsewhere – effective transport links, good schools, a buoyant economy and a high-quality built environment and public spaces. Moving the Thames estuary from its industrial past to create new and more attractive places to live will not happen overnight. It is a long term process that requires the support and intervention of government, local communities and business. Even the massive regeneration efforts around Silvertown and other areas in the Docklands have not removed the heavy manufacturing plants, derelict sites and intrusive infrastructure which now sit cheek by jowl with modern residential development.

The East Thames is on a long journey towards achieving competitive place quality. This will require all the tools of urban regeneration. But we can be optimistic. We have good experience of what has worked in the UK over the last few decades, and real progress can be made given strong leadership and practical support. This chapter explores the approaches that are likely to be successful in delivering a competitive and attractive Thames estuary where people want to live.

Turning the East Thames around

With rare exceptions, our planning and house-building systems have not delivered attractive places in the Thames estuary in the last few decades. The evidence for this ranges from surveys of housing quality by the

Commission for Architecture and the Built Environment (CABE, 2009a) to televised visits by Planning Minister Nick Boles MP. We have to be honest and confront this failure. At best we have been creating places that are just a bit more attractive than the worst existing places and have relied on a shortage of housing to attract occupiers who have few other choices. In many areas we have fallen short of even this benchmark and neglect, waste and dereliction remain. The aim should be to create attractive and competitive places where people choose to live in preference to anything west London or Surrey can offer.

Transforming ex-industrial areas into great places to live and work will be hard. Place quality is persistent as people gravitate toward the areas with the best schools, parks, neighbourhood centres and transport links. London has the high-value jobs in its centre but the money from them tends to flow west rather than east. Even Canary Wharf in east London sees substantial commuter flows from west London, a process which Crossrail could intensify. Wealth flows to quality places not the other way round.

But there is nothing inevitable about the quality of place in the East Thames area. Places have been created by the decisions of the generations before us and we can create them anew. Decisions are made by property developers, land owners, investors, occupiers, architects, planners, engineers, local authorities and local communities and all of these people play a part in creating the quality places of tomorrow. We can create these attractive places whenever we undertake new development.

To create quality places in the Thames estuary requires action which will shift perceptions. The East Thames needs its Kew and its Queens Park – distinctive locations with all the ingredients to make them attractive neighbourhoods to live in. But it is not just about how these places look; it is about creating places that generate value, both financial and non-financial. Regeneration experience, for example from City Challenge in Hulme

in Manchester in the 1990s, teaches us that we must address the social, economic and physical together. We need to create places that compete successfully with the capital's other villages and neighbourhoods to deliver a London that is bigger, better and more competitive as a whole.

Good design does require more skill from all the participants in the development process, but the prize is worth it. The evidence shows that people are happier and healthier and the environment is better protected. In financial terms economic activity is greater, tax revenues are higher, better services can be afforded and the boost to property values means good quality homes and workspace can be delivered (CABE, 2009b).

What does good quality look like?

To start with, places need to be well connected, particularly to the main centres of employment and particularly by being nodes on networks of fast and frequent public transport. Many places in the East Thames are already achieving this. Stratford and Custom House are ahead of the game and this is where turnaround activities and new development are already most advanced. But we cannot allow the focus on quality to be restricted to these already accessible locations. The whole Thames estuary needs to benefit (for more on what needs to be done here see Leam, this volume.)

Quality also means having enough people in walking and cycling distance to support vibrant high streets that deliver high quality local services. Out of centre, car reliant development has undermined many places and internet retailing takes a greater and greater share of the retail market. We need to invest in our high streets and town centres for their social function and not just their shops. Here we can learn from North America about how to retrofit existing car-based retail developments to achieve better places. The centre of Detroit has collapsed as industry and workers have moved out to the suburbs. Its decaying buildings and vacant lots are slowly being recolonised by a mix of urban farmers and artists.

Jane Jacobs wisely advocated the importance of low-cost old buildings being put to new uses, and we must nurture these where we can (Jacobs, 1961). Places like Hackney Wick are treasure troves of innovation and new economic activity which in turn attract new residents. This dynamic could easily be destroyed by the sort of poor quality residential development that characterises much of what has been built recently in Canning Town, Stratford and the Olympic Park. Conversely, in Lakewood, Colorado, the dying Villa Italia retail mall has been replaced with a mixed-used neighbourhood designed on New Urbanist principles.

Finally, vibrant places usually need both people working in them and people spending their leisure time there. This requires great buildings, streets, squares and parks that are lively and animated. London competes globally as a city of urban villages rather than as a collection of car-dominated suburbs.

Doing things differently: how to improve the quality of place in the East Thames

So we are going to have to do things differently; same old, same old is not an option. Each of us involved has to take personal responsibility and change the way we do things. We argue for four big changes in order to drive up the quality of place across the East Thames: learning from the best; putting citizens and communities in the driving seat; challenge funding; and new powers for local authorities.

Learning from the best

We need to look at how attractive, new, brownfield developments have been created elsewhere in Europe.[1] This has happened successfully in places like Malmo's Western Harbour in Sweden, Freiburg in Germany, Almere's Homeruskwartier in Holland, Amsterdam's Eastern Islands and Copenhagen's Sydhavn. Each of these places has its own formula for success, but often the ingredients include public infrastructure developed in advance of homes and workplaces; the involvement of talented urban designers with far-sighted and skilled clients seeking both financial and non-financial value; placing local communities or the owners of new homes at the heart of the design process through Custom Build and neighbourhood planning; and ensuring long term management arrangements that facilitate community involvement and place management. By adopting these principles we can make real and positive change which can turn places around.

1. For a systematic attempt at this see Hall (2013).

We also need to draw on the best of domestic design, where we can look to places like Poundbury, on the edge of Dorchester and, more historically, Letchworth Garden City. We should also make much better use of existing guidance and frameworks to help us, for example the *Design Compendium* (HCA, 2013) and the *Manual for Streets* (DFT, 2009). Where developers are involved we need to incentivise them to deliver quality places. A simple way would be to require developers of public land and those receiving public funding in the East Thames to have all their developments in the last three years scored under Building for Life 12 (a mechanism for assessing housing design quality). Then public land development opportunities, and those by other civic-minded landowners, would be made available only to the developers in the Premier League (or new entrants). Design quality would improve rapidly.

Putting citizens and communities in the driving seat

With exceptions like Ebbsfleet (see Hall, this volume), the overwhelming majority of development will happen in existing communities, so we should start by putting the community and locals at the heart of the process. The social capital that lies at the heart of many existing East Thames communities is one of its greatest strengths. By tapping into the people who care passionately for the area and giving them more responsibility for the change which is needed we can deliver lasting benefits that respect the past while providing for a better future.

Professionals need to find ways to engage with communities and benefit from their insights. This requires properly resourced neighbourhood planning and the latest engagement methods to listen to people's concerns about their neighbourhoods in order to translate them into deliverable neighbourhood plans. We also need to support wider social action, generating a stronger connection between groups already active in the area and catalysing a campaign for better quality places. The 'Thames Gateway' is not a galvanising concept, it's too large for people to identify with (see Adonis, Sims and Rogers, this volume). But the power in alliances between the individual communities to achieve positive change is immense. We need to engender a social movement for change in the area.

We can also put families and individuals at the heart of the housing development process by promoting Custom Build and self-build. Custom Build is a process where the purchaser of the new home is closely involved in its design but leaves the complexity of site finding, funding, planning and delivery to professionals. All kinds of homes are built in this way from the low density suburbs of the US to the dense terraced streets of Holland and the apartment developments delivered through Group Custom Build in Germany. The customer is provided with access to Custom Build mortgages and advisors and chooses their plot (serviced by the Custom Build Enabler and governed by a simple design code), their home manufacturer and their base house model. They then work with the designer to customise it to their requirements. The home manufacturer then constructs it and the purchaser moves in.

In Group Custom Build, which will be the predominant approach in the parts of the East Thames closer to London, the Group leaders will assemble groups around basic designs, purchase sites (often from public sector land owners) and customise the individual apartments with the individual purchasers and the communal parts with the group. This process is encouraged in government planning and housing policy and by the Mayor of London (CIOB, 2013; Johnson, 2012). But a concerted effort is required to shake up

and develop the building industry to deliver this new approach. International experience shows that housing numbers can be increased considerably once the constraint of house builder balance sheets and standard house types are removed. Given the choice, 70% of people wouldn't choose to buy a new home from a house builder (YouGov/RIBA, 2010) and Custom Build could transform the building experience. Historically most of our housing was custom built. Indeed the Royal Crescent in Bath was an early example, with each purchaser employing their own architect to design their home behind the John Wood the Younger-designed façade. Around half of our new housing in the East Thames should be delivered this way. Most other developed countries manage to build a similar proportion this way and have ended up with better designed, more environmentally sustainable places and stronger communities as a result.

East Thames should also be a crucible for a new style of neighbourhood planning. Resourcing teams, particularly local communities, to search out the places in their neighbourhoods where urban improvement can happen is already paying big dividends around London in both housing supply and improvements to place quality. This can help develop the smaller sites which, though often overlooked by the large developers, represent an enormous resource and deliver much of the windfall development registered by the planning system. Citizens are already forming themselves into neighbourhood forums under powers introduced in the Localism Act, and are preparing neighbourhood plans that flesh out national and local planning policy for their local area. Neighbourhood plans can allocate sites and set out aspirations to be delivered through policy. They can also offer fine-grained control, such as by requiring local planning authorities to take account of the views of a neighbourhood design panel (as the National Planning Policy Framework encourages) or prioritising use of the funds generated from development through the Community Infrastructure Levy. We can put the community at the heart of the process of rejecting poor-quality proposals and demanding high quality. Design is too important to be left to the architects and their clients.

Challenge funding

We also need new ways to channel financial resources to regeneration. High quality new places require public transport network connections and the removal of the bad neighbours (power lines, noxious industries, pollution, noise) that are absent from London's best neighbourhoods. But doing things differently needn't be expensive. The cost of these investments can deliver returns in improved health and wellbeing (and the directly related financial savings in National Health Service and related budgets), in economic competitiveness (and the directly related increases in tax revenues) and in many other ways. This can be captured through place-based or community budgets.

Challenge funding has a big role to play in delivering the up-front investment that will pay back in increased competitiveness, economic activity and tax revenues from more attractive places. We have decades of experience of successful regeneration to draw upon, like the experience of the City Challenge programme in the 1990s. Relatively few places in the Thames estuary will benefit from the large scale comprehensive development associated with Urban Development Corporations or New Town Corporations. More places would benefit from a City Challenge style approach, and for the majority of places we will have to invent new tools to deal with the much more finely grained neighbourhood-level challenges.

Empowering local authorities

Huge backlogs of unimplemented planning permissions such as those found in Newham are of neither use nor ornament to our communities. We need homes and workplaces, but we must no longer settle for quantity over quality or for second best. This will be hard for many in the system, but we will be judged for decades

by the quality of the buildings and places we deliver, not by the numbers in our planning pipelines. Local authorities need the ability to compulsorily acquire, at market value, stalled sites with planning permission that are not being delivered and procure delivery through a process that selects the developer most likely to deliver a high quality scheme that will deliver the greatest combination of financial and non-financial benefits.

The future

The most attractive places in London were created centuries ago, and have been renewed ever since. If the East Thames is going to develop and sustain its fair share of London's great places we are going to have to abandon our current failed planning and development systems and replace them with modern, fit for purpose approaches that deliver great places. We need ambitious and decisive leadership and talented people freed from bureaucratic constraints with quality as their goal. Communities and households need to be at the centre of this revolution.

This will not be achieved by creating a governance structure around the nebulous concept of the 'Thames Gateway'. Rather it will be achieved by a transfer of resources from the wealthy west and centre of London to the east, and by putting these resources into the hands of the citizens and communities that show the best ability to deliver quality places. This is not some wild experiment, rather it is a recognition that in East London and the Thames estuary we can draw on local talent and best practice from around the world to deliver great places. This generation can do it.

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9
FUNDING NEW HOMES FOR A NEW GENERATION

Richard Parker and Joe Reeves

In this chapter we outline the pressure that forecast levels of household formation are expected to place on London over the next decade. We then consider the challenges that need to be overcome if the East Thames is to play a more significant role as a regional driver of housing growth. Against the backdrop of deficit reduction and a slow return to growth, we then offer some thoughts on how local and regional stakeholders might work together to deliver investment in new affordable housing through new ways of working and new approaches to funding.

The context

The Department for Communities and Local Government (DCLG) has forecast that the number of households in England will grow to 24.3 million in 2021, an increase of 2.2 million (10%) over 2011, or 221,000 households per year. Two thirds (67%) of this increase is projected to be for households without any dependent children. According to the DCLG analysis, 98% of the growth in household formation is driven by population growth, and 14 London boroughs are anticipating that annual levels of household formation will exceed 1.8% over the period to 2021. Five London boroughs are expecting growth in excess of 2% per annum (Redbridge, Merton, Southwark, Tower Hamlets and the City of London) (DCLG, 2013).

The price of land in inner London aligned to the shortage of developable space will inevitably mean that outer London and the wider region will be under increasing pressure to accommodate households that will want to be located within commuting distance of regional labour markets. These households will need access to housing that is affordable (whatever their choice of tenure), and located in places that are properly planned and well designed. In short, these new places need to be sustainable by reference to the communities they serve and their environmental impact.

The East Thames and growth

The Thames estuary is one of the largest regeneration areas in the UK (see Sims and Rogers, this chapter) and, against this backdrop, the area is likely to re-emerge as a focal point for policy makers looking to secure development. The capacity of the East Thames to act as a driver for growth and for the housing it could accommodate has been recognised and acknowledged for more than a decade. In 2001 Peter Hall commented:

> *We began by thinking that transport and the growth of financial and business services was the key articulator of change, but housing, especially affordable, now seems to be the most important driver of where the Thames Gateway is going.* (Hall, 1988)

Ambitions for the area remained high in the period that preceded the 2007 credit crunch. The Labour Government of the time stated that it wanted the East Thames to provide 160,000 new homes and 180,000 new jobs. The expectation was that the private sector would provide most of the investment, with the public sector playing an enabling role – through site promotion, planning and the creation of an infrastructure platform – that would build confidence and certainty and de-risk development.

Irrespective of political ambitions of the time and the policy focus that the estuary was attracting, the challenges of building out the area were proving to be difficult (even in the years when Government spending was being increased and the housing market was buoyant). In July 2006, a report produced by the London East Research Institute noted that:

> *Regeneration is taking place in a patchy piecemeal way... if development proceeds at the same pace in the next ten years housing completion targets are unlikely to be reached.* (LERI, 2006)

The strategic case for the East Thames and the absence of mechanisms that would support a unified vision were being questioned at this time. Indeed, LERI were uncertain as to whether the East Thames would be a "recipe for highly dynamic decentred regeneration" or "a total mess as a result of a Balkanised planning regime reinforcing market uncertainties, or yet another case of muddling through" (LERI, 2006).

What is without question is that against a backdrop of economic uncertainty, deficit reduction and a tightening of credit, delivering new housing to a scale and quality that would represent a step change with the past has got an awful lot harder.

In the period to 2012 the London Thames Gateway Development Corporation had made investments that had delivered 4,000 new homes across its 'Big 8' priority investment locations, and by its de-designation in 2012 had put in place projects and programmes that it hoped would amount to 10,500 new homes.[1] Whilst there have been notable successes at landmark locations that have benefitted from public funding (Stratford and Barking Reach for example) the early ambitions of policy makers in regard to housing delivery have failed to materialise on the scale envisaged. There are very good reasons for this, namely the continuing macro-economic uncertainty, a tightening of credit and significant reductions to government capital spending that included a 63% cut in the level of grant available to fund affordable housing. Beyond cuts to housing grants, reductions in government funding are felt most acutely when pump priming is needed to create the conditions for investment, whether that is through land assembly, site preparation or the development of accompanying infrastructure.

The housing challenge

The challenge of housing delivery today is great and perhaps greater than it has been for 40 or 50 years. At this time in the economic cycle, house building of scale in the East Thames will require: greater economic certainty, strategic master planning and visioning and a real confidence in the delivery of the accompanying social and economic infrastructure that is necessary

1. For more on this, see http://www.ltgdc.org.uk/

to draw in the crowds. Whilst the challenge is great, opportunities do exist, albeit at a smaller and more local scale.

By way of illustration, local authorities that continue to own social housing stock now benefit from the reforms of local authority housing finance that came into effect in April 2012 (enacted through the Localism Act 2011). These reforms have fundamentally changed the way in which local authorities operate and manage their housing stock. Whilst councils are now responsible for repaying the £28 billion debt that has been allocated at a national level to Housing Revenue Accounts (HRAS) they are able to retain all rental income and make decisions on how they use any net rental surpluses that they generate.[2] At the same time, Housing Association balance sheets, in the main, remain healthy (the sector has accumulated surpluses of around £12 billion (HCA, 2013) and some of the largest and most innovative Housing Associations are located in and hold stock in London and the South East. We return to this below.

In addition, central government continues to develop housing initiatives, most recently the £10 billion housing rental guarantee scheme announced in September 2012 and incorporated into the Infrastructure (Financial Assistance) Act 2012 and March 2013 Budget which included government funding for five year interest free loans worth up to 20% of the value of new build homes (Help to Buy) and a £12 billion mortgage guarantee scheme. Whilst the success of these schemes remains uncertain, they demonstrate an appetite by Government to stimulate housing supply. It goes without saying that future housing development in the East Thames will need to draw on, as far as is practicable, all of the relevant government housing support packages that are available.

Local authorities and Registered Providers (RPS) or Housing Associations also have an important part to play in stimulating housing growth, and we outline below some thoughts on how some new thinking

2. For more on this, see Reeves and Martin (2013).

could complement investment decisions made by private house builders.

There are 16 local authorities in the East Thames, of which 13 continue to own, manage and maintain their own stock through HRAS, comprising around 130,000 units of stock. As mentioned above, the Government's HRA reforms altered the way in which local authority housing businesses are funded and financed, allowing local authorities to retain the proceeds of rental income in return for a re-allocation of historic debt. For some authorities, their allocation of debt and their borrowing limits (or debt cap) are one and the same. Others have some headroom allowing them to extend their borrowing up to government-prescribed limits. Based on our analysis, for authorities within the East Thames area, there is a collective borrowing headroom of around £300 million. There is then, at this point in time, a sizeable facility that could be used to promote new build housing. The available headroom in the East Thames is, however, heavily concentrated (specifically in the boroughs of Newham and Tower Hamlets.) There will of course be competing demands for the use of these resources (including the need to meet decent home standards and regeneration initiatives) but it remains the case that where local authorities are willing to make use of this headroom, it would create a sizable stimulus for housing growth.

Beyond their housing accounts, authorities within the Thames estuary are today using innovative approaches to accelerate housing investment. The borough of Barking & Dagenham is working with its Local Education Partnership to construct homes which are privately financed (by an institutional investor) with the council leasing the homes on a long term basis. The council will be responsible for servicing the lease payments from the net operating income that the rents generate. Properties will be returned to the council at nil value after a 60 year period.

Thurrock Council is also showing proactive leadership in the development of housing. The council assumed the activities of the Thurrock Thames Gateway Development Corporation (an urban development corporation established in 2005) in April 2012 and has continued to develop a number of transformational projects set out in the Corporation's plan. For example, the transformation of Purfleet town centre will seek to create up to 3,000 homes and a wide range of associated business and social infrastructure to generate around 1,500 jobs.

The council is also seeking to establish a Wholly Owned Company through which new affordable housing will be built on council-owned land. The Company will seek to let housing at affordable rent and, over time, dispose of the assets on the open market to Registered Providers or to the council's Housing Revenue Account. The council aims to support housing supply across a range of market and affordable tenures. The Company will seek to stimulate other housing providers to deliver a similar range of housing products at a quality benchmark set by the council.

Registered Providers (RPS) or Housing Associations will also need to play a significant role in the provision of housing across the Thames estuary if the area is to fulfil its potential. Whilst the National Affordable Housing Programme (which provides grants for affordable housing) has been significantly reduced and grant rates continue to decline, many larger HAS are now considering new business models that will enable them to continue building new stock in a low/no grant environment. Typically they are seeking to do this by extracting and recycling value locked into their existing asset base, via sales and disposals, to support new affordable and market rented supply. In a low grant environment, such models will be critical to driving affordable supply across the East Thames.

There is a further role for authorities here, particularly where they are in a position to release land to be used for affordable housing at a discount, or with their land contribution taking the form of an equity stake that is then realised only when homes are sold.

This model has real potential to stimulate housing supply in places where affordable housing needs are seen as paramount and where the objectives of local authorities and RPS can be strategically aligned.

Going forward it might also be the case that funding emerging from Local Enterprise Partnership (LEP) single settlement pot funding (Central Government funding to support regional growth), which will amount to £10 billion over the life of the next parliament, could be co-ordinated at an East Thames level. If RPS were able to collectively understand the key objectives, ambitions and needs of the East Thames area then a more strategically focussed approach could certainly be developed to harness their investment potential.

Looking forward

We have sought to outline the challenges of building quality affordable homes on a large scale in the Thames estuary – a challenge that existed even when the region had the focus of a Deputy Prime Minister and the Department he led.

The challenge is even greater today. The current Government's focus on the East Thames as a regional driver of growth has dissipated and interventions that are being made are now being planned and delivered at a more local level. The Government has a greater focus on large scale economic infrastructure and the UK still has to deliver a deficit reduction plan that will require spending cuts of a further £80 billion over the period 2012/13 to 2017/18 (OBR, 2013). In the absence of complementary funding to open up the estuary, the housing challenge is huge. Indeed, without political sponsorship and a strategic vision that articulates the objectives and economic case for the East Thames (and the sources of funding that will deliver it) progress is likely to remain piecemeal.

At a more local level, however, opportunities remain, and we have outlined some of these. But these opportunities are only likely to be realised if the key stakeholders in the East Thames are able to align their resources around a shared agenda of investment and if there is a shared understanding that housing is a priority. Delivery will then be dependent on the development of new ways of working, particularly around more innovative funding models.

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This publication has been generously supported by GVA and CH2M HILL.

ISBN 978-0-9576912-4-7

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