Preface

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London: coping with austerity

A review of housing, planning and public policy issues in 2010

Edited by Kath Scanlon and Ben Kochan

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1. Introduction

LSE London

LSE London's 2006 critique of the revisions to the last London plan, *London: Bigger and Better?*, raised questions about the underlying assumption that London's economy would continue to grow and that this would be good for Londoners. It highlighted the importance of providing housing and physical infrastructure to support this growth and to address existing needs. Four years later, there is a new draft plan, a new Mayor with potentially greater powers and serious economic uncertainty, which raises considerable questions about continuing growth. Public spending cuts could jeopardize some of the programmes that address both existing and new needs.

This volume looks at how the emerging new planning and governance arrangements address these issues, and puts forward ideas about how the increasing uncertainties can be managed. Private-sector activity and public funds may be in short supply, but the requirements of London's population - in-migrants as well as existing residents--are unlikely to lessen. Meeting their needs will demand new strategies and financial arrangements. Current projections suggest that the number of households in London would grow by well over 30,000 a year, which is unlikely to be affected by the recession. This will put additional strain on transport services and housing provision, both of which are likely to be affected by funding cuts.

The London economy has actually held up remarkably well during the recession, with fewer signs of austerity in terms of job losses than almost anywhere else in the country. A simple indicator is that employment in London actually rose by 130,000 (or 3%), between 2007 and 2009, according to the most up to date figures from the Labour Force Survey, whereas it seems to have fallen in every other English region by an average of 2%. London's stronger performance was most notable in construction, consumer services (distribution and catering) and public services. In the core financial/business service sector there was net job growth, as in all except one other region, but at a rate slightly below the national average. As was the case in other regions, jobs in manufacturing in London declined and the proportionate decline was

worse. However, London was better protected from potential job losses because of its larger share of expanding business services and a smaller exposure to potential manufacturing decline. It also did much better in the predominantly public transport/communication and education/health/government sectors.

The Mayor's increasing powers

The structure of London metropolitan government continues to evolve. Since our 2006 report, the role of the Mayor has been strengthened and could be further reinforced if the proposals of the current incumbent are adopted. This would enable the Mayor to take a more strategic approach to the management of London's resources, but the proposals have brought tensions with the boroughs. Tony Travers traces the story of the reemergence of London government, describing the establishment of the Greater London Authority with an executive Mayor at its helm. In 2007 its powers over planning and housing issues were extended, and earlier this year current Mayor Boris Johnson put forward proposals to the new Coalition Government to extend his role further. This could involve taking over several of the functions managed by the soon-to-be-abolished Government Office for London, as well as other regeneration funding programmes managed by national agencies. Inevitably, some of the proposals have brought conflict with the 33 London boroughs, who have demanded that power be shifted downwards to them. The Mayor has interpreted the Conservative-Liberal Democrat coalition's approach to localism as suggesting a major shift of powers from Whitehall to City Hall. The boroughs, on the other hand, hope to use the opportunity provided by the Government's proposed Decentralization and Localism Bill to reduce the Mayor's power over them.

The draft replacement London Plan

The relationship between Mayor and boroughs is a delicate one. Our last report discussed the directive approach to planning of then-Mayor Ken Livingstone, whose overall objective was to secure London's role as a 'global city', and described how this approach sometimes alienated the boroughs. The new Mayor is seeking greater powers but in his draft London Plan promotes a more consensual approach, not trumpeting a single view of London. Nancy Holman praises some important issues of detail in the new plan around design standards and quality of life issues, but she questions whether the plan offers a strategic view for the capital. She warns that the lack of direction could result in piecemeal planning, as boroughs with more prosperous populations could more easily resist strategic planning priorities that did not 'play well' at home.

Planning for a range of scenarios

London's government has changed since 2006, and so has the economic and financial environment in which it operates. Serious doubts about the plan's growth assumptions remain but current uncertainties require more sophisticated policy responses than we advocated four years ago, suggests Ian Gordon, who puts forward the case for a more considered development strategy. He suggests that the complex array of factors influencing London's future requires a less single-minded perspective than is currently offered by the Mayor's draft plan. He argues for the use of scenarios. These would go beyond the 'plan, monitor and manage' approach, which only makes sense if it is possible to formulate a clear forecast of how the world will change and what the appropriate policy responses are. The scenarios approach, in contrast, recognizes the real uncertainties inherent in contemplating London's future - and the necessity to face up to these at the plan-making stage rather than relying on operational flexibilities to change course, when circumstances absolutely necessitate this. Examples of these uncertainties include the future course of the economy, with its boom and bust cycles; the possible economic and social impact of the Government's intent to limit non-European in-migration; and London's potential vulnerability to cuts in public expenditure. In this connection, he asks how the current round of cuts relates to the longer-term prioritisation of 'society' over 'state' with the move from the 'big state' to the 'big society'.

Promoting debate around the Plan

The Mayor and boroughs cannot alone determine London's future shape; civil society is an essential, and increasingly active, participant. Michael Edwards in his chapter advocates a fundamental debate around the London Plan. He challenges the neo-liberal orthodoxies that allow space in public life only for a consensus view of the world and of the city. He points out that even though inequalities and exploitation have worsened, formal politics is almost entirely devoid of serious conflict and political party policies differ in relatively trivial ways. Michael Edwards suggests that Ken Livingstone's Plan was oriented to, or severely constrained by, the needs and demands of property and corporate interests. Thus it supported the growth of the central office district and allowed the market to determine the 'viability' of development projects. In his critique of the latest draft London Plan, which reflects his work with several citizens' organizations, Michael Edwards calls for a greater commitment to tackling inequalities which are extreme in global cities, and environmental sustainability.

Ensuring a measured response to the financial crisis

The shape and speed of the recovery from the global financial crisis will affect London deeply. The banking crisis in 2007 sent shock waves through the economy and is an underlying cause of the public spending cuts now in train. It will take some time before the position is fully stabilised. Mark Boleat is concerned that the response of politicians and regulators to the crisis could have a significant effect on the future size, structure and location of financial services. London is the world's leading international financial centre, and conversely the finance sector is a key part of the London economy and a significant employer. Policy makers and regulators should not endanger it by overreacting. He suggests that their priorities should be to ensure the return of stability (where progress has been made), and to put in place measures to ensure that such a crisis does not recur. Crafting effective regulation in a difficult political climate and in the face of substantial public anger about what happened will be far from easy, and will require brave, rather than popular, politicians. Mark Boleat calls for smarter rather than more onerous regulation which does not affect London's worldwide competitiveness as a financial centre. Regulatory requirements are being tightened but Britain recognizes that it cannot be too out of step with the rest of the world. There are reasonable grounds for believing that, when the crisis is over, London will still be one of the world's leading financial centres - and may even be expanding.

Meeting housing need

The provision of adequate housing is key to London's future success. During the boom period, the number of homes built increased but barely kept up with growth in the number of households. With the recession, the number of new dwellings has fallen sharply - and Christine Whitehead warns in her piece that construction is likely to pick up significantly only in the medium term. Housebuilding in London has experienced greater volatility than the rest of the country, but it now looks rather stronger than elsewhere - though it would be affected worse than the rest if there were a double dip in the economy. The changes in the planning system proposed by the Government, including a shift to an untried financial incentive system, could lead to greater shortfalls in the housing supply especially in the South East. The longer-term trends in prices and affordability in London have so far hardly changed as a result of the financial crisis. Some established households may have more opportunities because they have housing equity, but first-time buyers and tenants both face continuing affordability problems.

London feels the shortage of social housing even more intensely than other English regions because of its higher incidence of homelessness and overcrowding in both public and private sectors, as Michael Harloe says. The limited amount of social housing developed in the last 20 years and the loss of homes through right-to-buy have led to extreme pressure on existing provision. Available social rented housing has gone increasingly to the most needy, resulting in concentrations of deprivation on many estates. Social housing allocations in London have dropped by more than half since 1991, whilst 6.8% of all London households are overcrowded. This is the highest percentage of any English region. Almost 13% of households in social rented housing are overcrowded, reflecting the loss of larger stock from the sector due to the right to buy and the lack of new build replacement. And 10% of households in the private rented sector are overcrowded, as those on low and moderate incomes double up to share high housing costs. Michael Harloe points to a significant growth in social housing construction in the early part of this century, but says the spending cuts now in train mean the sector will face formidable challenges. The outlook is bleak for the provision of decent, affordable homes for households with a low or moderate income and in-migrants whose labour is necessary to support London's economy. Perhaps the best hope is that the Mayor's new housing powers can secure a more effective use of scarce public resources across the metropolis.

Transport requirements

Developments in transport will help determine the direction of London's future development. The key transport issue in London is how to provide for the increase in population and the associated rise in employment, and in particular, whether the required funding can be found. The 2010 Mayor's Transport Strategy anticipates population growth of 1.3 million people - about 16% - and an extra 750,000 jobs in London by 2031. This is expected to produce an increase in daily (main mode) trips from 24 to 27 million. Meanwhile, road and rail capacities are already inadequate and there remains a significant backlog of rehabilitation work on local roads and the Underground. According to Stephen Glaister, the 2010 strategy is adequate to address the demand for public transport. It relies, however, on the continuation of the relative financial plenty, which the Greater London Authority enjoyed for its first decade. Long-term funding commitments were made to many of the schemes, but the recession and forthcoming cuts in national public spending are now conspiring to put the delivery of the strategy at considerable risk and many of the projects are likely to be severely delayed. Stephen Glaister presses the case for road improvements. He points out that in London the private car accounts for 60% of all personal mechanised

trips, and in outer London 76% - and a large proportion of these cannot be diverted on to public transport. He does suggest that a London-wide road user charge could address the funding shortfall but would take several years to implement.

Securing benefits from the 2012 Olympics

One issue we did not cover in the previous report was how London will deal with the Olympics. East London has been subjected to a wide array of regeneration initiatives for at least the last 40 years. Five of its boroughs will host the main events of the 2012 Olympics, which will see an investment of around £9 billion in sports stadia and related facilities. London's bid emphasized the 'legacy' of the Games, and in particular the regeneration of the host boroughs, which are amongst the most deprived in England. Tower Hamlets has the highest proportion of families with children dependent on housing benefit and Hackney has the third-highest income support claimant rate. Educational attainment in all five boroughs, in terms of achieving five GCSEs A-C grades, is the lowest in London. Kath Scanlon describes the efforts of local authorities to work with central government to address these issues. Although they seek to make better use of existing public funds, the language of these joint initiatives highlights the councils' limited powers to secure local economic benefits from the Games. London as a whole will probably benefit from the Games, which will result in the reclamation of vast tracts of former industrial land. But because the east London local authorities, like all local councils, receive the bulk of their income from central government grants, they will not earn a penny in extra tax revenue from the increase in local economic activity. In contrast, local governments in cities such as Atlanta (host of the 1996 summer Games) and Vancouver (2008 winter Games) operate with more autonomy than London boroughs across a range of service areas and, most importantly, are free to levy taxes and determine how to spend them. They received a significant revenue boost in the form of sales taxes, hotel tax, etc. from the additional visitor influx during the Games but this will not be the case in London.

Reference

Kochan B (ed) (2006) London: Bigger & Better? LSE London

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2. The role of the boroughs in the new regime

Tony Travers

The London boroughs – a short history

London's 32 borough councils, which started life in 1965, owe their origin to a number of predecessor municipalities which had emerged in their modern form in the period from the end of the 19th century onwards. The 12 inner London boroughs that exist today were created by merging 28 'metropolitan boroughs' which had existed as a second tier within the London County Council area since 1899.

Given the regularity of structural reform within British government, the boroughs' longevity is extraordinary. In the 45 years since 1965, there have been three distinct forms of 'upper tier' government in London. From 1965 to 1986 the Greater London Council existed which was responsible for strategic planning, transport, social housing the fire service and, in inner London, education. Between 1986 and 2000 there was no elected London-wide tier of government. Central government, appointed bodies and borough joint committees took responsibility for metropolitan services. From 2000 onwards, the Greater London Authority – consisting of a mayor and assembly, has been responsible for spatial planning, transport, economic development, the fire service and, to some extent, the police.

The 45 years since the GLC and the boroughs were created have been turbulent for a number of reasons. The London economy has changed radically, from one that was still substantially based on manufacturing to one that is almost entirely concerned with services. Authorities in the eastern part of the city, notably Tower Hamlets, Newham and Barking & Dagenham have seen the London Docks shrink to nothing. The construction of Canary Wharf, 'Docklands' more generally and now the 2012 Olympic Games will have transformed the old East End into something very different.

In the same period, the demography of London has also changed dramatically. In the 1960s, London's population was in decline. From about 7.6 million in the mid-1960s, it fell to 6.7 million by 1986 before increasing to 7.75 million in 2010. This change has meant the boroughs (particularly in inner London) have found themselves handling rapid decline followed by a sharp rise.

International immigration has also affected all London councils. The earliest wave of migrants, largely from the New Commonwealth, arrived from the late 1940s onwards from the Caribbean, India and Pakistan. Their numbers were relatively modest. They settled first in Kensington, Westminster and other parts of inner London before moving on to Brent, Lambeth and some parts of outer London. Borough councils found themselves having to manage both housing and discrimination issues as concentrations of migrant residents increased. In the period after 1997, there has been a further and far larger wave of international migration to London which has brought people from a wide range of countries into the capital. Today, over one third of the city's population are overseas-born, with substantial migrant populations in most boroughs.

Political London has been the subject of many different pressures over the period since 1965, largely because the political parties have themselves responded to changing social and economic reality. In their early years, the boroughs were heavily dominated by the Conservative and Labour parties, with the Liberals a very small force. There were a few ratepayers and independents, particularly in outer London, but no significant minor party presence.

In the 1970s, the Labour Party began to change as the 'New Left' established itself, pushing aside traditional councillors in favour of younger, more radical, ones. A number of boroughs, in particular Lambeth, Southwark and Islington became associated during the 1980s with this new form of Labour administration, as did the Ken Livingstone-led Greater London Council. Among Conservative councils, there was a form of Thatcherite radicalism that led Wandsworth and Westminster, in particular, to pursue contracting out and other policies designed to deliver very low local tax levels. Both major parties had problems with the more outlandish versions of their politics as practised in a number of London boroughs.

Although the Conservative and Labour parties have remained the biggest political forces in London, there has been a major shift away from the two major parties. In the 1968 borough elections, the combined Conservative-and-Labour vote was 88.3 per cent. In 2006 it was 62.7 per cent, but in 2010, bolstered by the general election, it moved back towards 70 per cent. The Liberal Democrats have seen their vote grow across London to over 20 per cent in borough elections, with a major presence in the south west of the city. Smaller parties have developed and, until 2006, took a growing share of the vote.

Since the early 1990s, the boroughs have been characterised by moderation, improving public services and relatively high levels of public satisfaction. As London's population and economic output has grown, the boroughs have been able to stimulate and guide major projects such as those at King's Cross, Paddington and the South Bank. Councils have created a role for themselves in relation to the Olympic Games and, in particular, the legacy.

The City of London has not been mentioned so far. With its origins pre-dating the Norman invasion in 1066, the City is an ancient corporation with immense power and wealth. It survived the 1965 reorganisation, which created the 32 boroughs and, indeed, assumed all of the powers of the new councils. It also kept a number of responsibilities (notably its own police force) that exceeded those of the boroughs. The City has from time to time played a mediating role between blocs of Conservative and Labour councils within their representative bodies. It has also been capable of modernising its approach to the diplomacy required within London governmentto secure its own long-term survival. The City remains an active element in London borough activities, while managing to retain an independence that makes it somewhat different from the rest.

After 45 years, the London boroughs appear relatively secure in their place as the capital's 'local' sphere of government. Their average population size is similar to that of the districts in other metropolitan areas, and is slightly larger than the average unitary council. They are far bigger in population terms than Welsh or Scottish unitary authorities. There are occasional calls to reduce the number of boroughs though no government has yet appeared enthusiastic about a full reform. By far the most important changes affecting the boroughs since 1965 were the abolition of the GLC in 1986 and the creation of the GLA in 2000. We turn next to the consequences of the GLA.

The impact of the Greater London Authority

The creation of the Greater London Authority (GLA) was primarily intended to restore city-wide government to the city. The Labour Party, in opposition, had opposed the abolition of the GLC, as had the Liberal Democrats. The GLA was to consist of a directly-elected executive mayor and, to oversee the activities of the mayor, a separately-elected assembly. The boroughs would continue as before, though the arrival of the GLA was to have significant implications for them

The Mayor would operate a small administration responsible for four 'functional bodies': Transport for London (TfL), the London Development Agency (LDA), the Metropolitan Police Authority (MPA) and the London Fire & Emergency Planning Authority (LFEPA). Each of these institutions would have a board, all or some of

whose members would be appointed by the Mayor – including borough members in some cases. Policy would be determined by the Mayor in a series of strategies, the most important of which was a 'spatial plan' (which came to be known as the London Plan) within which the boroughs would have to fit their own planning policies. The Mayor was to set the budgets for all four functional bodies.

Creating a new city-wide authority was welcomed by the boroughs and the City of London. There was a widely-perceived vacuum in the capital's government (White & Young 1996). Some of the GLA's powers, eg transport, economic development, planning and the police had been transferred from Whitehall, while others such as the fire and emergency services had been run by a borough joint committee only during the period after 1986. The boroughs lost virtually none of their own responsibilities though, as with earlier systems of London government, there was some concern about the way the new mayor would use planning powers. The London Plan allowed the mayor to determine policies towards land use, densities, tall buildings and social housing that were of intense interest to the boroughs.

Ken Livingstone's administration prepared a London Plan which became a distillation of his strategy for the capital, embracing the objectives of both his separately evolved transport and economic development strategies (Syrett 2006). The London Plan was a modern version of the Greater London Development Plan, which had been evolved by the GLC for almost the whole of its existence. Elements of the GLDP had been sharply opposed by a number of boroughs.

The Plan outlined a strategy that would see London's population and economy grow as quickly as possible. The Mayor believed London was a 'global city', competing with centres such as New York and Paris for dominance in financial & business services, cultural industries and tourism. Ken Livingstone used his 'strong mayor' legitimacy to set up a number of commissions and institutions which were to consider policy areas or issues of concern to the mayor. There were such initiatives in housing, culture, public health and design. The boroughs were consulted formally about the London Plan and other policies developed by City Hall, but they were by no means important partners in the Livingstone administration. On issues like the introduction of the congestion charge in 2003, a tramway in west London and the proportion of 'affordable' or social housing to be provided as part of major developments, Livingstone pushed through policy in the face of borough opposition.

The boroughs were represented by the Association of London Government, which in 2006 was renamed 'London Councils'. The power of the office of mayor, particularly

as operated by Ken Livingstone, probably had the effect of reinforcing the willingness of the 33 London authorities to work together as a collective. As had often been the case during the existence of the London County Council and the GLC, boroughs generally had more in common with each other than with the metropolitan authority – regardless of party affiliation. Once the GLA had been created, boroughs found themselves having to react to the mayor's policies on issues such as housing, waste disposal and highways, where there was significant overlap of powers between the two levels of government. Livingstone never hid his disdain for the boroughs or their leaders' capacities (Prospect 2007).

A period of sharp economic growth between the inception of the GLA and the end of 2007 allowed the Livingstone London Plan to have a visible effect on the city and its skyline. Once the Plan had been fully implemented, boroughs were required to accept higher density development than they would have approved previously. Encouragement was given by the Mayor's 'architecture and urbanism unit' to a number of tall buildings. 'Mixed use' developments were demanded, including as large a share of 'affordable' and social housing as possible. Higher standards of 'sustainable' architecture were required.

London boroughs had to accommodate the activities of the GLA and the mayor's powers to influence their own planning policies. Until 2008, this meant accepting the Livingstone 'world view' that London should expand as fast as possible, using forecasts of this population and economic growth to convince central government to invest in the capital's transport and other infrastructure. The City of London's dominance of global financial and business services was a key element in this vision: London was to become a city increasingly dominated by glass towers, massive new residential blocks and grand projects. The capture of the 2012 Olympic Games was, in many ways, the pinnacle of this approach to government.

Boroughs, being very different in terms of their history, politics and economies, reacted differently to the Livingstone version of London. Some of the richer authorities in the centre and west had populations that resisted much new development and were particularly unwilling to allow glass towers to sprout in their midst. But in the City and to the east there was a far greater willingness to embrace economic growth and the new developments it brought.

The 'Thames Gateway' was promoted by both the Mayor and central government as a key area for expansion, while boroughs in the west opposed the expansion of Heathrow Airport. City Hall, as it happened, wanted to shift prosperity to the east of

the city and did not want to expand the airport, so there was at least some symmetry between Livingstone's aspirations and those of the boroughs, even if there were many disagreements as well.

The boroughs accommodated the GLA, as they had accepted their new roles when the GLC was abolished in 1986. For many day-to-day borough activities such as the provision of social care, local environmental services, local planning and education, the Mayor had few opportunities to meddle in their affairs. Despite Livingstone's willingness to promote the reorganisation of the boroughs from 32 authorities to five, Whitehall showed no enthusiasm to take such a proposal seriously. In the period immediately after its creation, the GLA and the boroughs managed to co-exist without serious blood-letting. However, the relationship was one that could always change.

Sub-regional structures

Because each London borough governs only a small part of the city, there has been a long-running debate about the need for government at the metropolitan level. The GLC and the GLA have, in turn, been the city-wide government tier for London and there appears a settled consensus that the 'Greater London' area established by the 1963 London Government Act should be the administrative 'metropolitan' version of the city. Of course, there are those who believe there needs to be a 'regional' level of government covering not only London but also parts of the South East and East.

For a number of years, there has been a debate about the need for 'sub-regional' areas within London. Central London has long been seen as a distinct and well-known geographical division of the city, but has had its local government provided by several boroughs, notably Westminster, Camden and the City. For this area, Central London Partnership (1997 to 2008) and now Central London Forward have provided a voluntary, partnership-based, mechanism for joint working of the seven central London local authorities. West London and East London each had business-led partnerships that pre-dated the central London arrangements.

The London Plan embedded five sub-regions: central, north, south, east and west, each embracing between five and seven boroughs. In 2008, the Plan was amended to create five wedge-shaped sub-regions, each of which included outer, inner and central boroughs. Within this latter pattern, the Central Activities Zone embracing parts of all five sub-regions was given an enhanced status to allow co-ordinated planning within the city centre. Revisions to the London Plan proposed by Boris Johnson will go back to a north, south, east, west and central pattern of sub-regions.

Sub-regions were, in part, intended to provide zones within which the Mayor could adopt particular plans for the future economic development of the city. They have also been used by boroughs, businesses and other organisations as the basis for joint 'partnership' action in relation to local economic activities, skills and local planning.

London boroughs appear content to play a part in these sub-regional entities, working with businesses, universities, central government and other partners. Inevitably, outer boroughs also have relationships looking away from London to the districts and counties that surround the capital.

The creation of 'multi area agreements' and other, more formal, arrangements between neighbouring councils were encouraged by Labour between 2005 and 2010. The Coalition Government has taken this initiative forward by proposing 'Local Enterprise Partnerships' which will be able to bid for resources from a 'regional growth fund'. Five London boroughs (Newham, Tower Hamlets, Hackney, Waltham Forest and Greenwich) have formed a Host Boroughs Unit to allow these authorities to work jointly on securing long term local benefits from the Olympic Games in 2012.

It is unclear how far boroughs are willing to subordinate their powers to sub-regional groupings of this kind. Thus far, there is little evidence that the work done by partnerships, however important, goes beyond the analysis of common problems, policy papers and promotional documents. The need to cut expenditure in the years from 2011-12 onwards, coupled with Whitehall encouragement for more 'place-based' joint working, may encourage greater sub-regional activity in the years ahead.

The reforms of 2007

Following the legislation creating the GLA in 1999, the Greater London Authority Act 2007extended devolution by increasing the powers and duties given to the Mayor. The first change meant the GLA was given responsibility for the allocation of resources for social and 'affordable' housing, previously in the hands of the Housing Corporation (subsequently the Homes and Communities Agency). The Mayor was given extra powers to intervene in boroughs' housing plans if they did not conform to his housing strategy. Secondly, the Mayor's planning powers were extended to give him development control powers over larger-scale developments. Under these new powers, the Mayor would be allowed to give planning permission for major schemes even if the local borough rejected them. That is, the Mayor could over-ride borough decisions.

Thirdly, the Mayor was made chair of a new London Waste and Recycling Board, a quango-type body that gave the GLA limited influence over the service. Fourthly, the Mayor was given powers to direct the policy of the fire authority, which had not been provided for under the original legislation. Fifthly, strategic direction over skills and training funding was transferred to the GLA, with the Mayor to chair a new London Skills and Employment Board. Lastly, the Mayor was given the power to make additional appointments to the boards of functional bodies and the opportunity to chair the police authority.

Under the original legislation the Assembly's powers were mainly to scrutinise the Mayor's activities and with a two-thirds majority, it could amend the Mayor's annual budget. The 2007 Act, allowed it greater capacity to hold confirmatory hearings for senior mayoral appointments, though no 'veto' power was given. The Assembly was also given the power to set its own budget and a duty to publish an annual report. On the other hand, the responsibility to appoint the administrative staff of the GLA, apart from the Mayor's closest appointments, was transferred to the Chief Executive.

The 2007 reforms reduced the boroughs' powers and influence. Most notably, the Mayor's additional development control powers, will inevitably have shaped the way the boroughs make their own planning decisions – for fear the mayor would over-ride them. The extension of mayoral housing powers was also unwelcome in town halls because it gave the Mayor greater chance to intervene in the allocation of resources for affordable and social housing. Housing resources and allocation policies had long been a point of contention between London boroughs and city-wide authorities.

Increasing the Mayor's powers over the fire authority also shifted the balance somewhat between the boroughs (who put forward individuals to be appointed to half of the positions on the fire authority) and the Mayor. By allowing the Mayor a greater say in policy-making within the London Fire and Emergency Planning Authority, the boroughs' influence was marginally reduced. More generally, strengthening the Mayor's powers to make appointments and chair London-wide bodies had the effect of aggrandising the office of Mayor, though without any compensating increase in boroughs' powers.

A change of Mayor

The 2008 mayoral election produced a change of control at City Hall. Labour's Ken Livingstone was replaced by the Conservative Boris Johnson. The government styles of the two men could hardly have been different. Livingstone's relationship with the

boroughs, as described earlier, was often dismissive and uncomfortable. The former Mayor ran his administration tightly and with little room for dissent. Johnson, by contrast, was less experienced in the business of government, but operated with a more gentle and benign style.

In the period immediately after the 2008 election, there were explorations to test if London's system of government could be made the subject of some form of 'city charter' that could provide a longer-term basis for a 'constitutional' settlement between central government and the GLA and, in the same document, between the GLA and the boroughs. Arrangements of this kind existed in the United States and could, presumably, have been created in Britain. However, the detail and legalistic precision required by a formal charter proved too much to deliver. Instead a more informal agreement, backed up by twice-yearly meetings, was put in place for the Mayor and the boroughs to pursue joint objectives.

However, the relationship between Johnson and the boroughs has not been without its problems. In particular, the Mayor's 2010 decision to bid for additional powers for the GLA caught the boroughs unaware and subsequently created demands from London Councils for an approach to central government that would give additional powers to the boroughs as well as to City Hall.

Boris Johnson has started the process of revising the London Plan. Separately, the Cameron government elected in May 2010 has announced it will abolish regional spatial strategies (RSSs) throughout England, except in London. These two decisions mean a question-mark now hangs over the future of the Plan. London boroughs privately see the decision to abolish RSSs as having implications for the capital: why should the boroughs be in a different position from the metropolitan districts in other major cities, where there will be no 'regional' planning? The review of powers to take place during the autumn of 2010 will be required to decide on the future of city-wide planning in London.

The London borough elections of 2010 saw the Labour Party winning control of 17 authorities, and thus control of London Councils. This means a Conservative Mayor now faces a majority of Labour boroughs. There is little evidence thus far that this political conjunction will make the relationship any more problematic than the one that existed between 2006 and 2008 where a Labour Mayor operated in a city where the Conservatives controlled almost half of the boroughs. The quality of relations between the Mayor and the boroughs appears to depend more on the temperament and character of the key players than their politics. The underlying balance of power between

the Mayor and the boroughs, or the different needs of 'inner' and 'outer' boroughs, are probably as much of an issue in mayor-borough relations as party politics.

Outer London issues

Boris Johnson's victory in the 2008 mayoral election occurred, in part, because of a large increase in Conservative voting in outer London. Ken Livingstone out-polled Johnson in inner London, but huge numbers of votes for Johnson in outer boroughs such as Bexley, Bromley and Hillingdon left the Conservative with a comfortable majority. Commentators suggested this result was partly connected to perceptions of Livingstone as a 'Zone 1 mayor'.

One of Johnson's earliest actions was to set up an Outer London Commission (OLC) whose terms of reference were to "identify the extent to which outer London has unrealised potential to contribute to London's economic success, identify the factors which are holding it back and recommend policies and proposals for the future development of outer London to the Mayor for inclusion in the London Plan and other GLA group strategies and guidance" (Executive Summary, paragraph 1).

The OLC's report (The Mayor's Outer London Commission Report 2010) published in June 2010 includes a large number of references to the activities and importance of the boroughs. In recognition, perhaps, of the centrality of authorities such as Croydon to the regeneration and success of their area, the Commission envisaged the Mayor working closely with the outer boroughs to deliver economic and social improvements. Employment growth in outer London had varied substantially in the period 1989 – 2007. In nine outer boroughs, total employment had declined – by as much as 27.1 per cent in Barking & Dagenham. The need for economic regeneration in many outer boroughs was self-evident.

The boroughs' influence was clear in such statements within the final report as "Housing output is partly a function of the density of development. However, simply raising densities across the board is not a solution to increasing output, much less sustaining the distinct qualities of suburban London" (The Mayor's Outer London Commission Report 2010). Outer boroughs have long wanted the power to stop 'cramming' on suburban sites.

In its recommendations, the Commission was again realistic in accepting the difficulty of creating 'super-hubs' of development in outer London. The report noted: "It was thought that a benefit of [super hubs in outer London] might be their potential to provide further agglomeration economies and so justify the substantial investment

required to support them. However, it was soon realised that if the concept was to be widely 'owned' by boroughs, even if the potential growth to sustain them might come forward in the future they would need to be developed without having a negative impact on existing business locations" (para 4.4).

Although City Hall was seen as having a role in the spatial planning, sub-regional and promotional aspects of outer London's economic future, the pre-eminence of the boroughs' role is clear. The Commission recommended intensification of some areas in outer London and that an on-going forum be created to focus on outer London issues.

The OLC's importance is probably that it helped focus the minds of central London-focused politicians and officials on the far larger area of outer London. In particular, it reminded policy-makers that many outer boroughs, particularly to the east of the capital, had continued to fall behind (at least relatively) during the long period of economic growth after 1992. The question now is: how far can the outer boroughs maintain the focus of the Mayor and his functional bodies on the large suburban areas of the city?

Proposals for further reform

During the summer of 2010, in response to government plans to abolish the Government Office for London, Mayor Boris Johnson made a number of proposals for the further reform of London government. These changes were generally intended to shift powers from central government to City Hall. The proposed reforms are summarised as follows:

Housing and regeneration: Homes and Communities Agency powers in London to be devolved to the GLA group

Olympic Park legacy: The Olympic Park Legacy Company to be reconstituted as a Mayoral Development Corporation (MDC), reporting directly to the Mayor

Royal Parks Agency (RPA) Responsibility for the Royal Parks to be devolved from Whitehall to the Mayor, to ensure clear democratic accountability to Londoners. Its funding should be transferred to the GLA

Skills: The Mayor, and the London Skills and Employment Board (LSEB) which he chairs, to get the power to approve the allocation of the adult skills budget in London. Central government expenditure on skills and employment in London to have regard to the LSEB strategy

Rail franchises: The Mayor and Secretary of State for Transport to award jointly the rail franchises for those suburban rail lines which are largely contained within the boundaries of greater London. The Mayor should have a formal role in monitoring the franchises.

Port of London Authority (PLA): The PLA to be devolved to the GLA to integrate its role with the Mayor's Transport Strategy and the London Plan. The Mayor should appoint the PLA Board, with Kent and Essex given the right of representation.

Traffic control: The Mayor to be given greater power to affect traffic control on Transport for London (TfL) roads.

Policing: The Metropolitan Police Authority's (MPA) functions to be divided between the Mayor and the Assembly with the Mayor taking on executive functions and the Assembly taking on the scrutiny function. A policing board for London would be created, under the Mayor's control. The Home Secretary and the Mayor would jointly appoint the Metropolitan Police Service (MPS) Commissioner, who would in turn appoint the senior team in the MPS.

A reconstituted GLA group: The GLA group to be reorganised to improve its efficiency and effectiveness, with the LDA's functions folded into the GLA with the LDA ceasing to exist.

Resilience: Responsibility for resilience issues in London to be devolved from the Government Office for London to the Mayor.

Statutory strategies: The Mayor to be given freedom to produce the plans and strategies of his choice, rather than being required to produce a dozen statutory strategies. There should be a single consultation period for all strategies.

General power of competence: In line with the government's plans to introduce a general power of competence for local authorities, the Mayor to have greater freedom to deliver public services provided in the capital.

Financial flexibility: The detailed ring-fencing of central government grants within areas such as police to be discontinued.

Other potential changes put forward by the Mayor included:

The London Assembly: Greater powers for the Mayor to be matched by greater powers for the London Assembly to hold the Mayor to account. A possible

enhanced role for the Assembly in strategy development. London Assembly to be separated from the GLA so that it is seen as independent.

Waste: The government to consider options for strengthening the role of the London Waste and Recycling Board (LWaRB) in delivering efficient and effective waste management for London.

Energy and climate change: Consideration to be given to mechanisms that can deliver a more co-ordinated approach to the delivery of climate change and alternative energy programmes in London.

Health: The Mayor to have a role in allocating financial resources for public health in London (excluding clinical services).

Some of these proposals had the full support of the boroughs, while others provoked demands for a shift of power not only from Whitehall to City Hall but also downwards to the boroughs. The key spheres of policy where there was disagreement were summarized in a letter written by the Mayor, the boroughs and the London Assembly to Eric Pickles, MP, Secretary of State for Communities and Local Government (Further Devolution to London). The problem areas were:

Olympic Park Legacy

The Mayor's bid to create a Mayoral Development Corporation (MDC) was opposed by both the boroughs and the Assembly. The boroughs want joint control of the MDC if it is created. The Assembly broadly supports this position.

Planning

Although planning was not seen by the Mayor as a priority for reform, the boroughs proposed that the scale of development 'thresholds' above which proposals for development must be referred to the Mayor should be substantially raised. Secondly, the boroughs have proposed that the Mayor's right to act as development control authority (under reforms brought in by the previous government in 2007) should be removed. The Mayor countered by stating that such reforms would, in effect, remove his planning powers and thus wishes his existing powers to remain.

Forward plan of decisions

The Assembly proposed that the Mayor should be required to produce forward plans that it (the Assembly) would be allowed to 'call in'. The Assembly has also proposed

their powers to veto the Mayor's budget should be extended to his capital spending plan. The Mayor has rejected both proposals.

The boroughs' proposal to substantially reduce the Mayor's planning powers are by far the most important element in the debate over 'localism' as it affects London. The mayor has interpreted the Conservative-Liberal Democrat coalition's approach to localism as suggesting a major shift of powers from Whitehall to City Hall, the boroughs are using the opportunity provided by the Government's proposed Decentralization and Localism Bill, to be introduced during the autumn of 2010, to reduce the Mayor's power over them.

This stand-off between the Mayor and the boroughs is not uncharacteristic of the longer-term relationship between the city-wide and 'local' tiers of government in London. The boroughs have never been keen on the GLC or the GLA being able to use a legally-enforced strategic planning document to direct their local planning. Similarly, the leadership of successive metropolitan governments in the capital has wished to use such planning mechanisms to influence the shape and direction of the city.

Conclusions

London government has rarely remained unreformed for many years at a time. In the half-century since the Herbert Commission was set up, there have been several reviews and a number of reforms. It is unlikely that any other major city in the world has been the subject of so much analysis, debate and change. The reforms of 2000 were radical. They introduced into the British political system the concept of an executive, directly elected, mayor.

Ken Young, a long-term commentator on London government, has argued that Ken Livingstone's views about the Labour government's proposals to extend the Mayor's powers in 2007 amounted "to a powerful case for transforming his office into that of a strong metropolitan decision-maker" (Young, 2006). The Mayor's proposals suggested a drift, according to Young, from "metropolitan management as a negotiation process, to one of the exercise of executive authority". Strong executive models of metropolitan management "tend to produce deep conflicts that, in time, erode their support and lead to their dissolution".

Thus, according to Young, Livingstone was inevitably taking a "route back to past conflicts". Boris Johnson is planning to build on Livingstone's extended power. The boroughs are now pushing back and attempting to weaken the Mayor's planning powers.

The long sweep of London history suggests Young's pessimism could be well placed. On the other hand, the world has changed from that of even the 1970s or 1980s. International pressures for economic and social change, commonly referred to as 'globalisation', have turned London into a very different city from that governed by the predecessor LCC or GLC. Much global trade moves through London. International immigration has turned the city into one of the most cosmopolitan in the world. Influences ranging from terrorism to tourism have meant that London's metropolitan government and its boroughs have become the place where the global meets the local.

There is no doubt that borough-driven local and neighbourhood interests remain strong in the city. Conflicts over major planning decisions can spark fierce disagreements between the Mayor and particular boroughs. Even more trivial issues, such as bus lanes or traffic calming can produce aggressive disagreement between the two spheres of government. The complexity of the wider 'governance' system in the capital, involving dozens of different bodies, undermines public comprehension of who is responsible for what.

Looking back from late 2010 to the evolution of the boroughs since the creation of the GLA in 2000, it is remarkable how successful the boroughs have been in sustaining their autonomy and authority during a period when a new and powerful directly-elected executive mayor has grown and prospered. The boroughs undoubtedly represent the 'local' and 'neighbourhood' aspirations of the city's eight million people. Equally, the Mayor and GLA represent the city-wide need for infrastructure and for the possibility of action across a wider area than one or two boroughs.

The boroughs and the Mayor (and their predecessors) have disagreed about particular issues and, indeed, have fought on different sides when reforms to local government have been proposed, but the current London government system appears to balance the 'local' and 'metropolitan' requirements of a great city relatively well. The boroughs and the City of London are still the building blocks of democracy in London. It appears they will remain so in the future.

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3. The changing nature of the London Plan

Nancy Holman

London is in many ways a chaotic place. Its boundaries have been historically hard to define and its governing structure has proved ineffectual, unloved and at times non-existent. So drawing up a strategic spatial planning document for a place such as London is clearly no easy task. The first Spatial Development Strategy (SDS) for London under its new governmental arrangement was published in 2004 - only the third such plan covering the wider London region and only the second to have statutory weight. Gordon (2003) analysed its predecessors in terms of the level of personal vision and identity seen in each. The iconic 1944 Abercrombie Plan was clearly the work of a professional planner charged with delivering the foundations of Greater London's postwar reconstruction. Visionary for its time, and certainly associated strongly with its author, but the plan itself did not offer a particularly personal insight into the future of the capital and its surroundings and carried no statutory weight. The 1969 Greater London Development Plan was the first statutory strategic plan for the city region and reflected a far drier, more technocratic approach to planning in London. It is pragmatic and obviously the product of compromise, and is almost devoid of personal authorial vision. Mayor Ken Livingstone's 2004 London Plan that was revised in 2008 is a different animal altogether. It is partly a strategic spatial plan and partly the mayor's personal vision for London's development. Now Mayor Boris Johnson, elected in 2008, is bringing out his own plan. This chapter aims to examine the current draft London Plan (2009) in the context of its historical lineage, and to ask if, like Livingstone' s plan, it represents the mayor's vision, or rather can be seen as a retreat to a less unified view of the city's development.

Plans in search of a strategic vision - The Livingstone London Plan

Creating a strong strategic vision in a plan that must co-ordinate and shape an area of 1,572 sq km with an estimated population of 7.56 million is no easy task. In 1969 the Greater London Council (GLC) produced its first attempt, The Greater London Development Plan. It was criticised in the Layfield Report[1], which stated that "the GLC

had only managed ;... with the greatest difficulty, and after extensions of time, (to) produce a plan containing relatively little information, diffuse aims and vague policies" (quoted in Foster & Whitehead 1973, p. 443). In part this was due to the statutory nature of planning in London where local development plans are written and implemented by the 32 boroughs and the Corporation of the City of London. Producing a co-ordinating strategy that offers overall vision and direction without causing immeasurable offence to the local planning authorities is a particularly slippery political tightrope, and it has been the undoing of a number of planning efforts in London.

Ken Livingstone's London Plan by contrast, offers a personal, centralised and strategic vision for London's future - the first section of the document is entitled 'My vision for London'. Gordon (2003) notes that the legislation establishing the GLA required it to balance concerns about the economy, society and the environment in a sustainable way. But he also points astutely to a meta-narrative running through the plan, which helps enable Livingstone to build up legitimacy and power. The Mayor was 'playing the trump card' of London's place as a 'world city' and laying a legitimate claim to central government resources (Gordon 2003). For example, page 4 of the plan says "...the central message of this plan (is) that London must fulfil its potential as a world city in the national interest as well as that of Londoners" (GLA 2004). This idea of a sustainable world city is repeated throughout the plan, and appears to be synonymous with the Mayor's vision for the city region. Through his plan, Livingstone establishes the discourse of London's role as a primary motor in the UK economy. This affords the mayor more power through better connectivity with business-led urban regimes (Thornley et al 2005), and gives central government a reason to allocate resources to the capital.

London's 'world city' status is not the only strong strategic element running throughout the plan. Sustainability and sustainable development issues considered in chapter 2 are seen as the leading elements of the broad development strategy. It sought to promote growth that does not exceed London's current boundaries or encroach on open spaces. Livingstone linked sustainability to an explicitly spatial strategy that involved the intensification of development in areas with good public transport access, and extending development eastwards into the Thames Gateway as part of wider regional priorities. The plan therefore contains a polycentric development strategy that seeks to relate and connect the various parts of London in a manner that efficiently uses finite resources.

The Livingstone plan further elaborated on the concept of sustainable development with a list of sustainability criteria (Policy 2A.1) against which Sub-Regional

Development Frameworks and Unitary Development Plans (UDPs now Local Development Frameworks - LDFs) were to be judged. It is important here to stress that the London Plan is the Spatial Development Strategy for London and provides a framework for development decisions, and boroughs must take account of its guidance in drawing up their own local plans. These sustainability criteria, which are set out in full later in this chapter, turn the loose and somewhat protean concept of sustainability into a more defined and concrete set of concepts with specific definitions. In summary, the criteria :

- **o** favour the use of previously developed land;
- **o** favour polycentric development in areas with good access to public transport, employment, shops, housing and infrastructure;
- **o** emphasise avoidance and mitigation of risk (primarily flooding);
- **o** require assessment of the impact of development impacts on natural, cultural and human resources;
- **o** emphasise the contribution mixed-use developments might make in community building.

By incorporating these criteria in the statutory plan, Livingstone ensured that boroughs took them into consideration when reflecting on the locational suitability and nature of development in their areas.

This direction to boroughs to take sustainability into account when drawing up their LDFs and considering development proposals was the final way in which the London Plan was used to co-ordinate and create a centralised, 'shared' sense of vision for the capital's development. Through this mechanism, the Mayor could not only control and shape policy in London on a 'grand' scale but also at individual borough level. The Mayor sought to do this through prescriptive policies such as the sustainable development criteria and also very specific housing affordability and density targets, parking regulations and a tall-buildings policy — all of which upset the boroughs either collectively or individually. The 2008 version of the plan includes 300 instructive phrases to the boroughs, saying they 'should', 'will' or 'must', giving central direction on everything from urban regeneration, to housing supply targets, to parking standards and the provision of combined heat and power hook-ups in new development.

History tells us that attempting central control in London is however a dangerous task. Gerald Kaufman, a junior Department of the Environment Minister in 1975, gave a vivid account of the tensions between the centre (the GLC) and the boroughs:

> I discovered that the normal, or at any rate expected, party antagonism between Labour and Conservative...was as nothing to the hostility verging on loathing that could exist - not of course on a personal basis - between the London boroughs and the Greater London Council (quoted in Pilgrim, 2006:226).

This tension was certainly present in the relationship between Mayor Livingstone and the London boroughs. Some pundits described their relations as combative and adversarial, and said local council leaders welcomed the more conciliatory tones of Livingstone's successor Boris Johnson (Cooper & Dowler 2008).

Livingstone's London Plan was clearly a document written to emphasise London's place on the world stage. It highlighted London's role as a world city and stressed its importance for the UK as a whole. The Mayor was able to use this argument to garner support from business as well as investment from central government. For example, he secured from the Treasury a subsidy for London buses, support for the 2012 Olympics and the likely support of Crossrail. This helped propel him to a position of strength beyond the mayoral powers defined under the 1999 Greater London Authority Act. Secondly, the Mayor integrated the concept of sustainability and sustainable development into the London Plan (2004, 2008) for the London Boroughs to implement. The plan left no doubt as to the central role of the Mayor, and unabashedly presented his own personal vision for the capital.

We now turn to Mayor Boris Johnson's Draft Replacement London Plan, and ask whether it continues to represent a strong personal strategic vision for the capital, or rather reverts to being a collection of diffuse aims and vague policies like its 1969 predecessor, the Greater London Development Plan.

Boris Johnson's London Plan - A continuation of vision and strategic direction?

Mayor Johnson's approach to the London Plan is set out in the opening pages where he states that the new plan will be "...shorter, more clearly strategic and user-friendly" than its predecessor (GLA 2009: 10). With respect to LDF preparations, his advice falls into two categories. First, "...areas of *flexibility*, where authorities may want to consider how its particular circumstances might differ from those of London overall" and second, "areas where greater analysis is required to determine local policies"

(ibid - emphasis added). This introduces the Mayor's new and more conciliatory approach to both the London Plan and the boroughs. Does this new approach represent a departure from Mayor Livingstone's personal and strategic vision for London's development? This section examines three key issues:

- the way London's status as a world city is used in the plan and the 'vision' embodied within this;
- the treatment of sustainability as an overarching policy direction; and
- the Mayor's relationship with the boroughs.

Focusing on London - the role of 'vision' in Johnson's plan

In the Livingstone plan, London's role as a world city was a key element of the Mayor's overall vision for the capital. Mayor Johnson's plan is far less focused on this element and in fact references London's 'world city' status only nine times as opposed to the 44 times it is mentioned in the 2008 London Plan. The draft replacement plan treats the concept much more lightly and integrates it far less into its policies. The phrase 'world city' is mentioned not as a core element of strategic policy and vision, but rather as an adjunct to other elements of the plan. For example, the plan's Economic Sectors and Workplaces Strategy notes that world-city status is important to central London's office market provision and also to the night-time economy of Covent Garden and Soho. This represents a strong shift in direction from Livingstone's assertion that his "...vision, which guides all my strategies, is to develop London as an exemplary, sustainable world city" (GLA, 2008: xii).

The shift from a rather singular view of pursuing and maintaining world city status is not necessarily bad in and of itself. In some respects it reflects the odd paradox that Johnson, a Tory, appears to be less pro-business and development than Livingstone, who was once famously seen as part of the 'looney left'. But it is not our purpose here to debate the merits of a vision that embraces London's role on the world stage—rather we seek to determine whether the new plan contains a central vision. If Johnson's vision is not to "develop London as an exemplary, sustainable world city" then what, if anything, is it?

The 'high level, over-arching vision' in Johnson's draft replacement plan is that "**London should: excel among global cities - expanding opportunities** for all its people and enterprises, **achieving the highest environmental standards and quality of life** and **leading the world** in its approach to tackling the urban challenges of

the 21st century, particularly that of climate change" (GLA, 2009: 26, emphasis in original). This rather more diffuse set of aims focuses on economic opportunity, quality of life and environmental challenges, and contrasts sharply with Livingstone's more myopic vision of the world city. Johnson's plan thus is not particularly driven by a vision of how London as a whole should develop in the future or market itself to the outside world.

To flesh out his high level vision, Johnson gives us six detailed objectives, which he says embody the concept of sustainable development (a point which will be taken up in the next section) - see Table 1. Even with these six detailed objectives, Johnson's draft plan has a softer and more widely dispersed vision, incorporating elements from

Table 1: Mayor Boris Johnson's Objectives for London

o A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life for all Londoners and helps tackle the huge issue of inequality among Londoners, including inequality in health outcomes;
o An internationally competitive and successful city with a strong and diverse economy and an entrepreneurial spirit that benefits all Londoners and all parts of London; a city which is at the leading edge of innovation and research and which is comfortable with - and makes the most of - its rich heritage and cultural resources.
o A city of diverse, strong, secure and accessible neighbourhoods to which Londoners feel attached, which provide all of its residents, workers, visitors and students - whatever their origin, background, age or status - with opportunities to realise and express their potential and a high quality environment for individuals to enjoy, live together and thrive.
o A city that delights the senses and takes care over its buildings and streets, having the best of modern architecture while also making the most of London's built heritage and which makes the most of and extends its wealth of open and green spaces and waterways, realising its potential for improving Londoners' health, welfare and development.
o A city that becomes a world leader in improving the environment locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy and consuming fewer resources and using them more effectively.
o A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities with an efficient and effective transport system which actively encourages more walking and cycling and makes better use of the Thames, and supports delivery of all the objectives of this Plan (GLA 2009: 27 emphasis in original).

economic competitiveness to quality of life and from climate change to delightful architecture. This contrasts with the clarity of purpose in Livingstone's plan.

Sustainability - a movement towards *quality of life*?

Sustainability was an integral part of the structure of the Livingstone plan, which made sustainable development for London a strategic planning priority. This accords with the European Spatial Development Perspective, other European Directives and the enabling legislation for the GLA, which makes the balancing of economy, society, and environment in a sustainable way a statutory duty. In addition, Policy 2A.1 contained a set of sustainability criteria that were to be used to evaluate development and plans at both the regional and local level. How does the Johnson plan address this issue?

Table 2: Frequency of use of sustainability terms

Term	London Plan (2008)	Draft Replacement Plan
Quality of life	36	50
Sustainable Development	45	16
Sustainability	44	15

The two plans use very different language to treat sustainability. The wording of the Livingstone plan emphasised the concepts of sustainability and sustainable development, while the Johnson plan stresses 'quality of life'. Table 2 demonstrates the shift.

Johnson's draft plan includes a section entitled 'A new focus on quality of life', with ten bullet points that make the concept more concrete, listed in Table 3. These points do not, however, give any guidance as to how these quality-of-life issues relate to the economy, the environment, and social equity at a more macro level, nor do they give any sense that sustainability might conflict with other priorities in the economy, the environment and social equity at a more macro level. The language of sustainability, by contrast, implies (however vaguely) that some sort of compromise between 'the three Es' must be played out within both temporal and spatial limits. Johnson's quality-of-life descriptors, which omit this recognition, are a rather flaccid instrument on which to base our assumptions about the future of London. Unfortunately, quality of life as described here offers us nothing more than a warm and fuzzy view of the

Table 3: Johnson's quality of life objectives

- ensuring there are enough homes meeting the needs of Londoners at all stages of their lives and whatever their circumstances, and designed so they actively enhance the quality of the neighbourhoods in which they are located
- tackling the unacceptable health inequalities that exist in one of the wealthiest cities in the world
- protecting and improving environmental quality at both local and Londonwide levels (and recognising the links between the two), with action to target problems of air quality and other forms of pollution
- ensuring a network of vibrant and exciting town centres with a range of shops and other facilities
- making sure all Londoners can have access to good quality healthy food
- making sure Londoners in all parts of the city have adequate efficient transport networks and services, and the support for cycling and walking, to enable them to access job, social and other life opportunities, while minimising any adverse impacts on the environment or quality of life
- recognising and actively realising the whole range of benefits which networks of green and open spaces and waterways bring
- the importance of a range of readily accessible community facilities meeting the needs of a growing and increasingly diverse population
- taking effective steps to ensure Londoners feel safe in their city and their local neighbourhoods, and to not have to feel constrained in going about their lives by crime and fears about their safety
- protecting and enhancing what is distinctive about the city and its neighbourhoods, securing a sense of place and belonging through high quality architecture and design that sits well with its surroundings (Mayor of London 2009, p.23).

future with little recognition of the political struggles and compromise that are necessary to bring these aspirations about.

We turn now to the mayors' differing criteria on sustainable development. Mayor Livingstone set out a series of thirteen sustainability criteria against which Sub-Regional Development Frameworks and Unitary Development Plans (UDPs now Local Development Frameworks - LDFs) would be judged which are listed in Table 4.

Mayor Johnson says that his six detailed objectives embody the concept of sustainable development and support his overall vision for London, though these are not to be used to assess development projects or plans per se. How do these lists differ, and how does this affect sustainability and strategic planning for London?

Table 4: Livingstone's sustainability objectives

- taking account of the impact that development will have on London's natural resources, environmental and cultural assets and the health of local people and upon the objective of adapting to and mitigating the effect of climate change
- optimising the use of previously developed land and vacant or underused buildings
- using a design-led approach to optimise the potential of sites and improve the quality of life
- ensuring that development occurs in locations that are currently, or will be, accessible by public transport, walking and cycling
- ensuring that development occurs in locations set out in Policy 2A.5
- ensuring that development takes account of the capacity of existing or planned infrastructure including public transport, utilities and community infrastructure, such as schools and hospitals
- taking account of the physical constraints on the development of land, including, for example, flood risk, ensuring that no significant harmful impacts occur, or that such impacts are acceptably mitigated
- ensuring that development incorporates green infrastructure that is planned, located, designed and managed as an integrated part of the wider network of open space
- promoting corporate social responsibility
- taking account of the objectives of promoting safety and security, preventing major accidents and limiting their consequences
- taking account of the suitability of sites for mixed use development and the contribution that development might make to strengthening local communities and economies including opportunities for local businesses and for the training of local people
- policies in DPDs should clarify that, when assessing the suitability of land for development, the nature of the development and its locational requirements should be taken into account, along with the above criteria
- all stakeholders should take a pro-active approach that engages the community in decisions about its future and builds capacity to enable the community to take a lead in addressing its own needs wherever possible(Mayor of London 2008, pp 39-40).

Johnson's objectives are balanced between the economic, environmental and social spheres of sustainable development. The city should strive not only to have an internationally competitive economy, but also tackle the problems of health and inequality faced by many Londoners and to position itself at the forefront of environmental improvement. The Livingstone criteria also covered multiple fields of sustainable development, stating that future plans should take account of the effects on health,

local businesses and the environment. But this apparent agreement between the two plans is misleading.

The Livingstone criteria are far more specific than the Johnson objectives. For example, compare Johnson's fourth objective ('...a city that delights the senses...') with Livingstone's eleventh criteria, that development and plans should "..take account of the suitability of sites for mixed used development and the contribution that development might make to strengthening local communities and economies including opportunities for local businesses and for the training of local people."

Here we see a real shift in gear from a very specific aim that requires planning authorities to consider the suitability of sites for mixed use developments to what is arguably a mere aspiration for London to become "a city that delights the senses".

In terms of spatiality, the vast majority of Livingstone's thirteen points have a spatial aspect. These include the notions that development should occur in specific places guided by policy (e.g. Policy 2A.5), polycentricity, the use of previously developed land and proximity of new development to sustainable transport links. The concrete particularity of the criteria is born out in a spatial vision. Mayor Livingstone provided strategic guidance to the boroughs in a way that Mayor Johnson does not. This brings us to our final point, the differing manner in which each mayor has sought to relate to the boroughs.

The boroughs should - but only if they want to?

In the current 2008 London Plan the word 'boroughs' is used 468 times and in 300 of these cases it appears as part of an instructive phrase. It is thus a fairly directive document, and reflects Livingstone's sometimes contentious relationship with the boroughs — especially the outer boroughs, who felt that the centre was dictating a policy that did not suit their circumstances. Johnson, in contrast, wanted to create an easier and more consensual connection to the 32 London boroughs and the City Corporation. His draft plan contains the word 'boroughs' 313 times, but only 143 of these instances are instructive. Moreover, Johnson stated in paragraph 1.43 of the draft replacement plan that he "...intends to take a new, more consensual approach to planning for London...This will focus more on delivery of agreed and shared objectives, less on process or structure."

Johnson also pledged a new, more flexible approach to planning, and promised to give the boroughs more scope to decide what is appropriate for them when drawing up their development plan documents (GLA 2009:10). This flexibility is especially

extended to the outer London boroughs. In policy 2.6 he promises to draw up an Outer London: vision and strategy that takes into account local conditions and seeks to create locally sensitive development. Johnson's decision to move to absolute housing targets rather than percentage-based targets would also appear to also favour the outer boroughs by placing the largest burden for housing provision on inner London boroughs (Sell 2009).

This move towards a more decentralised metropolitan style of government is described as a more local and pragmatic approach. Some welcome this shift of power to local boroughs, saying it moves decision-making closer to the people, renews the sense of community participation, and leads to better and more locally appropriate planning decisions. However, a real examination is needed of what this could mean in practice, beyond the rosy picture of a fully engaged and informed community working with their local planning authorities. Issues of power and wealth loom large; boroughs populated by better off constituencies might be more able to resist strategic planning priorities that do not 'play well' at home. Moves toward a more consensual relationship between the mayor and the boroughs could therefore lead to piecemeal planning and a lack of a common approach for London as a whole. This does not represent a more strategic approach to planning.

Conclusion - stepping away from a radical strategic vision

Is the Johnson plan just a newer version of the 1969 GLDP, with its diffuse aims and vague policies? Has Johnson's plan moved us away from passionate planning, personal vision and strategic direction? The answers are not straightforward. The Livingstone plan certainly provided a central and personal vision of what London is now and how it should be a world city in the future. This provided a goal, and enabled the city to secure support and financing that he might not otherwise have gained under our system of local government. Johnson's plan clearly does not do this. It is more laid back in style and tone and does not trumpet a single view of London.

In terms of sustainability, the Livingstone plan is clear, precise and prescriptive, while the Johnson plan is full of aspiration but lacks bite. Finally, in terms of the Mayor's relationship with the boroughs, we are unquestionably sailing out of the choppy seas of directive planning and back into the waters of consensus.

None of this really bodes well for a strategic view of the capital's development. But nor does it necessarily take us fully back to the planning landscape described by Layfield. There are innovative policies in the new draft replacement plan like space

standards for new homes, Lifetime home standards, and policies on climate change mitigation. None of these items would likely have been included during the days of the Greater London Council, and in this sense the new plan is not a complete retreat. However the abandonment of a centralised strategic vision is an important change, especially in light of the new coalition government's moves towards the decentralisation of planning, as it challenges one of the rationales for the regional tier of government (which still exists in London) – that it was needed to carry out strategic planning for local authorities.

Endnote

[1]Report of the inquiry into the GLDP which lasted an unprecedented 237 days.

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4. Scenarios and planning for alternative London futures - or making a drama out of a strategy

Ian Gordon

Introduction

London's first Mayoral Plan, produced by Ken Livingstone, embodied a strong 'vision', coloured by a set of progressive values of equity, sustainability and tolerance. It was however more fundamentally shaped by a deterministic view of long-term growth in population and employment, and of the need to accommodate this growth within the bounds of Greater London (MoL 2002). Criticism of inflated growth assumptions, a disregard for major uncertainties about this growth and the resourcing of the required infrastructure investment - and of the lack of any 'Plan B' - were all effectively swept aside during the Livingstone mayoralty.

The draft Replacement London Plan, produced by his Conservative successor, Boris Johnson, which is currently undergoing its Examination in Public (EiP), is much less deterministic in tone and less prescriptive about how the boroughs, as the local planning authorities, should ensure that growth is actually accommodated within the city (MoL 2009). And, in relation to employment at least, its growth assumptions are rather more modest - even than in revised versions of the Livingstone Plan. Nevertheless, one strong theme in formal 'responses' to the new draft plan, was of the need to insert specific references to alternative growth 'scenarios' in the city. This was mentioned by at least 12 respondents, including: the Federation of Small Businesses; the Town and Country Planning Association and the Royal Town Planning Institute, the Just Space Network, Michael Edwards[1] and Transition Town Kingston Steering Group; South and West London Partnerships, London Councils and Hackney / Redbridge Borough Councils[2].

The topic was discussed at the EiP's opening technical seminar, and on the first day of its hearings, when the case was actually made by two of those most closely involved in formulating Livingstone's Plan (Professor Drew Stevenson, and former Deputy Mayor/current London Assembly member Nicky Gavron) as well as independents associated with the Just Space network. Some alternative scenarios had actually been discussed in summer 2009 at a seminar organised by London Plan team

officers and GLA Economics although reference to them was eventually omitted from the draft Plan. And GLA Economics themselves (with an 'independent review' by close associate, Paul Ormerod[3]) produced a firm rebuttal of the case for inclusion of such alternative futures ahead of the EiP's opening sessions (GLAEc 2010).

The strengthening of external interest in issues of uncertainty and the consideration of alternative futures since earlier versions of the London Plan, clearly owes a lot to developments since 2007 - both economically in the ramifications of a financial crisis with its origins in the City and Wall Street, and politically in the radical initiatives being pursued by the new Conservative/ Liberal coalition to cut-back public spending and direct state responsibilities. At the same time, firm resistance to addressing these uncertainties openly, together with the continuing centrality of a strong growth scenario / set of assumptions within the Johnson Replacement Plan reflect structural continuities in the politics of the Plan. As under the previous regime, this remains a strategic political document, having to serve a number of functions and interests, beyond the formal legal requirements set for it and purely technical analyses of evidence and possibilities. These other functions include management of the GLA's external relations, with central government and its regional neighbours (Gordon I. & TraversT. 2010) as well as different interests within London.

The relevance of such 'political' considerations to the way in which 'scenarios' are formulated, debated and used is obviously not unique to the spatial planning context. In the military / defence planning contexts where scenario analysis emerged from simulation games against potential opponents (Wiki n.d.), key elements of the process of imagining challenges and preparing responses to these naturally required secrecy. This could also be true when scenario planning was translated to a corporate business context, in companies such as Shell (Wack 1985), even when conceived as involving 'games against nature', since rivals might seek to pre-empt the advantage that effective strategic responses could offer. In an urban planning context, the presumption is generally that such issues don't arise, and that if the scenario approach has value here also, it would be applied in an open manner that served to empower external stakeholders and facilitate rather more democratic input into strategic planning. That may be rather naive, however, since published plans are clearly intended to influence behaviour in ways that make it more likely that their aspirations and assumptions – particularly about growth and investment - will be satisfied in practice.

But it raises some big questions about how the demographic legitimacy of strategic planning – which is about the big picture and long-run changes - can be secured, given that no-one has direct knowledge of these, unless 'the planners' can expose:

- **o** the range of alternative futures that may have to be confronted;
- **o** how they would propose responding to these; and
- **o** what the implications would be for various groups within a city's residential and business communities.

In this chapter I explore these issues in relation to the Replacement London Plan by:

- **o** considering how scenario analyses relate to the particular requirements of strategic planning;
- **o** looking at some particular alternative scenarios which ought to be seriously (and openly) explored within the London Plan process; and finally
- **o** discussing how far the 'plan, monitor and manage' approach emphasised in the Draft Replacement Plan does or does not obviate the need to investigate scenarios.

The role of scenarios in strategic planning

In a spatial planning context, the language of scenarios is used ambiguously to refer to either or both the challenge or response aspects of classic scenario analyses, though with some bias toward the second of these – thinking more about alternative strategies which might be chosen than about the alternative futures they might have to deal with. For a genuinely strategic approach, the two clearly need to be integrated, but starting from consideration of the challenges (and opportunities) that the environment may present, and with a realistic appreciation of how/how far policies can be expected to modify these challenges.

In general, there are probably three key characteristics expected of a strategic approach to planning, each involving an extension of scope beyond simple accommodation of directly observable trends:

- **o** Adoption of a wider perspective - looking further ahead, across wider contexts, and toward fundamental processes conditioning situations which may have to be faced and how planned actions could impinge on these;
- **o** Clarifying the goals which would / should shape actions in these different sets of potential circumstances – distinguishing so far as possible between, on the one hand, the values and priorities to which planners / leaders are committed and, on the other hand, (reality) judgements about how contexts may change and the impacts that actions may turn out to have; and

- Analysing interactions between processes and policies across what Friend & Jessop (1976) classically referred to as 'interconnected decision areas', - those fields routinely dealt with and thought about separately by distinct groups of professionals / decision-makers, but which are indirectly linked - particularly through the ways in which individuals and businesses respond to these separate interventions.

At various points within the planning process – if not necessarily or simply within formal statutory plans - scenario thinking has a crucial role to play in securing these defining characteristics of a 'strategic' approach. In order to fulfil this role, however, the scenarios need to be formulated in terms going beyond simply variant assumptions about a few variables with key roles within the default version of the plan (e.g. more / less growth, in a more / less dispersed pattern). They need to involve coherent accounts of how alternative paths of development might be shaped either by significant exogenous developments or by shifting patterns of behaviour among local actors. As such they require both the exercise of imagination (with a willingness to consider how things might evolve differently from the default internal view) and an evidence-based understanding of how cause-effect relations operate in key processes – in other words a story (or at least a story-board).

One issue, of course, is whether scenario 'exercises' of this kind would actually impact on anyone's established view of the direction of change and what should be done about this. In a passage quoted by GLAEc (2010a), a key player in Shell's pioneering work with scenarios notes that initially "no more than a third of Shell's critical decision centres were really acting on the insights gained through the scenarios and actively preparing for (a) family of outcomes' judged to be the most likely, though at odds with the prevailing (expansion-oriented) world view within the company. The lesson learned was that relevant scenarios were not simply ones that seemed likely to correspond to reality, but rather ones that could change 'the image of reality in the heads of critical decision-makers" (Wack, 1985, 84). As GLAEc (2010a) suggests, this is a demanding criterion, which would not have been satisfied by the limited kind of scenario analyses commissioned for earlier rounds of London Plan development (see GLAEc 2010a). But it is one which powerfully suggests why it is that more sophisticated, and committed, scenario work could be invaluable in this context, with its inbuilt biases toward consolidating the strategy around a single 'vision' or image of future reality.

Relevant alternative scenarios for the replacement London Plan

Current concerns about the apparent absence of serious consideration of alternative scenarios within the draft Replacement London Plan seem to have two aspects.

One simply embodies scepticism about the likelihood of either the scale of growth forecast for population / employment or of the implied availability of funding for large scale infrastructure investment actually being realised. Some of us (including Buck et al 2002) had expressed similar views about previous versions of the Plan, which actually embodied more expansionist assumptions – but these have become more widespread against the recent background of macroeconomic uncertainty and political change. The issues here are whether:

- the central forecasts / assumptions are the most appropriate ones to underpin long-term planning; and/or
- these should be supplemented by much clearer statements of the margins of uncertainty which inevitably apply even to the best central assumption; and/or
- whether there should be some explicit statement of a Plan B (or partially modified Plan A), indicating which elements of the Plan would need reconsideration - in what ways and at what stage - if evidence suggested that actual outcomes were likely to offer substantially less (or more) growth potential than currently assumed.

The other is more concerned about qualitative ways in which the actual pattern of development, over an uncertain future (not simply the scale of growth), might come to differ from the one embodied in the Plan, which effectively embodies and projects forwards the norms of the past 20 years or so. This is actually closer to classic notions of how scenarios should contribute to strategic planning (public or private) and involves thinking more explicitly about how cause-effect processes might operate within the metropolitan system – not just how changing some of the numbers ought to affect decisions.

In either case, a natural starting point for thinking about the contribution that explicit consideration of (some) alternative scenarios could make to strategic planning in London is to identify the baseline scenario which effectively underlies the current draft Plan. Despite the change of regime in London and the major economic shocks of the past 3 years, this seems very much the same as for the Livingstone Plan, in its original and revised forms. Specifically, it involves the continuation of patterns of growth, and underlying sources of competitive advantage, associated with the city's economic and demographic growth since the early-mid 1980s. These would include, at an international scale, continuing promotion of liberal economic regimes, with low / diminishing barriers to trade (in services as well as goods) to factor mobility (both for capital and labour) and increasing convergence in terms of business cultures, regulatory

systems and consumer preferences. Within the UK, related conditions include continuation of light-touch regulatory regimes, out-sourcing of public service provision, and acceptance of an internationalised 'post-industrial' advanced service economy as reflecting the UK's real competitive advantage. Over this era, these factors together seem to have particularly favoured the London economy, over all other UK cities/regions and many elsewhere in Europe, because they play to its traditional strengths / first mover advantages, as a very large, flexible and diverse service economy, with strong international links, and within an Anglo-American business culture.

A side effect (at least) of the way in which these assets have affected London's development over the past quarter century has been a sequence of boom and bust episodes, of such strength (and variability) that it remains hard to pin-down what the underlying trends have been. The city has escaped much more lightly than might have been expected from the current recession, especially considering its origins within advanced financial service operations, but two intrinsic elements in a baseline scenario assuming continuation of these conditions ought to be:

- **o** expectation of a continuing series of further, irregular linked booms/busts; and
- **o** recognition that all evidence on the central long-term trend will leave large margins of uncertainty as to the actual scale of growth, in jobs particularly, that would be entailed[4].

Beyond this, the obvious variant scenarios that deserve some consideration are ones involving shifts in one or more of the qualitative factors associated with strong (long-run) performance over this era. Among these, are a number previously sketched (in Gordon et al 2009[5]), which hinged on the potential reversal (in the wake of the financial crisis) of one of factors favouring London; whether involving:

- **o** a switch to a more sustainable macroeconomic strategy – supporting savings, production and exports;
- **o** financial re-regulation;
- **o** a halt to economic globalisation; or
- **o** potential anti-London revanchism on the part of communities suffering more (both directly and via corrective policy responses) from impacts of the financial crisis.

Each actually represented a down-side scenario which might simply lead to an extended period of much slower overall growth in the London economy. Each thus

bore essentially on the quantitative issue of whether the Plan's assumptions about long term growth in population, employment and (implicitly) public investment were likely to prove over-optimistic.

As such – though they could have been investigated in more qualitative terms - they actually related only to the first (more limited) aspect of how scenarios could / should be used in relation to the London Plan. For two more qualitative examples, we shall focus here on two related scenarios that seem to have become even more salient in the context of policy stances adopted (and/or intensified) by the new Conservative-led coalition government:

- **o** a major curtailment of international immigration into the UK; and
- **o** a shift in the balance of social activity and responsibility: from Big State to Big Society.

A little thought suggests that each could have important implications for London planning, though not necessarily ones that are obvious from the Plan itself or associated GLA papers.

Closing off international migration: London is famously the major destination for international migration into the UK, but the presentation of population growth in each edition of the Plan underplays the significance of this factor. This is possible because there are several major components of population change in the city – a birth rate now greatly out-stripping deaths, heavy net in-migration from overseas and comparable net losses to the rest of the UK – which can be combined in different ways to show either immigration or local births as the key factor in a rate of London population growth which now matches or exceeds that in the country as a whole. Given the arithmetical options, there is a political significance (and attraction) to presenting future growth, and the housing requirements associated with it, as a consequence of London's own burgeoning birth-rate rather than of a flow of in-comers.

But it matters also to understand the causal connections among these elements in order to consider under what circumstances this rate of population growth might be liable to change. This is now a really important issue, given the new Con-Lib coalition's commitment to imposing 'an annual limit on the number of non-EU economic migrants admitted into the UK to live and work' (HMG 2010), which Conservatives would like to see yield a net annual inflow below 100,000 (as in the 1990s), as compared with double that figure during the 2000s.

The draft Replacement Plan attributes the upsurge in London population growth since 1988 to the fact that: "more people of childbearing age have moved to the city, leading to strong natural population growth (the surplus of births over deaths)." (MoL, 2010, 14). More specifically it is overseas migration that has been responsible for the upsurge in London births, evident particularly since 1998. The number of births to mothers from overseas increased from 32% in 1988 (about the average for the previous 20 years) to 37% in 1998 and then 55% in 2008: in numeric terms this involved a growth from 33,000 to 37,000 and then 70,000 births.

Simple comparisons of population change by broad age range (Table 1) and by UK/overseas place of (Table 2) show, however, that:

- the really big changes in London population over the past two decades have occurred within the working age population; and
- can be more than accounted for (in numeric terms) by increases in the foreign-born population (at least in the years since 1996).

Despite the rising birth rate, the numbers of UK-born children / youths living in London actually seem not to have grown – because of continuing out-migration by families to neighbouring regions within the greater South East. At the other end of the age distribution, among the elderly, high net losses (among the UK-born population) also reflect outward movement – which has served to lower death rates within London – another important reason why its rate of natural increase is now so strong. In this age range, growth in numbers of foreign-born residents reflects the ageing of London residents who arrived in earlier post-war waves of in-migration, rather than new arrivals. The overall growth – of one million, or about two thirds – in London's overseas-born population over this recent period – is, however, evidently a direct result of contemporary flows of international migrants (heavily concentrated among those in young working age bands).

There is a more complicated story behind these data which needs to be unpicked, to understand why it is that out-migration to neighbouring regions increases as in-migration to London from overseas grows (Hatton & Tani 2005), and how these relate to competition for constrained housing opportunities. But the simple point is that the great upsurge in overseas migration to London over the past two decades (particularly between the mid-90s and the mid-2000s) has been a crucial factor in the turnaround in London population trends. This had been the case a decade before in London's counterpart, New York City, reflecting an earlier sharp up-turn in US immigration from poor countries than experienced in the UK. In both cases, an important factor was changes in the operation of migration controls - in the UK case their inability to restrain

Table 1: Population change by broad age groups: London and UK 1988-2008 (000s)

Age	London population change	GB population change	Differential change in London
0-24	+56	-622	+145
25-54	+923	+2,634	+639
55+	-141	+2,265	-364
Total	+838	+4,277	+420

Source: based on ONS mid-year estimates.
Note: Differential change is calculated as actual change in London, within an age group, less its expected share (based on initial population) of GB change in that age group.

Table 2: London population change 1996-2008 by age and place of birth (000s)

Age	Foreign born	UK born	Total change
Under 18	+ 70	-25	46
18-60	+ 804	-158	647
Over 60	+ 161	-185	-24
All ages	+ 1036	-367	669

Source: Labour Force Survey

entry during the peak period of asylum seeker arrivals around 2000, or secure the return of many of those initially refused admission (Gordon et al 2009).

The influx of asylum seekers was actually very largely curtailed during the time of the last government, with a rate of arrivals[6] in 2009 which was 70% lower than in 2000 - while the balance between arrivals and departures had fallen from 36% to about 8% of net in-migration by non-EU citizens. Sustaining this reduction, in the face of further unexpected international shocks, and cutting back radically on the net influx of other non-EU migrants may prove a difficult challenge, but – given its importance to population trends in London and to the city's housing/labour markets - a relevant scenario to explore in depth is how bringing the volume of net inflows back to their pre-1997 level would be expected to impact on significant features of the draft replacement Plan.

Within the Plan period (up to 2031) we might not expect this to greatly reduce the (recently elevated) rate of births in London, since there tend to be substantial lags between migrants' arrival in the UK and family formation. As far as change in the adult population is concerned, however, a reasonable starting point is to envisage a rapid return to the lower rates of growth prevailing in the earlier 1990s (i.e. pre-1997). To

provide a rough idea of the potential scale of change involved for London, its overall rate of gains from international migration increased by some 50,000 p.a. between these two periods, while its rate of population growth accelerated by just over half that (consistent with the idea of about 50% displacement of other groups as a consequence of on-migration to a constrained housing market). If tighter immigration controls simply reversed that shift, and were sustained, they would imply a halving of the Replacement Plan's projection of population growth – yielding an estimate for 2031 about 650,000 lower than with the base scenario.

The impact would not be even, however, since new migrants are concentrated in among relatively young working age people, while displacement is most likely to occur among households with children or people around the age of retirement. Thus a tightening of immigration controls might actually be accompanied by significantly faster growth in numbers of children and teenagers, with some further increase among those past retirement age.

How far such changes would impact on household formation and demand for housing in London might depend substantially on who actually the excluded migrants were. In general, past migrants from poor countries seem, at least in their early years, to have added less than might be expected to the effective demand for housing within London, which is probably why the rate of displacement of other residents has been well below 100%. This is something that can be expected to change over time, as migrants' incomes and expectations start converging with those of other residents. If, however, the potential migrants who fail to get admission under a much tighter regime, are disproportionately those who would be in the weakest labour market position, and perhaps also those with the lowest housing expectations, the rate of displacement of the average new arrival could be markedly higher than in the past.

Other effects which can be anticipated include some raising of wage levels at the bottom end of the labour market and reversal of the growth in low wage jobs within sectors such as catering and cleaning which expanded over the past decade in the context of a larger influx of labour from cheap labour economies (Gordon & Kaplanis, 2010). Many other features of recent trends within the city are also likely to have been substantially influenced by the scale and character of recent migration into the city, and more work would be necessary to uncover how these links operate, in order to see how far these trends would be modified by any much tighter immigration control.

From Big State to Big Society: the agreed priorities of the Con-Lib coalition include both:

- **o** rapid action to reduce the structural deficit in government financing, principally through cutting back substantially on expenditure over the next 5 years, and
- **o** promoting longer-term structural change in the relations between central /regional government, local authorities / communities and civil society, via decentralisation of responsibility and encouragement of the Big Society.

The first of these strands on its own might be seen as simply compounding medium-term uncertainties about the health of the macro-economy, and London's degree of vulnerability to continuing weak levels of demand. Taking a long term view over 8 episodes of contrasting public expenditure policies, Chick & Pettifor (2010) argue that (in peacetime) real increases in government expenditure have led to higher GDP growth (and thereby to falling public debt). GLA Economics (2010b) on the other hand, in responding to calls from EiP participants for consideration of the potential long term impacts of cuts, point to the absence of any simple correlation, over the past 35 years or so between decadal growth rates in (real) public expenditure and GDP. They also caution against any possible parallels being drawn with Japan's Lost Decade. On its own this evidence does not appear particularly strong – especially as the record includes no ten-year period in which real public expenditure showed zero growth, as the coalition's plans would entail, and no specific analyses of London's potential exposure to downside risks from this source are offered. But the argument that the overall expenditure targets do not in themselves justify revising down central estimates of London employment or population growth over the next 20 years is not an unreasonable one.

This seems particularly true given the attrition of London's traditional specialisation in governmental activities since the Thatcher era, when a shift to service management via arms-length agencies/quangos enabled activities to be shifted to cheaper locations further from the parliamentary centre. Now, London actually has the second lowest proportion of employment in public sector jobs (just ahead of the South East and level with the East of England), at 23.5% in 2009 (according to LFS data on main jobs) compared with 25.8% nationally and 30% in the North East, Wales, Scotland and Northern Ireland. In crude terms, a simple shift in the balance of demand and activity from public to private might be expected to slightly favour the London economy.

What may be rather more significant, however, is:

- **o** London's potential vulnerability to cuts in elements of public expenditure; and

- **o** the much broader issue of how the current round of cuts relates to the longer-term prioritisation of 'society' (and/or private providers) over 'state'.

In the first case, two significant issues are public investment in transport and housing /community facilities, and welfare support for groups caught between economic deprivation and inflated living costs. The two categories of investment in London's built environment have each grown very substantially since the GLA was established, reflecting the previous government's commitment both to this institution and to urban regeneration. Neither can be assumed to survive the radical reappraisal of priorities currently underway, but if either were to be called in question within the next few years, this would clearly have major implications for the Plan. Publicly second-guessing imminent central government decisions may not be appropriate for a long term spatial strategy document such as the London Plan. It would however clearly be appropriate to place in the public domain a serious analysis of the implications for the strategy of any such major shifts in budgetary priorities during the course of the Plan – and in the potential of using development gains to fund investment - indicating not simply the necessity of protecting elements of the new Plan, but in what ways it would be modified if/when necessary to protect key interests and objectives.

Beyond this, however, the scenario approach ought to be applied in a broader / more exploratory fashion to examine:

- **o** the particular challenges and opportunities that a long term shift toward a Big Society rather than Big State agenda would present for London, and for such specific interests and policy objectives; and

- **o** how the Plan would need to be adapted if such a shift emerged as a reality rather than simply aspiration / vision.

Even more than in the case of intensified immigration control, development of a useful scenario analysis of the impacts and challenges associated with such a shift in the thrust of government policy would require both a more explicit investigation of cause-effect links, and careful exploration of the taken-for-granted assumptions underpinning the current trends which are extrapolated forward in the default view of likely future developments.

Plan, monitor, manage – but also learn

Two main defensive responses to the proposal for considering alternative scenarios within the Spatial Development Strategy (the London Plan), as a means of responding to substantial uncertainties impinging on London's future development, emerged during early discussions in the EiP.

On the one hand, it was argued that it was the responsibility of planners to create greater certainty, as a context within which individuals (and other public officials) could take confident and rational decisions. In part, this involves the legitimate expectation that property owners (at least) be informed as clearly as possible about state policies that might affect their interests. But, more dangerously, it also seems to involve the view that plans should offer a clear view of the future, even when it is subject to uncertainties outside the planners' control.

On the other hand, it was claimed (by the Plan team) that the central role given to the 'plan, monitor and manage' approach in the replacement Plan represented an appropriate alternative means of responding - during rather than before the implementation process - to inevitable uncertainties affecting the course of development in the city. The problem in this case is that the approach only makes sense within the context of a clear view about the fundamentals of change and appropriate policy responses - providing a framework to which monitoring and management procedures can be related – whereas the scenarios approach involves seeking to face up to real uncertainties about the appropriateness of any such settled view.

As a procedural mantra, 'plan, monitor and manage' (PMM) sounds rather like a successor to the classic 'survey, analysis, plan' (SAP) formula (traditionally ascribed to Lewis Keeble), adapted to a less blueprint-oriented conception of planning. But, despite efforts of advocates such as Wenban-Smith (2002) to root PMM in a strategic choice logic, it shares with SAP a fundamental vagueness about how the key element in the triad – 'analysis' in the earlier case, 'management' now – is actually to be undertaken.

In a wider UK context, the emergence of PMM a decade ago owed much to the discrediting of (what were characterised as) 'predict and provide' approaches, to road-building and housing land allocation in particular, as 'sustainability' moved up the policy agenda. In the roads case, the main problem with 'predict and provide' could be seen as one of disjointed approaches to prediction, analysis and demand management leading (apparently) to ever more capacity being provided without actually relieving congestion. In the housing land case, similarly, a ready supply of planning permissions on ex-urban greenfield sites in areas of recent population growth was perceived as reinforcing demand there and obstructing a redirection of development back into cities with a surplus of potential sites on brownfield land. In both cases, the effect of a shift away from 'predict and provide' involved a more restrictive, tightly

'planned' approach to supply growth in the interest of urban compaction and rural protection. As such, PMM does not seem to be fundamentally concerned with issues of uncertainty – except that in the housing land case tracking the shifting patterns of demand becomes a more direct responsibility of planners, rather than something developers are insured against by allocation of more land than 'needed' in areas of potential growth.

In earlier versions of the London Plan, references to PMM were closely tied to the monitoring of outcomes against a series of target values for indicators, essentially checking the performance of Plan implementation, rather than testing the validity of the Plan's assumptions or the analysis that underpins it. In the draft Replacement Plan, where PMM is given a new prominence, signalling a more flexible approach to the planning process, there is a stronger suggestion that monitoring could potentially point to the need for significant revisions in the light of experience, when the review cycle comes round. Indeed GLA Economics conclude that – given the difficulty of imagining alternative scenarios which are both realistic and salient over the Plan's lifespan – PMM is "a more flexible and effective way of adapting policies to meet changing circumstances" (GLAE 2010a p14).

One reasonable criticism of this position is that it involves substituting a reactive for an anticipatory approach to strategic planning. More fundamentally one might ask the question why it is so much harder to think of realistic / salient alternatives than it is to frame the default / surprise-free scenario on which the Plan is based. Two plausible, complementary answers are: that the default scenario is easy to frame because it is essentially based on an extrapolation of the status quo, rather than on any substantial cause and effect analysis of the processes at work; and (as Wack suggests in the Shell case) that the default scenario reflects a corporate worldview that resists the entertainment of alternative models of reality.

Both considerations are relevant to the two London examples on which we focused in the last section. In each case there are clear gaps in the cause-effect understanding that is deployed in considering/presenting the surprise-free view – even when some relevant elements of that understanding are quite readily available (as in the immigration case). From a social scientist's perspective this reflects a fundamental weakness of the London Plan process, namely a failure to spell out and look for evidence on key assumptions about cause-effect links that are implicit in extrapolations or policy prescriptions. The second factor in each case is that there appear to be issues that it is politically difficult to expose to explicit discussion – namely in these two cases: the fact that in-migration (from poor countries particularly) has been a key factor in the turn-

around of London population trends; and in the latter that growth in population, jobs and financial resources may be substantially more uncertain than the Plan's surprise free vision takes for granted. Without more open discussion of these issues – and consideration of alternative scenarios – not only the democratic legitimacy of the Plan, but also its strategic character have a shaky basis.

Endnotes

[1] See next chapter for a fuller discussion of the contribution of Michael Edwards and the Just Space Network.

[2] This count is based on the summary of responses prepared by the Panel secretariat, available at the EiP web-site: http://legacy.london.gov.uk/mayor/planning/london-plan-review/docs/LondonPlan2010responsesbysection.pdf

[3] The basis of GLA Economics particular baseline employment projection methodology was set out in Cook & Ormerod (2004).

[4] In my judgement this long term trend implies on average the net addition of about 21,000 jobs p.a., reflecting a slight acceleration of overall growth, entirely attributable to the fact that accumulated job losses in manufacturing over the past 20 years have greatly reduced the potential for further shrinkage. This is still well below even the reduced rate of growth assumed by the current draft Replacement London Plan (of 32,000 jobs p.a.). But the crucial point is that the time series analyses underpinning my projection actually suggest a margin of uncertainty (at the conventional 95% level) between growth of 1,000 and 41,000 p.a.

[5] and previously in a contribution to the GLA Economics/London Plan team seminar/workshop on 'scenarios' in July 2009.

[6] Strictly the recorded figure is of new applications for asylum, both those made at the port and in-country. The departures figure represents the combination of removals and (known) voluntary departures.

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5. Do Londoners make their own plans?

Michael Edwards

This chapter concentrates on the attempts of various organisations of civil society to influence the Mayors' London plans since 2000 and to widen the debate on crucial planning issues. It is largely the product of participant observation, the author having taken part and been partisan in the events reported.

London has a long history of citizens and local campaigns playing an active role in urban political life and sometimes decisively influencing the development of the city. The St Pancras Rent Strike of 1960 (Burn 1972) was a major uprising against rent increases and means testing in council housing. The Save Covent Garden Campaign (Franks 1996) and Tolmers Square campaign (Wates 1976) of the 1970s are among the best known of local planning struggles. They both secured major defeats of developer-driven plans to restructure run-down areas and led to high-quality results, which balanced diverse social needs with commercial pressures. The campaigns tended to be localised, with the exception of the Homes Before Roads movement against the Draft Greater London Development Plan (Headicar 2009), also in the 1970s, and the protracted resistance against the London Docklands Development Corporation in the Thatcher period in the 1980s (Colenutt 1988).

These controversies, local and occasionally metropolitan, now play themselves out in a form of society which has sometimes been described as 'post-political' (Swyngedouw & Cook 2009) in that the neo-liberal discourse becomes so dominant that there is space in public life only for a consensus view of the world and of the city. Although inequalities and exploitation worsen, formal politics is almost entirely denuded of serious conflict and political party policies differ in relatively trivial ways. In such a context, there is little space for the expression of serious dissent and those counter-views, which are expressed, have little detectable impact on events. Even the near-collapse of the international financial system and the mounting evidence of environmental breakdown and peak oil (Atkinson 2010) scarcely yet disturb the prevailing orthodoxy.

New Mayor - new politics?

London's metropolitan administration, the Greater London Council, was abolished in 1986, early in the neo-liberal period, because it had become a focus for substantial challenges to the (then-new) orthodoxy. When a revived London government was promised by New Labour, and then created, many were optimistic about the new urban politics which might emerge. In 1999 I wrote

> But we now have a new prospect: from May 2000 London will have a directly-elected mayor and (for the first time since 1986) an elected Assembly. The mayor will have the duty to prepare strategies for the economy, for the environment and for 'spatial development'. All this offers an opportunity for a remarkable new opening in democratic communication about London and its problems. In the run-up to this new system, however, the signs are that politicians and interest groups are busy forming essentially-private agendas to put before the Mayor and that the offices of the new organisations will be staffed by the same people who did the work before. Ensuring that this new regime becomes really a democratic one, and that communication opens up, is a great challenge. The danger is that communication could be even more centrally managed. (Edwards 2000)

In the event, although the first mayor Ken Livingstone, elected in May 2000, was a radical, he was in turn captured — at least on many core issues — by the real estate and financial interests which had been running London policy for years, and his approach to planning was, from the outset, very much business as usual except in terms of housing and transport. Housing was the most obviously divisive issue in London planning throughout the last century, but his powers were limited. He sought to impose output and 'affordability' targets on reluctant outer boroughs and to secure substantial 'affordable' housing contributions from developers through the tough negotiation of s106 agreements. On transport he was bold and brave, pushing through the central London Congestion Charge and fighting tooth and nail against the national government's determination to privatise the Underground. In the latter he was defeated but, all the same, he presided over a true renaissance in public transport for Londoners and eventually secured control over much of the overground rail network.

Strategies

The emphasis in the London Government Act 1999 on 'strategies' as the principal outputs of the Mayor's office might have been expected to open up fertile debates on major choices facing London. The most important was the 'Spatial Development

Strategy'. The term used in the act came straight from the (then) influential European Spatial Development Perspective (ESDP 1999) and Healey (2010) quotes the leading Flemish planner Louis Albrechts in support of this ambitious approach to 'strategy':

> Strategic planning is selective and oriented to issues that really matter. As it is impossible to do everything that needs to be done, 'strategic' implies that some decisions and actions are considered more important than others and that much of the process lies in making the tough decisions about what is most important for the purpose of producing fair, structural responses to problems, challenges, aspirations, and diversity. (Albrechts 2004, pp 751–752 quoted in Healey 2010)

In her survey of recent 'strategic' plans in Europe, Healey finds herself profoundly disappointed, however

> …a lot of 'strategies' have been produced by agencies involved in urban governance and urban development. However, only some of these actually produce significant effects other than ensuring formal compliance in order to attract funds or meet regulatory requirements. Some strategy statements may serve political purposes through a rhetorical flourish which displays the promises of a mayor or local regime. Other so-called strategies may merely record already well-established directions. (Healey 2010)

The many 'strategies' which the Mayor of London is required or has chosen to prepare do deal with important topics (see box 1) but they have not, in general, posed key choices or been effective in generating public debate about alternative paths for London's development. All of them have been produced first in draft form and then finally adopted after consultation, but they remain statements of the promises or aspirations of the Mayor, rather than the outcome of serious public deliberation.

The London Plan

The Spatial Development Strategy, now known as The London Plan is, however, slightly exceptional in this respect. It forms part of the Development Plan under the terms of the Town and Country Planning Acts and thus benefits from the long British tradition that development plans can only come into effect after a formalised consultation process which includes statutory public hearings, an 'Examination in Public' (EiP). In this one (and only one) sphere of public life — Town Planning — some distinct citizen rights to participate have been embedded in the law since 1968 with a duty to consult.

Box 1: London mayoral strategies

From 2000	Added in 2008
Spatial Development Strategy SDS London Plan	Skills
Economy	Health Inequalities
Waste	Housing
Transport	
Climate Change and Energy Strategy and Climate Change Adaptation Strategy	
Bio-diversity	
Air Quality	
Noise	
Culture	

The production of the London Plans to date (Box 2) has been a massive achievement by a small professional team in City Hall, working at speed and starting on the next round of revisions as each version is finalised. The third adopted version of the Livingstone plan, consolidated with alterations, appeared in 2008 and ran to 508 pages (Mayor of London 2008).

Key features of the Livingstone plans can be summarised as follows. The plans welcomed the economic and population growth of the city, supported London's growing 'global city' role and undertook to contain this growth within the existing urban envelope, without infringing on the Green Belt around London. To do this, it espoused higher densities of housing development, managed through a formula linked to public transport accessibility. A very strong feature of the plans was the improvement of public transport, notably the bus services, where there were to be mutually-reinforcing gains with congestion charging in the centre.

The plans aimed to secure housing to meet social need through imposing obligations on private developers, to supplement public subsidy, and imposing 'affordable housing' targets on the 33 boroughs.

In most other respects, however, the plans were oriented to, or severely constrained by, the needs and demands of property and corporate interests, supporting the growth

Box 2: London Plan progress

May 2000	Mayor/ GLA starts work
May 2001	*Towards a London Plan* published, a prospectus
July 2002	Draft London Plan published, then 3 months consultation 12,000 representations from 650 respondents
March-April 2003	Examination in Public (EiP)
February 2004	Final plan published
2005 and 2007	Cycles of revision with consolidated version published 2008.
May 2008	Boris Johnson replaces Ken Livingstone as London Mayor
2009	Further small revision about funding Crossrail
September 2009	Draft Replacement London Plan published for consultation 7,151 representations from 929 respondents
June-October 2010	EiP

of the central office district and the market determination of the 'viability' of development projects. The plans spoke of 'polycentric' ambitions for London but they deferred to the 'evidence' that market forces were generally ill-disposed towards suburban office development and thus very little, if any, shift of employment to points nearer homes was seen as feasible.

This feature of the plans is a good example of the fetishisation of the market within orthodox urban economics. The long boom in London house prices since the mid 90s pushed the value of housing land to levels higher than could be achieved with any other use, outside a few central spots. Very few suburban office development schemes could compete with housing schemes as a result, especially after the 2004 London Plan formalised the rush to higher housing densities. Suburban jobs were thus being squeezed out by an inflated housing market and weak planning. This interpretation, however, challenges the sanctity of market 'evidence' and has never been accepted.

The London Plan's approach to urban 'regeneration' was also strongly market-oriented, relying on private investment to partner with public bodies in re-using previously-

Box 3: Key formal planning powers of the Mayor	
o	33 borough plans must generally conform to the London Plan.
o	"Strategic" (=big, or riverside etc…) projects are referred to Mayor for consideration and perhaps decision. He has power to impose a refusal on a Borough minded to approve, and (from 2008) also the power to impose a permission where a Borough wants to refuse.
o	Budget powers of the Mayor are very limited except o Some economic development budget o Transport for London (including congestion charge) o Government (HCA) housing funds (from 2008) The powers are constrained slightly by the Assembly, which is also required to approve the Mayor's budget.

developed land. All of this was in a context where, until 2007, national and international economic forces were channelling money capital into rent-seeking in the built environment and thus to a continuing surge in housing prices and rents. The Mayor had little direct influence on these forces, or on the continuing shrinkage of the council housing stock, driven by national government policy. Indeed his key strategy to raise housing densities led to sacrifices in housing floor space and open space standards and to heightened expectations in the land market which exacerbated the price spiral.

The tensions facing Livingstone in his dealings with financial and property interests are the subject of sympathetic critical analysis by Doreen Massey (2006, 2007a and especially 2007b).

Critiques of the London Plan

London Social Forum

In the first years of the century some of the green movements and scattered left wing groups began to press for changes in policy at the Examination in Public of the first London Plan in 2003 various groups and individuals, including myself, found ourselves round the table of the hearings pressing our overlapping but un-coordinated critiques. Some of those groups and individuals, including myself, formed a London Social Forum which ran for some years, linking tenants' groups, some local campaigns, rights organisations, environmentalists and so on, connecting in turn with the European and World Social Forums. Its main effect was to widen the contact net-

works across the city region and to mount a public conference on Alternative Futures for London in the City Hall in October 2005. This brought together over 100 individuals representing many groups and campaigns and strengthened links and debating capacity in a useful way. It led up to a relatively coordinated presentation of challenges on housing issues to the second London Plan EiP in 2006 including demands for more social rented housing, a better mix of units in developments and improved social infrastructure (EiP Panel 2006).

It was notable, however, that these initiatives all had to be resourced entirely by voluntary labour and had no access to any public support in cash or in kind. It was salutary to discover that a group of citizens seeking to hold a meeting on city policy at City Hall were treated as though they were a corporate function. The Green members of the Assembly reduced the rent to £1 but the London Social Forum had to take out public liability insurance of £5m and pay the costs of security staff just to meet in 'our' city hall. These contradictions are the subject of current research by Teresa Hoskyns (in preparation).

Just Space Network

Shortly after that event the London Social Forum split when many of us left it in response to some difficult group dynamics and the lack of agreed means to deal with conflict. Out of this came the formation of the Just Space Network of groups seeking to support each other in developing challenges to London planning policies. The network challenged the planmaking process, particularly the failure genuinely to support the engagement of working class and ethnic minority groups or to foster fundamental public debate about London's trajectory. It stressed the enormous gap between housing need and what was being provided, the environmental and social arguments for more jobs to be closer to homes, the dangers of the commodification of public services and the inadequate attention to environmental sustainability.

This network had strong support in its infancy from Marian Larragy and Richard Lee at the London Civic Forum where the new organisation was based and it was able to secure small amounts of funding from charitable trusts, London Councils and the planning section of the Mayor's office to do work in 'capacity building' on planning issues at London and borough levels. This all led up to some effective and well-prepared interventions at the 2007 EiP, notably the co-ordinated involvement of the London Tenants Federation and of many other groups orchestrated by Just Space and the London Civic Forum. The EiP panel was asked, and agreed, to a 'hot seat' at the hearings for Just Space member organisations, a large number of which were

thus enabled to make representations on the specific topics where their experience would count. The subject matter of the Just Space submissions was constrained by the fact that only a specific set of 'alterations' were open to debate, but these constraints did not prevent some robust challenges on the still inadequate output of social rented housing, displacement and gentrification in 'regeneration' and need to strengthen the new draft policies on climate change. (EiP Panel 2007)

Responding to the Johnson Plan

In 2008 Ken Livingstone did not win a third term as Mayor, losing to the Conservative, Boris Johnson. Since the extant Plan was very much seen as 'Ken's Plan', a new one was expected and that it would embody radical changes in line with the new Mayor's position: notably a removal of the pressure on outer suburban boroughs to meet housing targets and a reduction in the proportion of 'affordable', and particularly social rented housing required from developers under s106 agreements. The new mayor's commitment to greater autonomy for London local authorities was strong, and also led to some relaxation in the previously very restrictve approach to car parking provision. The priority attached to global warming and related environmental issues was also weakened, except for a strong emphasis on cycling. One positive new element in the draft plan was the policy of developing 'lifetime neighbourhoods'. This approach to public space and service provision sought to enable people of all age groups and degrees of mobility better to meet their needs locally.

Accordingly, Just Space Network groups began to gear up to respond to and challenge this new Plan, which was published for consultation in the autumn of 2009. This time there was no money available from City Hall to support the work and relations were sometime a bit strained. We were invited to put to the Mayor's planning team early proposals for research which we considered should be done, and did so in July 2009, though to no visible effect beyond triggering a defensive rebuttal of our suggestions. The London Civic Forum was able to support some of the Just Space events and we were fortunate to secure two small grants from UCL's Public Engagement fund[i], a grant from the Higher Education Funding Council for England designed to reorient university activity to serve community groups and weaker sections of society. The grants enabled some university staff and students to give technical support to citizen groups in Just Space. A number of graduate students made outstanding contributions in this way and several very effective network meetings were held to prepare analyses of the draft plan's proposals.

Box 4: Just Space Network membership	
London-wide federations of local groups	London Forum of Amenity and Civic Societies
	London Tenants Federation
	London Voluntary Service Council (LVSC)
Local groups, campaigns	Hayes and Harlington Community Forum
	King's Cross Railway Lands Group (KXRLG)
	Camden Tenants Federation
	North Finchley Agenda 21 Environment Forum
	Spitalfields Community Association
	Friends of Queen's Market (Upton Park, Newham)
London-wide or national campaigns	London Gypsy and Traveller Unit
	Race on the Agenda (ROTA)
	London Civic Forum
	Friends of the Earth London
	Women's Design Service
	Black Neighbourhood Renewal and Regeneration Network
	Age Concern London
	Third Sector Alliance (3SA)
Technical support organisations	UCL Bartlett School of Planning
	Planning Aid for London
	This list of organisations is indicative of the range of mambership but is not comprehensive

At the time of writing, the Examination in Public is not complete so nothing can be said about any impact which the Just Space groups may have on the substance of the eventual plan.

The critique mounted is summarised in a press release:

> The Just Space Network is concerned that the Plan, which sets out the Mayor's planning strategy for the capital, will not tackle long-standing issues facing London such as inequality, pressure on the environment and the need to foster sustainable communities.
>
> Representing thousands of Londoners, the Just Space Network is an alliance of local community groups and London-wide pressure groups and will participate at the Examination in Public (EiP) of the London Plan. The groups will promote a positive set of improvements to policy and a more radical long-term vision during this key scrutiny of the capital's 25-year strategy, which influences and directs all local borough plans. The JS groups will debate alongside the many property developers and business sector lobbies also appearing at the hearings and expect to clash with these on many issues throughout the 36-day process. Dave Morris of Haringey Federation of Residents Associations, on behalf of the Just Space network, said: "We aim to put forward changes to policy that would make planning decisions fairer as well as environmentally responsible for the future. All communities should have the greatest possible influence over the policies, resources and decision-making which affect their neighbourhoods."

In its opening statement Just Space said:

> What Just Space groups have in common is a central concern with environmental and social sustainability - and our focus in social terms is on those who are poor, exploited or in some ways excluded from the full enjoyment of what this wonderful city has to offer. We don't claim to be the only representatives of these interests but we are grateful to the panel for acknowledging that the Plan must serve everyone — acknowledging it by inviting us and many of our member organisations on their own account to appear at the EiP.
>
> The main challenge faced by all global cities is how to limit the extremes of inequality which such cities generate and, where we can't limit them, how to mitigate the effects. Housing is an especially severe challenge because all of us live in the same or interconnected housing markets. And the challenge is especially severe in the UK because we have mostly become so passionate about protecting what we call the countryside and that makes space scarce - and thus attracts ever more speculative investment to inflate housing and land markets.
>
> We consider that the Draft Replacement London Plan is unfit for purpose for four reasons :
>
> (i) Environmental sustainability policies and the Environmental Impact Assessment are deficient
>
> (ii) Its treatment of inequalities and the Equalities Impact Assessment are deficient
>
> (iii) The uneven playing field among stakeholders which fails to comply with the Aarhus Convention and the high importance given to community involvement in the 2004 Planning Act and in PPS 11 and 12.[ii]
>
> (iv) Its inadequacy as a way through the economic crisis.
>
> On the equalities issue it is important to note that the word 'equalities' is being used in the Plan in two quite distinct senses.
>
> (i) Inequalities of income and wealth - which have become much more severe in the UK since the 1970s, tend to be severe in global cities and are bad in London. They show up strongly in the GLA work on health inequalities, in the Hills reports on Inequality for the government (Hills 2010) and in the Wilkinson & Pickett book The Spirit Level (2009). Many of the organisations in Just Space are passionately determined that the plan should reduce this sort of inequality: inequality of outcomes. The Mayor says it in respect of health but not elsewhere. We should all have good housing, good health, good air to breathe, parks, transport and so on. This is not the same as equality of opportunity - to change your place in the social structure. It's about the structure. Many of our representations are about narrowing this sort of structural inequality.
>
> (ii) Inequalities in the other sense is about the differential or discriminatory experiences of specific groups in the society. Some of these groups are represented here, others not. The Mayor's State of Equality in London reports deal with these issues but we must remember that their yardstick is only to bring the experience of each equalities group up to the (still awful) London level. ROTA (Race on the Agenda) is leading on this issue. All of the Just Space groups are united on the structural issues.

The challenges will be especially strong on the planned under-supply of affordable — and especially socially-rented — housing, the dramatic cut (halving) in the requirement for pitches for Gypsies and Travellers, and the relaxation of borough-level housing targets. On the economy, where we have been arguing for years that GDP growth is a dangerous objective and that a wide range of economic futures should be explored, we appear to have at least secured a reluctant agreement from the GLA that they will write a paper estimating the impacts of public expenditure cuts on the viability of policies in the plan. However our arguments that the future should be radically different from the past has fallen on deaf ears, even with the environmentalist David Fell arguing that the Mayor's references to a 'step change' needed on environmental issues contradicts the 'back to normal' trend planning on which the plan is based. In these debates so far we have often found ourselves in unison with the arguments advanced by Drew Stephenson (formerly Ken Livingstone's Planning Advisor), the Labour Members of the London Assembly planning committee led by Nicky Gavron and the indefatigable London Forum of Civic and Amenity Societies led by Peter Eversden and Michael Bach.

I sum up the EiP's first phase provisionally and personally with these observations.

European societies are experiencing deepening inequalities with potentially stronger social tensions, and global cities both experience and generate these tensions most powerfully. All the mainstream political parties — albeit to varying degrees — subscribe to a neo-liberal economic orthodoxy whereby inequality persists or grows. Equally none of the mainstream parties appears to take the environmental crisis very seriously. Many will disagree with these statements, but there are enough of what Peter Marcuse calls 'the deprived and the disappointed' to constitute useful alliances, operating within and alongside the conventional party-based representative government. The Just Space Network is to a substantial degree an instance of such an alliance, working at a city-wide scale.

Its achievements so far have not been the substantial modification of the Plan: the consensus is too strong and the power too concentrated behind it. The main achievements of Just Space have been innovations in the process: it has

- **o** encouraged more groups to respond to consultations, including ethnic minority and small local groups
- **o** lobbied effectively to ensure greater representation at the EiPs

- **o** helped groups to share ideas and views, find common ground; often this has led groups who regarded themselves as having nothing to do with planning to see the spatial and planning-related implications of their work
- **o** enabled groups to support each other and share technical and procedural knowledge, building and widening a genuine expertise over the years
- **o** helped develop a growing consensus and vision about better planning policies in the round
- **o** mobilised some resources to support the work
- **o** JSN groups had an impact at the EiP in 2007 by speaking out about a number of key themes, and also ensuring that people from local communities could speak up about the realities of planning policies as experienced by those at the receiving end. This has perhaps been a shock for the otherwise professional participants.[iii]

It has also been valuable for us in the university to work alongside these groups - stretching for staff and students - and a small counterbalance to the hegemonic pressures which act even in universities.

Conclusion

Genuine citizen engagement in city planning is a long and complex process of social learning which can be intensely exciting for those concerned. A real democracy (whether direct or representative or a mixture) requires this process to be strengthened. That costs money, especially if it is to be truly open to those battling low incomes, long working hours, disabilities and other impediments. So far the necessary resources are not forthcoming. Otherwise developments are encouraging.

Will 'London after Labour' be very different? My view is that battling for social justice, better housing for all, transformed environmental policies will become even harder than before because of the economic crisis, its deepening by 'deficit reduction' policies and the coalition government's attacks on social housing, housing benefits and public services generally. The "exemplary global city" in Ken Livingstone's 'vision' (Mayor of London 2008) gets harder and harder to achieve. The social and environmental imperatives for effective change will certainly get stronger, however. A pre-condition for such change is that the prevailing neo-liberal orthodoxy should be subject to public challenges. This is one of them.

Endnotes

i UCL was one of the universities granted money by the Higher Education Funding Council for England to promote greater 'Community Engagement' in the work of staff and students. Details at http://www.ucl.ac.uk/public-engagement/

ii The UN Economic Commission for Europe Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters was signed in Aarhus in 1998 and has since been embodied in EU and UK law and practice, granting citizens rights to information and participation in matters affecting the environment. For England the government has elaborated participation procedures for the preparation of regional and local plans in PPS11 and PPS12 respectively (DCLG 2007, 2008).

iii I am indebted to Dave Morris for contributing to this list and to David Staunton and the editor for other comments and stimulating discussions. None of them is responsible for the shortcomings of this rushed account.

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6. The impact of changing financial markets and regulation on the London economy

Mark Boleat

Introduction

London is the world's leading international financial centre, and conversely the finance sector is a key part of the London economy. The financial markets have been in turmoil over the last few years, and it will be some time before the position is fully stabilised. The response of both politicians and regulators to the crisis will have a significant effect on the size, structure and location of financial services.

This paper seeks briefly to analyse how these trends have impacted on the London economy and issues that need to be addressed if London is to retain its pre-eminent position.

The established position

London sits alongside New York as one of the world's two leading financial centres. There are various rankings of financial centres and much room to debate the appropriate methodology for assessing both size and quality. However the analysis is done, London and New York come out on top, although the Far East centres of Singapore and Hong Kong are catching up.

Conversely, financial services are a key part of the London economy. In round terms 10% of the workers in London are employed in financial services, double the national average. Average pay levels and profits have been much higher in financial services than in the economy generally. So the contribution of financial services to total income in London and also to expenditure and tax revenue is much higher than the share of financial services in employment. The financial services industry helps to sustain other industries such as catering, hospitality, restaurants, transport, office supplies and security. However, one should not overstate the case. Every industry claims that other industries depend on it. Industries depend on each other. Finance is as dependent on other industries as they are dependent on finance.

In addition to providing jobs, the financial services industry provides huge tax revenues, which help to support the whole range of public services. Perhaps the most important is simply the tax take on both businesses and individuals. To many, salaries in the financial services industry seem out of this world and disproportionate compared with those in others parts of the economy, but a large part of those salaries is paid in tax and similarly there is a significant tax take from the expenditure of high earners.

Few would dispute that the street scene in the City of London in particular has improved dramatically over the last 10 or so years. This enhances the high quality new buildings exemplified by the Gherkin. The street scene work would not be possible without funding through planning agreements from developers meeting the needs of financial institutions.

In addition to directly providing employment, financial services companies engage massively in training and through the job opportunities they offer provide an incentive for workers to be adequately trained and qualified to maximise their earnings.

London is one of the most open and cosmopolitan cities in the world, a third of the population not having been born in Britain. London attracts staff from around the world to work in financial services and many other sectors. Far from stealing the jobs of locals they provide a valuable stimulus to the economy, thereby creating jobs, and they also challenge local workers to improve their own skills and performance.

Why is London one of the world's leading financial centre?

It is helpful to step back a little and ask why London is one of the world's two leading financial centres. The answer is a combination of factors, which over many years have reinforced each other.

Financial centres above all require stability. A sustainable financial centre will not exist in a country, which does not have a stable political, legal, economic and fiscal framework. London has offered all of these. Britain is one of the most stable countries in the world where even a significant change of Government does not threaten the basic economic, legal and political structure. The rule of law, the sanctity of contract and the impartiality of courts is universally recognised around the world, such that many contracts specifically state that they are subject to English law even where the contracting parties and the services may be delivered elsewhere. Until recently Britain offered a stable and relatively low tax regime. People or businesses coming to work in London could, with a reasonable degree of certainty, predict the tax regime they

would be operating under. For individuals the maximum tax rate was 40%, competitive with that in other jurisdictions, and corporate tax rates were also competitive. Allied to the tax position has been a regulatory framework, which again is recognised as fair, impartial and efficient, without imposing onerous requirements.

In addition, London has also taken steps to ensure that it provides the infrastructure that modern financial services businesses need, in particular office blocks with large floor plates and a sophisticated and resilient telecommunications infrastructure. Canary Wharf is important in this context. Some see it as a rival and threat to the City, and at the margin there is certainly competition to attract particular tenants. Generally however, it has provided much needed high quality office space, which could not have been fully accommodated in the City of London.

London is not perfect. Even London's best friends would admit that the transport infrastructure has not quite managed to keep up with demand, although London is not alone in this respect. The upgrading of the tube network and the construction of Crossrail will significantly improve the situation.

There are also some softer points. London is an attractive place to live and work, although against this it is an expensive place to live. Transport communications with the rest of the world are excellent, even though there is proper concern over the capacity of the airports. That English is the language of business throughout the world and most people's second language has also helped London's position.

Finally, London's pre-eminent position is partly dependent on the "cluster" effect, - all the key financial institutions and support services are already there - if one wishes to access these the place to be is London. Similarly, providers of financial services need to be in London.

The threat so far

Having established why London is the world's leading financial centre and what this means for the conurbation and indeed the British economy one can go on to examine the effect of the financial crisis so far. The immediate crisis might be over but it will be many years before the effects fully work through the economy, and it would be naive to believe that other crises will not happen in the future.

The immediate impact of the collapse of Lehman Brothers, the RBS crisis and the merger of Lloyds TSB and HBOS have been significant job reductions in the City of London and in the UK more generally, both among those directly employed by those

businesses, and also in the many other companies that provided services to these businesses. The demise of securitisation and the diminution more generally in the use of some of the more exotic financial instruments has led to staff losses in a whole range of financial institutions and consequently in the businesses that supply them.

There has been a significant cost to the Exchequer in supporting the banking system, although the net cost is likely to be substantially lower than the huge figures often quoted in terms of guarantees, investments and so on. The headline in The Independent newpaper on 9 December 2009 screamed: "£850billin: official cost of the bank bailout". The official Treasury figure is in the range of £20 - £50 billion, but it is conceivable that the final net cost will be significantly less, or there could even be a profit, certainly from the holdings of shares in the banks. The greater cost to the Exchequer is the lost tax revenue both from the institutions that have failed or have suffered a sharp reduction in their profits, and also from the reduced earnings by their employees. Such a figure is difficult to compute and may not be fully evident until full data is available on tax receipts some years hence.

Finally, there has been significant damage to the reputation of the banking industry in particular, to the whole financial services sector to a lesser extent, and by association to the City of London.

One manifestation of the impact of the crisis has been the sharp decline in commercial property values and the freezing of many building projects in the City of London.

Remedial work

When faced with a crisis of any sort the first task is to stabilise the position, and only when this is done can one afford the luxury of analysing precisely what went wrong and why and putting in place arrangements to prevent a repetition. The British Government and governments worldwide generally have successfully stabilised the financial markets by providing support to the banking system. A collapse of the entire system would have had massive adverse effects on the entire world economy. In retrospect this was all done rather well in very difficult circumstances.

The financial crisis was not just caused by bad banking. It was also caused by bad regulation and by bad macroeconomic policy. Steps have been taken to substantially "beef up" regulation both in respect of techniques of supervision and capital and liquidity requirements.

Having stabilised the position, now is the appropriate time to put in place better arrangements for the future so financial crises do not occur. Here however it is not so simple. Politicians work on the maxim of never waste a good crisis, and the crisis has provided an opportunity for all sorts of things to be said, and in some cases done, which are not connected with the crisis and everything to do with pursuing separate policy objectives. On the part of some, there is a wish to punish, and there is the natural risk of over-reaction, and a concentration on dealing with the last problem rather than anticipating the next one. These risks need unpicking.

Risks of over-reaction

The task of policymakers now is to put in place new arrangements to largely prevent financial crises from recurring, but which will not do serious and unnecessary damage to the UK's financial sector and therefore to the economy as a whole. Getting the balance right in a difficult political climate and with substantial public resentment at what has happened will be a far from easy task, and will require brave, rather than popular, politicians.

Personal tax

Personal tax is one issue. The objective of taxation should be to raise revenue, not to punish. The tax levied on bank bonuses over £25,000 but paid by the banks was a one-off and generally has been accepted as such. Such a tax cannot be permanent because businesses would simply reorganise their remuneration structures such that the same remuneration was paid but it would not be called a bonus.

The top rate of tax has been increased to 50%. The increase was introduced by the Labour Government, but there seems little prospect of the Coalition Government altering this in the short to medium term. Given that there will be a need for a significant increase in taxation all round, it is understandable that those earning the highest incomes should be contributing a little more. However, this does run the risk that higher rates of tax can lead to lower returns. Income can be restructured in various ways to reduce the impact of the 50% tax rate, and at the margin this might contribute to people who might otherwise have lived, worked and earned very high incomes and therefore paid high taxes in London seeking to move to a regime with lower taxes such as Switzerland or Jersey. Decisions on the higher rates of tax need to be taken with a full understanding of the likely consequences, and not done simply to court popularity. It seems likely that the 50% tax rate will increase the tax take, but at the same time it will have made London marginally less attractive as a place to do business, and as a place for high income earners to live and work.

Corporate tax

In terms of whether businesses choose to locate in London the corporate tax regime is rather more important. This has been benign and has played a major part in financial services businesses from around the world seeking to locate in London. A number of changes over the last few years have made the regime less attractive and have resulted in some high profile departures from London to take advantage of the lower tax regimes, particularly in Ireland, the Netherlands and Switzerland. That companies like Brit Insurance have moved is well known, but what cannot be known with any certainty is how many businesses that might have come to London have gone elsewhere, either because the corporate tax regime was a major factor or because it was a significant contributory factor. Corporate tax rates tend to be less politically emotive than personal tax rates, and this is one area where legitimately Government can take a view that fully reflects the need to retain and attract businesses to London. If this requires tax rates to be lower rather than higher this can be achieved. The new Chancellor's first budget included some welcome steps in this direction.

Regulation - capital requirements

Moving to the regulatory area, the natural reaction of policymakers and regulators to threatened insolvency by banks is to increase significantly the capital requirements, and this is being done. Capital requirements are also being increased in other sectors such as insurance. At first sight raising capital requirements seems reasonable as it provides reassurance that financial institutions are not likely to fail. However, higher capital requirements bring with them a cost. They can be paid for only by raising capital in the markets, which has to be serviced, often at significant cost, or by making higher profits. And however the capital is raised, capital ratios can be maintained only through higher costs of products. This can make some financial products uneconomic or poor value for consumers. The annuity market is probably the best example here. Currently people are forced to buy annuities with the proceeds of their pension policies, although the Government has announced a change to the rules on this. The Government however imposes such a high capital requirement on annuities that they are poor value for money. And on the banking side the Government simultaneously is requiring the banks to hold significantly greater capital, particularly for risky loans, and to maintain or even increase their lending to businesses, which tends to be risky. None of this is to say that capital requirement should be held to an unrealistically low level, but rather it is to say that a joined-up approach is needed, balancing the benefits of higher capital requirements in terms of financial stability against the cost in terms of the cost and availability of products.

Vetting

A second point of concern on regulation is the vetting of directors and senior executives which is considered a very intrusive regime. It is the case that the financial crisis was partly caused by banking practices, which should have been prevented by appropriate corporate governance arrangements. In practice, it is the quality of people on company boards that matters rather than numbers or theoretical qualifications, and with this in mind the FSA has begun an intrusive programme of interviews of directors and senior managers. This can be justified but needs to be handled very carefully. Senior people with outstanding records in financial services do not take kindly to being interviewed by people who arguably do not have the ability to assess their abilities, and there is also a risk of the regulatory regime being so intrusive that businesses feel they cannot manage adequately. If the position can be summarised in one line it is that regulation needs to be smarter rather than more onerous.

Immigration controls

In addition to these key points there are a number of others that threaten London's status. There is in Britain a strong anti-immigrant mentality, and the new Coalition Government has introduced a cap on people coming to work in Britain from outside the EU. This was on the basis that immigrants are a bad thing, notwithstanding all contrary evidence. No-one seriously suggests that the massive influx of footballers from all over the world that has made the Premier League the world's leading football league is a bad thing, and similarly it is difficult to argue that the influx of talented financial people from all over the world into London has been a bad thing. Yet already businesses are finding it difficult to bring in people essential to their operations on either short term or longer term assignments. Even where people can work their way through the system it can often take some time and does not help the management of global financial businesses. This issue is an irritant, but like other irritants when combined with the other factors, is capable of having a damaging effect.

Bank bashing

Related to that point is the constant bank bashing. Not all banks failed and even in those banks where there were failures the vast majority of staff cannot be held culpable in any way. A strong healthy banking industry in which people want to work and are valued is essential to the wellbeing of the British economy. Now that the election is over politicians will hopefully recognise that and limit their bank bashing.

Pursuing other objectives

The final concern is that the crisis is being used to pursue objectives that have nothing to do with it. The best example of this is the European Commission's Alternative Investment Fund Managers Directive which seeks to impose onerous regulations on private equity and hedge funds in the name of financial stability. There is however no evidence that these institutions had anything to do with the financial crisis or indeed that the regulation imposed under the directive will do anything to promote financial stability. The British Government has been on the right side of this argument but has not been able to prevail in the debate at European level.

In themselves each of these individual points, while unhelpful, is manageable and does not create anything resembling a tipping point in respect of the attractiveness of London as a major financial centre. Collectively however, the position is rather more serious. The general conclusion is that the relative attractiveness of London as an international financial centre to some individuals and some businesses has declined, and that this must inevitably affect the share of the world's financial business conducted in London. It is not a question of the wholesale departure from London of major financial institutions. This is not going to happen, and no financial institution claiming to be a world player can afford not to have a significant part of its operations in London. Rather, there will be a modest departure of some existing businesses and individuals and businesses seeking to expand or new business setting up will look more seriously at alternative locations..

Perhaps Britain is most vulnerable to a number of rich individuals choosing to work outside the UK. They may be rich because they are operating on their own account or because they have an equity interest in a hedge fund or are among the biggest earners with the major financial institutions. Some would say good riddance if they choose to go and live in another country, but it is a salutary fact that the top 1% of income taxpayers in the UK account for about 25% of total income tax revenue, and through their expenditure they probably account for a large chunk of other tax revenue as well.

There is a risk of very mobile businesses with small numbers of people but large turnover and profitability, such as hedge funds, moving from London most likely to Switzerland, although Paris is also making a bid for them. These businesses employ very few people but make a significant contribution to tax revenues.

London will undoubtedly remain as the pre-eminent world financial centre, but the risk is that a reasonable amount of business and of people who would otherwise have

been in London in say five years time will not be in London. This could mean the loss of perhaps 50,000 jobs and £2 billion of tax revenue. These figures are no more than back of the envelope estimates, but they are indicative of the sort of money that might be at stake.

What should be done?

The objective is to retain London's status as the pre-eminent financial centre where individuals and corporates have reasonable certainty about the legal, fiscal and regulatory framework that they will face and that these frameworks are competitive with those in the rest of the world. A prerequisite for restoring this stability is for the crisis to be over and to be seen to be over. This will not occur as long as two of the major banks are significantly owned by the taxpayer. While this is the case, the activities of all banks and of "the City" generally will come under much closer scrutiny. The ideal is for the Government shares to be sold at a profit, and it is not unreasonable to expect that this might happen.

Clearer evidence of economic growth and longer term falling unemployment will also help to create the right climate to restore a regulatory regime that is in harmony with those in the rest of the world. Tougher requirements than those in other centres merely for the sake of being seen to be tougher or to give regulators and government an unreasonable comfort margin should not be seen as necessary. It must be understood that the more onerous regulation is, and the higher the capital requirements, the less competitive financial services businesses will be, the less they are able to lend, and the higher the cost of their financial products.

The issue of seemingly excessive pay in the financial services sector will also be difficult. The arguments about highly talented people generally do not wash in the rest of the country. The fact is that a particular level of talent and ability earns far more in financial services than it does in the economy generally, but this is also true of the media and football. To the extent that there are excessive salaries and bonuses, this is a market issue rather than one to be tackled by regulation.

Finally, the banks in particular and the financial services industry in general need to demonstrate their value to the economy and to society. This needs to be done individually by staff working in financial institutions, by the institutions themselves, collectively at sectoral level through trade associations, and nationally through various national organisations. City institutions, led by the City of London Corporation, have recently banded together to establish a new promotional body, TheCityUK. It has the

ambitious task of restoring trust in financial services while continuing work to promote London's financial services externally and to contribute to the development of the international regulatory agenda. The task is a challenging one because not all financial services have different requirements, and there are different views about what needs to be done. However, such work is an essential prerequisite to restore the climate in which the financial services industry in Britain can flourish.

Conclusion

When the financial crisis erupted there was perhaps a general view that the London economy would be hard hit. In the event the recession had a greater effect outside London. There were significant job losses and a downturn in property values, but by mid-2010 the position was looking much healthier, construction projects which had been put on hold were being progressed again. There are still job losses but new staff is now being recruited. Regulatory requirements are being tightened but there is a recognition that Britain cannot be too out of step with the rest of the world. There are reasonable grounds for believing that London will come through the financial crisis not only still one of the world leading financial centres but also with business expanding.

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London: coping with austerity

7. London's housing market: surviving the crisis?

Christine Whitehead

Housing in London is a matter of continuing concern because of its impact both on individual households and on the competitiveness of the London economy. The big issues are the overall supply of housing, affordability and standards. The estimated requirement for new dwellings is far above actual production; what people can get for their money is far less than elsewhere in the country (and indeed in most of Europe); and market housing remains unaffordable to many lower-income employed households. These are long term concerns which have worsened since the turn of the century as London has become even more the driver of the UK economy. In particular international immigration has put pressure on London's housing, both at the top of the market where highly paid professionals are looking for good quality housing and at the lower end of the private rented sector where younger and less skilled entrants are concentrated. The outcome has been higher rents, higher prices, higher densities and less value for money (Gordon et al 2008 and 2009).

The financial and housing market crisis of the last three years, which had its source in the United States mortgage markets, impacted particularly strongly on the UK's generally similar housing finance system. As it spread from the mortgage market to financial markets more widely and then to the real economy it had an immediate effect on both housing demand and supply. However it is not clear whether the crisis has improved or worsened housing conditions for Londoners, in either the short or longer term. In previous downturns London's housing market was more volatile than that of the rest of the country - has that also been the case this time?.

This chapter looks at some of the evidence on what has actually happened over the last three years and asks whether the crisis has generated any structural changes in the London market or was rather just a substantial blip in the embedded trends of higher prices and worsening supply and affordability.

What has happened over the last three years?

Although the mortgage crisis did not become evident until mid/late 2007, there was considerable concern, particularly from 2005 as the housing market picked up from a slight slowdown, that it was overheating. The general expectation was for at least a check, if not a fall in prices, transactions and housing investment. As the credit crunch, begun in 2007, turned into first a broader financial crisis and then the deepest recession for decades, many commentators expected London's housing market to be particularly badly hit in a way that would adversely affect London's revival. The reality, however, has turned out to be rather different.

House prices

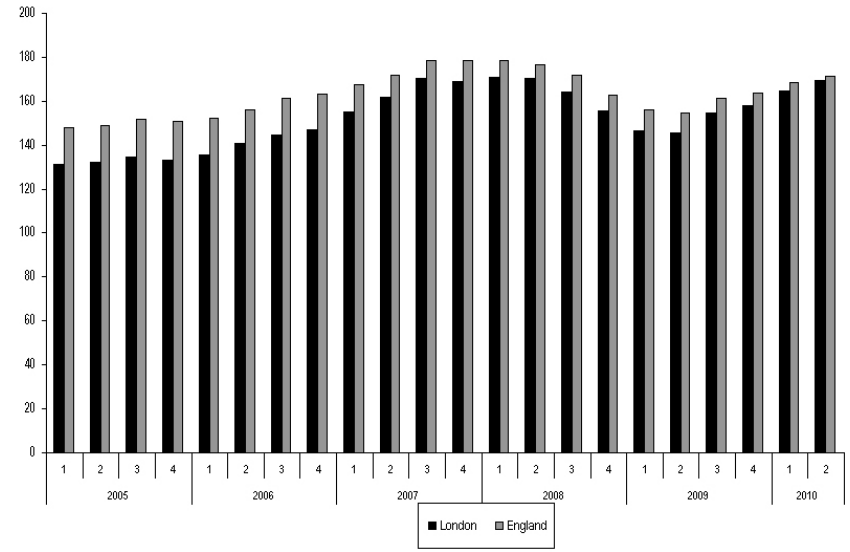
Figure 1 shows that prices actually went up more slowly in London than in the rest of the country in the early part of the century, even though most commentators assumed the opposite was true. However, in the period immediately before the peak London's prices rose more rapidly than in the country as a whole, by 10% in the five quarters from the beginning of 2007 as compared to 6.5% for England. They then fell slightly further over the next five quarters until the trough was reached - by 15% as compared to 13%. Since then London house prices have bounced back more rapidly, so that by mid-2010 they were only 8% below their peak. By mid-2010 the house price index for London, which had been 18 points below that for England at the time of the 2005 downturn, was now only 2 points adrift (although, it should be noted, the actual level of house prices in London was well above that of prices in all of England during both periods).

London house prices have thus been somewhat more volatile than those in the rest of the country over the immediate cycle and, if anything, the underlying upward trend since 2008 has been stronger. Perhaps most important is the fact that, in what is hoped to be only the beginning of a period of expansion, the London house price index now stands at just one point below its previous peak in the second quarter of 2008. There is therefore no evidence so far of any downward structural adjustment in house prices, either in London or in England as a whole.

Transactions

One reason for this may be the massive decline in activity in the housing market everywhere in the country; the prices observed thus represent a relatively small subset of the normal market. Across the country, transactions this century actually reached their peak in 2002 at just below 350,000 in the third quarter. Thereafter the

Figure 1: Mix-adjusted house price index (February 2002 = 100)



Source: DCLG Live Tables: Table 591

next peak was slightly lower at 336,000 in the third quarter of 2006. The big decline started in 2008 and at its worst transactions fell to under 85,000 in the first quarter of 2009. Thereafter, transactions have more than doubled, although the improvement has not yet stabilised. The pattern in London has been almost exactly the same as for England, except that the variation has been greater. Transactions reached their peak in the same quarter with 46,700 in 2006.Q3, 14% of the England total, and fell to 10,200 in 2009.Q1, 12% of the total. However, the turnaround has been twice as rapid in London as compared to the rest of the country accounting for 15% of the England total in the first quarter of 2010 (CML,Table PT1). Even so housing market activity is only around 50% of the levels observed in the early 2000s - and look certain to remain low both because of uncertainties in the market and the continued lack of mortgage finance. Moreover, because transactions have been so low, even mixed adjusted price indices are unlikely fully to reflect the underlying shifts in demand and supply in the housing market. In particular any further economic or financial shocks could reverse the increases in both transactions and prices.

Even so the overall position on market activity is clear: first, the decline in the market is much more clearly seen in the fall in transactions than in price changes; second, London has experienced greater volatility than the rest of the country, but the London market now looks rather stronger than elsewhere.

Housing output

Turning to investment, while London has suffered, as has everywhere in the country, it appears to have done rather better than elsewhere, mainly because of the differential impact of government support for social housing. Here we examine how housing starts have changed since the beginning of 2007 as these best reflect the expectations and competence of developers in the rapidly changing economic environment (table1).

House building activity actually fell quite heavily in 2006 but picked up again in 2007 to a high of almost 200,000. The big deterioration came in 2008 when housing starts fell dramatically to a low of less than 15,000 in the fourth quarter of 2008. The immediate reasons for the cut backs in production related to the near closure of the mortgage market for owner-occupiers and Buy to Let investors. But there were also funding problems for the developers themselves - particularly because the value of land and therefore the security against which developers borrow declined dramatically. Indeed many developers were close to bankruptcy in 2008 and required government support to support even low levels of investment as well as sales through the HomeBuy Direct initiative.

In London the decline in private sector housing starts was particularly steep. Social sector starts on the other hand, actually increased by 16% between 2007 and 2008 and, although they fell by 35% in 2009, they showed signs of increasing again in the first half of 2010. In England as a whole on the other hand, social sector starts remained constant between 2007 and 2008 before falling by 25%. As a result of these somewhat different trajectories London's share of overall starts varied from a low of 8% in 2007 quarter 3 to a high of over 19% in the fourth quarter of 2008. Moreover social housing which had been around 33% in the first quarter of 2007 reached 56% of the total starts in the first quarter of 2010 and only fell back to under 40% because private sector activity increased very significantly in the second quarter. Thus social housing investment has benefitted London more than other areas of the country, and has helped to mitigate the very large declines in private-sector investment.

Table 1: Housing starts in London and England (000s)

	London				England				London as % of England (All)
	Private	Social	All	Private as % of total	Private	Social	All	Private as % of total	
2007.1	4.5	2.1	6.7	67	43.0	6.4	49.4	87	13.6
2007.2	3.7	1.1	4.8	77	39.5	6.1	45.6	87	10.6
2007.3	2.8	0.8	3.6	78	39.2	5.8	45.0	87	8.0
2007.4	4.6	1.5	6.1	75	32.9	5.2	38.1	86	16.0
2008.1	3.1	2.4	5.6	55	27.4	6.8	34.3	80	16.0
2008.2	3.0	1.8	4.8	63	23.9	7.3	31.3	76	15.4
2008.3	1.9	1.2	3.1	61	14.1	5.2	19.3	73	16.1
2008.4	1.8	1.0	2.8	64	10.7	3.8	14.7	73	19.2
2009.1	1.4	1.2	2.6	58	11.4	4.0	15.4	74	16.9
2009.2	1.4	0.6	2.0	70	14.7	4.4	19.1	77	10.0
2009.3	2.5	0.8	3.3	76	19.0	4.9	23.9	79	13.8
2009.4	2.0	1.6	3.6	56	15.7	4.0	19.8	79	18.2
2010.1	1.6	2.0	3.6	44	19.7	5.0	24.9	79	14.6
2010.2	2.7	1.7	4.5	60	23.2	6.2	29.9	78	15.1

Source: DCLG Live Tables 213 and 217

The outcome: prices and affordability across London

There has been considerable variation in how house prices have changed within London. Table 2 shows how median house prices have varied across the capital as prices overall have rebounded from the first quarter of 2008. Inner London has generally seen more increases of over 10% in median prices over the two-year period, while prices have been stable in outer London - so outer London house prices have performed less well than those in the rest of the country. Within inner London, median prices have fallen in only three boroughs and by more than 2% only in Newham. In outer London, on the other hand, prices have declined in the majority of boroughs, with increases above the London average only in Barnet.

In terms of affordability, lower quartile prices are probably most relevant. These tend to be around 20% below the median. Even so they still generate price-to-income ratios far in excess of what lower income employed households can afford, unless they can depend on support from their families or other sources for a large deposit. Table 3 shows how affordability has changed since the mortgage crisis began. In 2007 price/income ratios across London were generally over 9; only five boroughs (Barking & Dagenham, Greenwich, Lewisham, Southwark and Tower Hamlets) had ratios below that level. Since then average improvements in affordability have been quite similar between London and the rest of the country with a 12% improvement in London and 13% in England. Even within London, improvements have not varied greatly because earnings and prices are highly correlated. The largest improvements have been in Barking & Dagenham and Lewisham. However in other more affordable areas there has been little or no improvement in affordability, even where prices have been falling.

Arguably affordability is better measured by actual outgoings than by price/income ratios because it is first-year costs that exclude people from owner-occupation. Using this measure, user costs for lower-quartile dwellings have fallen very significantly because of the reduction of interest rates. Estimates suggest that between 2007/08 and 2008/09 costs fell by over 21% in London, although even this decline was less than the national average of 24% (Banks & Whitehead 2010). However average costs in London were still nearly 70% above the national average in 2008/09 – while lower quartile earnings were only 28% higher. As a result these owner-occupation costs were on average still over 90% of earnings – as compared to only 70% in 2002/03. Moreover first-time buyers now need up to a 25% deposit, which excludes most lower income employed households. Yet first-time buyer prices have not been significantly affected, falling slightly more in London than elsewhere but picking up

Table 2: Median house prices across London (£000s)

	2008.1	2010.1
England	175	185
London	264	280
Inner London	310	344
Outer London	250	250
Inner London		
Camden	433	450
City of London	395	425
Hackney	260	288
Hammersmith & Fulham	450	440
Haringey	261	275
Islington	370	363
Kensington & Chelsea	695	725
Lambeth	281	300
Lewisham	230	235
Newham	245	219
Southwark	273	280
Tower Hamlets	300	311
Wandsworth	355	365
Westminster	499	585
Outer London		
Barking & Dagenham	195	168
Barnet	275	324
Bexley	215	212
Brent	280	250
Bromley	259	268
Croydon	230	218
Ealing	284	285
Enfield	235	235
Greenwich	230	245
Harrow	284	280
Havering	226	215
Hillingdon	245	245
Hounslow	249	243
Kingston upon Thames	289	295
Merton	280	293
Redbridge	270	245
Richmond upon Thames	377	395
Sutton	240	232
Waltham Forest	240	230

Source: Land Registry, DCLG Live Table 582

Table 3: Affordability of owner- occupation (lower-quartile house prices to lower-quartile earnings)

	2007	2009
England	7.25	6.28
London	9.09	8.04
Inner London	9.50	8.67
Outer London	9.82	8.55
Boroughs below 9 in 2007		
Barking & Dagenham	8.38	6.47
Lewisham	8.65	7.40
Greenwich	8.59	8.27
Southwark	8.45	8.75
Tower Hamlets	7.57	7.57

Source: DCLG Live Tables: Table 576

strongly in 2009 (DCLG, live table 514). This suggests that there continues to be competition from investors in this segment of the market. It may also reflect a concern among more marginal buyers that owner-occupation is currently too risky.

As concerning is the situation with respect to private renting. Rents in general did not rise anything like as rapidly as house prices but in the lower part of the market the rent/income ratio still rose. Costs here have also been from around 58% in 2002/03 to over 70% in 2008/09 (Banks & Whitehead 2010). This implies major affordability problems, especially for those not far above Local Housing Allowance (Housing Benefit) levels.

A particular issue in this context is the capacity of social tenants in London to move into the private sector and to free up housing for those in greater need. With private rents generally around twice those in the HA sector across London, households in the social sector have nowhere to go except to much poorer quality housing in less accessible areas mainly outside London. It is hardly surprising therefore that the evidence shows that very few social tenants are moving, except within the social sector. In particular low cost homeownership in London is mainly only affordable by young professional households rather than the traditional target group of better off social tenants

(Monk & Whitehead 2010). Given this context, it is hardly surprising that social housing waiting lists have risen by 75% since the beginning of the century (DCLG, Live Table 600), even though many potential tenants do not bother to register because of the tiny chance of success.

Overall therefore the evidence suggests that longer-term trends in prices and affordability in London have so far hardly changed as a result of the financial crisis. Some established households may have more opportunities because they have housing equity. But first-time buyers and tenants both face continuing affordability problems. Indeed, in many ways, the situation has worsened because of pent-up demand for mortgage finance and the decline in housing investment.

The impact of changing in-migration patterns

One particularly important question that we are only just beginning to be able to answer relates to the impact on demand of the changing patterns of migration associated both with the recession and with government policy. Again the simplistic assumption had been that net immigration would fall perhaps reducing the competition for housing – and that this impact would be strongest in London.

In the first two years of the crisis from mid-2007 there was indeed some net outmigration from London (GLA 2009). But the gross flows associated with this net figure suggest that this may well not have reduced demand for housing. In particular the outflow from London to the rest of the country actually declined for seven consecutive quarters before increasing very slightly in mid 2009. This reduction is thought to be mainly the result of the very low activity rates in the housing market, which meant that people were not able to move. In part this slowdown relates to families with young children who often move before the children start school or enter secondary school but have remained in the capital. These groups tend to be looking to achieve more settled owner-occupation accommodation – an option which has been closed to large numbers of households since 2007. The decline in outflow has actually been highest among retirees who are probably looking to release some equity as a result of the move and have now had to put this on hold or may never leave London (GLA 2010).

The inflow from the rest of the country continued to increase until mid 2009 reaching a peak of 180,000 before dropping slightly in the fourth quarter. These figures were the highest since the early 1980s when data first became available. Moreover, London was the only region to experience such an increase. Migrants from the rest of the country tend to be mainly students and young workers who are usually looking

for private rented and sometimes hostel accommodation. As such they put relatively little pressure on the housing system.

The net inflow of international migration did actually fall in the face of recession to around 55,000. Fewer arrived and considerably more left, especially to the EU; many of these were returning to the A8 countries. This will have somewhat reduced housing pressure, particularly in the private rented sector. But taking all these flows together, the figures suggest that there was still a small net gain in London's adult population as a result of migration in the first year of the recession.

All these trends seem to be continuing (new evidence due next week). Net immigration in England in 2009 actually increased as compared to 2008 in part as a result of declines in outmigration by British citizens. Moreover the number of visas issued increased in year-on-year terms starting from mid-2009 – mainly as a result of an expansion in student numbers. Within the UK, although London continues to experience a net outflow to the rest of the country this outflow was once again, at 38,000, lower than that observed in the previous year (ONS August 2010).

The evidence so far therefore suggests that, while there have been many variations in particular flows, the net outcome of the recession has been relatively little change in the demographics of the capital. Unless there are further policy and structural changes to come, the pressures on London's housing will continue.

In the longer term any changes in migration flows will of course impact on population and household projections. These currently suggest that the number of households in London will go up from 3.34m in 2011 to 4.02m in 2031, an increase of some 20% over the next two decades. This is rather slower than projected for the country as a whole but the evidence on 'natural' change – i.e. that arising from births and deaths – suggests that this is, if anything, an underestimate. Moreover the proportion of single-person households is expected to increase more slowly in London as compared to the rest of the country reflecting the younger population of London, and suggesting a growing demand for family housing. Any continuing slowdown in outmigration to neighbouring regions would strengthen these pressures and worsen housing conditions especially for lower income families.

The role of the private rented sector

Throughout the decade new housing output in London has failed to keep pace with increases in the numbers of households. Largely because of these adverse housing conditions, households seem to have formed more slowly in London than elsewhere

in the country (Holmans A., Monk S. & Whitehead C. 2008). To a significant extent this pressure has been absorbed by the private rented sector, even though rents have been rising only a little faster than in the rest of the country at the lower end of the market (Banks & Whitehead, 2010). One important effect has been that the density of population has increased. Anecdotal evidence suggests for instance that younger potential homebuyers are now often choosing to share rather than live alone as tenants while they build up their deposit (Evening Standard, 25 August 2010). Equally many commentators suggest that overcrowding is on the increase – with up to 30% of households overcrowded in some inner London boroughs and over 10% across London (Bury 2010).

The continued health of the private rented sector is therefore of the greatest importance to Londoners' housing and indeed to London's economy. Recognising this, the government has undertaken important initiatives to try to stabilise the market by encouraging institutional investment. Such investment is a feature of rental markets in other countries (notably the USA) but has never been common in the UK. In May 2009 the Homes and Communities Agency (HCA) launched a major initiative challenging investors, notably pension funds, to take a significant financing role in specific new build and redevelopment schemes supported by land which it provided. Initially there was a great deal of interest. However enthusiasm waned when the Treasury refused to guarantee minimum rental returns. As a result by April 2010, when the HCA designated four sites concentrated in East London, only four financial groups were still supporting the policy. The prospect of major institutional investment appears to be thin except in a small number of new developments where land subsidies are made available.

Individual investors continue to be the main source of investment in the private rental sector. Although sales to British buy-to-let investors have fallen, developers hope they will be replaced, at least in part, by foreign (mainly Asian) investors, who may or may not actually let out their properties. Berkeley Homes and Barrett have both suggested that perhaps 30% of their output will be sold in this way (Financial Times, 30 August 2010). The devaluation of sterling has increased the attractiveness of such investment, particularly in London's better housing areas. This helps to provide accommodation particularly for migrant professional workers and well-off students. However it also almost certainly reduces utilisation in this sub-market as many properties are not made available for general letting. This demand has been reflected in particularly large increases in house prices in Kensington & Chelsea and Westminster.

At the other end of the scale there is increasing concern about the impact of the new regulations of eligibility for Local Housing Allowance (Housing Benefit) announced in the June budget. These take the form of rent caps; restrictions to the lowest 3% of the local market; and the use of CPI rather than RPI for uprating benefits. These will hit London's private tenants particularly hard and will put continuing pressure on landlords to hold down rents. How these changes will affect landlords' preparedness to let is difficult to predict, but they are at the least likely to reduce the inflow of new landlords into this part of the market.

Even so, because of demographic, economic and mortgage market pressures the private rented sector is likely to grow as compared to both social renting and owner-occupation over the next few years. However it is more than likely that at the same time quality and standards will fall as young people double up and move to cheaper areas.

Conclusions

This chapter brings together a range of information on how the private housing market is coping with the crisis. The evidence on transactions and investment, and to a lesser extent prices, suggests that London's housing market has been somewhat more volatile than in the rest of the country, although the difference is less marked than in earlier cycles. In particular it shows that London's market has picked up more quickly. This could perhaps make London more vulnerable were there to be a double dip in the economy. At the time of writing significant declines in prices look unlikely, although transactions may yet fall again.

As is traditionally the case, supply has been hit far more heavily than demand even though London has fared better than the rest of the country. London has gained from having 'shovel ready' schemes available to be included in the HCA's stimulus package which has helped maintain social housing investment. Even taking this into account, in the twelve-month period to June 2010 fewer than 20,000 units were completed in London, far below the estimated requirement of over 33,000. There is no evidence of a structural change in longer-term demographic trends, so projections are not likely to overestimate actual requirements. Yet it is difficult to see supply picking up rapidly or even in the medium term being able to meet the growing backlog of unmet need.

Public spending cuts could well make it impossible for the social sector to maintain output even at current levels. Additional uncertainties arise from the changes in the

land use planning system where the shift to an untried financial incentive system could lead to significant shortfalls especially in the South East. Unlike the rest of the country, London's planning system and targets remain in place. But these are not of themselves enough to generate investment activity.

Unless the London economy falters, the housing market is almost certain to come under increasing pressure as households look to improve their housing conditions. But given the current constraints, long-term stability seems to depend on improving the use of the existing stock through a better operating private rented sector and increasing the potential to expand supply in an uncertain environment where finance for development is extremely difficult to obtain. Both of these look difficult to achieve.

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8. Moving the deck chairs? The challenges facing London's social housing

Michael Harloe

Introduction

Over the last century social housing in Britain, as elsewhere in Western Europe, has developed in response to two imperatives. The first was to accommodate key sectors of the workforce, mainly lower paid manual and white collar workers before owner occupation expanded so dramatically. After 1945, social housing supported economic reconstruction and the long period of economic growth up to the mid 1970s. This was the era of mass social house building, with the presumption that it would accommodate the employed working and lower middle class, replacing or complementing the private rented sector. However from its origins, social housing had a second purpose, to accommodate to a limited degree the urban poor, notably for many years those displaced by slum clearance. In the last 40 or so years in the UK and to varying degrees elsewhere, this second rationale has increasingly dominated, with social house building sharply reduced and in Britain from the 1980s major reductions in the stock as a result of the Right to Buy policy.

In the past 30 years London's economy has been transformed and a long history of population decline has been reversed. These changes have created severe problems of access to affordable housing for Londoners, including many low and moderate income workers. However, social housing history is not about to repeat itself. No mass programmes of new social housing in response to the demands of London's growing economy and its lower income population will be forthcoming. Indeed, as a summary of the position noted, "...the London economy needs a much better operating housing market – and social housing is not able to play much of a role in ensuring this" (Whitehead et al, 2010).

The complex reasons why social housing lost its role in relation to economic development are not a topic for this chapter (see Harloe 1995). In London the housing market is adapting to the rising demand for housing and the problems of affordability but

social housing's contribution is far less than in a previous era. Its role however is not insignificant, as it still houses about a quarter of all London's households. This chapter examines what this role is, the challenges it faces and its future.

A profile of social housing in London

Dwindling supply

Nationally, and in London, social housing construction peaked in the early 1950s, very much in response not just to the politics of the time but also the demands for reconstruction and economic growth. Later in that decade, home ownership took off in suburban and increasingly ex-urban London as elsewhere, and by the early 1960s new building for sale overtook new social housing output and that shift was never reversed. However, under the influence of slum clearance programmes from the late 1950s, social housing output again rose until the economic crises of the 1970s ended the expansion.

Under the Conservative governments of the 1980s and 1990s, in a policy shift that Labour did not reverse after 1997, social house building by local authorities was all but terminated. Instead there was public subsidy for more limited programmes of building by housing associations. As Table 1 shows, in London by the early 1990s the last few new local authority houses were being completed and virtually none have

Table 1: New housing in London: completions by registered social landlords and local authorities

	RSL	LA
1990-94	19,780	3,320
1995-99	20,920	210
2000-04	21,530	200
2005	5,200	-
2006	7,110	-
2007	7,940	30
2008	7,750	10
2009	6,770	10

Source: CLG Live Housing Table 217

been built in the past 20 years. The only modest new build additions to the stock have come from the registered social landlords. For many years, their output fluctuated between about 3,000 and 5,000 units per year, rising to peak completions of over 8,000 in 2006-7 then falling. A significant change is the rapidly falling proportion of new homes that have three or more bedrooms. Such family housing accounted for 39% of output in 1997/8, but only 16% by 2008/9 (Mayor of London 2009, p8).

So the first feature of social housing in London is the sharp drop in additions to the stock by new building. But it is the impact of the Right To Buy (RTB) that has actually shrunk the sector. In terms of its share of London housing, the social sector has fallen from a peak of 37% in 1981- much higher than elsewhere in Southern England and the second highest regional share nationally - to 23% in 2007, still the second highest, if much diminished share nationally (CLG Housing Live Table 109).

RTB sales in London grew rapidly from 1981, finally peaking briefly in the late 1980s at over 25,000 sales per year. Later they settled back to between 5-10,000 a year, falling away to virtually nothing in the last five years as new restrictions were introduced, and conditions in the housing finance market made purchase impossible for many would-be buyers. Up until then annual losses from the RTB greatly outweighed additions to the social housing supply (Mayor of London 2009, p22). Within the social sector new building and stock transfers of local authority housing meant that by 2007 40% of the stock was owned by registered social landlords, a rather smaller proportion than outside London (CLG Housing Live Table 109). As measured by the annual number of new lettings, table 2 shows that the supply of local authority housing in London (excluding existing tenant exchanges and transfers) has fallen from around 48,000 in 1991/2 to less than a third of that level by 2008/9. However, there are two

Table 2: Social housing allocations to new tenants in London

	Homeless	Others	Total
1991/2	37,600	11,800	49,400
1996/7	22,900	17,300	40,200
2001/2	16,300	8,300	24,600
2006/7	7,800	11,200	19,000
2008/9	7,100	10,100	17,200

Source: CLG Live Housing Table 601

components to these lets: those rehoused because they were homeless, and 'general needs' cases who applied and went on local authority waiting lists. Legislation in the 1970s which placed a duty on local housing authorities to accommodate specific categories of homeless people had an especially severe impact on the supply of general needs social housing in London because of the high numbers of homeless in the city. In more recent years this pressure on social housing has eased considerably. In the 1990s this led to a rise in the general needs supply, but more recently, as the stock has dwindled, these allocations have remained static at around 10,000 per year. RSL general needs lettings have grown slowly as their stock increased, from 25,000 homes in 2004 to 27,000 in 2009 (TSA Regulatory and Statistical Return Table 77).

Rising need

As supply has fallen, needs and demand have risen. London's population decline has been reversed over the past 30 years and the number of households has risen even more rapidly. The population increased by about 800,000 between 1981 and 2008, a 12% rise, and the number of households rose by about 540,000, a 20% increase (Gordon et al 2009, Table 2.1). London has a high proportion of economically inactive households and large numbers of low-paid workers, many of whom are employed in the service sectors that have grown in recent decades.

An additional factor is the high cost of housing in London, which makes access to market-provided housing (particularly home ownership) impossible for very many Londoners. Average house prices, even after the effects of the credit crunch, stood at just under £300,000 in mid-2009, half as much again as any other region except the adjacent South East (Mayor of London 2009, p11). London's booming economy raised earnings significantly during the decade to 2008 but house prices rose even more rapidly. The impact of rising housing costs overall in London was to more than double the ratio of lower-quartile house prices to lower-quartile earnings between 1997 and 2008, when it stood at 9.36. As Table 3 shows, perhaps unsurprisingly, the level of home ownership in the city, which had risen rapidly up to the early 1990s, then stagnated and has now slightly fallen. A recent study of the differential between owner-occupier costs and RSL rents, which on average are higher than local authority rents due to quality and other factors, showed that this was greatest in London. The severe inflation in owner-occupier costs at the bottom end of the property market between 1998/9 and 2006/7 meant that the differential between the two had widened, so exit from the social housing sector into home ownership was increasingly difficult. (Udagawa et al 2008, pp22-6).

Table 3: The level of owner occupation in London

	%
1991	58.0
1996	57.5
2001	58.7
2006	57.0
2007	56.5

Source: CLG Live Housing Table 109

So there has been a rising number of households, whether in work or on benefits, in housing need. London's housing provision has adapted to this intensifying pressure in various ways. The most striking is the growth of the private rented market after a long decline in the 20th century. Between 1991 and 2007 the private rented stock grew by 285,000 units, a rise of 40%. By contrast the RSL stock grew by only 150,000 and the entire social rented stock fell by 125,000. And the number of owner-occupied units increased by only 130,000 (CLG Housing Live Table 109).

Overall housing supply grew at a slower rate than demand. Apart from the impact on prices and affordability, it also resulted in a rise in sharing and overcrowding with the well-documented consequences for families and children that this causes. Overcrowding fell continuously for the 30 years up to 1991, particularly as a consequence of decades of slum clearance and council-house building. After 1991, it began to rise again. Table 4 contains the most recent figures (for 2005/6 to 2007/8) which show that 6.8% of all London's households were overcrowded; the next highest region had 2.7% overcrowded. Even amongst homeowners overcrowding is double the relatively low national level. And levels in the rented sectors are more than double the national level. Almost 13% of households in social rented housing are overcrowded, reflecting the loss of larger stock from the sector due to the Right To Buy and the lack

Table 4: Overcrowding by tenure: London and England 2005/6-2007/8

	Rate of Overcrowding by Tenure (%)			
	Owner Occupiers	**Social Renters**	**Private Renters**	**All Tenures**
London	3.0	12.7	9.8	6.8
England	1.4	5.9	4.9	2.7

Source: CLG Live Housing Table 807

of new build replacement. And 10% of households in the private rented sector are overcrowded, as those on low and moderate incomes double up to share high housing costs. Meanwhile, with the housing shortage, vacancy rates have been falling. The proportion of vacant units in London was 5.3% in 1993 – well above the national average – but had fallen to 2.5% by 2008, below the national average and a 30-year low for London (Mayor of London 2009, p50).

All this clearly translates into a rising demand for social rented housing through the local authority housing waiting lists. In London the number of households on the waiting lists rose from 181,000 in 1991 to 354,000 in 2009. And turnover in London's social housing has fallen since the late 1990s, as the barriers to home ownership have risen and as the loss of elderly households from the sector has diminished. So new lettings have fallen from about to 70,000 to 40,000 during that period (Mayor of London 2009, pp22-3). As Whitehead (2010) recently remarked, the "social housing system is silted up in London, with entry being extremely constrained and exit almost impossible as even the various forms of assisted home ownership which government has invented are too costly for many".

Tenants and their housing

The changes in social rented housing since the 1970s have transformed its occupancy. The concentration of poverty, welfare dependency and other aspects of deprivation in this housing has grown relentlessly. In a speech given in 2008, Iain Duncan Smith, the architect of the new government's proposed welfare reforms, and currently Works and Pensions Secretary, noted that only a small minority of households in council housing were without an earner in the 1970s while around 70% of newcomers to the sector are now without anyone in work (Centre for Social Justice 2008).

London's high housing costs dramatically increase levels of poverty in the city. In 2006/7, before taking into account housing costs, around 17% of households had incomes below the poverty threshold. When housing costs were taken into account that rose by another 10%, a far higher differential than in any other part of the country (MacInnes & Kenway, 2009, 21). In social housing, 63% of tenant households had no working adult. As Table 5 shows, those in work had higher incomes than people elsewhere in the country reflecting the situation in London generally, but affordability ratios - the ratio of housing costs in each tenure to lower-quartile earnings - are significantly above those in the rest of the country and have risen in recent years. The situation is particularly acute in the market sectors. In 2006/07 the average weekly social rent was £80, private rent was £180 and home ownership costs were £305 per

Table 5: Affordability ratios across tenures

Region	2002/03	2006/07	2007/08
East Midlands	0.30	0.29	0.29
Eastern	0.30	0.29	0.29
London	0.35	0.36	0.38
North East	0.30	0.28	0.29
North West	0.31	0.30	0.30
South East	0.31	0.31	0.32
South West	0.31	0.29	0.29
West Midlands	0.31	0.30	0.30
Yorkshire & the Humber	0.30	0.29	0.29

Source: Whitehead et al 2010

week. Private rents and home ownership costs were more than twice those in the cheapest other region. Social rents were considerably lower than market levels but even here costs were 50% higher than in the cheapest other region (Mayor of London 2009, p30).

The greatest concentrations of poverty and deprivation are in the old working class areas of the 19th and 20th century city, to the east of the centre - both north and south of the river. These areas historically have had the highest levels of concentrated poverty, the largest areas of slum housing and were most extensively destroyed by bombing in the Second World War. After 1945, massive amounts of social housing were built here, much of it high rise. By the 1970s in some of these boroughs 80% of the stock was council housing. Today the share has fallen, but the impact of council house sales has disproportionately removed the better quality housing, rather than high rise flats, from the less deprived areas of London. Even today, council housing accounts for 50% of the stock in some east London boroughs. A quarter of London's wards have half of its social housing, while another quarter has only 5% (Whitehead et al 2010). Analysis of the Index of Multiple Deprivation for London shows that the highest concentrations of deprivation - in the top 10% nationally - are in the boroughs with the highest concentration of social housing (Government Office for London 2008).

Poverty, worklessness, poor health and educational outcomes, crime and social disorganisation are now characteristics of many - though by no means all - social housing estates. As Travers et al (2000, p20) concluded:

> the evidence therefore is of large concentrations – of poverty, deprivation, unemployment, ethnicity (reflecting low incomes) and of social housing. These exist in most urban areas...the difference in London is with respect to the relative depth of deprivation, the size of the areas and the extent to which they are economically and socially separated from high income and opportunity areas nearby.

In 2006 almost half of the households in London's social housing were workless, compared to less than 20% in the private rented sector and 7% of home owners. The highest rates of poverty, at over 40%, were in areas where flats predominated, while in the by-now relatively few areas where housing rather than flats predominated the poverty level was under 15%. There were similar differentials in unemployment and economic inactivity (Mayor of London 2009, p47).

Since the 1970s there has been a range of attempts to improve these estates by selective demolition, physical and environmental improvements, managerial and ownership changes, and initiatives to address social and economic issues. Local conditions have in many cases improved, but the wider changes in the sector discussed above have frequently worked in the opposite direction. Under the last government's Decent Homes programme there was a sustained effort to improve all housing to minimum standards of quality and fitness, and some improvements have occurred in the social stock in London. However, in 2008 a third of London's council housing and 10% of housing association stock still fell below the Decent Homes level, a higher percentage than any other region except the North East (Mayor of London 2009, p49).

The Mayor and social housing

The first social housing was built in London over a century ago, by both the London County Council, which was the metropolitan authority for what is now Inner London, and the lower-tier metropolitan boroughs in the LCC area and other councils in what is now Outer London. In 1965 with the establishment of the Greater London Council there was a prolonged struggle between the GLC and the outer boroughs over the former's desire to build more social housing in the latter's territory – a fight which the GLC largely lost (Harloe et al 1974; Young & Kramer 1978). With the abolition of the GLC in 1986, there was no longer any local authority responsible for developing a

housing strategy for London and directing the significant investments in social house building and improvement.

That remained the situation until 2000, when London's first Mayor and the Greater London Authority were elected. However, the Mayor only had limited powers and the GLA was largely toothless. Ken Livingstone, the first Mayor, did press for more affordable housing to be built but his main remit was to develop strategies for transport, economic and spatial development. The first London Plan, finalised in 2004, now being replaced by Livingstone's successor Boris Johnson, contained a section on housing which focused on setting a target for new housing construction of 30,500 units per annum. The Mayor's ability – beyond exhortation – to deliver this target was severely limited, mainly relying on his power to set the framework for local authority planning decisions. In addition, the Mayor set a target that 50% of all new housing approved should be affordable - 70% of which would be social housing and 30% 'intermediate' housing - largely assisted home ownership (Mayor of London 2004, pp64-80). Unlike the LCC and the GLC, however, the Mayor had no control over social housing investment. As a London study noted commenting on the draft London Plan, the Plan's targets were 'hugely ambitious', and current housing output was running at only about 30% of the desired level 'of which a minuscule 2,743 were affordable' (Buck et al 2002, p391).

As we have seen, London's housing output continued to fall well below the level necessary to accommodate its growing number of households, something which the weak form of metropolitan government instituted in 2000 was powerless to affect materially. While the conflict between the boroughs and the Mayor did not reach the intensity that occurred under the GLC, the resistance to change in the balance of housing powers between the Mayor and the boroughs was evident. For example in 2006, in response to a Mayoral consultation on alterations to the London Plan, the boroughs association London Councils stressed repeatedly the need for the boroughs to remain in control. "The Strategy should remain Strategy and not interfere with the day to day work of the boroughs which must remain able to respond flexibly and innovatively to the needs of their communities" (London Councils 2006). It was evident too that the boroughs saw the main role of the strategy and the Mayor as being 'to argue London's case on the big stage', that is to lobby for more public funding, not to have much control over how this funding was spent .

Since 2006 there have been three significant changes in this situation. First, in response to the weakness of the Mayor in respect to housing, in 2006 the Government transferred the responsibilities of the London Housing Board to the

Mayor. These boards were established in every English region. Chaired by officials, they produced advice to Ministers and prepared similarly advisory housing strategies. It also charged the Mayor with producing a statutory housing strategy and strategic housing investment plan. The Mayor would now decide 'the broad distribution' of regional housing funds (allocated by central government) in line with the strategy and decide 'in broad terms how public money for new affordable housing will be spent' (London Development Agency 2010).

The second change occurred in 2008 with Boris Johnson's election as London's first Conservative Mayor. One consequence was a new emphasis on localism, which is now also a theme for the new government, and greater cooperation with the boroughs. The third change, also in 2008, was the establishment of the Homes and Communities Agency in succession to the Housing Corporation and English Partnerships. The HCA inherited a multitude of government housing investment streams. Its aim is to reduce and rationalise these, bringing together housing and regeneration in 'place making' and to coordinate and support the development of coherent growth and regeneration strategies at the regional and sub regional levels through a 'single conversation' with the local authorities bringing in other agencies where appropriate. The HCA has regional boards which allocate HCA funding for their areas. The Mayor chairs the London Board.

These changes – both in the London Mayor's powers and with the establishment of the HCA and the London Board – have begun to increase the ability of the Mayor to set a housing strategy with some cutting edge to it and to strongly influence public housing investment in London. The new national government elected in May 2010 intends to augment these powers. Just before the election the Conservatives published 'A New Settlement for London Government', which stressed their wish to enhance local accountability. It promised to merge the London HCA into the Mayor's administration, give him direct influence over investment decisions and enable the GLA to carry out its scrutiny role - how this will relate to the HCA's accountability is unclear (The Conservative Party 2010). With these changes the Mayor's ability to shape social housing investment may be widened considerably. However, the same policy document also promises to look 'at whether we can go further in pushing powers down to the London boroughs' (The Conservative Party 2010 p8).

In 2010, the Mayor published London's first statutory Housing Strategy (Mayor of London, 2010). The impact of the changes in his position was evident in the opening references to his new powers and responsibilities and in the designation of the HCA as the main delivery agent for the strategy. Since 2007 the boroughs must ensure

that their local strategies are in general conformity with the Mayor's strategy, for which they have a 'key delivery role'. The strategy refers to two housing targets: a pledge to build 50,000 affordable houses between 2008-12, of which 30,000 will be for social renting; and a longer-term target (based on projections of population and housing demand) to build just over 33,000 units per annum, of which just over 13,000 (40%) will be affordable housing. Some 60% of this will be for social renting, the rest in 'intermediate' forms of provision. The previous Mayor's target that 50% of all new homes would be affordable is abandoned. The strategy also contains a number of other aspirations, such as promoting greater social mix in mono-tenure areas, increasing the output of family-sized social housing and reducing overcrowding in the sector.

The Mayor and the London Plan will however be judged by the targets. In the final section of this chapter we shall examine these and other challenges that face social housing in London.

What future for social housing?

This chapter has outlined many of the challenges that social housing in London is already facing. Few of these are likely to diminish in the foreseeable future. Perhaps just one challenge might – the lack of a metropolitan-wide, strategic approach to social housing investment. How effective the Mayor's new housing powers will be, cannot yet be judged. But the capacity to steer social housing investment at the metropolitan level, absent from London since 1986, has to some degree been restored.

A future challenge will be to implement the Coalition Government's policies, in particular for more devolution to local government and welfare reform, as they affect social renting and the Mayor's role. In the speech referred to above, Iain Duncan Smith bluntly noted that "the contraction in social housing of the last thirty years has residualised the tenure". He did not go on to suggest a major expansion of supply but rather proposed to reduce the concentrations of deprivation and disadvantage that had resulted. This would be done through reforms of welfare (including Housing Benefit) aimed at reducing worklessness, selective sales to change the social and economic composition of council estates, and weakening current needs-based allocations to enable greater diversity and reducing security of tenure to increase turnover. Clearly such changes have the potential to materially affect the tenure. For example first indications of the effects of the changes in Housing Benefit announced after the new government took office suggest, according to the National Housing Federation, that the proposed caps on the level of housing benefit and on eligible rents could affect 425,000 people in London (www.housing.org.uk).

A second challenge to raise housing output to meet rising needs is more intractable. After 2001 an increasing proportion of all completions was for social renting, the product of increased funding and the Mayor's efforts through s106 ('planning gain') agreements but this only compensated for sluggish private output. Overall the annual target of over 33,000 was 70% above the level achieved in 2008/9 (Gordon et al 2009). Following the credit crunch, additional HCA resources were made available, much of it to kick-start stalled private sector projects already in progress which included some social housing. Overall housing starts collapsed from around 5,500 in the first quarter of 2008, of which 2,400 (44%) were for social renting, to a low of 2000 in the second quarter of 2009, then recovered to around 3,600 in the first quarter of 2010, 54% of which were for social renting (CLG Housing Live Table 217). In 2005, starts amounted to two-thirds of the Mayor's annual target, but this fell in successive years down to barely a third of the target in 2009, and then only with the aid of a short-term burst in public investment and social house building.

This party is now over. Soon after the general election the HCA announced an immediate £230m cut in affordable housing, Kickstart and other regeneration programmes and it suspended other commitments (Homes and Communities Agency, 2010). Inevitably further cuts will follow. So there is no prospect of the Mayor's housing targets being met in the near future. Nor will there be much funding to address the challenge of conditions within the sector, for example reducing overcrowding by building larger units, meeting the Decent Homes standards and continuing to tackle the worst estates.

As far as demand is concerned, the number of households in London is projected to grow by a quarter between 2006 and 2031, a total increase over 800,000 or 34,000 per annum (Communities and Local Government 2009). London's growth over the past two decades has changed the face of the city through the influx of workers from an increasingly wide range of countries. Most work in low and moderate income occupations and cannot initially at least afford home ownership. To a large extent they are initially accommodated in the private rented sector, but as they settle Gordon et al (2007) have suggested their demand for social renting will increase. More generally, unless there is a great reduction in the affordability gap between lower quartile earnings and private housing costs, the disparity between the waiting lists and the level of allocations is bound to grow. Insufficient new output, demographic changes which are slowing down the exit from social housing and the affordability gap will mean that the silting up of the sector is more likely to grow than diminish.

So the social rented sector in London faces formidable challenges. In terms of the provision of decent, affordable homes in stable localities to London's low and moderate

income population and to accommodate a significant proportion of the projected population growth to support London's future economy, the outlook is bleak. Perhaps the best hope is that the Mayor can secure a more effective use of very scarce public resources. But thoughts of deck chairs and ocean liners come to mind...

Meanwhile London's housing market is likely to respond to the pressure of lower-income housing demand much as now. Overcrowding and poor conditions will grow and the private rented sector continue to expand. From being a marginal tenure a generation ago, the private rented sector has enjoyed a considerable renaissance. By contrast, home ownership is at best static and the barriers to entry – despite the temporary fall in house prices during the economic crisis, now being partially reversed – will remain insurmountable for many. Intermediate forms of home ownership, even if the funding is available for them, will not make much difference.

The social and economic composition of the private and social rented sectors are very different. Private tenants are younger; more are sharers, economically active, recent migrants and so on. To a considerable degree the two sectors house different parts of the lower-income population (Mayor of London 2009, p31; CLG Live Housing Live Table 803, 804). But it is significant that new private investment has been drawn into lower-income housing provision in recent times, some by investment in the buy-to-let market which collapsed in the credit crunch. Despite this, private renting is likely to grow further, if less rapidly. In these circumstances there is a case for considering the totality of London's lower-income housing provision and how it might be expanded and improved with the available public funding. Can more private investment be attracted into low and moderate income housing provision? Can conditions in both sectors be improved? How might public resources be applied, whether by social or private landlords, to achieve these aims? The Mayor's Housing Strategy has a chapter on the private rented sector, supporting efforts to expand it and improve conditions - and the HCA has been working to draw in private investment - but there is no consideration of rented housing as a whole, or of expanding the central focus on affordable social renting and home ownership.

Social housing long ago lost its role as the solution to lower-income housing problems in London. The challenge now is to rethink the broader context to London housing and the role of the social sector within it.

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9. Transport in London: Aspirations and Financial Realities

Stephen Glaister

The 2010 Mayor's Transport Strategy (MTS) contains a good diagnosis of the overall transport problems facing London. But its physical proposals for dealing with them are less plausible, and unrealistic provision is made for the realities of the funding needs. Funding is set to become even less tractable when the outcome of the Coalition Government's 2010 Spending Review becomes known. I first outline the problems, then discuss the Mayor's proposed solutions and finally turn to the funding issue.

London's transport problems

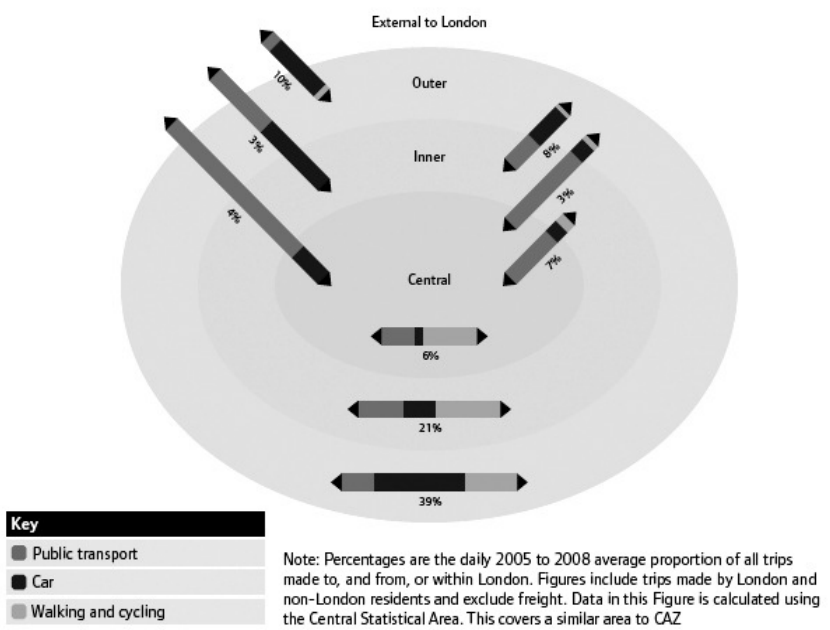
The big transport issue for London is how to provide for the increase in population and the associated rise in employment, and in particular, whether the required funding can be found. The 2010 Mayor's Transport Strategy anticipates population growth of 1.3 million people - about 16 percent - and an extra 750,000 jobs in London by 2031. This is expected to translate into an increase in daily (main mode) trips from 24 to 27 million. Meanwhile, road and rail capacities are already inadequate and there remains a significant backlog of rehabilitation work for local roads and the Underground.

The dominance of roads outside Central London

There has always been a tendency when considering London's transport policies for both national and London government to give most attention to public transport — especially the Underground — and to Central London. By international standards the volume of public transport provision in London is good. It is tempting to assume that public transport is the most commonly used method of personal travel. It is not. For the majority of Londoners the private car, the van, and inner and outer London matter just as much as public transport in Central London. This is illustrated by Figure 11 (page 57) from the MTS (reproduced over page).

National rail and the Underground do serve the majority of trips between Central and Outer London but they account for a small portion of all trips. In greater London 60 %

Figure 11: Spatial pattern of travel across London, with mode shares



Source: Mayor of London (2010) Mayor's Transport Strategy

of all personal mechanised trips (all trips excluding walking) are by private car (Travel in London Report No 1, TfL 2009, Table 3.1); 22% are by bus or taxi and 3% by cycle. This means that 83% are by road. Only the remaining 17% are by rail and the Underground. Freight and the services of trades-people are entirely delivered by road.

Of mechanised trips entirely within Outer London, where 60 percent of the resident population live, 76% are by car with 18% by bus and 2 % by rail. The diversity and complexity of many of these trips makes the cost of diverting them on to public transport by reducing fares or improving services prohibitive. Many are too long to be considered as realistic candidates for transfer to cycling.

Freight traffic comprises 17% of London's traffic today and 25% in the central area zone. Freight traffic overall in London is expected to grow by 25% by 2031. Light goods vehicles are expected to grow by 30% accounting alone for 15% of London's traffic by 2031.

Crossrail, committed upgrades to the Tube, and capacity increases on suburban rail will, if they are delivered, add 30% peak capacity to the rail system in London but overcrowding will remain because of population growth. LUL carries up to 4 million passenger trips per day. This is expected to increase by 30% by 2022 with the planned upgrades. Buses carry more — around 6.4 million passenger trips per day — but no specific expectation as to any increase in bus patronage by 2031 is given in the MTS.

Roads

The Mayor's limited powers

The Mayor of London, through TfL, has primary jurisdiction for only 580kms (5%) of London's roads (designated GLA Roads), which together carry one third of the capital's traffic. The 33 London boroughs, the Highways Agency and the Royal Parks Agency are largely autonomous in their jurisdiction of the remaining 95%.

By agreement with boroughs — or failing this, through recourse to the Secretary of State — the Mayor could expand the network of strategic borough roads to approximately 2,200 kms which is TfL's so-called 'network of interest'. This would reflect better the scale of the main road network in London. Somewhat alarmingly, in the spirit of 'localism' under the new Coalition Government policies, there are new proposals to transfer TfL roads back to the boroughs.

The failure to create more capacity for the growing traffic

The MTS correctly states that 'smoothing traffic flow' is vital to the well-being of road users and the economy. Yet, the MTS is perhaps weakest in regard to proposals to accommodate the anticipated growth in population and trip-making, and to maintain a viable traffic operation on the capital's main roads.

Of course, in many locations it is not practical to widen roads. But there are situations where capacity could be increased without unacceptable destruction or leading to an unreasonable portion of London's land being devoted to roads.

The MTS proposes a further review of options for another river crossing. It is most unfortunate that the previous, long-standing proposals for the East London River Crossing were delayed — not because of funding difficulties but because of the vagaries of the planning system. It is ironic that the one major decision on roads that the present Mayor has made was to scrap the planned East London River Crossing when the need for additional cross river capacity in this part of London is highlighted

in the Strategy; and of the 1.3 million additional population forecast by 2031 by far the largest tranche (over 0.6 million) is to be in east London on either side of the river.

Cycle super-highways demand road space allocation away from general traffic, on strategic routes. Improved streetscape and facilities to encourage walking are more likely to remove capacity for general traffic than to provide it.

Technological and other potential signalling efficiencies can improve capacity, but this is generally marginal. It is proposed that rephasing traffic signals in London will smooth traffic flow and reduce greenhouse gas emissions. This is an interesting concept but we suspect that the effects will be small in relation to the scale of the problem.

Street works

Systematic analysis is currently being carried out to establish the specific measures that will 'smooth' traffic flow. Much is made of reducing road openings. The fact is that one of the prices for using roads as utility easements is that roads will be opened from time to time. The utility companies do not do this gratuitously. Meanwhile road users will continue to complain and highway authorities will continue to vilify the utility companies. With London's narrow streets and limited 'redundancy' in the network this will continue to be a problem.

The MTS raises the prospect of 'lane rental' where utility companies take road space for maintenance and renewal of their underground assets. There is sense in this, particularly for London's main roads as the Permit System itself will not necessarily reduce the quantum nor duration of such road openings. The Department for Transport has published outline proposals to increase the fines for unplanned overrunning of works. This announcement also recognises a fundamental weakness of the London scheme: that there is no differential incentive for the promoters of works to give greater attention to those locations where the damages to traffic are greatest.

There are examples of better practice elsewhere in the country where these desirable incentives do exist and have been shown to be effective. However, there will be no new incentive for utility companies and their contractors to minimise the number and duration of works if they are simply allowed by regulators to pass such costs on to consumers irrespective of how they were incurred. It will be necessary for regulators to allow undertakers to pass on costs but only where works have been executed economically and efficiently.

The limited contribution of cycling

The Mayor wishes to see a 'revolution in cycling' to achieve a shift to a more active travel option and thereby relieve congestion on other modes, improve the health of Londoners, and contribute to a reduction in CO2 and other vehicle emissions. His aspiration is to increase cycling mode share from 2% to 5% by 2026. He proposes an 'unprecedented level of investment' and a number of significant initiatives in support of this goal, in particular the cycle hire scheme and cycle 'super-highways'.

It is indeed a sound objective to encourage but it should also be recognised that it will make only a small contribution to reducing road traffic congestion. If a quarter of the extra ridership were car drivers then the reduction in vehicle kilometres (vkms) would be about 1% - estimated at 0.8m vkms out of a daily total of 80m vkms. We do not know what the traffic capacity impacts on the roads of the cycle schemes necessary to achieve this switch will be, but it is more than likely that they will offset this 1% gain.

Environment and climate change

Unrealistic hopes for emissions reduction

The London Plan encourages development patterns that reduce the need for travel, especially by car, and that are well integrated with public transport facilities. The Mayor's 'Electric Vehicle Delivery Plan for London' is seeking to develop 25,000 charging points by 2015. MTS anticipates electric vehicle uptake of 8% by 2025, although 50% would be required to meet the Mayor's emissions target without other measures.

Both the London Plan and the MTS encourage the use of travel plans to help reduce emissions by promoting alternatives to the car. The London Plan recommends parking standards for new developments dependent on a public transport accessibility index and calls for provision within developments for parking to accommodate car clubs. The MTS promotes the idea of car sharing and the development of travel plans that focus on alternatives to the car. The MTS states that from 2012, all new buses coming into service in London will be hybrid. The Mayor also intends to undertake a three-year trial of at least five hydrogen powered buses notwithstanding the high cost of vehicles and associated infrastructure.

Despite introduction of the first two stages of the London-wide Low Emission Zone (LEZ), certain key locations in the capital exceed EU-limit levels of oxides of nitrogen (NOX) and particulates for a considerable period. The Mayor intends to introduce a

London-wide standard for NOX emissions from 2015 for HGVs, buses and coaches. The Mayor has decided to delay introduction of stage 3 of the LEZ, from 2010 to 2012, in recognition of the particular pressures on business from the current recession. Economic need has been placed above environmental considerations.

The MTS notes the need for unprecedented action to meet the challenge of climate change and sets an extremely challenging target for CO2 reduction. This will be achieved by

- **o** integrating more effectively development planning and transport provision, so reducing the need to travel by car;
- **o** improvements in engine efficiency and incentivising use of low-carbon vehicles;
- **o** the smoothing traffic flow agenda;
- **o** the promotion of Smarter Travel, eco-driving, and travel planning; and
- **o** investment to encourage a shift to sustainable modes.

The practicality of delivery in the absence of road user charging must be questioned however, when set against:

- **o** significant population growth and anticipated continued crowding on rail and underground;
- **o** expected increase in car use, especially for journeys in outer London where it is anticipated to remain the dominant mode, and continued reliance on road to meet an increasing freight demand;
- **o** currently worsening road congestion, and anticipated re-allocation of road space for infrastructure works and other modal priorities that will further prejudice capacity and resilience of the road network.

Road demand management

Road user charging

There is little meaningful analysis to provide comfort that the congestion and emissions policies and proposals set out in the MTS are achievable. In recognition of this, the MTS retains the option for the Mayor to consider further various forms of pricing for use of road space to manage demand. The MTS indicates that it is only 'London-wide road user charging' that could reduce the level of road congestion to less than

the current level. Additionally, this is probably essential in order to meet the aspirations on reduction of carbon emissions.

The Mayoral manifesto pledge to remove the Western Extension of the congestion charge would seem not to conform with the MTS as it will lead to an increase in congestion. Further, now that the initial investment costs are sunk, the loss of income will be particularly unfortunate in view of TfL's funding challenges.

Freight

Out of hours deliveries

London's existing urban fabric cannot easily accommodate the scale of servicing the demand anticipated. There is a need now for far greater understanding of the differentiated market that is 'freight' and to seek to encourage as much 'freight' traffic as possible to move during the quiet hours at night. Compared to many of the world's major cities the proportion of deliveries made at night in London is small and many communities would think it common sense to restrict deliveries entirely to out-of-hours.

The requirement for more freight infrastructure

The Mayor is keen to work with Network Rail to relieve London of freight that has no origin or destination in the capital. A rail-connected freight transhipment facility is expected to open at Howbury Park, near Slade Green, in 2010. A new rail freight hub is proposed at Brent Cross/Cricklewood. The London riverside area of the Thames Gateway has been identified for freight terminal facilities to capitalise on the freight carrying capabilities of High Speed 1. The Mayor is also keen to make greater use of London's waterways for freight movement. But there is little doubt that 'freight', which includes traffic associated with a myriad of services, not simply the carriage of goods, will largely be captive to the road network.

The MTS states that freight traffic is expected to increase by 25% between now and 2031. The London Freight Plan seeks to mitigate this impact by promoting: a Freight Operator Recognition Scheme (FORS); Delivery and Servicing Plans (DSPs) and Construction Logistics Plans (CLPs); and a freight information portal. While these initiatives are sensible in themselves there is no indication as to their effectiveness overall in reducing congestion and disruption on London's main roads.

Buses and the river

Improving the implementation of bus priorities

More than 95% of London residents are within 400 metres of a bus stop and all buses except those on Heritage routes are fully accessible. Patronage has grown from 4 million per day in 2000 to 6.4 million in 2009, while annual subsidy has gone from zero to £580 million in the same period. Analysis of Table 2.1 of Travel in London suggests a fifth of growth over last 10 years is population driven and rest is modal shift.

Repeated studies have indicated that there is little scope for further cost efficiencies through the procurement process without deterioration in service volume or quality

Some 40% of bus passengers are now eligible for free or reduced fares – thus the average fare per boarding is 48p despite the cash flat fare being £2. This will have affected revenues, the growth in patronage, size of the peak vehicle requirement and thus the extent of subsidy.

The recent past has seen a considerable expansion in the provision of bus priority across the capital in an effort to protect buses from traffic congestion. Bus priority must be very carefully designed if it is not to create extended queues for general traffic that can lead to a cascading reassignment and deterioration in network performance more generally over a wider area, which is counter-productive also for buses.

The most effective recent bus priority measure was in fact the Central London Congestion Charge as it reduced traffic levels overall, rather than seek to remove road space from general traffic within a congested environment. The London Plan and MTS call for more bus priority where buses encounter congestion at 'critical' locations but for this to be done within a coordinated approach to road space re-allocation across the capital, to enable a real understanding of cumulative impact and benefit or disbenefit. However neither document calls for a review of existing bus priority provision to verify best value.

The benefits of the bendy-bus

A concern is the Mayor's policy to phase out the bendy-bus by 2011 and to develop an 'iconic' new bus for London. The bendy-bus is an extremely effective vehicle for boarding and alighting and the transport of large numbers of passengers; with the numbers deployed it did not adversely affect traffic performance materially. I am not aware of evidence to suggest bendy-buses are less safe than traditional single and double-deck buses.

The replacement vehicles do not have the capacity of the bendy-bus nor facilitate the same high rate of boarding and alighting: thus, more buses will be required and there will be a greater risk of bus-on-bus congestion at stops. Round trip times and layovers are likely to be longer and more terminal and stand space may be needed. The Mayor has also promoted a new vehicle design which may feature open boarding, in which case an additional attendant may well be required, further increasing operating cost. This may be poor value for money and thus counter to the efficiencies that the Mayor is committed to more generally.

Rail

The need to deliver proposed rail capacity increases

Some 70% of all rail travel in the UK is to or from London. Peak period crowding is a significant issue arising from a 60% increase in patronage since 1994. Some Network Rail lines into central London will see a demand increase of up to 30% by 2031.

About 55% of radial Network Rail services into London were overcrowded in 2006 and without the investments in the High Level Output Specification (HLOS) this would rise to 67% in 2031. The HLOS is now a committed programme of capacity improvements to 2014 on each of London's main radial rail corridors. Thameslink will provide a capacity increase of 127% by 2015 in the core section between Farringdon and Blackfriars. CrossRail will add 10% to the overall capacity of London's rail network but will not be completed until 2017. Nevertheless, the proportion of the network crowded by 2031 without further significant investment is estimated at 50% and even if all investment in Network Rail set out in the MTS was to be delivered, crowding would remain at 32%.

Rail arrivals at London termini are forecast to increase by 25% by 2026. The Labour Government published its High Speed Rail study (HS2) in Spring 2010. If implemented this would require the distribution of very large numbers of additional passengers to the London termini. Accommodating this load on central London's distribution network will be a challenge. Were there to be delays to the delivery of either Crossrail or the Underground upgrades there would be serious doubts about the ability of the London public transport system to cope with the additional demands predicted from High Speed Rail.

The recent capacity, frequency and quality improvements achieved by London Overground are welcome. There are no specific extensions proposed in the MTS

beyond reopening of the East London Line in 2010 and its extension to Crystal Palace and East Croydon by 2011 and no funding for service enhancements post-2012.

The Underground upgrades

Station congestion relief schemes are proposed and funded for Victoria, Tottenham Court Road, Bond Street, Paddington (Hammersmith & Circle Line) and Bank. Schemes are needed also for Vauxhall, Finsbury Park, Highbury and Islington, Holborn, Camden Town, Oxford Circus, Edgware Road, Old Street and Moorgate but funding is not identified for these. Similarly, funding is not identified for station expansion to accommodate demand arising from HLOS2 and HS2 proposals that would affect London Bridge, Euston, Liverpool Street, Paddington, Elephant & Castle and Waterloo. The current station refurbishment and accessibility programmes are being scaled back due to funding constraints, with no funding identified post 2017/18.

Despite the considerable investment in the 'transformation of the Tube', serious congestion will continue through to 2031 on parts of the network, particularly in the vicinity of Camden Town, King's Cross, Bank, Canary Wharf and on the Northern line approaching Stockwell.

There appears to be no funding available for cooling the deep tunnels following the line upgrades in 2020.

The funding problem

Funding has always been a major determinant of what can be achieved for transport in London. Under both the nationalised industry regime (London Regional Transport, LRT) between 1984 and 2000 and the Greater London Authority thereafter, the principal determinant of the availability of funding has been central government policy as implemented by HM Treasury. By comparison with many other world cities London has extraordinarily little access to a local tax base: successive mayors have chosen to keep the precept on domestic property tax payers very low and, apart from the recent supplementary business rate, they have no discretionary income from taxes on commercial property which accrue to central government. The only other locally-based income is the net proceeds of the London Congestion Charge, instituted by Mayor Livingstone in 2003 which in 2010 accounts for a small proportion of funding. Both fares and expenditures for the commuter railway remain under the direct control of central government.

Generous funding in the first decade

Over the 2000s transport in London has had generous treatment by central government. Once the hotly disputed PPP for the London Underground had been signed in early 2003 relations between Mayor Livingstone and central government improved greatly.

The funding settlements during the remainder of Livingstone's two terms were favourable to TfL. Ironically, the Government having steadfastly refused to consider his municipal borrowing counter proposal to the PPP, as the TfL Business Plan 2007 notes (page 5) "TfL was given a five-year settlement lasting until March 2010, and for the first time, was allowed to borrow from the financial markets under a new prudential borrowing regime to provide further support for its five year plan."

That document goes on to say (paragraph 1.12) "In its Comprehensive Spending Review (SR2007) discussions, TfL set out the following main priorities:

- The go-ahead for Crossrail
- Delivery of full PPP enhancements to the Underground network
- Expansion of bus services to meet increased demand
- The need to support capacity increases on National Rail links in London"

The Spending Review 2007 appeared to go well for transport in London. An unusually long-term commitment was made to £39 billion of government funding over the ten years to 2017/18. Further, in July 2007 the government announced the High Level Output Statement (HLOS) and the Statements of Funds Available (SoFA) for the National Rail Network, "which commits to £7 billion for London in line with TfL's Rail 2025 vision for the period to 2015. This includes (paragraph 1.21):

- The Thameslink upgrade
- Longer trains and platforms for most London suburban services
- Supporting works for London Overground.

This will deliver a 22% boost in rail capacity by 2015."

So, at the end of 2007 the funding position for transport in London looked to be in good shape. There was sufficient government commitment to deliver much of what

the TfL believed to be necessary to cope with the growing demands on the commuter railway and it had a ten year funding commitment to cover much of its own needs.

The weak financial foundations

However, a careful reading of the Business Plan 2007 reveals the seeds of the serious funding problems now becoming apparent. The plan makes it plain that it is constructed on two crucial assumptions: funding for Crossrail is outside the Business Plan as are the cost liabilities implied by the fact the two of the three PPP contracts for the Underground (Metronet) had failed and gone into administration. Further, whilst the budget is balanced it contains little contingency.

Then, between the approval of the 2007 business plan and the mayoral election of spring 2008 Mayor Livingstone made further, unbudgeted concessions on bus fares.

Boris Johnson, the new Mayor, made his own additional spending commitments. He committed to withdraw the Western Extension of the Congestion Charging scheme thereby losing its income; he introduced the cycle hire scheme and other cycling initiatives; he commenced a programme of investment in new buses to replace the 'bendy buses'; and in July 2010 he purchased the surviving Underground PPP contract (Tube Lines) for £310million.

Meanwhile fares income was not meeting expectations: for 2009/10 the Business Plan 2007 had anticipated fares income of £3,705million whilst the Business Plan 2009 anticipated £3,443million, a 7% shortfall. An overall external funding requirement of £3,414million had been anticipated but the outturn is forecast to be £4,321million which is 27% higher and does not include any allowance for the purchase of Tube Lines.

Whatever the truth behind the various allegations about the competence of the private sector companies operating the Underground PPP (Metronet and Tube Lines), the failure of Metronet and the process of attempting to negotiate a second 7 1/2 year settlement — with the adjudication of the independent PPP Arbiter—had revealed a fundamental fact. Even the most cost efficient operation would not be capable of delivering the 30 year programme of work at a cost as low as that originally envisaged by the Treasury. The implication is that if the reliability and capacity improvements were to have been delivered on the schedule assumed in the Mayor's Transport Strategy then the cost would have been considerably higher, either to be funded internally within TfL or by additional, unanticipated Treasury grant. In fact, it had become apparent during the negotiations in the first half of 2010 that, had the Tube Lines contract continued,

TfL would have had to 'descope' the work. Now that TfL has taken over responsibility for all the Underground activity, it will face the new challenge of holding down unit costs within a public sector organisation.

Sadly, the GLA having taken over control of all the London Underground PPP contracts means that one of their only merits has been lost: had they continued there would at least have been some kind of contractual obligation for the Treasury to see through the funding of the 30 year rebuilding programme. Already the rebuilding of the Piccadilly line has been halted and the Northern Line is considerably delayed.

Funding prospects under the public spending cuts

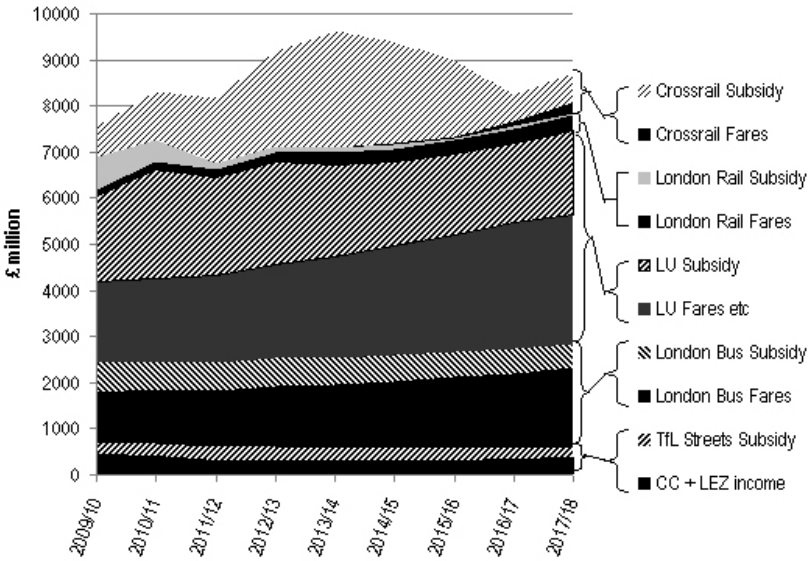
In principle the investment programme for the national railways up to 2014 should be protected by the regulatory regime. But the national railway budgets are already in some difficulty because of the loss of revenues with the recession. The DfT has cut or delayed railway commitments that they were to have funded outside the HLOS. It is a strong political commitment to progress planning work for a High Speed Rail scheme but the Thameslink scheme continues to suffer delays. There must be a concern that the commitments under the HLOS will not fully survive the Spending Review. That would be a serious concern for London because, as the Business Plan 2007 and the recently revised Mayor's Transport Strategy both make clear, the increase in commuter rail capacity — together with the capacity under the Underground PPP and that offered by Cross Rail — is a crucial premise.

The composition of funding until 2017/18 for the major modes under the control of the Mayor is shown in Figure 1. This is drawn from the TfL Business Plan 2009/10-2017/18. This excludes the National Railway. For each mode it shows the income from users (in solid) and the balance of expenditure that is to be funded from other sources (shaded).

The most striking feature is the dominance of the Underground, both in terms of overall expenditure and the magnitude of the subsidy required. The subsidy falls over the years, partly as the result of the assumption in the business plans that fares will increase 2% per year above inflation, whilst demand will continue to grow. There is plainly some political risk that this may be difficult to achieve in practice.

The size of the commitment to Crossrail is also striking. Of a total of £10.8 billion over the period, £5.5 billion is anticipated to be direct grant from Government, £4.1 billion is financed by the GLA and £2.1 billion is financed by TfL from assumed additional fares income. There is over £0.5 billion from each of developer contributions and out-

Figure 1. Total spend on transport in London (with the proportion funded by fares and other charges)



Source: TfL Business Plan 2009/10-2017/18

side bodies such as the Corporation of the City of London, Canary Wharf and the British Airports Authority, and the sale of surplus land. The remainder of the cost is to be met from third-party sources, including Network Rail. Every one of these funding sources must carry some degree of risk in the current circumstances.

At the time of writing (August 2010) the prospects for Crossrail are unclear. The Mayor has already been able to take advantage of the new legislation to start to levy a supplement to the Uniform Business Rate fully dedicated towards servicing borrowing for Crossrail. But the biggest hurdle is likely to be the fact that once approved, Crossrail will require a £5.5 billion direct grant from the Treasury over the next six years. This will be hard to find in the current state of the national public finances.

There is much public comment on the size of the subsidy to the bus business - £600million in 2009/10. Cost efficiencies in delivering bus services are highly unlikely to make a significant contribution to reducing bus subsidy. The increase in subsidy was partly because of a large increase in the volume of service offered and partly

because of fares reductions and extended fares concessions to particular users. The fact that Mayor Johnson has enacted a policy of early retirement of bendy buses and an increased number of new conventional buses will also have raised the costs of bus services over the medium term.

Fares concessions are notoriously difficult to reverse, once granted. It seems likely that the only way to save significant amounts of financial support to the London bus business is to cut service levels. Services are procured on three-year contracts so it would take time to achieve this. In any case, in the scheme of things as revealed in Figure 1, a large cut-back in bus services would only make a relatively small contribution to the overall funding problem.

It is striking that roads form such a small part of the total, both in terms of the total spending on them and the portion that is not covered by charges—and this figure neglects the fact the fact that road users in London are paying substantial taxes direct to the national Exchequer in the form of fuel duty and vehicle excise duty. Figure 1 shows the expected loss of net income due to Mayor Johnson's commitment to removing the Western Extension of the Congestion Charging Zone. This is particularly unfortunate in view of the funding difficulties faced by TfL, but, again, the magnitude is not large in the overall context.

Finally, London Rail (including the Docklands Light Railway) seems to require remarkably little financial support once the funding for refurbishment and enhancement of the services has been found over the first couple of years.

It is plain that the £39 billion funding promised over ten years by the outgoing Labour government cannot be assumed to be secure. Even in advance of its spending review, due to be completed this autumn, the new Coalition Government had cut TfL's funding by £108 million. In early August the press were reporting that, like many government departments, TfL had been exploring the gruesome implications of reductions in DfT funding of between 25 and 40%.

A tempting response is to assert that considerable savings could be made by achieving 'efficiencies': delivering the same levels of service at less cost. However, the Business Plan 2007 depended upon over £1 billion of "efficiencies" in each of 2008/09 and 2009/10. Subsequently, Mayor Johnson has made a point in public of leading the way in prudent public administration by insisting on £5billion of 'efficiencies' within TfL – before the current public spending crisis emerged. It would therefore be imprudent to assume, without strong evidence, that TfL's current spending difficulties can be much relieved by even more 'efficiencies'.

Conclusion

London is congested and growing. The 2010 Mayor's Transport Strategy has an adequate response in terms of rail, Underground and bus services but it does not address the problems of roads, which carry by far the greatest number of personal trips and all freight. Nor does it have a credible means of meeting its targets for reduction in carbon emissions. The several cycling initiatives that have received so much attention are worthy, but are barely relevant to the big picture.

The Mayor's Transport Strategy was written on the implicit assumption that the relative financial plenty the Greater London Authority enjoyed for its first decade would continue. But the situation left by the second Livingstone administration, additional spending commitments, then the economic recession and now the forthcoming cuts in national public spending all conspire to put the delivery of the strategy at considerable risk. The signs are that the new Coalition Government, in the context of severe cuts overall, will be significantly less likely to favour London against the interests of other regions. The reality is that Transport for London and the London operations of the national railway face a period of severe austerity: it is inevitable that a number of the planned major investment projects will be delayed.

The MTS concedes (Figure 42, page 160) that the growing demands on the road network are expected to lead to an increase in road congestion in 2031 by about 14 percent after the mitigation offered by the proposed rail enhancements, better management of the road network and an increase in cycling. It also indicates that only 'London-wide road user charging' could hold the level of road congestion to the current level.

While the Mayor's Transport Strategy reflects on the potential requirement for some form of pricing to manage vehicular traffic demand if other measures fail to achieve network operational efficiency and environmental improvements, there is little discussion as to how this might be realised, and Mayoral comment has indicated no substantive commitment to such pricing.

As TfL's 2006 comprehensive study, *Transport 2025: transport challenges for a growing city* illustrated, it is hard to see how the commitments on carbon reduction can be fulfilled and worsening traffic congestion prevented without some form of London-wide road user charging. With it the problems can be addressed. Such a scheme would also have the very considerable advantage of providing sufficient new funds to offer

a realistic chance of paying for many of the desirable items on the Mayor's currently unfunded "shopping list".

So London-wide road user charging does offer a way out, but it is politically extremely difficult to contemplate. In any case it would take some years to implement. The next few years will be much harder than the last ten. They will demand careful, realistic analysis of the options and strong leadership.

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10. The Olympic legacy: a case study in central-local relations

Kath Scanlon

In 2005 London won the right to host the 2012 Olympic and Paralympic Games on two promises: to create a lasting sporting legacy for the UK, and to regenerate the historically deprived areas of east London. The then-mayor Ken Livingstone said "Revitalising London's East End and showcasing the capital's rich cultural diversity are at the heart of the bid for London 2012. I have no higher priority" (London 2012 2004). The most obvious effects of the games will be physical ones — the framework of the athletics stadium rising over the terraces of east London, the swooping roof of the Aquatics Centre. But the games have the potential to change east London in a more profound way — to transform it socially.

This chapter will examine the changes that the Olympics might bring about in the five east London 'host boroughs' of Newham, Hackney, Tower Hamlets, Waltham Forest and Greenwich. It will look at the commitments made in the Olympic bid and the aspirations of politicians. It will focus on how the host boroughs hope to use the Games to improve their relative socio-economic position within London, and the 'legacy' arrangements they are making now to try to secure this improvement. These boroughs have for centuries housed some of London's poorest and most disadvantaged people and the question is whether the Games will change that. That is certainly the aspiration of local and national politicians, who see this as a-once-in-a-lifetime opportunity to improve London's historically deprived eastern boroughs and bring them up to the level of the rest of London.

Background

Profile of host boroughs

The host boroughs are generally poorer and have worse educational outcomes than the rest of London or the rest of the UK; indeed, on some measures they are among the most deprived local authority districts in England. Tables 1 and 2 present data about worklessness and education in east London compared to the rest of London and England.

Table 1: Educational outcomes in the host boroughs

	Aggregate Key Stage 2 SATS results*	% of pupils gaining 5 GCSEs at A-C	Rank of borough in London on GCSEs (out of 33)
Greenwich	244	61.8	32
Hackney	227	66.0	25
Newham	235	62.7	29
Tower Hamlets	248	65.0	27
Waltham Forest	240	61.8	31
Host boroughs average	238.6	63.5	
London average	249	70.3	

* Average KS2 SATS results 2009 (max possible 300; actual range for local authorities in England 226-273)
Source: DFES, Government Office for London

Table 1 gives test results at ages 11 (Key Stage 2 SATS) and 16 (GCSEs). The five host boroughs all have results for eleven-year-olds that are below the average for London as a whole. Tower Hamlets, a borough whose educational performance has been improving strongly in recent years, is close to the London average, but the other boroughs — and particularly Hackney and Newham — lie well below. Host borough performance at GCSE level is also well below the London average, and all five lie near the bottom of the borough league table.

Table 2 gives figures for the proportions of residents dependent on benefit. The host boroughs, in particular Hackney, Newham and Tower Hamlets, have some of the highest benefit dependency rates in England. Table 3 gives data on ethnicity, showing the percentage of births to mothers born outside the UK, and the percentage of non-white primary and secondary school children. More than half of births in the five host boroughs are to mothers born outside the UK (in Newham, 75%), and, with the exception of Greenwich, the majority of school children are non-white. Having a population from diverse ethnic backgrounds is in many ways a strength, and the host boroughs are proud of their vibrant cultural mix. Nevertheless, concentrations of populations from other ethnic backgrounds can also be associated with lower outcomes on some social and educational measures.

Table 2: Benefit dependency

	Income support		Children and families dependent on benefit	
	Claimant rate %	Rank in England (of 326)	Claimant rate %	Rank in England (of 326)
Greenwich	9.5	15	29.8	24
Hackney	11.8	3	38.2	4
Newham	10.3	9	37.6	5
Tower Hamlets	9.5	14	45.7	1
Waltham Forest	8.6	34	31.0	19

Source: DWP Information Directorate: Work and Pensions Longitudinal Study

Table 3: Ethnicity in the host boroughs

	Live births: mother's birth-place outside UK %	Primary school non-white %	Secondary school non-white %
Newham	75	82	81
Tower Hamlets	69	83	80
Waltham Forest	58	62	57
Hackney	54	67	70
Greenwich	51	47	48
London	54	54	52

Source: Live births: ONS, 2008; Educational data: Department for Children Schools and Families, January 2008

The bid and the Games

In the wake of a series of summer Olympic Games that left host cities (Beijing, Athens, Sydney) burdened with spectacular but redundant sports stadia, the London bid centred on 'legacy'. First, the bid promised to use the Games to increase sports participation among the population at large, not just elite athletes. Second, it proposed that the Games would be a catalyst for the regeneration of east London. London's bid centred on a new Olympic Park to be built along the Lower Lea Valley. Central and local government had long been looking for a way to revitalise this area, a mix of historic industrial uses and derelict land (much of it contaminated) along a tributary of the River Thames. It effectively acted as a barrier between the wealth of central London, only four miles to the west, and deprived residential parts of east London. The bid set out plans to redevelop 246 hectares of contaminated brownfield land, an area approximately the size of Hyde Park.

Impressed by the bid, and in particular by the focus on legacy, the International Olympic Committee in 2005 awarded the 2012 Games to London over European rival Paris. The Olympic and Paralympic Games are to take place over a seven-week period in summer 2012, from the opening ceremony of the Olympics on 27 July to the closing ceremony of the Paralympics on 8 September. The Olympic Games themselves, by far the bigger of the two events, will last 17 days, ending on 12 August. They will take place at 33 competition venues across the UK. The London venues are concentrated in three areas:

- The Olympic Park, located in or bordering on the north London boroughs of Newham, Hackney, Tower Hamlets and Waltham Forest. This is where the major new venues are under construction.
- The River Zone, which includes venues north and south of the Thames in Newham and Greenwich.
- The Central Zone, including venues in Westminster and other central London boroughs.

The Olympic Park is the only area that will see permanent physical change from the Games. The venues in other areas are all either temporary (most notably the equestrian centre in Greenwich Park, which will entail the closure of parts of the park for several months) or make use of existing facilities (such as the O2 centre for gymnastics or Eton Dorney lake for rowing). Even in the Olympic Park, many of the new facilities will be demolished after the Games, leaving only those buildings for which a permanent use is envisaged. These are

- The main Olympic stadium, which is designed to be reduced in size from 80,000 seats to 25,000 after the Games. Its permanent use and eventual size are still under discussion - it may host a local football club.
- Arena 3, to be used for indoor sports and cultural events
- The spectacular Zaha Hadid Aquatics Centre, with three pools
- Eton Manor will provide a tennis centre and hockey stadium
- The Velodrome
- The media and broadcasting centres.

After the Games, the Park area will be gradually redeveloped, primarily as a residential area. The accommodation built for the Olympic athletes will become 3,000 homes, 50% of them affordable, and in the 'Olympic fringe' around the Park up to 3,000 more homes will be built. The Olympic Park Legacy Company (OPLC), a public-sector body, has been created to take over ownership of the assets and to lease many of the buildings, including the media and broadcast centres, to private firms and complete the development of the area. The 17-member board comprises mainly private sector figures; the boroughs are represented by the elected mayors of Hackney and Newham and an official from Tower Hamlets, but are in a minority. However, the company is on a list of public bodies which the Coalition Government is set to abolish - with responsibilities being devolved to the local authorities.

Much-enhanced public transport will be one of the lasting legacies of the Games, and may in the long term prove more important to the economic fortunes of the area than the improvements to the Olympic Park itself. And the enormous new Westfield indoor shopping centre will soon open at Stratford.

Other parts of the UK should also benefit from the Games, as the second element of the Olympic legacy is to be increased participation in sport across the country, not just in London. But the physical and regeneration legacy of the Games will be concentrated almost exclusively in the capital — a city which, according to many disgruntled observers in other parts of Britain, already receives a disproportionate amount of government resources and attention.

London: coping with austerity

The cost

There is no single 'Olympics budget'; rather, each of the several organisations tasked with delivering specific elements of the Games has its own. Most of the cost of the Olympics is being met by central government, which has committed very large sums to providing the necessary infrastructure. The overall public sector funding package stood at £9.298 billion in May 2010 (Berman 2010). The largest chunk of this money will be spent by the Olympic Delivery Authority (ODA) to construct venues and infrastructure. Its overall budget was £8.072 billion in May 2010, but its anticipated final expenditure was £7.261billion (Berman 2010). Apart from funding the ODA, much of the rest of the public-sector funding package will be spent on security. Separate from and additional to this is the operational budget of the London Organising Committee of the Olympic Games (LOCOG), the organisation in charge of 'staging and hosting' the games. Its budget is about £2 billion in 2012 prices.

The 'legacy' budget is by comparison tiny. The government has set aside £350m for immediate post-games tidying-up work (described as 'making sure cables aren't hanging out of walls' in the retained venues), but the OPLC anticipates a need for up to an additional £450m. It seems unlikely, however, that much new money will be forthcoming from the government. The requirement to properly stage the Olympics means that funding will be available for last-minute contingencies, but after the Games the pressure will be off and legacy funding may well be an attractive target for cuts.

Social and economic effects: how local and central government will work together

How will the Games change things? Their main effects will not be direct — inspiring local residents to feats of sporting excellence or attracting international firms to relocate in the shadow of the Velodrome — but indirect. The Olympics serves to shine a spotlight on the area and force governments to recognise and try to find solutions to its problems.

Can boroughs solve problems themselves?

Politicians in the five host boroughs have high hopes that the Olympics will serve as a catalyst to improve social and economic conditions in east London. Because of the UK's highly centralised system of government, boroughs will not benefit financially from staging the Games, and are much less able than many recent Olympic host cities to implement policies independently to extract maximum local benefit from them.

Local governments in cities such as Atlanta (host of the 1996 summer Games) and Vancouver (2008 winter Games) operate with more autonomy than London boroughs across a range of service areas and, most importantly, are free to levy taxes and determine how to spend them. London boroughs, on the other hand, receive the bulk of their income from central government grants. Their only local tax (council tax) is a tax on residents, not economic activity. In any case, central government has limited the increase in this tax rate to 'low single figures'. So while most Olympic host cities receive a significant revenue boost in the form of sales taxes, a hotel tax, etc. from the additional visitor influx during the Games, this will not be the case in London. This is a manifestation of the more general problem with central-local government relations in Britain. One recent study noted

> Over-centralisation and fragmentation affect central-local relationships. The level of centralization in public finance has constrained localities with consequences for the national economy. Whitehall is the source of most revenue resources and investment finance in English cities and, because authority and policy-making capacity have passed upwards, local political life and civic leadership have diminished (Russell 2010, p. 62).

The 2012 Olympic Games are expected to bring significant economic benefit to London. The £9 billion spent on construction and other infrastructure in advance of the event will add to the city's economy, the Games themselves will bring a boost, and in the longer term, the clearance of a vast tract of inner east London will provide space for London to develop and expand its economy. So overall London will benefit economically from the 2012 Games. However, because of the way the English local government funding system operates, councils will not earn a penny in increased tax revenue if, as assumed, there is an increase in local economic activity. In fact, in the short term the host boroughs can expect their finances to deteriorate rather than improve because of the staging of the Games. They will not receive any extra tax revenues but they will incur extra costs for activities such as cleansing, traffic control and parking enforcement — as will neighbouring, non-host boroughs. These costs will probably have to be covered out of existing budgets. Even though the Games have a negative effect on borough finances in the short term, the host boroughs welcome them because they will bring visitors, prestige and, most importantly, an opportunity to regenerate the area.

The host boroughs are tightly constrained by national guidelines in terms of the policies they can adopt, and have no means to channel revenues from the Olympics into local development. They must perforce work in partnership with central government

— which determines the policies and holds the purse strings. After a long process of negotiation between central and local governments (which started in summer 2008 and was meant to last a few months but stretched over more than a year), two agreements were concluded in late 2009 and early 2010 about how to use the Olympics to best advantage, a Strategic Regeneration Framework and a Metropolitan Area Agreement.

The Strategic Regeneration Framework

Convergence, published in November 2009, is Part I of the Strategic Regeneration Framework for the Olympic area (Host boroughs 2009). SRFs are voluntary agreements between local authorities and central government about economic development, and are meant to help overcome the co-ordination problems that inevitably exist when single local economies are split amongst various local authorities. They are the latest in a series of initiatives designed to break through barriers to economic development. These initiatives took different forms depending on the prevailing view of the nature of the barriers. Urban Development Corporations, the preferred economic development tool of the 1980s (which famously produced Canary Wharf) were private-sector led, as the main problem was seen to be the sclerosis of the public sector. But now the problem is implicitly defined as a lack of co-ordination between various tiers of government, and this is what SRFs are designed to address[1]. "Essentially, the SRF will work by improving the co-ordination and delivery of socio-economic interventions linked to the Olympic Games legacy" (Host boroughs 2009, p6).

The Olympic-area SRF sets out how the five boroughs will approach the economic development of the area over the next 20 years. The governing principle is convergence: the goal is that within 20 years, residents of these boroughs "will enjoy the same social and economic chances as their neighbours across London" (Host boroughs 2009, p4). In practice this is interpreted as:

- Creating a coherent and high quality city within a world city region
- Improving educational attainment, skills and raising aspirations
- Reducing worklessness, benefit dependency and child poverty
- Homes for all
- Enhancing health and wellbeing
- Reduce serious crime rates and anti-social behaviour

- Maximising the sports legacy and increasing participation (Host boroughs 2009, p18)

The aspiration to bring the host boroughs up to the level of the rest of London may sound unexceptionable but is in fact very challenging. The gaps between these boroughs and London are large, and while their performance is already improving on many of these measures, so is that of the rest of London — they are chasing a moving target. The SRF recognises this, noting "for example, to increase the employment rate to the London average the host boroughs sub region must improve at over twice the estimated annual London improvement rate over twenty years" (Host boroughs 2009, p14). The problems of these areas are multiple and interwoven: poor housing affects educational attainment, which affects worklessness and benefit dependency, which in turn affects health.

How do the boroughs intend to bridge these gaps? The keys, according to the SRF, are political commitment and co-ordination: "While additional resources may prove to be necessary **the most important factor** will be the willingness of all levels of government to commit to ownership of the challenge, and to develop new and integrated ways of working together to tackle these multi-faceted problems" (Host boroughs 2009, p14; author's emphasis). Thus the SRF proposes to a establish an array of partnerships, consultations, networks and panels, which will together produce joint action plans, strategic best practice initiatives, feasibility studies, proposals and joint sub-regional work programmes. The few concrete actions proposed, such as co-locating GP surgeries and social landlords' offices, seem sensible but hardly revolutionary.

The Multi Area Agreement

Shortly after finalising the SRF in November 2009 the boroughs signed a Multi Area Agreement, another co-operation agreement. MAAs are time-limited voluntary arrangements between several local governments and central government to allow the various parties to work together on economic development without being limited by artificial local-authority boundaries — a role remarkably similar to the SRF. They do address many of the same issues as strategic regeneration frameworks, but while the former cover a period of decades, an MAA lasts for just a few years. The concept of MAAs was put forward in 2007, the first were signed in July 2008; to date there are 15 in England (see Russell 2010 for a list). The host boroughs' MAA is the first in London.

The central idea behind MAAs is that if local authorities together agree on an economic development strategy for their area, central government will devolve certain powers or grant them exceptions from standard regulations or procedures (or, in the jargon, give them 'freedoms and flexibilities') to help achieve their goals. These exceptions and powers are different for each MAA, and reflect the circumstances and problems of each area — they may relate, for example, to rules governing benefit payments, investment of government regeneration funds, or nominations to social housing. After the group of local authorities has negotiated its aims for the MAA, it presents central government with a list of 'asks'. This word is revealing. More than government jargon, it reflects the relative bargaining power of local and central government. Despite government ministers' reference to adopting 'a holistic partnership' (Malik 2010), in this relationship local authorities are not equal partners but supplicants.

The Olympic MAA focuses on three of the seven areas from the SRF: unemployment, the public realm and housing. Its main goals can be summarised as:

- To reduce and prevent worklessness and child poverty in the host boroughs
- To improve the public realm so the area attracts visitors, investment and development
- To improve the existing housing stock — both social and private — and reduce the concentration of unemployed households in social housing
- To increase and keep prosperity in the boroughs.

The MAA also sets out 'deliverables', or quantifiable measures of success. It aims to narrow the gap between the host boroughs and the rest of London by 2014/15 in the following four areas:

- Overall satisfaction with the local area
- The percentage of economically active people in unemployment
- The percentage of economically active people unemployed (model based), and
- The percentage of working-age people with no qualifications.

It will be seen that the measures of success do not correspond very closely with the overall goals of the agreement. Two of the success measures deal specifically with unemployment, but none address child poverty, the public realm (except insofar as it impacts on general levels of resident satisfaction) or housing. And one of the measures of success — the percentage of working-age people with no qualifications — is most concerned with educational provision, which is not one of the areas of focus of the MAA.

What do these agreements mean?

Several questions arise in considering the content of the SRF and the MAA. First, whether these agreements change the standard operating procedure enough to enable the host boroughs to fully exploit Olympic opportunities. Second, why the target policy areas were chosen. Third, whether the five-borough area is a meaningful economic unit. And the final questions concerns the agreements' chances of success.

Neither agreement proposes radical changes to existing ways of doing things nor — importantly — do they provide the host boroughs with any additional funds. (Indeed, one of the founding principles of MAAs was that they should enable better outcomes through enhanced co-operation across local authority boundaries and increased flexibility in the use of existing funds, without the requirement for any additional money.) The parties to the agreements agree to undertake further discussions with the aim of concluding further agreements — they agree to "develop an integrated employment and skills strategy", "consider in detail the boroughs' suggestions", "establish a senior multi-agency group to develop and agree a shared protocol", etc. There are suggestions of joint working across boroughs (for example, on worklessness), but it is not clear what they will mean in practice — nor why such joint working requires an MAA. There are a few concrete initiatives: in particular, host boroughs are allowed to relax some rules about benefit payments to improve incentives for the jobless to enter work.

The second issue is whether the areas targeted (worklessness, the public realm and housing) are the right ones. It is not clear why they were selected; were they seen as the areas where the boroughs' problems were greatest? — in which case, why was education not included? Or were they the areas with the greatest connection to the Olympics? Public realm will clearly be hugely affected by the Games, but the connection with employment is not so clear. When London was awarded the Games in 2005, one of the hopes was that construction of the venues would provide jobs in this historically high-unemployment area. Fewer locals got jobs than some had hoped. That phase is nearly finished. The MAA looks forward to the post-Olympics period, and its employment targets do not relate to the Games or legacy venues.

The third target area is housing. The Olympics clearly will affect the housing stock, and the new dwellings to be created in the Olympic Park will be one of the most tan-

gible symbols of the regeneration of the area. The original plan was to develop most of the area as flats, but that has changed and now many of the new dwellings to be built post-Games will be family houses. About half will be market housing and the rest affordable, but who will get to live in them?

The bland language of the MAA hides a political struggle about the question of nomination policy for new social housing units. The five host boroughs have historically had a disproportionate share of London's social housing stock, and east London politicians have protested that more prosperous boroughs with fewer social dwellings have 'dumped' their excess social tenants on the host boroughs. The host boroughs therefore want to keep the new housing mainly for local people, as Newham's submission to the Parliamentary Select Committee makes clear:

> The five host boroughs should also have greater control over nominations for social housing. With the huge housing development planned in the borough, we have concerns that a situation is being created which encourages other local authorities in London to transfer social housing responsibility to the east, rather than ensure the even distribution across the capital...We believe it is of the utmost importance that Newham, and other areas of high deprivation and worklessness, should have social housing nominations largely ring-fenced to existing local residents. This will enable us to shape mixed communities by attracting new types of residents and tenures, without increasing pressure to house more and more people who are often workless, on very low incomes, or who present with high public service requirement (LB Newham 2010).

Central government and the Mayor, on the other hand, see east London's social housing as a resource for the whole city.

The third question is whether the five host boroughs are a 'functional economic area', as the MAA guidance puts it. SRFs and MAAs were originally designed to address the problems of discrete local economies. But when it became clear that it would be useful to have some more formal economic development framework for the Olympic area, SRFs and MAAs were the policy instruments available. A recent evaluation of MAAs stated that "There must necessarily be a close link between the geography of the MAA and its strategic rationale" (Russell 2010, p49). In this case the selection of participating authorities owed little to prior analysis. The host boroughs encompass the most deprived area of east London, and most of the facilities for the Olympic Games will be within their boundaries, but they do not comprise a single natural market for labour or goods. For one thing the River Thames separates Greenwich from the other host boroughs, and is a still a significant barrier to movement.

London can be subdivided in countless ways: north and south, inner and outer, by quadrant, by borough or by postcode. But in terms of employment, it is a single labour market. According to the Office of National Statistics, all of London belongs in one Travel-to-Work Area, which it defines as a collection of wards for which 'of the resident economically active population, at least 75% actually work in the area, and also, that of everyone working in the area, at least 75% actually live in the area'. The London TTWA stretches beyond the 33 London boroughs into surrounding counties.

Even though the five boroughs do not make up a discrete economic area within London, the SRF and MAA implicitly espouse 'local jobs for local people', as well as 'local housing for local people'. This is understandable: the construction of the Canary Wharf office development in the late 1980s and early 1990s on the Isle of Dogs in Tower Hamlets provided almost no employment for residents of local deprived neighbourhoods. Some 25 years later the construction of the Olympic Park also proved disappointing — when the Olympic Development Authority boasted that many of its construction workers had addresses within the host boroughs, local politicians countered that they were not long-time local residents but rather transient workers from outside the area (or the country) who had rented short-term accommodation.

In an effort to ensure that local employment benefits are maximised, the SRF proposes to tie educational provision closely to the needs of local employers. It promises "a rolling economic and employment forecast to provide a consistent base for future education and training, planning and commissioning across the region" and to '"establish an Employers Panel, providing employers with a clear mechanism to influence training provision and skills investment", and to launch a National Skills Academy for Retail in Stratford, to take advantage of the opening of the huge new Westfield shopping centre there. The host boroughs have commissioned an economic model "based upon the most tested assumptions we can make about the additional job flow into the five host boroughs over a 20, 30-year period" in order to "plan our own jobs and skills programmes against the template of what we expect to see coming into the area over that time" (Taylor R. 2010).

Linking education to local employers in this way is a common policy, and certainly has the advantage of exposing pupils to the job market and giving employers a stake in their area. London residents however routinely travel long distances to work. And one of the undeniable benefits that the Olympics will bring to the area is greatly improved

transport links, making it easier both for local people to access distant workplaces and for workers from other parts of London to commute into the host boroughs. Local pupils are not necessarily best served by learning skills specific to local employers.

Finally, what are the chances that these agreements will be adhered to? This depends largely on the goodwill and attitude that boroughs and central government bring to the various negotiating tables — the documents are statements of aspirations rather than binding contracts. None of the signatories can be sanctioned for failing to comply, and in any case most of their provisions are so fuzzy that non-compliance would be difficult to demonstrate. The general public can't be expected to hold the boroughs or central government to their terms. The publication of the SRF and signing of the MAA received limited coverage in the specialist press and local papers, but the agreements are not (and were not designed to be) high-profile public documents. It will probably be up to borough leaders and councillors to ensure that the agreements govern relations in the immediate post-Olympic period and in subsequent decades.

Conclusions/outstanding issues

The introduction to the MAA says "the Olympics and Paralympics can act as a catalyst for regenerating a deprived community," but there is curiously little reference in the rest of the text to the Olympics. Rather than being the central focus of the documents, the Games serve as an opportunity for the boroughs to lobby central government. This is probably the inevitable consequence of Britain's highly centralised system of government and, in particular, local government finance. Local government in Britain lacks the flexibility that would allows it independently to capitalise on opportunities like the Olympics. SRFs and MAAs are designed to solve the problem of co-ordination between the various levels of government — but this is not necessarily the main problem in east London.

The boroughs are clear that they want the Olympics to benefit existing residents — and those existing residents come from a huge range of ethnic, cultural and linguistic backgrounds, as Table 3 shows. But the focus on existing residents suggests that the boroughs want to move away from their historic role as receptors for new immigrants. And the goal of convergence means these boroughs do not want to continue being London's poor neighbourhoods. Where, then, will new immigrants and the poor live? Can all of London be remade as mixed communities — so mixed that there are no longer poor areas per se?

The main output of these agreements will be the production of yet more plans and strategies — to add to the 24 types of plans and strategies (encompassing many more individual documents) that the SRF identifies as relevant. Before MAAs were introduced some expressed concern about "whether they represented a huge amount of work to agree a form of words that would not be very meaningful" (Russell 2010, p 56). The jury will be out on this for some time. But is it realistic to expect that co-ordination per se will solve the area's problems? It is certainly an attractive proposition that achieving ambitious goals does not necessarily require large sums of money, and clearly there are some areas where services are duplicated or synergies unexploited. But as the negotiators move from dealing with the rather abstract language of the SRF and the MAA to discussing the future of particular services, buildings and employees, the question of money will inevitably become more pressing.

Finally, in putting these agreements into practice politicians will need to take hard decisions about priorities. The host boroughs trail the rest of London on a lengthy list of social and economic indicators. The SRF lists seven broad areas for improvement, and several targets in each area. The MAA narrows this to just three broad areas. But to achieve even one of these targets — for example, to narrow the gap with the rest of London in the percentage of economically active people in employment by 1-5% in four years — will require massive corporate effort from the boroughs and their partner organisations. It is unrealistic to expect organisations to focus on many top-level goals at the same time. The host boroughs want to use the chance of the Olympics to put right as many things as they can. But without clear focus they risk making limited progress on all fronts rather than genuine transformation on a few.

Endnote

[1]In June the Coalition Government announced plans to abolish Regional Development Agencies and replace them with Local Economic Partnerships, which will include representation from the private sector. This will not directly affect the MAA or SRF, as Regional Development Agencies cover much wider geographical areas. The London Development Agency, the RDA for London, covers all 32 boroughs and is not to be abolished but there are likely to be LEPs there. The requirement for private-sector participation may well be extended eventually to cover arrangements like the MAA and SRF— particularly the latter, with its 20-year timeframe. This could require a further negotiation process with a new set of partners.

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11. Conclusions

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The era of plenty is over, and we are entering a period of austerity when public investment to provide for those in need and to support the social and physical infrastructure for London's population will be in short supply. At the same time, the Coalition Government is looking at new ways of delivering services - with the emphasis on localism and the concept of the big society. This approach, based on greater local involvement in the delivery of services, could be seen as a pragmatic response to the funding cuts, but its emphasis on the 'smaller' state is likely to continue as an important theme even after the economy recovers. This needs to be planned for and built into any new strategic initiatives.

Whilst the regional tier of government is being abolished elsewhere in England, London will retain its strategic authority. Indeed, the Mayor and Greater London Authority could become stronger, as powers are passed down from central government and its agencies. This could provide opportunities for strategic initiatives to fund projects that benefit the whole conurbation. This approach has already been demonstrated on a limited scale in the case of Crossrail, for which funds are being raised from businesses across several London boroughs.

If London's regional government grows stronger, questions about its role and its relationship with the boroughs become more pressing. Sub-regional collaboration is being promoted in the rest of England through Local Economic Partnerships, replacing Regional Development Agencies. In London, because the regional government is not being abolished, the new partnerships are not being given such priority. But groups of boroughs can respond to challenges and maximize the local benefits from opportunities such as the Olympics, if funding and powers are devolved to them. In outer London, economic and transport links with surrounding districts are as important as, if not more important than, their links with central London, requiring stronger sub-regional arrangements.

Public funding cuts are likely to affect the provision of new social housing. During the boom period, construction of housing for sale and social rent failed to keep up with demand and need. With the downturn, the shortfall is likely to get even worse. Provision of social housing became dependent on cross-subsidy from the vibrant housing-for-sale market, which is unlikely to revive strongly for some time. Other funding must be identified. There was unprecedented growth in the private rented sector

during the boom period - but even then, there was only a very limited amount of institutional investment in the sector. Attracting greater private investment into private rented housing is all the more important with the decline in public funding. Attracting the large institutions will remain a very difficult challenge and it is likely that the sector will continue to be dominated by the smaller investor. The housing benefit changes, particularly the cap on rents, will affect London worse, because costs in the capital are much higher. It might force down private sector rents, but more likely will just reduce the number of landlords in this part of the market. Claimants will probably be forced to live in poor quality housing in cheaper areas, creating concentrations of poverty.

If the Government's drive for localism is to succeed, communities need to be convinced that they can influence the planning policies affecting their areas and make a difference to their well-being. This can only be achieved if there is lively debate at all levels - from the London Plan down to the neighbourhood level. The consensus over many fundamental issues since the 1980s has stifled debates about alternative development strategies - and needs challenging to ensure real engagement by communities. Universities can support communities in enabling this engagement.

The current uncertainties - not least economic - and the possible impact of political and social changes in the pipeline require a new approach to planning London. Development plans have traditionally set out proposals based on a consideration of all the prevailing conditions, to be taken forward by a wide range of agencies. But with the number of unknowns at the moment, one perspective cannot provide for all eventualities - particularly as many are well beyond the control of the implementation agencies. Considering a range of scenarios would enable the London Plan to respond to emerging trends that at this stage cannot be fully anticipated and could help to avoid impromptu responses to changing situations.

We were critical of some features of Ken Livingstone's original London plan, but it offered strong leadership with a clear, if a rather narrow, vision, in contrast to Boris Johnson's draft which has a more diffuse set of objectives and offers the boroughs considerable leeway. Directive planning at a strategic level does not fit with the Coalition Government's commitment to decentralization and can alienate the boroughs. In our last publication we questioned the logic of some of Livingstone's key objectives, particularly their focus on central London; however, without a clear set of objectives, the overall function of a regional tier of government is undermined.

In this period of austerity and political change, the role of London's regional government is key to preparing the conditions for economic recovery and responding to the localism agenda. It can hopefully offer well defined priorities across the conurbation to ensure that the limited funds are used smartly and targets are met.

12. The Contributors

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