A positive view for London's economy

Savvas Savouri is convinced that Britain's positive outlook is not contingent on continuity within the EU, but rather on Britain remaining an open market economy and London a welcoming Capital city open to the continued arrival of capital, both human and financial.

The Industrial & Commercial Bank of China (ICBC) recently opened a wholesale branch in London, the first instance of such a move by a mainland Chinese bank since the People's Republic came into existence in 1949. That the world's largest bank show a clear preference for London for its European hub, is just one of the many endorsements of London being made by China.

Earlier in the year China Construction Bank, the second-largest lender in the G8's fastest growing economy, acquired 111 Old Broad Street, a seven floor building in the heart of The City covering one hundred and twenty square feet. Whilst it was agreed that the seller, KBC of Belgium, would remain a tenant I doubt it will remain so for very long. For this purchase was not simply motivated by China Construction Bank's desire to be invested in London's commercial property market. Rather it was to my mind at least, a move very much focused on the practicalities of occupancy, the bank designating the site as its European Headquarters which I am sure it will hire significantly into.

Tellingly, shortly after this acquisition China Construction Bank became the first bank to be awarded a mandate to clear yuan denominated financial instruments in London, a market which promises to expand considerably over coming years and a market in which Britain's capital is set to be a significant global trading hub.

More generally across London, the redevelopment of London's Battersea and Nine Elms as well as Kings Cross districts have involved considerable overseas funding from sovereign wealth funds whose investment ambitions can hardly be considered reckless or short-term. Norway too has become a keen investor in the UK, not least via its engagement with The Crown Estate, most notably in and around Regents Street.

The magnetic pull of London has also been felt closer to home, with over one hundred thousand Italians, Spaniards and French applying and being granted National Insurance numbers in the year to September, all motivated with an ambition to work in London. Indeed, London's fortunes could hardly contrast more with events unfolding across the major capitals of mainland Europe, cities across which have been bludgeoned by falling employment and austerity programmes which have not only sent real earnings spiralling downwards, but nominal wages.

Paris itself finds itself in the midst of an economic storm which is seeing a wave of professionals making the relatively short journey across the English Channel. For the economic story across Continental Europe could hardly be more different from that of London whose commercial and residential property markets are both enjoying frenetic new build and rising prises, and where employment is at an all time high. Indeed, it would not be unreasonable to claim that London is performing well not despite the unpleasant economic events unfolding across mainland Europe but in part because of them.

A particularly telling feature of London's impressive growth has been the rapid expansion of its Universities, almost all of which have been expanding to meet growing demand for places, most notably from students originating from well beyond the EU, the vast majority paying generously for the privilege of studying in Britain.

There is of course the uncertainty of a looming general election and contingent on this the possibility of a vote on Britain remaining within the EU. Uncertain as the outlooks may be for which party or parties hold power in Parliament, and >>>

Dr. Savvas Savouri is a partner and chief economist at Toscafund Asset Management LLP

Chart 1: London workforce, with forecast

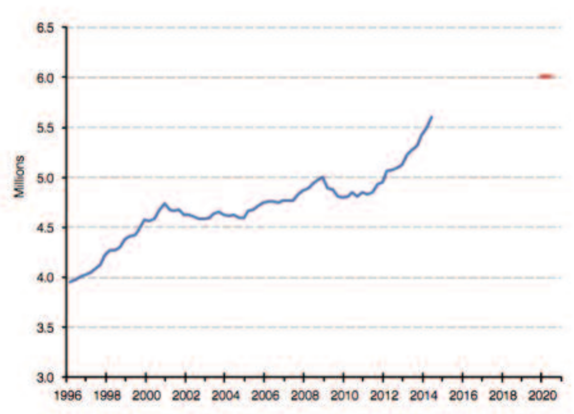
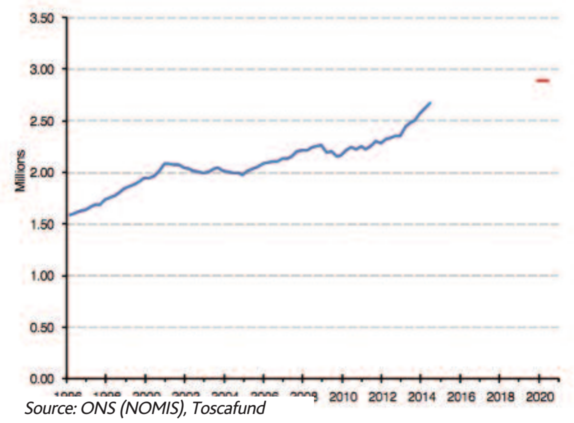
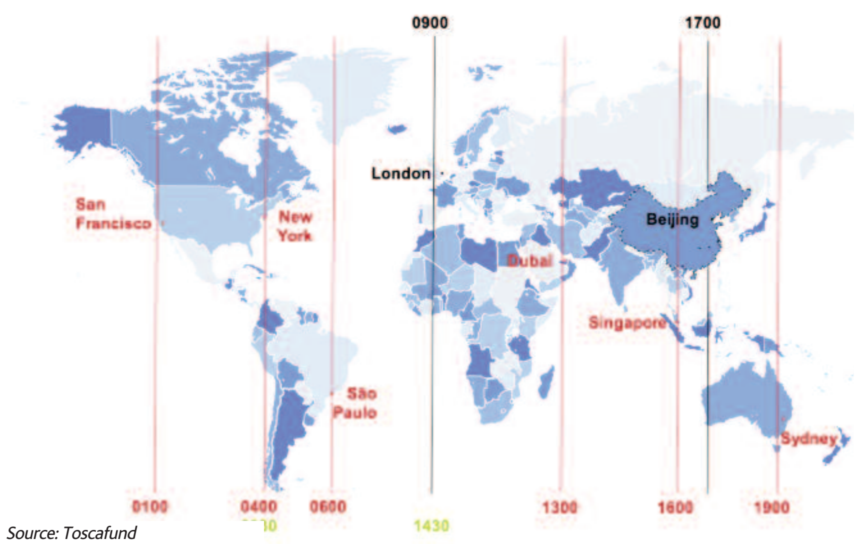


Chart 2: London finance & business services, with forecast



Source: ONS (NOMIS), Toscafund

Map 2: Britain timed to perfection



Source: Toscafund

whether Britain remains in the EU, we must not exaggerate what impact this is having on London's fortunes. The reality after all is that rarely is the outcome of a British General Election 'certain', and that despite this perennial 'uncertainty', the Qatar Investment Authority in conjunction with Canada's Brookfield Property Partners is bidding for London listed Songbird Estates, the majority owner of Canary Wharf Group.

Indeed, property assets across London continue to attract buyer interest from overseas, interest not entirely welcomed by some, but whose interest is clear evidence that whatever Briton's themselves may sense about the strength of their economy, observers from outside hold a very much favourable outlook.

Britain is an English speaking economy with a long tradition of being home to a highly educated and skilled work-force, one which is growing thanks to the output of its own education system and arrivals from overseas. The reality moreover is that Britain enjoys a unique positional privilege, one aspect of which is a time zone ideal in enabling around the clock activity for businesses across South America and Asia which need to have a secondary base to complement their growing 'home' hubs. After all rather than multiple shifts in one location, firms across a range of professional services satisfy their need to be continuously open by having multiple presences across time-zones. And no nation provides a more time-perfect solution across Western and Eastern hemispheres than Great Britain *(see map 2).*

Being the self-designated home of GMT ensures Britain's work day begins as activity across Far Asia winds down. London after all operates for a number of hours after dawn breaks over New York. In short, no other established business centre sits better placed than London. One can, in a standard working day, straddle the US and Asian markets. Moreover, London's air transport capacity is extremely well developed with few if any of the world's capitals having regular flights to as wide a variety of destinations as London, whose business districts can claim reliable links to five international airports.

It is not a question of London building as a global business centre at the expense of Shanghai, Singapore or Sydney, but in tandem with them; so too with Dubai and São Paulo. Just as staff have over the decades moved to and from London and Tokyo, Hong Kong and New York so London will exchange personnel with the World's new and fast growing business centres.

This cross-pollination will not only be helped by London's convenient time-zone and (improving) air links, but by the fact, as already mentioned, that English is the recognised language of global business. There is also the fact London is an extremely appealing place to work for a host of recreational, educational and medical reasons.

Men and women – single and with families – across New Growth Economies, will see a secondment to London as a prize not an inconvenience. This was the case with the Japanese in their halcyon 1980's and European and Americans when their firms were in their prime. So it will be with Chinese, Brazilians, Russians, Australians, Canadians and other professionals across the world's New Growth Economies.

I anticipate that whilst the front-office staff of new business arrivals to Britain will occupy marquee buildings across prime London, their mid and back offices will most likely be located away from these, deployed beyond central London indeed beyond London entirely, to cities whose office costs are priced more competitively. And there is no doubt in my mind that mid and back office staff will be more than happy to be located or relocated across Britain, conscious as they will be of how the quality of life for themselves and their families will be improved by their incomes carrying further, not least in terms of housing.

Let me end by dealing with two concerns. One that regulatory and tax changes will deflect new arrivals from London and the other – already touched upon – that political uncertainty will undermine Britain's positive economic outlook.

Let me first say that regulation is being tightened widely and taxation increased alongside this, and in most cases to a degree more punitive than Britain. Indeed, those keen to caution on the 'Google Tax', might like to reflect on the fact that Google have committed themselves to one million square feet of space in King's Cross.

On the topic of Europe I am convinced Britain's positive outlook is not contingent on continuity within the EU, but rather on Britain remaining an open market economy and London a welcoming Capital city open to the continued arrival of capital, both human and financial. Whilst no precedent exists for a nation departing the EU it is important to remember that Norway and Switzerland offer examples of sovereign European states outside of the EU, but very much engaged with it. And I see their experiences as templates were Britain to find itself outside of the EU.

As for the fear Brexit would see Britain pariahed by the EU I must stress the EU will be unable to "cut Britain out" of Europe because it would not serve its own self-interest at a time of economic difficulties which I believe Continental Europe will have to endure for some time. To repeat I see Brexit less likely than continuity for Britain within the EU but with greater flexibility within it.

It is my conviction that not only will London and Britain broadly will continue with positive economic momentum, doing so as new global market behemoths – most notably, but not only China – continue on their development paths and see London and indeed a broader British presence, an essential element in their ambitions.

Before joining Toscafund in 2008 Dr Savvas Savouri was the CEO of Quantmetriks. Between 1991 and 2005 he worked for Lazard Capital Markets, Credit Lyonnais Securities and Commerzbank Securities after having started with ABN Amro, in each case in the capacity of head of quantitative economics. Before 1991 Savvas lectured at the LSE and Oxford University in statistics, economics and forecasting. Dr Savouri was awarded a doctorate in Econometrics and Mathematical Economics from the LSE, where he also obtained MSc and BSc degrees in econometrics and mathematical economics.

Big, bold, global, connected

Andrew Jones, Tom Venables, and Roland Chanin-Morris reimagine the London city region

2014 marked 70 years since Sir Patrick Abercrombie's Greater London Plan set out a bold vision for London and the South East. The Abercrombie Plan was a trailblazer for sub-regional, strategic planning and shaped much of the London and the South East we know today. Its understanding of opportunities and constraints, and on matching growth projections with land uses and infrastructure resulted in a number of similar plans being developed around the world.

However, strategic planning is no longer a mainstream activity for UK planners. In 2015 there is no equivalent plan in place to guide growth across the wider South East despite the challenges of population growth and infrastructure delivery that dominate the professional and political agenda.

The Greater London Authority's (GLA) London Plan looks 20 years ahead and necessarily stops at the GLA boundary. The Mayor's 2050 Infrastructure Plan begins to ask big questions about London's long-term growth, but it too is restricted to the GLA boundary (although hints towards growth beyond London), neither plan is able to fully marry infrastructure with a vision for spatial and economic development.

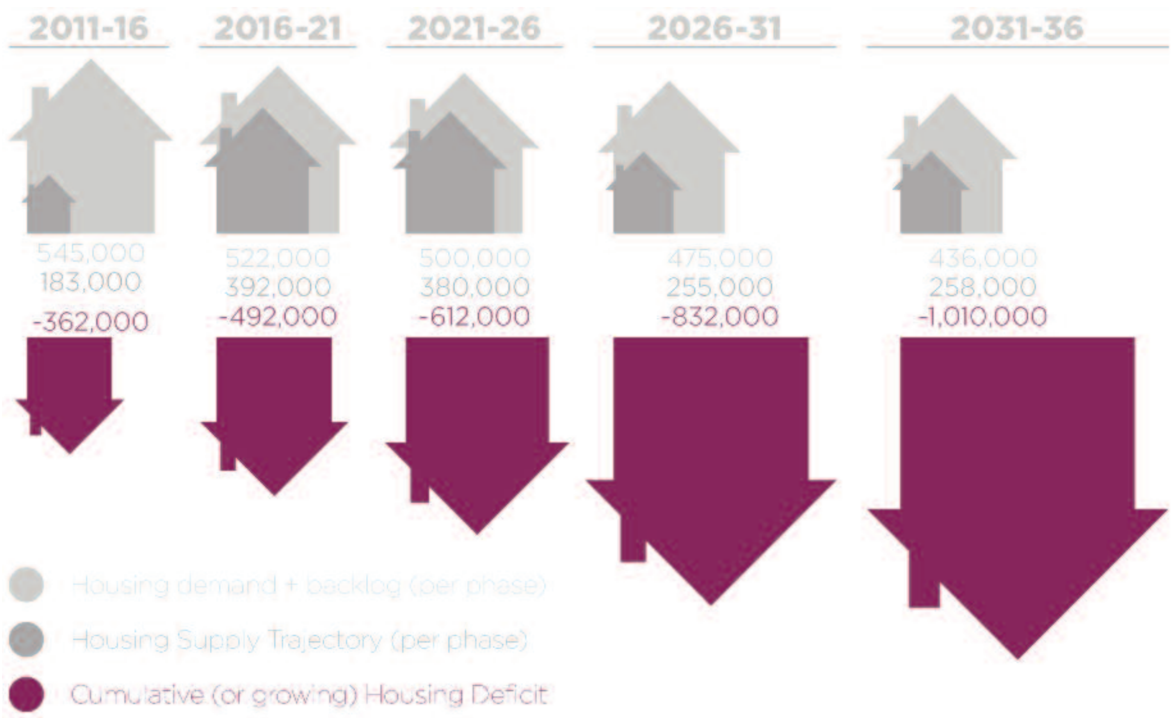
Currently, coordination beyond Greater London is dependent on a fragmented system of hundreds of 'duties to cooperate' between individual authorities and statutory providers. However, there is a growing recognition that areas beyond London will need to accommodate some of London's growth. The Inspector's Report on the Further Alterations to the London Plan (FALP) published in December 2014 made it clear that London is short of some 6,300 homes per annum.

The Mayor has called for a "summit" of South East local authority council leaders to discuss a strategic approach and the Home Counties are now starting to take this requirement seriously. This summit, now scheduled for after the general election, may be the start in formulating a more strategic approach but it will undoubtedly be highly controversial for politicians.

A Global Megacity?

London and its hinterland already function as a single, interconnected metropolitan region with a population and economy more akin to rival global megacities with 20m+ citizens. London's global contemporaries include metropolitan areas such as Tokyo, New York and Seoul and importantly emerging cities such as Delhi, Shanghai, Karachi, Mumbai, Mexico City, São Paulo, Beijing, Lagos, Osaka, and Jakarta. To compete we

RIGHT:
London City Region Housing Shortage to 2036 – AECOM



Considering London and the wider region together, AECOM has identified a need for more than 2.5 million homes by 2036. One million of which are not currently planned for. (Information based on analysis of GLA and ONS population projections and local authority Strategic Housing Land Availability Assessments)

Andrew Jones, is practice leader, Tom Venables, director and Roland Chanin-Morris, senior consultant – Design, Planning + Economics, AECOM should be planning London's growth at this global scale.

In considering a 'London City Region', AECOM has researched an area stretching 90 kilometres from Central London, encompassing areas that are (or could be) within one hours' travel time of the capital on the existing and future transport network. This City Region (which embraces major regional centres like Oxford, Cambridge and Milton Keynes) has existing economic, cultural, functional and social ties with London. Over one million people travel between London and the wider City Region every day, in addition to commuting between the regional centres.

Unprecedented Growth Pressures

This London City Region faces unprecedented growth pressures. According to ONS, the cumulative population is projected to grow to over 24m by 2035, and could approach 30m by 2065. The rapidly mounting housing deficit is contributing to rising housing and living costs which threaten to choke London's economy and undermine the civic qualities that make it an attractive place to live. AECOM's research has also revealed a longer-term problem.

By 2035, an additional 2.5m new homes are needed across the Region to address the deficit and accommodate new growth. AECOM's analysis of the 127 district and borough Strategic Housing Land Availability Assessments (SHLAAs) within the City Region reveals that there are only identified sites for 1.5m homes, meaning a deficit of 1m homes remains.

In light of this, AECOM has been thinking about potential solutions. The number one priority, particularly in light of London's megacity competitors, is to start thinking of the London City Region as it really is: a connected metropolis of 20m+ people with the economic heft (and capacity for bold, coordinated action) to maintain the capital's position as a leading global city and the UK's economic gateway to the world.

To reinforce this global position we need a coherent spatial vision that links hard and soft infrastructure, and can guide the growth required. This does not mean ripping up the system but to use it to develop a new system of City Region governance to prioritise investment and coordinate action amongst the many players across the city region.

What would such a vision look like? AECOM has identified a few key ingredients.

Multiple Growth Solutions

There is no single answer to solving the growth dilemmas facing the London City Region. A coordinated approach that encompasses a variety of solutions, based around highly accessible public transport, is required. This approach includes:

Living closer Greater London must continue to be a focus for housing growth. A new generation of development is needed to provide the volume of new homes, as well as new types and tenures to address an increasingly unaffordable market and ageing population.

Enormous capacity for further growth exists around London's existing suburban centres – especially those on the existing transport network that are neither meeting their full development potential nor optimum densities. Development here can build on existing infrastructure and facilities while reviving the role of declining suburban centres.

New New-Towns To accommodate the scale and pace of housing demand, a bold programme of new town development, that matches the ambition of the post-war period, is needed. The government's much heralded proposals for more than 40 'garden cities' of around 15,000 homes will go some way, but come nowhere near to meeting the London City Region's growth requirements. The 13,000 home "garden city" at Bicester represents only three months of the London City Region's needs.

New towns with greater critical mass would deliver infrastructure, provide a basis for strong and diverse communities, and meet the demands of a generation which increasingly demands the vibrancy and amenities of urban living.

Larger, urban projects will be developed over 20-25 years on highly accessible points on the transportation network with population targets of over 100,000. These will provide an opportunity to group infrastructure projects, making them more attractive to international investors keen to invest in the UK but wanting clarity on the opportunities in and around London.

Strengthening the Regional Cities Network As well as new settlements, we must continue to strengthen the network of historic regional cities as major economic and population centres in their own right. Cities like Oxford and Cambridge, for example, are already connected 'global cities' with strengths in the research and technology-based sectors that are crucial to London's future economic success. This growth can be achieved through densification, urban expansion, or sensitive development in their surroundings that is linked with improved public transportation systems.

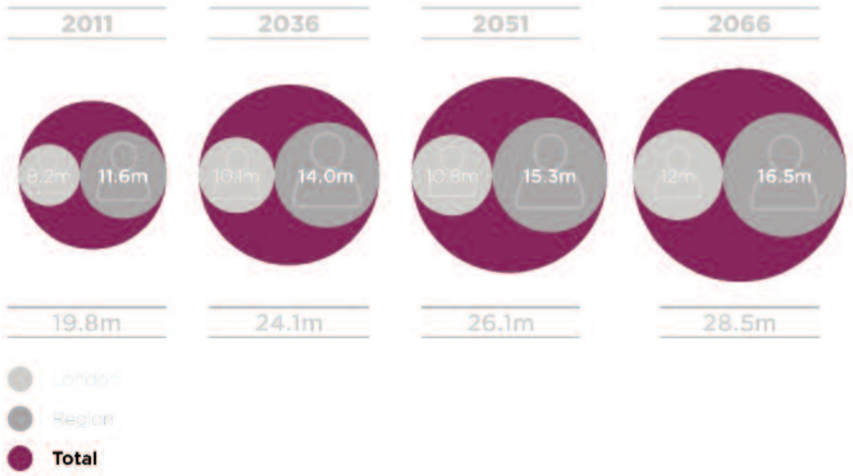
Going greener

It is time to reconsider the Metropolitan Green Belt. Originally established to contain urban sprawl and provide access to nature for Londoners, the Green Belt was successful in its original purpose but is failing to meet the needs of the 21st century. Railway and tube lines running within the Green Belt make it one of the best-connected areas in the country, but the UK is failing to capitalise on this past infrastructure investment.

There are approximately 63,800 hectares of potentially developable land (i.e. outside protected areas of environmental value or prone to flooding) within one mile of existing rail stations within the Metropolitan Green Belt. This represents 12% of the total Green Belt, yet is theoretically enough to accommodate more than 2.5m homes. In many instances development would be better located outside the Green Belt, but the scale of the challenge means that a sensible dialogue must take place about Green Belt reform.

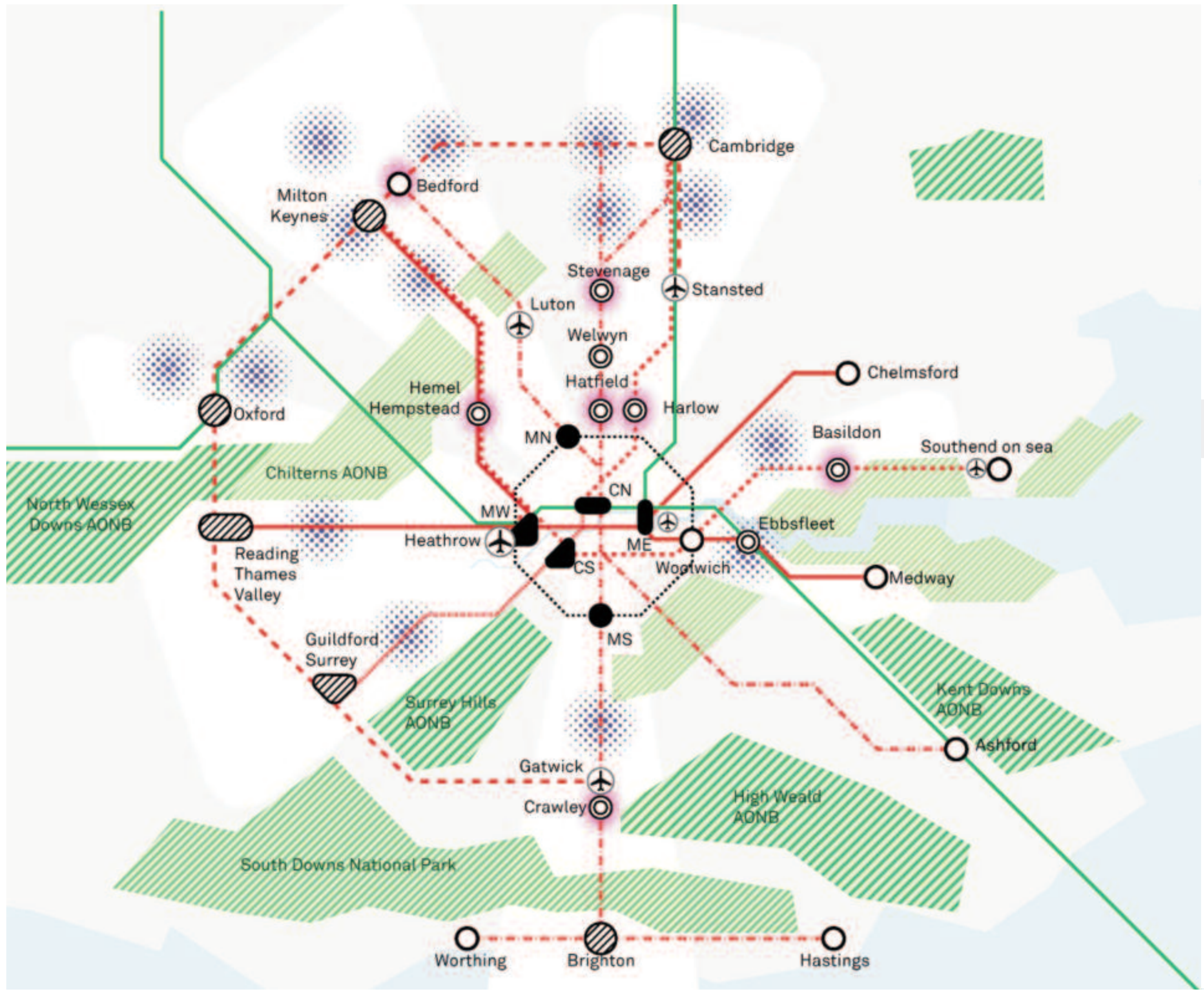
Green Belt release remains politically toxic. A Royal Commission is needed to evaluate the entire Green Belt in terms of its ecological, amenity and development value to identify opportunities for controlled development that balances London's growth pressures with environmental protec-

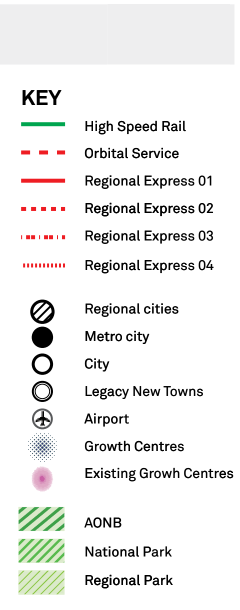
BELOW:
London region population growth to 2065 – AECOM



'Living Closer', New new towns' and 'Strengthening' are sub-points under multiple point solutions

"Analysis based on population growth data supplied by the Office for National Statistics (ONS) and the greater London Authority (GLA)"





LEFT:
The main spatial plan/regional transportation network in 2065

tion and limiting sprawl. Any Green Belt lost must be compensated by quantitative and qualitative enhancements elsewhere – enhancing the role of green infrastructure as a cohesive natural and recreational asset for the capital and its city region.

Connecting the region

Linking these initiatives together will require a new, strategically-planned transportation network, connecting and activating growth centres as part of a polycentric London City Region. Crossrail is providing new links across Greater London, but this investment can be made to work harder by extending into more areas beyond the GLA boundary and connecting into the existing national rail network (especially as high speed rail investment frees up express commuter capacity on today's intercity lines).

In the longer term, an expanded high speed rail system (with connections towards the West and Wales, and to the North and East via Cambridge) would connect London to other UK City Regions, while linking the major regional cities, airports and London with sub-30 minute travel times. A direct high speed through-connection to Europe could relieve pressure on our airports, and enhance the role of Heathrow as an air hub. Meanwhile, improved orbital connections both within London, and towards the boundary of the City Region, will allow it to function as a polycentric network.

Delivering differently

Making this happen needs new thinking about how we deliver growth and infrastructure. With less direct public sector funding available for transport and community facilities, privatisation of utilities and growing usage, new models of funding and delivery are necessary. Clustering projects, linking new development to revenue streams, capturing land value and establishing a clear delivery plan will all make infrastructure more bankable.

The next 70 years

London's regional growth challenge is daunting, but it is well within our capacity to deliver. At stake is London's livability as an 'ecosystem' of inter-connected neighbourhoods, localities and towns; its role as an economic engine for the UK; and as an economic and cultural hub for the world. To reflect this evolving geographic picture, London and its hinterland must think and operate at a different scale. The political constraints which prevent us from working as a unified London City Region must be overcome. ■

1 http://www.planningresource.co.uk/article/1324192/london-mayor-agrees-home-counties-housing-growth-summit

AECOM's Manifesto for London – to be published in 2015 – sets out in more detail the challenges we see in the region and our thoughts on how to address them, including the points raised in this article. It is our contribution to a growing debate about London and the UK's long-term future, which will gather pace in 2015 as we move toward the general election and the 2016 mayoral election.

ABOVE: London city region commuting trends – AECOM

To fully understand and successfully manage the London region's housing needs, AECOM analysed the housing shortfall and commuting trends for the 33 London boroughs and 94 local authorities within 90 kilometres of central London that make up the wider metropolis. This research shows that 2.5million homes will be needed by 2036.

What does Lyons mean for London?

Lyons sets out only a few of the measures available to increase delivery of new homes for London and whoever comes to power next year is likely to adopt some of them says Nick Belsten

For the first time since the 1950s, the main political parties acknowledge that housing shortage is intrinsically linked to economic growth. Announced in October, the Labour-backed Lyons Report indicates that housing need in the country (at least 243,000 homes per year) is far greater than the 200,000 being proposed.

In London, the recent updates to the London Plan seek a revised housing target of at least 42,000 new homes per annum including 25,600 affordable homes. This is a third higher than the original 2011 London Plan target. However, delivery continues to fall well below the potential housing need of 49,000-62,000 new homes (London SHMA 2013).

The green belt is frequently referred to as a constraint to development and housing growth and it is acknowledged that not all green belt land is valuable. Yet not one of the recommendations contained within the Lyons Report suggests that its review could assist in housing delivery. Is this a politically motivated omission rather than sensible planning?

A strategic decision to review the green belt at national level would allow greater housing growth in the London commuter belt. Town and cities within commutable distance already benefit from good connectivity into London and could play a huge role in alleviating the housing pressures in the capital and the South East.

Lyons recognises that there is not enough brownfield / previously developed land to meet housing needs on its own. Neither are there sufficient measures in the form of financial incentives to encourage greater development on brownfield land where higher costs tend to make it unviable to develop.

Boosting London's housing

However, the report does include a number of measures that could help boost housing delivery in the capital.

The emphasis on greater guidance on Strategic Housing Market Assessments set out in Recommendation 8 is welcome. By providing greater clarity on a key component of the evidence base, the government will secure a more consistent and accurate approach in identifying the full objectively assessed needs of the housing market area which should then inform the development plan.

The housing target won't be met by major housebuilders alone. Measures to de-risk planning will be key to increasing the delivery of houses from small to medium enterprises (SMEs) who will play a crucial part in achieving higher targets (Recommendation 12).

Reducing the risk associated with planning by allowing 'red line' applications to establish the principle of housing on sites of 10 units or less will remove a massive cost burden and reduce planning risk, which should encourage more SME's to enter the market. The ability to proceed with implementation

The Lyons **Housing Review**

Mobilising across the nation to build the homes our children need

of permissions if councils don't discharge or deal with conditions within eight weeks is also likely to speed up delivery and remove another burden on developers.

The need to promote the better use of surplus public land to support new homes outlined in Recommendation 25 could lead to the provision of 200,000 new homes across the UK by 2020. In London, public sector bodies are major landowners and could play a key role in boosting housing delivery.

Finally, Recommendation 27 builds on the need to support SME's by encouraging local authorities to make small sites in public ownership available for purchase and development by SME's. In addition, a Help to Build scheme has been suggested to allow SME housebuilders to access lower cost bank lending.

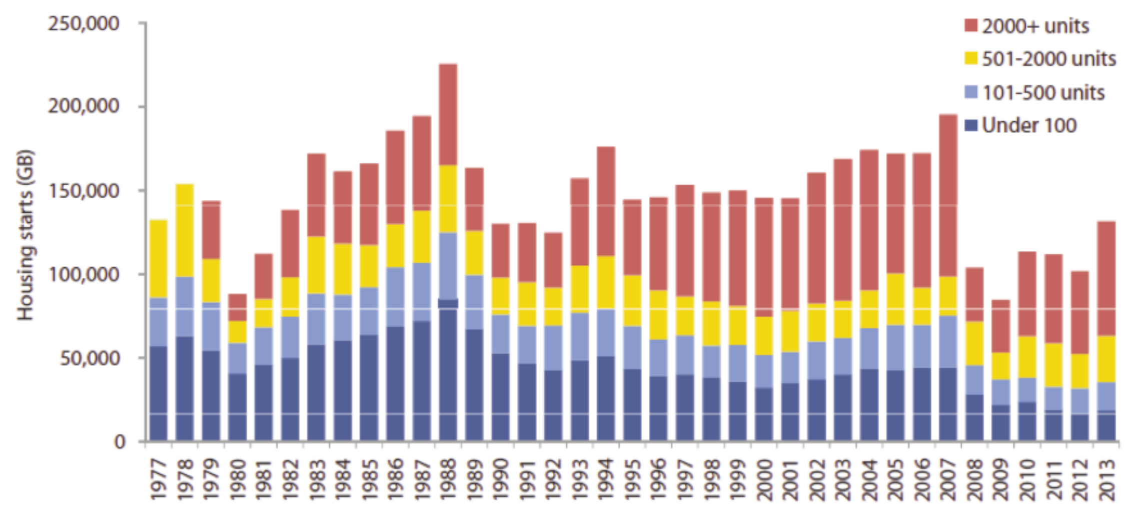
In some respects London is at a crossroads: continue as before and the economy will stagnate; alternatively, put measures in place that ensures housing delivery, smaller business support and investment in much needed infrastructure and the capital's position as a leading global powerhouse can be sustained.

Planning is key to facilitating this. However, we need investment to ensure a skilled, well-resourced and efficient planning system is in place. The constant tinkering of the planning system, coupled with funding cuts is counterproductive. Ensuring a planning system that provides greater certainty will assist in housing delivery while also attract new entrants into the housing sector, who have otherwise been put off by both its complexity and uncertainty.

Of more significant concern is the vastly under-resourced construction sector, where it is estimated that there is a shortfall of at least 60,000 skilled construction workers in London alone, which means that we simply don't have resources to construct enough houses to keep up with demand. Investment in skills training and new innovative housing products is essential – we still use very intensive traditional methods of housing >>>

Nick Belsten is head of Indigo Planning's Central London office.

Figure 7 – Housing starts by size of developer, Great Britain



Figures from the Lyons Report

construction and the Mortgage lenders need to be more flexible rather than accepting only the traditional 'bricks and mortar' construction.

London devolution?

Recent speeches by Minister of State for Housing and Planning Brandon Lewis MP and the Chancellor's Autumn Statement gives little comfort that the current government is taking these issues as seriously as it should. This only seems to strengthen the argument for the devolution of greater powers to London and the regions to give greater control over how the taxes it raises are spent.

Currently, London doesn't necessarily benefit from the money it generates. The Mayor of London and the London Plan are helping to redress the balance, but true devolution, such as that recently secured by Greater Manchester, would help some of the 10 unhappiest places in the country, all here in the capital, capture the investment they so badly need.

Devolution for London would mean more equal distribution of the taxes it raises (not stamp duty in its new form, but council tax and business rates) and more efficient delivery of development programmes and infrastructure projects such as HS2 that will not only benefit the city, but also bring commercial advantages to the rest of the UK.

Applying a property tax on foreign investors might also be something the government should explore. Certainly, it is difficult to deny that foreign investment has not been partly to blame for London's over inflated housing market.

The introduction of a property tax on foreign investors is a small price to pay given the benefits that the UK's stable political and economic environment brings in comparison to instability elsewhere in the World. Clearly, we don't want to push away international investment, however, given the bullishness of foreign investment in London's property market there is little evidence to suggest that such a tax would slow down investment.

More positively, the government's announcement in December that it will build new homes directly for the first time in 45 years is good news. Releasing land for 150,000 new homes in five years is an important contribution to supply; new towns – while not as sustainable as urban extensions – bring with them infrastructure improvements needed for new communities to function well, and halving the time it will take to get from planning to construction can only help with speed of delivery.

Whilst direct commissioning of housebuilding is welcome, the government urgently needs to tackle the construction skills shortage for these measures to be a success. Many house builders simply can't build enough homes quick enough through lack of resource and there is a chance that what could be achieved under this new system will be cancelled out by market conditions.

These are only a few of the range of measures available to increase delivery of new homes for London and it's likely that whoever comes to power next year will adopt some of them. However, we are unlikely to see real systemic change before the general election in May 2015 and until then the major questions are more political than practical: who will be in power on 8 May and, with time to enact some far reaching policies as well as quicker wins, will they have the political will to effect the changes London needs? ■

Figure 6 – Land Use in England

Source: NLUD 2005

Lyons Report: industry reaction

as collated by *Planning* magazine

Liz Peace, chief executive of the British Property Federation, said: "We were told that the Lyons Review would be meaty, and it has certainly proved to be so. The sensible review is extremely comprehensive and pinpoints exactly where problems in the planning system are and comes up with thoughtful solutions. While some proposals, for example those surrounding 'use it or lose it', may be difficult to implement, on the whole the review shows a clear understanding of the major problems of the planning system, and how these impact on development in the UK. It would be fantastic to see other political parties commit to such a thorough and all-encompassing review like this one."

Bhavash Vashi, director at Barton Willmore, said: "We of course welcome Labour's ambition to build 200,000 homes a year but there are at least two major issues that all political parties need to confront head on if we are to ever reach these targets. The elephant in the room is the lack of a public sector housebuilding programme…The second major obstacle is the >>>

Established in 1987, Indigo Planning has grown to become one of the largest independent planning consultancies in the UK, with offices in London, Manchester, Leeds and an associate office in Dublin.
With clients ranging from landowners, major PLCs, housebuilders, local authorities and other public sector bodies, retailers, pension funds and investment banks, its 75-strong team prides itself on a creative approach to advising on – and securing – large-scale planning projects across the country.
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The Lyons Report: 10 key recommendations for planning reform

1. Reforms to increase delivery of land through local plans

Lyons recommends that all local planning authorities should be required to submit a local plan to the Planning Inspectorate for examination within a set time frame (by December 2016). If this requirement is not met, the secretary of state would have the power to direct the Planning Inspectorate to intervene to ensure a plan is produced. Where there is a persistent under delivery of housing, the secretary of state would have powers to direct further efforts, "including an increase in the buffer of identified land to increase the number of sites with potential for delivery; designation of a planning authority; or the creation of a New Homes Corporation".

2. The Right to Grow

Lyons suggests that groups of authorities covering one or more strategic housing market area should be able to prepare a "Strategic Housing Market Plan" with statutory weight which must be taken into account in developing and updating local plans. Lyons recommends that the secretary of state should have the power to require the authorities of a particular housing market area to complete a Strategic Housing Market Plan where co-operation is not forthcoming and housing need is not met. The report says that the request for a direction to undertake the SHMP could be promoted by one or more of the partner authorities, the LEP, the Planning Inspectorate or the secretary of state.

3. Simplifying local plan making

Lyons suggests that the plan-making process should be split into two stages. Local authorities would first work together on the strategic elements of their plans including housing numbers, strategic infrastructure, major urban extensions or new settlements. Once found sound by the Planning Inspectorate it could be accorded weight in decision making much earlier than at present. The detailed work on the detailed policies of a local plan could be approved after a lighter touch second stage, the report suggests.

4. More resources for local planning authorities

Lyons recommends that local planning authorities should be able to set planning fees locally on a full cost recovery basis, "but in return for guaranteed high levels of service. This could be piloted or rolled out with local authorities required to present a business case and charging schedule in consultation with developers".

5. A spatial dimension for the NPPF

Lyons proposes a "national spatial dimension to the NPPF to identify opportunities for substantial housing growth created by national infrastructure investment". The report says that this guidance would inform local plans and major developments and ensure national infrastructure decisions are linked to opportunities to build more homes. The report adds that the NPPF should be updated to establish a brownfield first policy with a sequential test to be applied to development.

6. Use it or lose it

Lyons recommends that the life of a planning permission should be reduced to two years with higher fees applying for renewal of expired permissions. The report suggests that councils should have powers to levy a charge equivalent to council tax if land allocated in a plan with or without permission is not brought forward within five years. "This should be applied only where land is voluntarily put into a plan and can be demonstrated to be deliverable and should be accompanied by a mechanism for appeal," according to the report.

7. Affordable housing planning changes

The Lyons Report says that, to strengthen the ability of local planning authorities to meet affordable housing need in their areas, the definition of affordability in the National Planning Policy Framework should be revised to reinstate the previous definition that affordable housing should "meet the needs of eligible households at a cost low enough for them to afford, determined with regard to local incomes and house prices". It adds that the proposed change for a minimum threshold for affordable housing section 106 contributions should be reversed.

8. New Homes Corporations.

Lyons suggests that local authorities should be allowed to request the creation of locally led New Homes Corporations as delivery agents to respond to the specific needs across a housing market area and provide the powers, focus, expertise and resources to deliver an ambitious programme of development. They would bring together housing associations, development and investment partners to focus on the delivery of new homes.

9. Garden cities and garden suburbs

The Lyons Report recommends that government should immediately promote a programme of garden cities, garden suburbs and remodelled towns and cities. Garden cities would be delivered by new Garden City Development Corporations based on updated New Towns legislation. Government should publish criteria for locally-led Garden Cities articulating the criteria government will expect them to meet and setting them in the context of national spatial priorities, the report recommends. Local authorities would be invited to come forward with proposals developed in partnership. Proposals from private promoters would be accepted but only where they can demonstrate local support.

10. Local homes for local people

Lyons suggests that, in areas with a public stake in new housing development, local authorities should be empowered to "ensure that a proportion of new homes are released and marketed locally before further afield so that people living locally or with strong local connections including first-time buyers get the chance to buy the homes that their local community have given permission to be built".

lack of delivery of significant new infrastructure, which too often gets bogged down in planning inquiries for a decade or more. We need a much shorter timeframe, less than 12 months, to consider Nationally Significant Infrastructure Projects. All parties must of course be mindful of their commitment to localism and the desire for local decision making, but without political will and local leaders prepared to show courage to drive forward development we will never be in a position to solve the housing crisis."

RTPI President **Cath Ranson** added: "We share the Lyons report's strong view that as a nation we should continue to plan locally for housing and prioritise doing so. Notions that a development free-for-all would be good for the country are wrong and would further fuel land speculation." The RTPI said that while it welcomed the proposals for incentives for brining garden cities forward, more needs to be done to address matters which cross local authority boundaries. "The recommendations on more affordable homes for local people are important, but we would need to see the detail of how this would work in practice," it said. "But all of this needs resources and local Government planning departments have been disproportionally reduced."

Kate Henderson, TCPA chief executive and a Lyons Review Commissioner, said: "The Lyons Review has rightly placed the housing crisis and the need to deliver more homes at the top of the political agenda. The TCPA strongly supports the recommendation in the report that a new generation of Garden Cities should be promoted immediately by an incoming Government. For the first time in a generation we are now in the position of having cross party political support for Garden Cities. The Lyons Review sets out the important next steps of how to deliver them, including a recommendation to update the New Towns Act. It is time to seize on this opportunity and deliver the homes and communities the nation needs. The Lyons Review has also been right to focus on the quality of new homes as well as the quantity. We particularly welcome recognition in the report for space standards, high quality design and zero carbon standards."

David Orr, chief executive of the National Housing Federation and member of the Lyons review panel, said: "I welcome the ideas that would see us build 200,000 new homes by 2020 and the ambition to go beyond this to meet demand. However the majority of homes are beyond the means of most first-time buyers… We can only make these new homes genuinely available for local people if we also make them more affordable… We are calling on the next government to commit to end the housing crisis within a generation and to publish a long term plan within a year of taking office detailing how they will do this. The ideas detailed in the Lyons review would take us a step closer to this."

Stewart Baseley, executive chairman of the Home Builders Federation said: "We welcome the commitment by Labour to increase housing supply. Whilst we have seen a big increase in house building activity in recent months, we are still not delivering enough homes to meet the country's needs. Policies that would result in more land coming forward for development more quickly and further assist first time buyers would clearly provide a boost to housing supply. We look forward to working with the Labour party to develop their policies as we move towards the general election."

Richard Alden, head of commercial property at National Grid, said: "We welcome the general focus on housing supply, and many of the measures proposed to achieve this. As the company responsible for the management of around 500 of National Grid's surplus sites, we have significant brownfield land that can be made available for much needed housing. But we recognise we can't do this alone and will continue to forge relationships with partners to bring our sites back to beneficial use. We work with a variety of stakeholders and partners to return our land to beneficial use, and as such welcome the proposal for Olympic Park-style new homes corporations. It is vital that these new organisations have the power and freedom to remove many of the uncertainties and restrictions which unnecessarily slow the development of suitable land."

Figure 5 – Historic housing completions, England

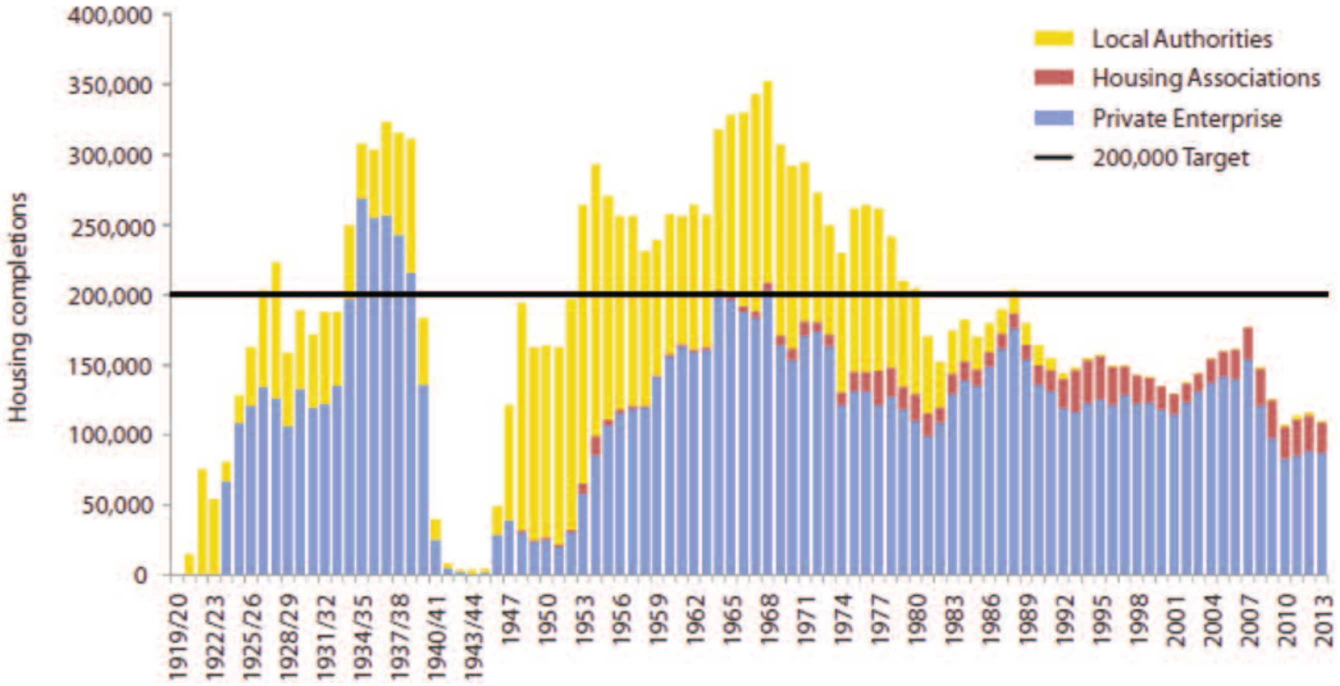
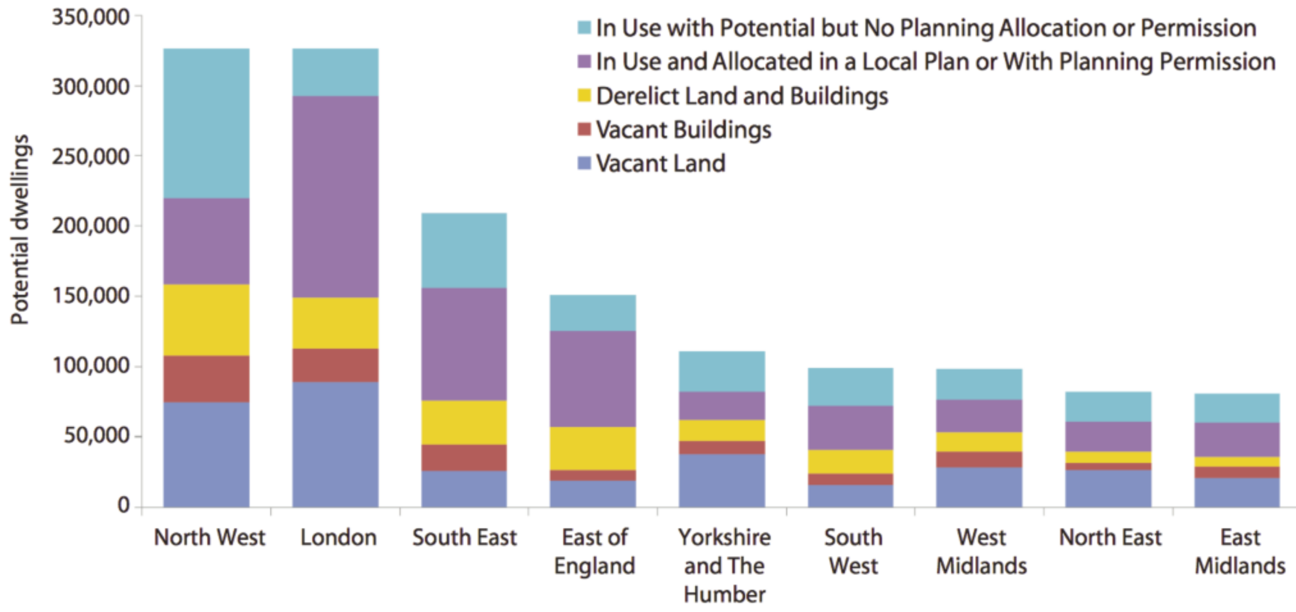


Figure 10 – Brownfield Land with Potential for Housing Development



Source: NLUD

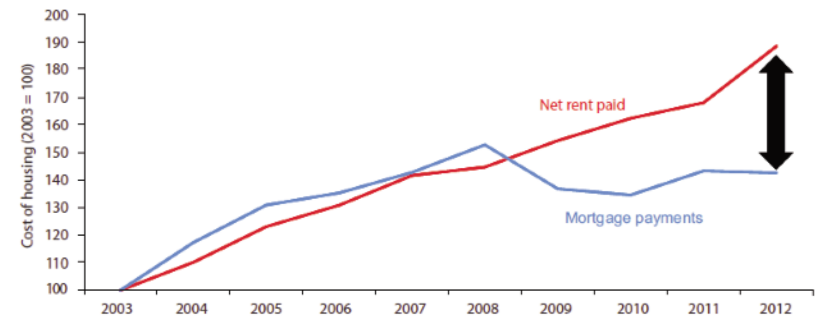
Lawrence Revill, managing director of David Lock Associates, said: "The Review appears to major on the radical thinking necessary to unlock the constipation in the evidence-plan-deliver system from which housing in the UK suffers at present. We cannot expect the current broken housing market to deliver without fundamental changes to vision, policy and mechanisms to make more homes available to the people that need them at prices they can afford – decent homes are a necessity, not a luxury.

The National Trust said: "We welcome that Sir Michael Lyons' review does not propose a further shake up of national planning policies, and recognises that many of the problems with undersupply of housing lie with the market rather than failures of the planning system. We agree that the nation needs more homes, and will look carefully at proposals for housing growth areas and garden cities and suburbs. It is critical that we choose the right places to put new housing, and involve communities through the local planning process to get genuinely sustainable development. We hope that Labour focuses on Sir Michael's proposals to support the plan-led system rather than policies to take planning powers away from local councils."

Stuart Robinson, chairman of planning at CBRE said: "Rather surprisingly there seems to be a unanimous support for the Garden Cities approach to greenfield development as a necessary response to the housing crisis in the country with all three parties now making proposals for specific areas of the country. What is new in Lyons is the commitment to explore financial incentives to establish these initiatives."

Matt Thomson, head of planning at the Campaign to Protect Rural England, said: "CPRE welcomes the Lyons Review Report as a pragmatic, even-handed and proportionate approach to meeting the nation's pressing need for housing. In particular, we welcome the recommendations on returning to and strengthening the "brownfield first" policy and sequential approaches to identifying housing land. We're also pleased to see the focus on increasing the role that the public sector and smaller, independent house-builders can, and should, make to meeting housing needs, and support the idea of applying a spatial dimension to national planning policy to account for geographical differences and opportunities. As usual with these things, the devil will be in the detail – for example the details of the future for our green belt are currently inconsistent."

Figure 2 – Cost of renting versus owning with a mortgage



Source: ONS Family Spending Survey

Is the planning system a barrier to growth?

For now, instead of overhauling the whole system, we need to concentrate on the specific areas which are barring growth, says Shaun Andrews

Shaun Andrews is head of London strategy at GL Hearn

Over the last 18 months confidence has steadily been returning to the property market. Lenders are willing to lend, consumers are looking to buy, and overall construction is up. The Department for Communities and Local Government (DCLG) recently published figures highlighting that in the 12 months to September 2014, annual housing starts were up 16 per cent compared to the year before, with completions rising 8 per cent over the same time periods*.

However, despite overall market positivity, there is still an extremely polarised picture across the UK, with London driving much of this growth. The latest Land Registry House Price Index showed that house prices in the capital increased 18.6 per cent year on year to October 2014, compared to an average of 7.7 per cent across England and Wales**. The average price of property in London is now a staggering £460,060, over double the average price of £177,377 for England and Wales as a whole**. These inflated house prices are in a large part down to the lack of housing stock in core areas. According to the Mayor of London's predictions, the capital needs 49,000 new homes to be built each year, whilst the Labour Party puts this figure at 63,000. Inevitably, when demand far outstrips supply in a certain location, prices rise, arguably unsustainably, and many buyers get priced out of the market.

This lack of supply has been compounded by the recent dip in new homes being built. Despite the return to confidence in the past 18 months, seasonally adjusted house building starts decreased 10 per cent in the third quarter 2014 compared to the previous quarter*, highlighting the fragile state of the UK's housing market. So with the wider economy seemingly in recovery, where does the problem lie?

A major concern among both the public sector and private sector developers is that the UK's current planning system is such a slow and costly process that it has started to hamper growth and create a barrier to development.

In 2012 the government's response was to implement 'growth-friendly planning rules' in an effort to resolve these issues. The National Planning Policy Framework (NPPF) published in March that year aimed to stop the planning system from holding back development and eliminate pricey delays. Two years on, to what extent has this worked?

GL Hearn, in partnership with the British Property Federation (BPF), has recently conducted one of the largest independent reviews of the UK planning system. This is the third Annual Planning Survey, providing a review of major applications in London***(excluding s73 applications for amendments) and a national attitudinal survey of Local Planning Authorities (LPAs) together with planning decision-makers from the private sector. Over the three years, 4,100 individual planning applications were considered, and over 500 respondents returned completed questionnaires. For the first time, this year's major application research spanned three major cities and their surrounding areas, including London, Greater Manchester**** and the Bristol region (encompassing South Gloucester, North Somerset and Bath).

For London, this provides three years worth of data, and gives some interesting insights – both pre and post the implementation of the NPPF. So, looking at the trends across the regions and over the last 36 months, what have we learnt?

As with other aspects of the recovery, London is leading the way with the regional picture being slightly more varied. The volume of major applications received by Local Planning Authorities (LPAs) in London increased on average by 32 per cent in 2013-14 compared to 2012-13, with applications increasing significantly in more than three-quarters of the 33 London boroughs. One London borough even saw major applications shoot up by a staggering 160 per cent over the same time frame, and a further four had applications double or more.

Despite this, the overall volume of major applications determined in London failed to top 2012 levels. To put that into context, there has been no increase in numbers following the introduction of the NPPF and other governmental reforms designed to boost the market.

Outside the capital, last year's revival in application numbers wasn't evident. The overall number of major applications in Manchester actually fell 24 per cent in 2013-14, possibly as a result of a particularly large surge the year before.

What did emerge as a good news story across all locations was approval rates. On average 86 per cent of new major applications in London were approved, with the City of London, Bexley, Brent and Wandsworth all boasting 100 per cent approval rates. In Bristol, the average figure reached 82 per cent and an impressive 95 per cent in Manchester.

So with application volumes still strong in the capital and approval rates high for all regions, where are we seeing the real issues in the planning system?

The answer, unfortunately, is time. Across all locations included in the report, it was the validation to determination times that proved worryingly high. On average, approvals took 25 weeks – almost double the government's target of 13 weeks. This broke down as 26 weeks in London, 22 weeks in Manchester, and 29 weeks in Bristol. London's time of 6.5 months, was actually an increase on last year's figure of 24 weeks. Developers across the UK have recognised this as a pressing issue, with 71 per cent either dissatisfied or very dissatisfied with the time taken to make decisions.

But this is only half the picture. Anecdotally, we are seeing this six months in the application stage mirrored by on average a further four to six months worth of 'pre-app' preparation. Having developments stuck for 12 months in planning is simply not responsive enough in either investment or residential delivery terms. What's more, this problem doesn't just apply to the super schemes, we are seeing it on schemes as small as 10 residential units and above.

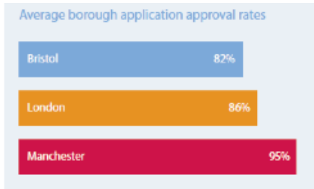
So where does the answer lie? Although there is no panacea, it is our view that further wide-spread reforms of the system are not the answer. Three years of data has revealed that despite the good intentions of the NPPF and other regulations, they have created no sign of an upturn in volume of major applications and that any initial improvement in speed has now flat-lined. There also seem to still be legacy rules in place which are contributing to a slower process. For example, is it right that there is currently no deadline for submitting representations, which as it stands can be filed right up to the point of a final decision on an application being made? In this case, surely a lack of framework and structure is adding to the uncertainty and delays that are plaguing applicants and local authorities alike.

Undoubtedly, a major part of the problem is that LPAs are chronically under resourced, which is in turn putting a strain on the whole process. This problem was highlighted in the 2008 Killian Pretty report, which urged the government to not dramatically cut local authority planning staff as a reaction to the recession – citing the fact that "past economic downturns are still having an impact upon the staffing and skills base of the planning system many years later". Whilst extra funding is unlikely to come from the government, is there a way in which the private sector can provide financial support to local authorities which is cost neutral overall? And short-term, could a programme be created where better performing LPAs are encouraged to share knowledge, skills and resources with other authorities? Both of these remedies are options that GL Hearn along side the BPF is looking to engage with the industry on in order to help share best practice.

For now, however, it seems that instead of overhauling the whole system, we need to concentrate on the specific areas which are barring growth. Many recommendations listed in the Killian Pretty report have yet to be implemented, and this seems like as good a place as any to start. Areas such as strengthening the pre-application rules and reviewing timeframes around determination times, for example, should be considered in more depth. By opening lines of communication, taking into account the wider picture and lifting the bonnet on the planning application process, hopefully the mechanical failures can be identified and remedied. ■

32%

increase in major applications in London

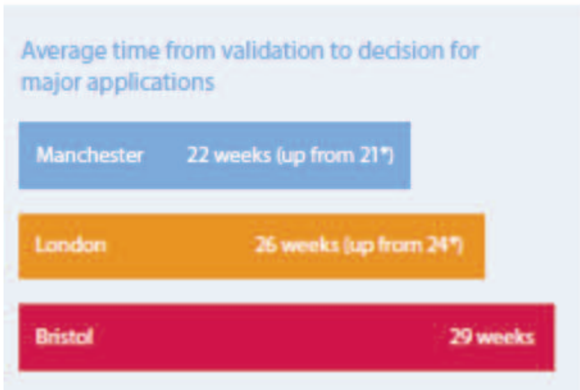


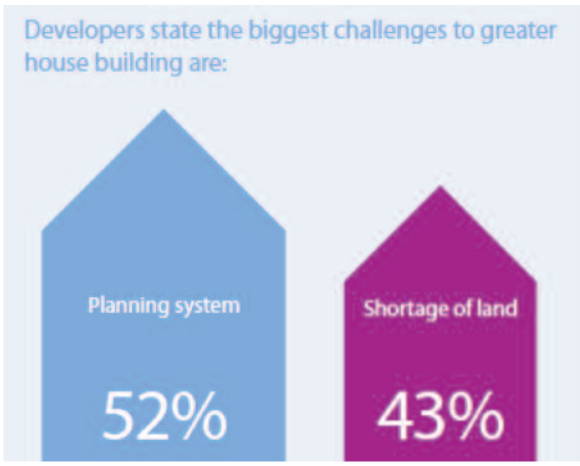
City of London, Bexley, Brent, Wandsworth, Stockport and Wigan all had a major application approval rate of

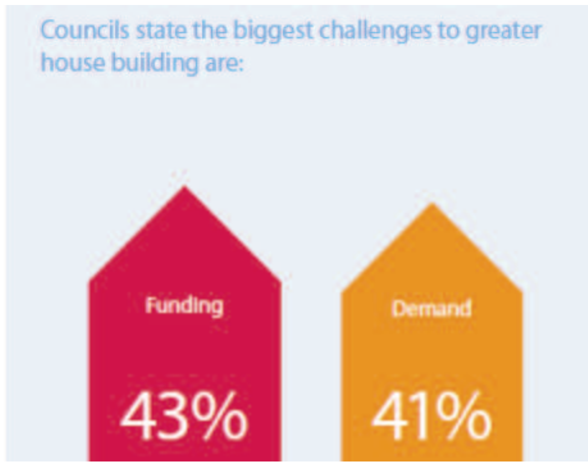
100%

Five boroughs have seen major applications double or more:

+160%	Waltham Forest
+156%	Bromley
+116%	Ealing
+109%	Kensington & Chelsea
+100%	Hounslow







*https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/376588/House_Building_Release_-_Sept_Qtr_2014.pdf
**https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/379062/HPIReport20141126.pdf
*** In this report, a 'major application' is as defined as ten or more dwellings or 0.5 hectare or more for residential developments and 1,000 sqm/1 ha or more for commercial development)
****The 'Greater Manchester' region surveyed in the Annual Planning Survey includes: Manchester, Trafford, Stockport, Wigan, Oldham, Bury, Bolton, Salford, Rochdale, Tameside

Going for growth

Simon Chinn reviews the effectiveness of Government growth initiatives

Simon Chinn undertakes in-depth research and analysis on economics, planning and development. His research has covered a broad range of planning and development issues including most recently the Government's Growth Deals, City Deals and the Further Alterations to the London Plan.

Simon Chinn is a research consultant at Nathaniel Lichfield & Partners (NLP)

When the Coalition government came into power it set about introducing a series of pro-growth and pro-aspiration policies that aimed to secure the economic future of the UK. Four years on and ahead of what is expected to be a heated general election in May, it is timely to appraise how well such schemes are working and the extent to which they might need to be modified, further developed or even replaced.

In 2014 Nathaniel Lichfield & Partners (NLP), in partnership with the British Property Federation (BPF) and the All Party Urban Development Group (APUDG) undertook a thorough review of the Government's key growth initiatives, culminating in a report launched at Westminster in November 2014.

The report argues that making local authorities and strategic areas responsible for a range of priorities – promoting local growth, rebalancing the economy, improving infrastructure, creating jobs and increasing the availability of housing – would allow the Government to build on the success of the range of 'growth initiatives' launched in this Parliament.

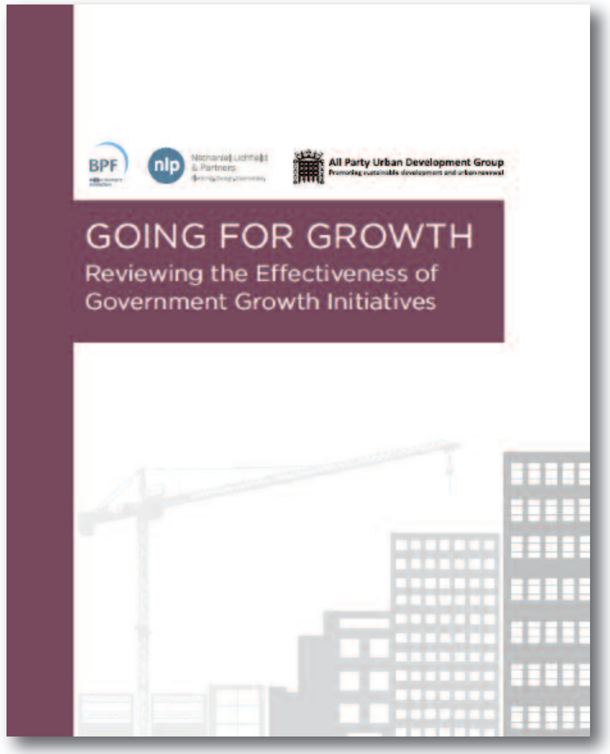
The research found that Government policies, including new funding streams (such as the Regional Growth Fund (RGF) and the Growing Places Fund (GPF)), financial measures (Tax Increment Financing and the UK Guarantees Scheme), and structures such as Local Enterprise Partnerships, Enterprise Zones and City Deals have helped stimulate development activity. Evidence from the development sector reveals that many of these initiatives are predicated to have a long-term impact and will need to stay high on the political agenda of all parties in order to ensure they can create new jobs and support economic development over time.

The prerogative for the next Government is to continue to focus on growth, particularly through devolving powers to, and working more closely with, local authorities to allow for greater understanding of local challenges, and greater use of local strengths.

The principal recommendations from the report are:

• Improve coordination and evaluation across the range of initiatives

There is a need for an expert resource within central Government to act as a point of contact for local authorities to help them connect the many different strands of local growth funding, policy-making and implementation, and join up various funding streams more effectively. A shared evaluation mechanism for all Government growth initiatives needs to be developed as a priority and its framework rigorously applied.



• The 'offer' in Enterprise Zones needs to be reappraised.

Enterprise Zones need to become more bespoke, providing incentives geared to the specific circumstances of individual Zones. In some circumstances, this should include the use of capital allowances for new build. Renewed consideration also needs to be given to introducing powers for using 'Enterprise Zone Schemes' for the grant of planning permission, instead of relying on local development orders as the means to simplifying the planning process within the Zones.

• Use Tax Increment Financing more constructively

Lessons can be learned from the successful use of TIF and how it can be applied to other areas where upfront infrastructure expenditure is the key barrier to progress. Many more currently unviable schemes could be taken forward if the Government allowed TIF to be used more widely, within a set of rigorous parameters such as those advocated by the BPF and others.

• Reduce the deterrent to development posed by empty rates

If the Government wishes to boost construction activity, then at a minimum it should extend Empty Property Rates Relief to cover the regeneration and refurbishment of empty (or substantially under-occupied) buildings. This is economically productive activity that necessarily requires void property and should be encouraged, not penalised by the tax system.

• Take the devolution of powers to cities much further

Real progress has been made in devolving more powers to city regions through fiscal and financial devolution, but this could be taken much further. Cities should be given greater flexibility to borrow and retain additional revenue generated by growth, as well as greater freedom to use innovative devices such as TIF and earn-back.

• Give Local Enterprise Partnerships long-term certainty

The LEP model is firmly in place, and now some degree of continuity is crucial to ensure it has a chance to become truly established. Cross-party consensus to retain LEPs and make them work and a longer-term approach to funding would help in this regard. There also needs to be clarification about the role of the LEPs in relation to other local structures and whether they have a part to play in setting out strategic priorities for an area, while recognising that LEPs may not always be the most appropriate local structure to provide a framework for growth.

• Expand the role of the Growing Places Fund in supporting local infrastructure projects

The GPF is a highly cost-effective means of enabling developments to proceed whilst providing long-term benefits by recycling funds for other projects as developments are completed. It should be expanded and extended so that it can support additional schemes. The GPF could also be used effectively in combination with other schemes, such as TIF, to produce a beneficial effect disproportionate to the size of the Fund allocation itself.

• Improve the effectiveness of the Regional Growth Fund

The RGF is one of the cornerstones of the Government's growth strategy and it is crucial that it operates effectively. In many cases the Fund is being used to support worthwhile projects but a more explicit recognition of the role that development can play in stimulating growth and regeneration could further improve its effectiveness. There should also be a greater role for LEPs in the allocation of funding, as they are often best-placed to understand the needs of local businesses and tie investments to local growth strategies.

• Implement City Deals in a flexible way

City Deals will need to be regularly reviewed to check that they are addressing the right issues and operating effectively. Whilst the 'deal' concept may have wider applicability, the special focus on cities as the chief engines of growth must not be diluted. There is a lack of capacity in Government to negotiate deals on a local authority by local authority basis and so more generic offerings may be more feasible to extend devolution, as envisaged by the London Finance Commission. The bigger cities have significant organisational capacity but this is not necessarily true of other areas that may negotiate Deals.

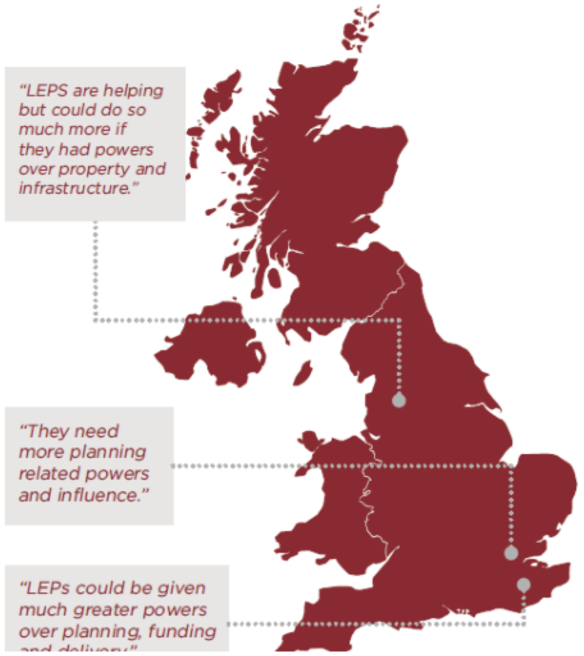
• Overcome other barriers to growth

Viability is by no means the only barrier to development. There is still a need for local authorities to be more focussed on economic growth, to produce economic strategies for their areas, and to ensure that they have an up-to-date Local Plan setting out how they will meet their community's need for homes and jobs.

While the research revealed some mixed feedback from the development community regarding the range of policies, one consistent aspect of business feedback is that if Government really wants to stimulate economic growth, create jobs, improve infrastructure and build more houses, it has to allow local leaders to make more local decisions. Allowing for more flexibility and freedom within the current structures will allow local places to tailor them to their needs and unlock more development.

The initiatives also need more time to have a long-term meaningful impact on local economic development. Lest we forget that it took decades for sites with origins of former Enterprise Zone status such as the Metro Centre in Gateshead and Canary Wharf to emerge into the huge employment centres that they are today, accounting for around 11,000 and 100,000 jobs respectively. Previous experience reveals that these measures require sufficient time to be given the chance >>>

Views on LEPs from surveyed developers
Source: BPF/ NLP Developer Survey 2014



to flourish.

The overall findings of the report show that the financial measures and structures put in place by the Government have boosted growth and development. Funding streams such as the RGF and the GPF have proved instrumental in getting schemes into delivery across the country.

Likewise, the steps taken by Government to devolve more powers to cities have been a success and further work here can help re-weight London's existing economic dominance. The challenge for future governments, as the report clearly demonstrates, is to build upon the encouraging steps that have been taken so far.

Going for Growth
Analysis of Key Initiatives

Case study

City Deals

The Government has agreed 25 City Deals throughout England. Each Deal has been negotiated and agreed on a case-by-case basis with each bid outlining genuine additionality from the Deal, such as new jobs and housing.

In Sunderland, the Government is investing £5m for the development of an International Advanced Manufacturing Park and more than £80m of funding is finally in place to build a long-awaited bridge over the River Wear. Nearly 9,000 new jobs are projected to be created in the long-term due to this investment.

While some City Deals have focused on particular growth industries in different locations, others have sought to address social and economic problems. For example, the Greater Ipswich City Deal included investment in creating and piloting a Youth Job Centre to support 3,500 young people into work in the Greater Ipswich area.

The full 'Going for Growth' report can be downloaded here: http://www.nlpplanning.com/public/growth_2014/Growth_Initiatives.pdf