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FILE TITLE: <i>POLICY</i>		SERIES <i>LONDON</i>
		PART <i>4</i>
PART BEGINS <i>28 MARCH 2003</i>	PART ENDS <i>29 June 2003</i>	CAB ONE

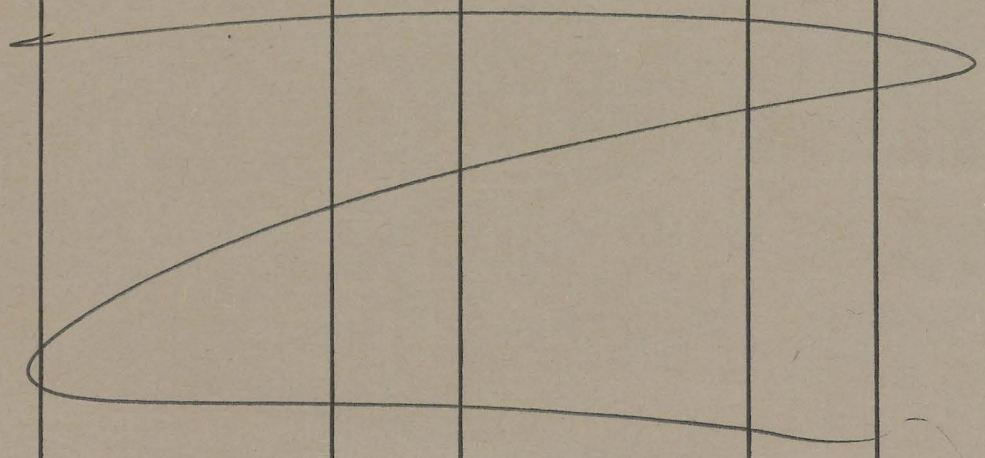
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Labour Administration

PREM 49/3222/1

PART 4 CLOSED
29. 6.03



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PART
4
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DATE CLOSED	29.6.03
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Series : LONDON

File Title : POLICY

Part : 4

Date	From	To	Subject	Class	Secret
31/03/2003	DPM	PM	Thurrock UDC Consultation Paper	U	
31/03/2003	MS/DPMO	DPM	Thurrock Urban Development Corporation Paper	C	
10/04/2003	CST	DPM	Thurrock Urban Development Corporation Paper	U	
11/04/2003	SS/DoT	DPM	Thurrock Urban Development Corporation Paper	U	
11/04/2003			Pan-London activities: status report	C	
15/04/2003	LP	pus/ODPM	PMB : Greater London Authority act 1999 Repeal Bill	U	
15/04/2003	DPM	ms/ODPM	Thurrock Urban Development Corporation Paper	U	
02/05/2003			Alternative funding mechanisms	C	
02/05/2003	PD(MH)	PM	Thames Gateway	C	
05/05/2003		Cab Off	From Canary Wharf Group Plc: Thames Gateway	U	
06/05/2003	DelivDir	PPS	London Issues	U	
30/05/2003	PD(MH)	PM	Thames Gateway: letter from DPM; advice from Sir A Turnbull	C	
13/06/2003	PD(MH)	PM	Thames Gateway delivery Mechanisms ; Thurrock Urban Developme	R	
17/06/2003	SS/DoT	DPM	MISC 22: Thames Gateway	U	
17/06/2003	PUS/DFES	PD(PD)	Ministerial Advisory Group for the London Challenge	U	
23/06/2003	SS/DoT	PM	Strategy Unit London project	C	
23/06/2003	SS/DoT	PM	Thurrock UDC : Analysis of Consultation Responses	U	
23/06/2003	Lord Birt	PM	SU Review of London	R	
25/06/2003	PPS	DoT	Strategy Unit London Project	U	
26/06/2003	GovDir	PM	Ken Livingstone	U	
27/06/2003	PD(MH)	PM	Strategy Umit London Project	R	

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From: Martin Hurst

Date: 27 June 2003

PRIME MINISTER

cc: SPAs (w/o attachment)

STRATEGY UNIT LONDON PROJECT

John Birt has sent you the 'evidence stage' of the SU's report on London. This will be published on the web next week. There will be a few further changes before publication to accommodate concerns from Alistair about the balance on transport issues.

There is a wealth of interesting and relevant material. Some of the key bits are:

- a) Population projections. London will continue to suck in under 30s from the rest of the country, almost exactly offset by migration out of London of UK over 30s. But the population will rise by around 700k over the next 20 years because of legal immigration.
- b) Housing demand will increase equally rapidly over the next 15 years. The main land availability is in the Gateway. But we will need to be innovative in order to persuade the better off to live there.
- c) London is a victim of its past. Compared to other capital cities we have a lot of low density housing - a relatively wasteful use of land. And our fairly good rail network is accompanied by a dreadful road network, about which we can do very little - basically, London was not designed for the car.
- d) Financial services, long the 'driver' of the London economy, may be declining in importance. The creative industries are large, and growing.
- e) Public service provision is very variable. In health London has some of the best and the worst delivery in the country. In education there is large middle class opt out. And in areas like job seeker plus delivery is uniformly poor.
- f) Like most capital cities London has huge wealth and massive deprivation. Almost half of inner London children are in poverty. And we have very substantial labour market non-participation, which could be exacerbated as demand for low skilled labour falls off - this worries me.
- g) In net terms London finances the rest of the country by up to £20bn

The team will now proceed to policy analysis, looking at three areas:

- Public services;
- Transport, housing and planning;

*— is this
not a bit of
an inflammatory
figure?*

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- The unwaged.

Any thoughts?

John B's minute to you also asks for your agreement to a private study on London governance. There is a clear case for some work in this area. But JP has been strongly opposed in the past, and would bitterly resent a private study if he found out. What do you think?

*It can only be done
with JP's consent.*

Martin Hurst

MARTIN HURST

*We cannot do a study in
this without JP being aware &
involved!*

*But there is no doubt that
at some stage we need to
revisit key elements of the
London "settlement" (e.g. the
police governance arrangements
& housing powers).*

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- 2 -

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Martin Hurst

MARTIN HURST

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From: Sally Morgan

Date: 26 June 2003

PRIME MINISTER

**cc: Pat McFadden
Matthew Elson
Jeremy Heywood
Jonathan Powell**

KEN LIVINGSTONE

I met him this morning for a general catch-up. We covered the following:

1. Brent East by-election

He felt Ann John (leader of the Council) would be the best candidate, would win the selection if she stands, and would probably hold the seat. He was strongly against a July by-election, particularly in view of the one-third Muslim vote. He would endorse Ann if we wanted that. He would not endorse or support Jim Moher.

2. Transport/Olympics

(a) Crossrail

He couldn't see why the Treasury insisted on 60 per cent overspend being built into the budget. GLA figures were at £7 billion and he gave me a background note. Matthew Elson to speak to Jay. The GLA think it will take 5 years to build and could be built for the Olympics. He says London business is going mad about the lack of decision.

(b) East London Line extension

The court case (planning) will be through next week but he is now picking up wobbles on SRA on this. Matthew to report.

(c) Thames Gateway Bridge

With a hybrid bill quickly, this could be built by 2010. Charlie Falconer promised that Dartford Bridge tolls could fund the new bridge but DfT now suggesting the money is going elsewhere. Matthew to report.

(d) Traffic and Utilities Bill

Are there any hitches in this – is essential it goes ahead unwatered down?

Matthew to report.

(e) Road pricing legislation

The GLA are happy to pilot any moves in this direction. On congestion charging he will be moving to take in West London from 2006.

3. London precept

He put in usual plea on next year's budget, particularly re policing. (I said that next year's settlement was very tight.)

4. Euro

We agreed that they will poll on the euro as part of their regular poll. (When they last asked, London was 10 per cent ahead of the rest of the country on the euro.)

5. Civil contingencies

He was extremely anxious about the proposed emergency evacuation practice at Bank in September. He says it is bound to lead to back-to-back press coverage showing that we're not prepared, will be bad for tourism and will lead to calls for

endless expenditure. He strongly urged us to do this on an unannounced day so the media are caught unawares and the roads could be closed around the area.

6. Mayoral election 2012

If the Olympics bid is won, he thought it would be crazy to have a mayoral election in 2012 – should we put in a clause in Bill going through saying that in the event of winning the bid the Mayor will serve for 5 years? Or shall we return to this after 2005? (I think the latter.)

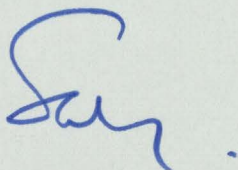
7. Next year's GLA/mayoral elections

At present the polls show:

Labour	33
Conservative	32
Lib Dems	31

On Mayor: Livingstone is ahead of the Labour vote, Nicky Gavron is fourth, way behind the other two who are neck-and-neck. He wants to campaign and endorse key Labour GLA candidates (eg Toby Harris). I think we should explore this.

NB: Though not discussed with KL! – we also have to have a serious conversation about our mayoral campaign. Nicky Gavron will come fourth and our best hope is that Ken wins and pulls up the Labour vote.



SALLY MORGAN



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

25 June 2003

Dear Andrew

STRATEGY UNIT LONDON PROJECT

I am writing in response to your Secretary of State's letter of 23 June.

I understand that the Strategy Unit has already had extensive and very useful contacts with your officials. We have however asked the Unit to make some further changes before publication that will make clearer what will be delivered by specific projects such as the Tube PPP so as to ensure that the balance of the relevant section reflects your concerns. These are being discussed with your officials.

More generally, in the run up to the Spending Review and Mayoral elections a public debate about the resources we put into London is inevitable, and already going on. The objective of publishing a report of this kind is to set out the evidence in a balanced and accurate way, and the London report does this comprehensively, to a very high standard of analysis and presentation. As well as highlighting several areas where the challenges facing London need to be better managed, it also emphasises that per capita public spending in London is already higher than in any English region except the North East.

I agree that in managing the debate that will follow we must maintain this sense of balance and give careful attention to the presentational issues. If you have remaining concerns it might be helpful for Geoff Mulgan to come and discuss these with you and ensure that you are happy with the broader direction being taken by the project.

Yours,

JEREMY HEYWOOD

Andrew Campbell
Department of Transport

From: John Birt
Date: 23 June 2003

PRIME MINISTER

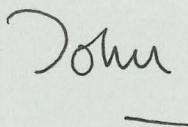
cc: Jeremy Heywood
Geoff Mulgan
Martin Hurst

SU REVIEW OF LONDON

I have pleasure in enclosing the report of Phase 1 of the SU review of London.

The review has produced, I think, substantial new insights into the significant challenges London faces, and we will seek in Phase 2 to identify some solutions to those challenges.

I hope you will agree, when you read the report, that one of the issues we very definitely need to examine in Phase 2 is London's unwieldy and unfocused arrangements for governance. ODPM is sensitive about this, but with your agreement, we plan to do a private piece of work for you on the issue.



JOHN BIRT

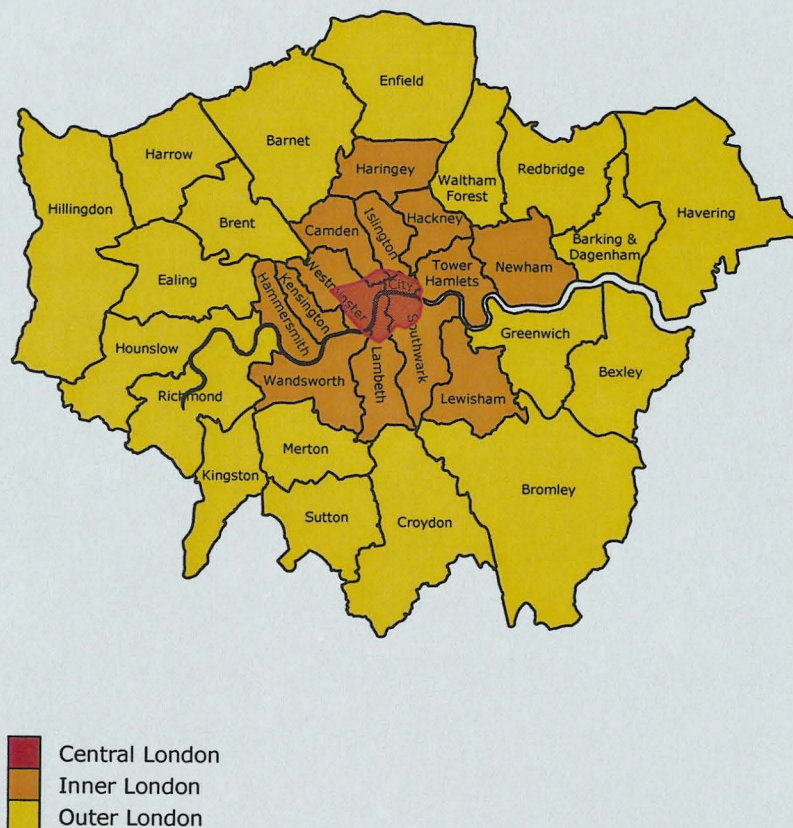


London Project

London analytical report

June 2003

This report looks at the key issues facing London, now and in the future



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Executive summary

London:

- has a highly successful, productive economy that makes a substantial contribution to the whole of the UK
- is attractive to skilled workers from the rest of the South East, the UK, and across the world
- has a young population that is diverse and transient
- has high numbers of jobless people and substantial deprivation
- has a housing market which is under strain and which will come under increasing pressure as population growth continues
- has a transport infrastructure that has not kept step with the city's developing needs in the last fifty years
- has public services that face substantial challenges as a result of the city's unique characteristics
- has a complex system of governance that does not easily enable the city to focus on its strategic needs.

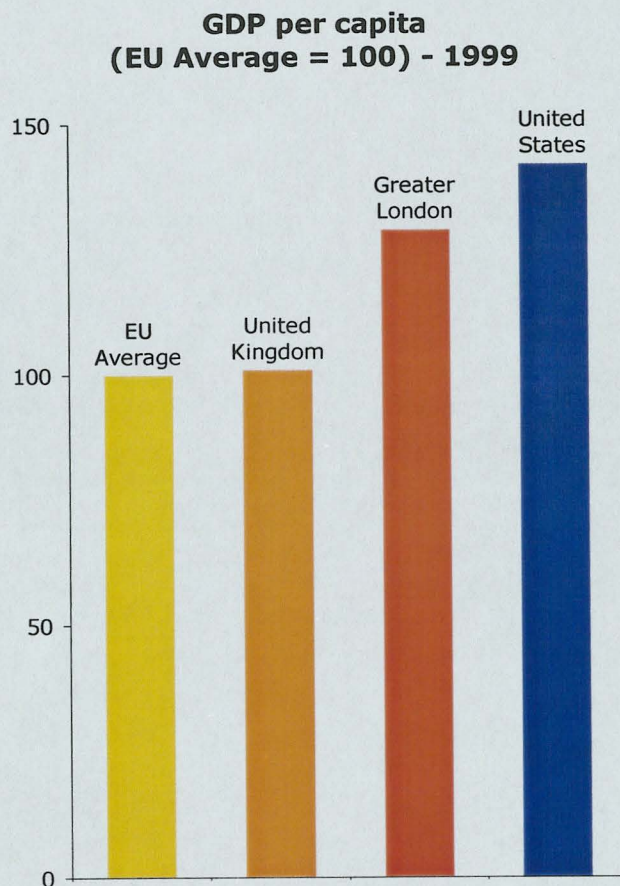
Part 1

London's economy

This part of the report looks at London's economy:

- » How productive it is
- » The key sectors
- » How London fits in the national and international economy
- » How London's economy is changing

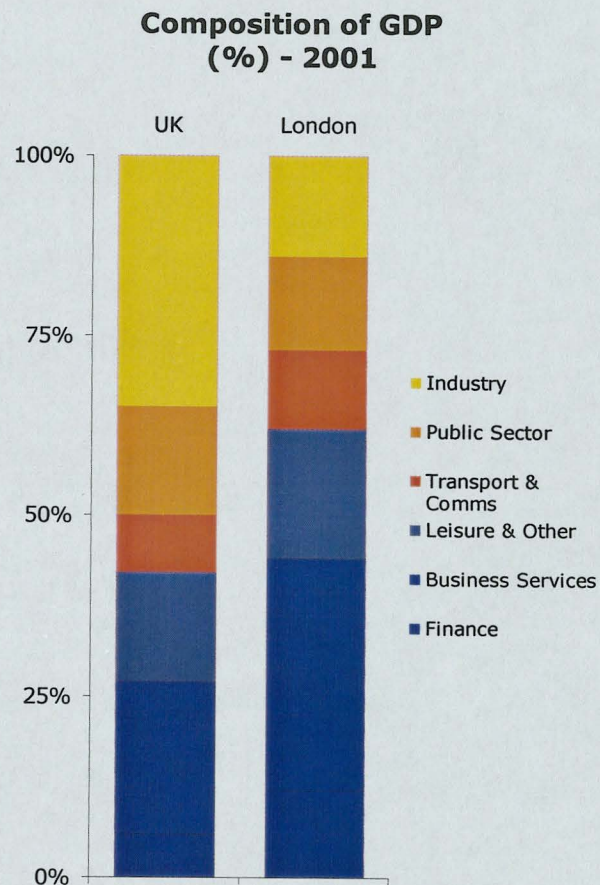
London has a highly successful economy, with productivity close to US standards



- GDP per capita in London is 28% above the UK average
 - » productivity in London is 25% above the UK average.
- London's entire workforce (including commuters) generated output worth a total of £138bn in 1999
 - » equivalent to 18% of the UK's total output.
- Though London's economy has grown faster than the rest of the UK over the last decade, it has also been more **volatile** with more pronounced peaks and troughs.

Source: ONS, HMT, Eurostat, OECD, SU analysis

London's economy is driven by a broad range of modern, high value-added service industries

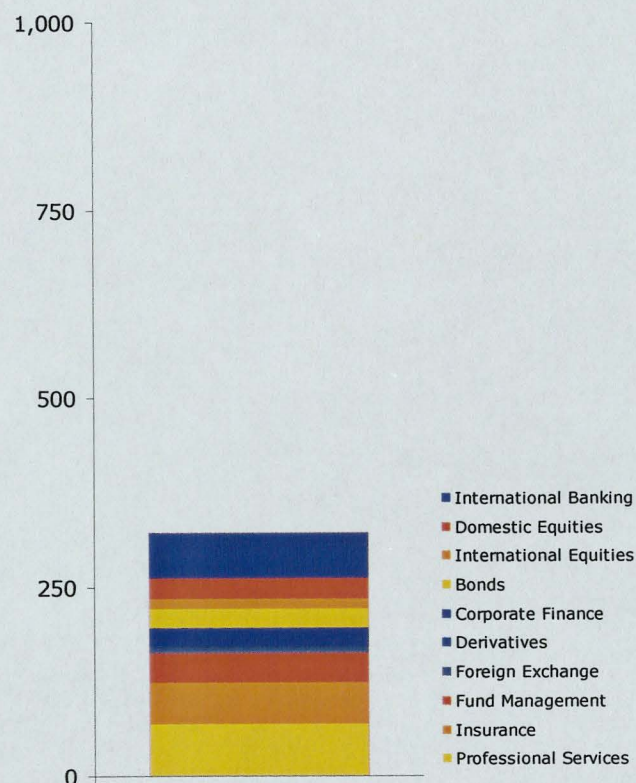


- Non-industrial sectors generate 86% of London's output, compared to 65% nationally:
 - » the largest sector in London is business services, which accounts for 32% of the capital's output
 - » the most productive sector is finance, where 6% of London's workforce generates 12% of the capital's output
 - » despite being home to Whitehall, the public sector is a smaller part of the economy in London than in other parts of the UK.

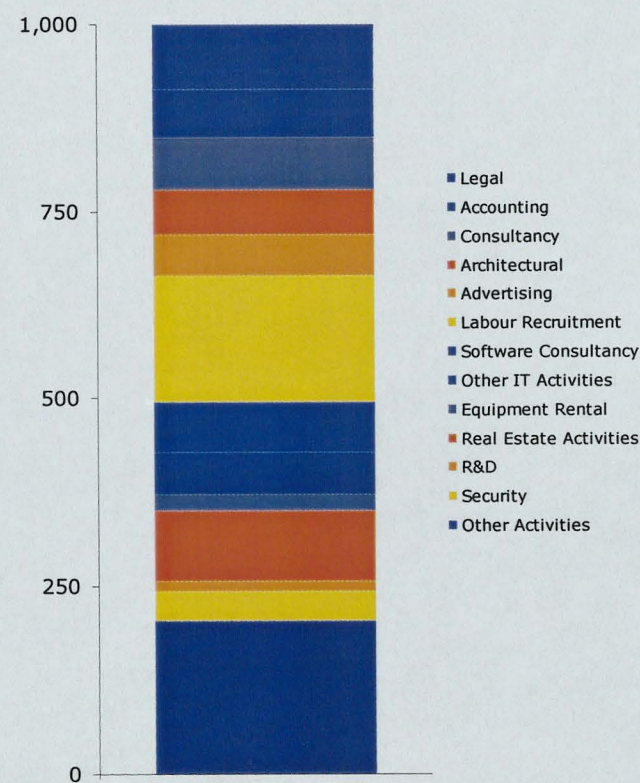
Source: ONS, CEBR

London's financial and business services sectors include a diverse range of activities

**Financial services employment
in London (thousands) - 2001**



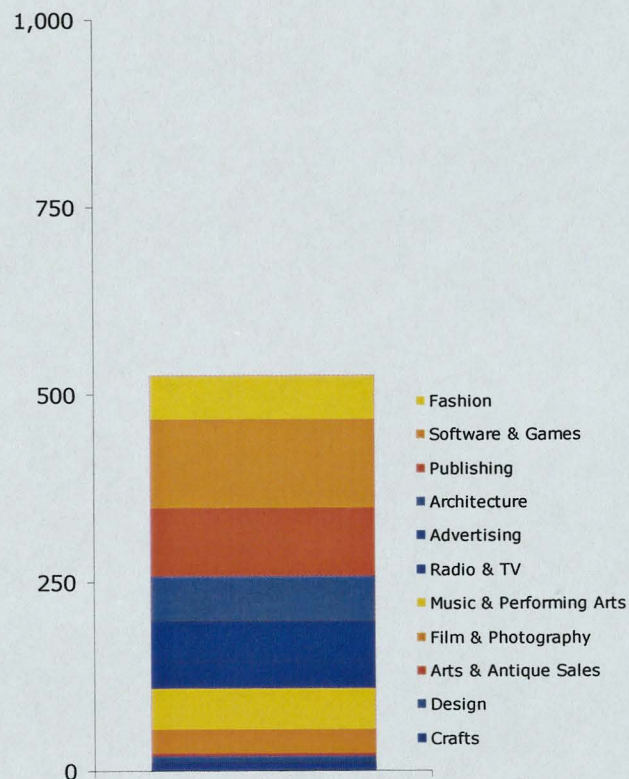
**Business services employment
in London (thousands) - 2001**



Source: ONS, CEBR, SU analysis

London's creative industries now provide more jobs than financial services

Creative industries employment in London (thousands) - 2000

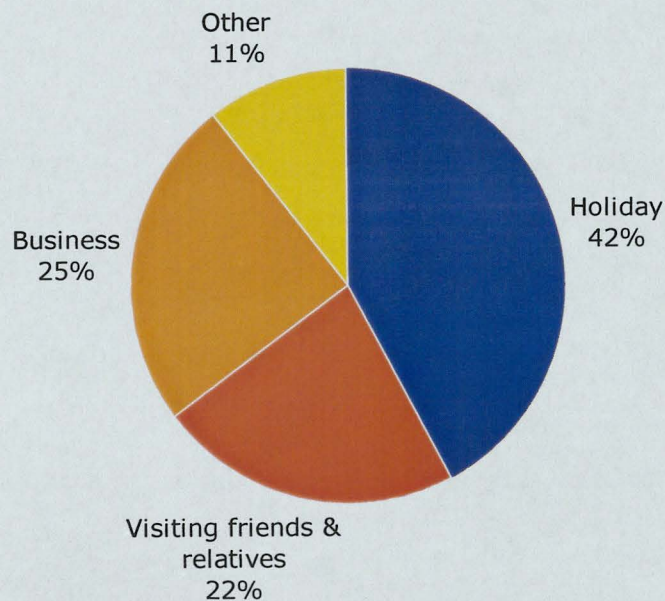


- The creative industries in London employ over 500,000 people, and cut across traditional sector boundaries
 - » for example, advertising is defined both as a creative industry and part of the business services group.
- The creative industries produce more output than financial services
 - » although productivity (output per worker) in the financial sector remains 50% higher.

Source: GLA

London's lively and diverse culture attracts millions of visitors, with tourists greatly outnumbering business travellers

Main purpose of overseas visits to London - 2001

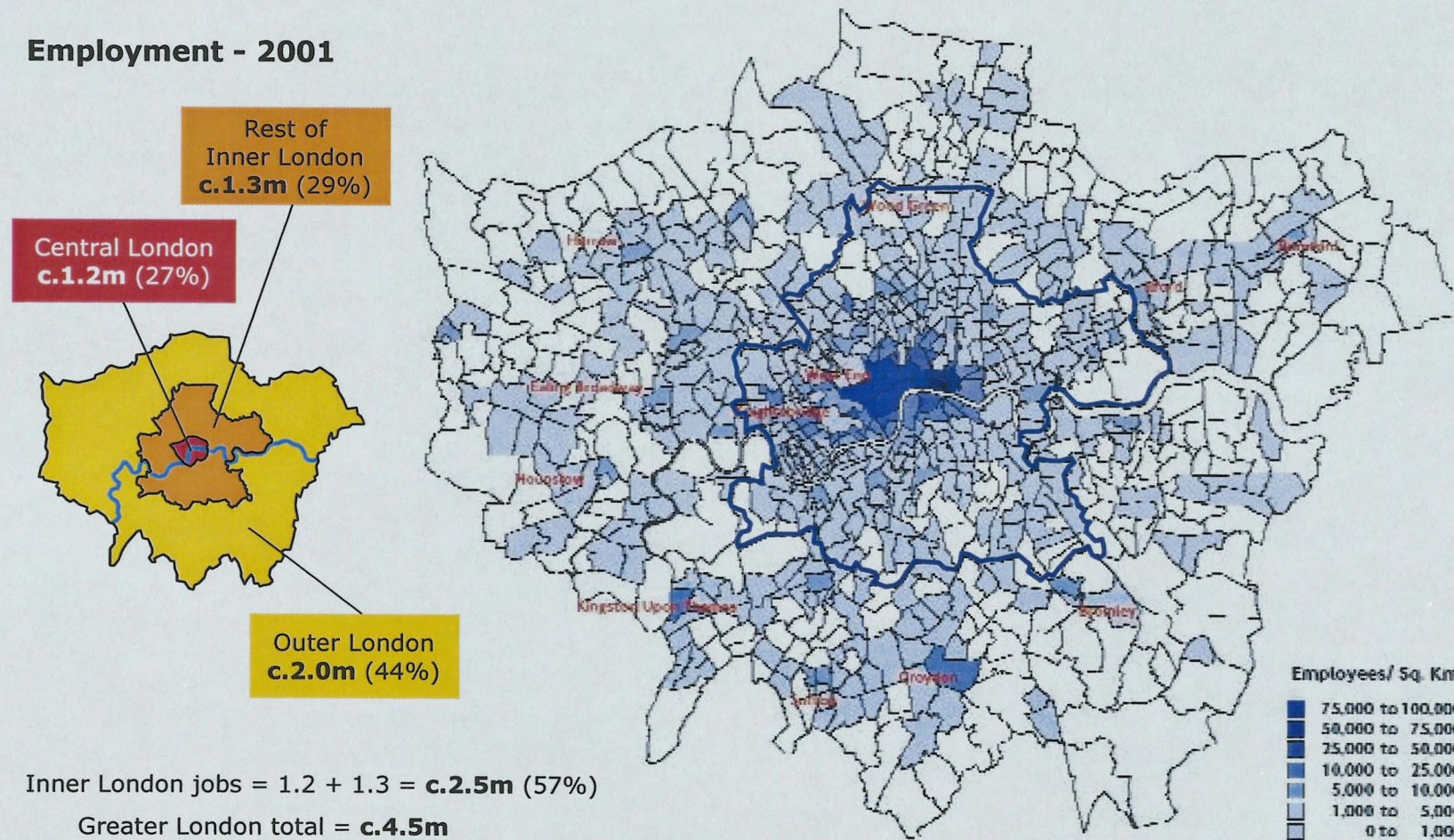


- London ranks approximately equal with Paris as the world's most popular international tourist destination, with 13.1m arrivals annually
 - » 60% of people visiting Britain on holiday cited London as their main reason for coming.
- Domestic visits to London have more than doubled since 1992 and now surpass overseas visits.
- Domestic and overseas visitors in London spend around £9bn p.a.
 - » £6.4bn directly on arts and culture.
- London has a wealth of internationally recognised cultural assets and attracts overseas arts to the UK:
 - » national orchestras, opera, ballet
 - » West End theatre and cinema
 - » museums and galleries
 - » national heritage sites.

Source: LTB

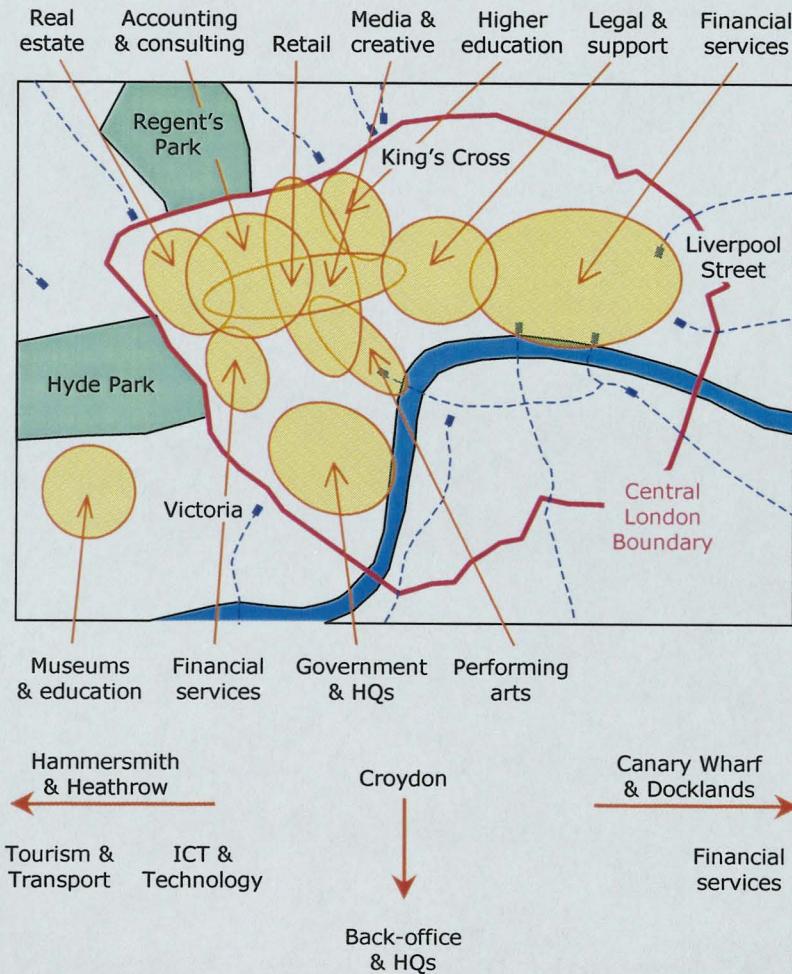
Almost 30% of London's jobs are located in the central business district, covering just 2% of the capital's land

Employment - 2001



Source: GLA, SU analysis

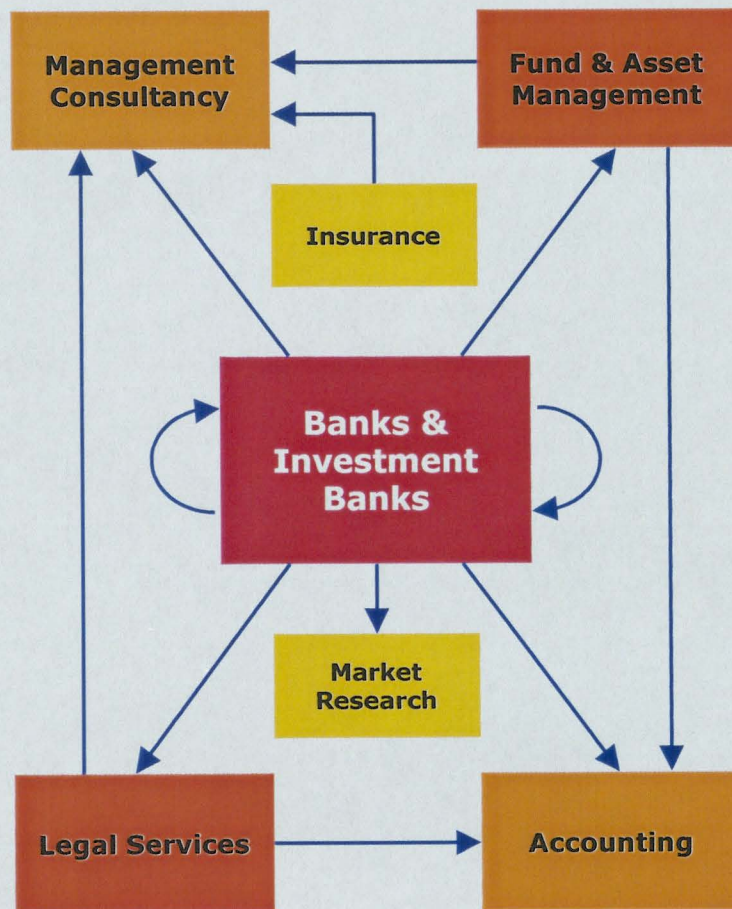
Central London's key industries are based on interlocking clusters



- Similar firms derive a range of benefits from clustering together:
 - » access to deep labour pools
 - » interactions with similar firms
 - » intelligence sharing
 - » better customer attraction.
- Firms also benefit from being near clusters of other types of business:
 - » financial institutions require lawyers and accountants
 - » technology firms benefit from proximity to academia.
- The interdependencies between sectors are crucial to their success:
 - » so subsets of a cluster could not be easily transplanted.

Source: Illustrative map based on CLP, LDA, Corporation of London, SU analysis

The banking community is at the heart of London's international financial and business services cluster

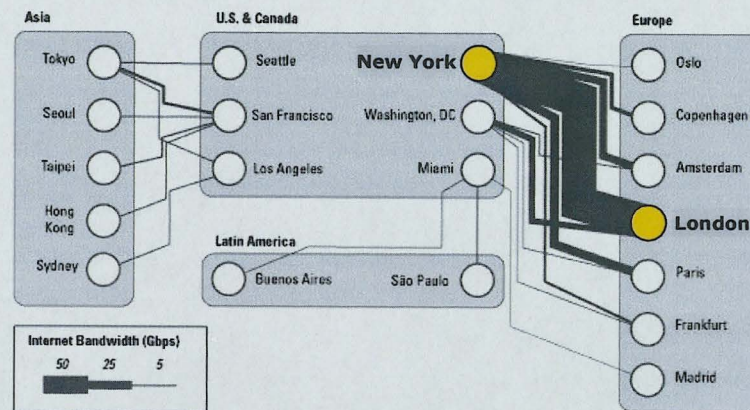


- Banks and investment banks form the hub of the cluster, helping to explain London's volatile economic performance:
 - » strong linkages transmit the volatility inherent in the financial markets
 - » this volatility is magnified by the sheer size of the financial and business services cluster.
- A recent study of the financial sector found that the prestige conferred by a Central London postcode was a key reason to locate a business in the City.

Source: SU analysis based on MBS / Loughborough, Corporation of London, CSFI

London is, with New York, one of the two key hubs in the world cities network

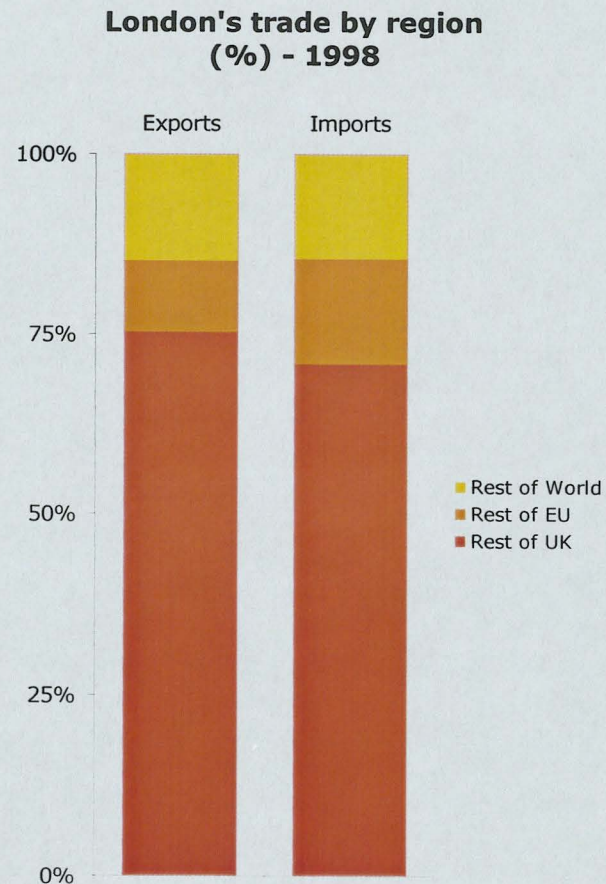
Global Internet Bandwidth - 2002



- London is home to more corporate HQs than any other European centre: 33% of the Fortune Global 500 firms have their European HQ in London
 - » Paris: 9%
 - » Frankfurt: 3%
- London is a major international centre for financial services:
 - » 50% of European investment banking activity
 - » 36% of global OTC derivatives trading
 - » 31% of global foreign exchange turnover
 - » home to more foreign banks than any other centre.

Source: TeleGeography, Invest-UK, Urban Studies

Most of London's trade, however, is with the rest of the UK, benefiting both the capital and the regions

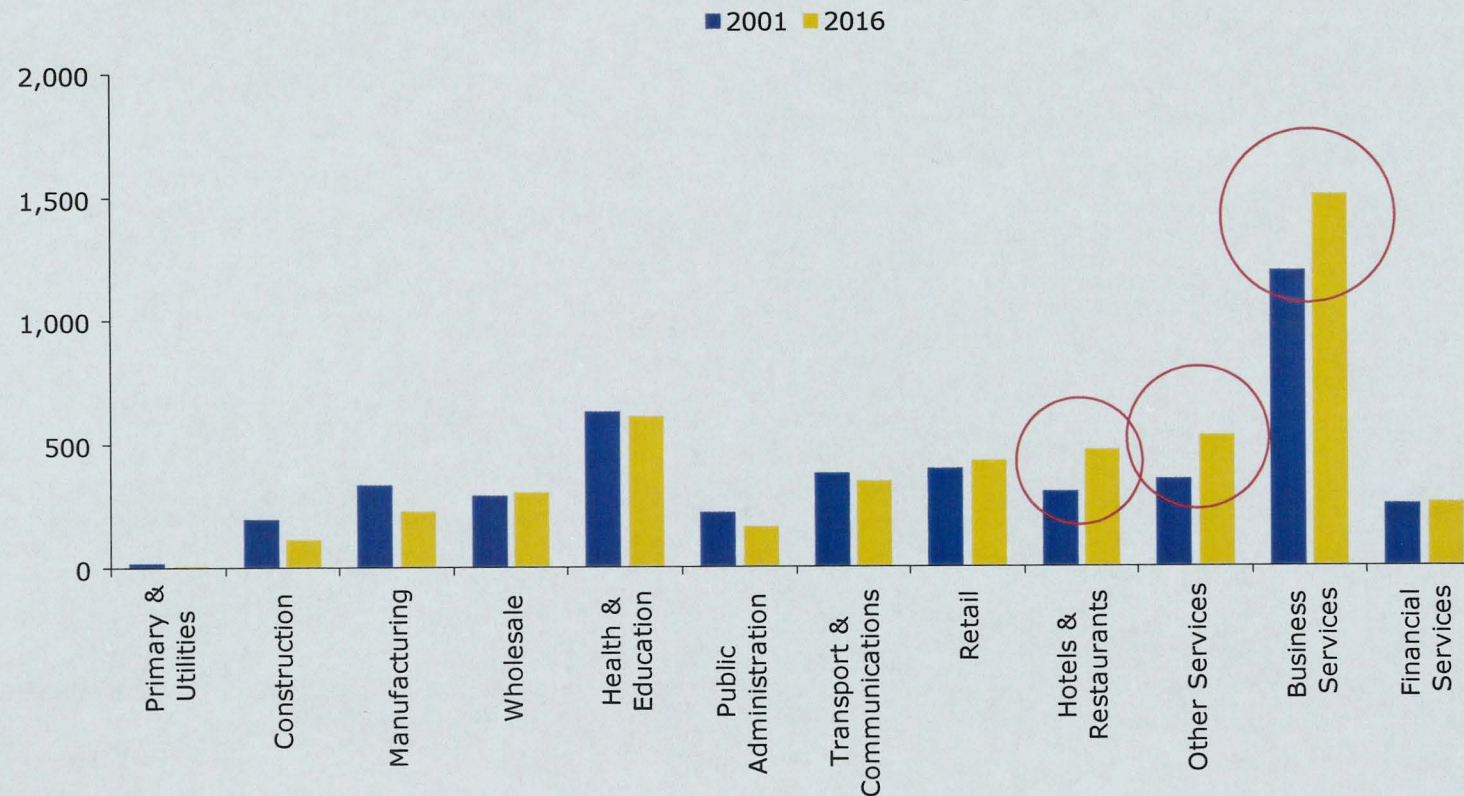


- London has a mutually beneficial relationship with the rest of the UK:
 - » sharing its wealth via trade and the public finances
 - » acting as a gateway between the regions and the world.
- On balance, London exports financial and business services and imports manufactured goods.
- CEBR estimates that London supports around 4m jobs in the rest of the country, via trade, commuters' spending and fiscal transfers
 - » conversely, many Londoners' jobs depend on demand for the capital's exports.

Source: Centre for Economics and Business Research (CEBR)

Business services and leisure are expected to be the fastest growing sectors in London's expanding economy, whilst manufacturing is projected to decline

London employment trend projections (thousands)



Source: SU analysis based on ONS, GLA
Based on aggregate productivity trends and long-run aggregate GDP growth of 2.5% pa. NB. Trend projections abstract from cyclical effects

The response of London's economy to historic changes demonstrates the city's underlying vigour and resilience

- **1801-1914: Industrial Revolution and Victorian London**

The industrial revolution shifted production into factories in the East End and outer suburbs. As the shipping industry developed, London became a centre for international commodity trade. This prompted the City's specialisation in banking, foreign exchange and insurance.

- **1914-1939: The Interwar Period**

Britain's refusal to leave the Gold Standard until 1931 impacted heavily on exporters. Financial markets remained depressed following the 1929 Wall Street crash.

- **1939-1981: Post-WW2, Globalisation and the decline of manufacturing**

Following the post-war rebuild, manufacturing became uncompetitive and declined in the 1960s. Between 1971 and 1981, manufacturing jobs fell by 42%. Prompted by technological change, the East India dock closed in 1967 and the entire Royal Docks closed by 1981.

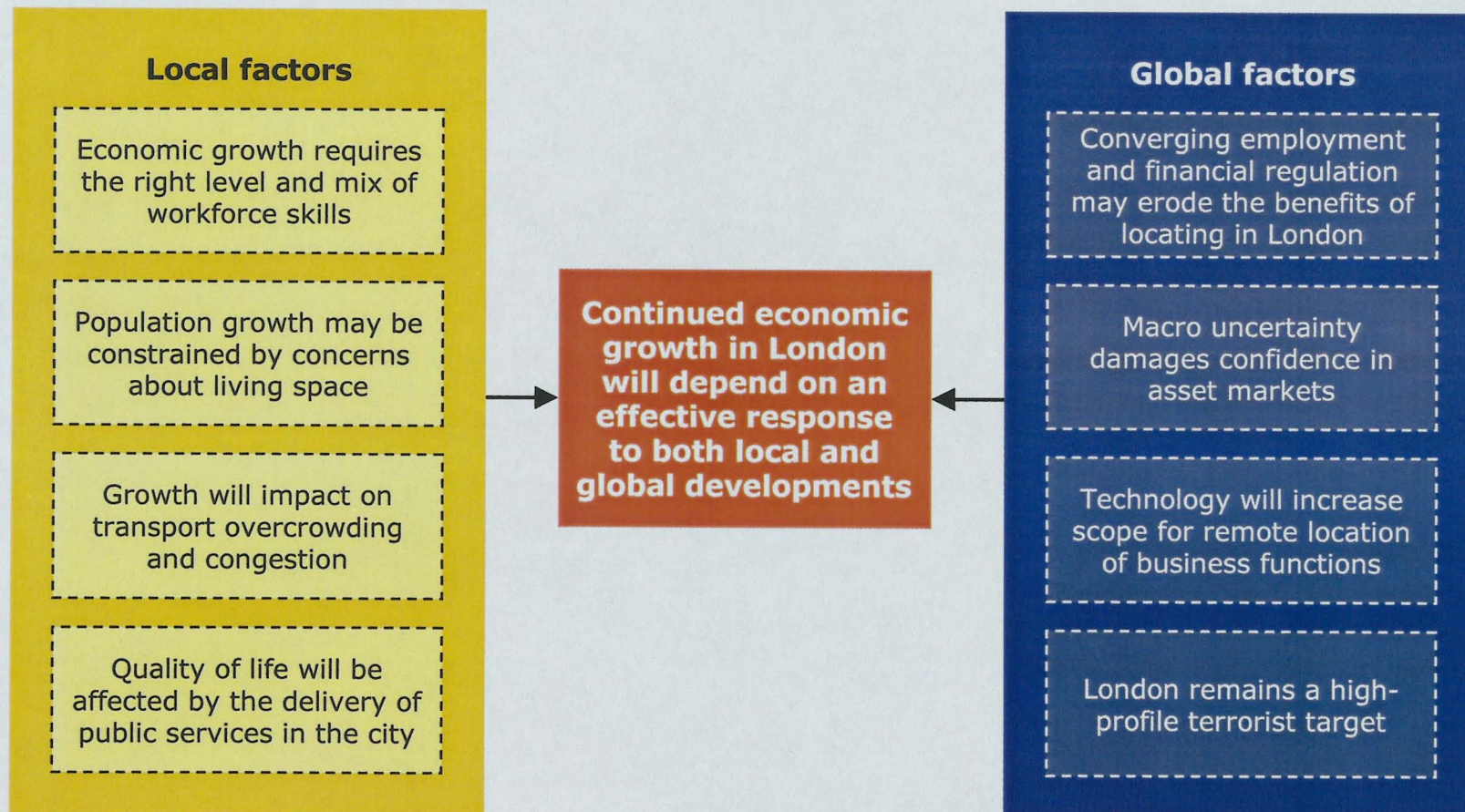
- **1981-2001: The Big Bang**

Deregulation of the financial services industry in 1986 helped London exploit the full potential of its historic specialisation in banking and exchange. The 1990s witnessed an expansion in business services activity and (more recently) the rapid growth of the creative industries.

- **Today**

The key factor in London's continued economic strength is its **flexibility** - a competitive business environment, a flexible labour market and "market-optimistic" financial regulation.

Future prosperity in London will be influenced by both local and global factors



Part 2

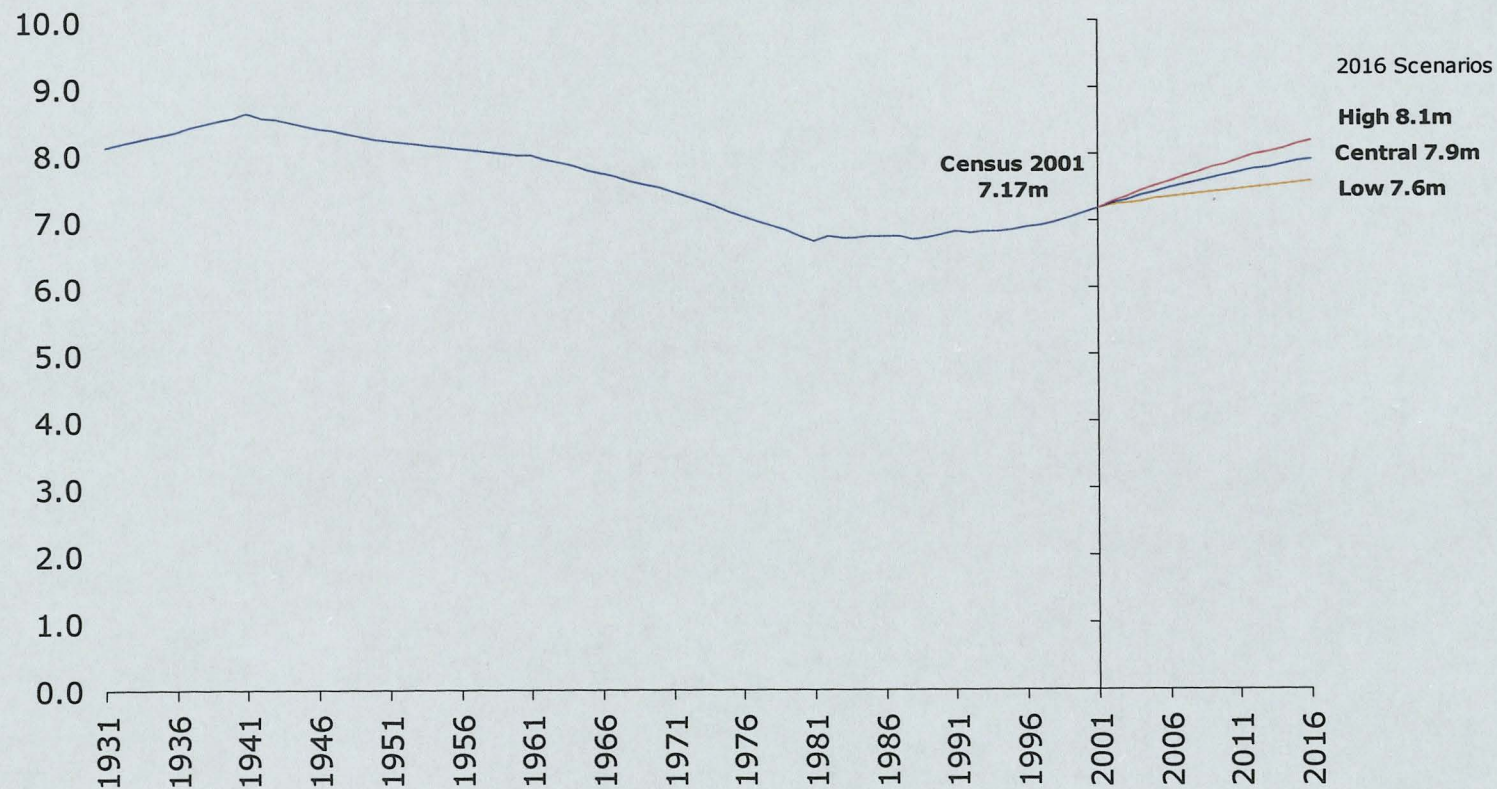
Working in London

This section examines:

- » How London's demands for different kinds of skills will change

After decades of decline, London's population expanded in the 1980s and seems set to continue to grow

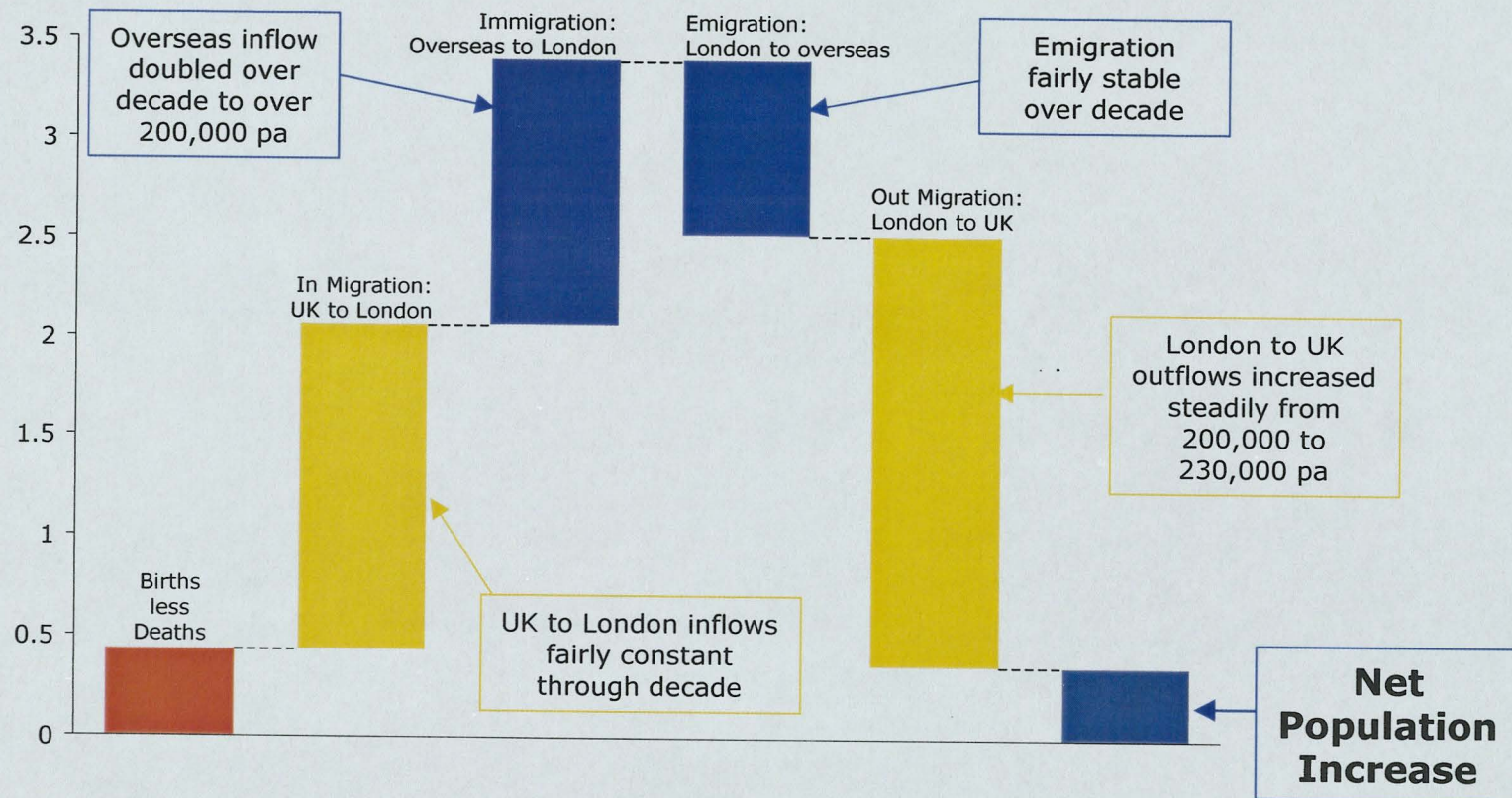
Population of London (millions) 1931-2001 and projections to 2016



Source: ONS; 1941 figures derived from 1939 MYS
Natural growth and outflows from London held at constant proportion of the population. International immigration rate varies between scenarios

London's population growth has been driven by migration to the capital, attracted by a strong economy

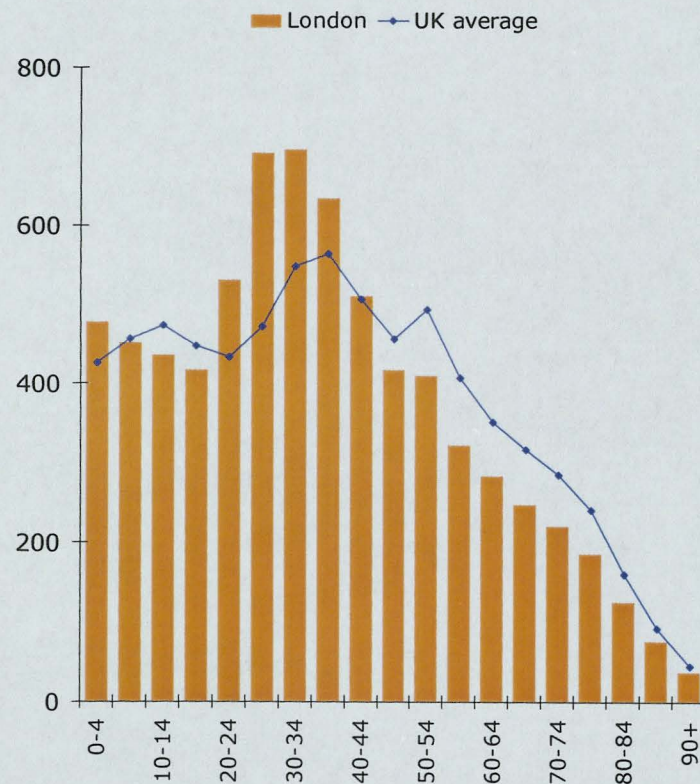
Source of population change in London (millions) - 1991-2001



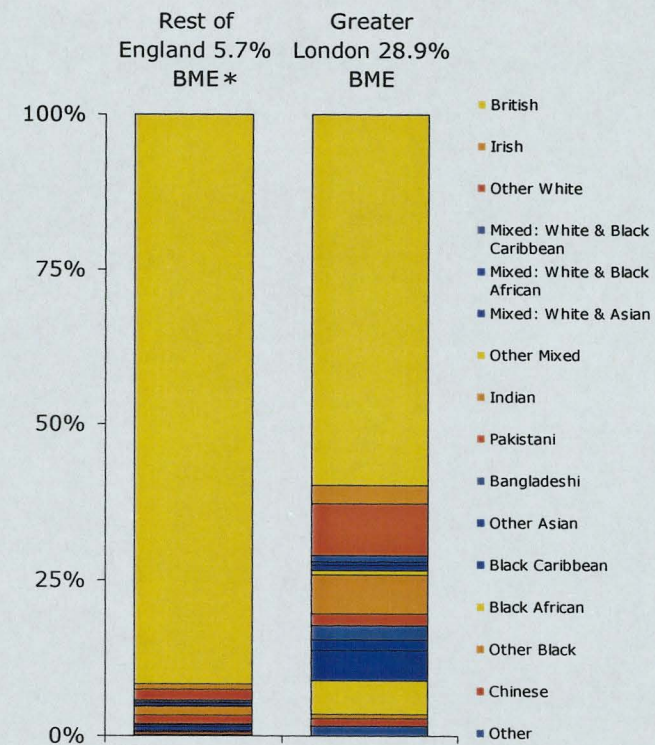
Source: ONS supplied by GLA

London's population is younger than the rest of the UK and benefits from much greater ethnic diversity

London age profile vs the UK average (thousands) - 2001



Ethnic composition of London and the rest of England - 2001

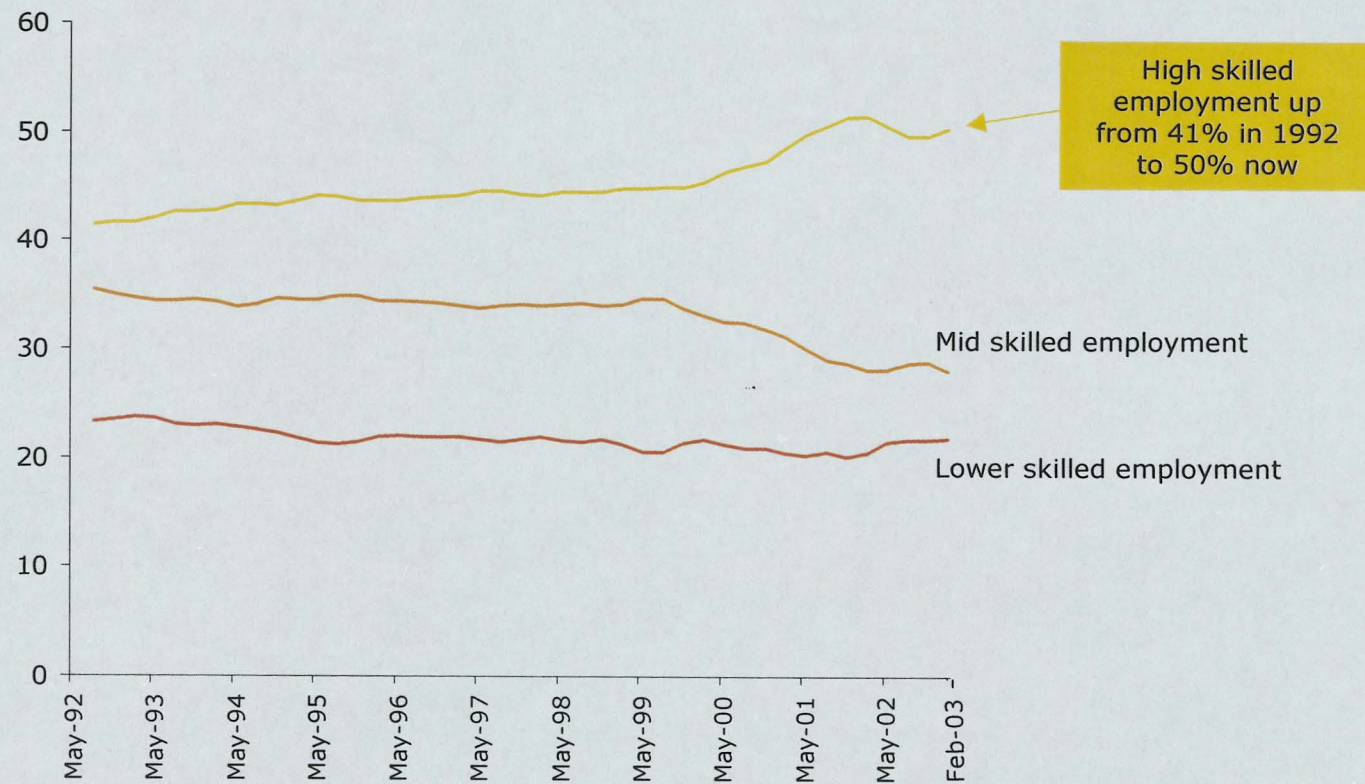


Source: ONS

*Black and Minority Ethnic Groups

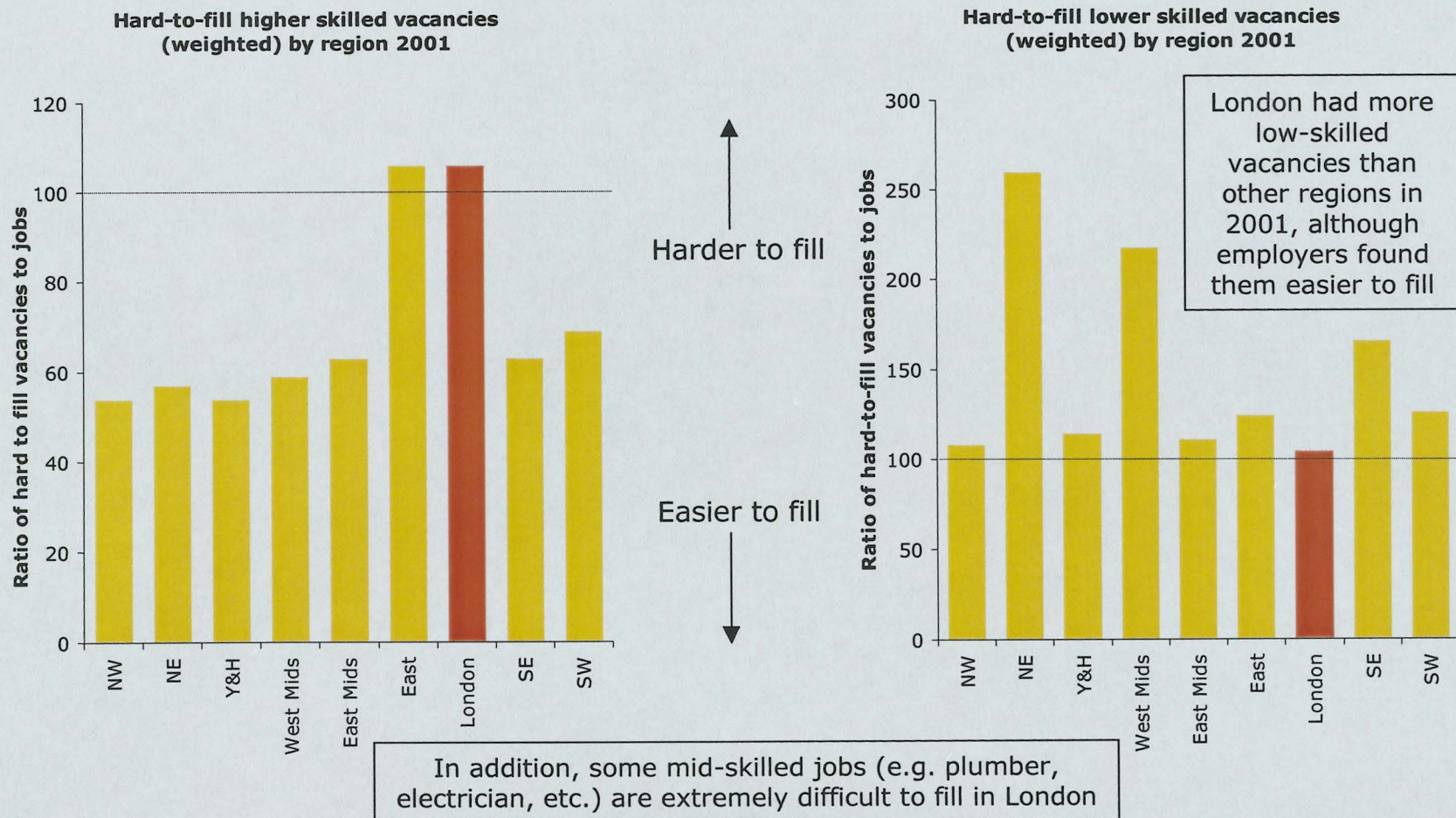
Demand has grown in London for high skills and declined for mid and low skills

Changes in Londoners' higher, mid and low skilled employment (%) - 1992 to Feb 2003



Source: ONS, SU Analysis. Two quarter moving average used to smooth data; high, mid and low skilled employment defined in technical annex

Employers in London find it more difficult to fill higher skilled jobs than elsewhere but easier to fill lower skilled positions



Source: Green and Owen, Exploring Local Areas, Skills and Unemployment (ELA1). Higher skilled vacancies = SOC 1-3. Lower skilled vacancies = SOC 8-9 (NB: This differs from the classification of low skilled used elsewhere in the report)

Those with higher and mid skills are predominantly in work
whereas the majority of those with lower skills are jobless

**London residents and employees of working age
by skill level (millions) - Autumn 2002**

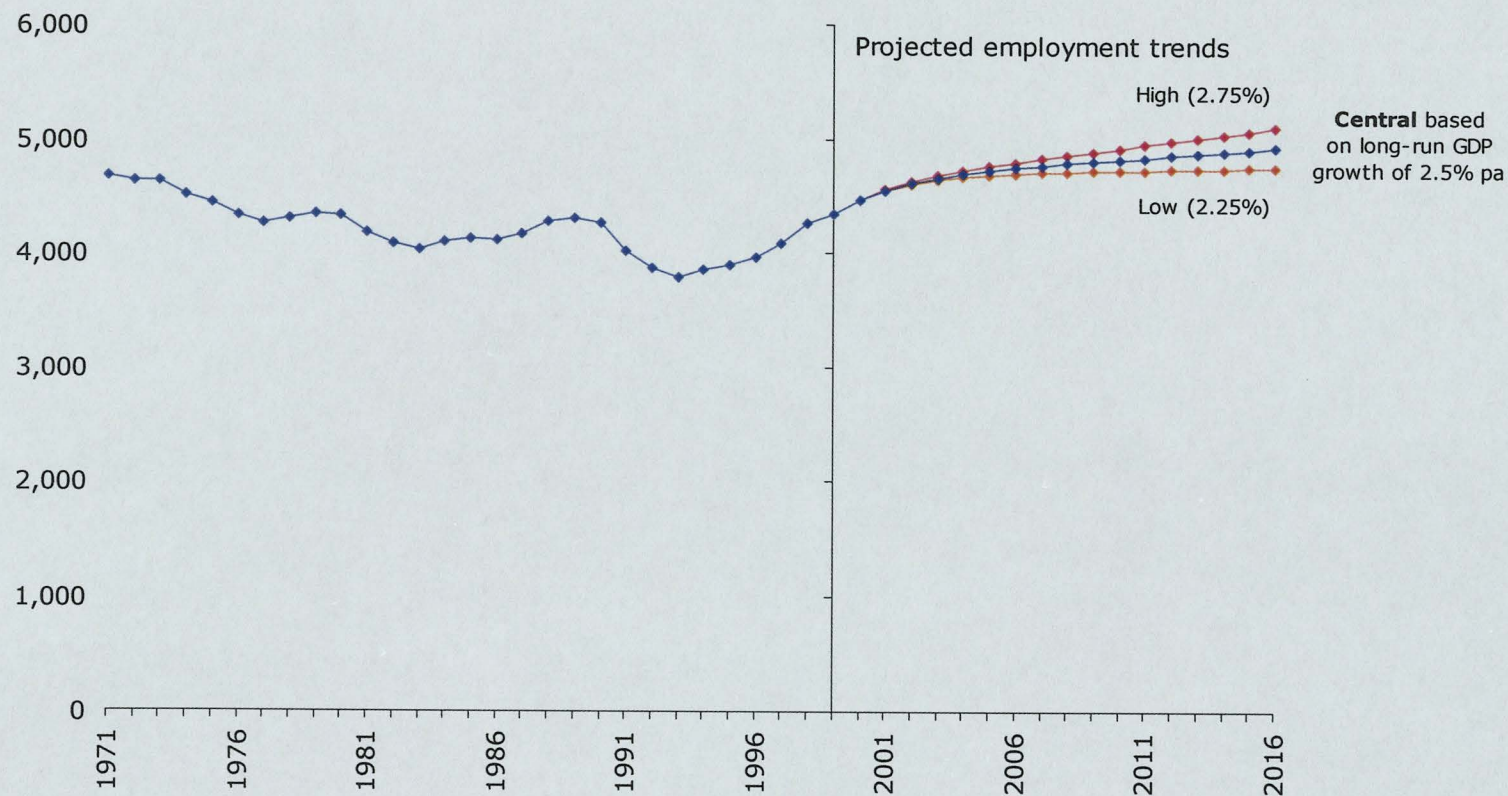


Source: ONS and GLA. Numbers of Londoners working outside London estimated at 250,000 with same skills profile as for commuters.

*Economically Inactive includes those looking after family, sick or disabled and students not looking for work

Total employment in London is expected to grow in the medium to long term

Employment (thousands) - 1971-1999 and projections to 2016



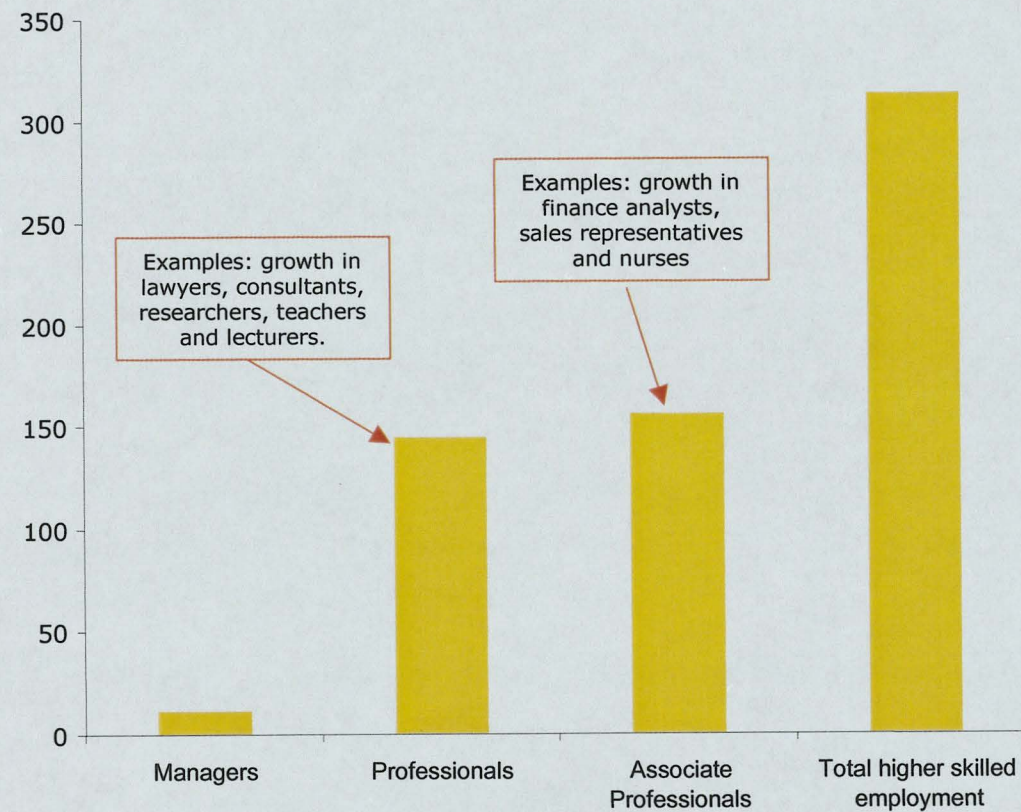
Source: SU analysis based on ONS, GLA

London's economy is forecast to need many more higher skilled workers in future and to have a declining need for those with mid and lower skills

	Higher Skilled Employment	Mid Skilled Employment	Lower Skilled Employment
Forecast Share of London Employment to 2010	Increase from 50% to 55% of London employment	Decrease from 50% to 45% of London employment	
Changes in Occupations	Sharp growth in associate professional employment - e.g. personnel officers, trainers and sales reps	Switch from administration to personal and leisure services employment - e.g. to travel service occupations and beauticians	Continued decline in manual work, increase in sales and low skilled service occupations - e.g. more catering assistants
Implications	<ul style="list-style-type: none"> Increasing reliance on UK and international migrants and commuters to provide skills Higher demand for quality housing and peak-time transport Increasing income and education drives demand for cultural and leisure services London's skills differential with the UK widens Higher expectations of public services 	<ul style="list-style-type: none"> Importance of skills development to take advantage of higher skilled jobs - e.g. from a sports assistant to a coach or from an electrician to an electronics technician Importance of customer service skills to move from back-office to leisure service occupations Personal services dispersed closer to customers' homes 	<ul style="list-style-type: none"> Immigration will increase supply of labour willing to take relatively declining number of low skilled jobs Continued difficulties in securing employment for low skilled Londoners which meets their expectations No significant reductions in levels of joblessness, entrenching deprivation

By 2010, the number of higher skilled jobs in London is forecast to increase by 300,000

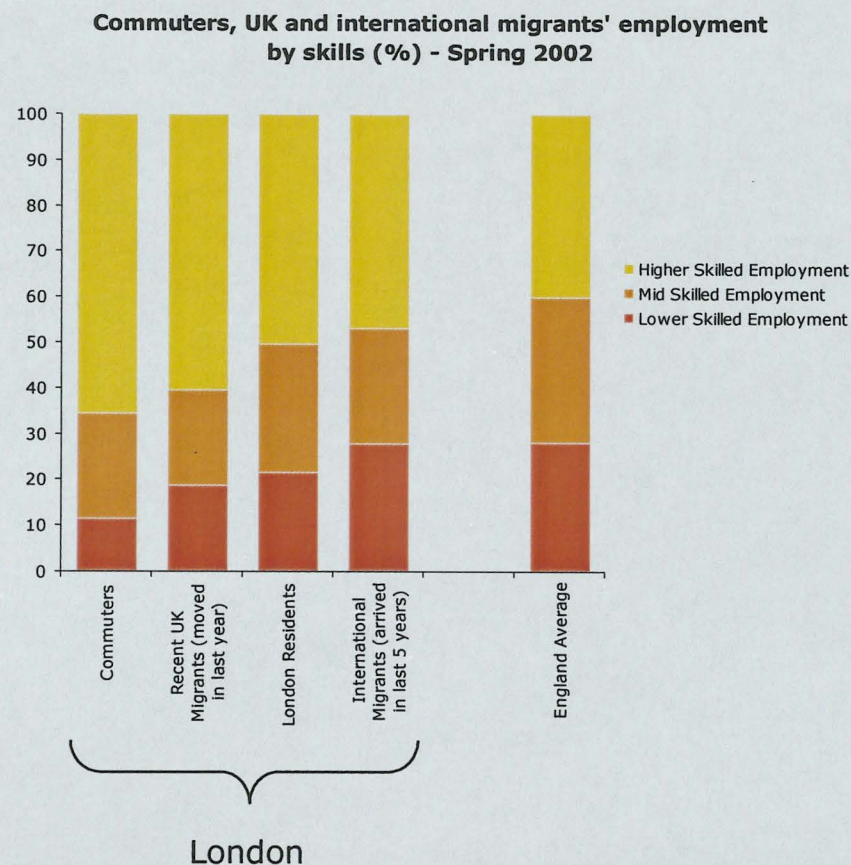
Forecast changes in London's higher skilled employment 2003 to 2010 (thousands)



Source: SU Analysis, Institute of Employment Research

London's need for high skilled workers is currently met by commuters and by UK and international migrants, as well as by Londoners

High skills

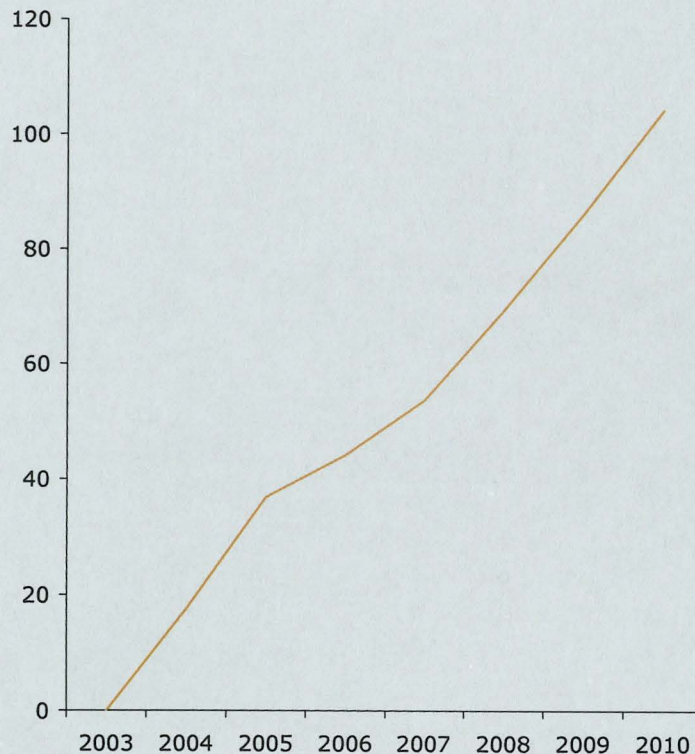


- There are around 3.5 million employed London residents - taking about 75% of the 4.5 million jobs in London.
- Commuters take the remainder of jobs.
- Nearly 70,000 of London's employed residents are recent migrants from the rest of the UK who lived outside the capital in the previous year.
- Over 300,000 of London's employed residents arrived from overseas within the last five years.

Source: ONS, SU Analysis. Note recent UK migrant figure subject to revision

Commuter and international migrant numbers are forecast to grow by 2010 to meet the increasing demand for higher skilled workers

Forecast cumulative increase in net commuting to London (thousands) from 2003 to 2010

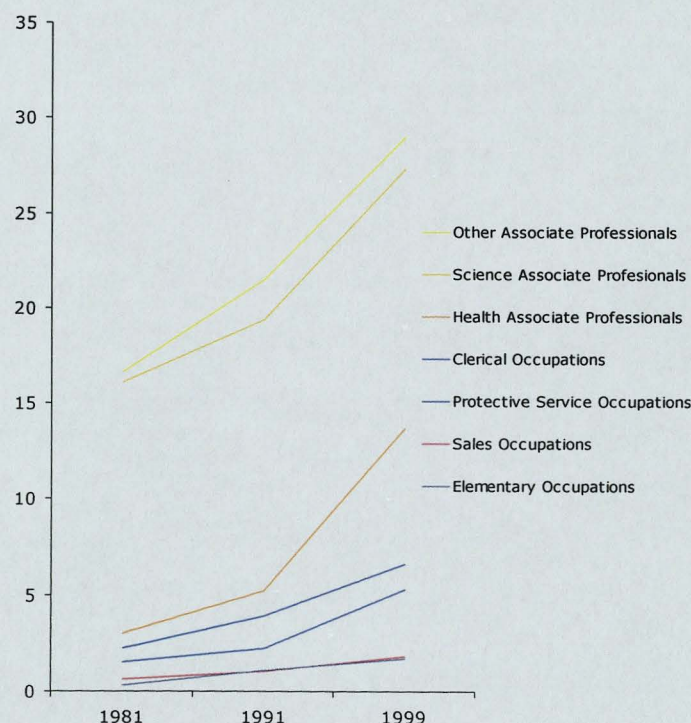


- Employment in London is set to increase, and the shortfall in high skill jobs will in part be filled by commuters
 - » the number of commuters is forecast to grow by between 10 and 20%
 - » assuming that the proportion of London's growing population who are working stays constant.
- International migrants will form a growing proportion of London's working age population
 - » assuming similar levels of international migration as over the past 5 years.
- There is forecast to be an additional 500,000 international migrants in London by 2010.

Source: ONS, SU Analysis, NERA

The number of mid-skilled jobs in London will continue to decline - by around 75,000 by 2010 - with growing numbers of graduates competing for mid-skilled positions

Graduate penetration of certain high, mid and low skilled occupations
1981, 1991, 1999

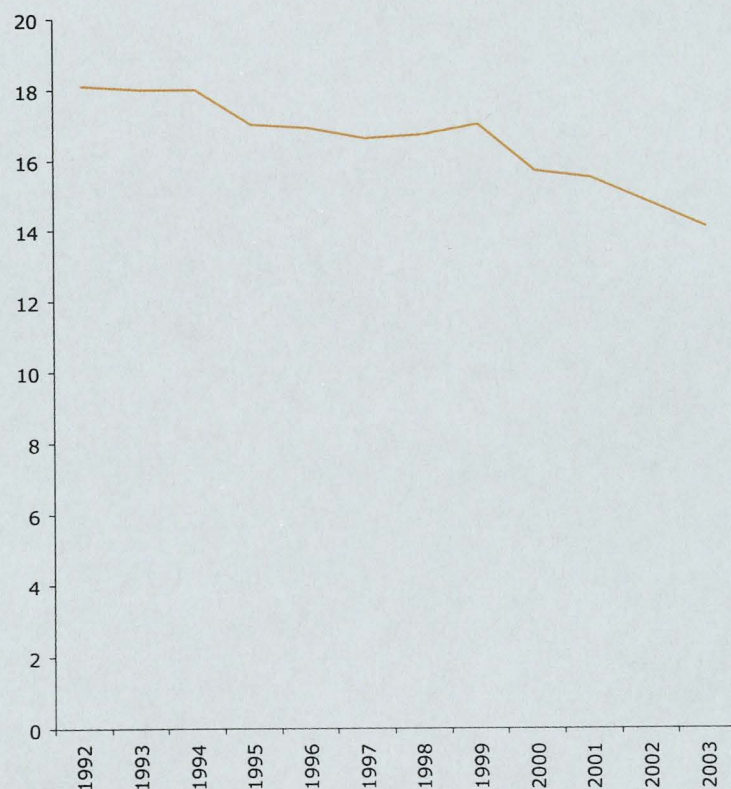


- The vast majority of associate professional jobs, such as laboratory technicians and public relations officers, were filled by non-graduates in the 1980s.
- With increasing numbers of graduates taking these positions, these occupations are likely to become closed-off to those at a lower level of attainment currently filling these positions.

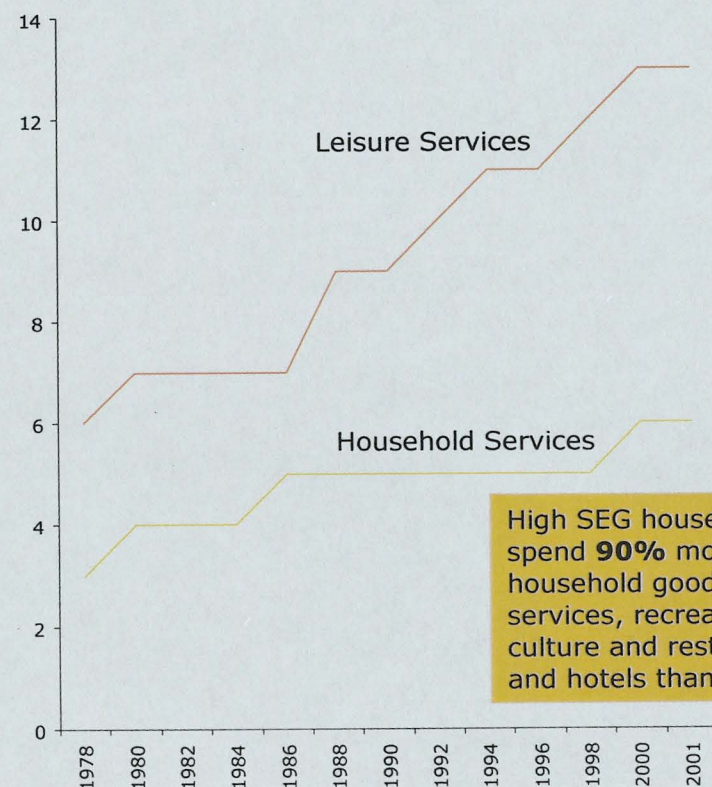
Source: SU Analysis, Institute of Employment Research

Existing mid-skilled workers in London will have to switch careers as administrative jobs decline and employment grows in the leisure and household services sectors

Londoners' employment in administrative jobs (%) 1992-Feb 2003



Growth in expenditure (%) on leisure and household services 1978-2001

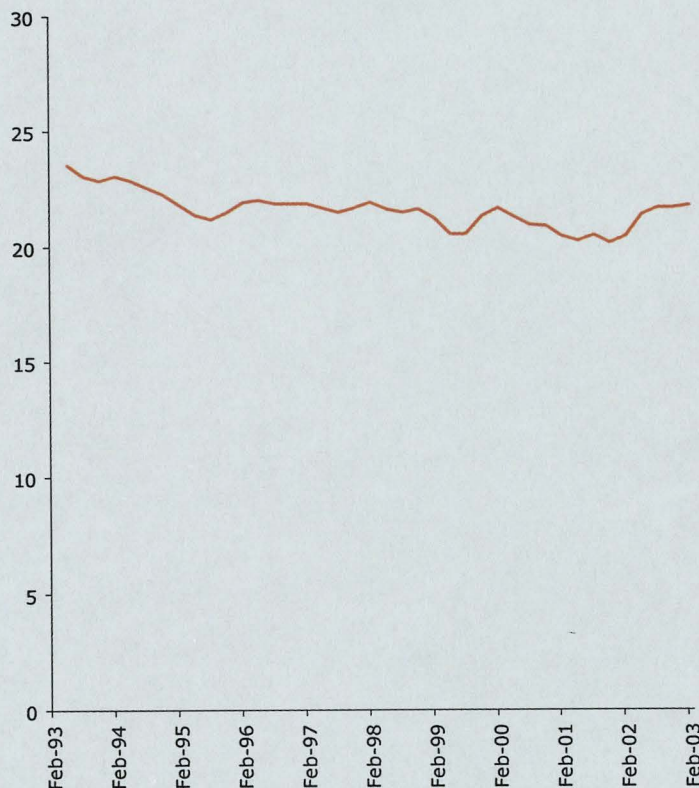


High SEG households spend **90%** more on household goods and services, recreation and culture and restaurants and hotels than low SEG

Source: ONS, SU Analysis

The proportion of Londoners in low skilled employment will drop slightly by 2010 - with a decline of 75,000 in the number of jobs

Proportion of employed Londoners in low skilled occupations (%) 1993 to 2003



- Over the past seven years, the proportion of Londoners in low skilled employment has remained fairly stable.
- Forecasts by the Institute of Employment Research suggest significant falls in low skilled employment in London, down from 22% to 19% of jobs over the decade to 2010.
- GLA estimate there will be increases in low skilled employment in the service sectors in London, such as hotels and restaurants, offset by further declines in manufacturing.

Source: SU Analysis, Institute of Employment Research

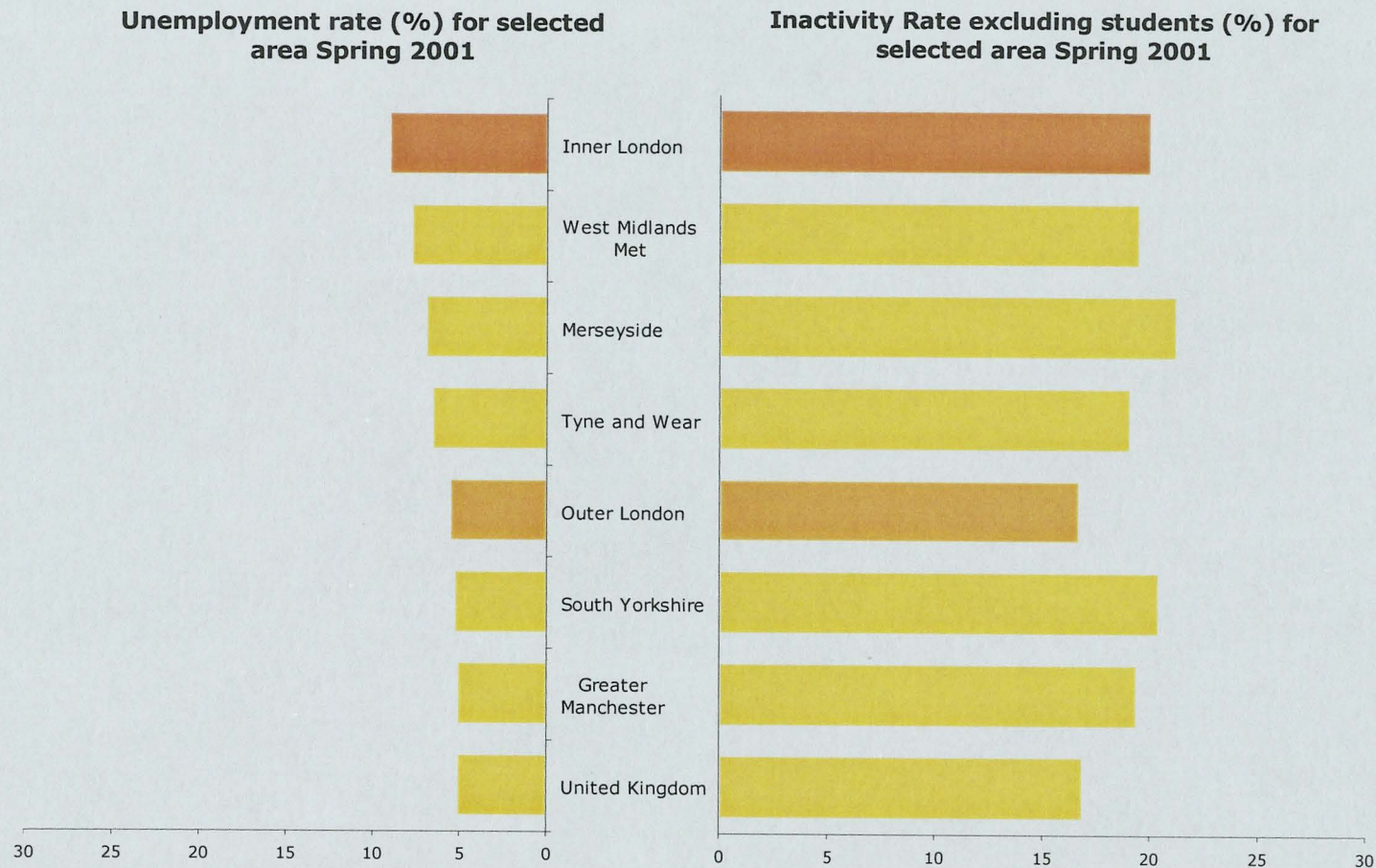
Part 3

Joblessness in London

This section examines:

- » The causes of Londoners not working or studying

Nearly a quarter of Londoners of working age are without a job



Source: ONS.
Unemployment rate is the proportion of the economically active who are unemployed.
Inactivity rate is the proportion of working-age who are neither employed nor unemployed.

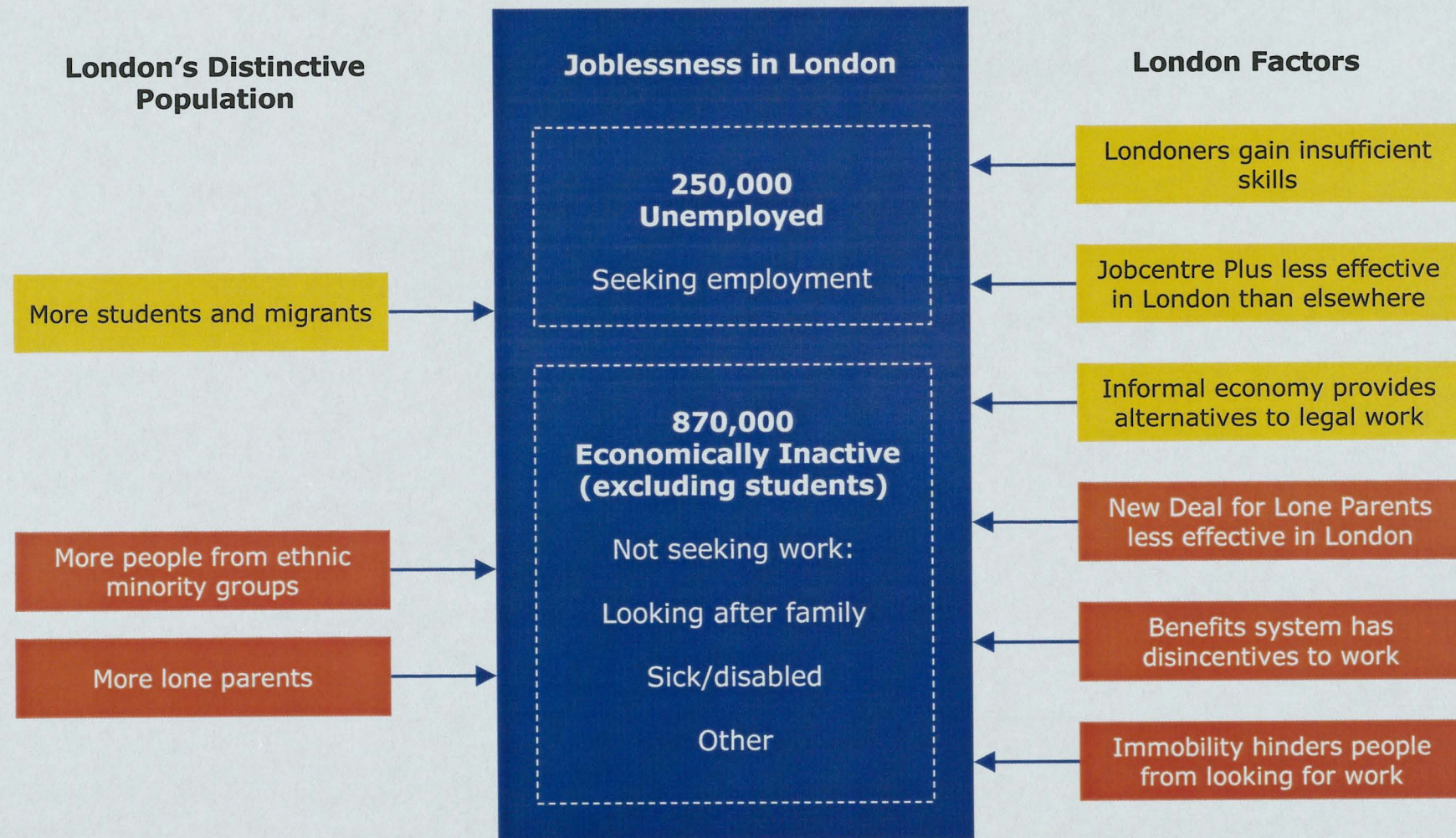
Three quarters of London's one million jobless are not seeking work and most are low skilled

Unemployed and Economically Inactive (EI) in London
excluding students (thousands) Autumn 2002



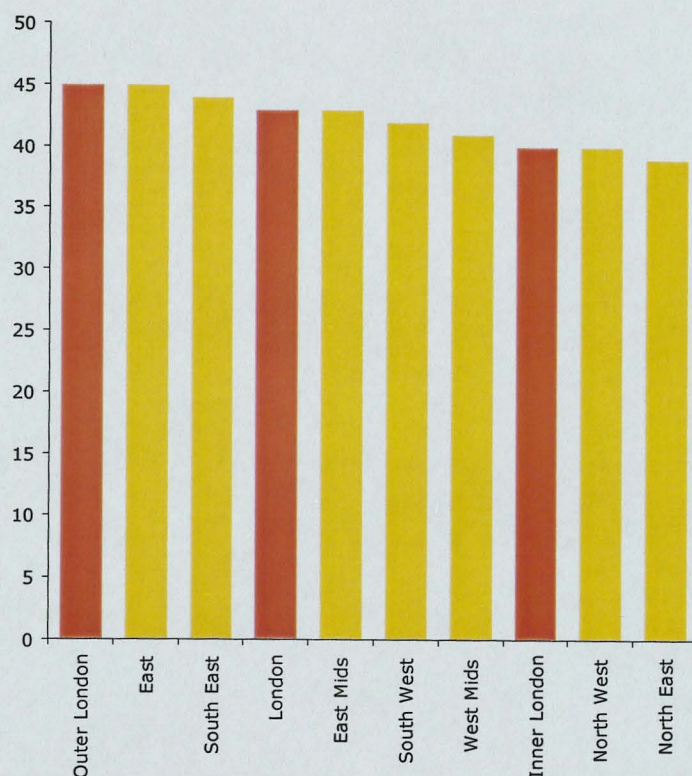
Source: ONS, SU Analysis

London's high joblessness in part reflects the distinctive profile of the capital's population but there are in addition London-specific causes



The education system fails to equip Londoners with the skills required for the capital's demanding labour market

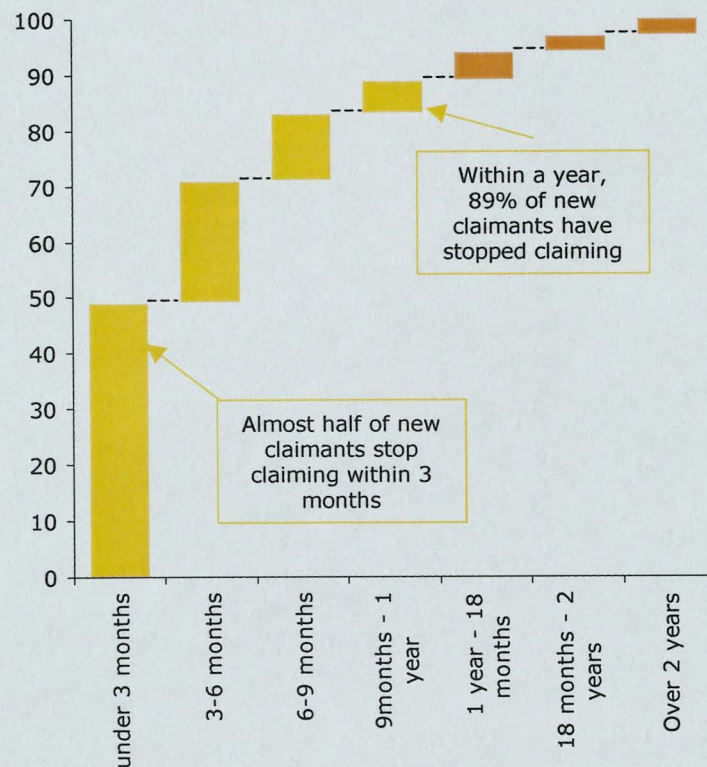
Proportion of 18 year-olds reaching Level 3 (A Level or equivalent) by region 2002



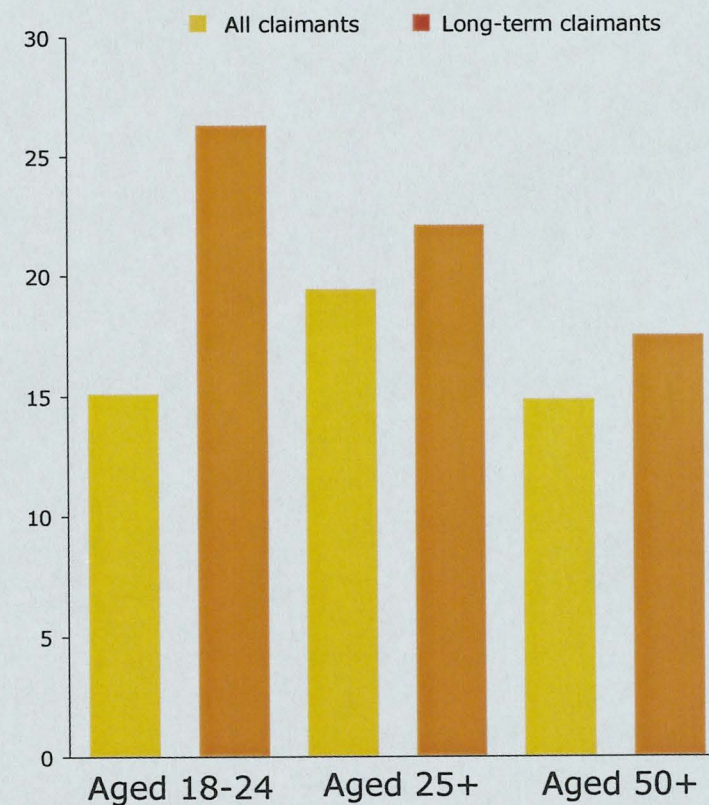
- Participation rates in post-16 education are high in London - 78% in Outer London and 70% in Inner London compared to an England average of 71%.
- Higher staying-on rates are partly due to the high representation of ethnic minorities who have high participation rates.
- Despite higher participation rates, however, attainment in London by age 18 is no higher than elsewhere. This is a particular difficulty in London given the higher skills demands of the economy.
- National targets for skills are focused at Level 2 and 3 which are increasingly inappropriate for the higher demands of the London economy.

Most people leave unemployment quickly, though long-term unemployment is still a bigger problem than elsewhere

Duration of new claims for unemployment benefits in London - 2002



Proportion of GB claimant unemployed accounted for by Londoners (%) July 2002

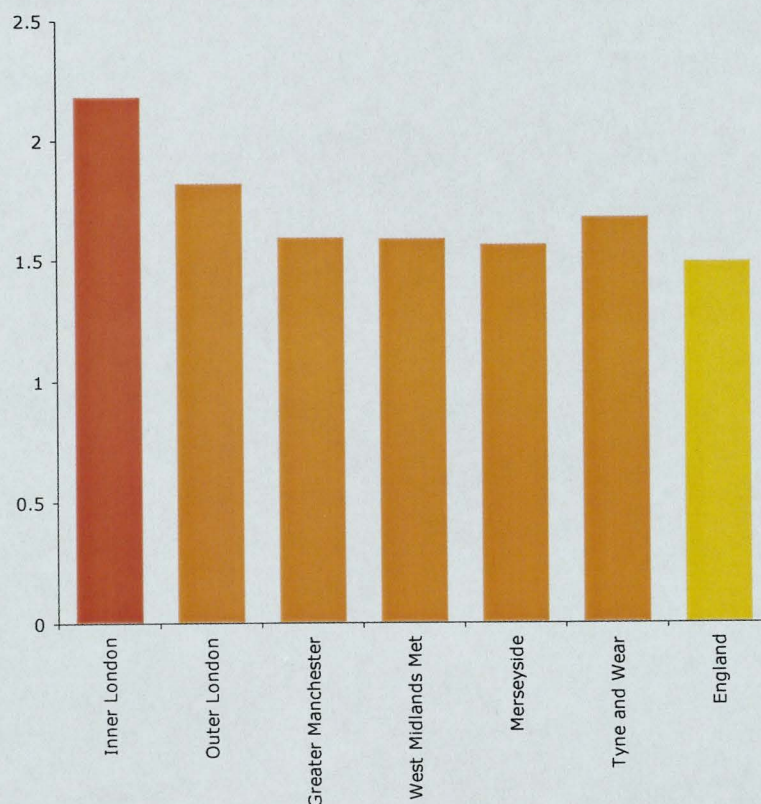


Source: ONS, DWP, SU Analysis

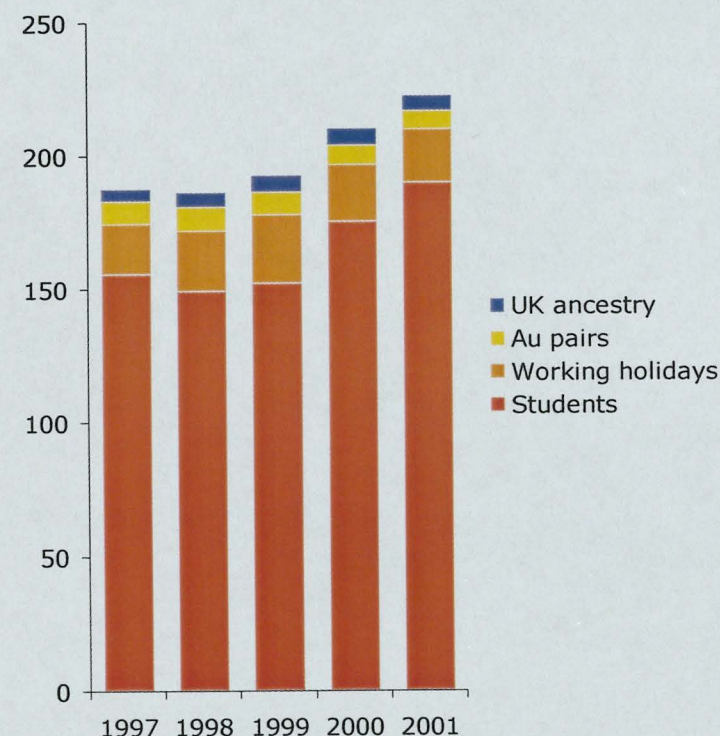
London's employers use students and migrant workers when filling low skilled jobs, making it more difficult for the unemployed with low skills to find work

Unemployed

**Post-18 full-time students in employment
(% of post-18 population) - 2001**



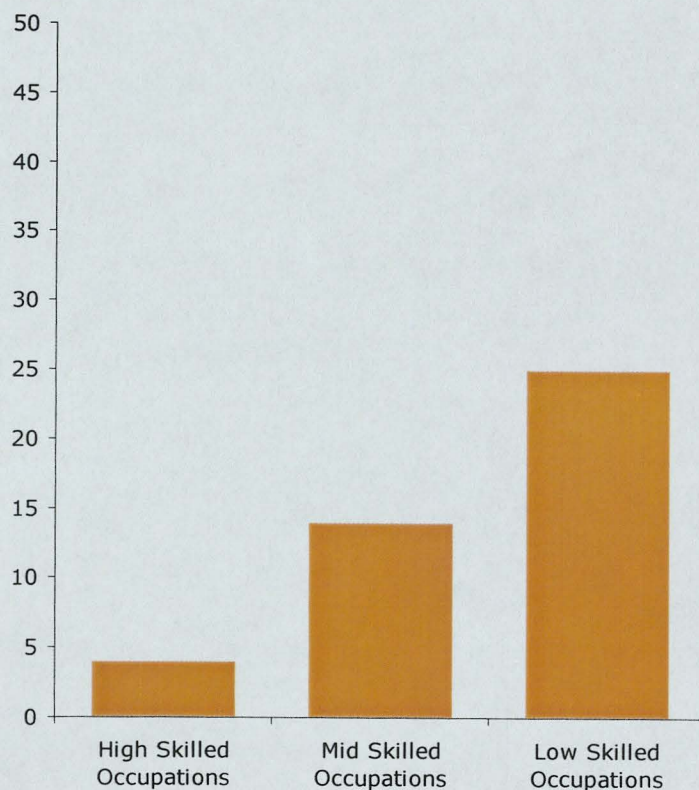
Estimated potential non-UK legal workforce (thousands) available to London employers - 1997-2001



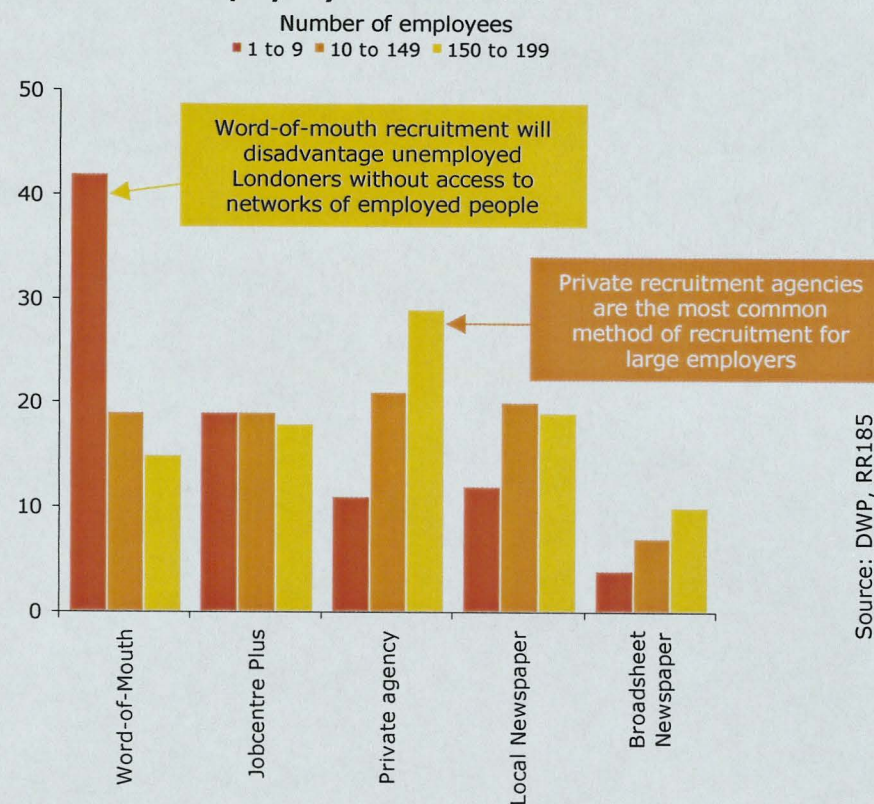
Source: ONS and Home Office using UK inflow figures multiplied by 56% (proportion of immigrants residing in London or SE (ONS))

Those seeking work are not effectively served by Jobcentre Plus as employers prefer other means of recruitment

Jobcentre Plus market share of London vacancies by occupation Summer 2002



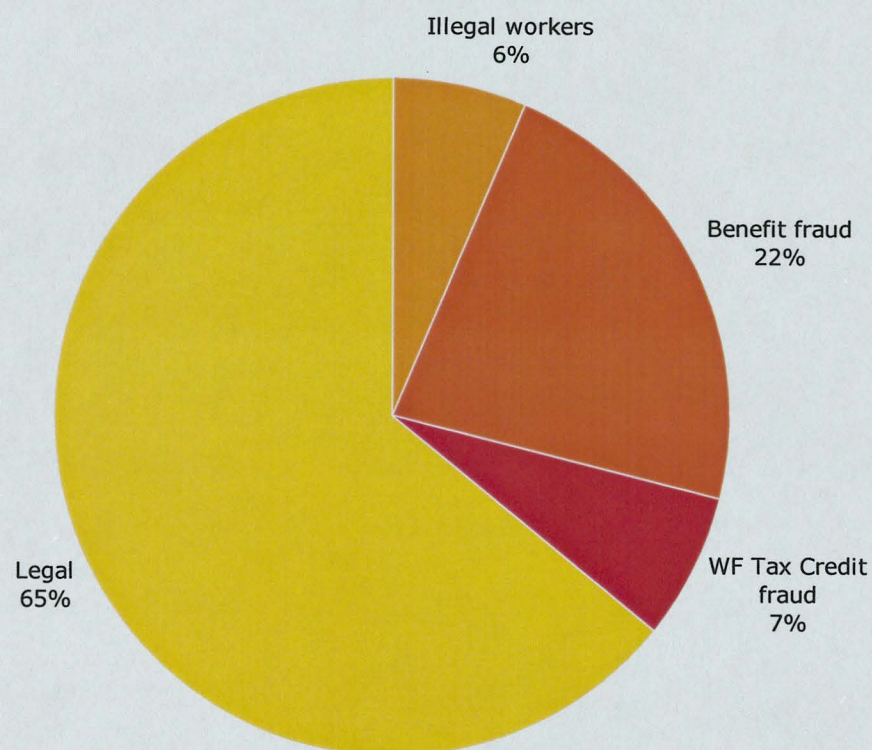
Main recruitment method (% of recruiting employers) in London 2000



Source: DWP, RR185

Some of those claiming to be seeking work are in fact engaged in London's informal economy

Proportion of interviewed workers engaged in the informal economy in London garment sector
Sept 2000 - Mar 2003

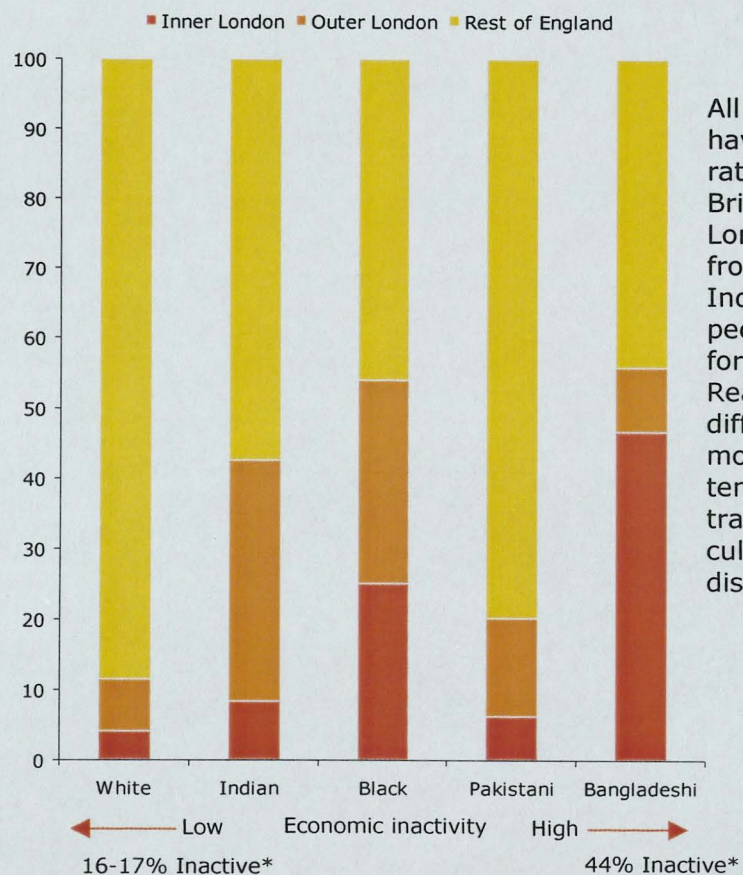


Source: Joint Fashion Industry Team. Sweep of c.7% of employers (94 employers), 2650 workers interviewed. Sweeps are not random but intelligence led so this is not a representative sample. Inland Revenue

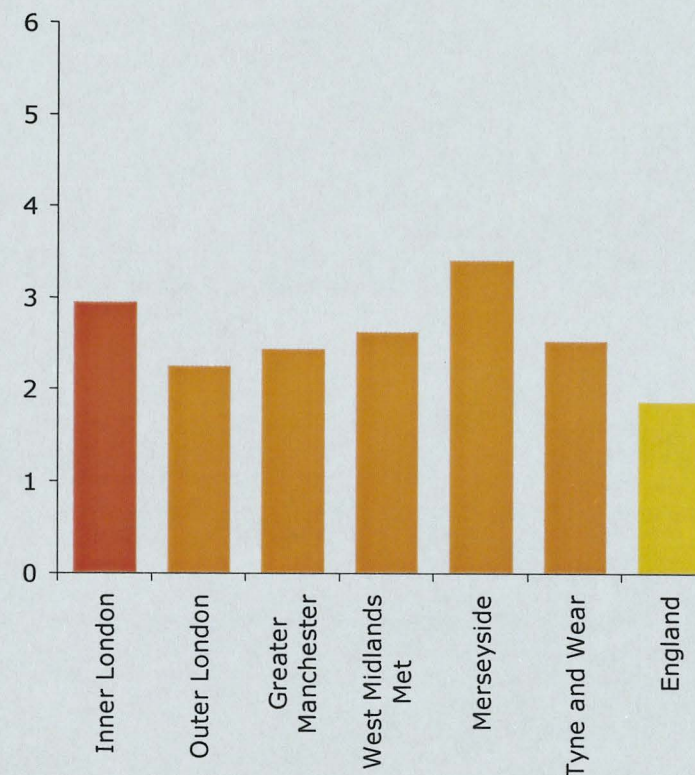
The high number of people from ethnic minorities and lone parents in London contributes to the high level of economic inactivity

Inactive

Proportion of Ethnic Groups in London 2001



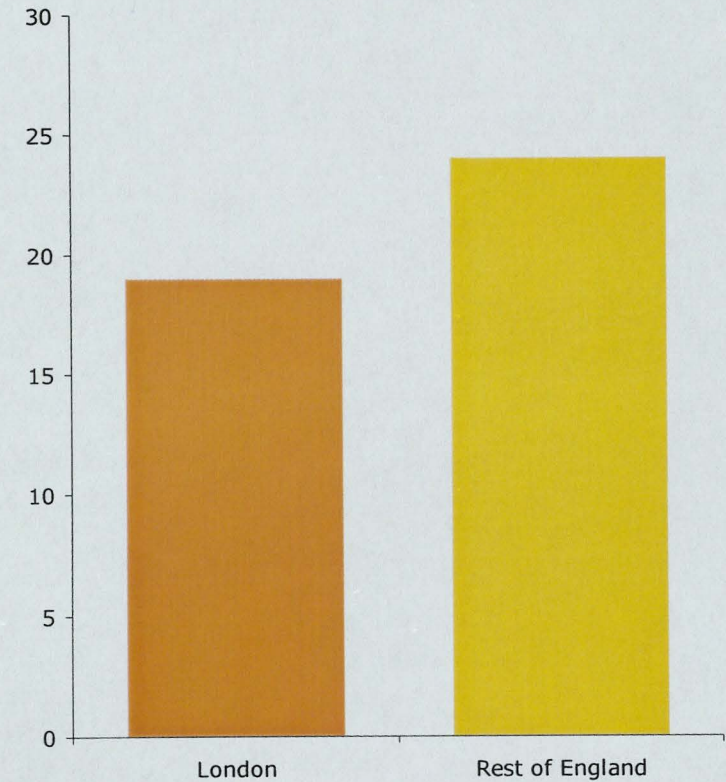
Economically inactive lone parents (% of population) - 2001



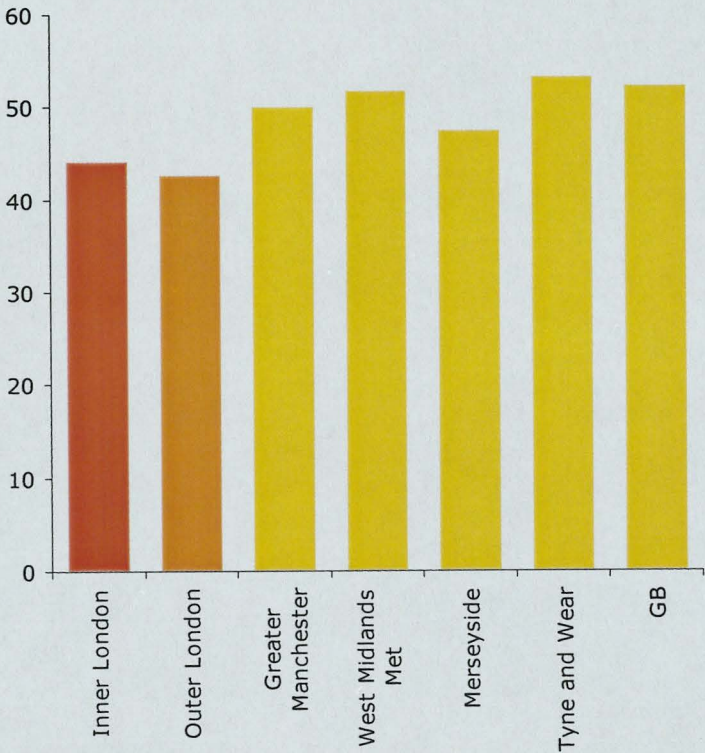
Source: ONS, SU Analysis; *Inactive excluding students

Welfare to work programmes for the inactive, such as lone parents, are less effective in London

Proportion of parents joining New Deal 2002

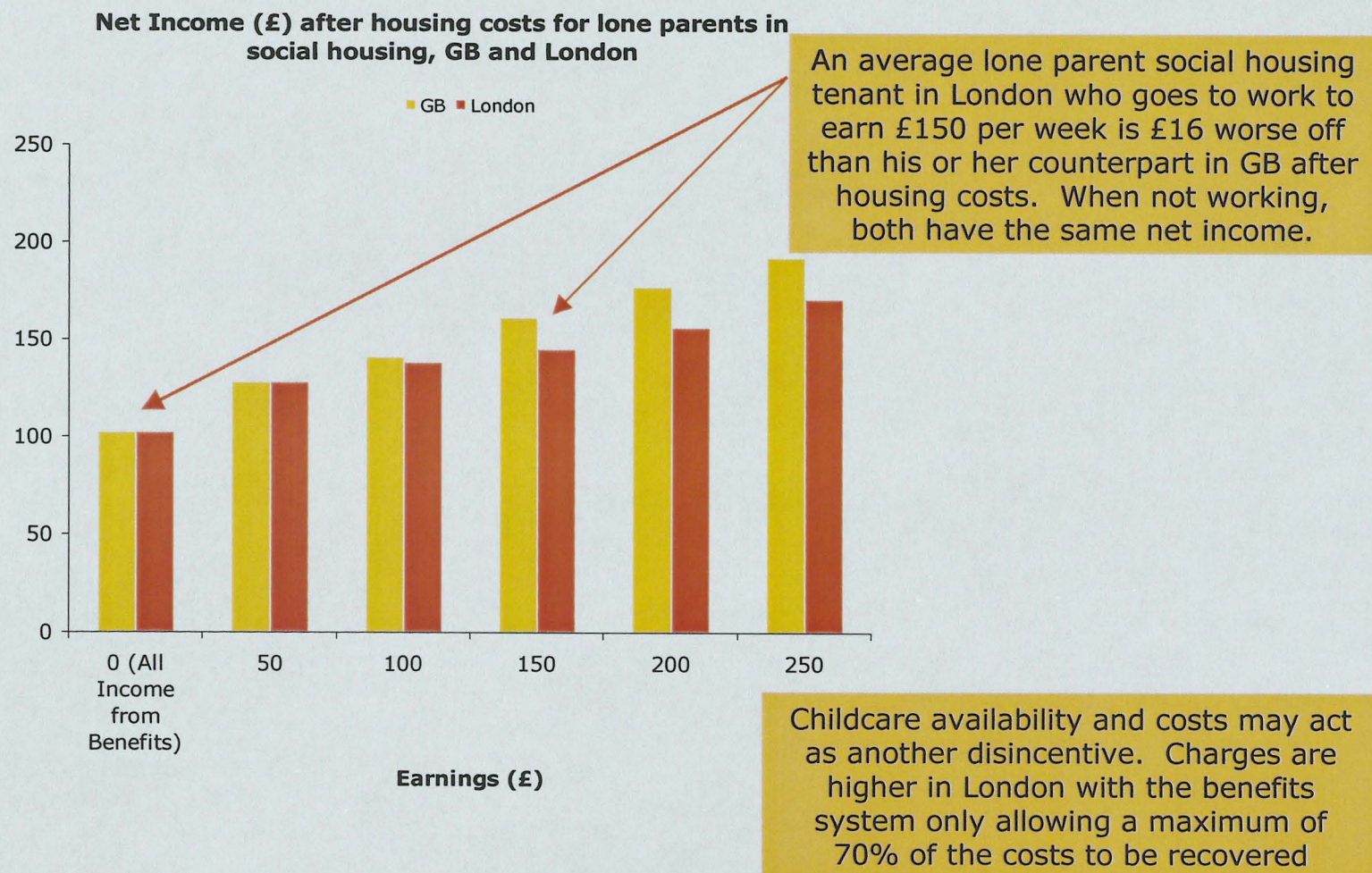


Effectiveness of New Deal for Lone Parents: proportions into employment 2002



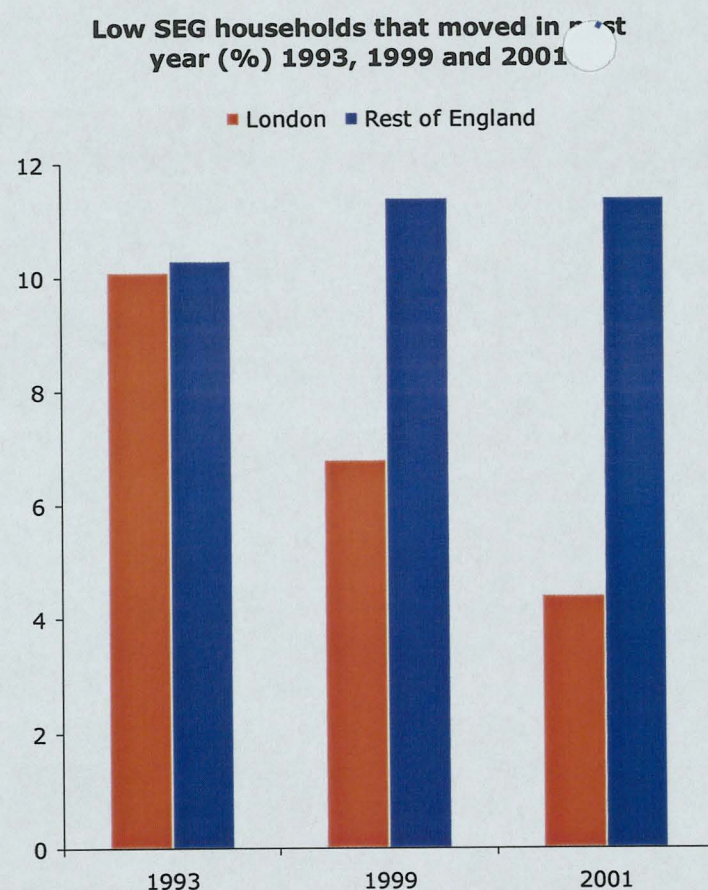
Source: DWP

The benefits system provides fewer incentives for the low skilled to work in London than elsewhere



Source: GLA. Lone parent with one child. Assumes London rent is £65 per week compared to £45 per week in UK

Low skilled Londoners are increasingly less mobile, reducing their opportunities for securing employment

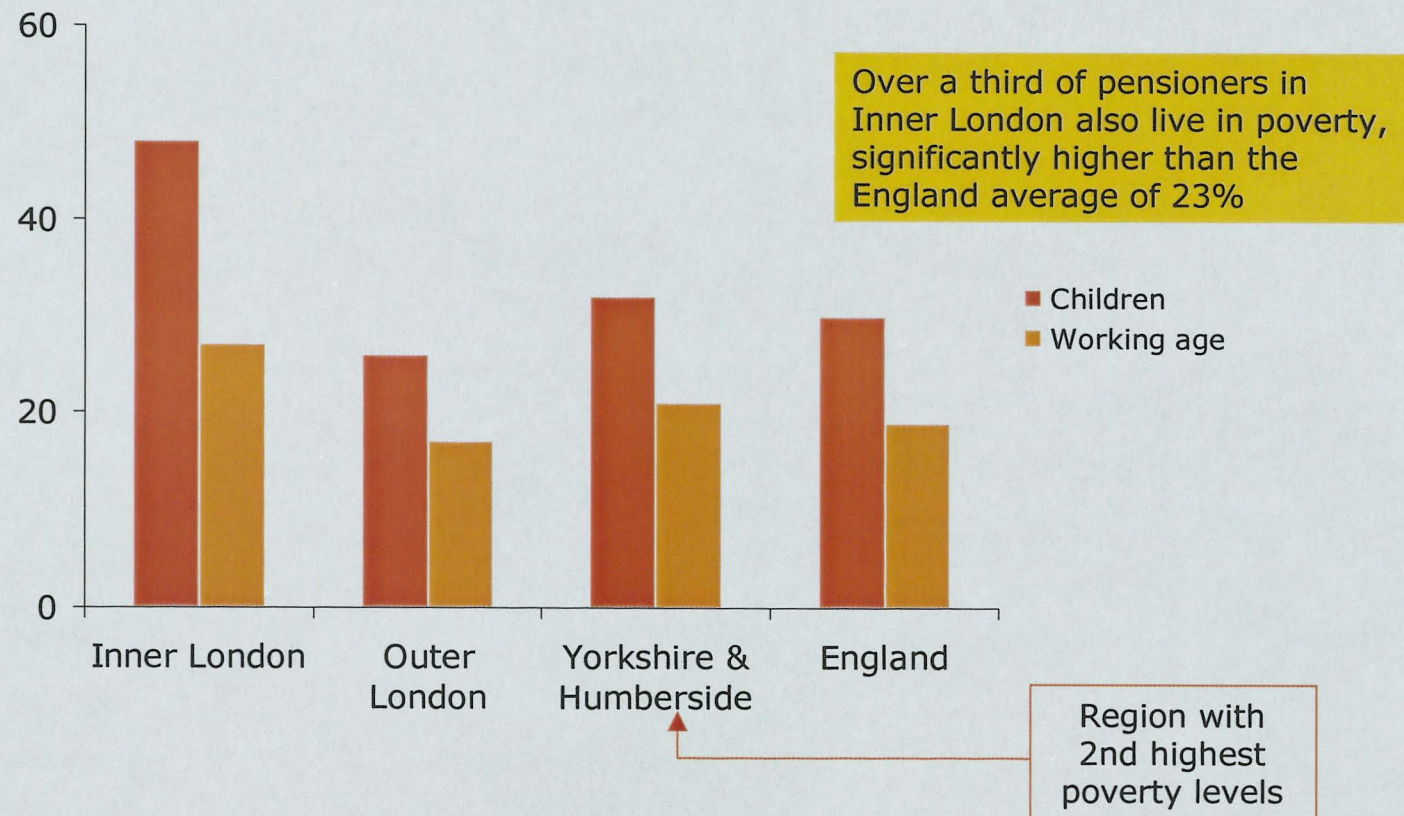


- 75% of lone parents indicate that they would only accept work if travel time was less than 30 minutes. This will reduce the job opportunities available to them.
- The allocation of social housing may be a factor in reducing mobility and increasing inactivity. In Inner London, less than half of those in social housing are in employment and incentives to end a social housing tenancy are weak.

Source: BHPS/nVision. DWP.

High levels of joblessness result in severe deprivation in Inner London with nearly half of children living in poverty

Child and working age adult relative poverty after housing costs (%) 2001/02



Source: DWP HBAI 2001/02. Poverty is defined as living in a household where income after housing costs is below 60% of median income

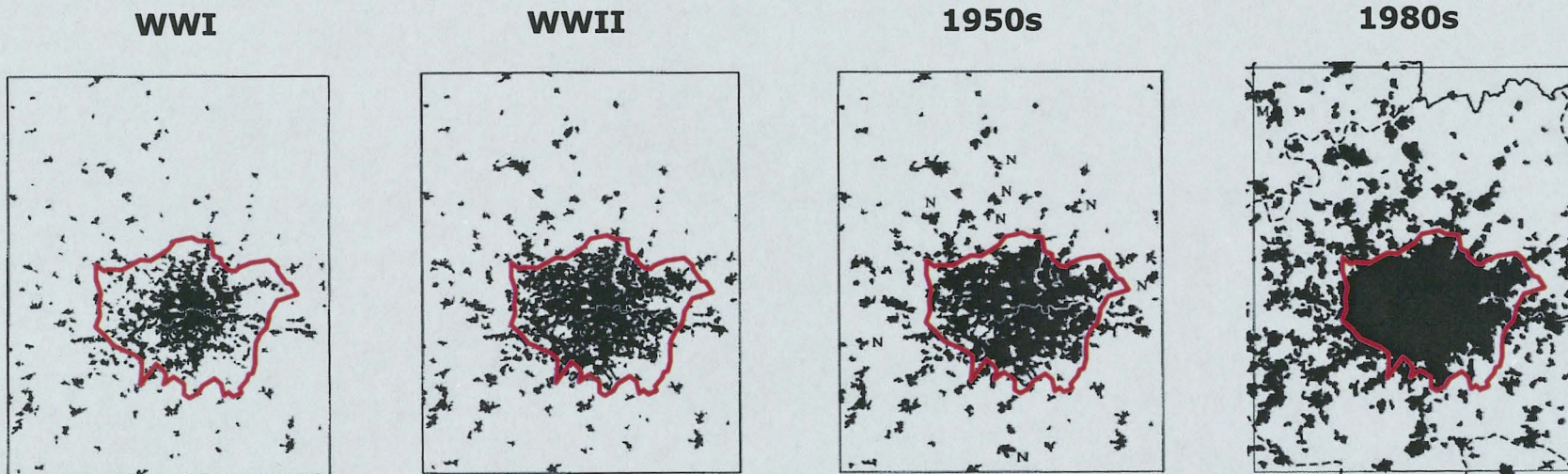
Part 4

Living in London

This part looks at:

- » The pattern and density of London's housing
- » Supply and demand for housing in London
- » London's long-term social geography

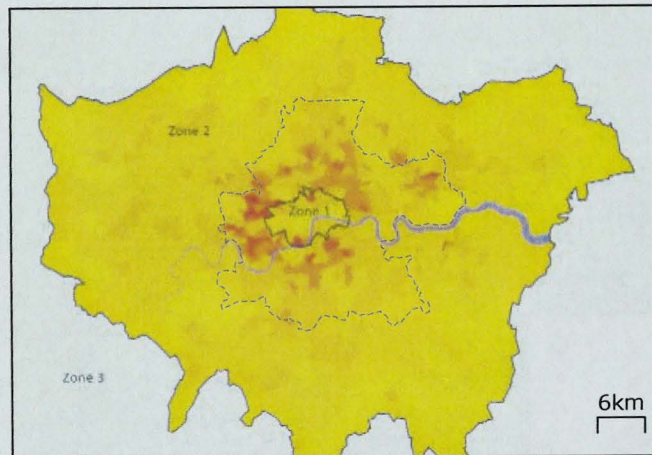
During the 20th century London expanded beyond its historical boundaries



■ Built-up area
□ Greater London boundary

Source: Mogeridge (1991)

London's housing density is far lower than other world cities

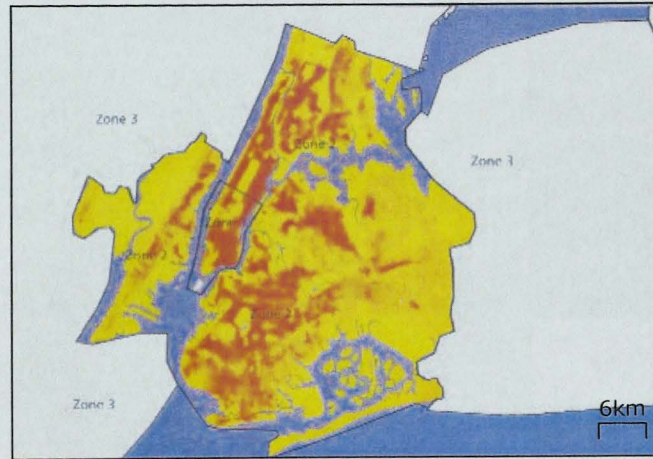
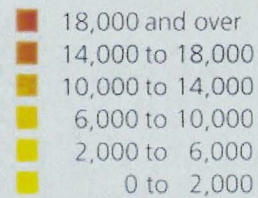


London

Paris

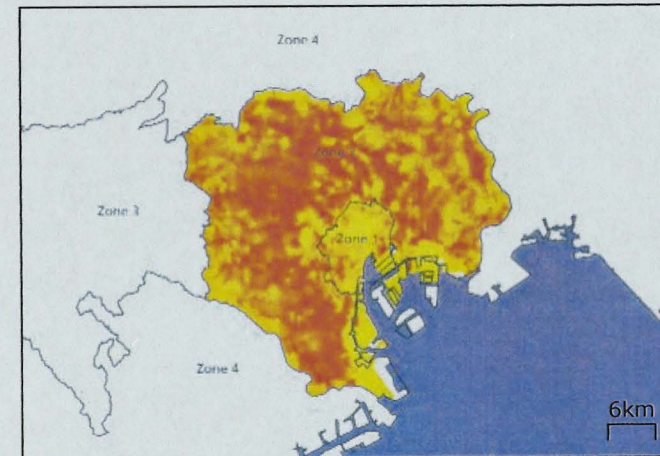


Population density
per square kilometre



New York

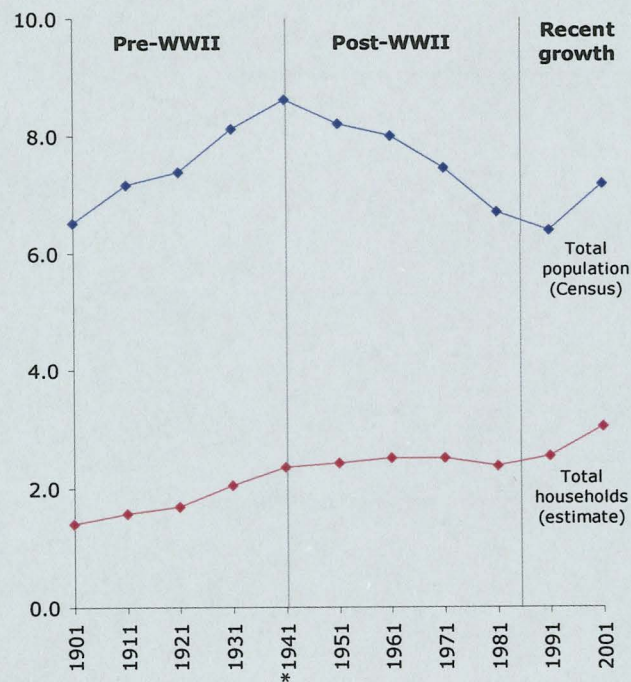
Tokyo



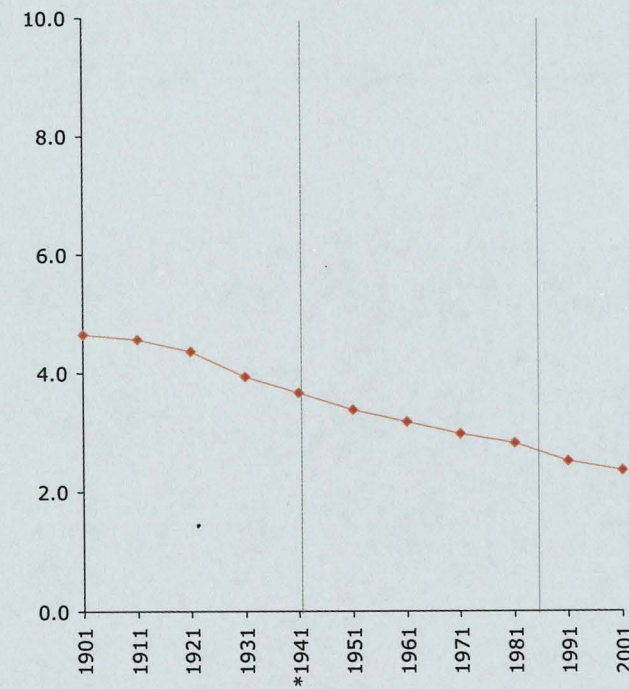
Source: London Research Centre; NB London is the third most dense EU city

Fewer people live in London than at its peak, but as household size has fallen London now has many more households

London population and households
(millions) - 1901-2001

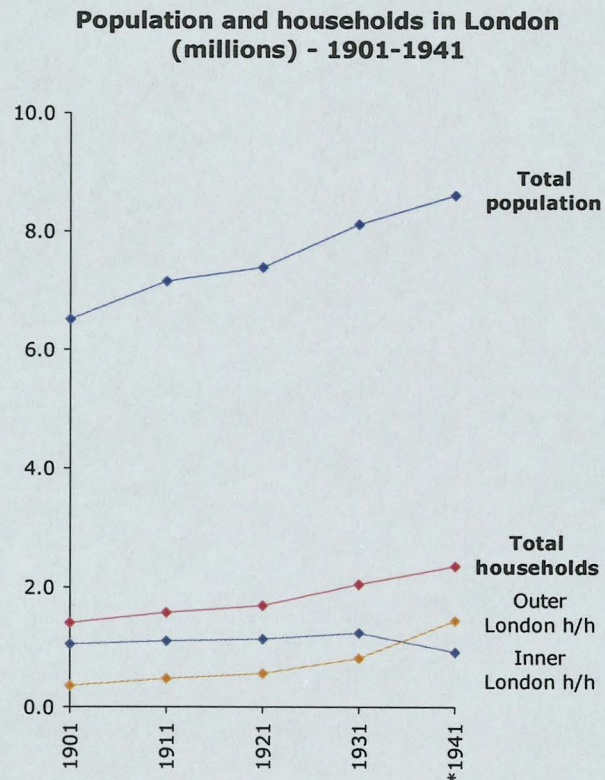


UK average household size (persons) -
1901-2001



Source: ONS, SU analysis
*1941 figure derived from 1939 MVE.

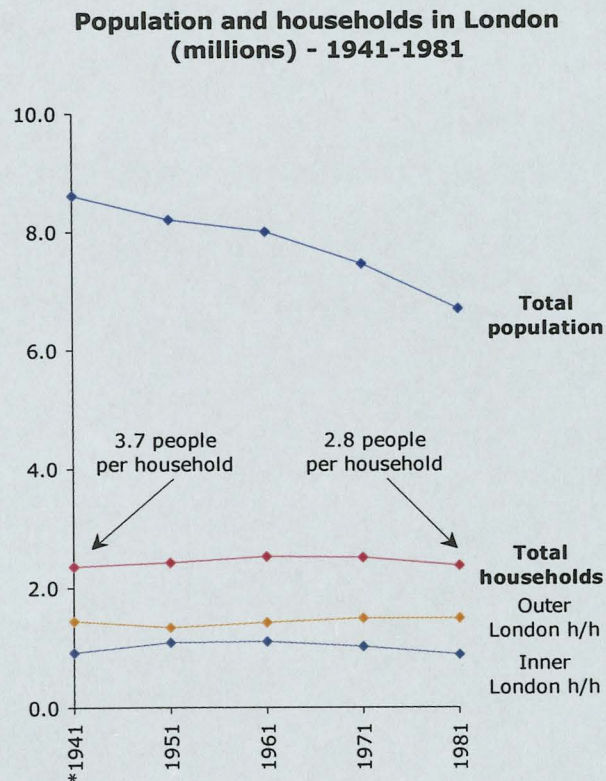
As both population and households grew in the interwar period, increased demand for housing was met by building on greenfield sites in Outer London



- 700,000 new homes were built in London between 1918 and 1939.
- 75% were private developments, encouraged by the extension of the Underground and passenger rail networks.
- The London County Council concentrated on slum clearance and the construction of social housing in Inner London. The preponderance of social housing in Inner London is due to two key factors:
 - » the concentration of deprivation in Inner London
 - » opposition to social housing from Outer London authorities, over whom the LCC did not have jurisdiction.

Source: ONS, SU analysis
*1941 figure derived from 1939 MYE.

In the 40 years following WWII, whilst the number of households remained broadly the same, building continued and personal space increased



- Slum clearance policies continued with reconstruction after WWII.
- From the 1950s, Londoners were dispersed to a constellation of new towns in the wider SE region, though many others went elsewhere.
- The 1960s saw the public construction of over 400 tower blocks in Inner London, and the start of industrial decline in the east of the city - 500,000 factory jobs were lost between 1966-75.
- Overall, a falling population and expanding residential stock allowed Londoners to live as smaller households in increasing amounts of personal space.

Source: ONS, SU analysis
*1941 figure derived from 1939 MVE.

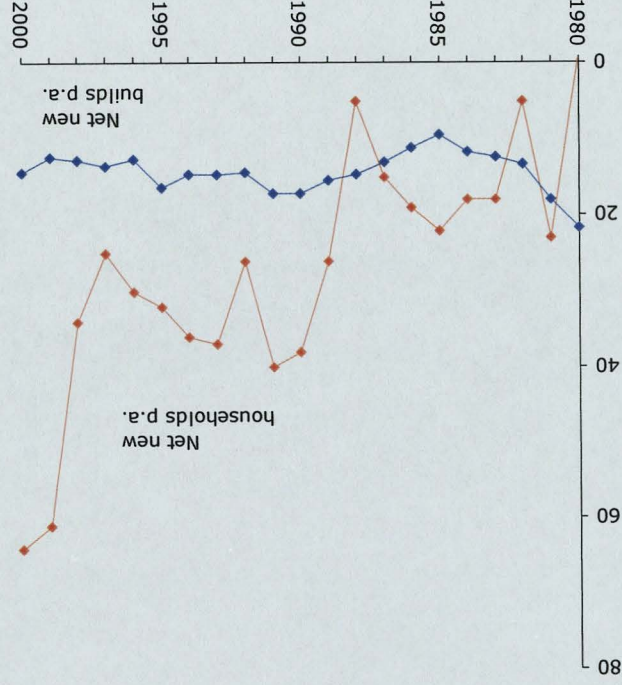
In the 1980s an increasing population led to a rapid growth in the number of households, while new building declined

- The post-war trend for more living space was reversed in the early 1980s:

- » London's population began to grow again, leading to a sharp increase in the number of households;
- » public building effectively ended, slowing the rate of new build dramatically.

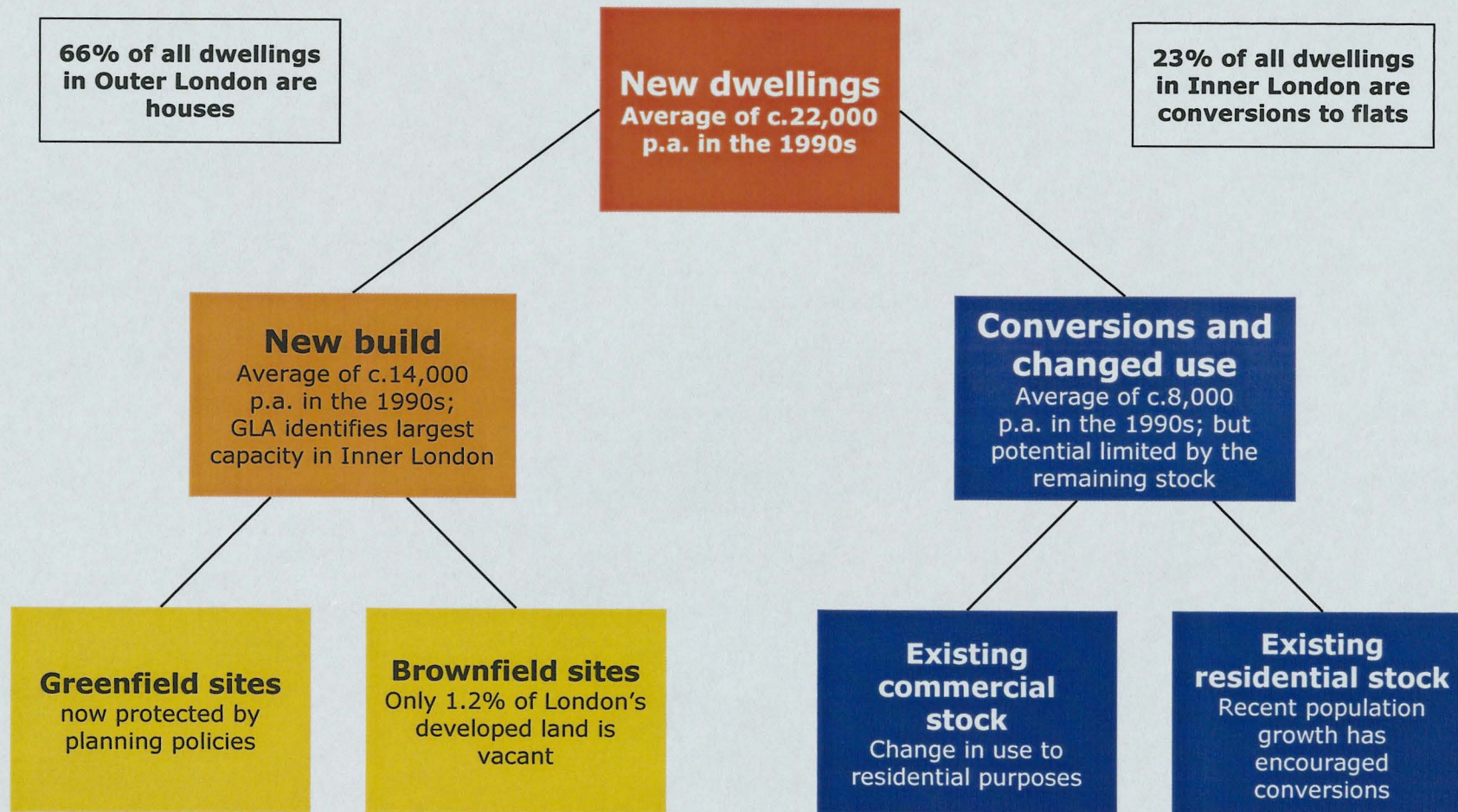
- Conversions were substituted for a build rate that was not keeping up with household numbers:
- » many houses in Victorian and Edwardian Inner suburbs were divided and now provide flexible living space in the form of bed-sits or flats.

New households and new builds
(thousands p.a.) - 1980-2000



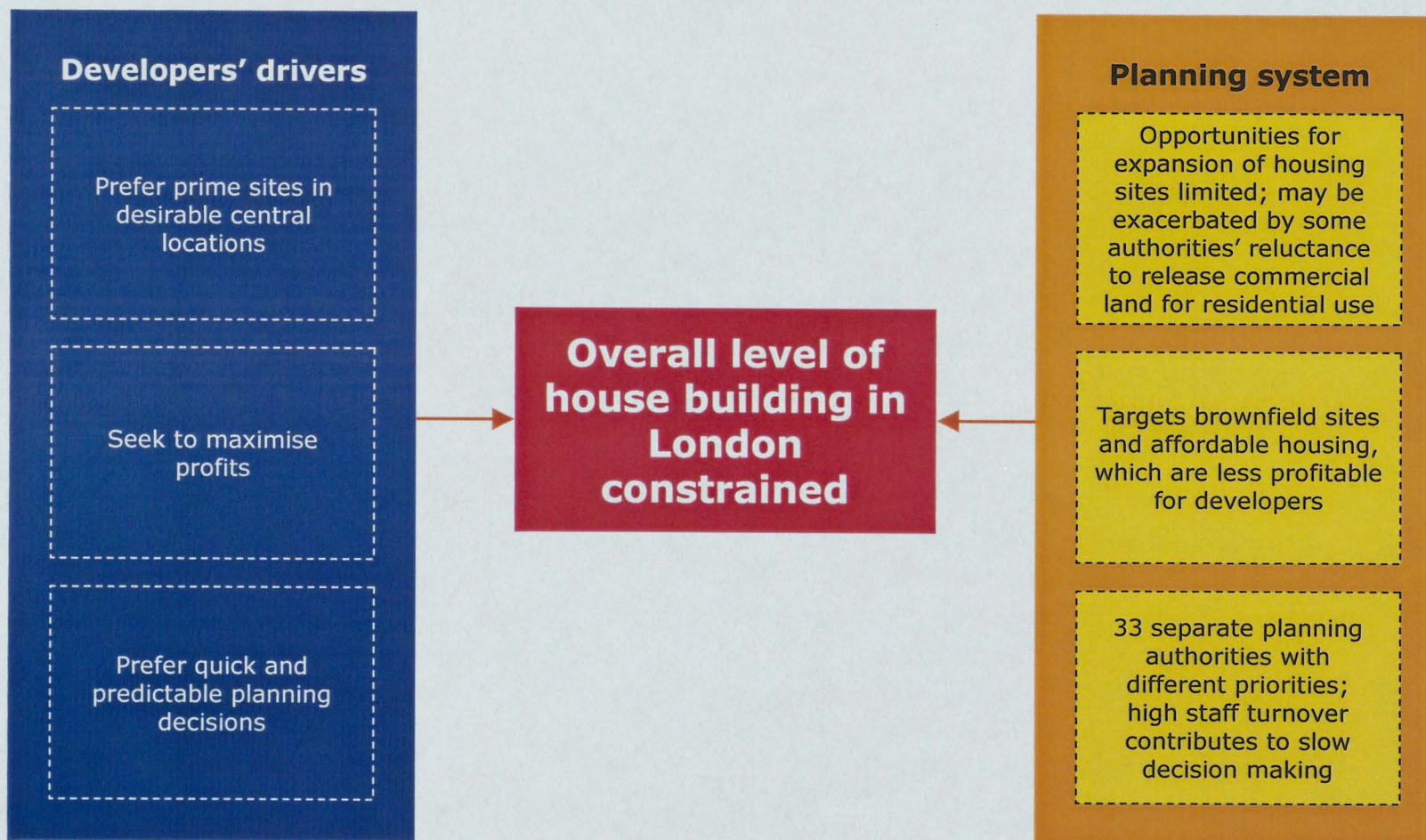
Source: ODPM

The potential for creating new dwellings now depends mainly on new build on brownfield sites and conversions from existing residential or commercial stock



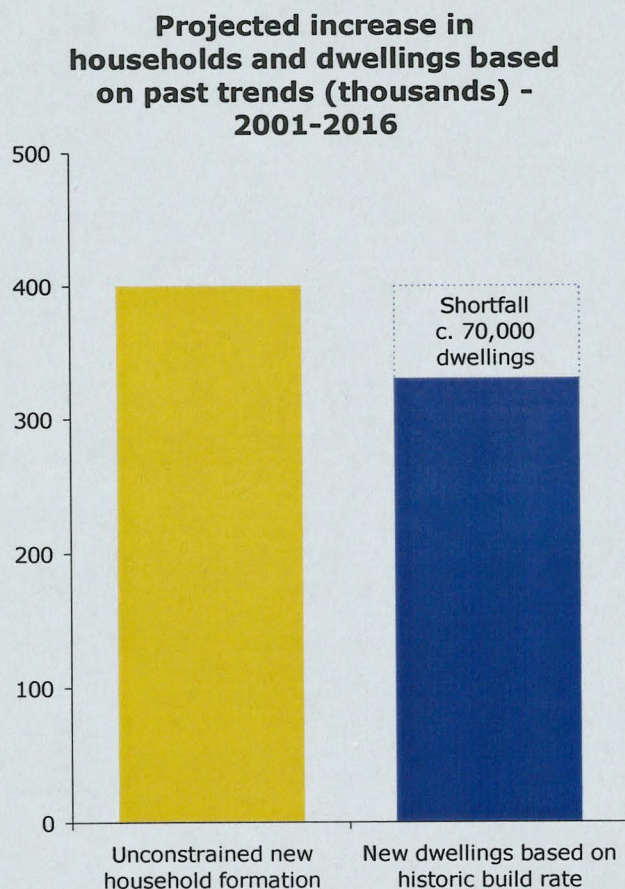
Source: ODPM, ONS, GLA

The rates of new building and change in use depend on developers and on the operation of the planning system, which is under strain



Source: SU interviews

If historic trends continued, new households would exceed new dwellings by around 5,000 a year

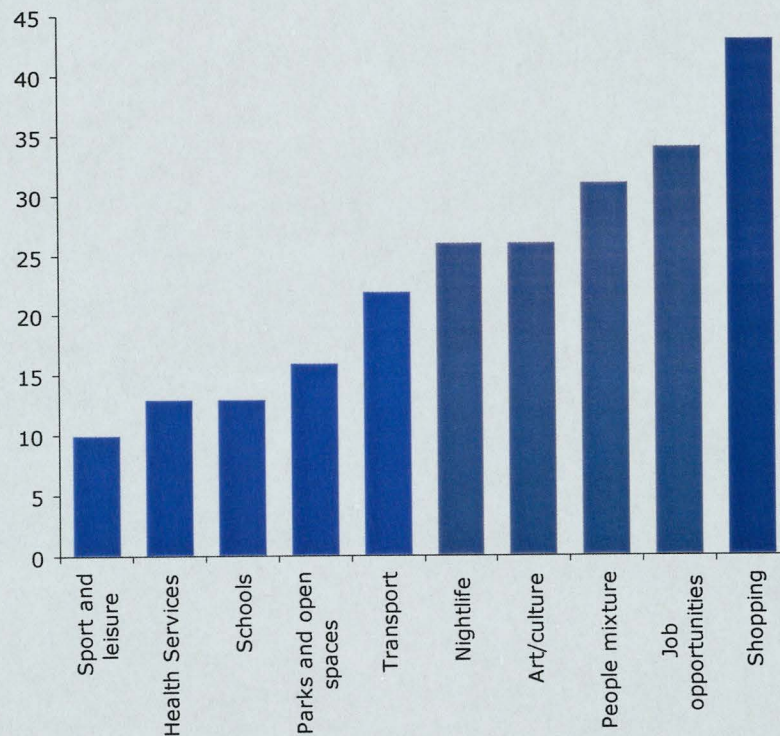


- Extrapolation of current population and housing completion trends suggests a **potential** shortfall of around 70,000 homes in London by 2016:
 - » equivalent to around 2% of the total dwelling stock.
- **In practice**, this pressure may manifest itself in a variety of ways:
 - » an increase above the historical housing completion rate (existing planning guidance suggests a **minimum** rate of 23,000 p.a.);
 - » the formation of larger household groups than might otherwise be expected;
 - » or some slowdown in population growth, with lower population inflows and/or greater outflows.

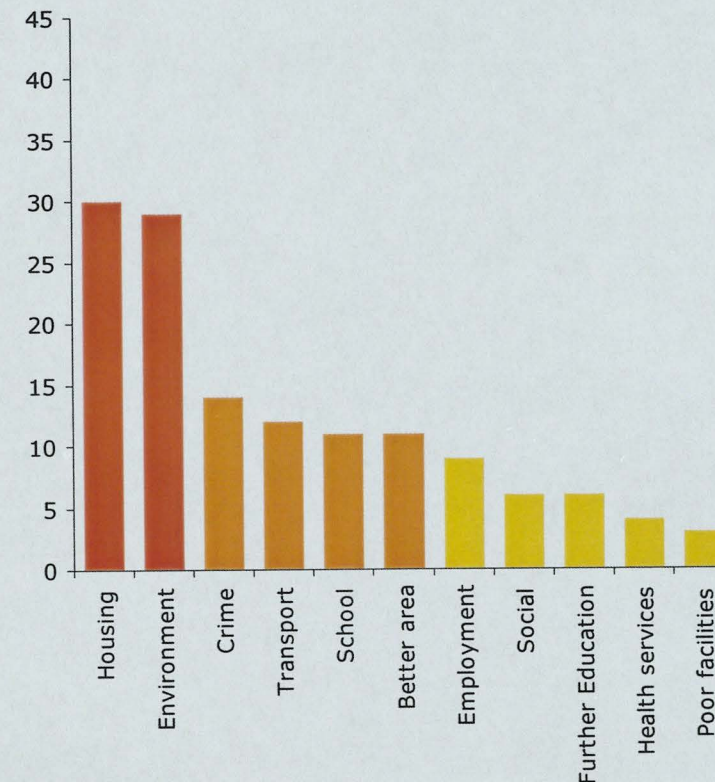
Source: ODPM, GLA, ONS; SU analysis based on unconstrained household formation and historic build rate of 22,000 dwellings pa.

A wide range of factors influence people's choices about living in London or leaving it

**Top 10 best things about London (%)
- 2001**



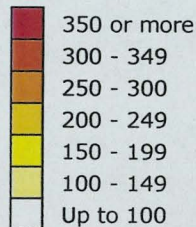
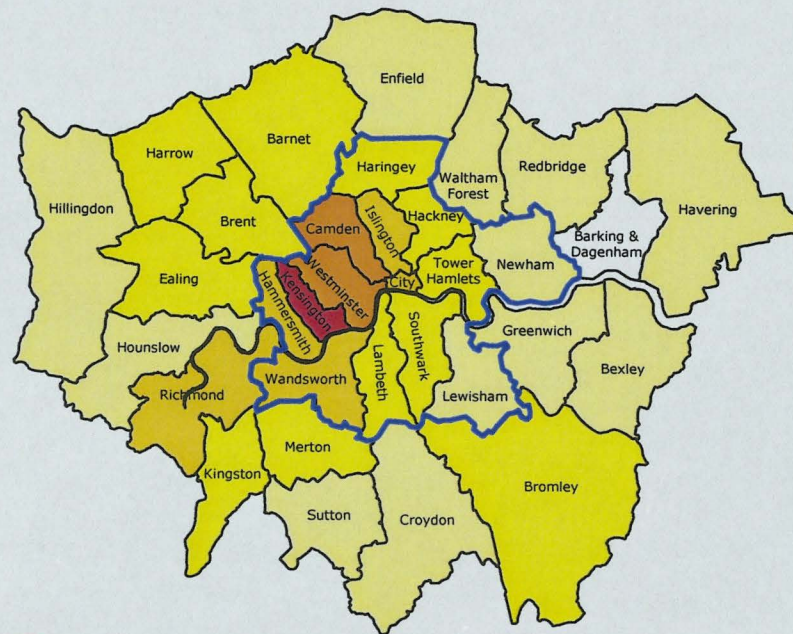
Main reasons for wanting to leave London (%) - 2001



Source: MORI London Survey

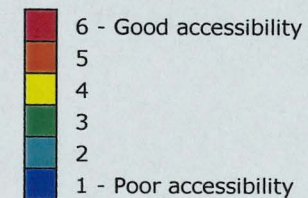
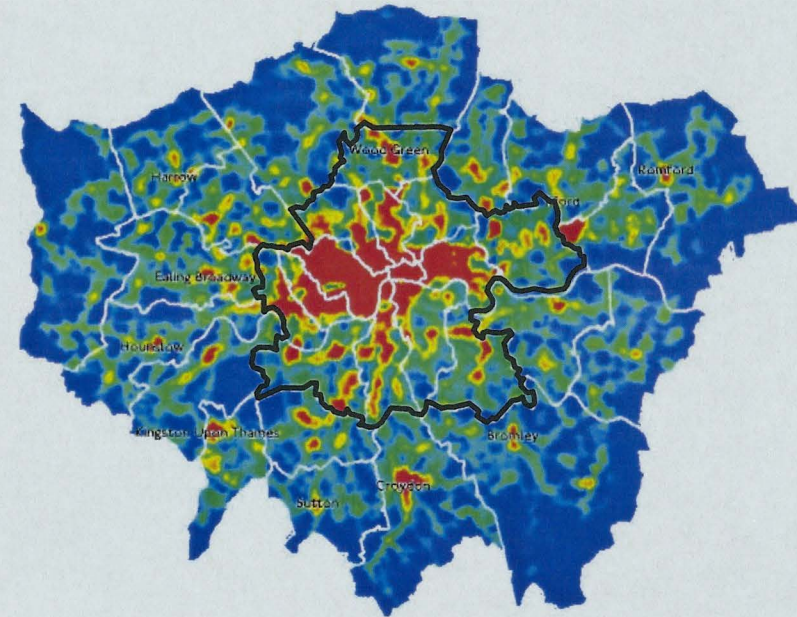
Access to public transport is a key factor in deciding where to live, particularly for those working in the central business district

Median house prices (£000s) - 2001



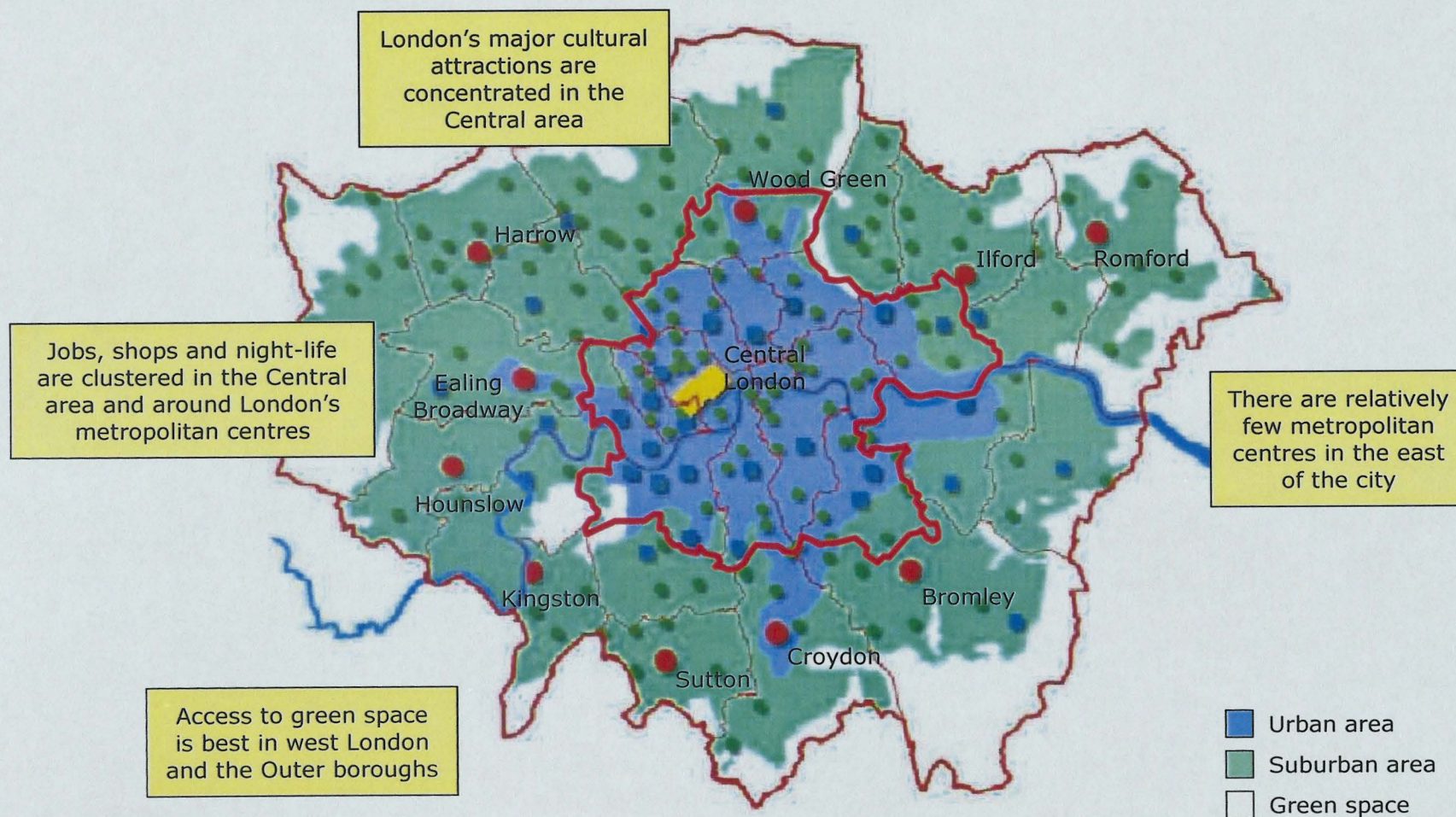
Good transport is necessary but not sufficient for an area to be popular; Ealing (10 miles west of the City) has good accessibility and high demand for housing, whilst in Stratford (10 miles east of the city) demand remains low despite the presence of good transport infrastructure.

Public transport accessibility



Source: ODPM, TFL

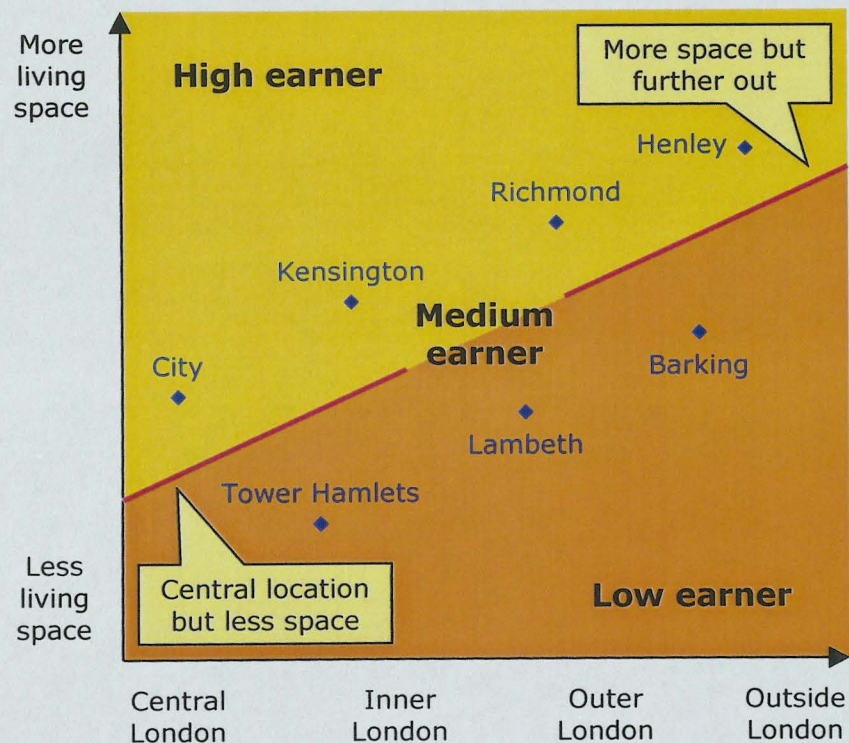
Access to jobs, shopping, culture and green space varies in different parts of London



Source: based on URBED/TCPA, GLA

Households choose a place to live that gives them the best combination of location and living space for their money

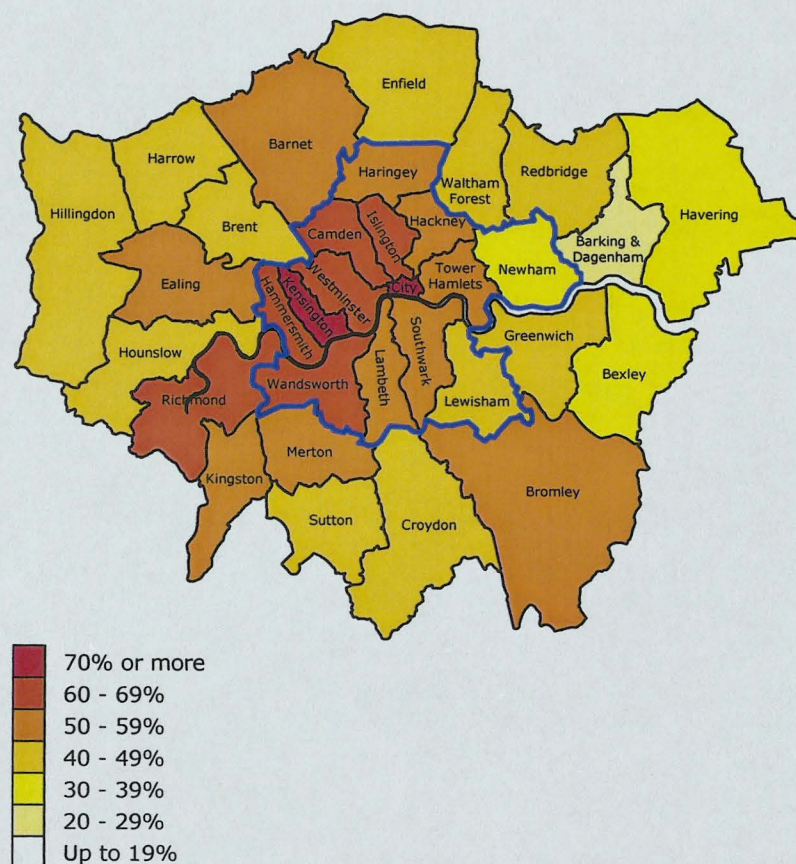
The housing tradeoff in London



- High-earning households are able to purchase across the capital.
- Medium-earning households are generally unable to afford large amounts of space in Inner London, and find the best combination of space and proximity in Outer London.
- Low-earning households are able to afford less space for any given level of proximity to the centre
 - » but some have access to subsidised housing in the Inner boroughs, which offers a combination of proximity and space superior to that available for the same earnings level outside London.

Professionals can afford to choose and prefer western Inner London, the older suburban centres in the south west and west and the commuter belt outside London

Employed population in SOC 1-3: 2001

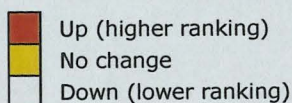
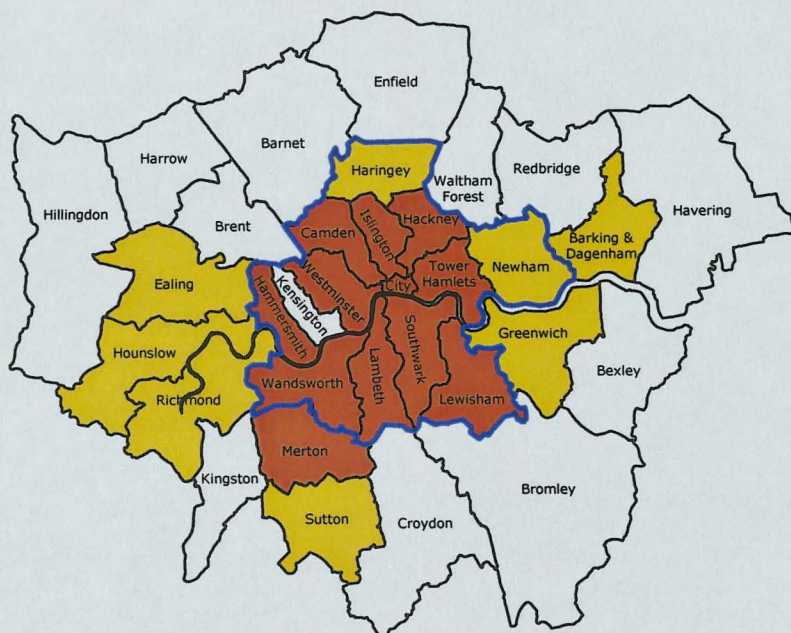


- High-SOC groups comprise 50% of those in employment in London, forecast to rise to 55% by 2010:
 - » the actual number of high-SOC individuals in employment is forecast to increase by 300,000.
- As well as being the fastest growing group, highly-paid professionals are in the strongest position to compete for scarce housing, bidding up prices near to business and entertainment districts.
- Some of London's most prosperous areas have the highest densities (Kensington & Chelsea).
- Other professionals, especially those with families, trade centrality for relatively spacious leafier environments with good transport links.

Source: ONS, Warwick IER, SU analysis

As the number of professionals has increased they have colonised some of the traditionally less desirable areas of Inner London - the east and south

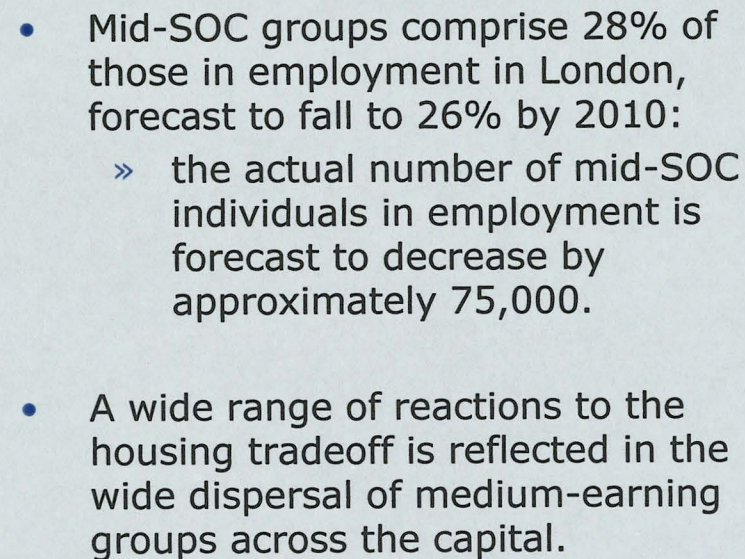
Change in high SEG (SOC 1-3) rank: 1991-2001



- The biggest movements over the last decade were in Inner London: Islington; Tower Hamlets; and Southwark.
- Western Inner London boroughs (e.g. Westminster, Kensington) already ranked highly on numbers of professionals.
- The Docklands development has contributed to increasing numbers of professionals on the eastern side of the centre.

Source: ONS, SU analysis

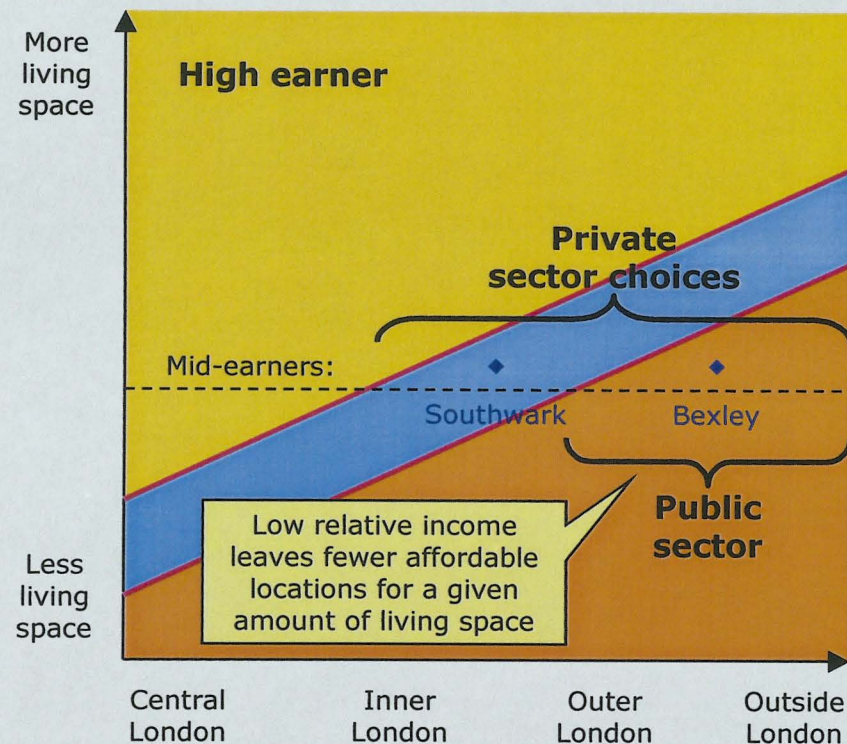
Employed population in SOC 4-6: 2001



Source: ONS , Warwick IER, SU analysis

Pressure on housing is a particular problem for London's public sector and key workers

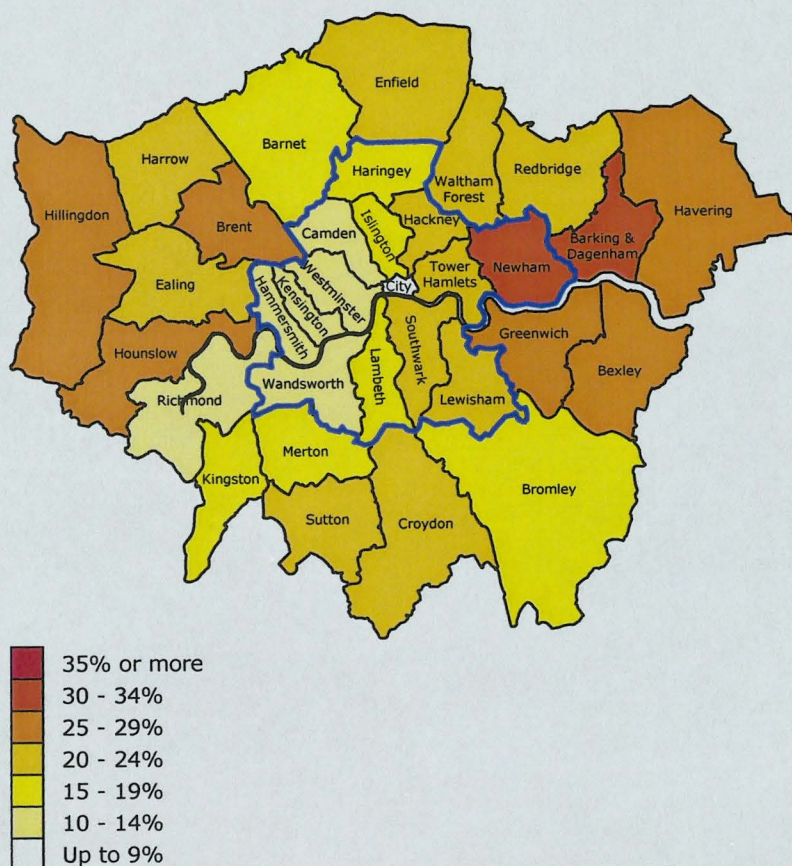
**The housing tradeoff in London:
public sector and key workers**



- Public sector workers in London have less purchasing power than their private sector counterparts - lower purchasing power means that public sector workers have less choice over where they live.
- There may be serious social and economic consequences for London if the wage gaps continue to widen:
 - » there are already recruitment and retention problems in key public services.

The lower skilled are more likely to live in the traditionally poorer areas - notably the east and south of Inner London

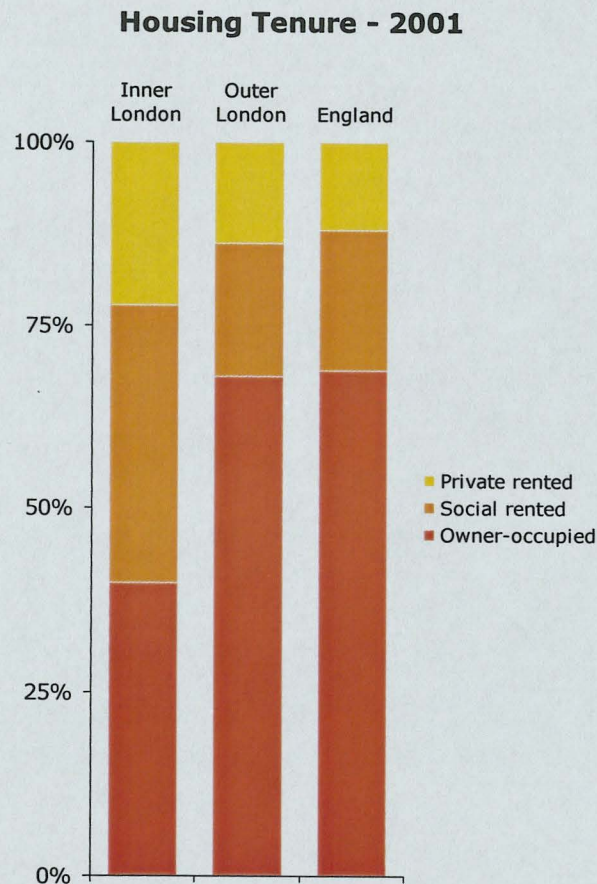
Employed population in SOC 7-9: 2001



- Low-SOC groups comprise 22% of those in employment in London, forecast to fall to 19% by 2010:
 - » the actual number of low-SOC individuals in employment is forecast to decrease by approximately 75,000.
- There is a correlation between the location of low-skilled groups and declining industries, in particular:
 - » relatively large communities based around the former docks in the East of the city.
- Where the low skilled do live in Outer London, this tends to be in less accessible (and hence cheaper) areas.

Source: ONS , Warwick IER, SU analysis

Social housing - local authority and housing association - accounts for around 40% of all housing in Inner London

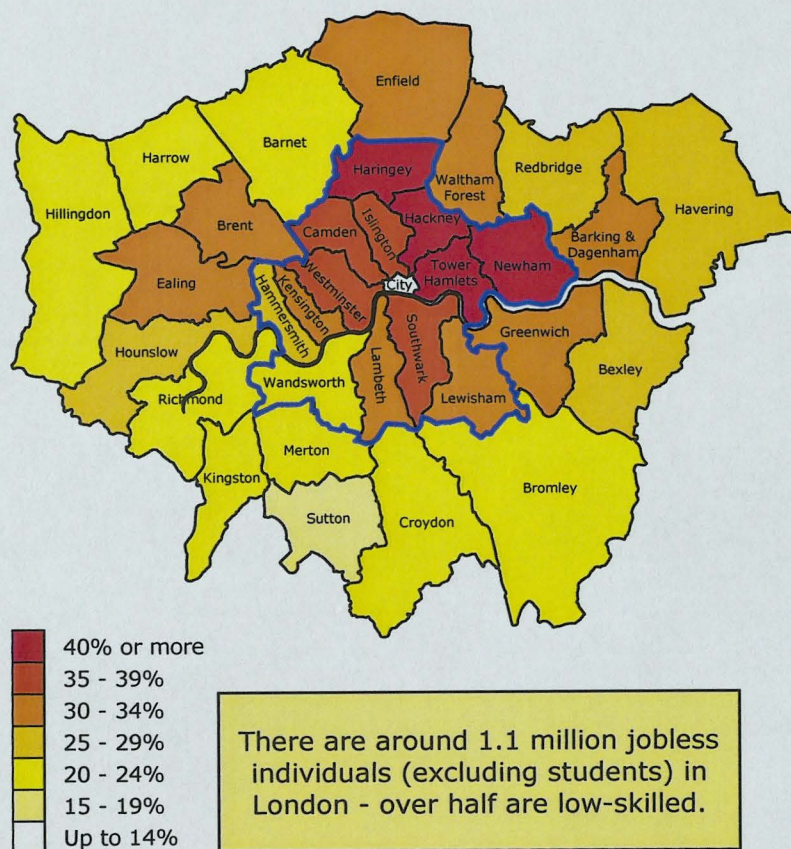


- There is a large stock of social housing in Inner London although it has fallen as a result of right-to-buy policies
 - » from 50% of the Inner London stock in 1981 to 38% in 2001.
- High demand is expected to continue:
 - » newcomers gravitate toward existing communities in Inner London and local authorities are obliged to house those in need
 - » existing tenants of social housing are unable to meet the high costs of leaving social housing and entering the housing market.
- There are currently 52,000 homeless households in temporary accommodation in London, 60% of the England total.

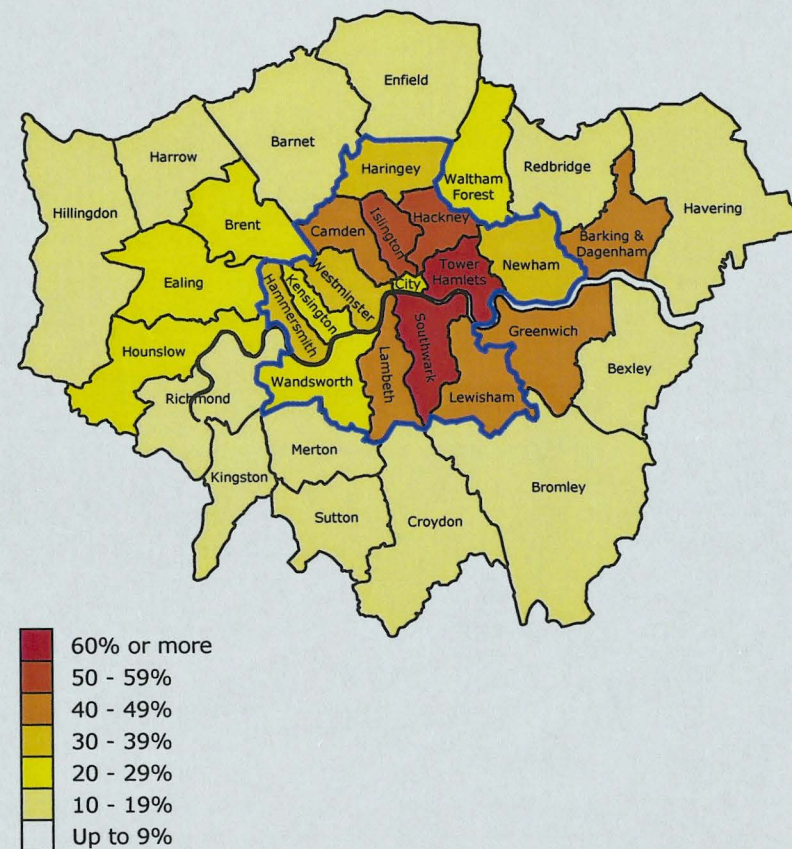
Source: ONS, ODPM

London's unemployed and inactive people are concentrated in Inner London and particularly the east, following the pattern of social housing

Joblessness in London
(% of working age population) - 2001

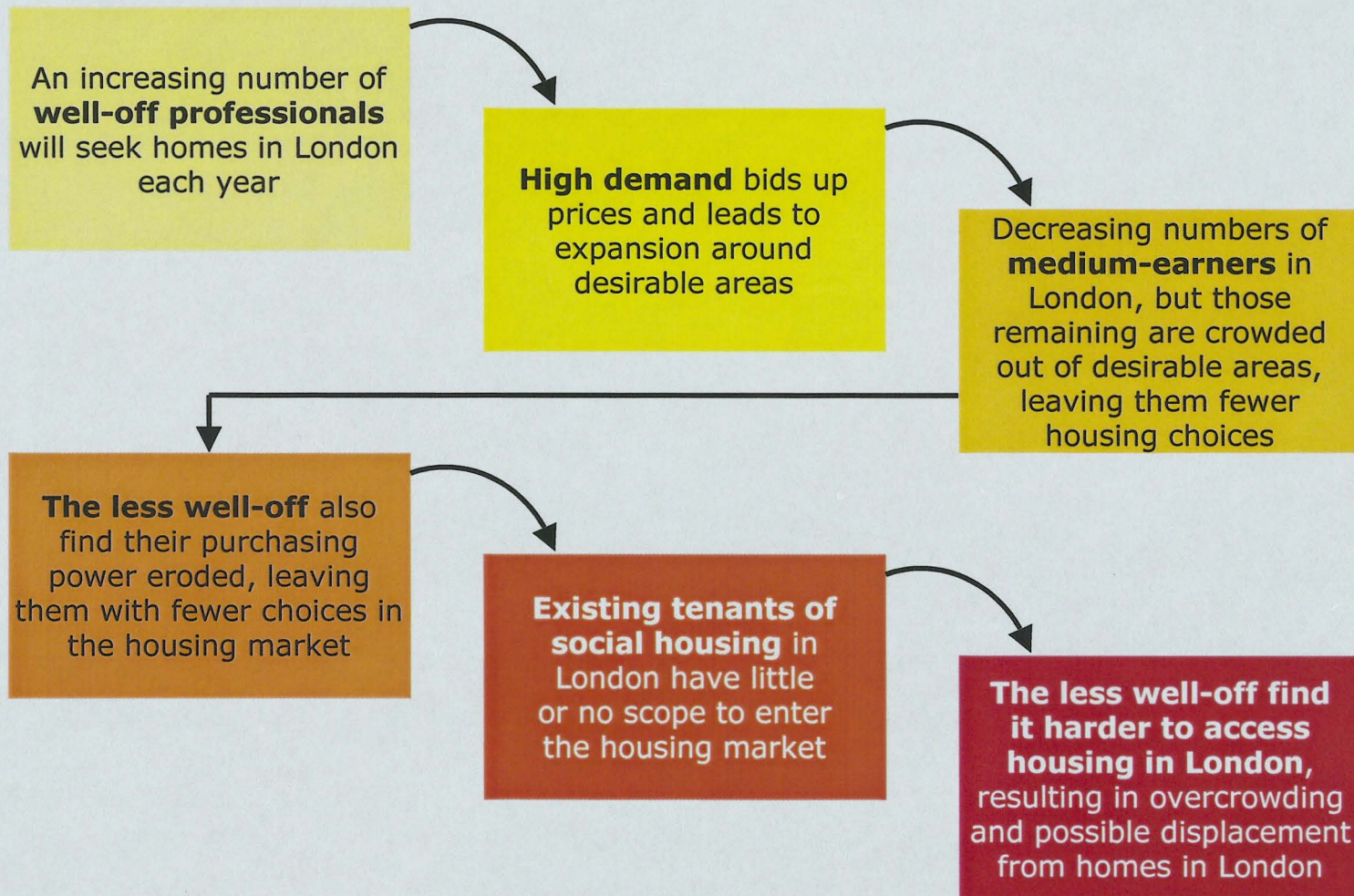


Social housing in London
(% of total housing stock) - 2001

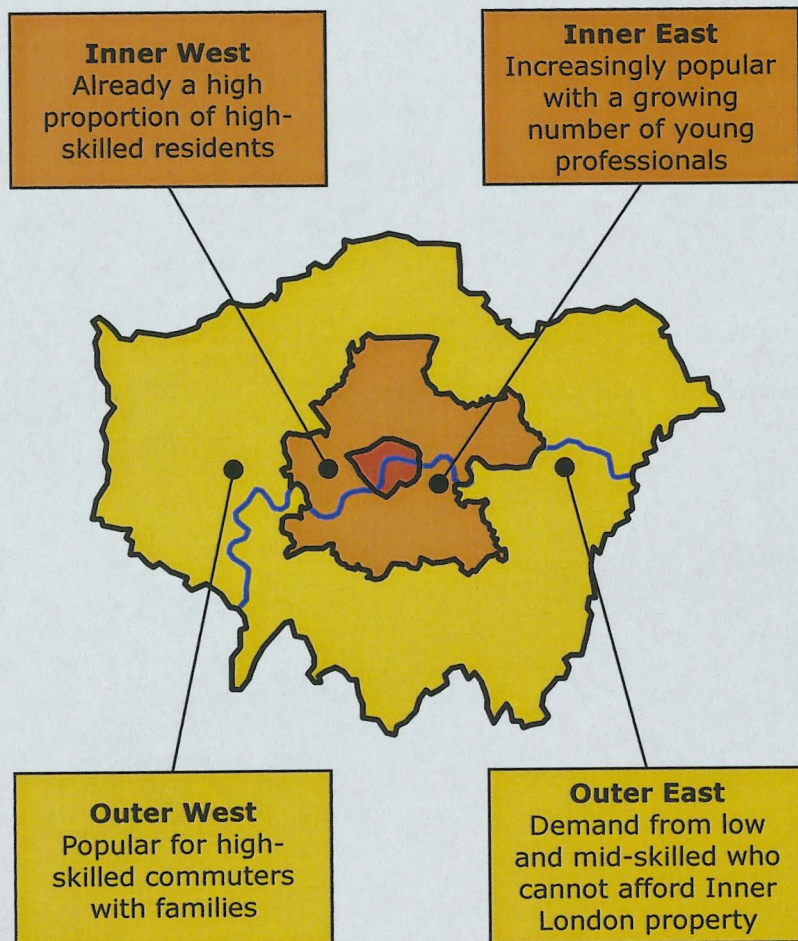


Source: ONS

In sum, a combination of a growing population and an inflexible supply of housing will limit the choices of all, but especially those of the less well-paid



The greatest demand for homes will continue to be in Inner London, with the housing choices of lower and mid-income groups limited to more affordable areas further out



- Inner London will have to cope with increasing demand from professionals and continued pressure to provide social housing.
- The population is growing faster than new homes can be built, causing particular problems for the less well-off:
 - » some will live in less space than they are accustomed to, particularly in Inner London
 - » some will be displaced to less desirable areas of London
 - » whilst others will live outside the capital altogether.

Part 5

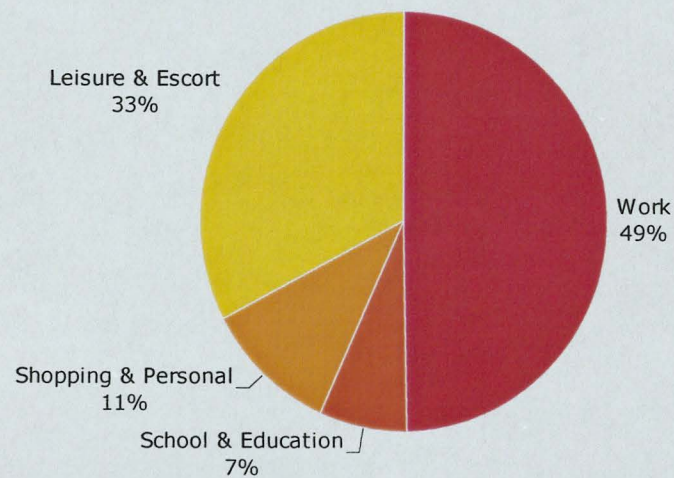
Travelling in London

This part looks at:

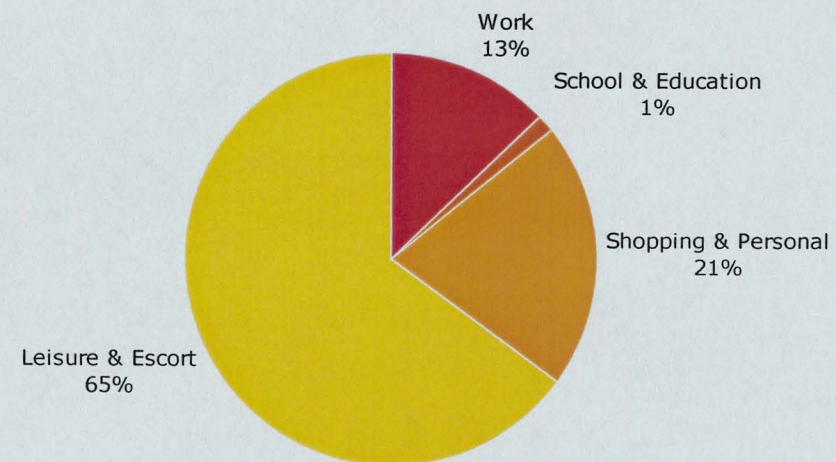
- » Why people travel in London
- » How they travel
- » The quality of travel
- » London's transport infrastructure

Journeys to and in the course of work make up half of all weekday travel in London

**Weekday travel in Greater London
(by total distance travelled)**



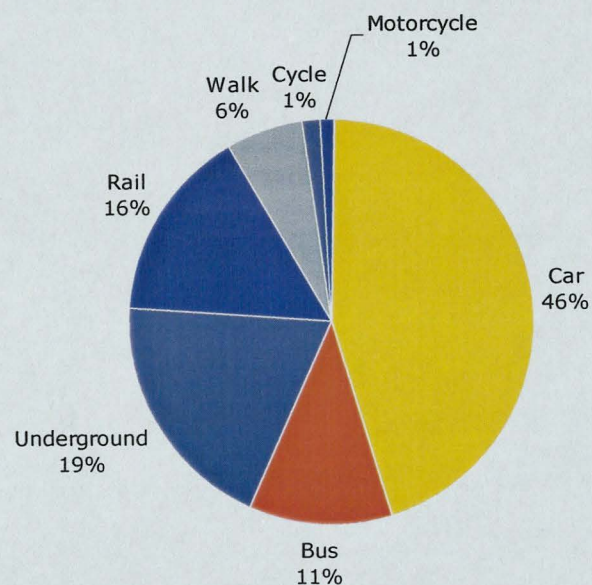
**Saturday travel in Greater London
(by total distance travelled)**



Source: TFL (LATS 1991). NB. Escort includes trips made in the course of escorting other persons to their destination.

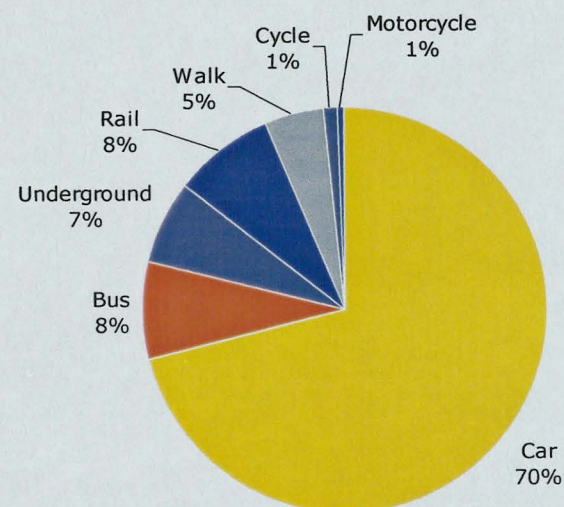
Half of all London journeys and over two-thirds of total distance travelled occur in Outer London

**Mode of travel in Inner London
(by total distance travelled)**



Inner London accounts for
c.30% of total distance travelled each day

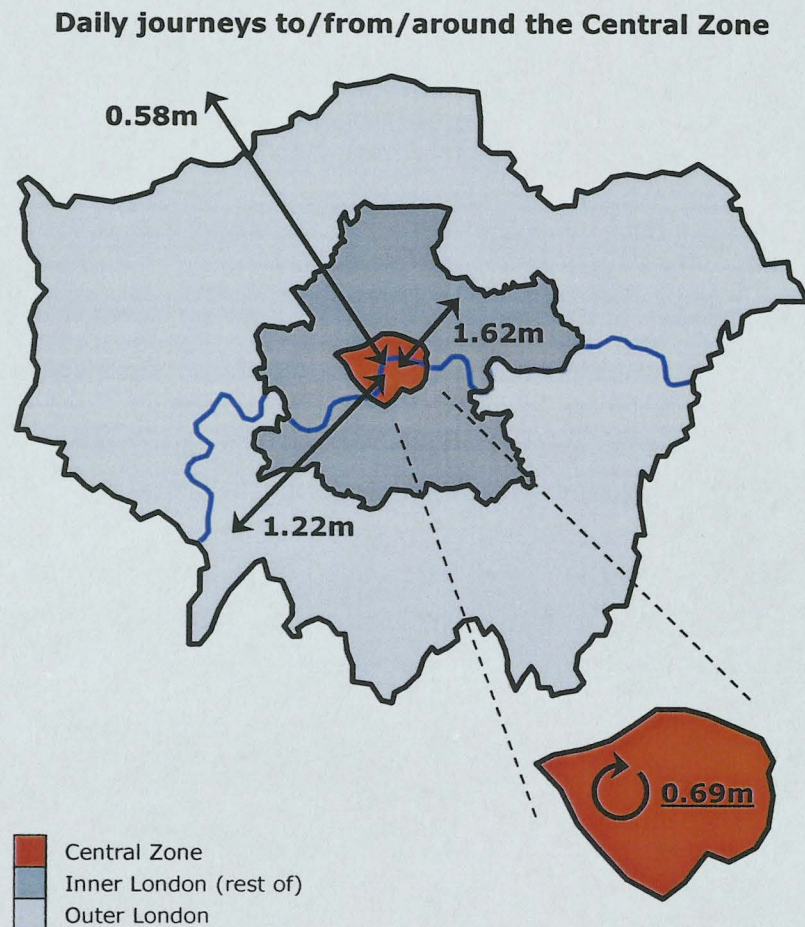
**Mode of travel in Outer London
(by total distance travelled)**



Outer London accounts for
c.70% of total distance travelled each day

Source: TFL (LATS 1991)

20% of journeys in London involve moving people into or out of the central business district, the majority by rail or Underground

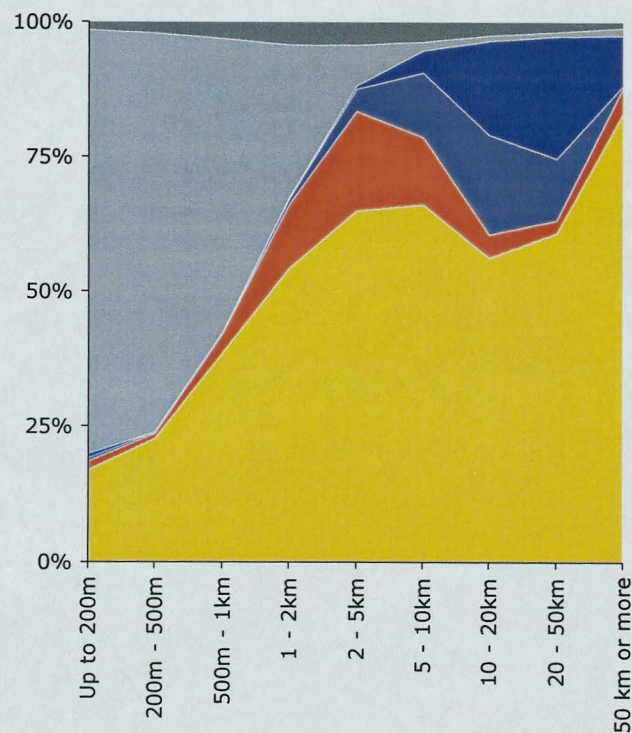


- An estimated 20.5 million journeys are made in London each day, 4.1m of which involve travel to and within the centre.
- The majority of travel into and around the central business district is by public transport:
 - » rail, Underground & DLR account for 77% of journeys into Central London during the morning peak
 - » within the Central zone, bus and Underground are the dominant modes of travel.
- 86% of journeys to destinations in the centre are from within London itself; only 14% of journeys to the centre involve travelling from outside London.

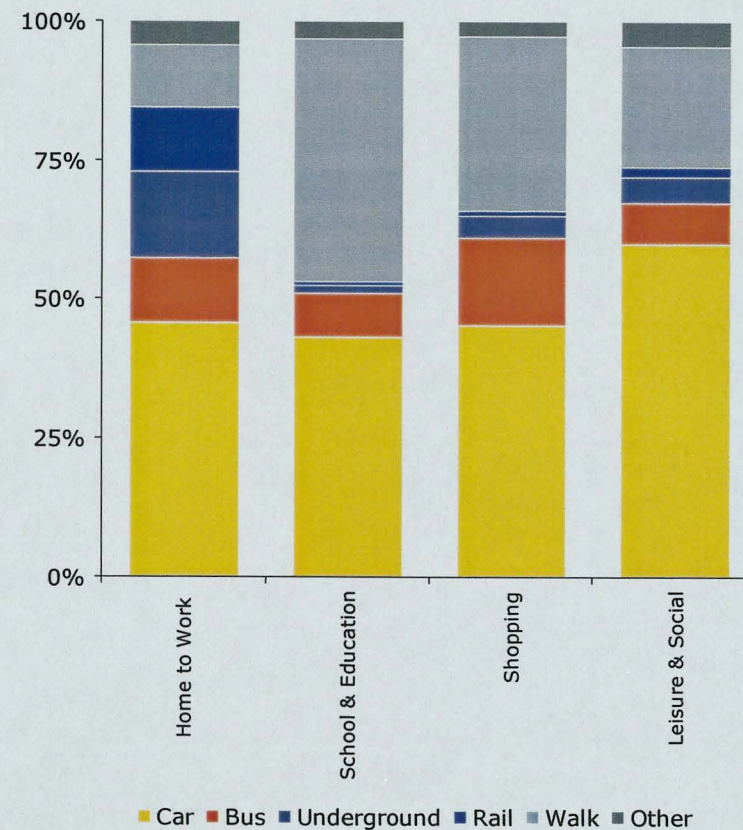
Source: TFL

Within London as a whole, however, the car is the dominant mode of transport for almost all types of journey

London modal choice profile - all journey purposes

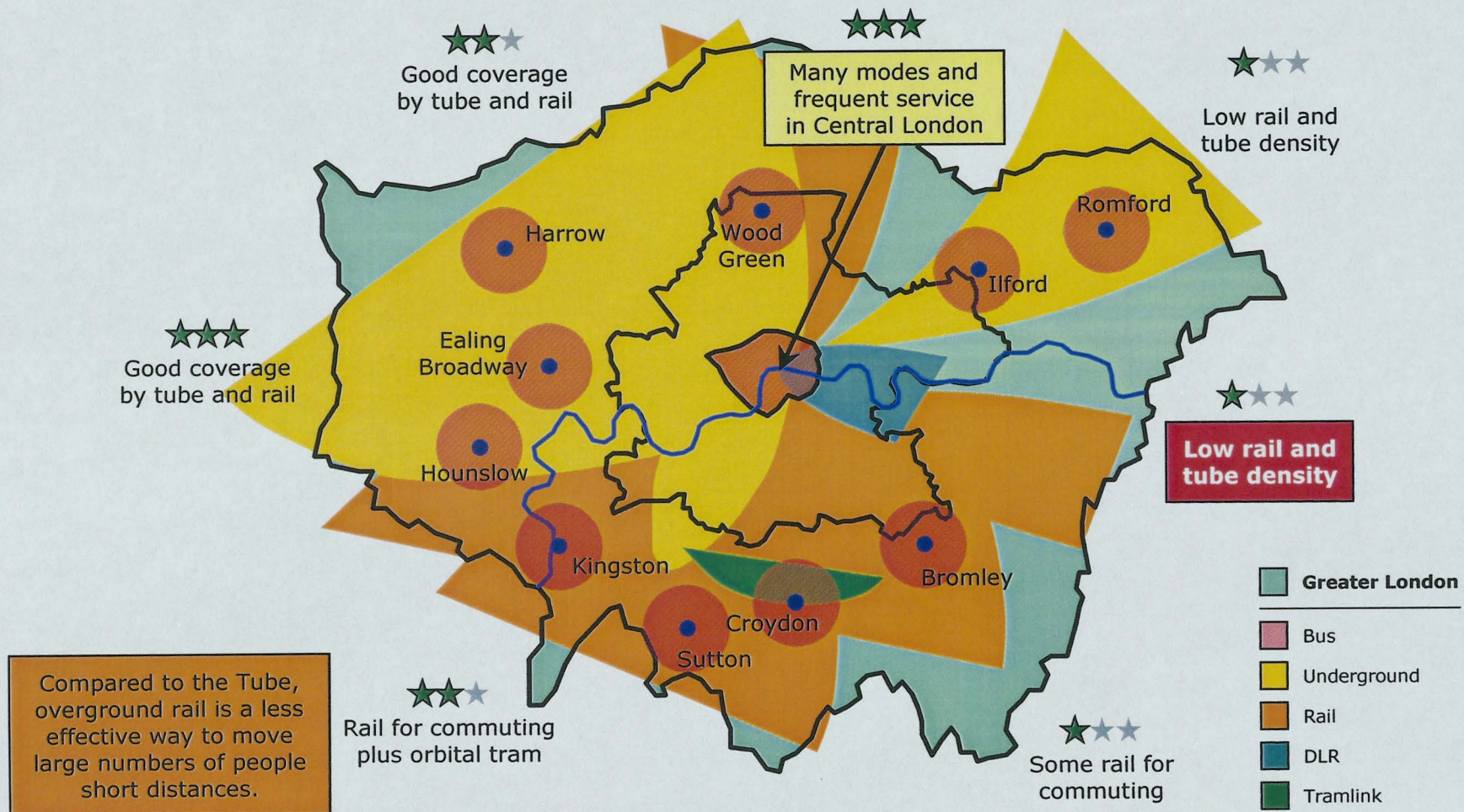


Travel by London residents (journeys by main mode)



Source: TFL. Key applies to both charts.

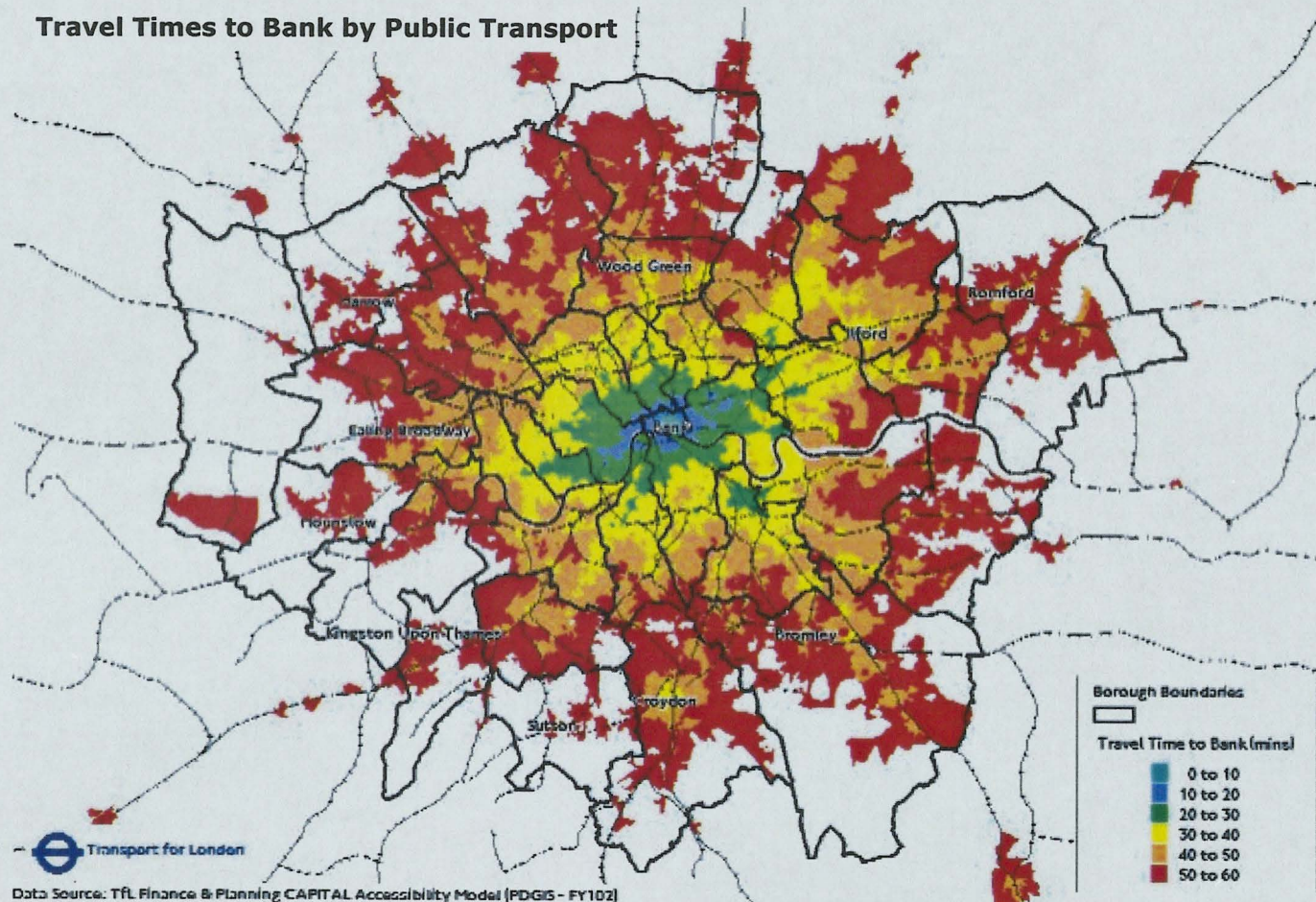
Access to public transport is best in the centre, west and north-west, and worst in the east and south-east



Source: indicative map illustrating areas of dense transport coverage based on TFL, GLA, SU analysis

London's public transport system facilitates radial travel, providing good access from many areas for rail and underground travellers to the centre

Travel Times to Bank by Public Transport

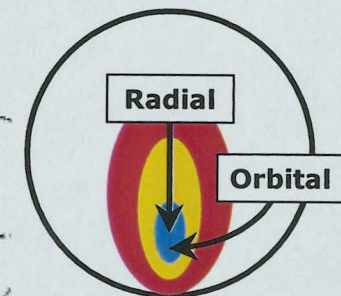
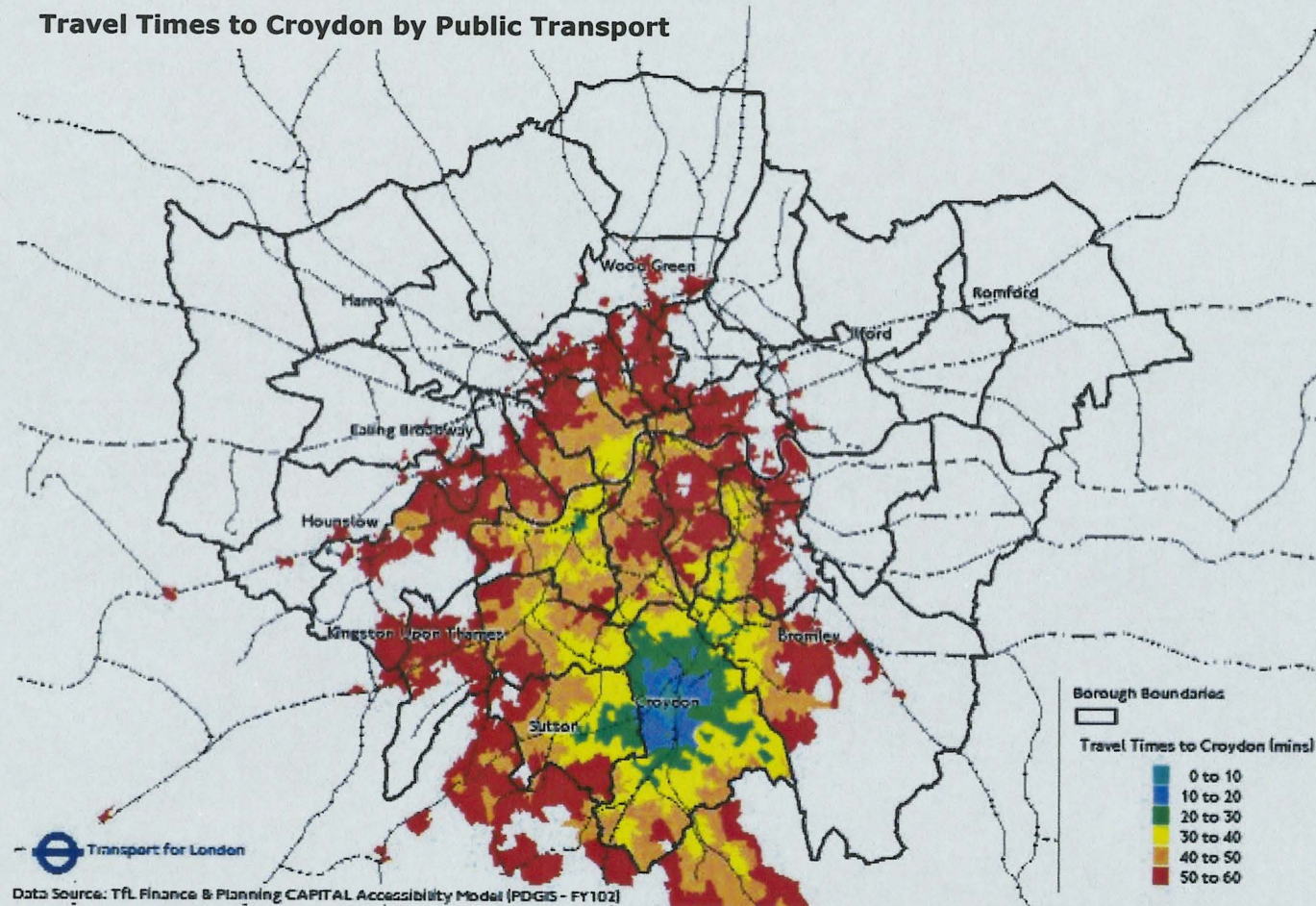


Radial network makes travel to the centre easy from any direction.

Source: TFL

Orbital and through travel in London is not well provided by public transport, causing difficulties for those needing to travel around Outer London rather than into the centre

Travel Times to Croydon by Public Transport



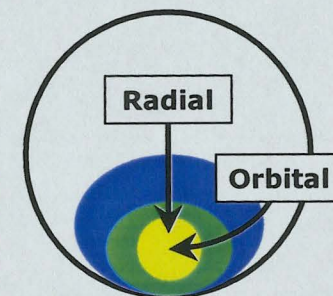
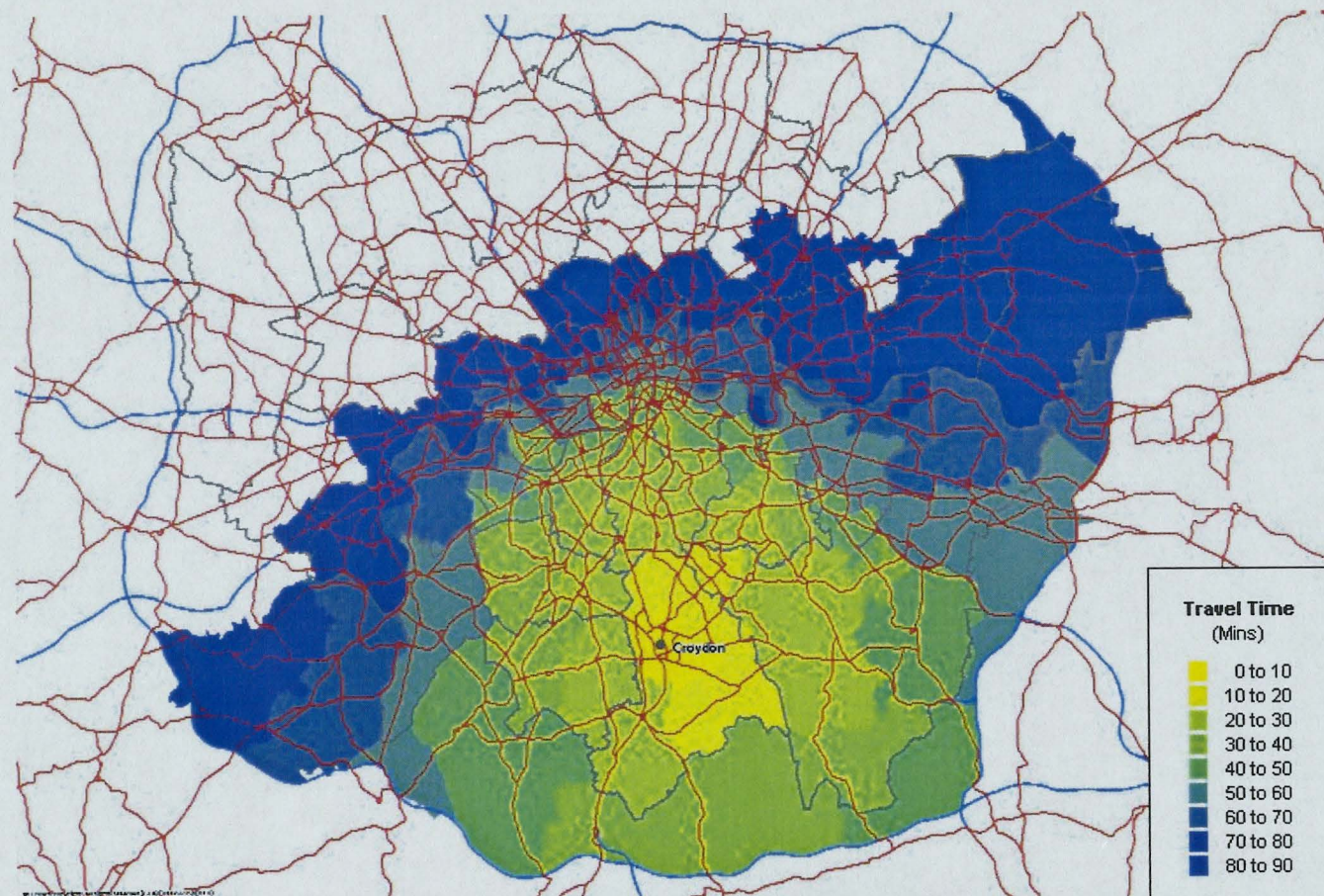
Outer London metro centres do have their own radial links.

However, as in many other cities, orbital travel to a destination in Outer London is awkward and takes more time by public transport.

Source: TfL

Getting around London by road is difficult in all directions, whether on radial or orbital routes, with few expressways and none penetrating the centre

Average car times to Croydon town centre (from within the M25)

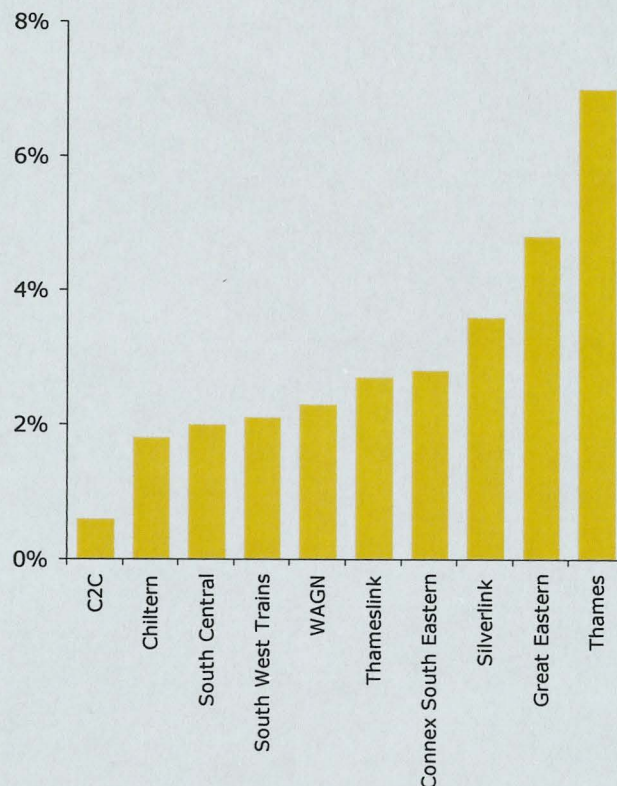


Travel by road is slow in all directions in London.

Source: TfL

Commuters using rail and tube lines suffer severe overcrowding at peak times

Passengers in excess of capacity at peak periods (%) - 2002

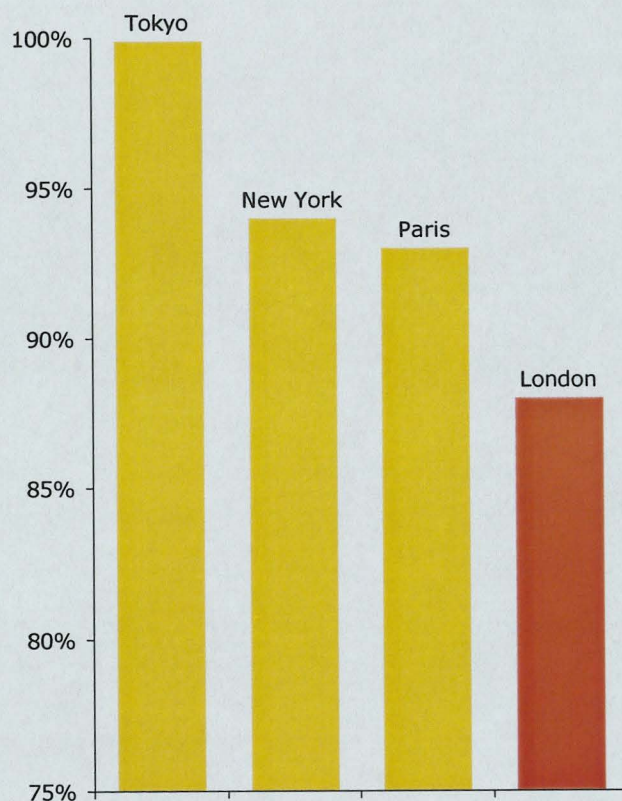


- In peak periods, all rail operators serving London carry excess passengers
 - » defined as those standing in excess of the planned capacity of the trains on which they are travelling.
- Four Underground lines have sections classified as "severely crowded", where the number of peak hour passengers exceeds the "planning standard" by 25% (one standing passenger for each sitting):
 - » Central Line
 - » Victoria Line
 - » Piccadilly Line
 - » Northern Line

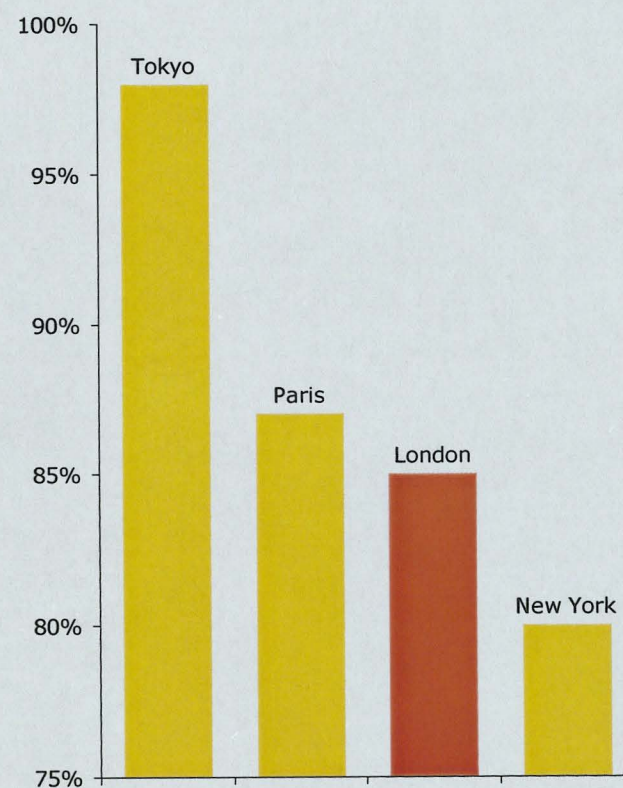
Source: SRA, TFL

Mainline rail services are much less punctual in London than in other world cities, although the Underground is only slightly worse than average

**Rail services on time
to within 5 minutes (%) - 1995**

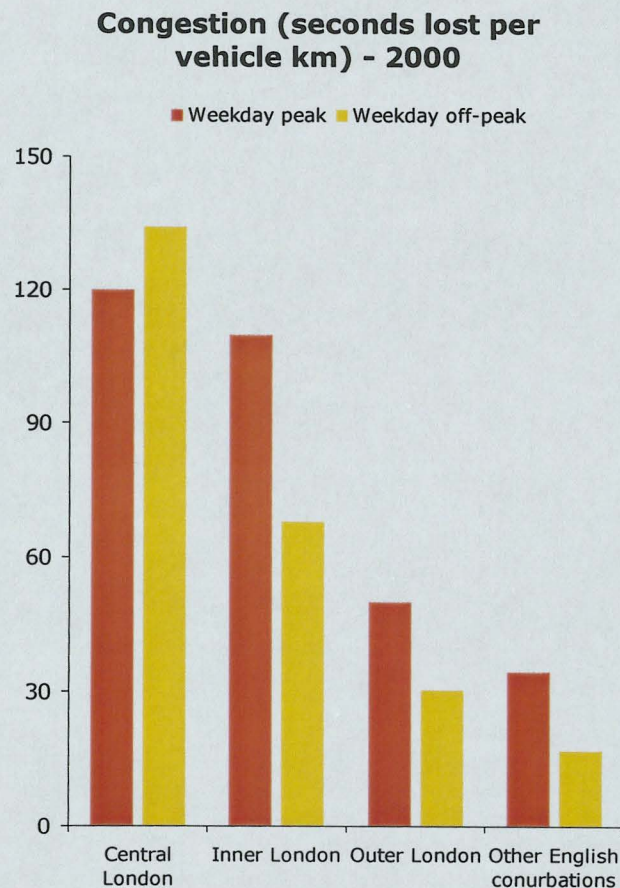


**Metro services on time
to within 5 minutes (%) - 1995**



Source: LRT

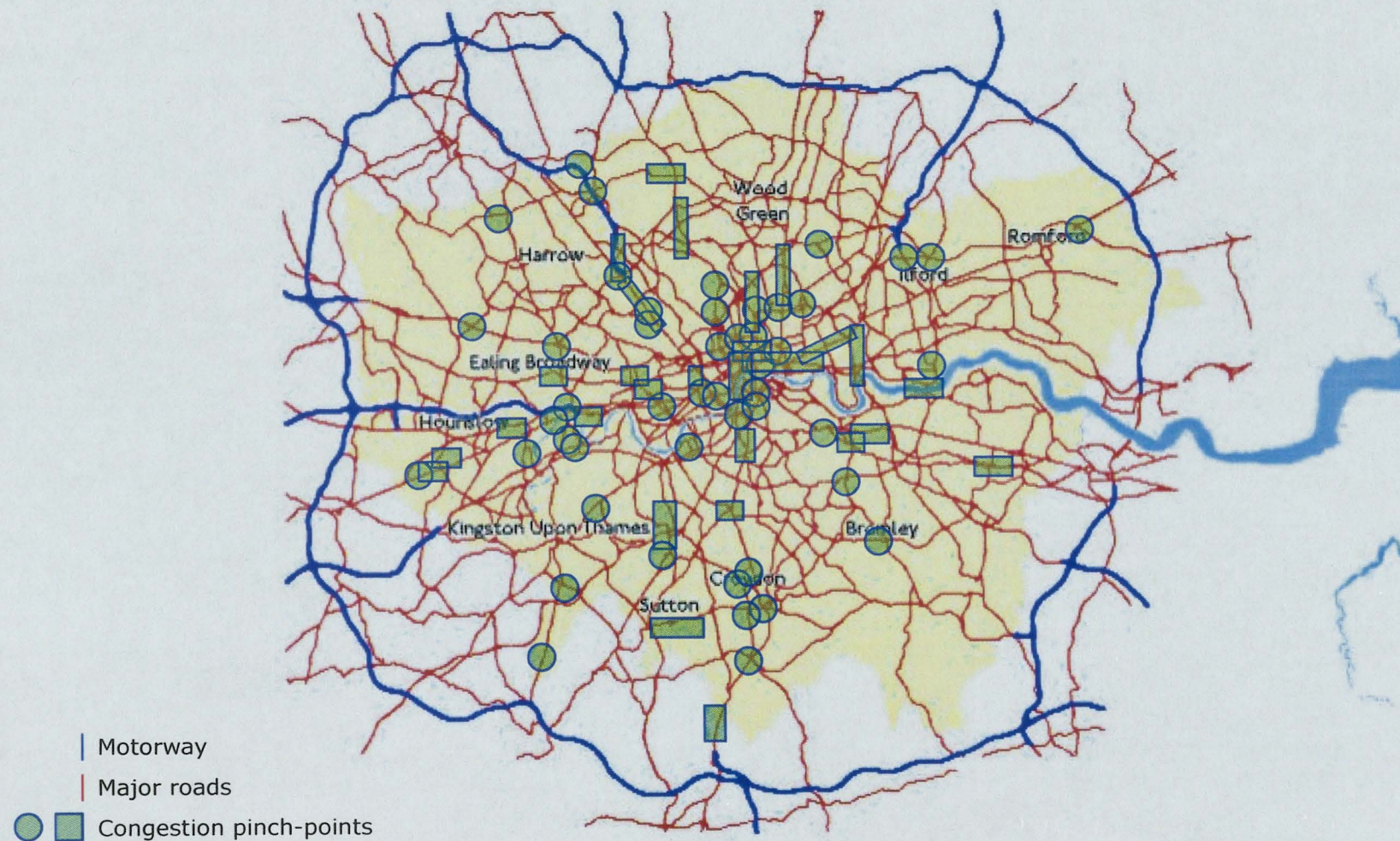
Road congestion has been a major source of frustration throughout London, but particularly in Inner London and (pre-congestion charging) in the centre



- Car journeys in London inflict costs on society (congestion, pollution, etc.) much greater than the price paid by the driver.
 - » congestion is estimated to cost London up to £2bn each year.
- The Mayor's congestion charging scheme has reduced congestion by some 15% but so far is only applied in Central London.
- Average traffic speeds have fallen steadily over the last 50 years
 - » in Inner London, speeds are now half those in other English conurbations.
- In London, 30% of buses are more than 5 minutes late (although bus punctuality is poor in all cities due to congestion).

Source: DfT, NERA

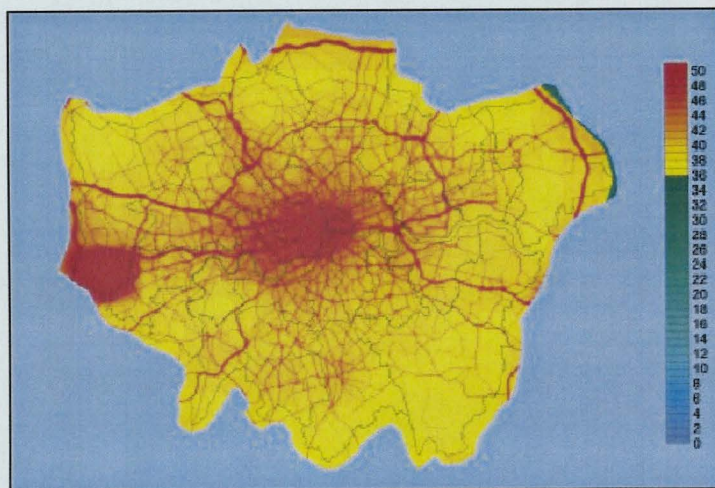
The roads around metropolitan centres in Outer London are also badly affected by congestion



Source: Based on GOL, TfL

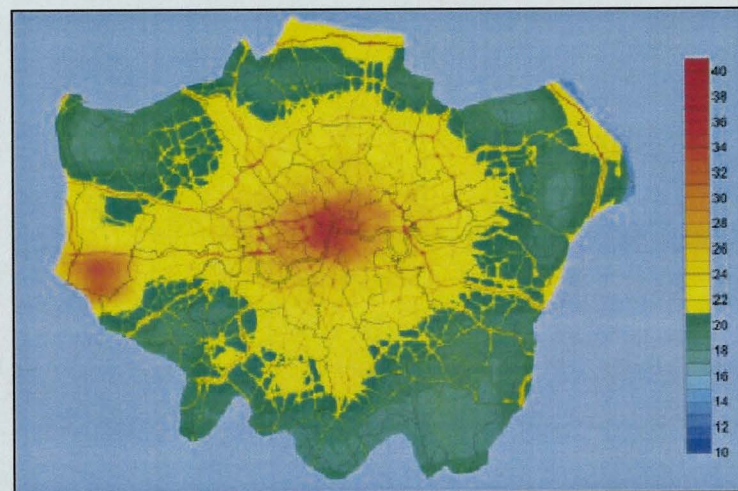
Congestion severely affects London's air quality

1999 average PM₁₀ concentrations



- 70% of PM₁₀ emissions are caused by road traffic.
- London's air quality is the worst in the UK, and among the worst in Europe - but it is improving faster than other EU cities.

Modelled 1999 average NO₂ concentrations

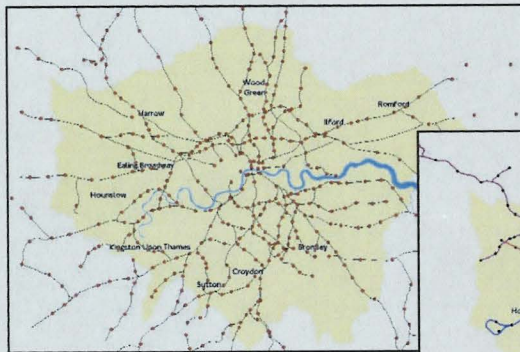


- It is estimated that London will not achieve the NO₂ target set for 2005, or the PM₁₀ target set for 2004.

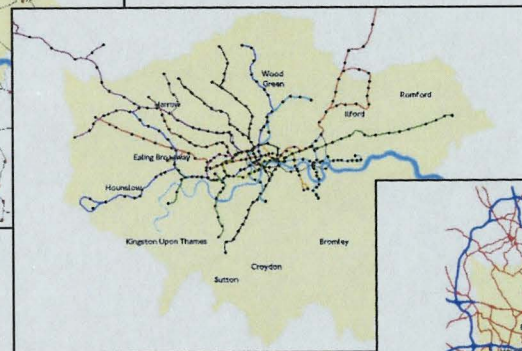
Source: *Health in London* [London Health Observatory; March 2002]. The left figure uses 1996 weather data and shows the number of days (above the 35 days per year allowed) where the objective level of 50µg/m³ was exceeded. The right figure uses 1997 weather data and shows annual average NO₂ concentrations in parts per billion. Nitrogen dioxide (NO₂) and particulate matter (PM₁₀) are two of 7 key pollutants.

Little new transport infrastructure has been added in London over the past fifty years, compared with the previous hundred

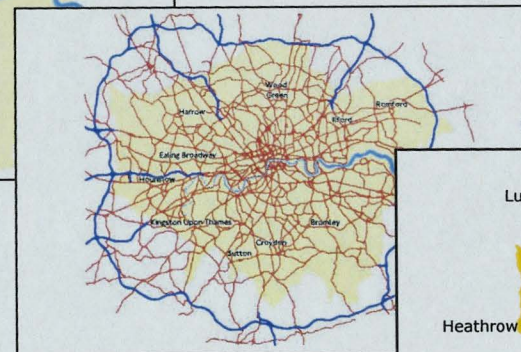
The rail network was substantially in place **by 1900**, delivering people to the edge of the central area



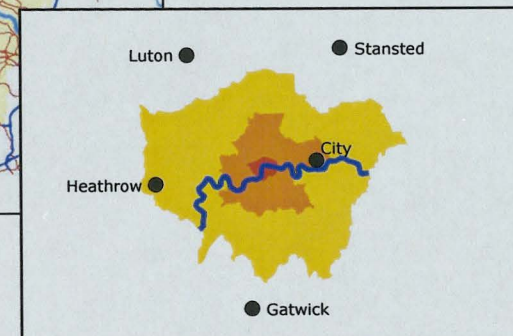
The Underground expanded **between the wars**, distributing people in the centre and extending to northern and western suburbs



Car use increased **after the wars**, encouraged by suburbs but on a limited road infrastructure

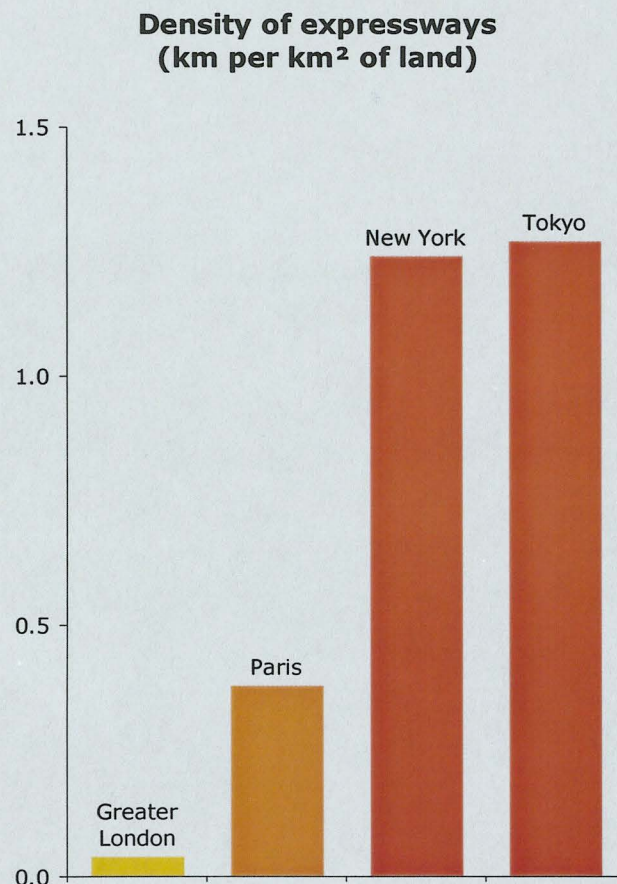


Airport capacity is one aspect of London's transport infrastructure that has significantly expanded in recent years



Source: TFL, SU analysis

London has a far less developed road infrastructure than other world cities

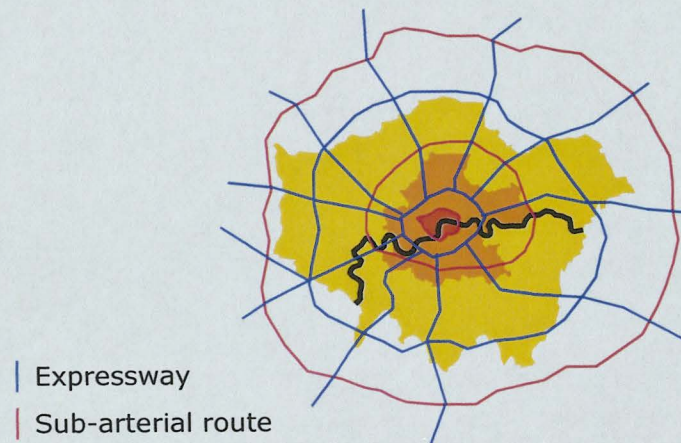


- In contrast to some other cities, London's road network was not designed to carry today's traffic volumes:
 - » the road layout is poor with a high density of junctions
 - » roads are often restricted to single lanes, making them susceptible to disruption from road works etc
 - » the network does not separate local, regional and national traffic, which results in inefficient traffic flow.

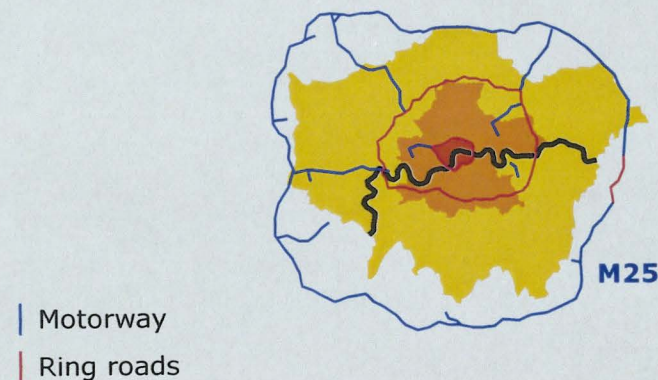
Source: LRC

Post-war plans to invest in a modern network of strategic roads failed in the face of cost and public concern about the environment

Abercrombie Plan - 1945



Major Roads - 2003

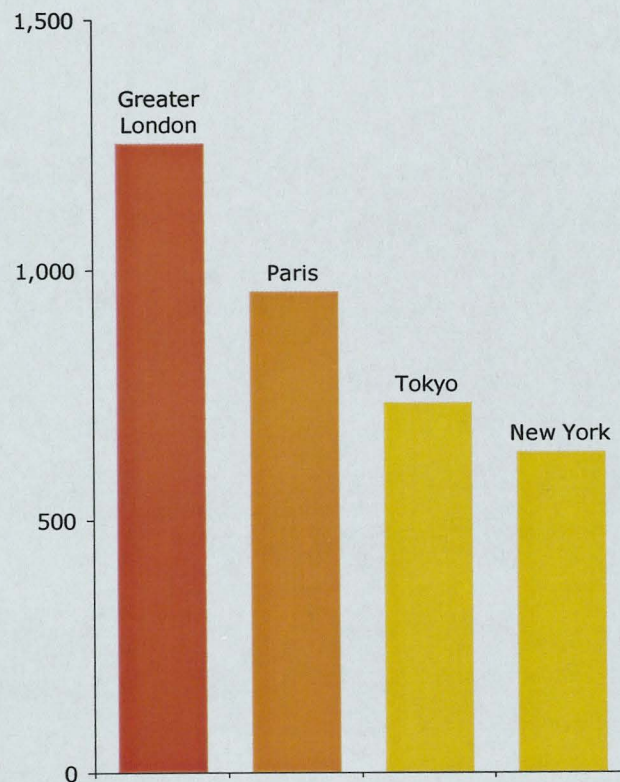


- Abercrombie (1945) proposed a strategic road network for London, comprising 5 orbital rings and 10 express arterial routes into the centre.
- The main objectives were to:
 - » divert traffic away from the centre, by always making it faster to go around than through
 - » facilitate sustainable development by locating accessible metro centres on nodes in the road network
 - » separate swift through traffic from more local traffic reaching its final destination.
- London's actual road development has been piecemeal - the Westway development in the 1960s, M25 in 1986; Red Routes early 1990s and the Central London congestion charge in 2003.

Source: Abercrombie, Urban Studies

London's rail and tube network is far more extensive than in other world cities and has defined the shape of the city

Route length of metro and regional rail (km) - 1995

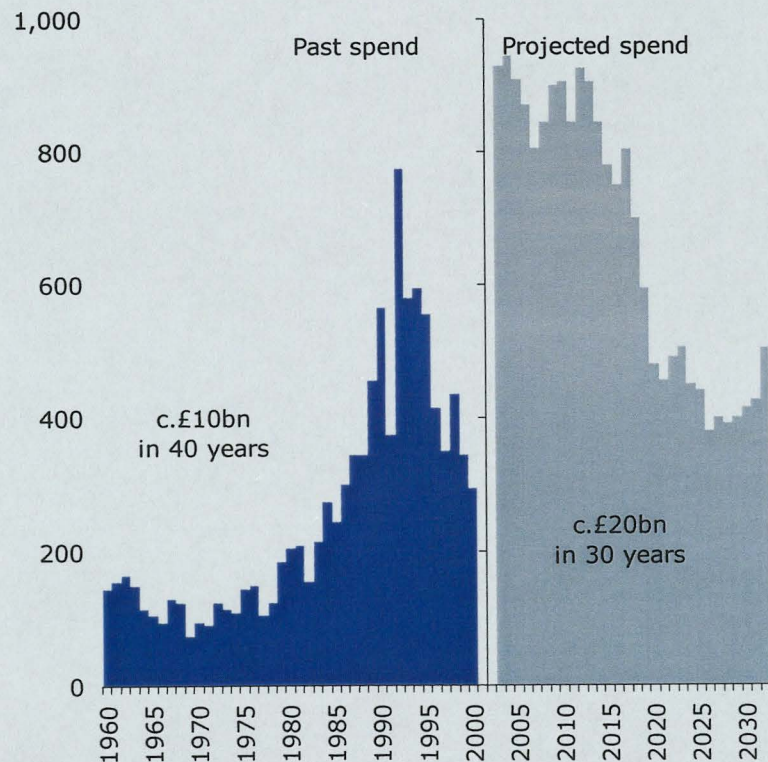


- London's public transport system has encouraged people to spread into the suburbs and allowed business to concentrate in the centre.

Source: London Research Centre

Investment in further developing London's rail and tube network was a low priority, however, in the post-war era

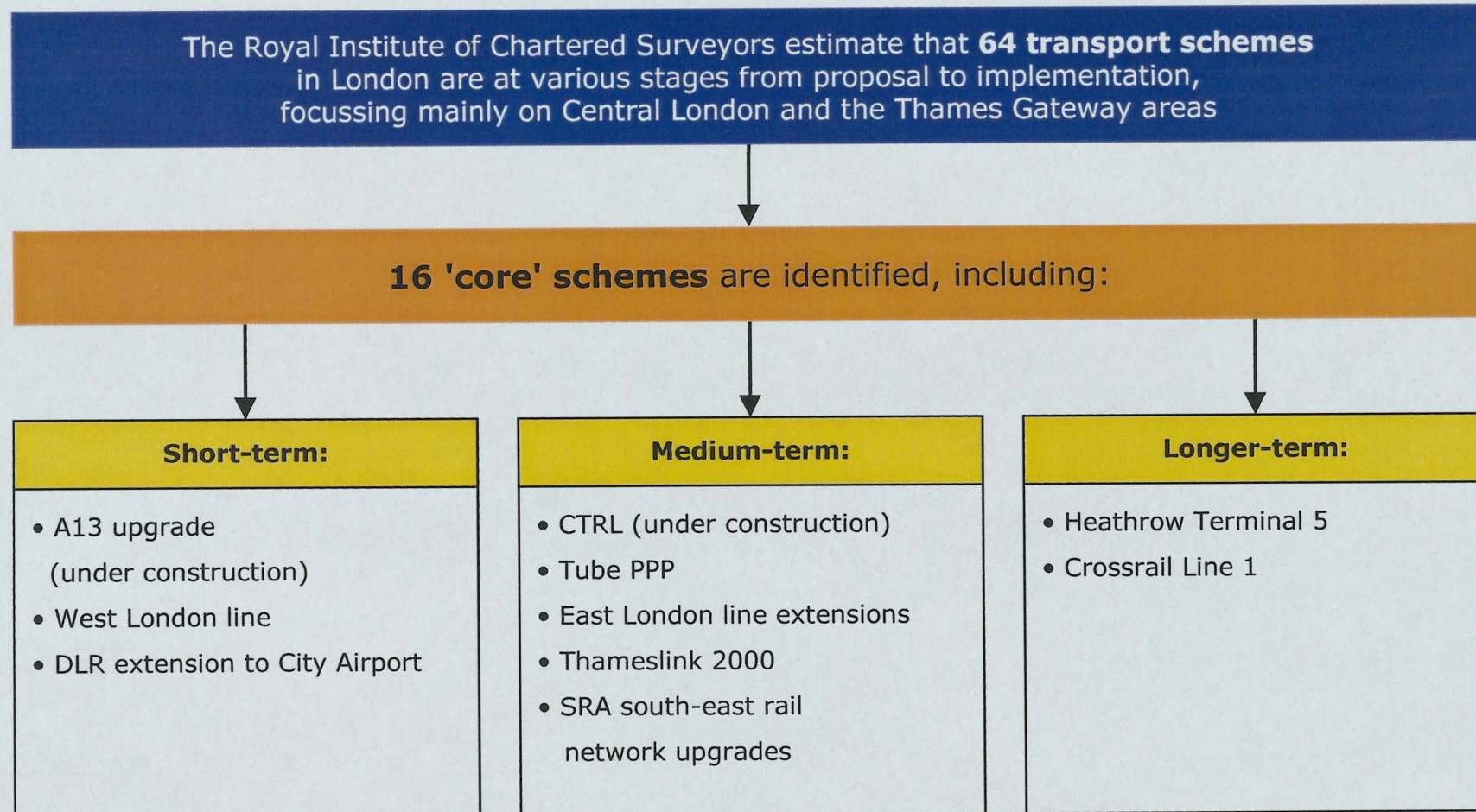
**Underground core investment
(£m at 2001 prices) - 1960-2000
and planned under PPP
(excludes construction of new lines)**



- The chart opposite shows investment in Underground maintenance and modernisation.
- The £20bn investment under Tube PPP will cover future modernisation and maintenance.
- In addition to the spending identified, recent new infrastructure projects in London include:
 - » Victoria Line (1969)
 - » Piccadilly Line spur to Heathrow (1977)
 - » Jubilee Line (1977)
 - » Heathrow Express (1990s)
 - » East London Line renovated (1998)
 - » Jubilee Line extension (1999)
 - » Croydon Tramlink (1990s)
 - » Docklands Light Railway (ongoing)
 - » Waterloo Eurostar Terminal
 - » CTRL (under construction)

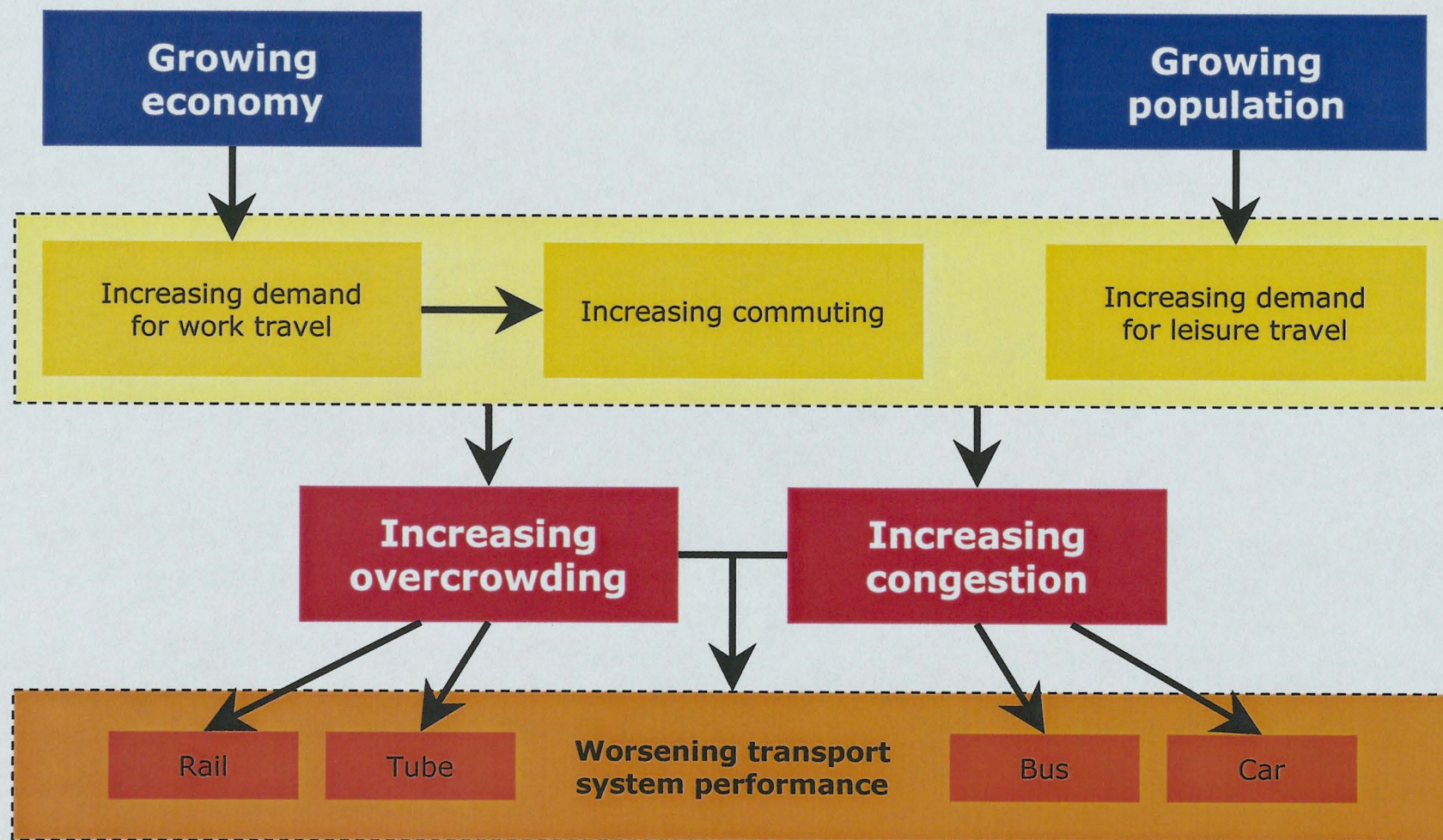
Source: DfT

Today, plans for London's transport infrastructure focus on improving the performance of the existing rail network to meet existing needs

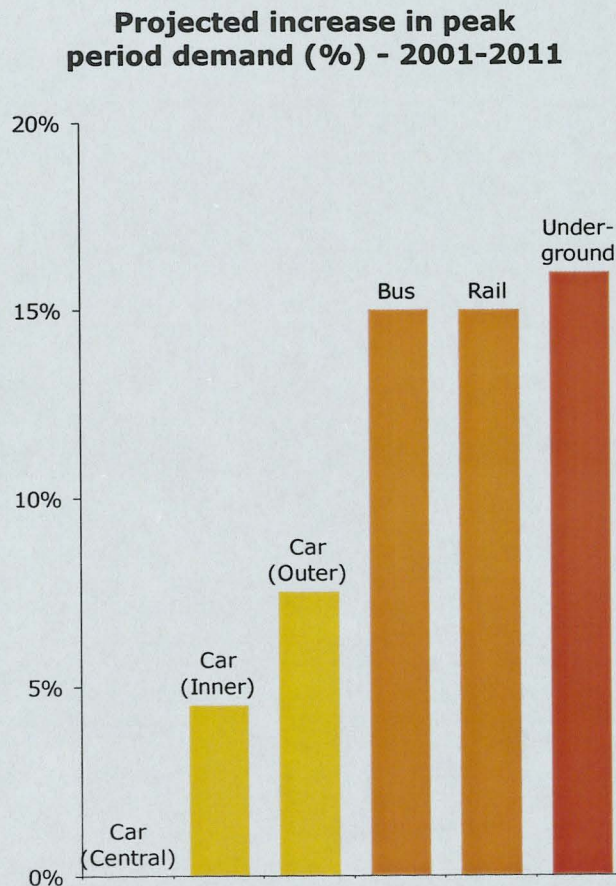


Source: RICS, DfT

Continuing economic growth will add to the existing pressures on all forms of transport in London



London's growing economy will continue to increase demand for public transport



- Over the last decade, public transport use has grown 6-8 times faster than car travel.
 - » this suggests London's roads are close to capacity;
 - » demand has been transferred onto other modes, especially rail and Underground.
- If current trends continue, there may be over 400,000 additional people working in London by 2016
 - » the increased strain will impact most heavily on London's public transport system
 - » road congestion will also continue to increase.

Source: TFL, SU analysis

Summary of main problems with travelling in London, now and in the future

Difficulties by Area	Difficulties by Mode
<ul style="list-style-type: none">• High and increasing demands of commuting exceed capacity in the central area• London's transport infrastructure does not support orbital travel, especially in Outer London• Access to public transport is relatively poor in the east and south-east of London• Infrastructure development is not keeping pace with the changing living patterns of those who work in Central London.	<ul style="list-style-type: none">• Rail and Underground systems are extensive but overcrowded at peak times, and less punctual than services in other world cities• Investment in road infrastructure has been less than in other world cities• Widespread car use contributes to congestion that affects car and bus journeys in all parts of London

Part 6

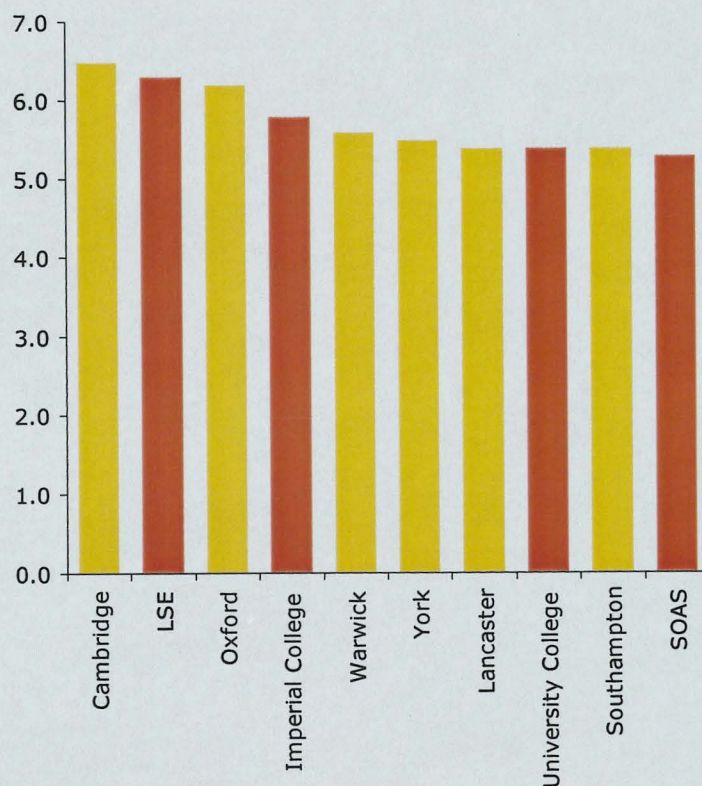
London's public services

This part analyses public services in London looking at:

- » The performance of public services in London
- » The challenges faced by London's public services:
 - proximity of wealth and poverty
 - diversity
 - mobility and transience
 - recruitment and retention

London is a centre of excellence in some public services, such as higher education and teaching hospitals

**Research Assessment Exercise 2001:
Top 10 HE Institutions**



London HE institutions also attract significant numbers of overseas students

**London is a global centre of
excellence in acute health
research and services**

Royal Brompton

World leader in heart and lung medicine

**The Institute of Neurology and the
National Hospital for Neurosurgery**

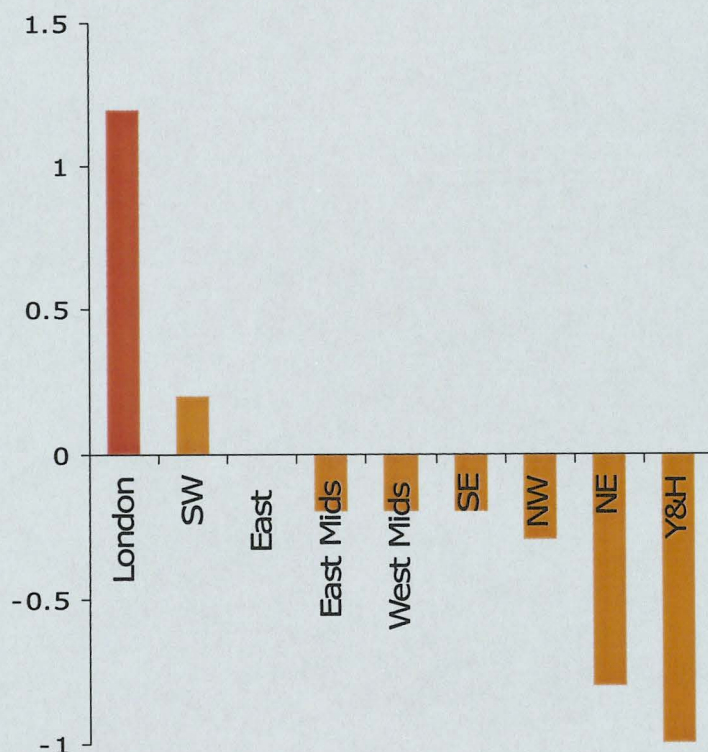
Largest clinical neuroscience centre in
Europe

**Great Ormond Street Hospital & the
Institute of Child Health**

World leader in child health and research

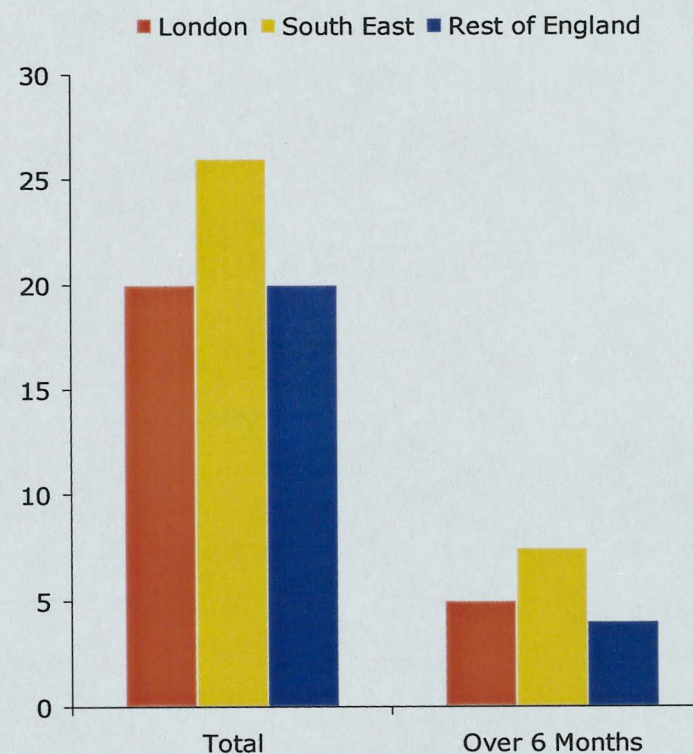
Relative performance in some London services is good, with schools adding more value and hospital waiting times on a par with other regions

Added value* in maintained schools at Key Stage Three-Four, 2002



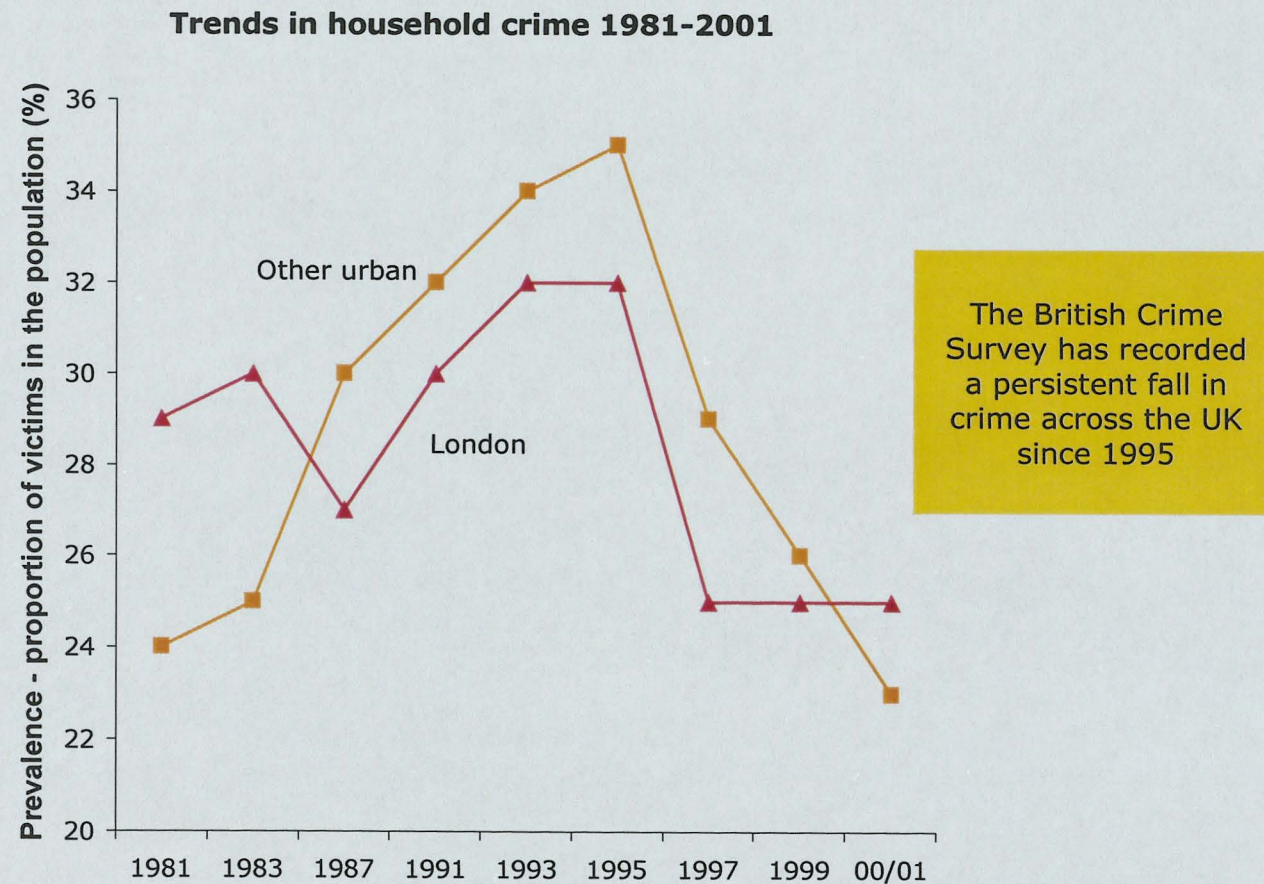
**: Added value is the progress a pupil makes above the average performance of pupils with the same prior attainment*

Waiting times (per 1000 population) in London, SE and Rest of England 2001



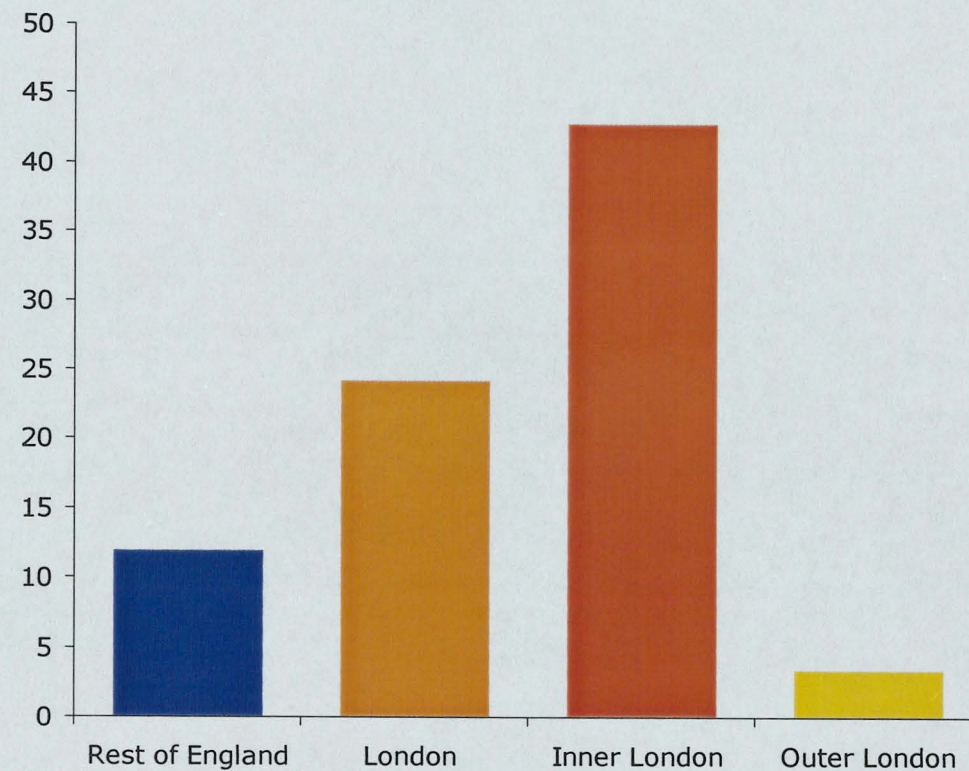
Source: DfES, DoH Unpublished analysis

Household crime has generally been lower in London than in other urban areas



A high proportion of Inner London boroughs is rated as excellent

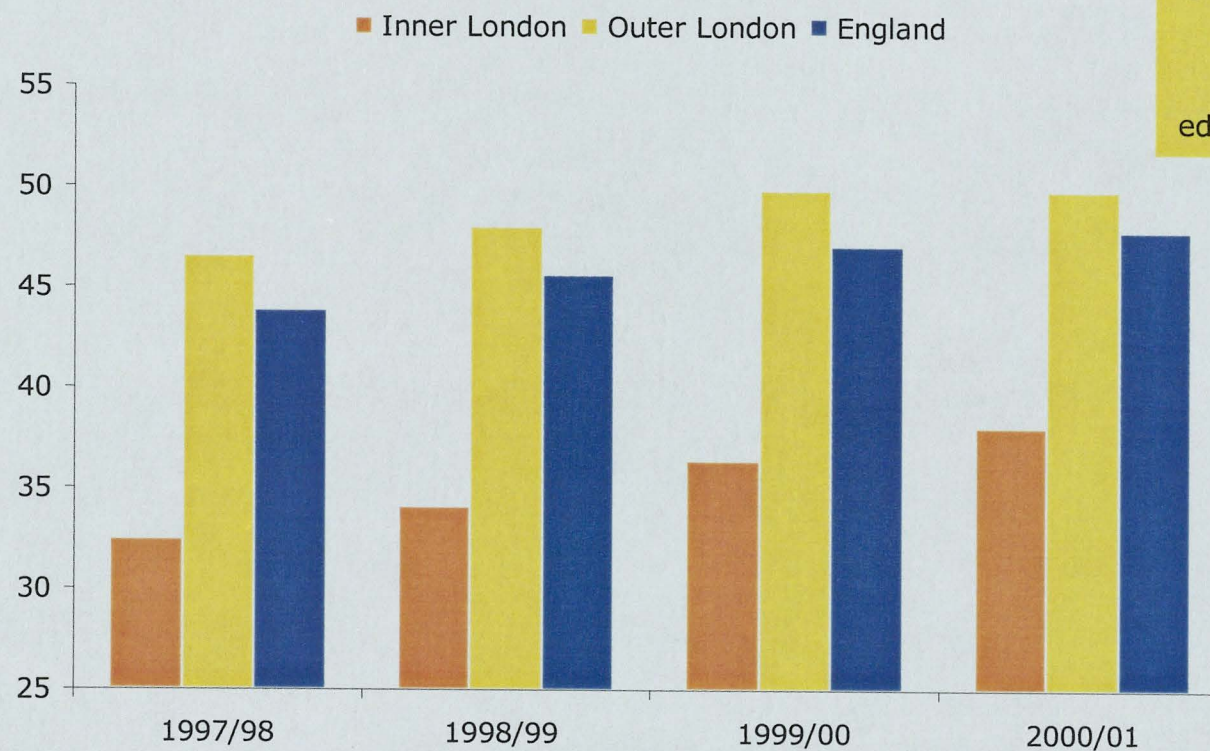
**Local authorities rated Excellent (% of area)
by the Audit Commission CPA**



Source: Audit Commission

However, absolute attainment in Inner London schools is the lowest in England

**Pupils gaining 5 good GCSEs (%) at maintained schools
1997-2001**

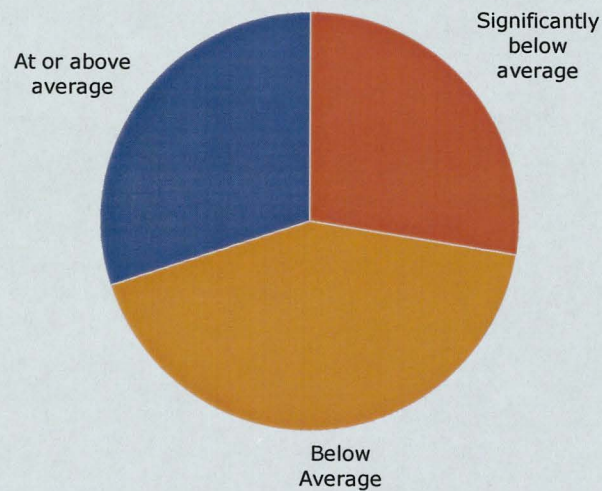


Deprivation is one of the strongest predictors of differential educational outcomes

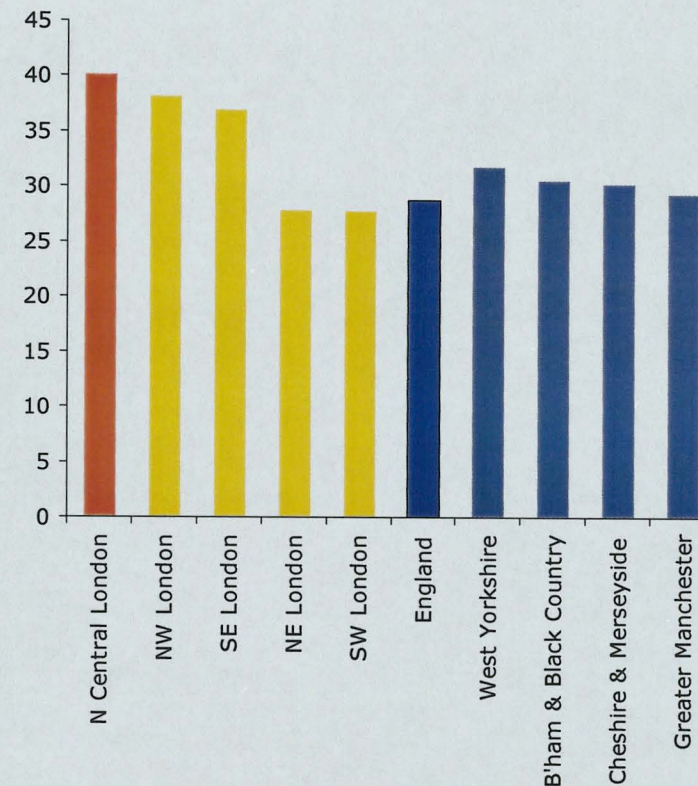
Source: DfES

Access to primary care in London is poor and accident and emergency services are over-stretched

Access to GP in London Health Authorities
(% of practices which can offer an appointment within two working days)



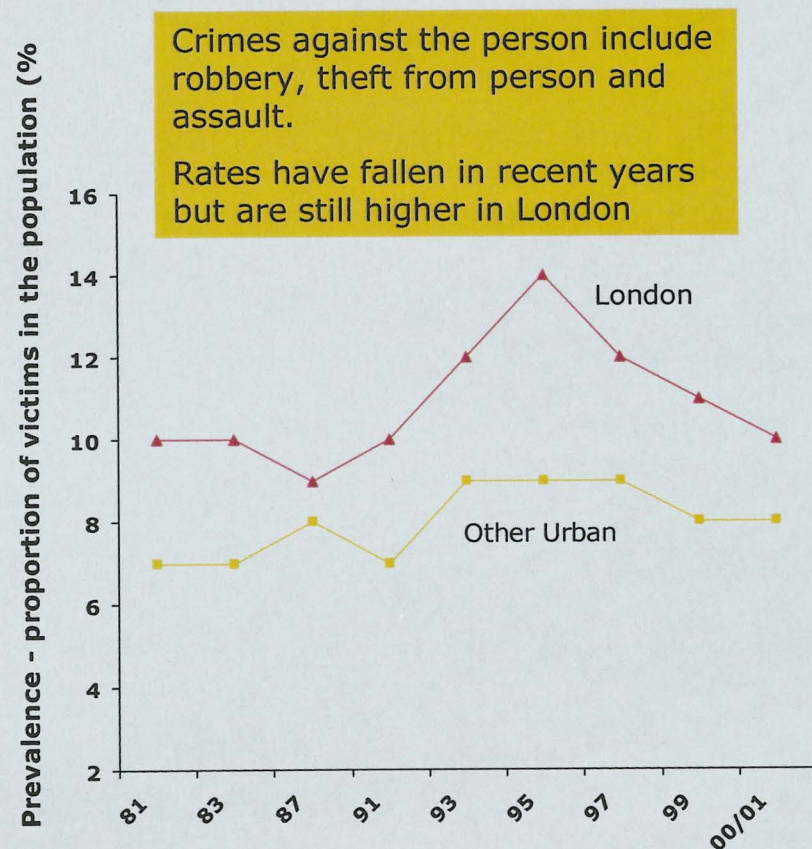
Accident and emergency attendance rates
(per 100 population) 2001/2



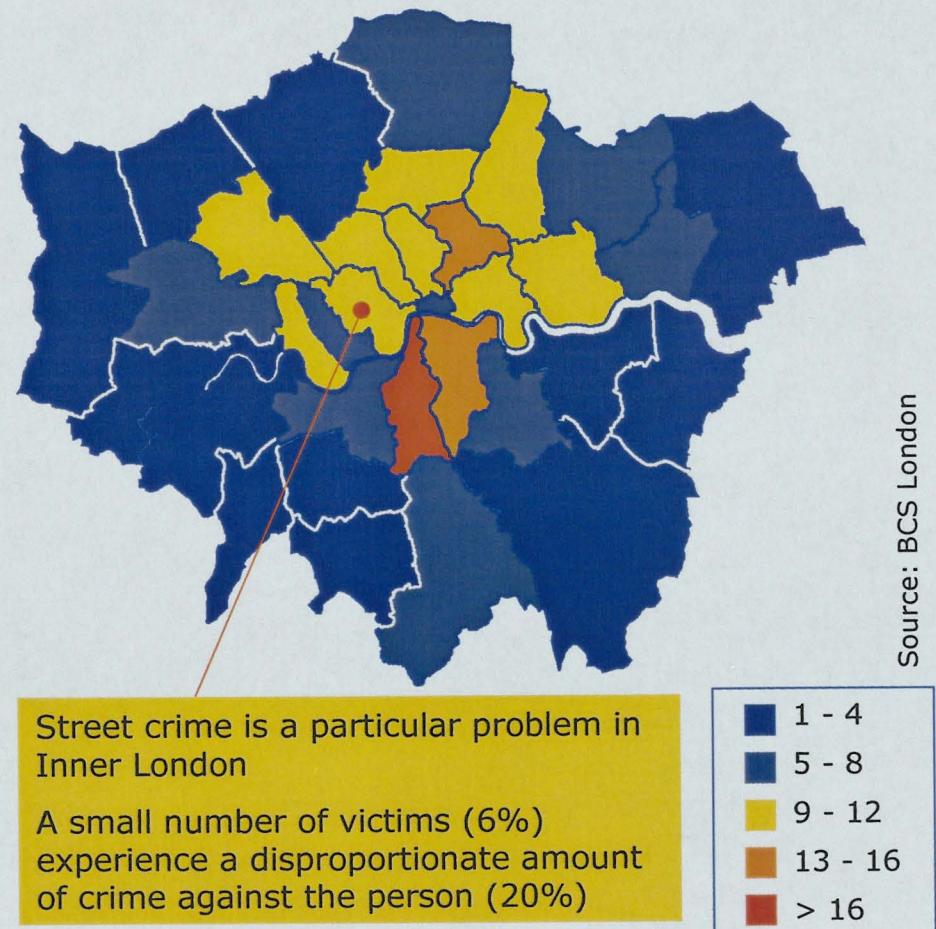
Source: DoH

Though household crime has been lower, crime against the person in London has been higher than the rest of the country

Crimes against the person - trends in London, 1981-2001

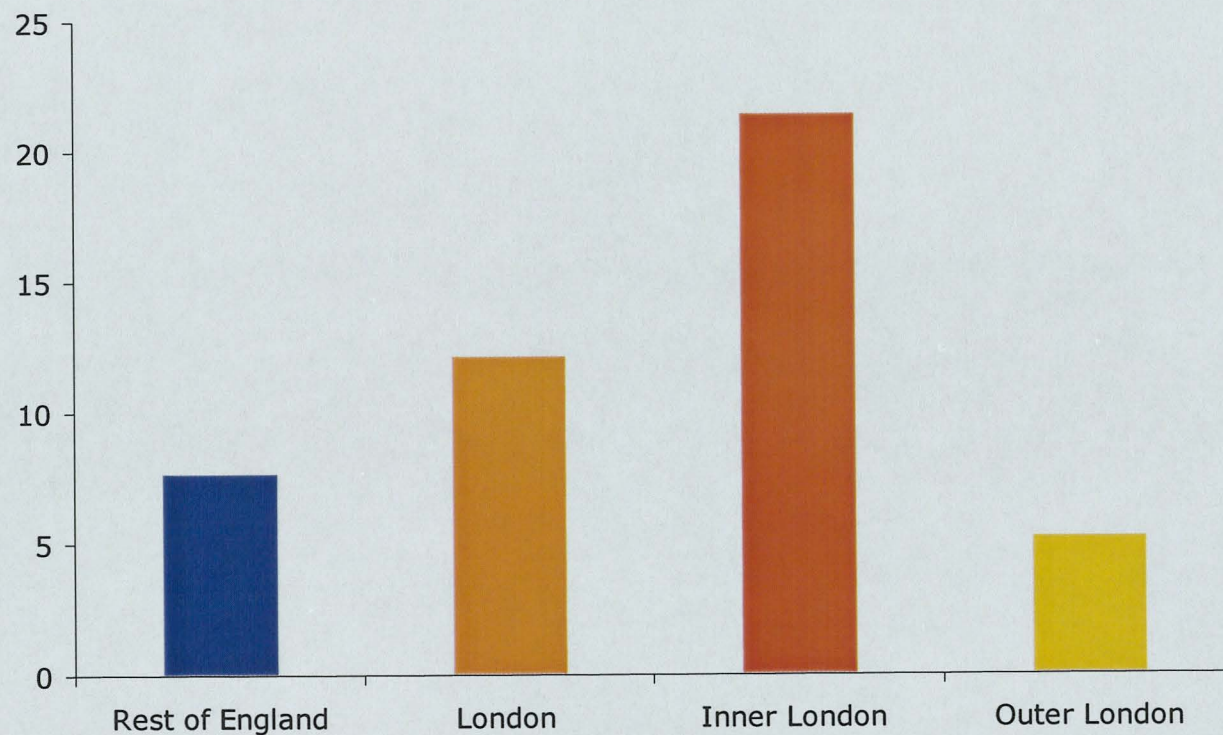


Recorded robberies per 1000 population (2001/02)



Inner London has the greatest proportion of poor - as well as high - performing boroughs

Local authorities rated poor (% of area) by the Audit Commission CPA



Source: Audit Commission

The co-existence in London's public sector of both excellent and poor performance results from the distinctive characteristics of the capital

The performance of the public sector in London

Reasons for excellent performance

Private healthcare market attracts top medical staff, national and international patient inflows
Gentrification places higher quality demands on local services

Some public sector staff motivated by working in challenging circumstances
Focus of resources and programmes on deprived / failing areas

Presence of certain high performing black and minority ethnic groups
Potential for workforce to reflect and represent community
London services more 'crisis prepared'

London and its reputation attracts new and world class professionals.

Factors driving performance

Wealth

Deprivation

Diversity

Mobility

Workforce

Reasons for poor performance

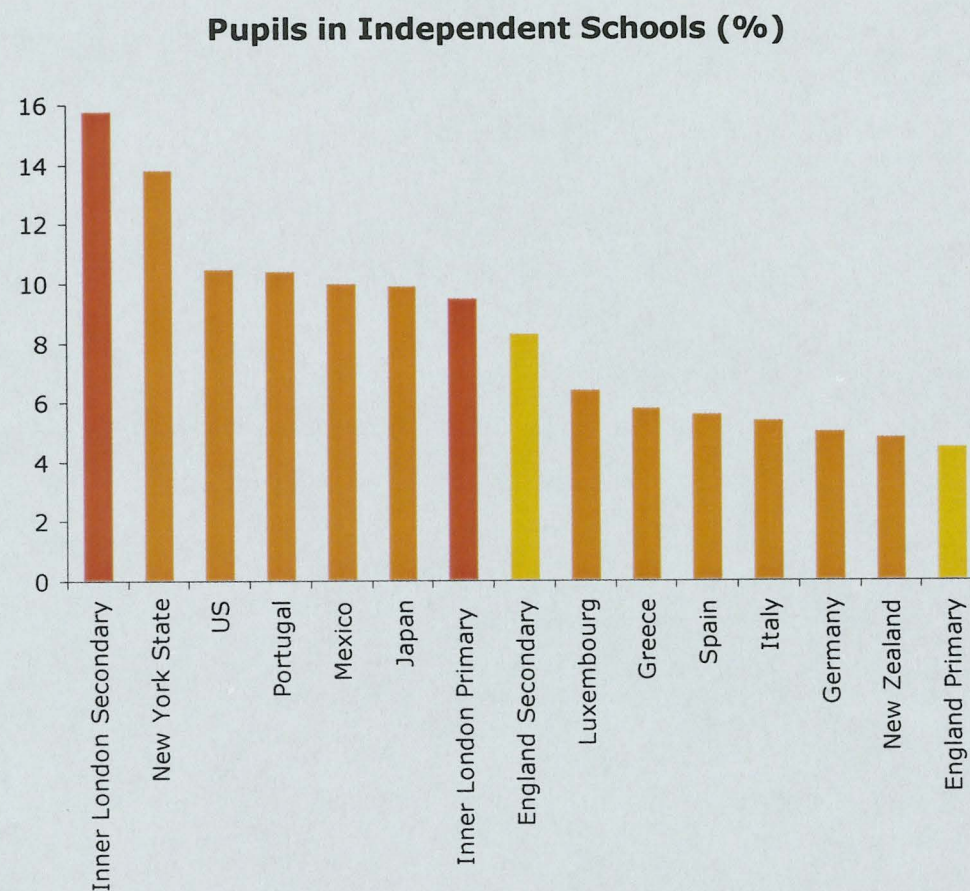
Middle class parents opt-out of public education system
Wealthy communities are targets of crime
Income and health inequalities are more pronounced

Deprivation associated with poor health and education outcomes and crime
Poor conditions act as a deterrent to some public sector workers

Delivery of public services more complex
Lack of service continuity
Services are used inappropriately - e.g. due to low numbers registered with GPs, A&E services are often first port of call for even minor ailments
Services also need to serve highly *immobile* groups - long term unemployed

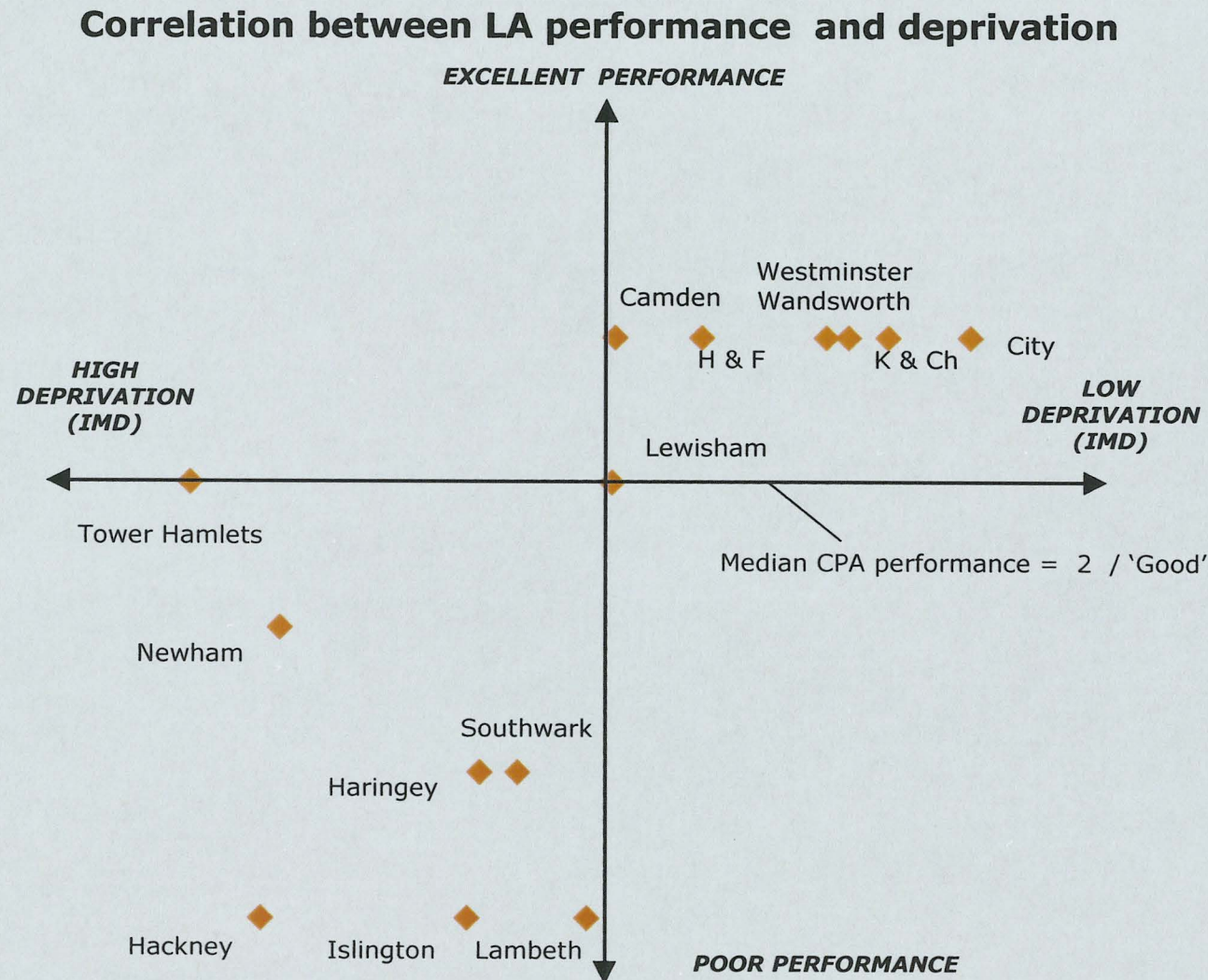
Disruption caused by high staff turnover
Reliance on less qualified professionals

A high proportion of middle class parents are opting out of Inner London schools, depriving pupils in lower socio-economic groups of the positive impact of a social mix



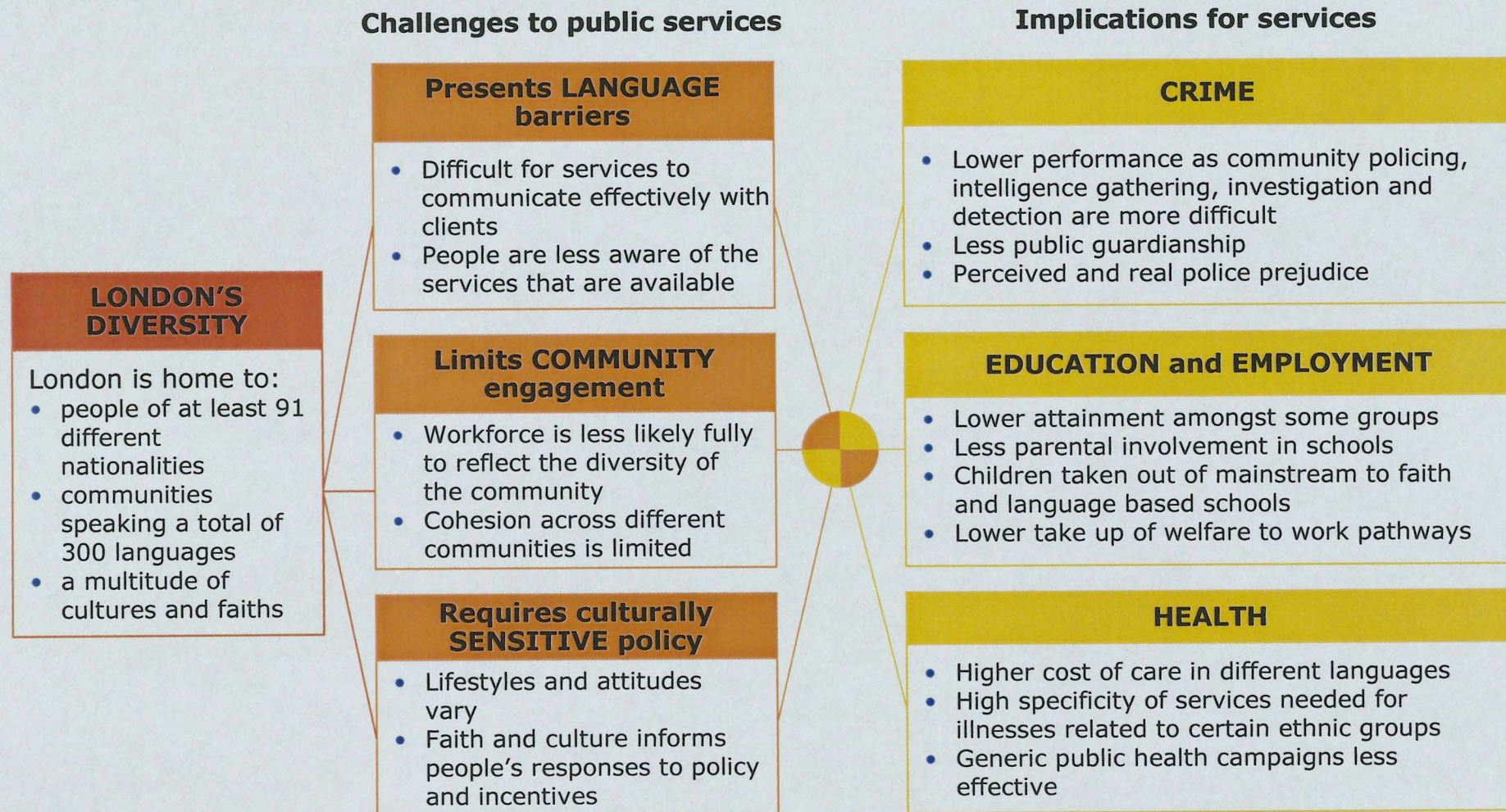
Source: DfES

There is some evidence of a link between poor local authority performance in parts of Inner London and deprivation



Source: ALG, SU Analysis

The diversity of their clients presents a challenge to public services in London



Patterns of ethnic diversity in London are more complex than in other UK cities

Patterns of ethnic diversity in London

Brent

- Large BME population mainly from one BME group (34% of BME are Asian Indian)

Compare: **Leicester**

Kensington and Chelsea

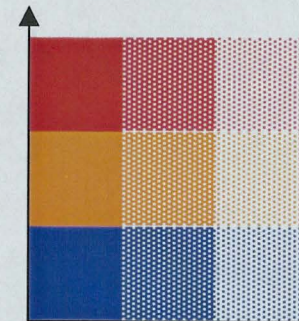
- Small (21.4%) but very diverse BME population

Compare: **Bristol**

Key

BME = Black and Minority Ethnic

BME higher proportion of population



BME more diverse

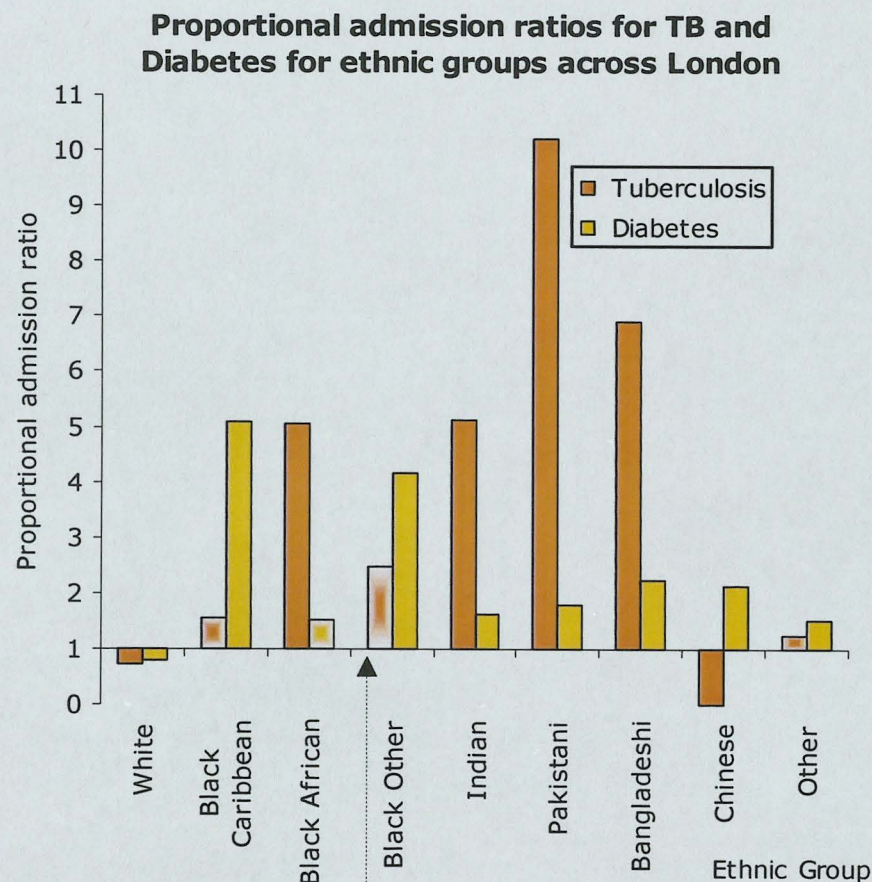
Croydon

- Medium sized (29.8%) and fairly diverse BME population

Compare: **Manchester**

Source: ONS, SU Analysis

London's health services face distinct challenges in meeting the needs of a diverse population



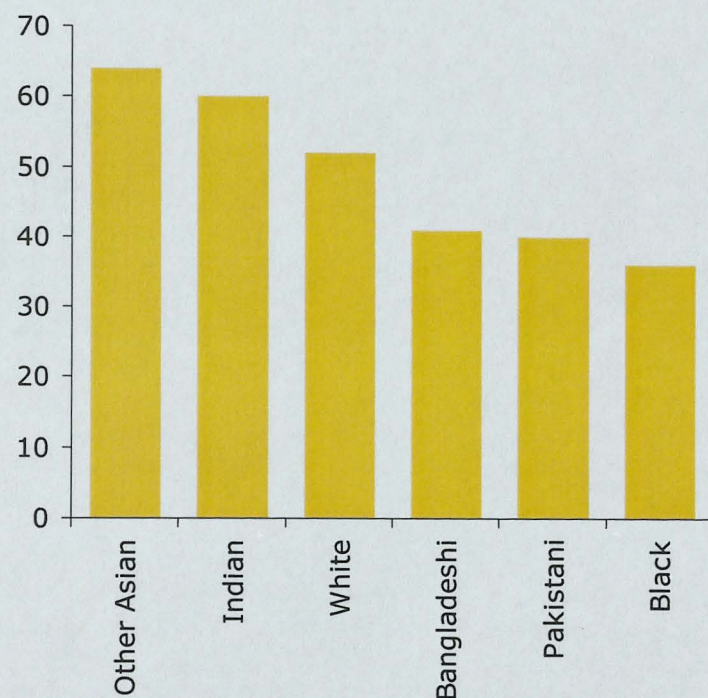
Note: Lightly shaded bars denote non statistically significant ratios.

- Some patterns of ill health are more prevalent in particular ethnic groups:
 - » coronary heart disease
 - » diabetes
 - » mental health problems
 - » tuberculosis
 - » HIV and AIDS
- Unemployment and deprivation - key drivers of health outcomes - disproportionately affect some ethnic groups.
- Problem drug use is high in London (c.65,000 or 23% of UK's PDUs)
 - » increasing use of crack cocaine amongst some ethnic minority groups is a challenge to traditional treatment services

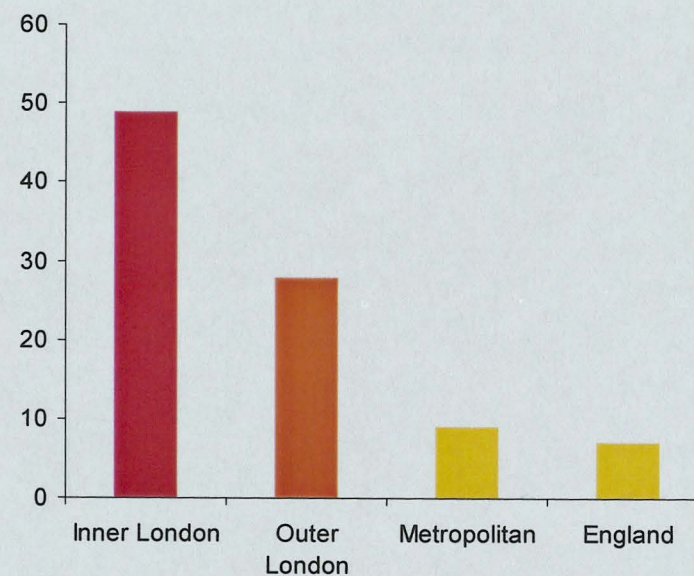
Source: London Health Commission

Pupils from some ethnic groups do better than others, increasing the polarisation of London schools' performance

Attainment of 5 Good GCSEs (%) in Year 11 by Ethnic Group 2002



Percentage of schools where more than 40% of students do not have English as their first language

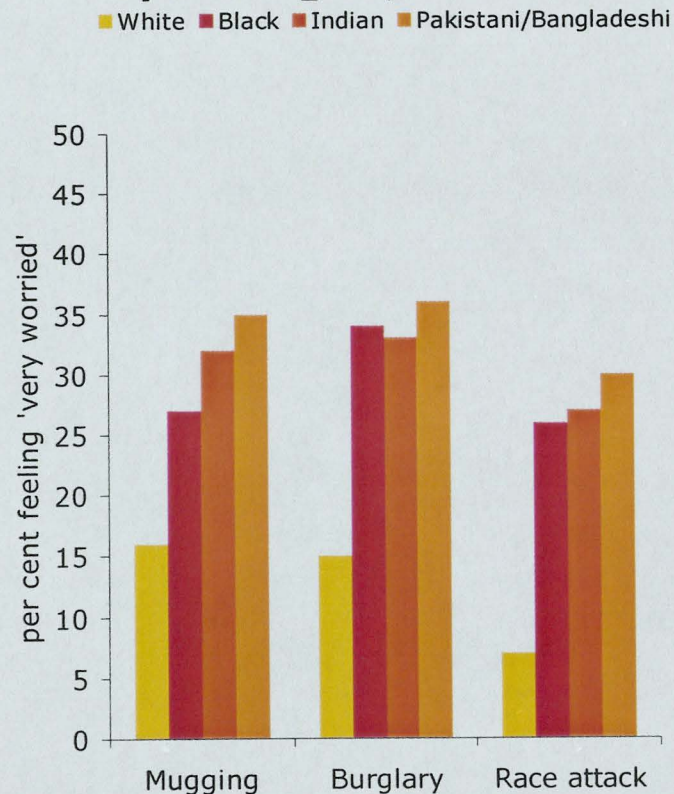


Source: DfES

Although diversity issues are addressed in national policy, the complexity of London's diversity is not.

Fear of crime is high amongst London's ethnic minorities, who are over-represented as both victims and suspects

Anxiety about crime in London, by ethnic group and offence



- The differences in fear are only partly explained by the likelihood of ethnic groups living in deprived, high crime areas
- The risk of being a victim of racially motivated attack is considerably higher for Bangladeshis and Pakistanis than other BME groups
- Ethnic minorities are also less likely to report crime to the police
- These issues are not unique to London's ethnic minority population, but the complex diversity in London makes it difficult for police to engage effectively with communities to reduce crime and fear

Source: Policing for London, BCS, Met,

Serious and organised crime in London poses a particular threat to vulnerable minority communities

Serious and organised crime in London

International

Some minority groups have links with international organised crime. E.g drug supply from Turkey, human trafficking from E. Europe

National

London's opportunities for money laundering and its national transport links make it central to UK-wide organised crime. E.g armed robbery

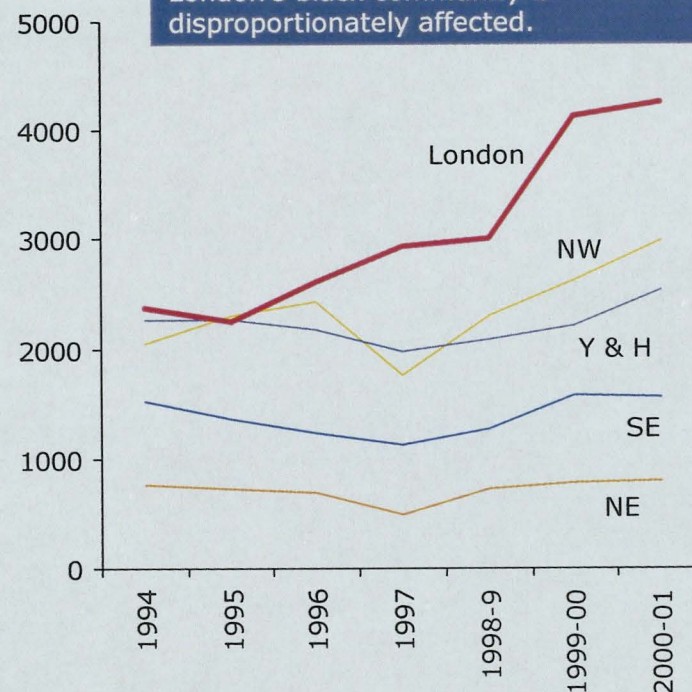
Local

Gang culture, linked to drug dealing, is increasing in particular parts of London. Gangs form within ethnic groups (including whites).

Vulnerable groups such as asylum seekers, migrants and deprived young people are victimised by - and at risk of being drawn into - these criminal networks

Offences recorded by the police in which firearms have been used 1997-2001

High gun crime in London is driven by organised crime at all these levels (as well as by changing youth culture). London's black community is disproportionately affected.



Source: BCS, SU interviews and analysis

The mobility and transience of some parts of the population place a further strain on existing delivery mechanisms

The challenges to public services of daily mobility and residential churn

Types of mobility and transience in London

Residential churn

- **Students** living in private rented accommodation, changing from year to year and / or not resident all year round
- **Transient workforce** spending the beginning / height of their careers in London before moving on
- **Asylum seekers** in temporary accommodation around London and moving through London

Daily mobility

- **Commuters** into London for work
- Daily influx of **Tourists** travelling around Central London
- **Pupils** travelling across London to school in the morning and evening

Consequences for public services

Classrooms disrupted

- Pupil mobility affects achievement of both mobile and stable students
- Transient teaching workforce undermines quality and continuity

Health services are not used appropriately

- A & E services are used as Primary Care facilities, placing a strain on delivery
- Lack of registration with GPs and movement across health authority boundaries compromises continuity and coverage

Authorities are easy to avoid

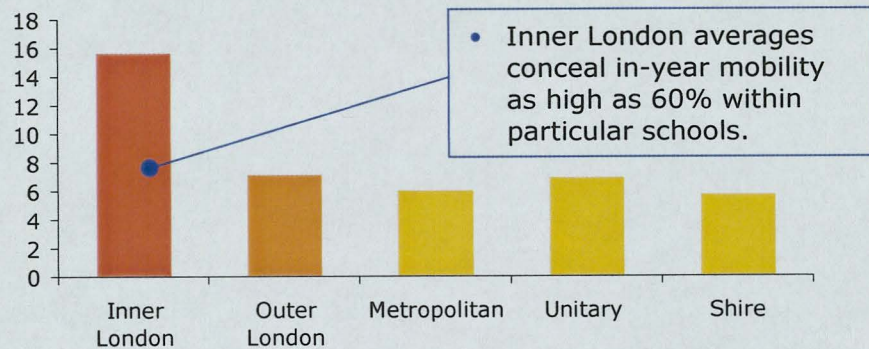
- Lower detection and clear up rates
- Tracking at-risk groups such as children and young offenders is more difficult

More potential victims

- Daily influx of wealthy targets

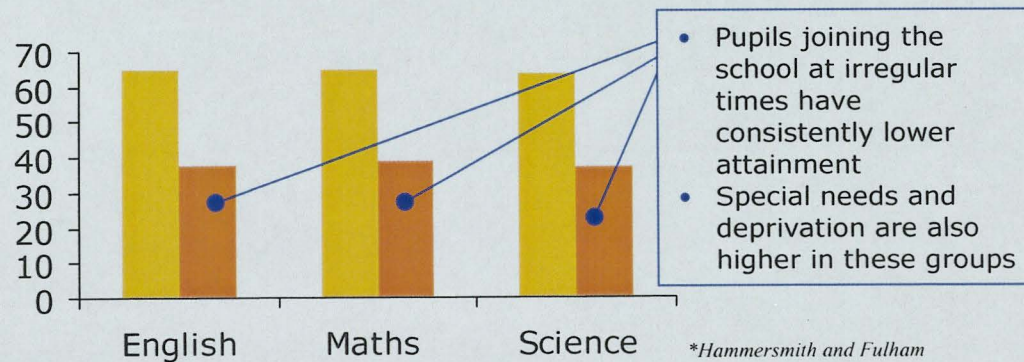
High pupil mobility affects the performance of both mobile and stable students

**Secondary school mobility
(% of pupils joining or leaving annually)**



**Percentage of mobile and non-mobile pupils
gaining L5+ (KS3).***

■ Admitted at start of Year 7 ■ Admitted after start of Year 7



- Consequences of high mobility include:

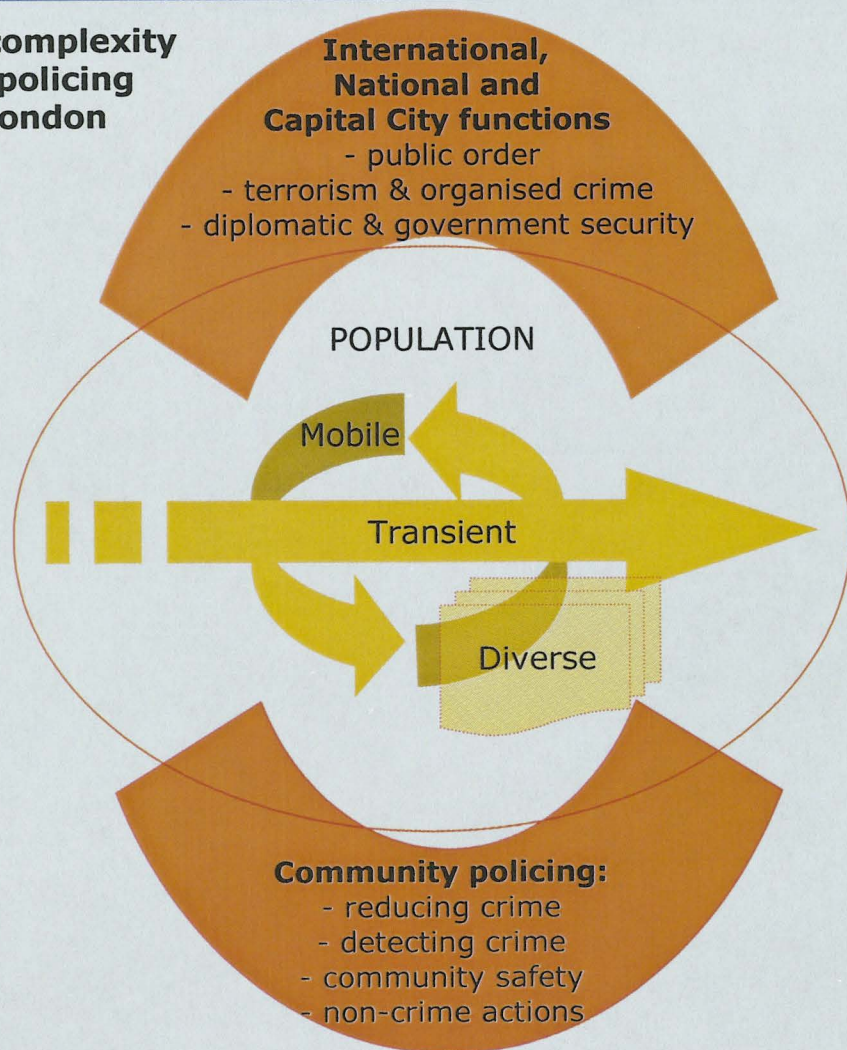
- » children become lost to the education system
- » continuity of stable and mobile children's education is undermined
- » poor attainment
- » school timetable and resources more complex to manage

- Funding does not take full account of mobility and the impact it has on school performance

Sources: DfES, McKinsey's analysis and Children on the Move, Gordon Mott

Daily mobility and residential churn add to the complexity of policing

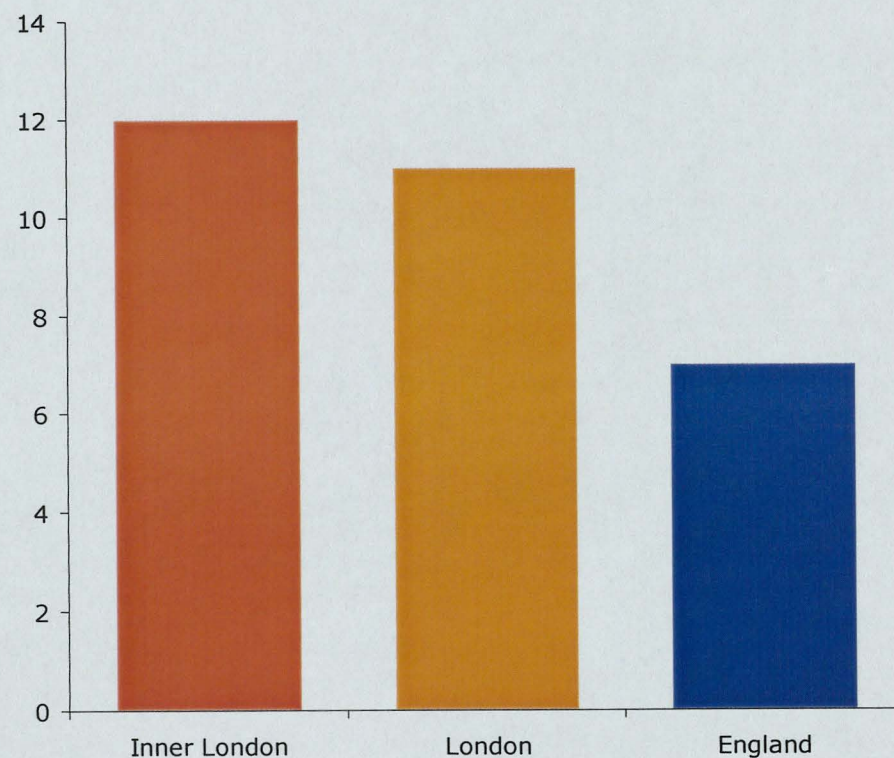
The complexity of policing London



- Daily mobility brings new potential victims into and across the city, presenting new crime opportunities
- Residential churn enables those evading detection or enforcement to avoid the authorities
- Diversity, mobility and transience make all community-police relations more difficult to build and to maintain.

As in London's private sector, some public services in London can attract the most highly skilled

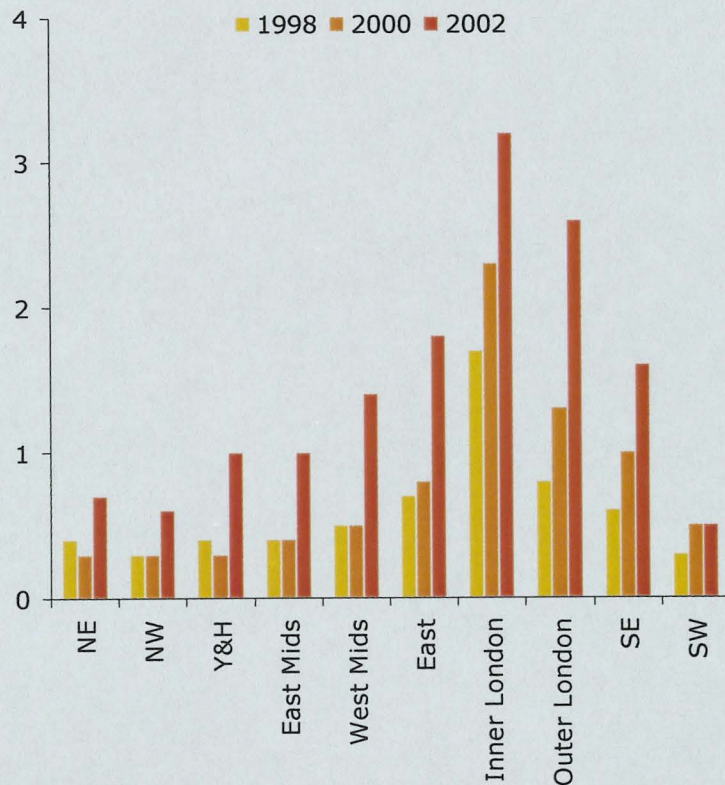
Teachers rated Excellent by Ofsted (%) - 2000



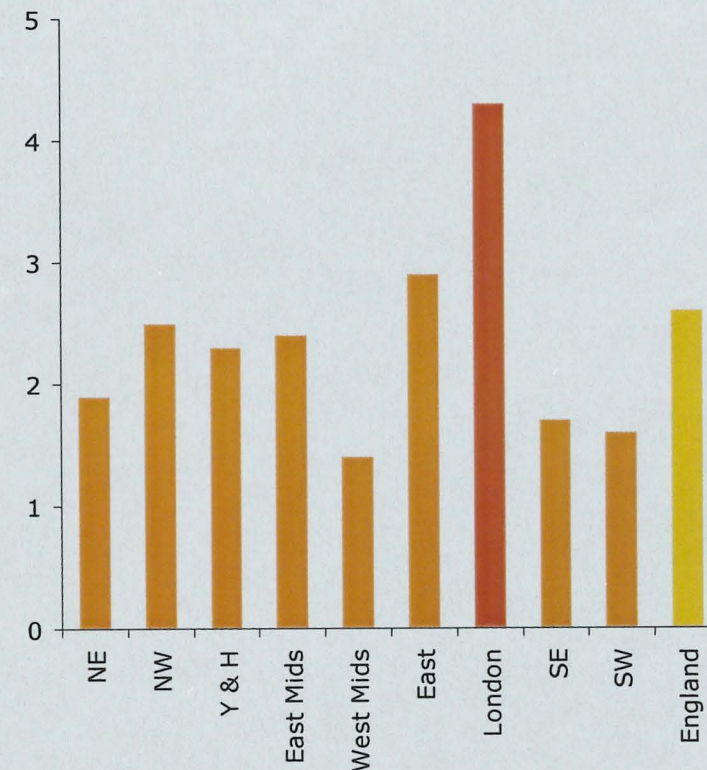
Source: DfES / Ofsted

However, some parts of London's public services face significant recruitment and retention problems

Teacher vacancies in maintained schools (%) - 1998-2002



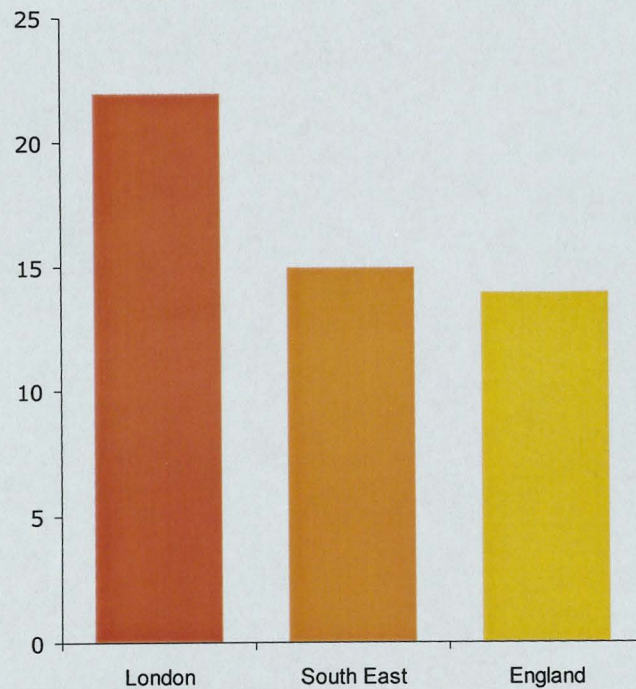
Implied police force vacancies (%) 2001-02



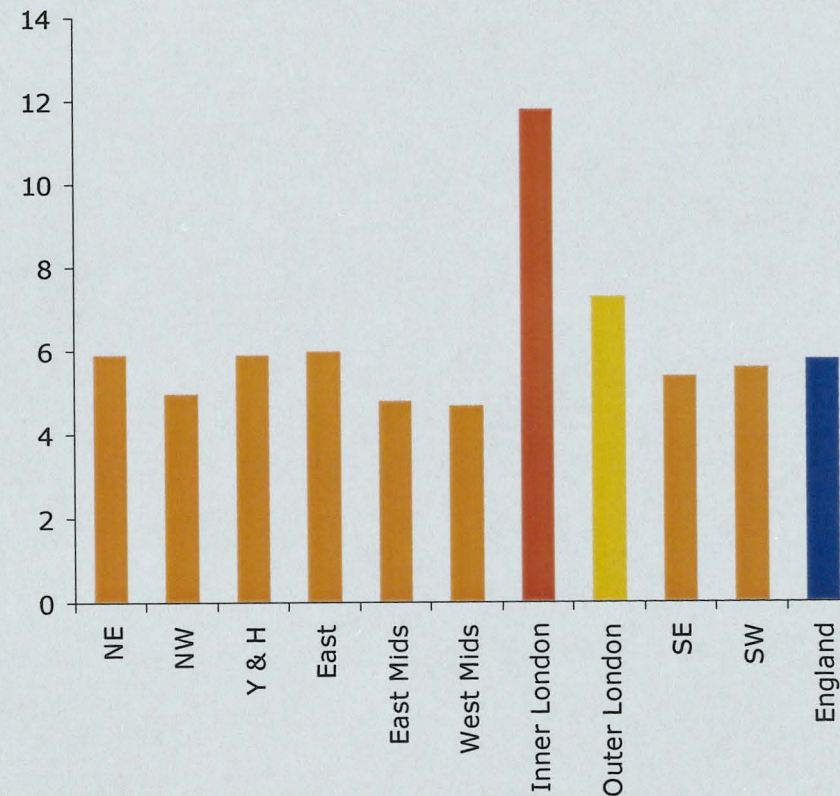
Source: HMT

Unusually high turnover in London's public sector compromises continuity and quality

Nurse Turnover in London, SE and England (%) - March 2002



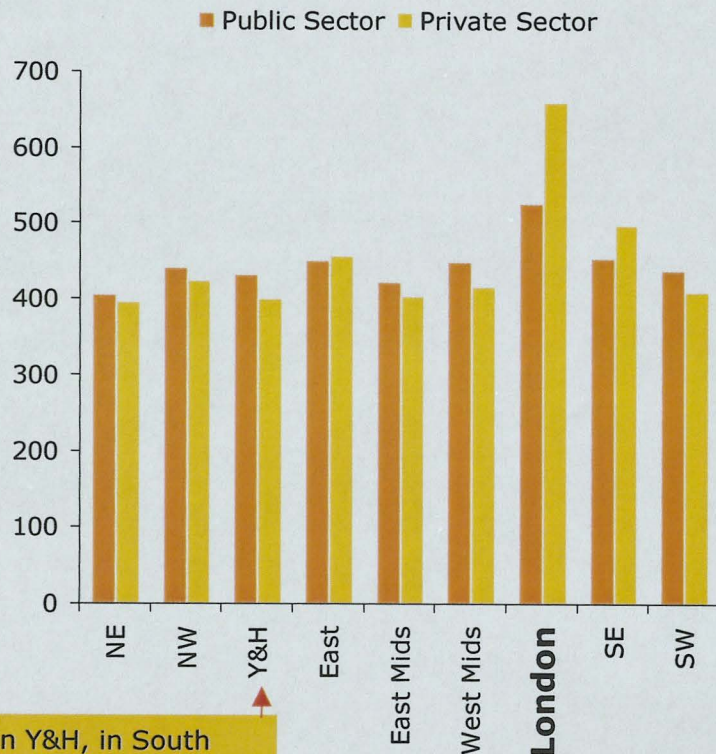
Unqualified and Supply Teachers (%) - 2001



Source: DoH, DfES

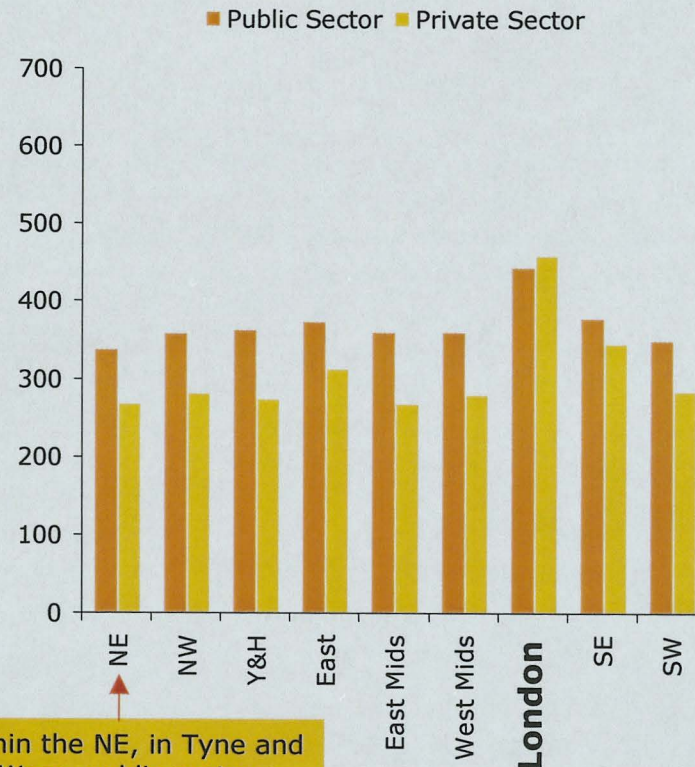
London's public sector workers earn significantly less than those in the private sector - the reverse of the position outside the SE

Gross weekly pay (£) for public and private sector **males** working full-time 2000



Within Y&H, in South Yorkshire, public sector men earn **31% more** than those in private sector

Gross weekly pay (£) for public and private sector **females** working full-time 2000



Within the NE, in Tyne and Wear, public sector women earn **46% more** than private sector women

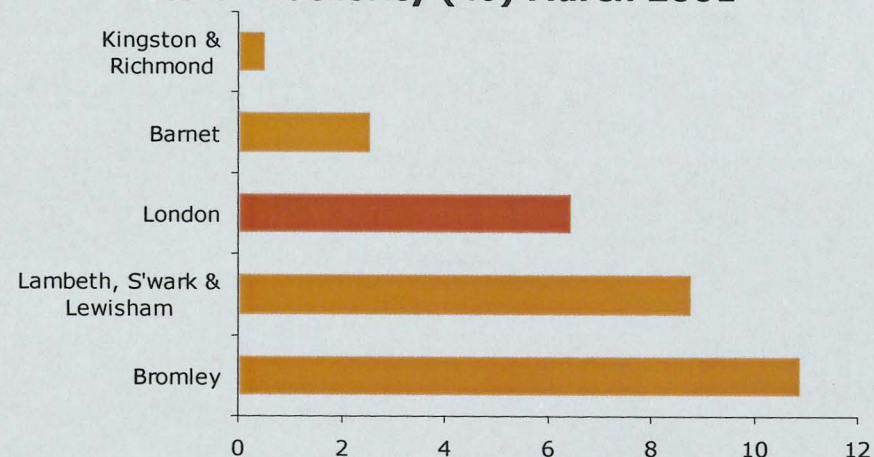
Source: HMT

Working conditions in London's public sector can both attract and deter staff

Incentives	Disincentives
Dealing with London's challenges can be a mark of professional excellence - possible to brand London services as Centres of Continuous Professional Development.	Bureaucracy and workload - London's transient and diverse clients need more intensive support which is often complicated by e.g language barriers
Variety of career paths & opportunities for progression	Limited resources - especially lack of staff
Good quality of life - rich cultural assets; access to facilities; some excellent services	Poor quality of life - fear of crime; poor environment; some poor services
Working in highly deprived areas can attract staff seeking a challenge	Working in highly deprived areas presents problems which can deter staff

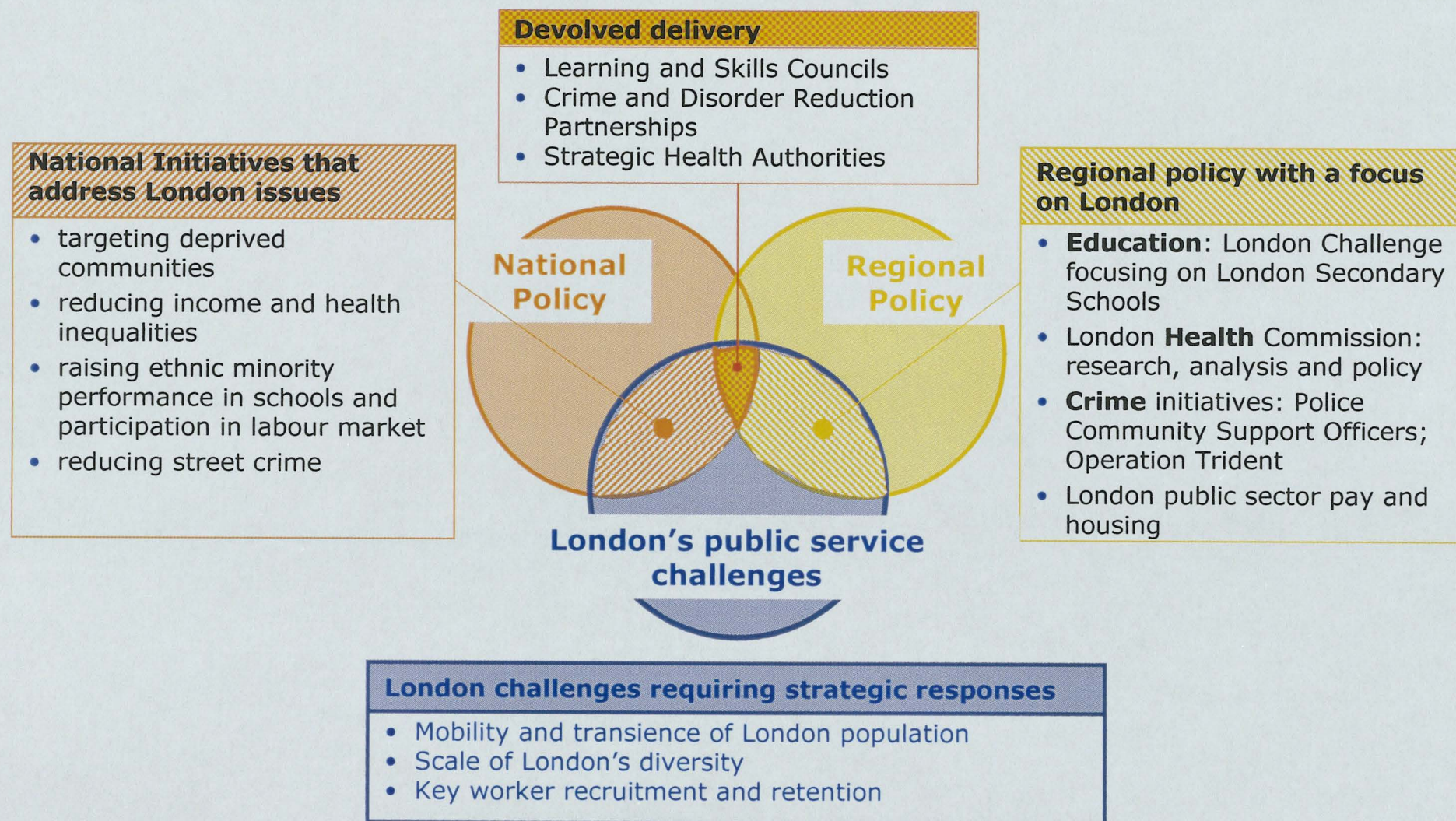
- Variation in vacancies across London, despite consistent wage levels, shows that financial concerns are only part of what attracts or deters public sector working in London

Local variation in nurse Vacancies by Health Authority (%) March 2001



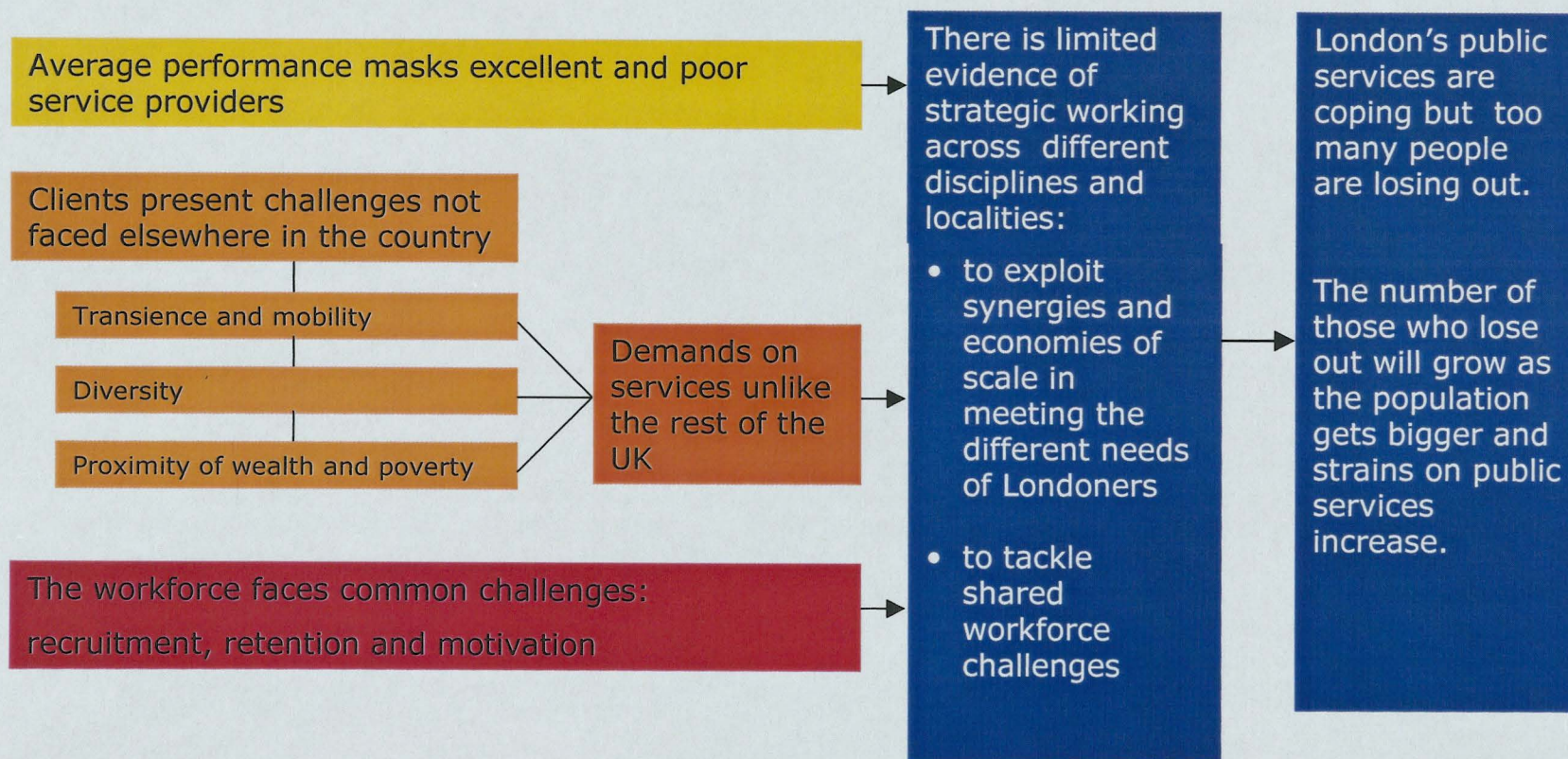
Source: DoH, Audit Commission, HMT

Government is responding to some of London's public service challenges through national and regional policy - but key gaps remain



In sum, the performance of London's public services is highly polarised, influenced by the unique challenges of London's population

Summary - the challenges faced by public services



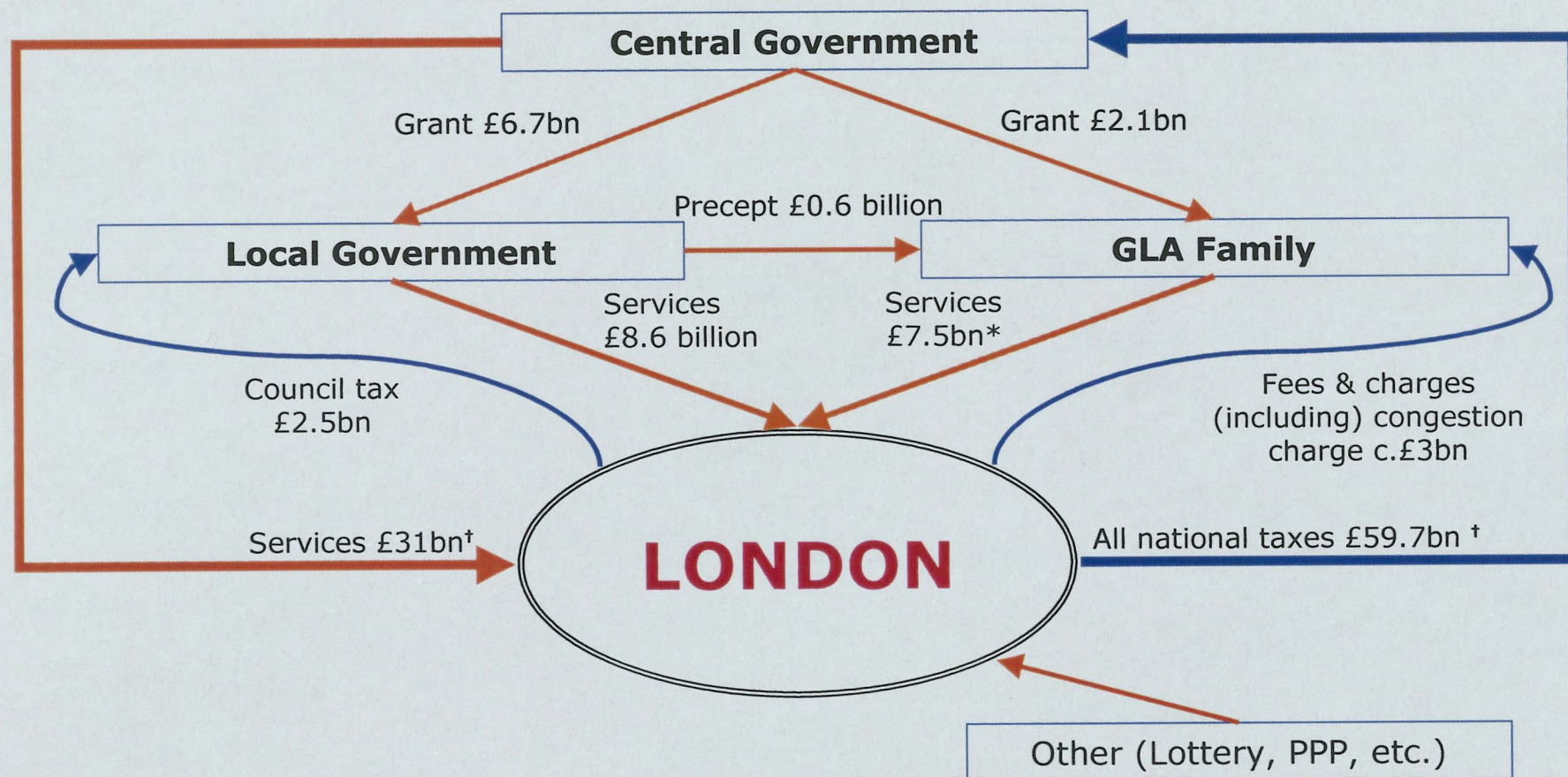
Part 7

London's public finances

This part reviews:

- » London's share of spending and its contribution to national finances
- » The extent to which London's local bodies control how public money is spent in London and how far they rely on local finance compared with other world cities

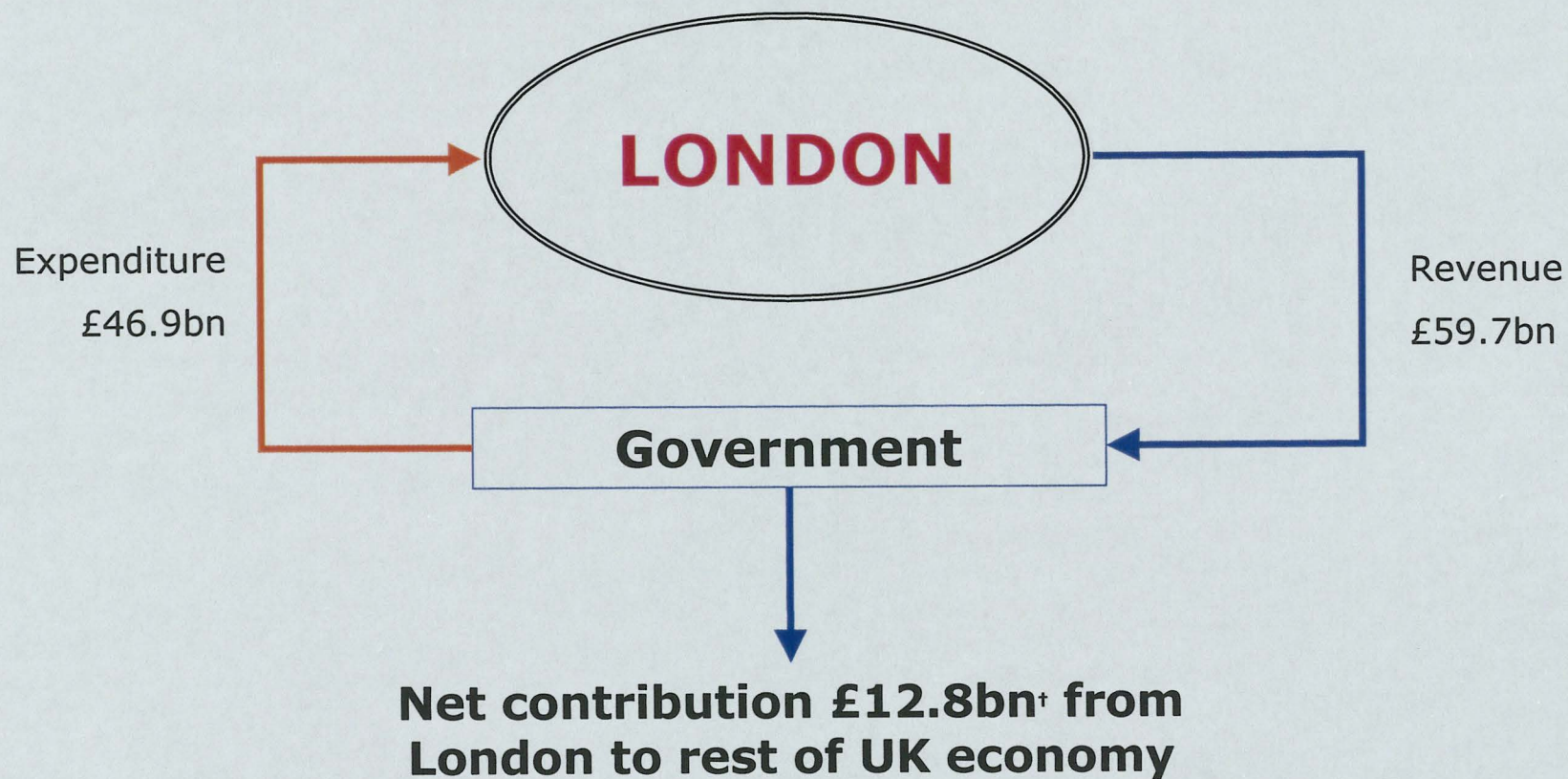
The pattern of funding flows between various tiers of government in London is complex



* Remaining £1.8bn from transfer of London Underground to TfL

† Estimated figure - combined central Government spending statistics unavailable.

When all the financial flows are taken into account, London makes a sizeable contribution to the public purse

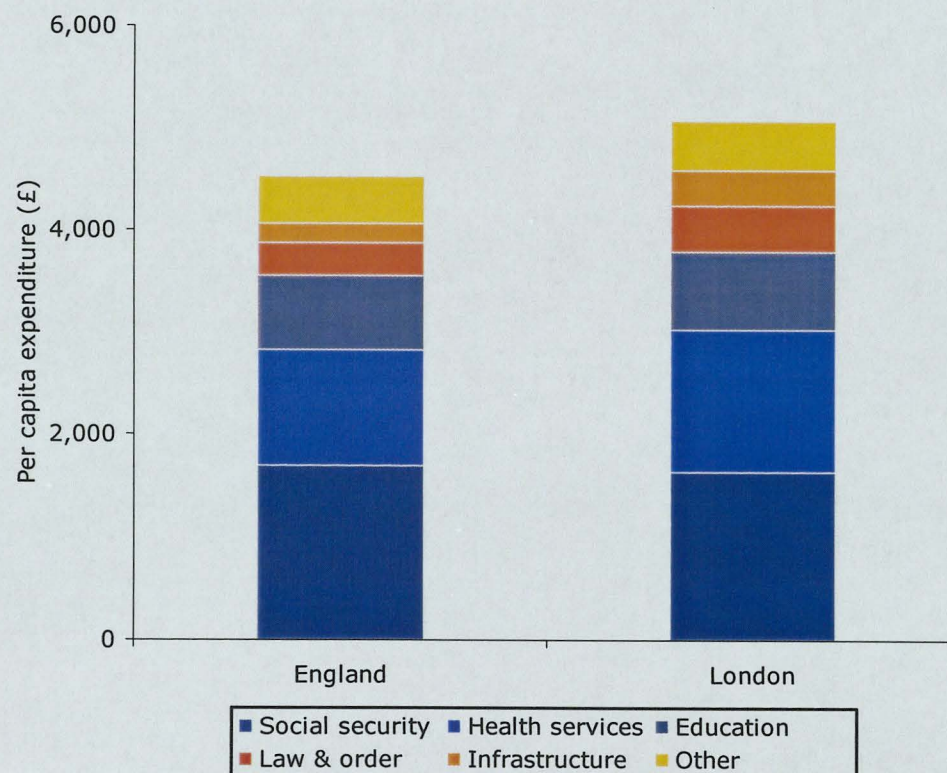


Source: CEBR

NB: Schematic diagram based on 2000/01 reported figures

The level of per capita public spending in London is the second highest in England

Identifiable per capita expenditure by function
2000-01



- The North East is the only English region with higher per capita spending than London
- Social security spending is relatively low in London because London has fewer pensioners
- Expenditure on housing is between 2 and 3 times higher per capita than in the rest of England
- Health spending is comparatively high for several reasons including
 - » the high costs of operating in London
 - » the high cost of funding 5 medical schools in London

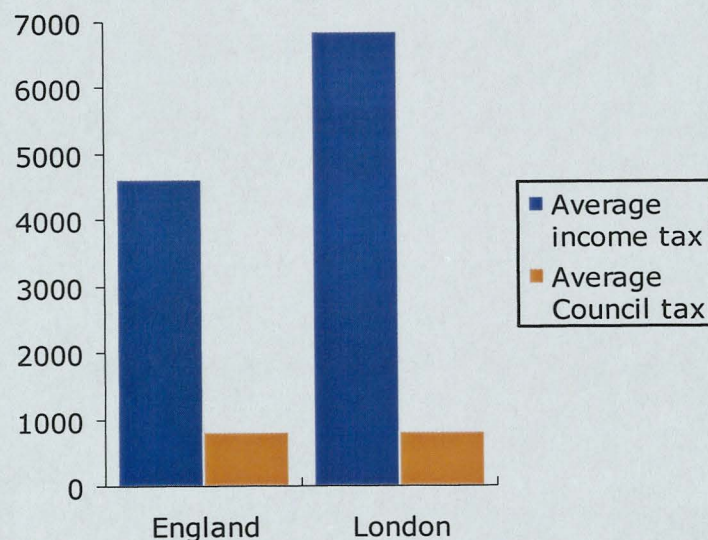
Source: HMT, SU analysis

London's overall funding is high but individual funding formulae may not entirely reflect London's particular needs

- Regional funding needs are generally calculated using national formulae, which take account of population size and the cost of providing services as well as other factors such as relative levels of deprivation.
- However, London's true needs may not be fully reflected in these formulae:
 - » the formulae take no account of transience and little account of mobility
 - » there are inconsistencies between different formulae - the detail of each Departmental formula (e.g. DH for social services, DfES for LEAs, etc.) varies markedly
 - » there is no formula for the central Government grant to TfL or major local transport investment decisions

Londoners have higher incomes and pay more income tax, but the average council tax bill is very similar to the rest of the UK

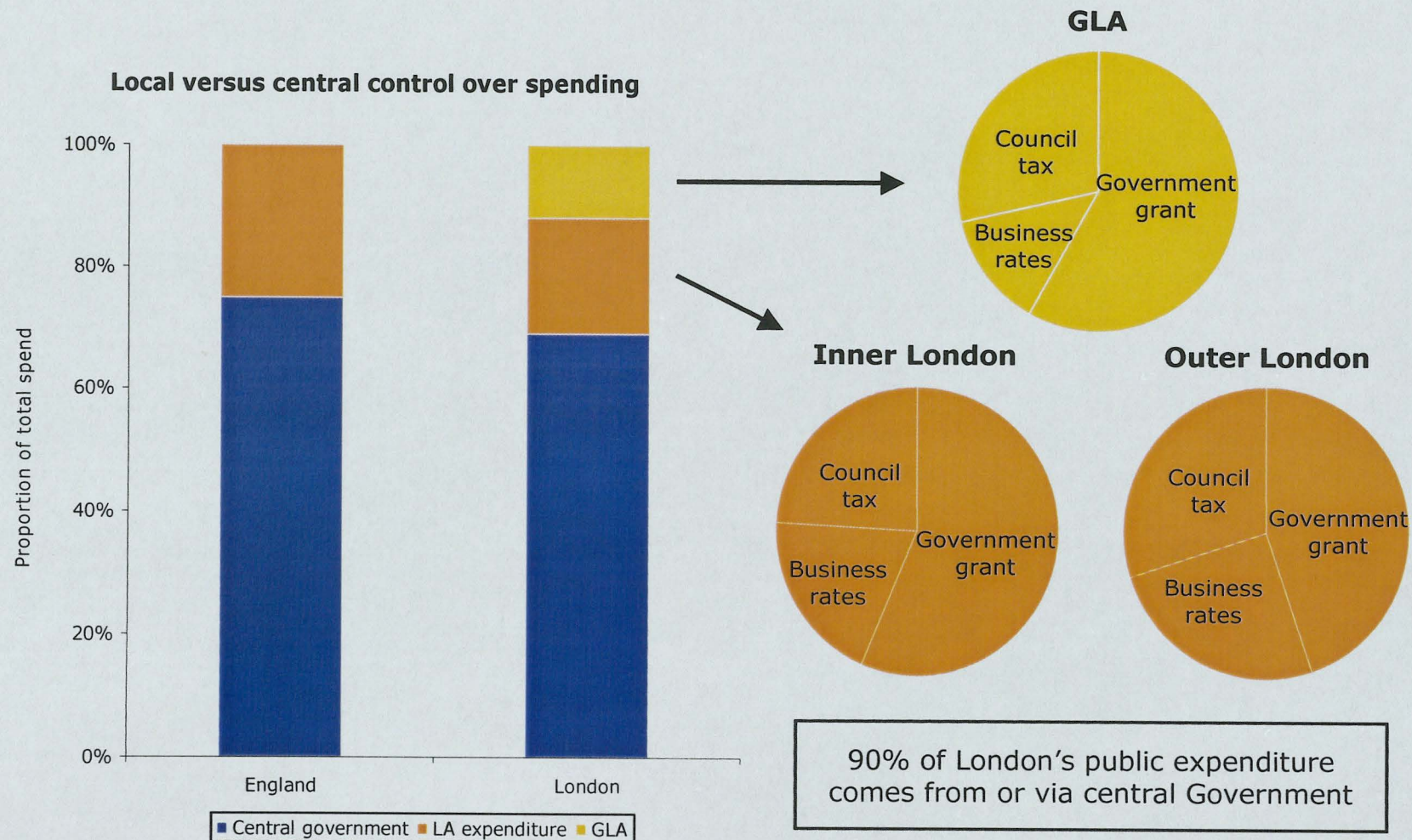
Average male income tax payable (1999-00) and average council tax per dwelling 2002-03 (£)



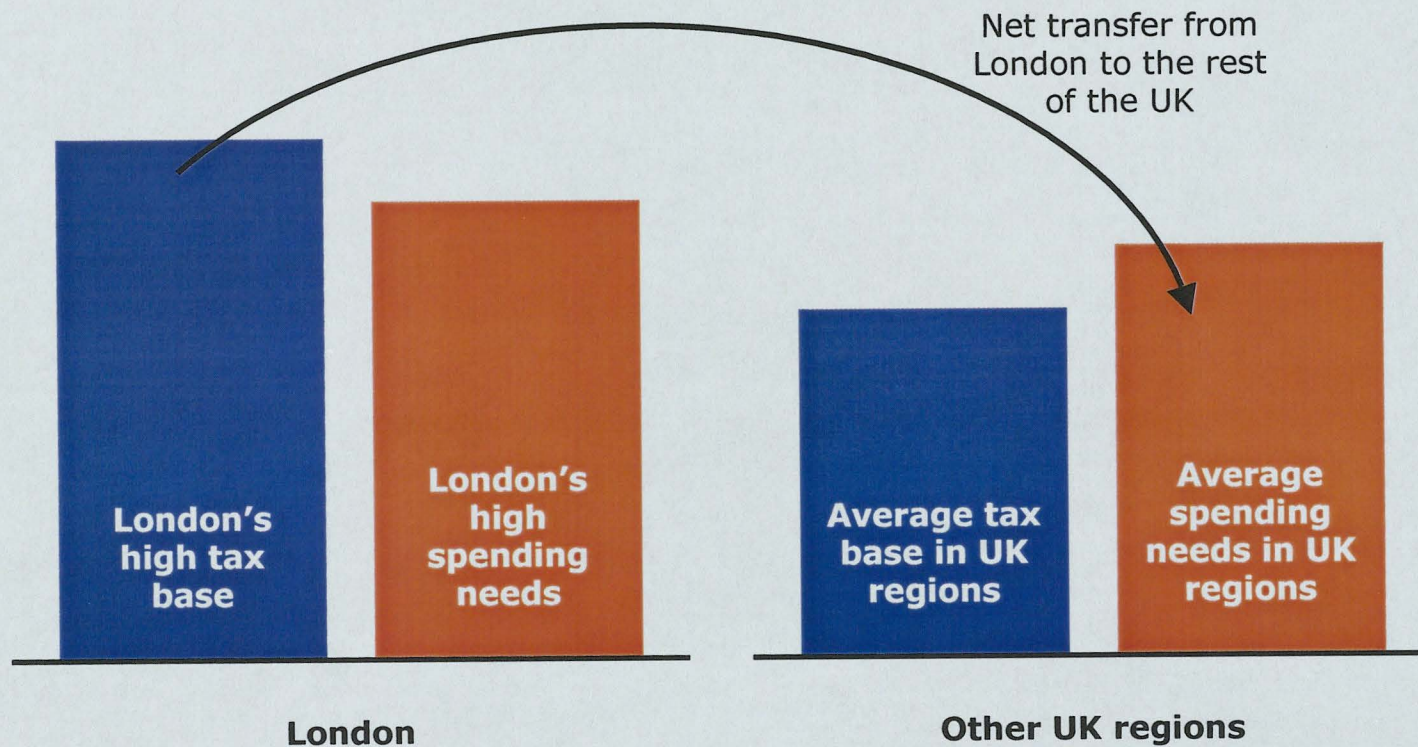
- Generally, the effect of the UK local government finance system is to equalise local taxes:
 - » households' contribution to local taxes is based on relative property values in a particular borough
 - » London contributes less in local taxes than it would if the system were more progressive, i.e. based on ability to pay compared with households elsewhere in the UK
 - » business rates are set and the proceeds distributed nationally according to population size

Source: HMT, SU analysis

Local and city government in London controls a slightly bigger share of spending than in the rest of England, but the majority of funding comes from, or via, the centre



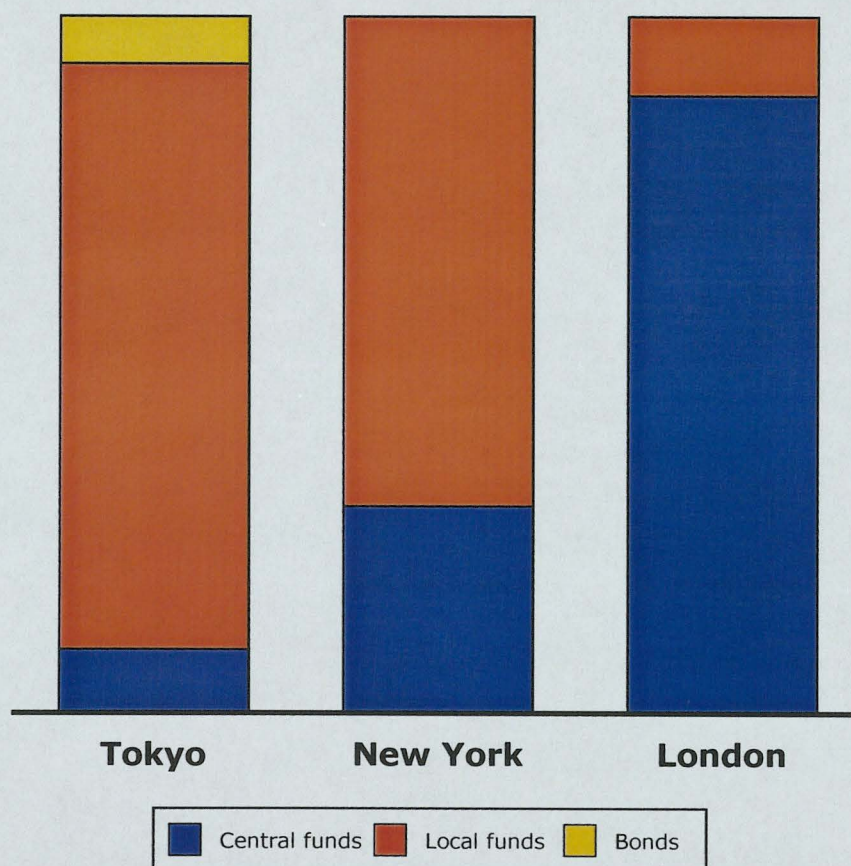
London has limited autonomy to use its resources to solve London-specific problems, despite having both an unusually high tax base and high levels of need



Under the UK system, London's extra tax revenue and spending needs are in effect netted off centrally

New York and Tokyo, comparable world cities, are much more financially autonomous than London

Indicative proportions of city expenditure by source



- Comparisons are imprecise and need to be made in the context of different national arrangements:
 - » unlike in other countries, most UK taxes are set and collected nationally
 - » the majority of public spending, even where spent locally, is decided nationally.

Source: NY IBO, Tokyo government, SU analysis. London figures derived from LA revenue streams as a proportion of total public expenditure.

Part 8

London's public institutions

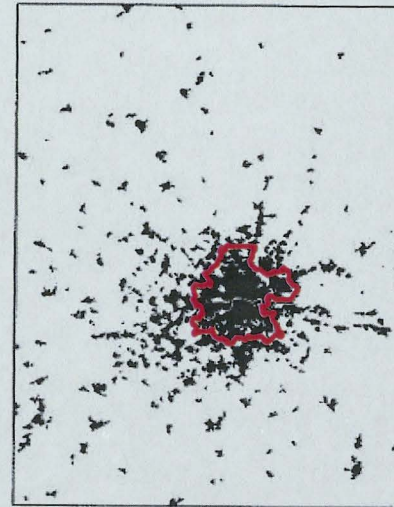
This part of the report examines:

- » The challenges facing London's public institutions
- » The bodies responsible
- » Their accountability

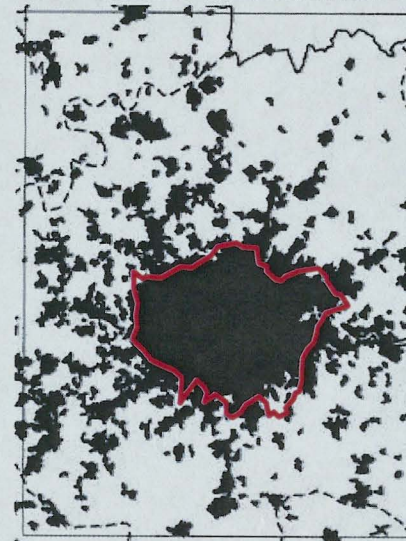
London's own system of government has historically controlled an area geographically smaller than the actual size of the capital

The History of London Government

- Before 1889, the main source of city government was the Corporation of London
 - » the remainder of London was run by local parishes and assorted boards
- The London County Council was created in 1889, covering Inner London only; the powers of the Corporation of London were unaffected
- The boundary of London government was extended to Outer London with the creation of the GLC (1964-1985) and remains the same today for the GLA (2000-) - but the built up area extends well beyond this boundary
 - » the Corporation of London continued relatively unchanged

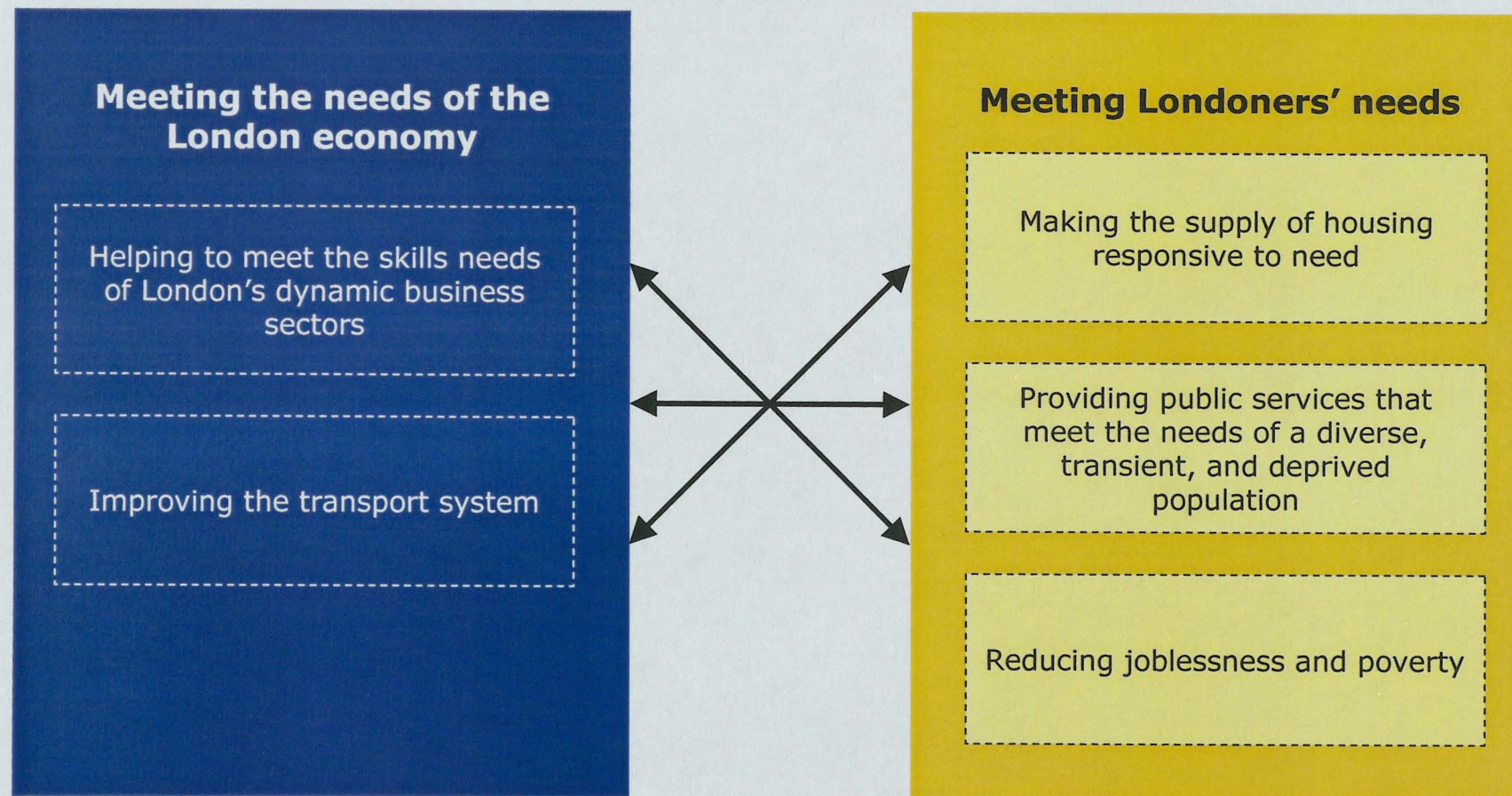


Pre WWI London
LCC area



GLA boundary

London's public institutions face a series of inter-linked challenges in managing London's future success and improving the quality of life for all Londoners

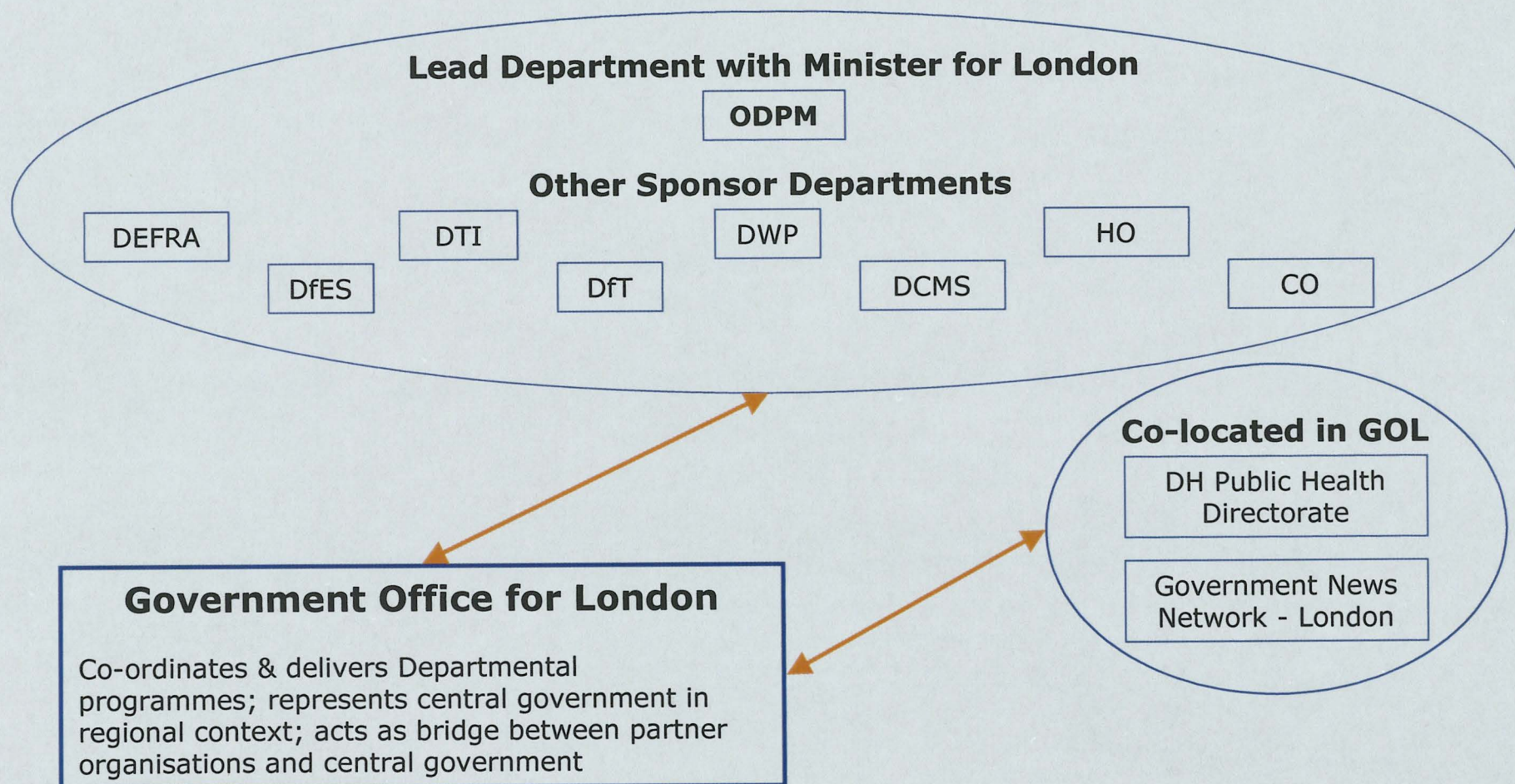


Central government has by far the greatest impact on the strategic issues facing London

Local government functions	Mayor's functions	Central government functions
• INFRASTRUCTURE - transport, housing and planning		
Local roads, planning and social housing	Spatial strategies, major roads, congestion charge	National roads, rail, main investment decisions, regulation (e.g. planning)
• SKILLS - education, training, employment		
LEAs responsible for pupils and overview of schools	LDA review of skills needs	Overall policy, strategy and funding. Jobcentre Plus, 5 LSCs responsible for skills, FE and HE sectors
• PEOPLE - diversity, mobility and transience		
Social services, environment, neighbourhood renewal, libraries, culture	Consequential impact	Immigration, funding decisions, overall policy
• ECONOMY - regulation, regeneration, development		
Local strategies & programmes	LDA development strategy, Mayor as "figurehead"	National economic policy - tax and regulation - and spending decisions
• SERVICE PROVISION - crime, education, health, welfare, etc.		
Local services - refuse, libraries, etc.	Police, fire and emergency services	Main core services (health, welfare, etc.), major influence on local services, arts funding, etc.

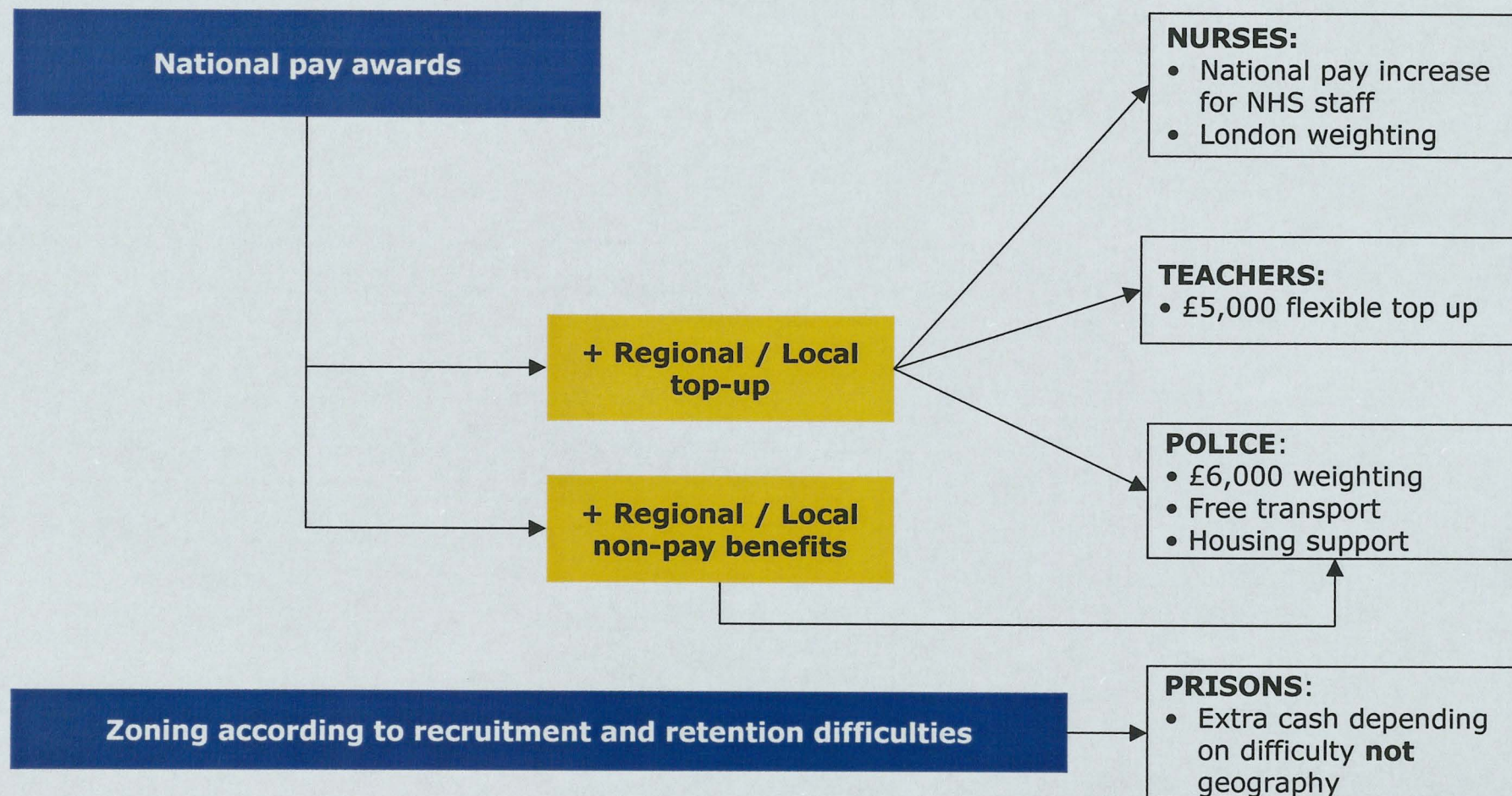
NB: Schematic view only

The Government Office for London co-ordinates the implementation of a range of Departmental programmes



Government deals with strategic issues for London, for example pay, on a sector by sector basis, with no overall co-ordination

Different responses to common problems

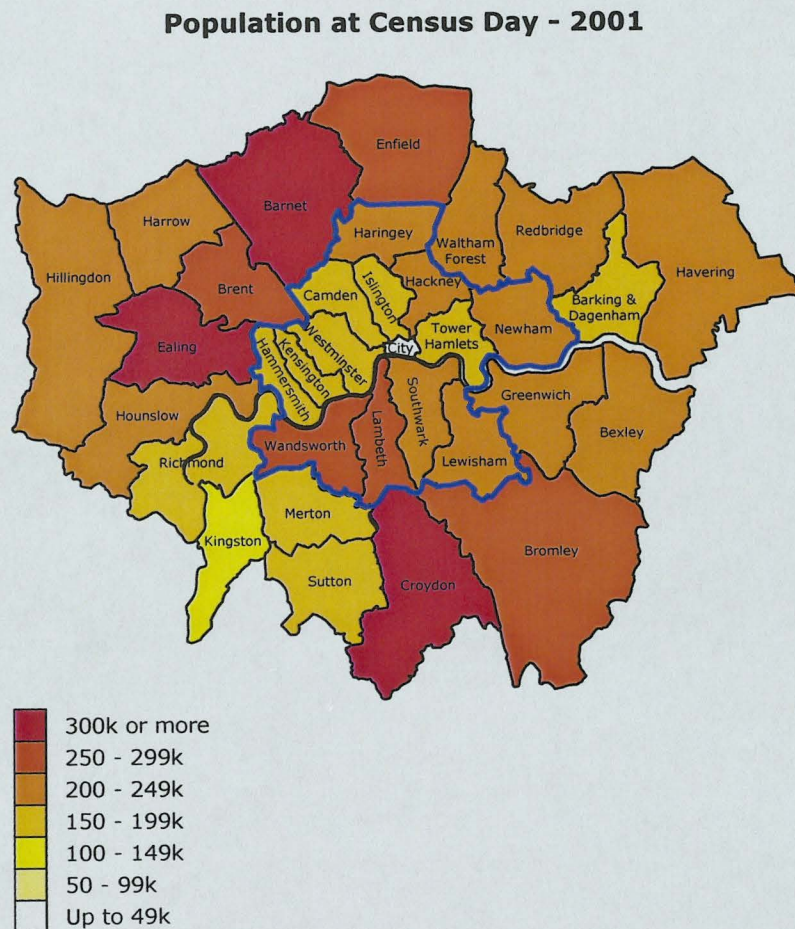


The Greater London Authority has more influence in some areas than its predecessors and less in others

	London County Council (1889-1964)	Greater London Council (1964-1986)	Greater London Authority (2000-)
Skills	✓	✓	✓
Public housing	✓✓	✓✓	✓
Planning	✓✓	✓✓	✓✓
Transport	✓	✓	✓✓ (TfL)
Education	✓✓	✓✓	
Crime			✓
Finance	✓	✓	✓

✓	some influence
✓✓	significant influence

The boroughs' provision of local services reflects political and administrative boundaries rather than the nature and scale of London's challenges

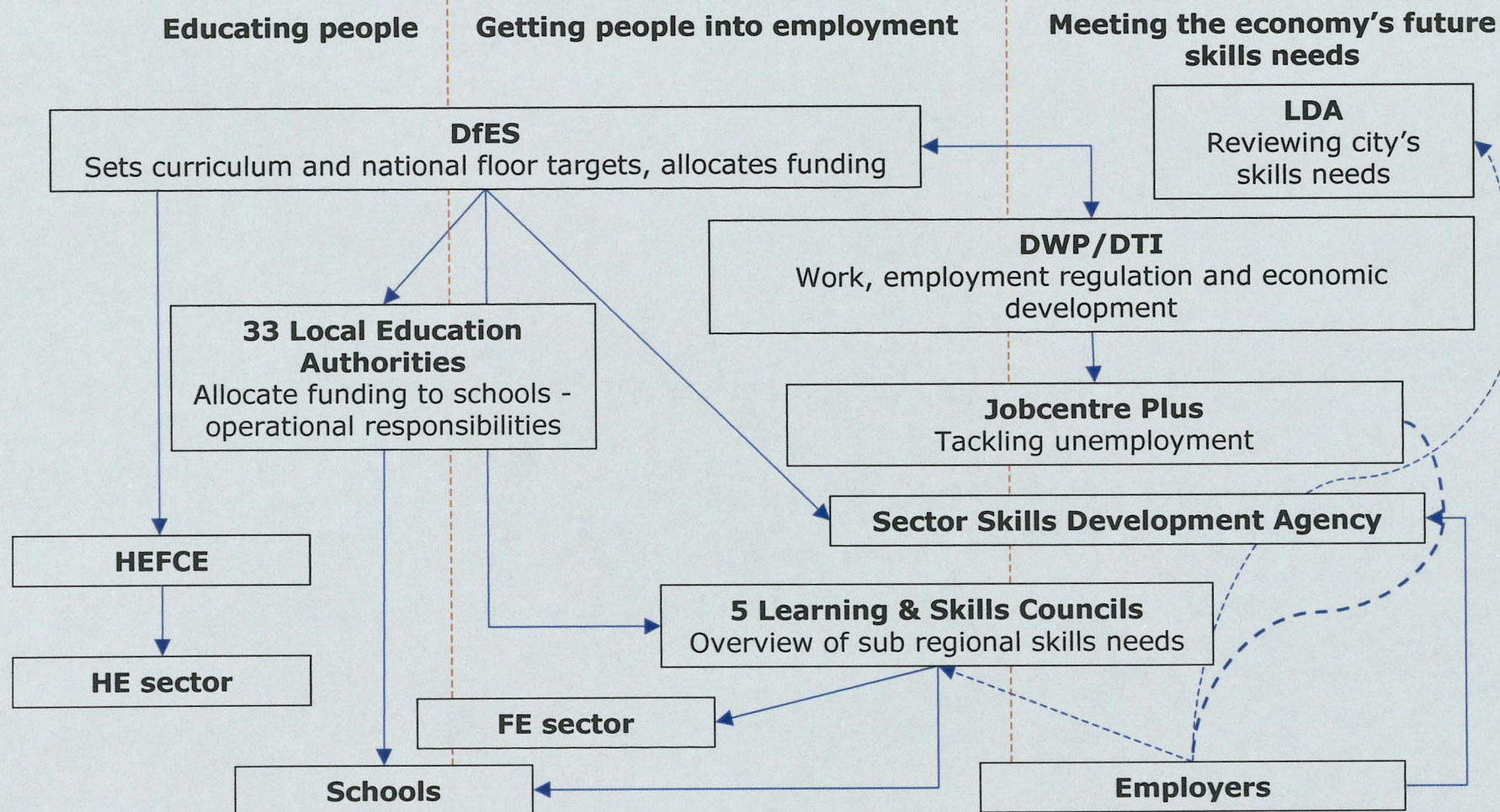


- Boroughs vary in size, with the biggest more than twice the size of the smallest (excluding the Corporation of London)
- Administrative boundaries are rarely coterminous with natural community boundaries
- Many challenges cannot be contained within a borough, for instance:
 - » protecting children at risk is harder where the population is mobile and enforcement authorities are easier to avoid
 - » traffic and congestion run across boundaries

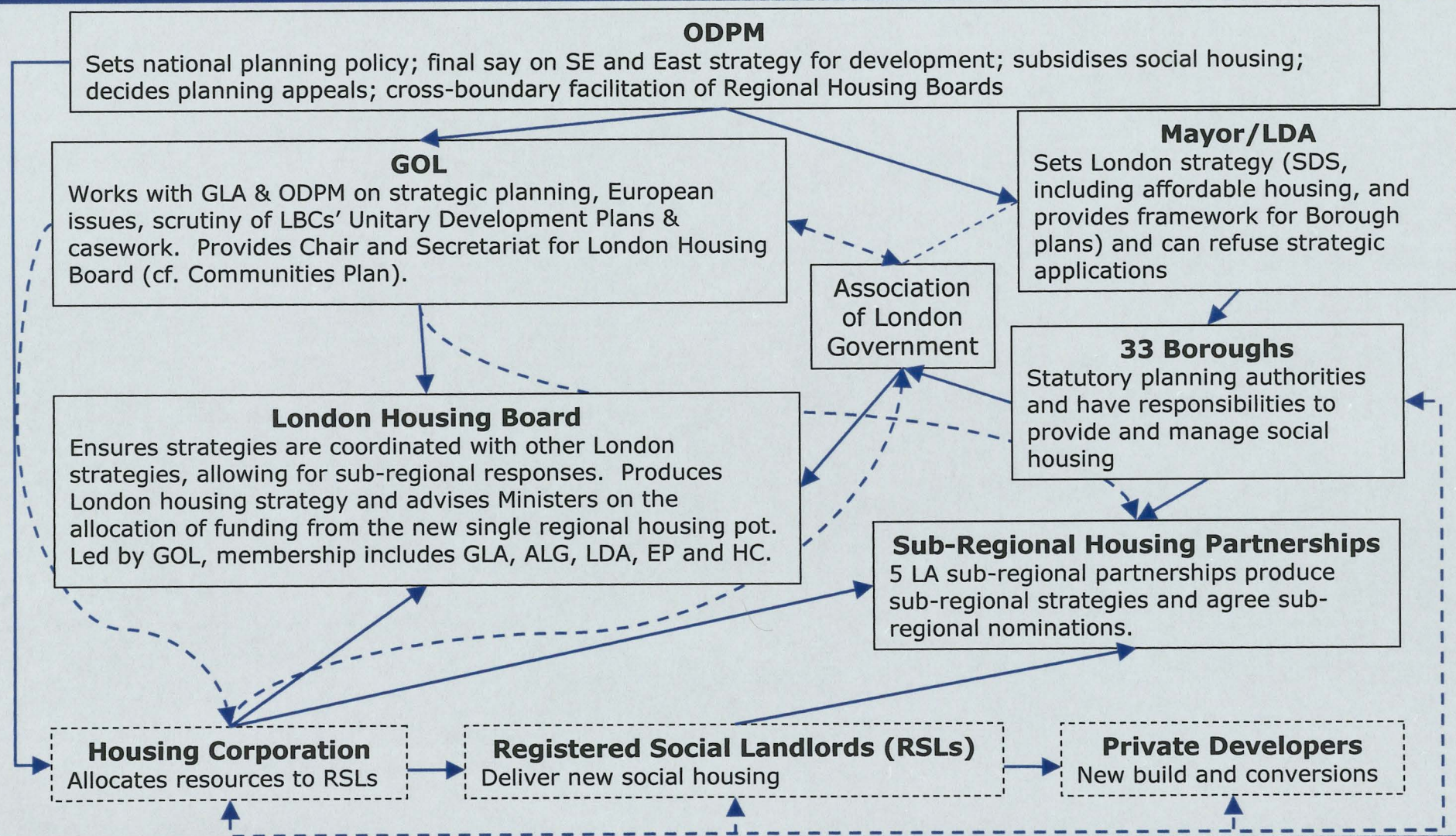
Source: ONS

No single body oversees the operation and needs of the labour market

Area of responsibility:

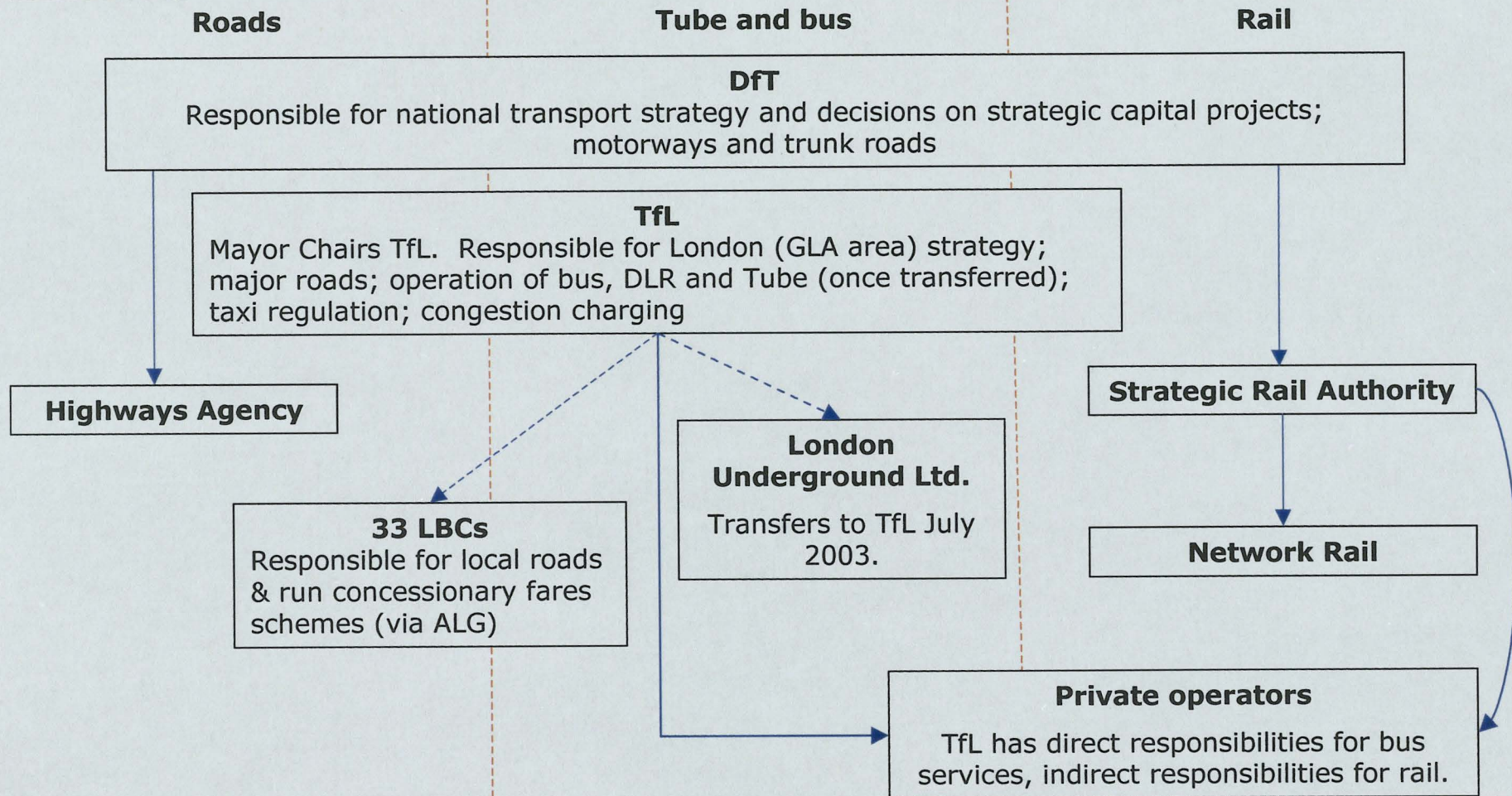


Housing and planning raise city-wide issues with responsibility shared between layers of government, but better regional co-ordination is in hand

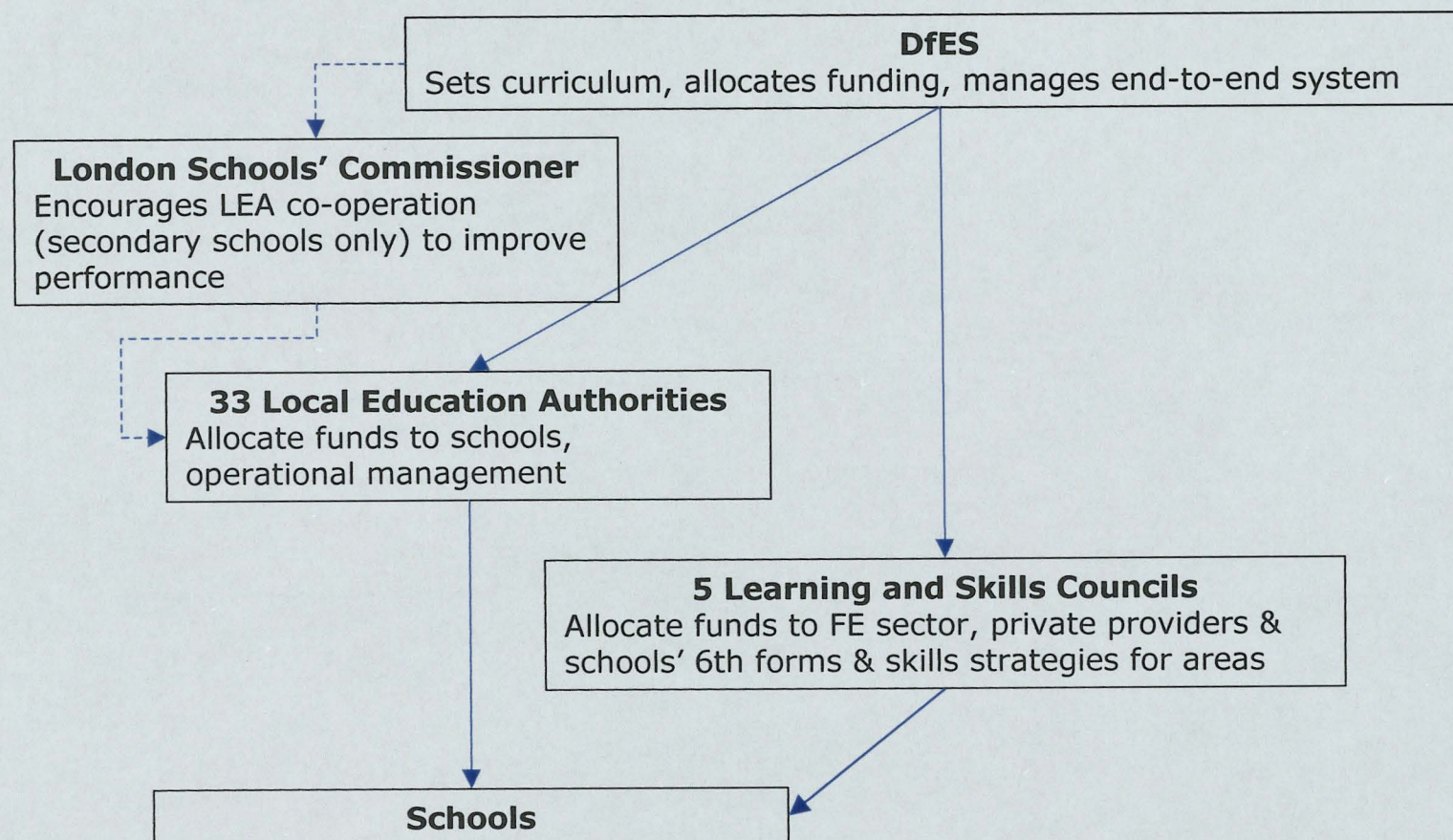


TfL has strategic responsibility for transport issues in London - but it does not have complete modal responsibility

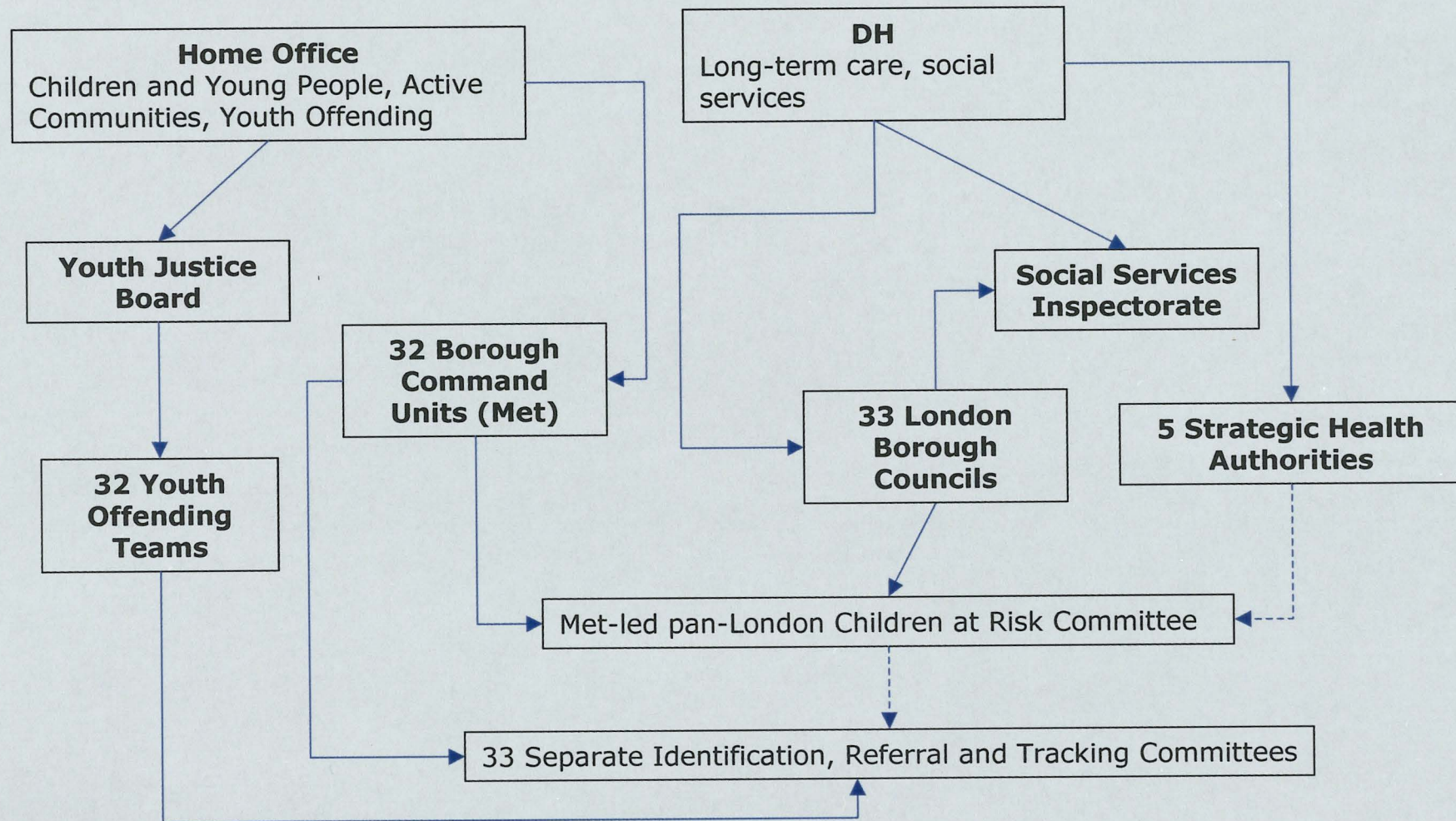
Area of responsibility:



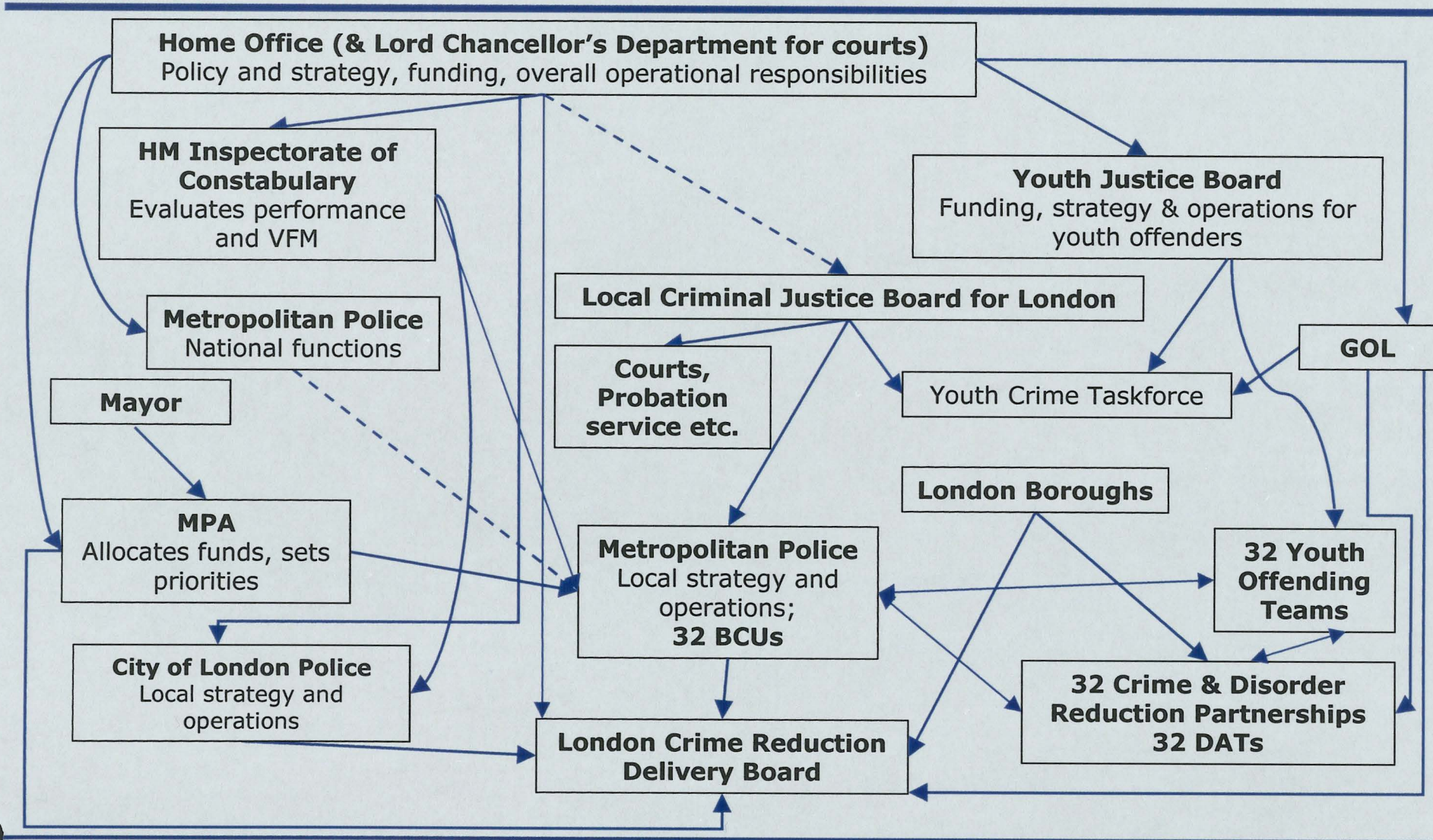
Arrangements for overseeing London's schools are duplicated thirty three times at borough level



Social services are provided by the boroughs while health is currently administered through five Strategic Health Authorities



Responses to crime are split between several different organisations with delivery organised partly along borough lines

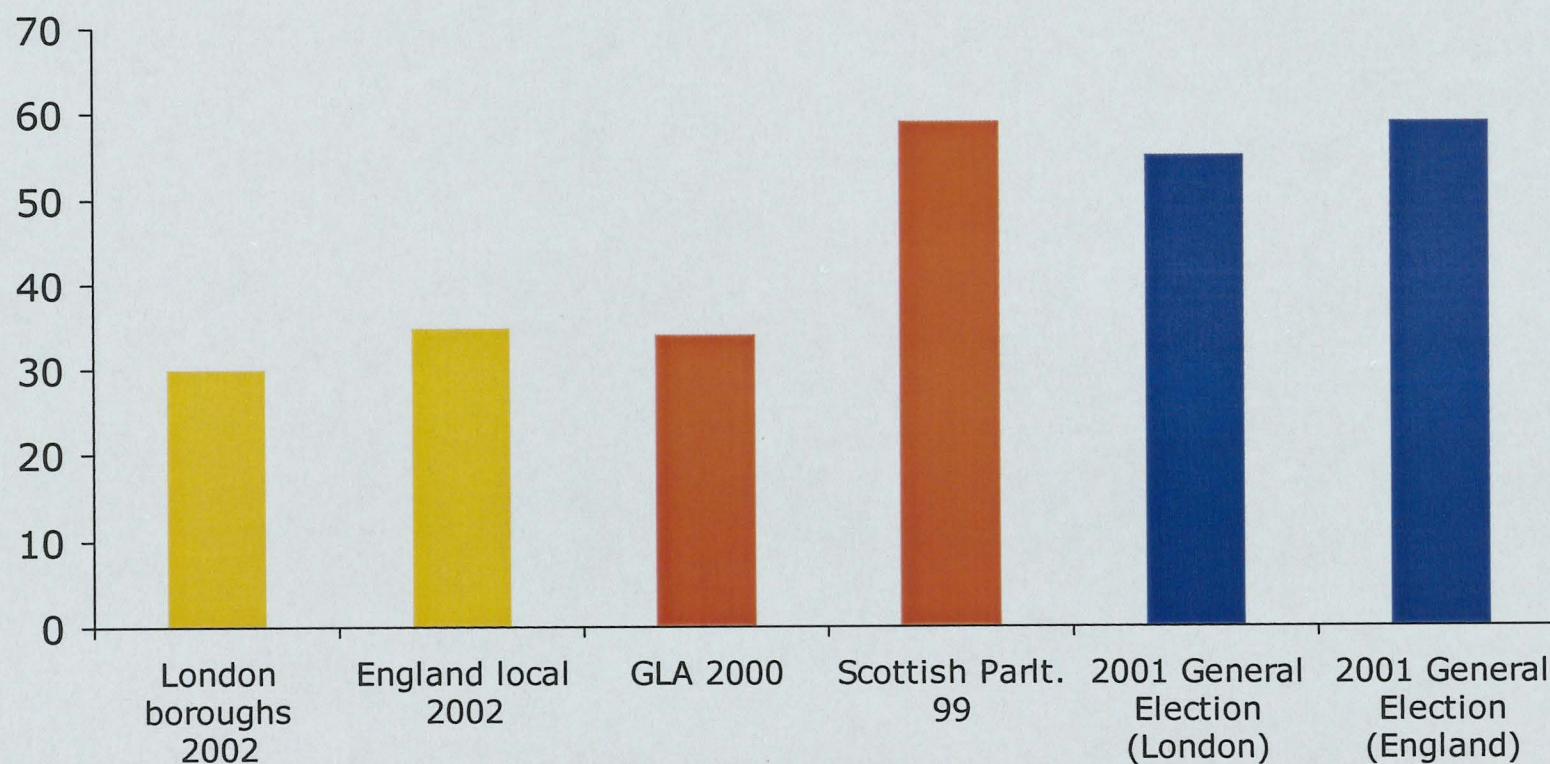


The three tiers of London government are primarily accountable to their voters rather than to each other

- Government can direct the Mayor to change his strategies only on specified grounds of both
 - » inconsistency with national policies and
 - » adverse effects on areas outside London
- The Mayor's direct influence over the boroughs is mainly limited to planning, housing numbers and transport
 - » boroughs' plans must conform with the Mayor's Spatial Development Strategy
 - » the Mayor can only block major developments
 - » the Mayor can veto boroughs' transport plans if they do not conform with his transport strategy and require them to implement congestion charging schemes etc.
- Central Government's relationship with the London boroughs is similar to its relationship with local authorities in the rest of England
 - » Government influence on policies is mainly through size of grants and the cap on council tax increases
 - » Government can, however, intervene where an authority is failing (e.g. in Hackney and Walsall)

The re-introduction of a city-wide layer of London government has yet to bring high levels of democratic engagement

Voter turnout in local, regional and general elections (%)



Source: Electoral Commission, MORI, SU analysis

Conclusions

Conclusions after Phase 1 of the London project

- London has a highly successful economy, and that success needs to continue for the benefit both of Londoners and of the UK economy as a whole. At the same time, London has very high levels of social deprivation.
- If London's economy is to continue to prosper, and deprivation to be reduced, real strategic focus needs to be brought to London's challenges in the realms of housing and transport, and to the management and funding of its public institutions.

The next phase of the project will identify the key features of a strategic approach by Government to the challenges identified in this report

- Matching future skills to the needs of the London economy
- Reducing joblessness in London
- Increasing the supply of housing and making it responsive to the needs of different groups of Londoners
- Improving travel in London in the face of increasing demand and historic under-investment
- Making public services responsive to London's diversity and needs
- Funding and financing London in a way that reflects its role in the UK economy



From the Secretary of State

The Prime Minister

AMG / MEL
✓
SR

DCO

Department for
Transport

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3011
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E-Mail: alistair.darling@dft.gsi.gov.uk

Web site: www.dft.gov.uk

Our Ref: AD/008290/03

23 JUN 2003

THURROCK UDC: ANALYSIS OF CONSULTATION RESPONSES

I have seen John Prescott's minute to you of 12 June seeking agreement to lay the Order setting up the Thurrock Urban Development Corporation (UDC).

I welcome the ministerial commitment to the UDC working co-operatively with Thurrock Council and neighbouring local authorities. This will be particularly important in co-ordinating the transport aspects of regeneration (where the local authority will retain competence). Equally the commitment to the UDC working closely with existing agencies, such as the Highways Agency, is reassuring.

It will be important that these commitments are comprehensively set out in the guidance and targets that will be issued to the UDC, and I would like the opportunity to agree these before they are finally issued.

Once it is set up, the UDC will need to produce a business plan, which will be approved by the responsible Minister. Since this will be the principal lever that we will have on the actions of the corporation, I would wish to agree any transport aspects of the business plan, including the level of investment intended, before the plan is approved.

I am copying this letter to members of Misc 22 and Sir Andrew Turnbull.


ALISTAIR DARLING



From the Secretary of State

Baroness
Department for
Transport
NE
to
SF
DH

PERSONAL

PRIME MINISTER

STRATEGY UNIT LONDON PROJECT

I understand that the Strategy Unit intends to publish its London project interim analytical report next week.

I do though, have a more general concern about the timing of this report as well as the overall tenor. Whilst it rightly points out the need for investment in transport infrastructure to underpin the future economic success of the capital, it doesn't say what we're doing about it! However carefully it is drafted, it is likely that the report will also be used by the Mayor to press for significant additional resources from Government in the Spending Review, and by all of the candidates in next year's Mayoral election seeking to make the case for greater investment in London. If publication is to go ahead, we should be conscious of these very real presentational difficulties and the expectations it is likely to raise around the outcome of SR2004 and the 10 year plan review. If it is to be published, I would like it to be more balanced - at the moment it gives the impression that nothing is being done to deal with these problems.

I am copying this to the Deputy Prime Minister and The Chancellor.

I do feel very strongly about this !!

AD

AD
23 June 2003



file

Sanctuary Buildings Great Smith Street Westminster London SW1P 3BT
tel: 0870 0012345 dfes.ministers@dfes.gsi.gov.uk

Stephen Twigg MP
Parliamentary Under-Secretary of State for Schools

Patrick Diamond
Policy Advisor
10 Downing Street
London SW1A 1AA

cc: AA ✓

17 June 2003

Dear Patrick

MINISTERIAL ADVISORY GROUP FOR THE LONDON CHALLENGE

Having launched the London Strategy last month, I have been considering how to take the work of the Ministerial Advisory Group forward. My thinking is that I would like to widen the existing group and also introduce a small number of sub-groups that will report back to the main advisory group on specific issues.

I have invited both Councillor James Kempton (Islington) and Councillor Malcolm Grimston (Wandsworth) to join the group so that there is cross-party representation, and James and Malcolm, together with myself and Louisa, will form a 'political' sub-group. I envisage there being two further sub-groups: a 'creativity and culture' sub-group; and a 'business' sub-group. I am currently considering the membership of these two groups and would welcome nominations to these from colleagues, as well as thoughts on whether the sub-groups I propose are the right ones, and/or if there are sub-groups on other themes that I should consider, to support the work of the main group.

I expect main advisory group meetings to now happen about 3 times a year and a meeting of each sub-group to be held in between the meetings of the main group. The London team will be in touch shortly with a date and agenda for the next main meeting.

Can I take this opportunity to thank you for your support to date on the London Challenge work; I very much look forward to continuing to work with you, as we implement the strategy.

Your friend

Stephen Twigg MP

RESTRICTED

PRIME MINISTER

From: Martin Hurst

Date: 13 June 2003

cc: Jeremy Heywood
Simon Morys
Andrew Adonis
Paul Britton
Andrew Turnbull

THAMES GATEWAY DELIVERY MECHANISMS; THURROCK URBAN
DEVELOPMENT CORPORATION

The advice you asked AT for on the delivery structures to underpin the Thames Gateway is attached. In short, he concludes that ODPM need to put in place some new delivery structures to work with the UDCs/RDAs/LAs already engaged or planned – in part a development of your earlier push for a ‘champion’. We have sent a sanitised version of this paper to JP for his views. He intends to come back to you next week, by which time ODPM will know whether they have been successful in attracting a private sector ‘big fish’ to take up their new board level post overseeing South East housing delivery, including the Gateway. We/CO will give you further advice on the generic issue for next week’s box.

JP has in the meantime written to you, attached, seeking clearance to lay a SI to establish the Thurrock Urban Delivery Corporation, and in particular formally to define its boundaries. This is a small, but useful part of the Thames Gateway architecture, on which we have already consulted – and the proposed use of the local authority boundary commands public and NGO support.

But arguably even this decision would best be taken forward within a wider judgement on how best to deliver the Gateway. For example, we may need rather more UDCs than the two established, and their boundaries, while in the case of Thurrock fairly clear, may nonetheless merit examination.

JP has asked for a reply by next Friday. But it will bear some delay. Are you content therefore for us to give conditional approval only, subject to agreement on the wider delivery structures.

Martin Hurst

MARTIN HURST

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Secretary of the Cabinet and Head of the Home Civil Service

PRIME MINISTER

DELIVERY STRUCTURES FOR THE THAMES GATEWAY

You asked for advice on how the delivery structures for the Thames Gateway could be improved.

ODPM's Proposals:

1. Briefly, ODPM's proposals are: at the strategic level, the Thames Gateway Strategic Partnership (a group chaired by Jeff Rooker on which local authorities, the RDAs etc are represented) supported by an executive based in ODPM; 3 sub-partnerships (for London, North Kent and South Essex); and at the delivery level, urban development corporations at the London end of the Gateway and in Thurrock, with urban regeneration companies and partnerships in other areas. ODPM themselves are at present considering whether this is adequate, so the door is open if you want to press John Prescott to be more radical.

Views of the private sector:

2. In the recent private sector review of the feasibility of the Thames Gateway project, developers told us that the proposed Government arrangements were not adequate. They wanted:

- i. a simple structure with a clear point of entry for developers;

- i. at the delivery level, a body with powers to give fast and predictable planning decisions and to assemble land, preventing minority landowners from holding developers to ransom.

Options:

Ministerial oversight

3. First, we need a mechanism within Government which binds the main departments into the project and gives them a sense of ownership and responsibility. If the delivery structure is seen to be ODPM's responsibility alone, it will struggle. Moreover, there are some decisions which only Ministers can take, for instance on key transport infrastructure projects. So I suggest that once the Cabinet Committee which you chair has taken the decision in principle to go ahead, you should hand over the chairmanship to John Prescott and make it clear that you want that Committee of senior Ministers to take responsibility for oversight of the project. If you decide to appoint a private sector champion (see below), he or she should join the Committee.

Strategic Direction:

4. This depends on how radical and muscular or consensual you want to be. The existing partnership is very consensual, but is not well equipped to exercise strategic direction. A radical approach would be to appoint an urban development corporation for the entire area, on the model of the London Docklands Development Corporation. But local government, including the Mayor, would see this as usurping their position and powers and would hate it. The history of the LDDC and other development corporations suggests that it is better to keep local government on side if we can. It would also be very difficult to sell this to John Prescott who has already settled the boundaries of urban development corporations covering parts of the Gateway (see further below) following difficult negotiations with the local politicians and he will not want to tear this up and start again.

5. So my advice is to set up a programme office with the following functions:

- i. giving Ministers strategic advice, including advice in particular on public service provision in the Gateway (transport, health, education and skills etc);
- ii preparing a strategic plan for the area;
- ii. promoting the Gateway to developers, the City, inward investors etc;
- i. programme managing the bodies responsible for actual delivery

6. This office should be at arms length from ODPM but should report to John Prescott. It should be led by a major business figure who would become the champion for the Gateway. An option would be to support him with a small board composed of representatives of the three RDAs, of English Partnerships and maybe of the two or three key local authorities, including probably a representative of the Mayor. It would need an experienced chief executive and should be staffed by a mixture of private and public sector people with appropriate skills.

7. This approach raises the question how to deploy the new senior figure which ODPM are recruiting by open competition to take charge of implementing the sustainable communities plan, who is likely to have some very relevant skills. One option would be to ask him or her both to act as chief executive of the Gateway strategic body described above and to lead within ODPM on other aspects of the communities plan, including the three other growth areas in the South East (Ashford, Milton Keynes and Cambridge/Harlow).

8. If John Prescott is unwilling to set up a new body outside the existing structures, a variant of the model in paragraph 7 would be to ask the three RDAs to put together a programme office with the same set of functions. The chairman of one of the RDAs might lead it. This would be less challenging to some of the existing interests in the area but would depend heavily on the ability of the three bodies to work together (made more difficult by the fact that the London Development Agency reports to the Mayor). Another variant would be to give the role to English Partnerships, whose new Chief Executive, David Higgins was a key player in the Bluewater development. This would have the advantage of using an existing body, so enabling a faster start. However, relationships between EP and local government and the RDAs, are said to be poor, which might prejudice a successful extension of EP's role.

9. The main powers of the strategic office in relation to the delivery tier would be:

- i. to ensure that plans of the UDCs etc were consistent with its strategic plan for the Gateway as a whole: it would need to be able to approve these local plans and, if necessary, require them to be changed.
- ii. to allocate funding from ODPM and to approve major development projects. It should have a particular role on projects which serve more than one area. There would be a case for giving it power to allocate funds for smaller transport projects too, though Ministers would themselves probably want to keep control over the larger ones.

Powers of this kind would require primary legislation. If we want to avoid that, the alternative would be to leave the formal powers to approve plans

and projects and to allocate funds in the hands of the Secretary of State but to say that he would only act on the advice of the strategic office.

10. The existing Thames Gateway Partnership and the 3 sub-partnerships which support it could remain in being as a means of involving and consulting local government. But these bodies should have no executive functions. The Thames Gateway Strategic Executive within ODPM should be wound up. But ODPM would need a small sponsorship team responsible for policy on the Gateway, for supporting the Ministerial Committee, for establishing the delivery vehicles (eg UDCs) and for oversight of the public expenditure on the Gateway.

Delivery vehicles

11. The delivery tier needs to have the following functions:

- i. it would act as planning authority for key planning schemes, though responsibility for minor planning applications could stay with the local authority;
- ii. responsibility for land assembly and remediation;
- iii. facilitating specific development projects by the private sector or in partnership with them;
- iv. working with other public sector agencies which need to provide infrastructure or services (health, education, transport, flood protection etc);
- v. promoting local transport projects;

- vi. extracting and deploying financial contributions from developers.

12. The urban development corporations proposed by ODPM are well equipped to carry out these functions. However, there is a question whether the boundaries of the two UDCs which ODPM are proposing are sufficiently extensive and whether we need UDCs in other areas, for instance around the key transport node at Ebbsfleet. Where there are competent local authorities which are committed to the Gateway, for instance Kent County Council under Sandy Bruce Lockhart's leadership, relying on those local authorities may be best. But more UDCs may be the right answer in areas where local authorities are weaker or less committed. This needs more detailed work and I suggest that you ask John Prescott to consider the issue. Whatever the answer, ODPM either have the necessary powers or will have them when the Planning Bill is enacted.

Conclusion:

13. You may want to discuss this advice. If you think this is the right basic approach, you will need to talk to John Prescott. It might help if we were to re-cast this advice in the form of a short note that you could hand to him. If he agrees, we could work with ODPM to flesh out the proposals and to come back to you and John Prescott with suggested names for the key role of the private sector champion.

Sue Pither

PP

ANDREW TURNBULL

29 May 2003

*Approved by Andrew Turnbull
Signed in his absence.*



Deputy Prime Minister

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THE PRIME MINISTER

Thurrock UDC: Analysis of Consultation Responses

On 16 April we published a consultation paper on the boundary, lifespan, powers and board membership for the Thurrock Urban Development Corporation (UDC). This consultation finished on 23 May, and I am now seeking agreement to lay the Order setting up the Thurrock UDC. The UDC is an important part of the delivery architecture in the Thames Gateway, but its operation is not dependent on wider transport schemes. I attach a detailed decision document, including full regulatory impact assessment, a report from consultants and the draft Statutory Instrument. To enable the petitioning period on the SI to be completed before recess, I would be grateful for responses by no later than 20 June.

Background

UDCs for Thurrock and London Thames Gateway were announced in the Communities Plan. Thurrock is an important long term growth and regeneration priority in the Thames Gateway, where a UDC would be ideally placed to tackle the major constraints of widespread contaminated land, fragmented development, diffuse land ownership and weak infrastructure.

On 16 April, we issued the consultation paper on the Thurrock Urban Development Corporation's boundary, lifespan, powers and board membership. The consultation closed on 23 May. Fifty substantive responses were received from private individuals, the private sector, the voluntary sector, community groups, local authorities, non-Governmental organisations and Government agencies. Respondents broadly welcomed our proposals. A detailed decision document is attached, but I have summarised the main points below.

Consultation on the London UDC is intended to start in the autumn. My officials are currently in discussion with officials in DCMS, the GLA and the BOA on the role it could play in support of the bid for the Olympics. It is expected that the London UDC would be operational by spring 2004.

Issues arising from consultation

Boundary

There was widespread support for a Borough-wide boundary. There was some concern about the inclusion of Green Belt land, but equally a number of environmental groups – including English Nature and the RSPB – welcomed its inclusion, subject to appropriate guidance and targets being issued to ensure the UDC had a serious environmental remit. My officials have already been in discussion with both DEFRA officials and environmental stakeholders about how this can be achieved, a process which I would envisage continuing through the summer.

The Borough-wide boundary was also recommended by our consultants. I have attached a copy of their final report for your information.

Lifespan

Respondents generally felt that the seven year indicative lifespan we proposed in the consultation paper would not be long enough to enable the UDC to tackle the issues it would face. However, I believe this timescale will effectively concentrate minds on getting the job done. I therefore propose sticking with seven years, but with a review of the UDC's progress at the five year mark. This review would establish whether the UDC needed longer.

Powers

Respondents broadly welcomed the UDC taking responsibility for planning applications of strategic importance, with Thurrock Council retaining householder and other minor applications. As planning powers can only be vested in a UDC by a separate statutory instrument once it has been established, my intention is to draw up this Order to be laid in the autumn. My officials are working up an agreement with Thurrock Council to ensure the split of responsibilities does not lead to any unnecessary extra bureaucracy.

Board Membership

Respondents broadly welcomed the commitment to give Thurrock Council seats on the Board. A wide range of other skills and experience were also suggested. It is my intention to draw upon these suggestions to put together job specifications which would be advertised as soon as possible, in line with OCPA guidelines.

Next Steps

It is still my intention to have the UDC operational as soon as possible in the autumn. This will demonstrate our commitment to delivering the Sustainable Communities Plan. To do this I need to lay the Order establishing the UDC before summer recess. I would therefore be grateful for your agreement to the proposals by Friday 20 June.

I am copying this letter to members of Misc(22) and Sir Andrew Turnbull.

91

JOHN PRESCOTT
June 2003



From the Secretary of State

PRIME MINISTER

MISC 22: THAMES GATEWAY

I have seen John Prescott's minute to you of 28 May seeking for agreement to an announcement in July on the Thames Gateway.

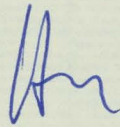
I agree that we should make an announcement on progress before the summer recess, though this will be dependent on the outcome of considerations in MISC 22 on what level of accelerated development in the Gateway the Government is prepared to support. In part this will depend on progress with innovative funding mechanisms and on the scope for using alternative funding mechanisms.

As you know, I face very significant pressures on the 10 Year Plan funding envelope, in particular on the railways but also arising from the recommendations of the Multi-Modal Studies and the Mayor's London Plan. In addition, the transport implications of developments in the other growth areas are now being assessed, and will no doubt lead to further calls for additional investment. My core priority has to be dealing with the existing funding gap and any further capital investment from the 10 Year Plan will need to be subject to the outcomes of the next spending review.

However, I believe there is a good story to tell based on the considerable amount of transport investment which has already been committed (around £700m over the next five years) that will help development of the Thames Gateway. I am happy for my officials to work with John's to see whether there are other ways of bridging the funding gap, where additional transport investment would unlock additional housing provision, to inform discussions by MISC 22 and ultimately the announcement we are able to make in July.

I understand John is considering possible improvements to the way section 106 works, which could provide an early source of funding for local, but nonetheless important, transport schemes. Early introduction of the new prudential borrowing rules for local authorities would also help to ensure that a number of on-balance sheet PFI schemes (e.g. DLR extensions) are not delayed by the accounting treatment required by the existing capital finance controls.

I am copying this to other members of MISC 22 and to Sir Andrew Turnbull.



AD

17 June 2003



Department for
Transport

From the Secretary of State

PRIME MINISTER

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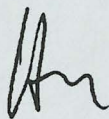
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I am copying this to other members of MISC 22 and to Sir Andrew Turnbull.

A handwritten signature in black ink, appearing to be 'AD', is centered on the page.

AD
17 June 2003

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From: Martin Hurst

Date: 30 May 2003

PRIME MINISTER

cc: Jeremy Heywood
Andrew Adonis
Matthew Elson
Simon Morys
Andrew Turnbull
Paul Britton

THAMES GATEWAY: LETTER FROM DPM; ADVICE FROM ANDREW TURNBULL

JP has written to you (attached) ostensibly reporting back on the recent meeting of MISC22 – the Cabinet Committee on the Gateway - that he chaired in your stead. In fact, he uses this to set out what he thinks we ought to be concluding at what will hopefully be the last meeting of MISC22, scheduled for early July.

You may have observations on the assessment below.

Andrew has also written (attached) giving you the advice you requested on how we need to improve delivery structures for the Gateway. You will want to read this letter. I suggest below that you probably also ought to raise the generic issue with JP.

JP's main point is that we should not allow the longer timescale and larger financing decision on Crossrail to delay the announcement/decision on the Thames Gateway (which has already slipped from May). Privately JP is unconvinced by the case for Crossrail. But we agree with his wider point, that we want to get the Government interest in the Gateway launched before the recess, with a reasonable degree of ambition and some firm policy decisions. And we want to detach the Gateway from what we think should be a narrow Autumn consultation on increasing London business rates to pay for Crossrail.

What JP suggests, specifically, is that we should specify publicly:

- The overall level of growth in the Gateway, and an indication of phasing and priorities between major sites;

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- A modest package of additional transport schemes [none of which individually costs more than £150m and which collectively cost less than £100m a year over 10-15 years];
- that with local partners we would make best use of local funding mechanisms such as section 106 ('planning gain').
- how the Olympics bid will be used to boost investor confidence.

We had separately been working on ideas for what we could announce, and had come up with something very similar. And ODPM have, albeit belatedly, now delivered a reasonable assessment of where the early development would be and, with DfT, where the transport support would be needed. This is attached to JP's letter. Finally, the private sector have given us a very strong steer that this will fly provided there is sufficient investment in transport/other infrastructure.

But there are four important caveats:

- a) you have stressed before the importance of robust delivery mechanisms. Andrew Turnbull's letter concludes that ODPM need to put in place some new delivery structures to work with the UDC/RDAs/LAs already engaged or planned – in part at least a development of your earlier push for a 'champion'. JP does not even allude to delivery mechanisms: **you may need an early discussion with him on this.**
- b) JP needs to do more than indicate that he will use simple local financing mechanisms to contribute to the money needed. To carry conviction publicly, I think we should pledge that the Planning Bill will be amended to contain powers for the new Urban Development Corporations to operate the 'planning gain' system and retain some proceeds from increases in the business rate base, and to use these systems more widely than is currently allowed. We would need to be prepared to face down the classification issue that this may formally score as tax and spend. To carry conviction with Gordon (and HMT have been conspicuously unenthusiastic to date), JP needs to do a lot more to demonstrate that his proposed packages are robust. He needs to come up with some ODPM funding – I am confident **he can find £200m over the next 2 years to kick start the transport spending** - and he needs to clarify whether Alistair has to find a similar amount over the rest of the decade.
- c) We need assurance that the resources and expertise for land assembly and reclamation are in place. This seems to be the one remaining 'hole' in ODPM's reckoning – the gross cost could be as great as £1bn over the next

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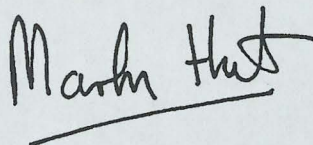
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decade, although at least some of this will be picked up by developers/ RDAs/ English Partnerships.

- d) We should hold out a clear aspiration to do better than the 120,000 houses this will develop – JP cautions we will not reach the 180,000 houses we had wanted with this package. But we ought to be pretty vague about exactly what numbers we will achieve and how. This must await both a judgement of how the early stages of development are going, and whether there is appetite for Crossrail and for other, wider uses of London/Gateway wide funding.

We would like to put this, particularly the issue of delivery, on the agenda for your next bilateral with JP. Is this OK, or would you prefer us/Andrew to talk to Mavis McDonald?

A handwritten signature in dark ink, appearing to read 'Martin Hurst', with a horizontal line drawn underneath the name.

MARTIN HURST

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Deputy Prime Minister

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Fax: 020 7944 8621

PRIME MINISTER

MT
C: AMC
VJK
cc: Matthew E
September 11

MISC22: THAMES GATEWAY

I chaired MISC22 on 7 May on your behalf and we agreed that further work should proceed in two areas:

- Crossrail
- Alternative Funding Mechanisms (AFMs) and finalising transport and housing priorities in Thames Gateway

Crossrail and AFMs are clearly complex long term issues involving new areas of policy on which we must take time to get our approach right.

However, I am concerned that this should not hold up our substantive announcement on taking forward Thames Gateway, as set out in the Communities Plan which I published in February.

Thames Gateway is critical to our policies for achieving a step change in housing supply in the south east. In terms of planning, local partner support and strategic investment it is the furthest advanced of the Growth Areas. With its unique supply of large brownfield sites close to London it is the test of our commitment to large scale but sustainable growth to boost housing supply.

The MISC22 Private Sector panel has clearly indicated that housebuilders and other investors are ready to commit to the western Thames Gateway, providing Government makes its intentions clear, particularly on transport infrastructure.

Our decision to back the Olympic Bid in East London will increase investor confidence but needs to be integrated with a clear strategy for taking Thames Gateway forward.

We do not need to commit major additional infrastructure at this stage. Schemes such as Crossrail will benefit Thames Gateway but need to be looked at in a wider context.

High quality development is already underway in Thames Gateway, for example around the CTRL station at Ebbsfleet, but to achieve high density growth commitments more widely we have to make a clear commitment to exploiting the strategic investment already in place, (as with domestic rail services on the CTRL), and funding additional local transport to feed into this structure.

We also need to phase our approach to prioritise those sites with clear evidence of market interest as in the western Thames Gateway closer to London. External review and the Private Sector panel have confirmed that this is the critical priority for making Thames Gateway a successful housing location for all and for its regeneration.

I have asked my officials to work with Alastair's to look at whether, in addition to committed transport investment, a modest package of schemes on the lines of the attached note enable us to achieve the mid growth scenario for Thames Gateway – 120,000 homes. However this will require some additional funding (c £50m – £100m pa, phased 2005-2011). To help achieve this I would need to be able to make full use of currently available mechanisms such as section 106 developer contributions and those already being taken forward such as the Local Area Growth Incentives (announced in the PBR) which could have the potential to benefit the Growth Areas.

As part of this package I will circulate shortly my proposals for stronger guidance and other improvements on section 106. We should also push ahead with our continued review of new approaches to Alternative Funding Mechanism which will be critical to meeting infrastructure and growth pressures overall.

However, I need to stress that this start will not be enough to deliver the 200,000 homes included in the Communities Plan. This figure was based on Thames Gateway achieving its High Growth scenario in full. I will need to return to this issue in our later discussions.

Subject to further discussion in MISC22 on the details of this approach; I am therefore looking for agreement to proceed as originally envisaged with an announcement in July.

This would specify:

- The overall level of growth in Thames Gateway and an indication of phasing and priorities between major sites;
- A positive statement on a modest package of additional transport schemes to capitalise on our strategic commitments such as CTRL;
- An indication that with local partners we would make best use of currently available local funding mechanisms such as section 106.

We would also need to indicate that further measures will be needed to meet the pressures of growth in Thames Gateway and other areas and that our work on AFMs would be taken forward quickly with an early outcome.

I am copying this to other members of MISC22 and to Sir Andrew Turnbull.



JOHN PRESCOTT

28 May 2003

Note by ODPM officials subject to further discussion with DfT.
Thames Gateway – Phasing and priorities for housing and
transport (Draft 23.5.03)

Category 1 Major sites – well underway which require only minor additional support. All main transport committed. **Stratford** (around CTRL station) and **Royals**.

Total housing to 2016 5,000 at Stratford and 5,000 + at Royals.

Employment [50,000]

Category 2 'Early win' locations with strategic infrastructure but where local infrastructure is weak and without further investment the potential of the site will not be realised.

(i) **Ebbfleet and North Kent Thameside** (includes Swanscombe, Greenhithe, Northfleet and North Dartford). Adjoins Gravesend see (ii) below.

Total housing to 2016 20,000. Development begun (3,000 likely by 2005) but gradual and some sites will not deliver until late in this period eg. Eastern Quarry.

Employment 30,000 in the long term

Additional transport infrastructure required: CTRL domestic services (£80m – not committed) is central as is high quality local transit system to link all major North Kent Thameside sites. Phase 1 of Fasttrack (Guided Bus) is committed but needs Phase 2 (£45m – not committed). Also needs A2 improvements to serve Eastern Quarry

Delivery mechanisms In essence this could become a new city. The scale and scope of the challenge mean that the type of delivery vehicle needs to be reviewed. Key sites are in developer ownership so land assembly is not an issue but there are substantial site preparation and wider amenity costs.

(ii)	Gravesend
Total housing to 2016	6,000 (of which 3,000 by 2006) (around 1,000 on riverfront, 5,000 across urban area)
Additional transport infrastructure required:	will benefit from Kent Fasttrack and CTRL domestics
(ii)	Rochester and Medway riverfront and town centre sites including St. Mary's Island.
Total housing to 2016	5,000 on main riverfront sites (development 2005-10) but potential for up to 5,000 on other major sites in Medway.
Employment	8,000
Additional transport infrastructure required:	Some benefits from improved rail service from Ebbsfleet.
Delivery mechanisms	Local authority led URC type vehicle in partnership with SEEDA to address site preparation and contamination.
(iii)	Greenwich Peninsula and Woolwich (includes west of Thamesmead, Woolwich Town Centre and Arsenal sites)
Total housing to 2016	10,000 (development 2006-10) at Greenwich, 5,000 at Woolwich and up to 5,000 on others including regeneration schemes at Thamesmead with further long term potential.
Additional transport infrastructure required:	DLR extension (£160m – not committed) to Woolwich (2008) Greenwich waterfront transit, Phase I – committed and A206 South Thames Development Route (£20M).
Delivery mechanisms	English Partnerships at Greenwich. At Woolwich London UDC powers will be important in preparing further sites and addressing wider issues – town centre and social

Category 3 Other 'early win'/first phase locations with good commercial prospects, which will require significant additional infrastructure beyond current commitments.

(i) Barking and Dagenham

Total housing to 2016 15,000 (Additional housing is 10,000 at Barking Reach and 5,000 on other sites). Main development would be 2005-2012.

Additional transport infrastructure required: - DLR extension (£180m) not committed
- new station on C2C line £20m- not committed

Delivery mechanisms London UDC/or English Partnerships. Major site programme.

(ii) Thurrock

Total housing to 2016 Around 2,000 at Purfleet with around 3,000 on other major sites in the area (and large scale potential in the longer term).

Additional transport infrastructure required - C2C line stations (£15m) –not committed

Delivery Mechanisms UDC for Thurrock. Major expenditure on decontamination

As indicated above growth will occur all across the Gateway but is unlikely to exceed existing RPG9 targets before 2016 in areas not in categories 1-3 above.

MISC22 NOTE 230503

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Secretary of the Cabinet and Head of the Home Civil Service

PRIME MINISTER

DELIVERY STRUCTURES FOR THE THAMES GATEWAY

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Views of the private sector:

2. In the recent private sector review of the feasibility of the Thames Gateway project, developers told us that the proposed Government arrangements were not adequate. They wanted:

- i. a simple structure with a clear point of entry for developers;

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- i. at the delivery level, a body with powers to give fast and predictable planning decisions and to assemble land, preventing minority landowners from holding developers to ransom.

Options:

Ministerial oversight

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- ii preparing a strategic plan for the area;
- ii. promoting the Gateway to developers, the City, inward investors etc;
- i. programme managing the bodies responsible for actual delivery

6. This office should be at arms length from ODPM but should report to John Prescott. It should be led by a major business figure who would become the champion for the Gateway. An option would be to support him with a small board composed of representatives of the three RDAs, of English Partnerships and maybe of the two or three key local authorities, including probably a representative of the Mayor. It would need an experienced chief executive and should be staffed by a mixture of private and public sector people with appropriate skills.

7. This approach raises the question how to deploy the new senior figure which ODPM are recruiting by open competition to take charge of implementing the sustainable communities plan, who is likely to have some very relevant skills. One option would be to ask him or her both to act as chief executive of the Gateway strategic body described above and to lead within ODPM on other aspects of the communities plan, including the three other growth areas in the South East (Ashford, Milton Keynes and Cambridge/Harlow).

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8. If John Prescott is unwilling to set up a new body outside the existing structures, a variant of the model in paragraph 7 would be to ask the three RDAs to put together a programme office with the same set of functions. The chairman of one of the RDAs might lead it. This would be less challenging to some of the existing interests in the area but would depend heavily on the ability of the three bodies to work together (made more difficult by the fact that the London Development Agency reports to the Mayor). Another variant would be to give the role to English Partnerships, whose new Chief Executive, David Higgins was a key player in the Bluewater development. This would have the advantage of using an existing body, so enabling a faster start. However, relationships between EP and local government and the RDAs, are said to be poor, which might prejudice a successful extension of EP's role.

9. The main powers of the strategic office in relation to the delivery tier would be:

- i. to ensure that plans of the UDCs etc were consistent with its strategic plan for the Gateway as a whole: it would need to be able to approve these local plans and, if necessary, require them to be changed.
- ii. to allocate funding from ODPM and to approve major development projects. It should have a particular role on projects which serve more than one area. There would be a case for giving it power to allocate funds for smaller transport projects too, though Ministers would themselves probably want to keep control over the larger ones.

Powers of this kind would require primary legislation. If we want to avoid that, the alternative would be to leave the formal powers to approve plans

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and projects and to allocate funds in the hands of the Secretary of State but to say that he would only act on the advice of the strategic office.

10. The existing Thames Gateway Partnership and the 3 sub-partnerships which support it could remain in being as a means of involving and consulting local government. But these bodies should have no executive functions. The Thames Gateway Strategic Executive within ODPM should be wound up. But ODPM would need a small sponsorship team responsible for policy on the Gateway, for supporting the Ministerial Committee, for establishing the delivery vehicles (eg UDCs) and for oversight of the public expenditure on the Gateway.

Delivery vehicles

11. The delivery tier needs to have the following functions:

- i. it would act as planning authority for key planning schemes, though responsibility for minor planning applications could stay with the local authority;
- ii. responsibility for land assembly and remediation;
- iii. facilitating specific development projects by the private sector or in partnership with them;
- iv. working with other public sector agencies which need to provide infrastructure or services (health, education, transport, flood protection etc);
- v. promoting local transport projects;

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- vi. extracting and deploying financial contributions from developers.

12. The urban development corporations proposed by ODPM are well equipped to carry out these functions. However, there is a question whether the boundaries of the two UDCs which ODPM are proposing are sufficiently extensive and whether we need UDCs in other areas, for instance around the key transport node at Ebbsfleet. Where there are competent local authorities which are committed to the Gateway, for instance Kent County Council under Sandy Bruce Lockhart's leadership, relying on those local authorities may be best. But more UDCs may be the right answer in areas where local authorities are weaker or less committed. This needs more detailed work and I suggest that you ask John Prescott to consider the issue. Whatever the answer, ODPM either have the necessary powers or will have them when the Planning Bill is enacted.

Conclusion:

13. You may want to discuss this advice. If you think this is the right basic approach, you will need to talk to John Prescott. It might help if we were to re-cast this advice in the form of a short note that you could hand to him. If he agrees, we could work with ODPM to flesh out the proposals and to come back to you and John Prescott with suggested names for the key role of the private sector champion.

Sue Pither

PP

ANDREW TURNBULL

29 May 2003

*Approved by Andrew Turnbull
Signed in his absence.*

cc David Lunt (00Am)

Markin Hurst (0010)

CANARY WHARF

GROUP PLC

Robert L. John

020 7537 5010

email: robert.john@canarywharf.com

By Email

Sarah Tyerman

5th May 2003

Just reply please.

*1 M8
2 B&H to my*

Paul Britton
Economic and Domestic Affairs Section
Cabinet Office
70 Whitehall
London
SW1A 2AS

PD

file

Dear Paul

Thank you again for organising the two meetings on the Thames Gateway: I thought that they were excellent and I was delighted to have had the chance to participate.

Regeneration is never 'easy' but I must admit I am far more hopeful now on the prospects for the Gateway given the focus given by Government to the issues - the debate and comment from your colleagues brought that out.

It seemed to me there were some important practical points discussed. The issue of a hierarchy of transport and a coherent programme has been discussed before. What is interesting is that the programme contemplated has a potential delivery profile that provides continuing impetus to growth.

- ☐ DLR to City Airport - 2005
- ☐ DLR to Woolwich - 2007
- ☐ First River Crossing - 2009
- ☐ Crossrail - 2011-14 *
- ☐ Second River Crossing - 2011 - 12
- ☐ DLR to Barking Reach - 2012-13

I have asterisked Crossrail because the "conventional wisdom" is that the first phase (Paddington to Isle of Dogs and Stratford/Shenfield) will be delivered 6 years after construction commences (say 2011) with subsequent phases (Ebbsfleet; Heathrow; Kingston) within 3 - 4 years thereafter.

As we said Crossrail is a London-wide project. Most of the substantial cost is in the central area: that cost is 'justified' by feeding it by the links east and west.

There has been discussion of the linkages between Crossrail and the Olympics. Clearly there are significant risks in creating that linkage especially given the experience of the Jubilee Line and the Millennium 'deadline'.

We have begun to consider the merits of different phasing which would build from the "outside - in". The first phase could potentially be Ebbsfleet to Liverpool Street or Farringdon which has the merit, in construction terms, of being less problematic. It introduces key services to the Gateway in a quicker timescale, which will be a huge psychological spur for the programme and potentially meets the Olympic timetable (we are focussing on this aspect); provides an operating section of line earlier which will allow testing and 'running in' of new systems/trains and creates important transport linkages earlier.

but
Liverpool St.
→ Stratford
is not

I would be happy to copy you on any work we produce if that were of interest.

the
constraint

There was debate about what I will define is the 'dormitory town' concern. Good access to central London will not relegate the Thames Gateway to becoming a vast dormitory suburb any more than good access from the Thames Valley has resulted in the M4 Corridor becoming a dormitory. Certainly people that live in Reading, Windsor and Maidenhead can easily commute to work in London but new jobs have been attracted to the area by companies moving in with the knowledge that they can recruit the skilled staff they require locally.

This reverse community is a feature of West London: it is also a logical cornerstone of Land Securities thinking for Ebbsfleet and one which will develop over time.

As I mentioned I am also interested in the definition of sustainable communities - I suspect it means different things to different people. The point I tried to make, rather unsuccessfully, is that the success of urban areas is correlated with high levels of accessibility based on availability of both public and private means of transport. It is this which widens local labour markets and, in simplistic terms, enables more 'round pegs in round holes' with people doing jobs that best suite their abilities.

By providing people with better access to a wider range of employment opportunities we should begin to address issues of social exclusion. The Canary Wharf employment statistics, which show increasing numbers of east London people employed, gives some comfort on this aspect.

In that context the concept of local jobs for local people, perhaps seen as more sustainable, must be weighed against other policy objectives such as encouraging economic growth. Access to opportunity means the ability to get to jobs be they 'local' or in the Docklands, City or West End.

To me sustainable communities are ones with a mix of tenures and a mix of social / economic profiles with a reduced or reducing call on Government support. One of the key measures of success therefore (as it was in Docklands) will be to broaden that social / economic profile in the Gateway.

In areas such as Thamesmead that does not mean more social housing but a wider mix which will support 'better' social housing.

That takes us back to the hierarchy of transport and the need for a fast feeder with good interchanges. Tony Winterbottom's observations on London Riverside was absolutely correct in that respect. Serving it by a DLR extension will improve the situation but, in essence, creates a limited 'local' service (given journey times, capacity etc).

Linking that service to Crossrail via an interchange at Custom House creates the step change in journey times and hence potential demand. It is that factor which will drive greater density and greater diversity. The other aspect is that it should also drive overall value and, through that, the ability to contribute more over time to the costs.

I think the debate on planning was, to a degree, a red herring in this context or a debate on an issue which is unlikely solely to be solved in the context of the Gateway. Developers (including us) are always surprised by delay. The utopia of planners automatically agreeing to one's ideas is probably unwise even for developers!

However the discussion around delivery structures was more interesting and potentially fruitful in the context of planning.

As I understand it the UDC is only likely to address say 30% of the London Gateway's land area. That means the balance has to be addressed by existing delivery structures.

Within the UDC area one has the chance to consolidate planning powers, public sector local ownerships and the resource to bring the assets into fruitful use. The risk is to overlay different entities.

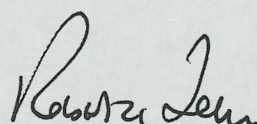
Perhaps the old adage of 'the simpler, the better' is apposite. From a developers standpoint you need to know who decides. Under the current proposals and pattern of land ownerships you could, on a site in the Gateway, require approval from some or all of the UDC; LDA; EP/HC; the relevant local authority(ies) and, for any significant proposal, the Mayor. That is hard to contemplate: harder still to get a decision.

The regulatory confusion and divided responsibilities enhances the risk of failure to meet objectives. That suggests that, at a minimum, there is much to commend unified "state" landholdings in the UDC area.

I hope that these thoughts are helpful. I would be interested in your views on the reports we forwarded and would welcome the chance of maintaining an involvement with your work.

I look forward to hearing from you.

Yours sincerely



Robert Li. John

(P)

From: John Birt
Date: 6 May 2003

JEREMY HEYWOOD

PM

LONDON ISSUES

To be sure. My instinct is that
this understates the extent to which
JB's young, mobile, young professionals etc
need a supporting infrastructure of homes, schools

Martin Hurst has been advising the Prime Minister most conscientiously about the
the Thames Gateway, but hitherto without the benefit of a fundamental strategic
analysis anywhere in government of London's needs.

who are
paying to
live in
commute

We have nearly completed Phase 1 of the London project - the diagnostic phase -
and will be ready within weeks to report to the Prime Minister. We then move to
the 'solutions' phase. By definition, I'm not yet in a position to identify what the
optimum solutions to London's problems are; but my (now informed) instinct
would be

- the Thames Gateway proposal does not look like the right answer to
London's mid-term housing needs
- spending on new transport infrastructure for London should be ruthlessly
prioritised
 - to improve the travelling experience of Londoners
 - to promote London's mid-term economic interest
 - Crossrail may be part of the answer to London's transport
difficulties but it is unlikely to be the main answer

- I am fearful that a successful Olympics bid would materially distort London's priorities over the next decade and prevent the city (and the UK) focusing on what most matters for the capital's essential development

What is clear from our analysis is that much public and political discussion about London is predicated on now outdated assumptions. Some of the key points to emerge from our work are

- London has a highly buoyant and productive economy overwhelmingly based on business services and the creative industries. Manufacturing is disappearing. The City is a relatively small part of London's economy
- London sucks in the most talented and able from the rest of the UK and from around the world to power these industries
- these high-skilled workers are predominantly young and transient and are drawn to London by its dynamic economy, lively culture and intense lifestyle
 - London's key professionals work and mainly want to live within a radius of 5 miles of the centre
 - the number of high-skilled professional workers is forecast to grow substantially over the next ten years, and workers in the mid and low-skill categories will fall in relative and perhaps absolute terms

- housing and transport strategies need to reflect these and other realities identified in the report

Next steps

May I suggest, if at all possible, that irreversible decisions are not made on Thames Gateway, Crossrail or the Olympics until the Prime Minister has had a chance to consider Phase 1 of the London project?

Wendy Sugars

JB JOHN BIRT

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From: Martin Hurst

Date: 2 May 2003

PRIME MINISTER

cc: Jeremy Heywood
Andrew Adonis
Matthew Elson
Arnab Banerjee
Andrew Turnbull
Paul Britton
Geoff Mulgan
John Birt

*The key is a proper
governance structure &
that needs a separate
body to drive this
forward*

THAMES GATEWAY

This note updates you on the Gateway (drawing, inter alia, on a recently established CO private sector advisory group) and covers CO thinking on delivery mechanisms. It asks at the end for some steers to help us best to manage the process towards final decisions.

Matthew is minuting you separately on Crossrail, and on Treasury's work on alternative financing mechanisms – which covers Crossrail, the Gateway, the Olympics and a number of other things like flood defence which will need to be financed in London come what may. He and I have also given you a short chairman's brief for Wednesday's MISC22 meeting.

Background

To remind you of the context. We face very significant growth in housing demand in the South East, which the 930,000 extra homes currently planned by 2016 don't come close to filling. We have not been willing to concrete over large swathes of the South East. So the Government has nominated four growth areas – Milton Keynes, Cambridge/Stamsted, Ashford and the Gateway – which can between them deliver another 200,000 houses by 2016. Even if fully delivered, this would still leave a shortfall. But in fact full delivery seems distinctly ambitious.

The Budget announcements will help. Gordon wants to move 20,000 civil servants outside London, he has asked the Audit Commission to help force local authorities across the South East to deliver on their planned housing numbers and Kate Barker has been asked to explore the barriers to housing supply. But it is

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clear that the underlying need for housing remains in excess of what even the growth areas will provide.

The figuring includes specific pressures in London, which alone will experience a likely population increase of 700,000. This almost entirely reflects international immigration with little net migration within the UK – a lot of under 30s coming to London and a lot of over 30s leaving.

Why the Gateway?

You will recall the attractions of the Gateway: up to 200,000 new homes, on very predominantly brownfield land, many of which would be fairly close to the City of London and/or the Channel Tunnel Rail Link; and real regeneration of an area which performs badly in almost every respect.

The growth in under 30s and immigrant population also means that rising demand for housing in London is unlikely to be naturally met by commuting from outside the capital (the other growth areas, or the outer part of the Gateway), and that it may be concentrated in single/shared occupancy high density accommodation. When I put this to the developers on the private sector group they said that they had concluded this meant concentrated development in the inner part of Gateway was all but inescapable – put simply, there isn't the land elsewhere.

Problems

The main problems are also clear: brownfield land is costly to remediate, the Gateway is at present poorly served by local transport and other infrastructure, the various parts of Government and local government are not fully working together, and it needs to build appeal with potential residents and developers.

There are no show stoppers, but it is clear that without Government action to promote infrastructure, and ease planning etc. it won't attract new residents – or the right kind of buyers – or development – or the right kind of development. Historically population has moved away from rather than towards the east of London. And economic growth is becoming less concentrated in the east of central London, with the slow down in financial services.

The House builders and the Royal Town Planning Institute have jointly – and unusually – written to you saying the Gateway can and should be done, but that the obstacles need to be addressed.

The Olympics

The Olympics, if we go for and win the bid, would be in an area adjacent to the Gateway. They could do quite a lot to help boost the image of east London, and hence attract potential residents and employers to the Gateway. But there will not be a 'Manchester effect' with direct regeneration benefits. And the Olympics could also attract Government/ mayoral (and some private sector) attention away from the Gateway project. On balance I rather doubt the Olympics decision is that important either way for the Gateway.

Scenarios

We have throughout been working on three scenarios. None of these cost anything remotely like the £30bn upper bound figure for total infrastructure quoted in the HMT paper. (That figure, which itself does not net off fares and other revenues or allow for depreciation, includes development of the central and eastern parts of Crossrail, £4bn for flood defence which we will have to pay whatever happens, the Olympics, and spending on education/health/utilities which accrue wherever we choose to site housing.):

Low growth: 80,000 houses (roughly the number already planned for, and therefore a 'do nothing' scenario). Lowish density accommodation. Little extra infrastructure requirement. But a big shortfall in new homes in the south east and inevitably greater pressure for greenfield/greenbelt development and bigger battles with the NIMBYs. It is important to realise that although there would be no additional costs in the Gateway from this option there is no cost free approach. Not to build beyond this level in the Gateway will merely increase congestion and DfT costs wherever we do site population. And we have to educate our children wherever they live.

Mid growth: 120,000 houses, serviced by additional local transport infrastructure. Most development would be in the west of the Gateway, within the London boundary – this is both the most economically viable area, and the one which best serves the needs of London. The developers say the core transport infrastructure is a new bridge, and improved rail services, coupled with local transport links. This would probably be financeable within departmental budgets without the need for new financing measures such as a business rate increment. But it would cost perhaps £2bn in gross terms, and would therefore need extension to local powers to extract betterment from developers. In addition, both

Ken and ODPM would need to put several hundred million pounds up for this – but ODPM have the money, and the LDA believe Ken will match this. It would clearly benefit from the eastern branch of Crossrail if it happened, and early announcement of this would be a huge plus, but it is not an absolute prerequisite.

High growth: 180,000 houses, requiring longer range and more expensive infrastructure. The eastern end of Crossrail, or infrastructure of similar magnitude, is a necessary but not sufficient condition. Total transport costs could be £3-4bn gross. The developers think going for 180,000 houses is stretching (and costly) but achievable providing we do Crossrail. Much of the incremental development would be outside London, loosely along the Thames in Essex and Kent.

Whitehall has been working intensively on the underpinning for these scenarios, and on the costs/feasibility. DfT have been very helpful and can do. ODPM have been very slow to engage – in particular on the key recognition that jobs growth in the Gateway is most unlikely to predate housing growth, and that therefore it will rely in part on a commuter concept.

Key Questions

We are aiming to move towards decisions on the Gateway at a meeting of MISC22 in early June. Some form of public announcement before the recess is widely expected.

1) without prejudging the final decision, have you any idea as yet **where you think we should be aiming to come out?** We could:

a) be maximalist: make it clear that we are aiming firmly for 180,000 houses, or something like that, with the whole Gateway brought into play. This would need both assent to Crossrail and a willingness to put new resources in (though Matthew's calculations suggest this could be only needed as medium term bridging finance) to cover the gap between infrastructure spend and housing/betterment delivery.

b) be very firm on the London part of the Gateway – and the 120,000 figure, accepting the more limited infrastructure this entails. But be more aspirational on wider plans. This seems to us the most sensible.

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c) step back and be less committal. The danger of this is that the lost momentum could be damaging, both to the Gateway, but also to our commitment to use Brownfield land where possible. We would need to start managing expectations.

2) we think there is a clear shortfall in terms of the delivery mechanisms which government has in place to take the gateway forward. JP has persistently ducked your and our bids for a 'Gateway champion'. **Are you prepared to raise this with him at your next bilateral** (the attached CO paper contains a summary brief of the key points to make)? You could, alternatively, write to him following up on your earlier conversation about the champion.

3) are you bothered politically by the accusations that our agenda for the Gateway, for the South East and for key workers, all demonstrate our lack of commitment to the North and to core values, and do we need to prepare a handling strategy? If so, there are a number of good housing stories – the pathfinders, the real progress on decent homes, and the action on B&B homeless accommodation – we could work up into an integrated statement/speech demonstrating the inclusivity of the housing agenda. Shelter suggested to me they would be happy to promote this positively. We could also work in good reform messages – Arms Length Management Organisations and the growth of choice based letting.

Martin Hurst

MARTIN HURST

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GOVERNANCE ARRANGEMENTS FOR THE THAMES GATEWAY

1. In parallel with the work on evaluating the development proposals for the Thames Gateway, officials have been considering the governance arrangements that would be required to deliver the project.

ODPM proposals

2. The ODPM proposals build heavily on **existing arrangements**. The principal objective in the past has been to achieve buy-in to a common vision from key local and regional stakeholders so the emphasis has been on partnership. The institutional architecture has been specific to each of the 14 Zones identified for growth, with sub-regional co-ordination through three partnerships for London, Kent and Essex.
3. At strategic level, the Thames Gateway Strategic Partnership (TGSP), chaired by Lord Rooker and comprising key players such as the Regional Development Agencies and representatives of the regional assemblies has, in ODPM's view, achieved a strong measure of consensus regarding the scale and location of new housing, employment and growth.
4. The **new governance arrangements** would broadly continue the approach of tying in sub-regional and local strategies with central government departments and key agencies, plus the direct involvement of private investors. To deliver change on the ground, two types of delivery agencies are proposed. In the two areas that pose the biggest challenges – the London end of the Gateway and Thurrock - Urban Development Corporations with full planning powers are proposed. For the other areas, urban regeneration companies and more localised partnerships are proposed. There would be three sub-regional boards/partnerships as well.
5. The central government response would be co-ordinated through a strengthening of the TGSP by including the Housing Corporation, English Partnerships, Strategic Rail Authority and Highway Agency. This would create a body with at least 20 members. Its status would be “a pan Gateway investment planning board,

rather than a body clearing inputs from other broader arrangements in the London, South East and Eastern regions". This structure, together with a parallel 'Other Government Departments ministerial forum' with only a vaguely defined role, is set out in the Annex.

Commentary

6. Both HM Treasury officials and ourselves doubt that the model proposed in the Annex is adequate to drive forward such a major project. The model may be useful for continuing stakeholder management but it is not clear how groupings that lack their own delivery capacity, resources or ability to bind their membership can constitute a delivery architecture. We also know that there is considerable confusion amongst developers as to what role each grouping in the existing structure plays and where the point of entry should be.
7. There are two main levels at which the arrangements have to work: the strategic and the local delivery levels.
8. At the **strategic** level, an overall steering body is required that commands business confidence and ensures co-ordination at the local delivery level. (An example of a particular challenge on co-ordination is transport: it will cut across the boundaries of the proposed UDCs and involve some 27 local transport bodies, as well as the Strategic Rail Authority and the Highways Agency.) The ODPM-proposed body, the enhanced TGSP, risks being seen by business as a talking shop, largely composed of public sector interests, and serviced by a team of officials in ODPM. Having been in place for two years already, it may not easily be transformed into the vehicle for achieving the 'step change' that the Thames Gateway strategy requires.
9. One option would be to create a separate Agency or NDPB, headed by a high profile Chief Executive, who has the confidence of the DPM but could also report to several Ministers. It could take decisions on strategic infrastructure and would provide a single entry point for investors.

10. Another option would be to give the relevant Regional Development Agencies (RDAs) the strategic role, though in London this might lead to difficulties in relation to the Mayor.
11. A further option, which you have asked the DPM to consider, is that there might be a role for a 'champion' who could play either an executive or a non-executive role in drumming up support in the City and from developers. The champion could also provide an independent source of advice to Ministers on progress and problem-solving. It would need to be considered how the champion related to the overall strategic body, if that continued to be the TGSP.
12. At the **delivery** level, the key requirement is to balance the need to make things happen with the need to carry local communities with the decisions that are required. Local planning authorities can fulfil this role if they are effective but developers are critical of the lack of capacity in some authorities. Developers' key needs are an effective mechanism for land assembly, which avoids minority landowners holding interested developers to ransom, and a planning system that is efficient and, within reason, predictable. The ODPM has proposed UDCs in two areas of the Gateway. One option might be to consider if further UDCs are required. Another might be to consider an enhanced role for the Regional Development Agencies.

Conclusion

13. The Deputy Prime Minister believes that the governance structure outlined in paragraphs 4 and 5 above is well-attuned to the needs of each key area within the Gateway and has credibility with local politicians, including the Mayor and the GLA. However the question remains whether it can provide the impetus and the strategic impetus required.
14. You will want MISC 22, which you chair, to consider the most appropriate governance arrangements for the Thames Gateway. We suggest that they should be discussed at the June meeting. However you may in the meanwhile want to raise the issue at your next bilateral with the Deputy Prime Minister and ask him

again to consider whether stronger arrangements are needed. We could then work with his officials to produce revised proposals.

SARAH TYERMAN

✓ 54
(F)

ALTERNATIVE FUNDING MECHANISMS (AFMs)

Summary

1. We are collectively considering a range of proposals for **substantial new investment programmes** that are additional to our existing spending plans and budgets. The Thames Gateway, Crossrail, and the Olympics are just the highest profile examples, **with an estimated worst-case combined cost in the region of £30 billion**. The scale of this funding challenge is detailed below.
2. We have been working on the assumption that if these projects are to go ahead **a substantial proportion of their combined cost will need to be met through alternative funding mechanisms (AFMs)** that directly target the beneficiaries. **The decision timetables require us to move quickly.**
3. In taking this work forward, **we must ensure that the implications for public sector financing are manageable within the fiscal rules, and that they do not displace or damage our existing investment plans.** There is likely to be a very substantial public sector financing gap above existing plans, of the order of £20 billion+, for the full range of ambitions above.
4. **Private finance has a role to play, but only where it represents the best, value for money way to fund investment;** this is likely to be true for only a limited share of the costs. Analysis to date suggests that **it is unlikely to be value for money to attempt to securitise future AFM streams to raise up-front funding for investment.**
5. **AFMs will impose real costs, as well as providing real benefits,** raising the overall tax burden in London and the South East. Table 1 in Annex A (and in more detail in tables 2-4) illustrates the most likely AFM mechanisms and their potential revenue quantum. We will need to be able to defend these costs and demonstrate that we have minimised the impact of the required level of AFM funding on London/SE competitiveness, productivity and growth.

6. Circumstances on the ground differ greatly between Thames Gateway and the rest of London, as do the timing and distribution of benefits between the different projects we are considering. These differences point to **advantages to proceeding with a range of measures with a different mix for each element of the total programme**. Annex B sets out the potential benefits that could accrue through the use of AFMs and evaluates how these might begin to be structured.
7. The **scenarios set out in Annex C** set out projections for spending profiles – set against potential AFM revenues – to **illustrate the scale of the costs and the impacts on those expected to contribute to them**. They aim for a best fit between benefits derived from investment and those targeted to contribute to the costs of that investment (e.g. the main contribution to Crossrail costs is assumed to come from the London business community).
8. We **need to agree a set of principles on the use of AFMs** for this group of proposals; a list of key principles that might underpin the use of AFMs is summarised below and in more detail attached as Annex D. We will also **need to address governance issues** and the role of local authorities (including the Mayor) in raising and spending AFM revenues, and being accountable for their use.
9. As part of our consideration of the impacts of raising additional revenues through AFMs, **we may wish to consult with the London and South East business community**: possible consultation issues are outlined below.
10. It is possible that **further work by our Departments may be able to identify more cost-effective ways to deliver the objectives that we have for growth and economic development**, and so reduce the scale of the costs, and impacts, set out in this paper. Until that better-focused investment profile is available, we need to ensure that we consider the potential impacts arising from the currently-identified levels of costs and revenue-raising that would be required to meet them.
11. Regardless of the precise scale of investment requirements, **there are some issues that will remain for us to address**; in

particular the fiscal impacts of financing major new investment ahead of the realisation of any additional revenues to meet those costs.

The scale of the challenge

12. The new investment proposed for London & the South East is very substantial. The table below sets out the major programmes and potential costs where AFMs are being considered as partial funding solutions.

<u>Investment</u>	<u>Timescale</u>	<u>Outline costs</u>
Crossrail ¹	2005 - 2015	£15 billion
T. Gateway transport ²	2004 - 2016	£1.4-2.2 billion
Flood defences ³	2006 - 2020	£4 billion
Education	2006 - 2020	£1 billion
Health	2006 - 2009	£0.9 billion
Utilities	2006 - 2011	£1.5 billion
Olympics ⁴	2006 - 2013	£ 3.25 billion
TOTAL		£ 30 billion

13. This list is not exhaustive, and there would be a wider set of spending pressures that might have to be met from these sources. For example, the Thames Gateway transport costings only address major trunk infrastructure needs, and not the incremental local transport spending that may be required

¹ The estimated total cost, including financing of the scheme as proposed by CLRL the TfL/SRA joint venture charged with developing the project.

² This is an initial estimate for the high growth (180,000 houses) scenario; based on ODPM figures and assumptions about the location of housing. It excludes £700m transport investment which is already committed to a greater or lesser degree. Post 2016 further potential schemes costing £900m have been identified. Figures do not include financing costs or optimism bias, and assume certain multi-modal study outcomes (eg. any M25 widening) are funded from within public expenditure baselines. For 120,000 houses (mid growth), the range on the same basis is likely to be around £0.7-1.5bn. All figures assume local transit schemes are a mix of guided bus and DLR, which has recently been called into question by consultants.

³ Although potentially necessary without TG, this sum is not within existing budgets and there is interest in using AFMs to cover these costs.

⁴ Of this, £1.5 bn is expected to come from Lottery receipts. £1.5 bn may have to be raised from AFMs.

above the levels already provided for in local transport planning budgets.

14. The costs are those supplied by the relevant departments or scheme promoters, and reflect the ODPM high-growth scenario for the Gateway. Clearly, costs might be reduced through de-scoping growth ambitions, or more detailed and robust analysis of the causal links between the scale and type of investment required and delivery of the desired levels of growth. However, for the purposes of assessing the maximum potential revenue requirements and the impacts that raising them would create, the analysis and funding/financing scenarios set out in this paper are based on these 'high-cost' figures⁵.
15. The profile is not yet clear in detail, but most costs would fall over a 10 year period (the broad TG development period runs from 2006-2016). The £30 billion cost may average £2-3 bn a year - an increase of about 10% a year on the total capital budget for the UK in 2005-06⁶, all to be spent in London & the South East.
16. Initial profiles for spend suggest that costs would be front-loaded, with a total of £7.2 billion falling in the period to 2007-08. For trunk transport infrastructure, excluding Crossrail, the c.£3.8 billion additional spend proposed in the Thames Gateway would add massively to the existing Department for Transport commitment of c.£1 billion for schemes in the Gateway area over the 10 Year Transport Plan period.
17. At present, fiscal plans allow for public sector net investment (PSNI) to rise from 2.1% of GDP in 2005-6 to 2.25% in 2007-8. This is factored into existing borrowing and debt forecasts. An additional investment package costing several £bn p.a. would not be affordable within this envelope, without corresponding cuts to public investment in other priority areas.
18. Flexing the public spending envelope to accommodate these sorts of additions would increase PSNI significantly. Public

⁵ It should be noted that only the Crossrail cost includes estimates for risk, financing and other additions to base costs – because existing analysis allows a reasonable estimate to be made. The other costs do not include such provisions, and so could be even higher than presented here.

⁶ Budget 2003 (table C12): capital DEL plans for 2005-06 are £29.1bn

sector net debt would increase by £7.2bn by 07-08, and public sector net borrowing would rise by around £2.5 bn a year. Increased net debt would lead to increased debt interest which would hit the current surplus.

19. Some of this additional spending may have to be delivered regardless of decisions on specific projects (for example, much of the spending on flood defence would be required even if the Thames Gateway did not grow as proposed). However, very little, if any, of this proposed expenditure is provided for in existing budgets: all of the *additional* transport costs are outside of the 10 Year Plan, which outlines existing transport spending plans out to 2011.

Principles governing use of AFMs

- Public sector financing of investment must be manageable within fiscal rules, and not displace or damage our existing investment plans. Private finance can play a part where it represents the best, value for money way to deliver investment.
- Increased investment and activity through AFMs needs to take account of Government's commitment to a balanced regional approach (including the PSA commitment to "over the long term reduce the persistent gap in growth rates between the [English] regions").
- AFMs must raise the sums necessary for investment without damaging business viability and the potential for growth, or undermining the benefits of the schemes they are designed to fund.
- Institutional/governance arrangements must be robust and transparent enough to provide clarity on and confidence in responsibilities for revenue raising, spending and project delivery.
- There must be a credible risk management strategy, which considers the implications of any shortfall in revenues and the efficiency of delivery of investment outcomes.

Key principles for consultation

20. In order to satisfy ourselves that we can raise sufficient amounts through AFMs, and do so without undermining our underlying objectives, we may wish to consult the business community. To be credible this consultation would need to:

- **Be clear about the total amounts we would have to raise and over what timescale we would have to raise them.**

This would mean consulting on all the potential AFM/spend packages simultaneously.

- **Be clear about the conditionality of the proposition.**

There can be little prospect of serious engagement with the business community if they perceive that the projects will proceed even in the absence of the necessary level of AFM funding.

- **Articulate the business case for each package of AFM and spend.**

The consultation would be unlikely to succeed if we are unable to provide convincing evidence of the commercial benefits on offer. This would involve providing some important details, for example the emerging conclusions on the preferred routes for Crossrail, the economic benefits for London and the expected impact on land values in the TGW.

- **Enable the business community to prioritise.**

Should businesses not accept the commercial case for all the potential AFM/spend packages on which we consult, they would require sufficient information on potential costs and benefits to identify their priorities for economic development and growth.

- **Set out a reasoned and principled argument for the proportions of AFM funding being sought in each case.**

This will involve being explicit about the rationale for the limit on central taxpayer funding for each of the packages.

- **Provide sufficient information on costings and comfort on delivery mechanisms.**

The business community is unlikely to be willing to fund gold plated propositions and will need to be reassured that procurement and wider delivery planning is credible.

- **Outline our approach to the institutional and governance issues.**

We would need to convince business that the mechanisms for raising and spending revenues are transparent and accountability for gaining value for money forms part of the structures.

Work prior to any consultation

21. There are a number of key areas where detailed analysis is required to support the consultation paper and to prepare for the inevitable questions that will arise upon its publication. These include impacts on:

- **GDP:** We will need to be armed with robust analysis of the likely GDP impacts of AFM funded projects to be able to demonstrate they maintain the commitment to a balanced regional approach.
- **Existing spending plans:** We will need comprehensive data on the extent to which London benefits from existing spend e.g. under the 10-year plan for transport.

- **Business:** We need to quantify the impact on business investment, competitiveness and profits in order to illustrate the net benefits of AFMs to business.
- **Overall quality of life:** Analysis on the impact should look at the role AFMs have to play in solving problems associated with the housing market, access to key services and congestion on public and private transport.

Next Steps

22. Any consultation would need to be carefully managed and we would need to prepare the ground. There is a strong case for taking some initial soundings from key business groups such as London First and the CBI in advance. In particular we could usefully take views on how best to present convincing combined AFM/spend business cases. The Mayor's role in any consultation would also require a handling strategy.
23. Notwithstanding the need to prepare the ground, we would need to move quickly if we are not to lose the momentum on projects such as Thames Gateway and lose the initiative on Crossrail. The range of departmental interests here suggest that preparing a consultation document would need to be a cross departmental exercise, possibly coordinated by Cabinet Office using the machinery already in place to support MISC 22. The cross-departmental interests also point to a final document being a joint publication by ODPM, DfT, DCMS, Treasury and possibly DTI and DEFRA.

ANNEX A: LEAD MECHANISMS, QUANTUM RAISED & IMPACT

Table 1 - Most promising AFMs and potential quantum

<u>AFMs</u>	<u>Quantum</u> p. a. in Thames Gateway, unless stated otherwise
<u>One-off</u>	
Development Land Tax	Assuming a 10% rate and that 75% of the uplift occurs at point of capture (e.g. grant of planning permission), each £1bn of development gain could raise £75m. (ODPM high growth estimates point to some £14.8bn of total land value increases in TG.)
Planning Obligations	£1–1.5 bn for Crossrail, over 10 years Figures for rest of London / SE still to be established (background total of £ 2 bn+ nationally p.a.)
New UDC-type tax / development tariff	Combination of above approaches, based on a tariff on development within defined growth areas. Allows for additional project-specific planning gain for exceptional schemes/benefits (e.g. Canary Wharf - Crossrail). As with DLT total quantum depends on rate of capture and total development gain.
<u>Revenue</u>	
Land value Tax – incremental (see Table 2)	1% levy on <u>gross</u> development land values in TG would yield £260 mn p.a. in high growth scenario. 1% levy on <u>net</u> development land values = £148m pa
Business rates: various models (see Table 3a/b)	<i>Supplementary:</i> TG = £20m pa for each 1p on multiplier (2.3% increase); London +TG = £90m pa per 1p TIF = estimate of an additional £9.4 bn in the Crossrail boroughs by 2030 (TfL figures); Remove RPI cap = between £500 – 750m p.a <u>in London</u> from 2005
Council Tax (see Table 4a/b)	Total TG yield of £861m (figures for 2002/03). £1 increase in band D would raise less than £1m. A 1% increase in council tax levels (around £9 per household) would raise approximately £9 million.
Congestion charging	£120 million at present (but committed); zone extension might raise a similar sum?
<u>Public/private</u>	
Various models	Significant sums could be raised, in proportion to the scale of <u>net</u> benefits for the private sector, balancing benefits with costs of contributions.

Table 2 – Annual Land Value Tax

Annual land value tax @ 1%	Tax Take (£mn) (based on ODPM <u>gross</u> values)	Tax Take (£mn) (based on <u>net</u> values)	No. of payers (Households / jobs)	Tax/payer (£) - <u>gross</u> (Households / jobs)	Tax/payer (£) - <u>net</u> (Households / jobs)
Residential					
Scenario 1	57	0	80,000	712	0
Scenario 2	111	42	120,000	925	350
Scenario 3	200	115	180,000	1,111	639
Commercial					
Scenario 1	19	0	166,000	114	0
Scenario 2	33	12	200,000	165	60
Scenario 3	60	33	330,000	182	100

- Total tax take @ 1% of gross values = £76 / 144 / 260 million across the 3 scenarios
 - Translates into an annual levy of c.£1,111 per household (current London Band D Council Tax = average £898 p.a.) and a levy of c. £182 per job (for high growth scenario)
- Total tax take @ 1% of net values = £0 / 54 / 148 million across the 3 scenarios
 - Translates into a levy of c.£639 per household (current London Band D Council Tax = average £898 p.a.) and a levy of c. £100 per job (for high growth scenario)

(Based on land values supplied by ODPM, adjusted pro-rata (for residential/business split) from scenario 1 breakdown figures)

- Tax/job would fall on business, and would vary according to space usage/employee across the commercial sector

Table 3(a) – Business Rates (NNDR) - Supplementary

<u>Authorities</u>	Total RV 1/4/01 (£billion)	Total yield 2002-03 (£billion)	Estimate of yield p.a. - multiplier + 1p (£million)	Estimate of yield p.a. - multiplier + 5p (£million)
Thames Gateway	2.12	0.75	20	100
London + Thames Gateway	11.69	4.14	90	450
South East + London + TG	16.56	6.02	137	685

- Multiplier is currently 43.7p/£
- +1p = 2.28% increase
- +5p = 11.44% increase

Table 3(b) – Business Rates (NNDR) – Remove RPI Cap

<u>Authorities</u>	Multiplier p/£ pre/post2000 revaluation	Total yield 2002-03 (£billion)	Estimate of potential extra yield p.a. (£billion)
England	48.9 / 41.6	14	2 - 3
London	48.9 / 41.6	3.5	0.5 – 0.75

- Multiplier was reduced to maintain cap on overall take
- If cap had been removed / multiplier retained at previous level, differential applied to current take could have generated this order of estimated additional yield
- If similar shift in rateable values occurs in 2005 revaluation, then extra yield on this scale might be anticipated annually for next 5 years
- Similar shift in 2010 would produce another step change in revenues over current (e.g. + £1-1.5 bn annually in London)

Table 4(a) – Council Tax Yield

COUNCIL TAX YIELD - £million

	Thames Gateway	TG + Ldn *	TG + Ldn +SE*
2002/03 baseline	£861	£2,864	£5,625
5 % increase	£43	£143	£281
10 % increase	£86	£286	£562
20 % increase	£172	£573	£1,125

This would then impact on the average amount paid by individuals as follows, with Band D area council tax rising from current figures by:

Table 4(b) – Average band D charge

BAND D AVERAGES - £/household/pa

	Thames Gateway	LONDON*	SOUTH EAST*
2002/03 baseline	£930.81	£894.42	£968.74
5 % increase	£46.54	£44.72	£48.44
10 % increase	£93.10	£89.44	£96.87
20 % increase	£186.16	£178.88	£193.74

* Excluding areas already captured in the Thames Gateway

ANNEX B: AFMs & THEIR DEPLOYMENT

Potential benefits that could be targeted through AFMs

1. Work to date by ODPM, and CLRL (the SRA/TfL joint venture developing the Crossrail project), has identified very substantial financial benefits as a result of both the development of the Thames Gateway and Crossrail. A successful bid for the Olympics would also generate substantial additional revenues for London and South East businesses.
2. The potential impact on land values from new development in the Gateway in particular are substantial, with ODPM analysis under a high housing growth assumption pointing to an increase in net value of housing land (after decontamination costs – most of the land is brownfield) of around £15bn, and an increase in commercial rateable value as a result of new commercial development of £0.8bn.
3. The above figures do not reflect the impact on the rateable value of existing commercial property, currently £0.8 bn across the Gateway Local Authorities and a further £1.2 bn in the rest of London, or the potential margins earned by developers on the sale of an estimated £18.3bn of additional residential housing within TG. Nor do they reflect the wider benefits London and South East businesses could be expected to gain from lower house price inflation as a result of the impact of Thames Gateway development on housing supply.
4. If the results of the initial ODPM analysis are confirmed, they suggest that in principle it might be possible to construct a business case under which beneficiaries from the development of the Thames Gateway contribute substantially to the long run funding for the £11bn plus of identified direct Thames Gateway infrastructure costs, plus a proportion of Crossrail which is seen to contribute to the achievement of high Thames Gateway growth.
5. In addition to the above Thames Gateway benefits substantial economic benefits have also been claimed for Crossrail, with total estimated benefits for the London economy of £9bn in present value terms – an average of perhaps £400m pa. A

proportion of these benefits are likely to be over and above the £13bn estimated present value time saving and decongestion benefits to London public transport and road users.

6. On the assumption of some limited contribution from Thames Gateway betterment, these figures also suggest that a business case could be constructed for AFM funding sufficient to meet a substantial proportion of the carrying costs (estimated npv £10bn) of Crossrail. Similar conclusions appear likely for the Olympics (although there may be issues over targeting business for funding both this and Crossrail, and so Council Tax may have to carry the potential burden of the Olympics).

Assessing the scale of value uplift

7. **HMT** has been working on the potential to use modelling of transport investment and related increases in land and property values. So far, our basic conclusion is that there are no robust modelling approaches for predicting the impact with any degree of certainty. There are many relevant techniques, but all rely on uncertain inputs. These inputs are difficult to pin down because:
 - Impact in one area is not necessarily similar to the impact in another: each case is very different;
 - Even with a good comparator, the basic data on value changes is typically unavailable;
 - And even where basic data for a good comparator is available, it is difficult to isolate the impact of the transport infrastructure with any certainty in that case.

We are still quite some way from a position where we could base policy decisions on predicted specific land/property value uplifts.

8. **ODPM** calculations have resulted in preliminary estimates for gross land value increases in Thames Gateway, and net values after the costs of decontamination (most of the TG land is brownfield, with subsequent substantial reclamation costs). These are broad estimates, based on average values and assumptions as to final land use, density and type of development.

These calculations suggest that:

- Under scenario 2 - the "mid-growth" case - estimate that 4,500ha will need to be developed. The estimated net increase in **land value** over the existing base case is £5.4bn (at current prices).
- Under scenario 3 - the "high growth" case - estimate that 6,800ha will be developed, with an estimated net increase in **land value** over the base case of £14.8bn (at current prices)
- the value of proposed **new residential property** (based on 2001 market prices, plus ave. house price inflation to 2003) is estimated at £11.2 for the 80,000 new houses under scenario 1. This new residential property value rises to £14.2 bn and £18.3bn under scenarios 2 and 3 respectively
- estimated **new commercial property** would have a total rateable value of £0.4bn under scenario 1, rising to £0.5bn and £0.8bn under scenarios 2 and 3
- increased land values are a subset of the increased property values – these figures are not simply additional (land is 50%+ of overall property value).

The likely timing of value impacts

9. The availability of value uplift for capture will be crucially dependent on the pattern with which it appears over time and across the region. This is particularly important for assessing the potential capture through one-off uplift measures. Although revenue stream measures will capture all/most of the spread of uplift over time the revenues will still be 'lumpy', following the pattern of development.
10. To get a detailed grip on this issue of timing/availability we will need to address the following questions:
 - What proportion of the value impact is unlocked by planning permission itself, and what proportion has already crystallised by the time that planning permission is given?
 - What ramifications does the timing of value uplifts have for the potential efficiency of value capture mechanisms based on land value?

- What effect does the timing and phasing of development have on the amount and availability of value uplift for capture?

Preconditions for positive value impacts to happen

11. All capture is based on the presumption that there would be positive uplift in value as a result of the investment programmes that are under consideration. However, this is not an automatic response to the simple fact of investment and we will need to ensure that the full range of conditions that would facilitate economic growth and associated value uplift are in place.
12. The key areas that we will need to address are:
 - New transport infrastructure typically has a positive impact on land and property value - though not necessarily in the areas closest to the infrastructure
 - To have an impact on development or land/property prices new transport infrastructure must at least offer time savings *in principle*
 - Accessibility is not the only impact on demand for going somewhere and the attractiveness of development there (for instance, proximity to employment agglomerations is key)
 - The economic climate will, regardless of the transport infrastructure, affect demand to use it and appetite for development, and hence affect the impact on land/property prices.
 - New transport infrastructure can have a positive impact without values going up (because the prices can fall less than they do elsewhere), but it is worth being clear that:
 - The counterfactual baseline need not be flat (so that it can in certain cases be unrealistic to expect actual land/property price increases)

- New infrastructure can only attract development if there is appetite to develop (so there might be minimal impact if the area is in economic decline).

How AFMs might be structured

13. These mechanisms fall into 3 main groups:

A) One-off capital gain taxes

These aim to capture increases in land value at or close to the point they arise (e.g. when planning permission is granted for a change of use).

B) Revenue stream taxes

These either target ongoing business benefits (eg productivity gains/enhanced profitability) or place an ongoing charge on owners of assets that have increased in value.

Although increases in domestic property values are not targeted by Council Tax, as currently structured (and only partly by Stamp Duty), it may be possible also to seek to capture a share of these increases arising from public sector investment.

C) Equity/funding partnerships

These approaches aim either to draw owners of assets that are expected to increase in value directly into the provision of the required enabling infrastructure, or provide them with the option of surrendering a share of the value of their asset as an alternative to either a revenue stream or one off tax.

Key strengths and weaknesses

A) One-off capital gain taxes

The theoretical strength of this kind of approach is its relative simplicity: the value of the targeted land/asset can be assessed before and after a threshold event (eg the granting of planning permission) with tax becoming liable at a pre-set percentage on the uplift in value that the threshold event delivers. This simple model also has a number of important disadvantages.

- Seek to capture capital gains, which are often seen as unearned benefits and could represent large sums in total across London & TG
- Values will increase in a series of steps - a single pre-determined threshold event will not therefore capture the full uplift in value
- There may have to be substantial exemptions and allowances (as with Capital Gains Tax, where primary residences are exempt), further reducing the size of the available pool
- Proportion of uplift that can be extracted without pricing off development (eg where substantial investment in land clearing/decontamination is required) will vary substantially depending on circumstances - a one size fits all rate might therefore need to be quite low;
- Based on the ability of taxpayers to realise their gains in order to pay, or borrow against the asset to do so – likely to impact disproportionately on smaller enterprises, start-ups, etc, due to liquidity problems
- The greater the proposed absolute one-off take, the more vulnerable the future revenues will be to lobbying for rescinding of the measure (as has happened with every previous attempt to introduce such a tax, although earlier rates of capture were punitively high at 100% / 80% / 60% / 40% in successive rounds of legislation since 1947). Any suspicion that lobbying might eventually prevail would

provide owners with an incentive to delay the development we are seeking to promote.

- Uncertainties over scale and timing of potential capture means that securitisation of one-off revenues - to generate the necessary up front capital for investment - is not a realistic or value for money prospect in these cases
- In practice, raising sufficient sums from this approach would seem likely to involve developing a sophisticated and intrusive regime based on a number of thresholds, with rates that vary depending on circumstances, and we will need to consider building in incentives designed to avoid tactical behaviour, such as strongly interventionist CPO-type powers.
- Planning obligations negotiated by Local Authorities, whose scope and scale have progressively evolved, have been much more successful at capturing betterment than previous attempts at national development land taxes. They allow the scale and scope of development gain demanded to be sensitive to the circumstances of a specific development.
- Building on this, with an element of regional/sub-regional pooling of planning obligations or a tariff-based system for developments across the growth areas, may therefore be an easier and more practical way forward.

(B) Revenue Stream Taxes

The two leading examples here are:

Revenue stream taxes based on increasing land/asset values:

- Requires periodic (eg annual) revaluations translating any uplift in value into a higher annual charge. This approach has the advantage of capturing a limited ongoing % of the impact of threshold events automatically.
- This benefit however would come at the expense of placing a significant liquidity burden on land owners, potentially forcing them into frequent inefficient and burdensome refinancings; less magnitude in impacts (compared with one-off asset taxes), but still likely to hit smaller enterprises harder. The costs of frequent revaluation would not be insignificant¹.
- A mechanism to enable land owners to roll up their liabilities for a period might be required, and in practice a workable land value revenue-stream tax might need to share many of the features of a sophisticated one-off betterment tax.
- They deliver a revenue stream, and not large capital sums for investment - some would be robust enough for securitisation to be possible, but we would not be able to securitise future AFM revenue streams off the balance sheet, and even if we could it is most unlikely that this would be efficient.

Business rate reforms:

- The main options involve either lifting the current RPI cap on business rates (worth up to £500m to £750m p.a., rising in similar incremental steps every 5 years) or imposing supplementary rate increases on subsets of London/Thames Gateway businesses – eg at varying rates depending on

¹ The last national business rate revaluation exercise in 2000 cost some £450 million, of which around £400 million was to deal with appeals; the Council Tax valuation exercise cost some £160 million nationally.

distance from Crossrail stations. The key advantages of this approach would be its relative simplicity and the scale of the potential revenues.

- Some form of London business rate reform looks likely to be required if we are to secure sufficient AFM revenues to fund Crossrail. The key constraint on this approach is likely to be the impact on employment and growth: although Crossrail will generate real benefits for businesses they will vary by location and business type and take time to feed through into businesses' bottom lines.

(C) Equity/funding partnerships

- Seek to bring in private sector finance, both to complement public sector funding and – where feasible and value for money – to provide investment capital or land holdings in return for future revenues or equity
- There are a number of models that might be employed, ranging from fairly well understood PFI or PPP arrangements for specific pieces of infrastructure. These would need to be supported by additional revenues but might be easier to accommodate within the fiscal rules where they represent value for money
- And planning obligations provide an existing mechanism for private provision of infrastructure to open up sites where land ownership is reasonably concentrated
- At a local level there may also be scope to capture land value directly through private-public approaches. Local delivery agencies, e.g. variants on UDCs, could acquire, either outright or shared ownership, a portfolio of local land holdings. They would fund local infrastructure and be able to finance it from the resulting uplift in the value of their portfolio. CPO powers, or the threat of CPO, would be used to acquire a significant local portfolio. Landowners/developers could be offered an equity stake rather than cash upfront
- There could be a range of potential financial structures and governance arrangements
- These approaches are more likely to be suited for funding local transport improvements essential for opening up an area for development, and where therefore a substantial proportion of the benefits should be reflected in increased local land values, rather than larger projects with more diffuse benefits
- However, a more structured regional approach to infrastructure provision could allocate shares of those investment costs across local development areas, reflecting

the added benefits derived from regional as well as local provision

- The scope is also likely to be constrained, in the context of Thames Gateway as a whole, by limited scope for public funding for land assembly. And there is uncertainty over landowner/developers' appetite to take equity stakes in these types of delivery vehicles. Where land ownership is fragmented agreeing a division of equity shares is likely to be complex (where there are a small number of landowners existing mechanisms such as planning obligations provide a proven mechanism for partnership in infrastructure provision)
- The Gateway is not a single growth area, but a series of potential opportunities with very different characteristics. This approach provides an opportunity to have bespoke arrangements for managing each area, reflecting its physical and land ownership characteristics.

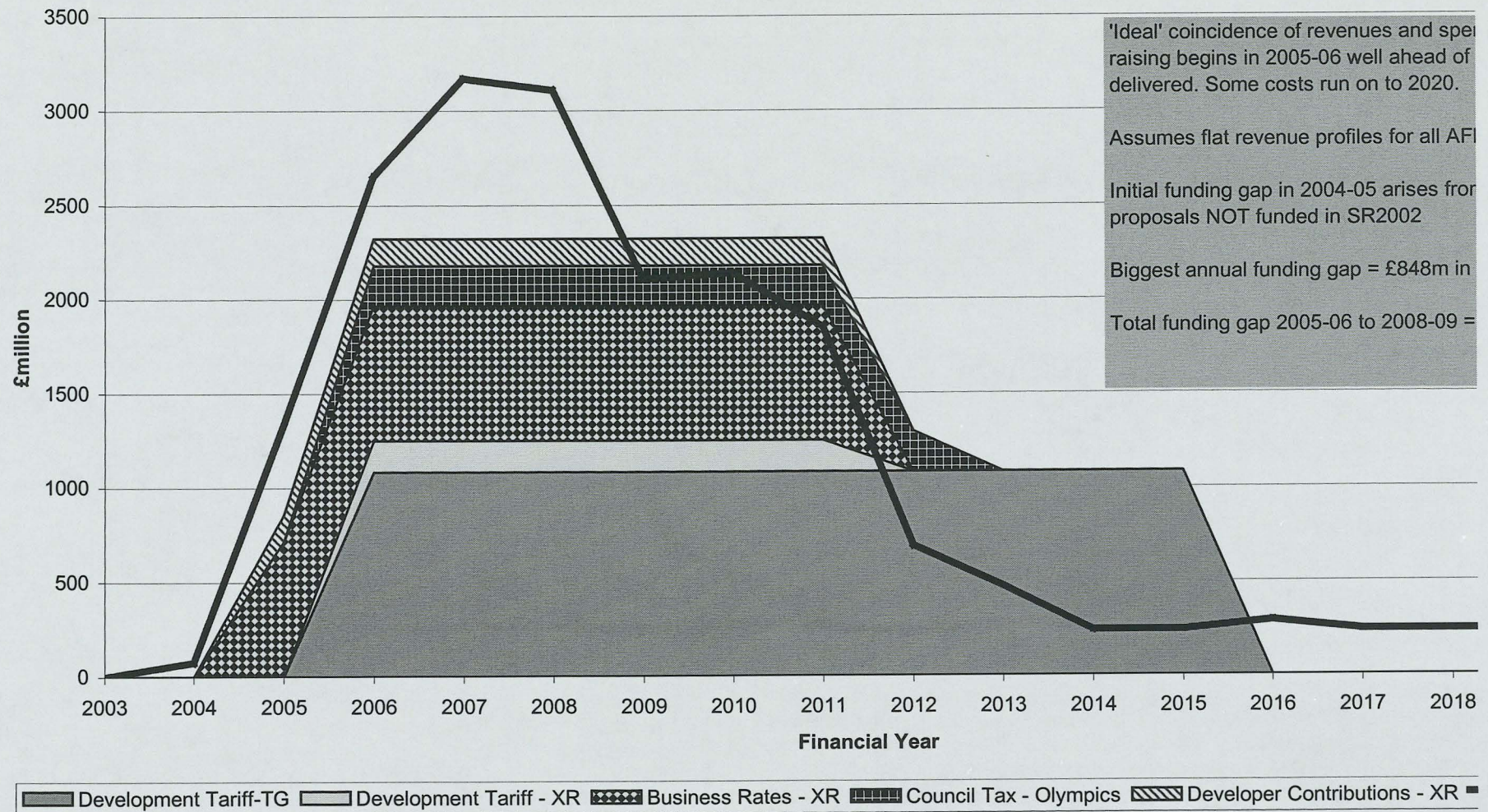
How AFMs might be deployed

14. All of these mechanisms essentially attempt to capture the same pool of potential funding, with differing approaches targeting differing parts of the pool. In order to address the full range of our objectives we need to identify the potential for combinations of measures – capital gain plus revenue stream, or either in combination with a PPP model.
15. These combinations could provide ways to cover the range of circumstances in which funding might be required. A project like Crossrail might be best served by business taxation across the wide area that it would benefit, while specific development sites could benefit more from a collaborative public-private arrangement based on sharing of development costs and the rising equity created as a result.
16. A range of illustrative scenarios are set out in Annex A, indicating the probable profile of investment requirements and the potential deployment of AFMs to raise the necessary revenues to fund them over time.
17. The profitability of development and willingness to pay for improved accessibility sets a limit to the scope to capture betterment. Combinations of measures may be better targeted but do not increase this overall quantum.

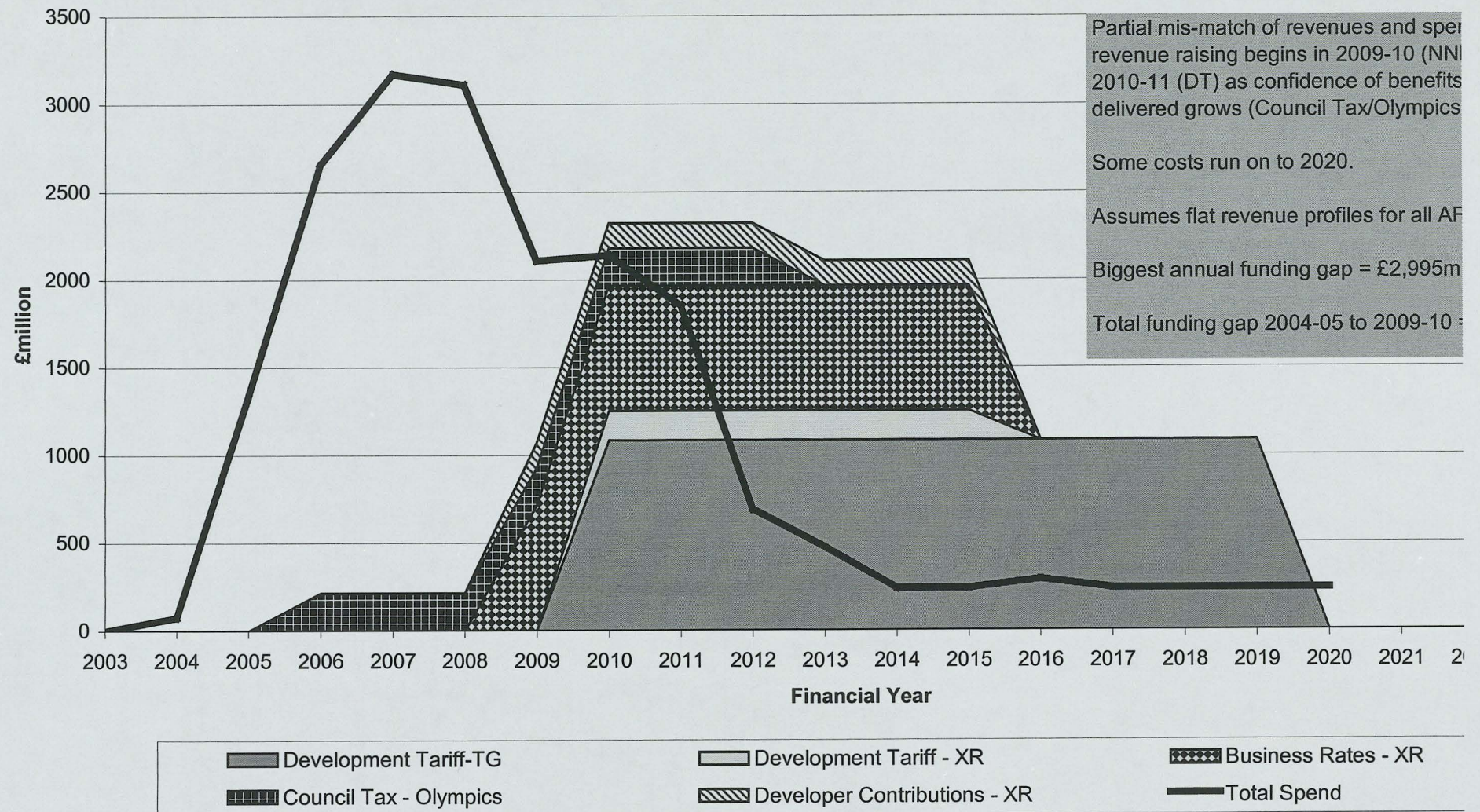
ANNEX C: REVENUE & SPEND SCENARIOS

- Work to date by ODPM, and CLRL (the SRA/TfL joint venture developing the Crossrail project), has identified very substantial financial benefits as a result of both the development of the Thames Gateway and Crossrail. A successful bid for the Olympics would also generate substantial additional revenues for London and South East businesses.
- If the results of initial ODPM analysis are confirmed, they suggest that in principle it might be possible to construct a business case under which beneficiaries from the development of the Thames Gateway contribute substantially to the long run funding for the £11bn plus of identified direct Thames Gateway infrastructure costs, plus a proportion of Crossrail which is seen to contribute to the achievement of high Thames Gateway growth
- In addition to the above Thames Gateway benefits substantial economic benefits have also been claimed for Crossrail, with total estimated benefits for the London economy of £9bn in present value terms – an average of perhaps £400m pa. A proportion of these benefits are likely to be over and above the £13bn estimated present value time saving and decongestion benefits to London public transport and road users
- On the assumption of some limited contribution from Thames Gateway betterment, these figures also suggest that a business case could be constructed for AFM funding, mainly from the business community, sufficient to meet a substantial proportion of the carrying costs (estimated npv £10bn) of Crossrail.
- Similar conclusions appear likely for the Olympics (although there may be issues over targeting business for funding both this and Crossrail, and so Council Tax may have to carry the potential burden of the Olympics).
- However, there will be little or no chance of raising revenues in advance of the requirement for investment finance, and so there would be a significant funding gap that might have to be met through public sector borrowing. Scenario overviews 1 – 3 show the potential size of this funding gap:

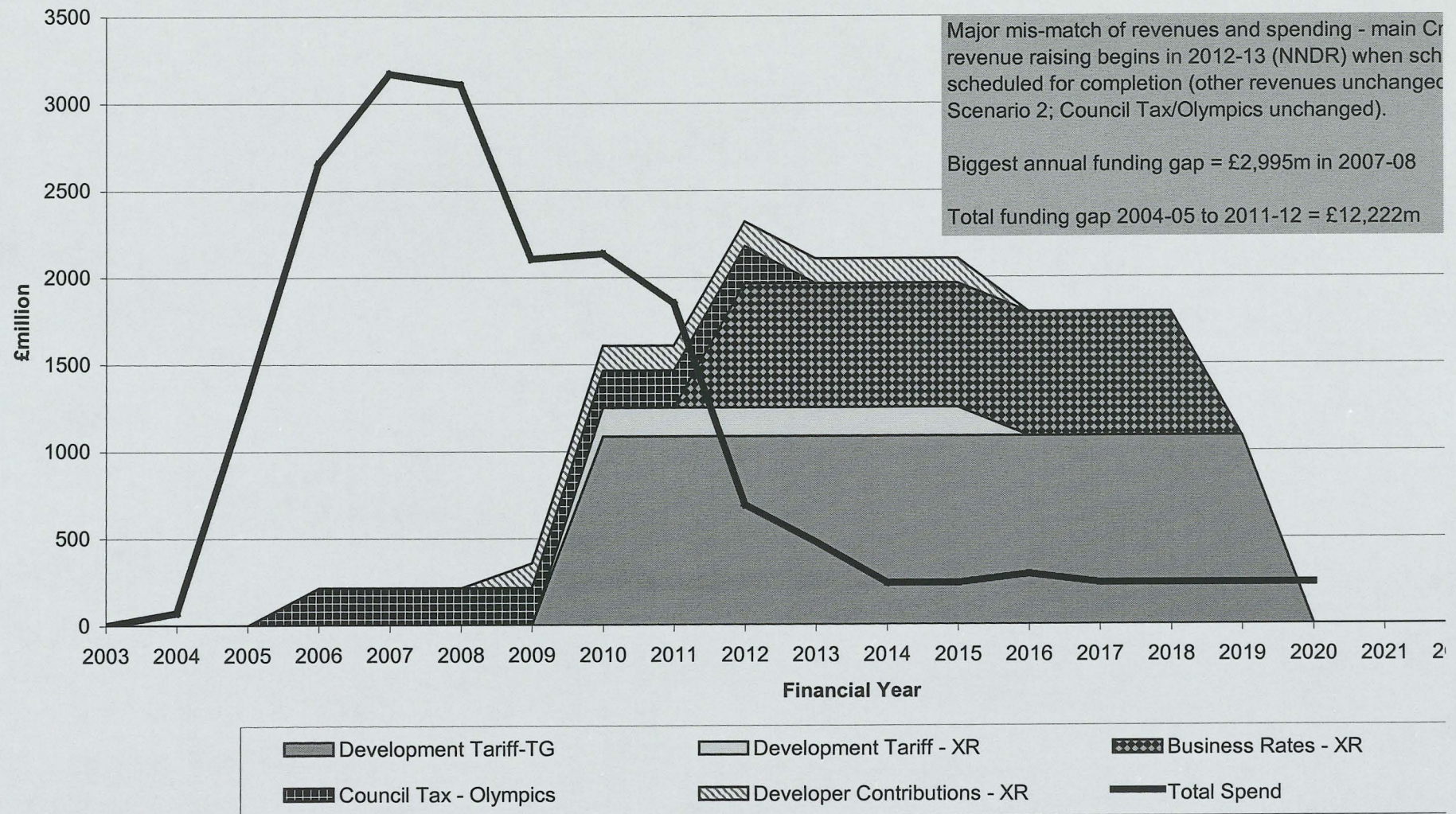
Income/Expenditure Overview - Scenario 1



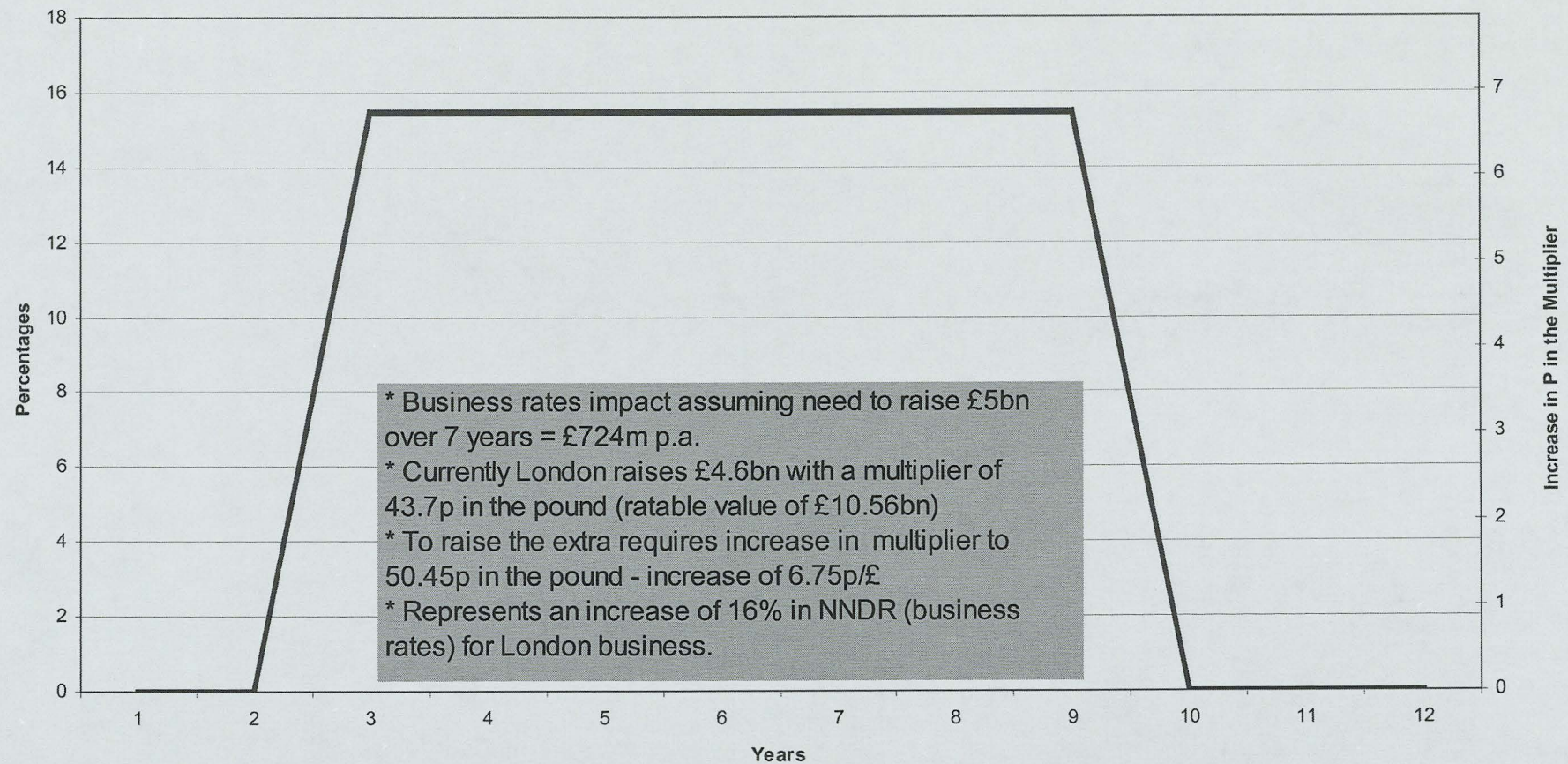
Income/Expenditure Overview - Scenario 2



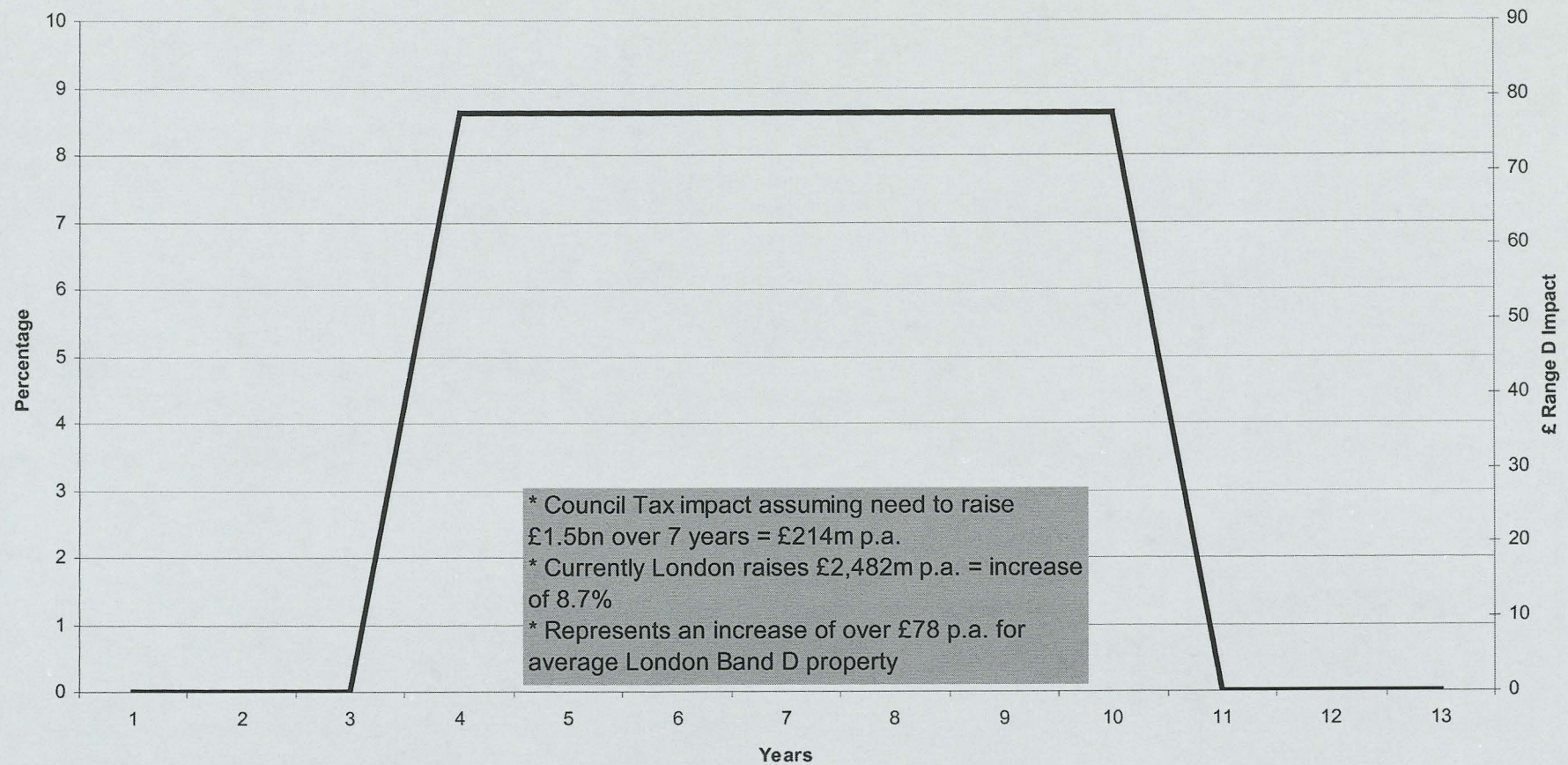
Income/Expenditure Overview - Scenario 3



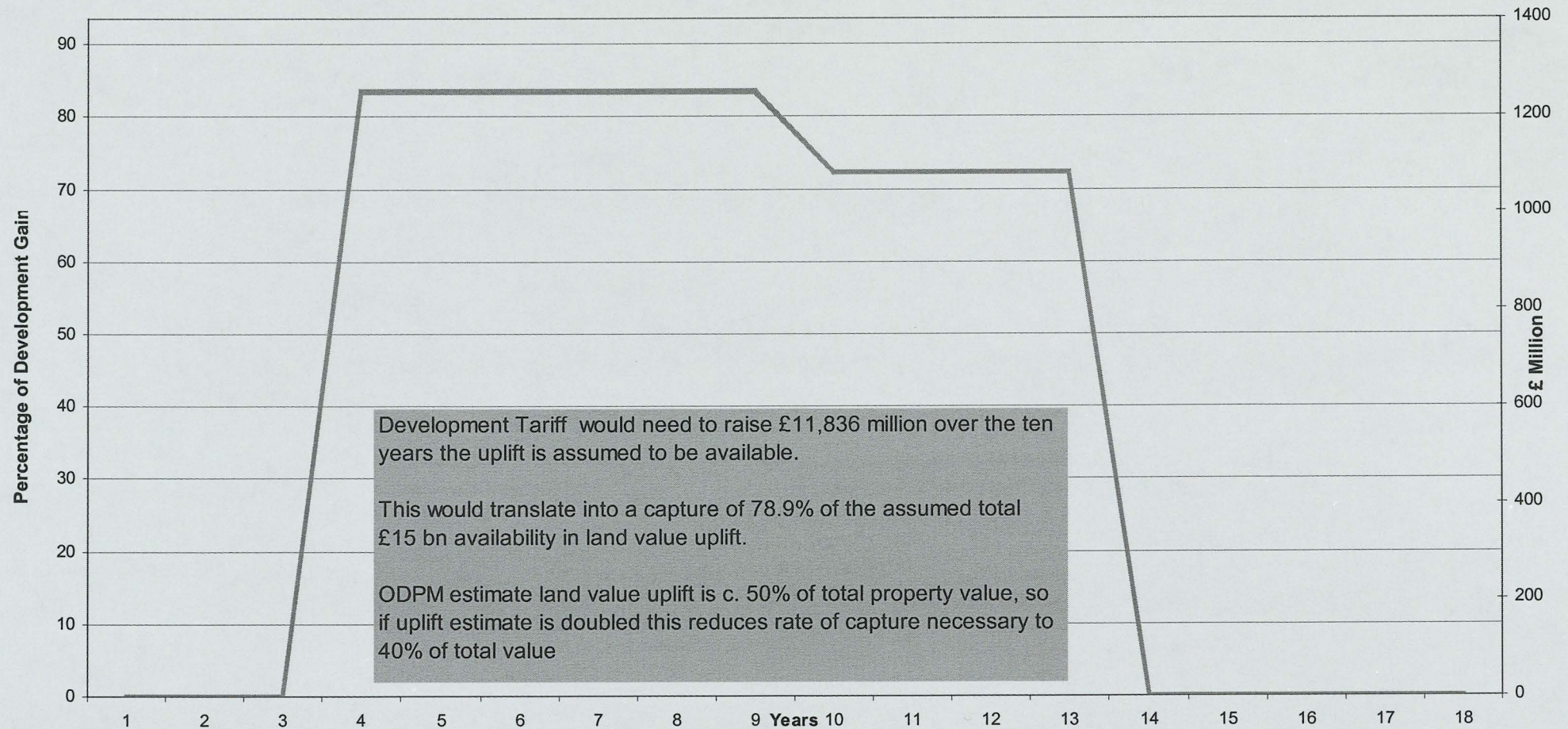
Business Rates Impact



Council Tax Impact



Development Tariff Impact



ANNEX D - PRINCIPLES OF AFMS

Our use of AFMs must be based on sound fiscal and economic principles, and we must address the institutional, governance and other issues that will be important in successfully deploying these mechanisms.

The following represent key principles that we need to address:

1 PUBLIC SECTOR FINANCING OF INVESTMENT MUST BE MANAGEABLE WITHIN FISCAL RULES, AND NOT DISPLACE OR DAMAGE OUR EXISTING INVESTMENT PLANS. PRIVATE FINANCE CAN PLAY A PART WHERE IT REPRESENTS THE BEST, VALUE FOR MONEY WAY TO DELIVER INVESTMENT.

- 1.1 At present, fiscal plans allow for public sector net investment to rise from 2.1% of GDP in 2005-6 to 2.25% in 2007-8. This is factored into borrowing and debt forecasts. An additional investment package costing several £bn p.a. would not be affordable within this envelope, unless very substantial cuts were made to existing capital baselines in other priority areas.
- 1.2 There is no existing flexibility for any net investment increases in 2005-6, and the potential £2-3 bn average p.a. required for the overall AFM-backed package would use up all the available flexibility in 06-07 (after health) and most of the total available in 07-08.
- 1.3 The 10 Year Plan investment increases are not yet included in these plans, and so could be crowded out entirely in 06-07, and would have to compete with TG/Crossrail/other spending programmes for any available headroom within future PSNI ceilings.
- 1.4 Obviously this proposed additional level of commitment to London/South East programmes, almost all for transport, would leave Government in a very difficult position – there would be no room for capital increases for education, defence, prisons etc. until 07-08 at the earliest, and even then they would be very limited.

- 1.5 If we wanted to flex the envelope - to add £2bn in each year - that would increase PSNI to 2.25% of GDP in 2006-07 and 2.4% in 2007-08. PSND would increase by £4bn by 07-08 - to 34.1% of GDP (against a current projection of 33.8%) - and PSNB by £2bn a year. Increased debt would lead to higher debt interest payments which would hit the current surplus, meaning less current spending for other public service priority areas.
- 1.6 Private finance has a role to play, but only where it represents the best, value for money way to fund investment; this is likely to be true for only a limited share of the costs. Analysis to date suggests that it is unlikely to be value for money to attempt to securitise future AFM streams; all securitisation of tax revenues would score on balance sheet.
- 1.7 While it is likely that a proportion of the capital cost of projects such as Crossrail and some of the larger Thames Gateway schemes can be secured through vfm private finance, there will almost certainly be substantial scheme-specific and overall financing gaps that can only be closed at the expense of increasing public sector borrowing and debt.
- 1.8 The interim business case for Crossrail suggests that the financing gap between total costs and value for money private finance for this project alone could exceed £10bn. We will need to be confident that we have minimised this gap before we are able to proceed.
- 1.9 The more London pays tax for its own development, the harder it becomes to collect tax for other reasons. Available information on regional tax levels is rather poor. Initial work suggests that London is not currently over-taxed compared to other regions, but a more robust assessment will require new work by ONS or others and take some time.

2 INCREASED INVESTMENT AND ACTIVITY THROUGH AFMs NEEDS TO TAKE ACCOUNT OF GOVERNMENT'S COMMITMENT TO A BALANCED REGIONAL APPROACH.

- 2.1 This has implications for a number of policy areas. In particular, the Government has a new SR2002 PSA – shared by DTI, ODPM and the Treasury – to “make sustainable improvements in the economic performance of all English regions, and over the long term reduce the persistent gap in growth rates between the regions”. Therefore increasing attention will be paid to the regional balance of Government activity and investment, and its impact on the economies of the English regions.
- 2.2 Crossrail, Thames Gateway and a successful bid for the Olympics would all provide significant financial and other benefits to London and the South East. The ODPM estimates of the potential gross impact on land values of accelerated development in the Gateway alone amounts to £15bn, and the present value economic benefits of Crossrail to London have been estimated at £9bn, of which a proportion are likely to be over and above the estimated direct benefits to users and in congestion relief of more than £13bn.
- 2.3 A proportion of these benefits will translate into increases in UK GDP and thus provide increased tax revenues from which the nation as a whole would in principle benefit. These wider benefits, however, will only be realised in practice if the increase in tax revenues exceeds the carrying costs of the capital spend necessary to deliver the schemes. In the absence of very substantial AFM revenues this is unlikely. For example, crude calculations suggest the estimated carrying costs of Crossrail alone would require additional tax revenues of £800m pa.
- 2.4 This means that for this one project to have a neutral impact on the rest of the country it would need to boost UK GDP by more than £2bn per annum, assuming current tax burden ratios. The £9bn wider economic benefit estimates for

Crossrail however suggest the impact will be only a quarter of this. So:

- for Crossrail not to have a negative impact on the rest of the country the balance ($3/4 = £600\text{m p.a.}$) would need to be made up through AFM revenues;
- enabling the rest of the country to share in the benefits of Crossrail would require AFM funding to provide more than the balance.

- 2.5 Similar conclusions are likely for both the Thames Gateway and the Olympics, suggesting that avoiding a substantial transfer of future wealth to London and long-term distortions to other programmes will mean that a [very] substantial majority of the total long term funding costs of the eventual package will have to be found through AFMs.
- 2.6 Although it is impossible at this stage to forecast the impact of this set of proposals on growth rates in London and the SE, they would clearly contribute to meeting the first part of the regional PSA target (make sustainable improvements in the economic performance of all English regions). It will be important to ensure AFMs are developed on a basis which would allow other regions to benefit similarly e.g. to allow Birmingham to develop an underground system, consistently with the second part (over the long term reduce the persistent gap in growth rates between the regions).

3 AFMS MUST RAISE THE SUMS NECESSARY FOR INVESTMENT WITHOUT DAMAGING BUSINESS VIABILITY AND THE POTENTIAL FOR GROWTH, OR UNDERMINING THE BENEFITS OF THE SCHEMES THEY ARE DESIGNED TO FUND.

- 3.1 Because AFMs target the beneficiaries of spending they are potentially politically easier to introduce than general tax rises. This potential, however, will be critically undermined if we price above business ability to pay and there will also be real

limits to business' willingness to pay in advance of benefits received.

- 3.2 This means we need to be sure of the business case for the combined package of funding and spend from the perspective of those we are expecting to pay: we need to know if each spend and AFM package, and the eventual programme as a whole, make commercial sense to business in London & the South East.
- 3.3 Increased taxation locally may also tend to decrease efficiency if we create perverse incentives: for example, encouraging businesses to locate inefficiently, just outside Thames Gateway to avoid additional local taxes.
- 3.4 It is important to consider not just the inter-regional balance of taxation and spend within the UK, but also the overall tax burden faced by London/SE business and competitiveness with international rivals.

4 INSTITUTIONAL/GOVERNANCE ARRANGEMENTS MUST BE ROBUST AND TRANSPARENT ENOUGH TO PROVIDE CLARITY ON AND CONFIDENCE IN RESPONSIBILITIES FOR REVENUE RAISING, SPENDING AND PROJECT DELIVERY.

- 4.1 Under any of the revenue raising and investment scenarios we need to sort out the links between the funding mechanisms and institutional/governance arrangements. The starting point is that the level of funding required is economically justifiable, i.e. supported by a robust business case, and targeted on the basis that the beneficiaries pay.
- 4.2 But we would then need to establish further clear links: between those who pay, those who raise the funds and those who use them. It should be clear that, in principle, revenues are raised by those who will be responsible for using them (which could be central, or local/regional government, or a mixture of all three) and that the system is transparent.
- 4.3 Both central and local/regional government have tax raising powers that could be enhanced or adapted. Further work is needed to identify the most effective range of options more clearly, but already there are ideas that could provide the basis for further work:
- **Central government could legislate to introduce a geographically based capital gains tax, or possibly (more unusually) a Thames Gateway or Crossrail tax;**
 - **The Mayor could add to the existing Council Tax precept, and other Local Authorities would be able to raise council taxes;**
 - **We could return to London [and other local authorities] the local powers to vary business rates, or develop supplementary local or regional rate variations set from the centre.**
- 4.4 In practice, it might be necessary to work on a mix of all of these. But it would be sensible to start at the other end - i.e. by working out how much would need to be raised, and by whom, and then looking at the possibilities, as well as the

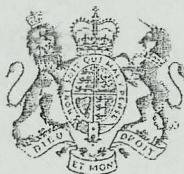
implications for the aggregate tax burden on local domestic and business taxpayers that would result.

- 4.5 A possible approach would be to use the principles underlying the borrowing arrangements introduced under the reinvestment and reform initiative in Northern Ireland, where the UK government agreed a borrowing limit for the NI Executive for infrastructure spending, on the understanding that it would be financed by above average increases in local rates, but left it up to them to decide how fast to increase the rates to allow access to the facility.
- 4.6 It is clear that the deliverability of alternative funding mechanisms, raising substantial sums from London businesses is fundamental to decisions on Crossrail, the Olympics and the Thames Gateway. There is also a wider picture. Decisions to use AFMs in London may well also encourage other areas to think about the same treatment, and indeed this we may want to encourage this in the context of delivering regionally balanced growth. It is a short intellectual step from local development funded through AFMs to greater sub-national tax-raising freedoms. This underlines the importance of getting the right principles for institutional/governance arrangements clear and accepted.

5 WE NEED TO ENSURE THAT WE HAVE A CREDIBLE RISK MANAGEMENT STRATEGY, CONSIDERING THE IMPLICATIONS OF ANY SHORTFALL IN REVENUES AND THE EFFICIENCY OF DELIVERY OF INVESTMENT OUTCOMES.

- 5.1 This will be particularly important for mechanisms that involve funds being raised by bodies other than central government. We will need to ensure that those raising the revenues are properly incentivised to deliver the required amounts in an appropriate timescale, and that those spending them are similarly incentivised to deliver cost-effectively. This may mean we need to consider more localised forms of debt raising as an alternative to central government borrowing to close any public sector financing gap.

- 5.2 We will need to make clear the conditionality of the link between the ability to raise revenues from AFMs and commitments to investment decisions based on those anticipated revenues. We cannot hope to secure adequate contributions through AFMs if government is clearly committed to investment programmes regardless of the sums that can be raised.



DEPUTY PRIME MINISTER

MH
cc: OK

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DEPUTY PRIME MINISTER
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The Rt Hon Lord Rooker
Minister of State for Housing, Planning and Regeneration
Office of the Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

15 April 2003

THURROCK URBAN DEVELOPEMENT CORPORATION PAPER

This letter gives you clearance to proceed as proposed in your letter of 31 March seeking DA(SER) agreement to the publication of a consultation paper on the boundaries, powers and Board membership for Thurrock Urban Development Corporation (UDC).

Replies were received from Paul Boateng, Alistair Darling and Margaret Beckett. All were content but a number of issues were raised.

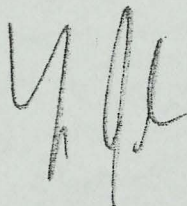
Paul said that Sustainable Communities allocated £446m towards development in the Thames Gateway over SR2002. This was a substantial investment and he was concerned to ensure we made effective use of these resources to increase housing supply and deliver sustainable and early progress on the ground. He hoped that before the UDC became operational there was clarity over the resources it was allocated from ODPM's SR2002 settlement and on the objectives it was expected to deliver. Paul would be concerned if there was ambiguity in these areas which would risk disempowering the UDC's board and leadership and undermining business planing while making it difficult to hold to account. It was also important that the objectives set for the UDC reflected agreed levels of investment by other Departments and were not based on assumptions, such as funding for specific transport project, which were not agreed.

Alistair agreed that we should consult on this issue as soon as possible. He said it would be beneficial if the consultation document made clear the relationship and boundaries between the function that the UDC would take on for the area, such as planning, and those which would remain under the local authority's control, such as transport. I understand your officials have liased with Alistair's to agree a suitable form of wording. He said that it would be important that the UDC worked closely with the local authority in integrating transport and development. Although he was happy for the consultation to go ahead he would be grateful for some reassurances on how developer contributions from Section 106 agreements would be used in practice as he was concerned about a UDC without transport responsibilities taking decisions on how Section 106 agreements, which can be an important source of funding for local transport decisions, were to be used. If the local authority were to bring forward any application for local transport plan 'major' funding, Alistair would need to be satisfied about the balance of transport funding as between the UDC and any S.106 agreements it concluded, and the local authority.

Margaret welcomed the proposal to establish a UDC for Thurrock and was content for the consultation paper to propose that the UDC should comprise the whole of the local authority's administrative area. But this agreement depended on the UDC having both the powers that will enable such a comprehensive approach and that it would be an explicit function of the UDC to adopt such an approach in the course of discharging its duty to secure development of its area. It must be explicit that the UDC was expected to deliver on 'bringing land and buildings into effective use' and 'creating and attractive environment'. Margaret would welcome reassurances that the power and functions of the UDC would explicitly require its development function to be discharged in a way that ensured comprehensive and sustainable improvement for the who of the local authority's area. I understand your officials have liased with Margaret's and agreed a suitable form of wording.

Subject to you taking on board the comments raised above, you have DA(SER) clearance to proceed as proposed.

I am copying this letter to the Prime Minister, members of DA(SER), MISC22, LP and Sir Andrew Turnbull.



JOHN PRESCOTT



RT HON DR JOHN REID MP
LEADER OF THE HOUSE OF COMMONS
& PRESIDENT OF THE COUNCIL

2 CARLTON GARDENS
LONDON SW1Y 5AA
TEL: 020 7210 1025

Our Ref: LP/03/9/JN

15 APR 2003

Dear Tony,

**PRIVATE MEMBERS BILL: GREATER LONDON AUTHORITY ACT 1999
(REPEAL) BILL**

Thank you for your letter of 17 January seeking clearance to oppose Lord Amptill's Greater London Authority Act 1999 (Repeal) Bill. You may take it that you have LP clearance to outline the Government's reservations to this Bill at Second Reading in the Lords and make arrangements to block the Bill, should it reach Second Reading in the Commons.

You wrote asking for LP clearance to oppose Lord Amptill's Greater London Authority Act 1999 (Repeal) Bill. As the title suggests, this Bill will repeal the 1999 Act and abolish the Greater London Authority.

As you outline in your letter, the Government remains committed to a democratic and accountable organisation to give strategic leadership for London as a whole. I am therefore content with your proposed handling, as this Bill is contrary to Government policy. You may take it that you have LP clearance to outline the Government's reservations to this Bill at Second Reading in the Lords and make arrangements to block the Bill should it reach Second Reading in the Commons.

I am copying this letter to the Prime Minister, members of LP Committee, Sir Andrew Turnbull and First Parliamentary Counsel.

Yours sincerely,

JOHN REID

Tony McNulty MP
Parliamentary Under Secretary of State
Office of the Deputy Prime Minister



Pan-London Activities : Status Report – 11th April 2003

Overall Status :

Green - Task in progress or completed. No major issues.

Amber/Green - Activities planned and in progress. Potential minor issues.

Amber/Red - Activities planned and in progress. Major issues stalling progress

Red - Activities not planned or in progress

Summary :

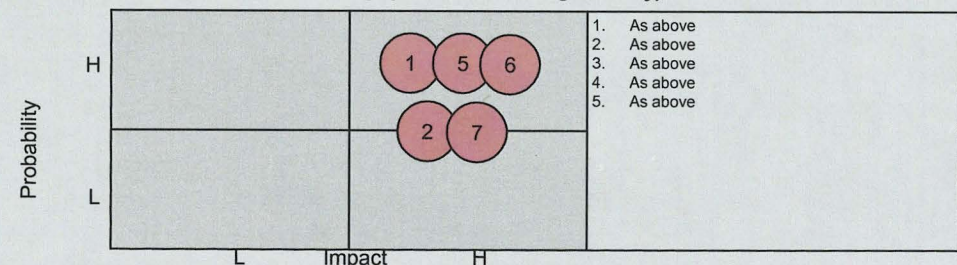
The pan-London programme of work contains 5 key strands: the London teacher, the London leader, the London school, the London student and Teaching and Learning. Its purpose is to put in place a sustainable step-change in standards across the City. A key short term goal is the publication of the strategy document on 8 May, following which a further set of announcements will set in train the roll-out of key elements of the strategy. At this point, the key strands are all on track.

STRAND	J	F	M	M	J	J	A	S	O	N	D
London Leader											
LIG	LIG plans reviewed by London Commissioner				Ministerial submission			All plans finalised			
LLC	LLC additionality plan agreed				LLC Launch			100 consultant leaders in London			
London Teacher											
Chartered London Teacher	Consultative Group established				Standards finalised			Consultation on standards			
Commissioner Teachers (CT)	Advert in TES				1st KTS school offers			All required CTs in post at KTS schools			
Housing	Options for mortgage scheme reviewed				Funding secured for agreed mortgage scheme						
Remodelling	Agree remodelling strategy for London (with SWU)										
Specialist Teacher centres	CMF bid submitted				CMF bid decision			First Specialist Teacher Centres open (if bid accepted)			
London School											
Diversity & Collaboration	Greenwich/Lewisham pathfinder agreed (capital)				Co-ordination of 'bottom up' strategic planning w. London LEAs			6 Academies open 146 Specialist schools 21 Full service sec. schools 14 Training schools			
Business Challenge	Prospectus responses received				Launch Business Challenge (event)			Collect contracts, outcomes, good practice			
ICT	CMF bid submitted				CMF bid decision			Proposed ICT in practice conference (London)			
6th Forms	Agree policy for London				First new discrete 16-19 provision opens						
London Pupil											
Pupil Pledge	current state schemes/options available in London known				Agreed Pledge schemes/options			Pupil pledge guidance issued to schools			
Gifted & Talented (GATEA)	GATEA tender contract signed				Setup of other G&T strands			Event linked to Pledge GATEA fully operational			
Teaching & Learning											
KS3+ pilots	Solutions/guidance developed				Plans agreed			Pilots started			
System Delivery											
LEA Collaboration (triples)	Initial report on preferred options				LEA groupings identified			LEA exploratory work done 2 pilot schemes identified			
Communication & Perceptions	LC launch event				2nd Parents survey started			Pupils survey started Parents survey final report			

Key Project Activities	Expected Completion	Prev Period	Curr Period	Next Period
1.Support for Leadership Incentive Grant planning in London	May03			
2.Agree London Leadership Centre plan/monitoring arrangements & launch	May03			
3.Development of Chartered London Teacher programme – agree stds.	Jun03			
4. Recruitment and placing of Commissioners Teachers	Sep03			
5. Support for agreement of mortgage subsidy scheme – to secure funding	Jun03			
6. Agree (w.SWU) workforce remodelling strategy for London	May03			
7. Facilitating effective diversity & collaboration pan-London	Sep03			
8. Launch Business Challenge & facilitate setup of partnerships	Sep03			
9. Finalise 6 th Forms policy & deliver first new discrete London 16-19 provision	Sep03			
10.Develop & agree Pupil Pledge model – issue guidance to schools	Sep03			
11.Sign GATEA contracts, agree delivery plans, launch & ensure operational	Sep03			
12.Work with K53 team to deliver London pilots – EMAG, Transition, Induction	Sep03			
13. Ensure establishment of 2 pilot LEA collaboration (triples) schemes	Dec03			
14. Launch LC. Agree perceptions surveys, and conduct parents survey	Aug03			

Risks/Issues List	Action	Who	Priority
1.Major diversion from task of raising standards, caused by funding changes esp at Keys to Success schools	JC to discuss with SLEAFD future movements of grant into EFSS to ensure avoidance of further impacts	JC	H,H
2.Risk that traditional cross border enmities will make strategic pan-London approach non-achievable	Keep in close touch with key boroughs & ALCEO network. Get key boroughs in a room together regularly. Create strong incentives for effective joint working, e.g. on capital	HW	M,H
3.Standards of lower performing groups do not increase fast enough to close achievement gaps	Investigate and define London requirement. Develop criteria to check that EMAG considerations are being properly integrated into each workstrand	RK	M,H
4.Teacher strikes in London impact on standards (1 day strikes most likely)	Tim Brighouse talking to Unions. Also, continue to publicise pay changes already in place and planned	GM	M,H
5.Resistance from LEAs to collaboration makes greater LEA stability difficult to achieve	(1) Launch LEA collaboration programme (2) Develop LEA triples quickly	JC	H,H
6.Resistance at school level to collaboration & collegiality significantly slows progress	(1) Clear incentives through LIG & Innovation Fund (2) Clear communications strategy including benefits of collaboration	HW	H,H
7.Some LEAs fail to buy-in to the 'Keys to Success' process	(1) Clear communication about the benefits of approach and about partnerships (2) Use of supports we have as incentives	HW	M,H
8.LEA planning in key boroughs resisted by key stakeholders	Close involvement in all the issues facing each LEA, agreed processes	HW	M,H

Project Key Risk Assessment Matrix (top 5 risks affecting delivery)



Pan-London Activities : Delivery Report – 11th April 2003

Overall Status :

Green - Task in progress or completed. No major issues.

Amber/Green - Activities planned and in progress. Potential minor issues.

Amber/Red - Activities planned and in progress. Major issues stalling progress

Red - Activities not planned or in progress

Summary : Most of outcomes this year will be indicators of future success, reflecting successful delivery of planned initiatives.

Headline Change Impact – London Leader	By when	Status
1. 300 London schools engaged in effective collaboration through LIG	Sep03	
2. 100 Consultant leaders trained & engaged in London (LLC)	Sep03	
3. 35 additional LEA advisers through Post Graduate Certificate (LLC)	Sep03	
4. LLC operational and high levels of staff from focus LEAs signed up	Sep03	
.		

Headline Change Impact – London School	By when	Status
1. 4 new Academies opening (6 in London total)	Sep03	
2. 146 Specialist schools	Sep03	
3. 21 Full service secondary schools (+LEA co-ordinators)	Sep03	
4. 14 Training schools	Sep03	
9. All KTS schools to have a business link through Business Challenge	Sep03	
6. Transformational LEA strategic plans agreed for the 5 focus boroughs	Sep03	

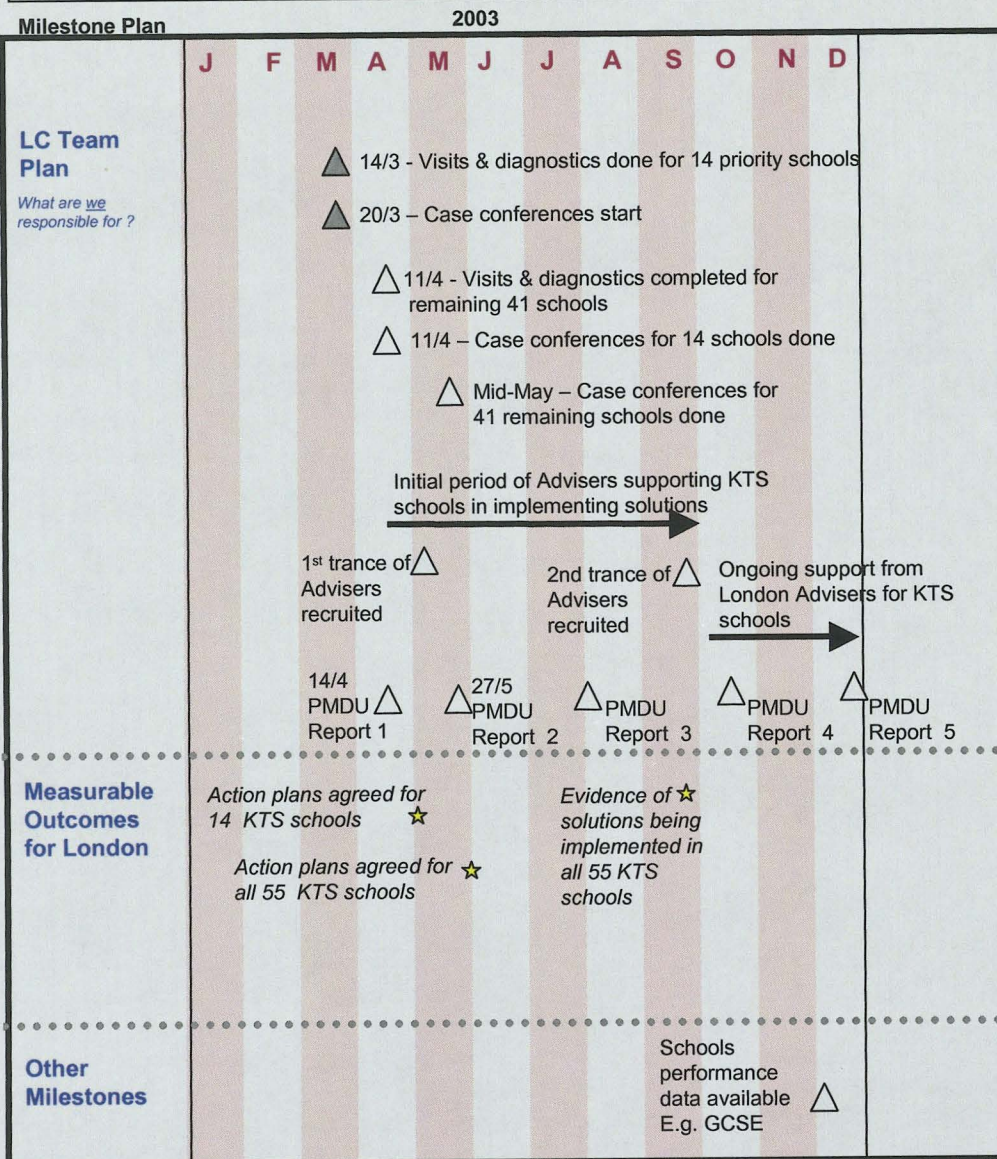
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Headline Change Impact – Teaching & Learning	By when	Status
1. KS3 pilot starts in 6 schools – Under-achievement of ethnic groups	Sep03	
2. KS3 pilot starts – Mid-year inductions	Sep03	
3. KS3 pilot starts – Primary/Secondary transition	Sep03	
4. 25% of places available to London schools on KS3 sfcc Pedagogical package, assessment for Learning, Lessons in Learning pilots	Sep03	
6. KS3 4 challenges pilots started	Sep03	
7. KS3 Science & ICT training package pilots started	Sep03	
.		

[illegible][illegible]

Keys to Success: Status Report – 11th April 2003

Overall Status : Green - Task in progress or completed. No major issues.
 Amber/Green - Activities planned and in progress. Potential minor issues.
 Amber/Red - Activities planned and in progress. Major issues stalling progress
 Red - Activities not planned or in progress

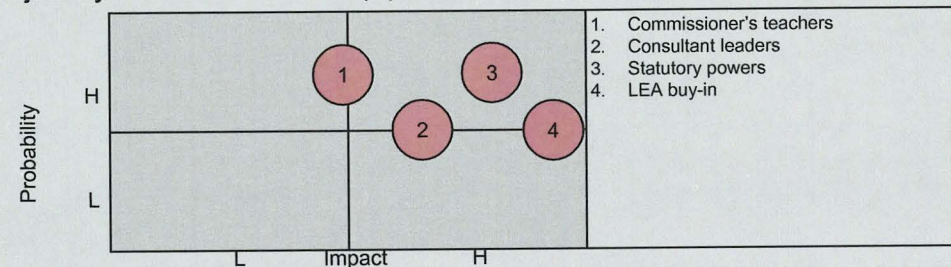


Summary : This will deliver bespoke solutions for 55 'keys to success' schools, many of which begin from a very low base. Radical action is required in many. In some, new leadership, and senior management are putting in place the foundations for rapid improvement. We are carrying out rigorous diagnostic work on each school (including visiting), holding case conferences to prescribe solutions (involving LEAs) and following-through with the LEA, using LIG and other programmes. Our advisers are supporting and monitoring progress. Diagnostic work complete by 15 April; case conferences by 15 May. On track.

Key Project Activities	Exp. Compl	Prev Period	Curr Period	Next Period
1. Develop and agree assessment criteria for schools.	28/02/03			
2. Visits and diagnostics for 14 schools.	14/03/03			
3. Case Conferences for first 14 schools.	11/04/04			
4. Visits and diagnostics for remaining 41 schools.	15/04/03			
5. Case conferences for remaining 41 schools.	15/05/03			
6. Appoint London Advisers.	04/04/03			
7. Induction for London Advisers.	10/04/03			
8. LEAs produce action plans for schools, we approve.	30/05/03			
9. Secure all resources required to deliver plans.	31/08/03			
10. Agree and ensure monitoring processes in place.	15/05/03			
11. Bespoke solutions in place in schools.	Sept '03			

Risks/ Issues List	Action	Who	Priority
1. Recruitment of Commissioner's teachers.	Advertisement on 11 April	GM	H
2. Insufficient consultant leaders.	Effective management/monitoring of LLC contract.	GM	H
3. Absence of statutory powers to implement necessary radical steps.	Involve LEAs closely in process, create clear incentives.	TB	H
4. Insufficient buy-in to process from LEAs, leading to lack of decisive action and major resource pressure on DfES.	Clear incentives for involvement and support.	TB	H

Project Key Risk Assessment Matrix (top 5 risks affecting delivery)



Keys to Success: Delivery Report – 11th April 2003

Overall Status:



Green - All key actions completed or in train. No major issues.
 Amber/Green - Actions agreed at case conference and progress begun.
 Amber/Red - Agreement reached at case conference, in planning stage.
 Red - Agreement not reached on way forward.

1 - Diagnostic
 2 - Case Conference
 ✓ - Completed
 ★ - Planned

Ref	School	LEA	*1	*2	Headline Change Impact	Status
1.	Dagenham Priory	Barking and Dagenham	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
2.	Cardinal Hinsley	Brent	✓	✓	In special measures. Needs new head and external support. Planning hard federation with strong Catholic girl's school, with head of that school taking over.	
3.	Blackheath Bluecoat	Greenwich	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
4.	Homerton TC	Hackney	✓	✓	Change of head required. Head likely to resist. Learning Trust now acting to follow through. SMT change to follow. Academy in long run.	
5.	Hurlingham & Chelsea	Hammersmith & Fulham	✓	✓	Associate head needed and identified. Will be in post from start of term. Middle management is weak – plan to place Commissioner's teachers from September.	
6.	Park View Academy	Haringey	✓	✓	School now moving forward, with strong head. Now successful fresh start. Will develop links with White Hart Lane - in similar situation.	
7.	Northumberland Park Community	Haringey	✓	✓	Change of head required. LEA/Capita now pursuing – use of LIG. Positive Ofsted a barrier to head's removal. Further SMT change to follow.	
8.	John Loughborough	Haringey	✓	✓	Relatively new leadership making progress. Need external support. Federate with Gladesmore School. Major change to environment needed through capital strategy.	
9.	Evelyns Community	Hillingdon	✓	✓	Academy plans September 2004. Leadership needs strengthening – so new SMT in place from Easter. Progress to be monitored closely and reviewed end summer term. Commissioners Teachers in key departments from September.	
10.	Highbury Grove	Islington	✓	✓	Head strong – but needs support to build leadership team. Needs consultant leader to go in new term. Additional behaviour support to be provided.	
11.	Islington Green	Islington	✓	✓	Very strong head now in place and school improving. Middle management to be strengthened by September. ICT investment needed. Discussing academy status with LEA.	
12.	Lilian Baylis	Lambeth	✓	✓	Head relatively new. Data suggests school will exceed floor target this year. Head to be given coaching support in next term. School to move to new buildings and site September 2005; reduction in size at same time.	
13.	Walworth	Southwark	✓	✓	Needs new head. Senior management team change to follow. Ofsted report that leadership good a barrier. Will now use LIG to secure change.	
14.	Geoffrey Chaucer	Southwark	✓	✓	To become academy. Leadership weakness (despite positive HMI comments on it) – possible to use academy process to examine whether change needed.	
15.	Whitefield	Barnet	✓	★	Case conference planned for 14 th May 2003.	
16.	Erith	Bexley	✓	★	Case conference planned for 28 th April 2003.	

17.	Westwood Technology	Bexley	✓	★	Case conference planned for 28 th April 2003.	
18.	Willesden High	Brent	✓	✓	Considerable progress over this term towards Capital City Academy from September 2004. Oversubscribed for first time.	
19.	Stanley Technical	Croydon	✓	★	Case conference planned for 14 th May 2003.	
20.	Haling Manor High	Croydon	✓	★	Case conference planned for 14 th May 2003.	
21.	Addington High	Croydon	✓	★	Case conference planned for 14 th May 2003.	
22.	Compton High	Ealing	✓	★	Case conference planned for 14 th May 2003.	
23.	Aylward	Enfield	✓	★	Case conference planned for 14 th May 2003.	
24.	Salisbury	Enfield	✓	★	Case conference planned for 14 th May 2003.	
25.	Abbey Wood	Greenwich	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
26.	Eltham Green	Greenwich	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
27.	Eaglefield	Greenwich	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
28.	Hackney Free	Hackney	✓	✓	New head strong. SMT weak. Head beginning to tackle – LIG to be used to help. Head to receive leadership support from LC adviser – who will also consider scope for Commissioner's teachers.	
29.	Kingsland	Hackney	✓	✓	School to be closed. Significant issue about where some Y8 children will go. LC team addressing with LEA.	
30.	Phoenix	Hammersmith & Fulham	✓	✓	Fresh start a success and leadership strong, middle management problems being dealt with using LIG.	
31.	Burlington Danes	Hammersmith & Fulham	✓	✓	Head to be removed. Ofsted inspection in May to be trigger. LC money and LIG to support. Associate head and deputy to be put in place in parallel.	
32.	Greig Academy	Haringey	✓	✓	Severe problems. Head being removed. Team from Greensward College to go in to resolve problems from start of term.	
33.	White Hart Lane	Haringey	✓	✓	School now moving forward fast. Remaining issue of achievement of white working class boys, looking at other schools to partner with you which have crossed this barrier.	
34.	King's Wood	Havering	✓	★	Case conference planned for 28 th April 2003.	
35.	John Penrose	Hillingdon	✓	✓	School to become an academy. Existing head weak and approaching retirement. New principal of the academy to be appointed now, to prepare for academy status and to create step change in existing school.	
36.	The Hayes Manor	Hillingdon	✓	✓	New head has been appointed – strong. Plan to radically transform the buildings – targeted capital. Link strong school to be created.	
37.	Hounslow Manor	Hounslow	✓	★	Case conference planned for 28 th April 2003.	
38.	St Aloysius	Islington	✓	✓	Serious problem with head and governors. Interim Executive Board to be implemented. Head teacher to be removed. Plan to federate with a convent school in Newham.	
39.	Holloway	Islington	✓	✓	Existing head planning to retire – but need to keep – has broken up staff clique and school now moving forward. School oversubscribed for first time. Plan to keep head, provide additional leadership support.	

40.	Islington Arts and Media	Islington	✓	✓	School now moving forward. Two strong deputies in place – need to invest in SMT, through consultant leader, 1 day/week. School to pilot 2 yr KS3 as means of driving accelerated improvement in teaching and learning.	
41.	Stockwell Park School	Lambeth	✓	✓	School beginning to move forward under relatively new head. Some support needed for senior management team.	
42.	St Joseph's Academy	Lewisham	✓	★	Case conference planned for 30 th April 2003.	
43.	Malory	Lewisham	✓	★	Case conference planned for 30 th April 2003.	
44.	Northbrook CoE	Lewisham	✓	★	Case conference planned for 30 th April 2003.	
45.	Crofton	Lewisham	✓	★	Case conference planned for 30 th April 2003.	
46.	Bishopsford Community	Merton	✓	★	Case conference planned for 14 th May 2003.	
47.	Rokeby	Newham	✓	★	Case conference planned for 28 th April 2003.	
48.	Warwick Park School	Southwark	✓	★	Case conference took place on the 9 th April, way forward being agreed.	
49.	Archbishop Michael Ramsey	Southwark	✓	★	Case conference took place on the 9 th April, way forward being agreed.	
50.	Bow	Tower Hamlets	✓	★	Case conference planned for 28 th April 2003.	
51.	George Mitchell Community	Waltham Forest	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
52.	The McEntee	Waltham Forest	✓	★	Case conference took place on the 10 th April, way forward being agreed.	
53.	Battersea Technology	Wandsworth	✓	✓	Federation being planned with nearby Wandsworth schools, including Elliot. Also needs support from Commissioner's teachers for teaching and learning from September.	
54.	St George RC	Westminster	✓	★	Case conference planned for 30 th April 2003.	
55.	N Westminster Community	Westminster	✓	★	Case conference planned for 30 th April 2003.	

In summary, the schools can be divided into 7 categories of overarching solutions, with a further group where the case conference process is not yet complete.

Number of schools

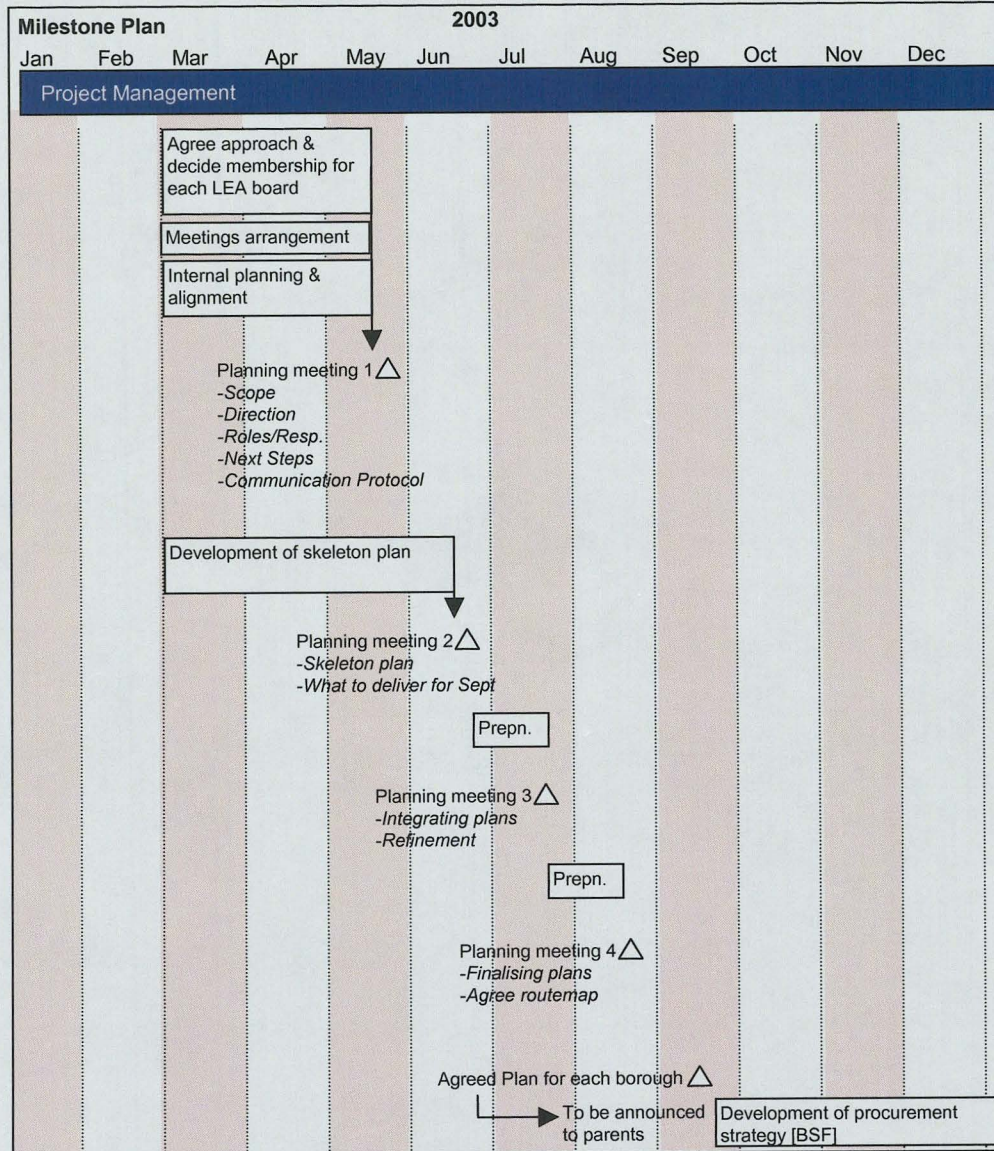
- | | |
|--|---|
| 1. School closing without replacement | 1 |
| 2. School to be replaced by academy | 5 |
| 3. Replace Headteacher | 5 |
| 4. Interim Executive Board to replace governors. Replace head. | 1 |
| 5. Hard federation with strong school | 3 |
| 6. Associate head/ Consultant leader/ change SMT | 6 |
| 7. Focus on middle management issues | 2 |
| 8. Recent positive changes – support progress | 3 |

Total number of schools assessed so far **26**

Boroughs : Status Report – 11th April 2003

Overall Status :

- Green - Task in progress or completed. No major issues.
- Amber/Green - Activities planned and in progress. Potential minor issues.
- Amber/Red - Activities planned and in progress. Major issues stalling progress
- Red - Activities not planned or in progress



Summary :

Purpose of the five borough strand is to radically transform over 3-5 years the pattern of secondary education in areas of historic low performance.

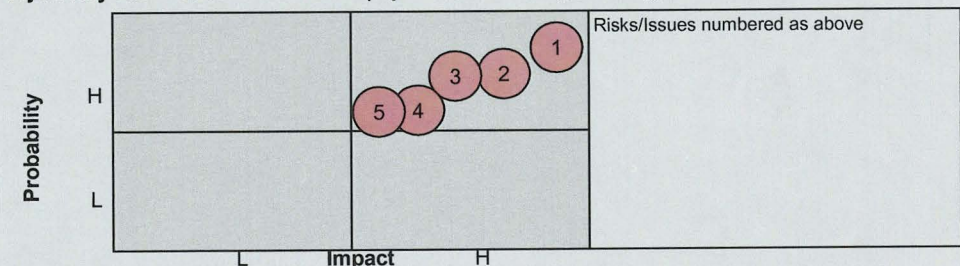
The first phase is developing for September a coherent plan for each borough, including:

- Hackney – 5 academies; Islington – 3 academies; Southwark 3-6 academies; Lambeth 2 or more academies and at least 1 new school and 1 re build on a new site. The elements of this are agreeing locally the long term pattern of provision and identifying academy sponsors. Currently on track.

Key Project Activities	Exp. Compl	Prev Period	Curr Period	Next Period
1. Internal planning and alignment around process	01/05/03			
1a Agree process and format with each LEA	01/04/05			
2. Planning meetings with each borough and key team members	Mid May			
3. Develop skeleton plan	Mid June			
4. Build up plan and agree timescales/ownership	Mid July			
5. Agree final plans	Mid August			
6. Join five plans together to develop area-wide focus	August			
7. Plan will communicate improved choice to parents	September			
8. Work within department to support actions agreed on – resources/delivery	September			

Risks/Issues List	Action	Who	Priority
1. Political issues act as barriers	Close working with authorities & political intervention where needed	JC	H
2. Legal/practical issues arise from intervention contracts	Involve lawyers/ procurement experts/ intervention team in planning	HW	H
3. Southwark - contract with WH Atkins collapsed	Continuing to work with authority and heads	HW	H
4. Hackney - Problems of land availability; finance and land ownership by Council makes PFI difficult	Plan to use sites of closing schools, use grant to create academies & refurbishment	HW	H
5. Lambeth – Authority in period of weakness - no vision	Involve other boroughs to develop radical plans through Building Schools for the Future	HW	H
6. Islington – historic weakness in PFI/capital bids	Work with capital team to improve capital planning in LEA	HW	H
7. Haringey – issues around Greig making further developments less palatable	Work with Capita on BSF plans	HW	H

Project Key Risk Assessment Matrix (top 5 risks affecting delivery)





From the Secretary of State

Department for Transport

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3011
Fax: 020 7944 4399
E-Mail: alistair.darling@dft.gsi.gov.uk

The Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
LONDON
SW1A 2WH

Web site: www.dft.gov.uk

Our Ref: AD/004354/03

11 APR 2003

514
cc: Mel
JDR

THURROCK URBAN DEVELOPMENT CORPORATION PAPER

I have seen Jeff Rooker's letter to you of 31 March seeking agreement to the publication of a Consultation Paper on the boundaries, powers and Board membership for a Thurrock Urban Development Corporation (UDC). I agree that we should consult on this issue as soon as possible in order to push forward the delivery of the Government's objectives in the Thames Gateway.

It would be beneficial if the consultation document made clear the relationship and boundaries between the functions that the UDC will take on for the area, such as planning, and those which will remain under the Local Authorities control, such as transport.

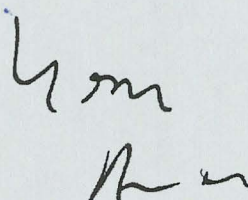
We have not had a UDC in this country since 1998 and since then we have had the Transport Act 2000 which brought in a statutory requirement for Local Authorities to produce five year Local Transport Plans (LTPs). LTPs have an important role in regeneration by providing the framework through which local transport improvements are funded and implemented. It will therefore be important that the UDC works closely with the Local Authority in integrating transport and development.

Although I am happy for the consultation to go ahead I would be grateful for some reassurance on how developer contributions from Section 106 agreements will be used in practice. As you know, these can provide an important source of funding for local transport improvements, and I am therefore concerned about a UDC –without transport responsibilities – taking

decisions on how these are to be used. If the Local Authority were to bring forward any application for local transport plan 'major' funding, I would certainly need to be satisfied about the balance of transport funding as between the UDC and any S. 106 agreements it concludes, and the local authority.

I will ask my officials to work with yours on this to ensure that the timetable that is set out in Jeff's letter can be achieved.

I am copying this letter to the Prime Minister, members of DA(SER), LP and MISC 22 Committees and Sir Andrew Turnbull.

A handwritten signature in dark ink, appearing to read 'Alistair Darling', with a stylized 'A' and 'D'.

ALISTAIR DARLING



MH
CC. MEL

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt. Hon. John Prescott MP,
Deputy Prime Minister and First Secretary of State,
Office of the Deputy Prime Minister,
26 Whitehall,
London SW1A 2WH

10 April 2003

Dear Deputy Prime Minister,

Thurrock Urban Development Corporation Paper

Jeff Rooker wrote to colleagues on 31 March asking for agreement to a consultation paper on the boundaries, powers and board membership for a Thurrock Urban Development Corporation. I welcome Jeff's proposals, subject to the following points.

2. Sustainable Communities allocated £446 million towards development in the Thames Gateway over SR2002. This is a substantial investment and I am naturally concerned to ensure we make effective use of these resources to increase housing supply and deliver sustainable and early progress on the ground. I very much hope therefore that, before the UDC becomes operational there is clarity over the resources it is allocated from ODPM's SR2002 settlement and on the objectives it is expected to deliver given those resources.



3. I would be concerned if there was ambiguity in these areas – it would risk disempowering the UDC's board and leadership and undermine its business planning, while making it difficult to hold it to account. It would also risk the UDC focussing its activities on lobbying for resources rather than delivery.

4. It is also important that the objectives set for the UDC reflect agreed levels of investment by other Departments and are not based on assumptions, such as funding for specific transport projects, which are not agreed. There will otherwise be a substantial risk of the UDC producing a plan for Thurrock that cannot be delivered.

5. I am copying this letter to members of DA(SER) and LP Committees and Sir Andrew Turnbull.

Yours sincerely,

Richard Clarke

PP **PAUL BOATENG**

*(Approved by the Chief Secretary
and signed in his absence)*



Jeff Rooker
Minister of State For Housing,
Planning and Regeneration

OFFICE OF THE
DEPUTY PRIME MINISTER

26 Whitehall
London SW1A 2WH

Tel: 020 7944 3012
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Deputy Prime Minister

Web site: www.odpm.gov.uk

Dear John

31 MAR 2003

THURROCK URBAN DEVELOPMENT CORPORATION PAPER

Summary

I am writing to seek your agreement to publish a Consultation Paper on the boundaries, powers and Board membership for Thurrock Urban Development Corporation (UDC). Thurrock is a key location for long term growth, particularly on employment sites, but is held back by major land assembly problems. It is also a key regeneration priority. As we have already had lengthy discussions with stakeholders I intend to limit consultation to 6 weeks. This enables the set up Order to be laid before summer recess and the UDC to be operational in October. This letter is copied to members of DA(SER) and LP Committees, and to Sir Andrew Turnbull. I would be grateful for responses by Friday 11 April at the latest.

Purpose of the Consultation

The Communities Plan set out the Government's aim of a step change to deliver successful, thriving and inclusive communities. The regeneration of the Thames Gateway is a broad-based project that needs to deliver brownfield development, economic growth, environmental improvement and urban renewal in an integrated way best calculated to achieve sustainable development.

We need to strengthen delivery arrangements across the Gateway at local level. In several areas local authorities will take the lead in co-ordinating partnership programmes, including with the RDAs and English Partnerships, as in North Kent Thameside, Medway and Swale. However, in a few locations, the scale and intensity of the task on land assembly and site preparation will require special powers, particularly planning, for which a UDC offers significant advantages, particularly in the increased private investor confidence which it is likely to generate. Under our approach to UDCs, there will be substantially greater local

accountability with a strong element of local representation. As set out below, in the Gateway we are proposing two new UDCs. These are to be brought forward in the London Thames Gateway, and in Thurrock.

- ✓ The attached consultation paper sets out the proposals for the area the Thurrock UDC will cover, its powers and the composition of its Board. Some of these options will require changes to primary legislation and officials are considering whether there is any suitable legislative vehicle that could introduce such a change. This session's Planning and Compulsory Purchase Bill may provide such a suitable opportunity. If we decide to pursue these options I recognise the need to seek the approval of LP Committee to such a course of action.

Misc22

Misc22 is considering how fast development in the Thames Gateway should proceed, and whether additional infrastructure is needed to secure this. This may prove relevant to boundaries drawn for the London UDC, but is unlikely to materially affect the boundaries proposed for Thurrock.

Thurrock

Thurrock has a wide range of complex land-use and land assembly problems, which constrain housing and economic growth. In addition some communities experience acute levels of multiple deprivation (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley). This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency.

The UDC's area must allow scope for development to effect real change (critical mass). I therefore propose that the UDC's operational boundary should follow the local authority's administrative area. This provides flexibility to consider development opportunities across the borough, to create new settlements and to improve the sustainability of existing communities. It enables a detailed appraisal of current land-use within the borough and the development of strategic proposals for regeneration, housing and economic development, which will ensure balanced and sustainable growth across the borough.

Within this proposal, housing, commercial and industrial growth would be focused predominantly on brownfield land south of the A13. Within this arrangement the UDC would operate in line with Government policy as it relates to development in the countryside. Namely:

- To protect the countryside and enhance its quality rather than create urban sprawl;
- To make the best use of land by ensuring that the majority of new housing is constructed on previously developed land; and
- Where greenfield land must be used, it is not used wastefully.

Powers

General

A UDC's objective is to secure the regeneration of its area through:

- Bringing land and buildings into effective use;
- Encouraging the development of existing and new industry and commerce;
- Creating an attractive environment; and
- Ensuring that housing and social facilities are available to encourage people to live and work in the area.

For the purpose of achieving the regeneration of its area, a UDC may

- Acquire, hold, manage, reclaim and dispose of land and other property;
- Carry out building and other operations;
- Seek to ensure the provision of water, electricity, gas, sewerage and other services;
- Carry on any business or undertaking for the purposes of regenerating its area; and
- Generally do anything necessary or expedient for this purpose, or for purposes incidental to those purposes.

Planning

The consultation paper proposes the UDC taking responsibility for determining 'strategic' planning applications. This allows it to deliver action quickly and effectively where land assembly is essential. However, the existing legislation is not very flexible, and once any, or all, planning powers have been given to the UDC, the Board are required to take all decisions within these powers themselves. We are considering whether it is possible to amend the legislation to enable the transfer of applications, not essential to their purpose, back to the local authority.

We therefore do not propose taking forward the order passing planning powers to the UDC until the autumn. In the interim period, the UDC will be unable to consider planning applications. However, it will still have a job to do, in particular pulling together a development framework/strategy for the area.

Board Membership

The Board's role is to set the UDC's strategic vision and take the decisions required to deliver it. The Board also appoints the Chief Executive, and takes planning decisions. The consultation paper suggests Board members should be drawn from the range of interested parties involved in the regeneration of the UDC areas. This includes the local authority, and the private and voluntary sectors. However, to ensure the UDC works in the best spirit of partnership, I propose that no interest group has a majority of seats on the Board.

In London, this creates a problem. There will be at least six local authorities expecting a seat on the Board, as will the GLA. As current legislation restricts Board size to 13, this automatically gives a public sector majority. We are therefore exploring whether the legislation can be amended to enable a maximum Board size of 17.

The Chair of the UDC will have to be appointed on merit from open competition following the procedures set out in the Commissioner for Public Appointments (OCPA) guidance. The consultation paper suggests this position should not be reserved for any interest group. However, as with other Board members, a deep understanding of the regeneration issues in the UDC area will be one of the important criteria for this position.

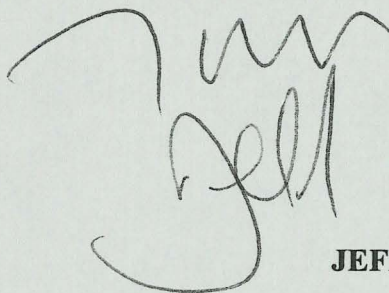
Timing

The Communities Plan set out the need for action, and it is important to start delivering as soon as possible. In the case of the London UDC this is not yet advisable. The uncertainty over the bid for the Olympics, the need to explore whether we can amend legislation to provide for additional Board members, and the continuing Misc22 process argue for delaying formation until next year. In the interim period, I propose taking forward shadow arrangements to keep partners together and start preparatory work.

However, none of these factors are material in Thurrock, and this presents an opportunity to move quickly. There is little positive action taking place in the area at the moment, and the UDC is required to get things moving. The local authority are signed up to the proposals, and there is a real momentum for change. Delay would risk dissipating the energy and enthusiasm that has built up. As we have already had lengthy discussions with stakeholders it is my intention to limit consultation to 6 weeks only. This enables the Order setting up the Thurrock UDC to be laid before the summer recess with a view to establishing the UDC in October. If we miss this deadline, the UDC will not be established until, at the earliest, the end of the calendar year.

I would therefore welcome your agreement to publish the consultation paper by Friday 11 April at the latest.

I am copying this letter the Prime Minister, members of DA(SER) and LP Committee, and to Sir Andrew Turnbull.

A handwritten signature in black ink, appearing to read 'Jeff Rooker', with a large, stylized 'J' and 'R'.

JEFF ROOKER



OFFICE OF THE
DEPUTY PRIME MINISTER

Sustainable Communities:

An Urban Development Corporation for Thurrock.

A Consultation Paper



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Executive Summary

In February of this year, the Deputy Prime Minister set out an action programme to deliver sustainable communities for all. To accommodate the economic success of London and the wider South East and ensure that the international competitiveness of the region is sustained, four growth areas including the Thames Gateway have been identified.

The programme included a commitment in these growth areas to set up strengthened local delivery agencies with the necessary powers to drive forward development. In many locations, local authorities will take the lead with RDA and other partners, but in a few locations, with particularly difficult sites, the long term focus and special powers of an Urban Development Corporation (UDC) will be required to deliver the necessary change and maximise private investment. In the Gateway this approach will be needed in the London Gateway and Thurrock.

This consultation paper invites views on the boundaries for the Thurrock UDC. It also describes the powers the new UDC will inherit and the composition of the Boards required to ensure they deliver sustainable regeneration. Consultation on the London Gateway UDC will follow later in the year.

Thurrock has a wide range of complex land-use and land assembly problems, which currently constrain housing and economic growth. In addition some communities within the borough (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley) experience some of the most acute levels of multiple deprivation in South Essex.

This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care and dentistry services, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency. Tilbury Riverside and Tilbury St Chads are ranked amongst the 10% most deprived wards in the country.

To maintain the momentum for change in Thurrock, created by the Communities Plan announcement, the Government has set a challenging timetable for the introduction of the UDC. This consultation is scheduled to run until Friday 23 May. Orders setting up the UDC could then be laid before Parliament ahead of the summer recess. Subject to approval from Parliament, the intention is to then have the UDC operational in the autumn.

1. Introduction:

Purpose of consultation

- 1.1 "Sustainable Communities: building for the future" (ODPM, February 2003), set out the Government's aim of a step change to deliver successful, thriving and inclusive communities.
- 1.2 To accommodate the economic success of London and the wider South East and ensure that the international competitiveness of the region is sustained four growth areas, including the Thames Gateway, have been identified.
- 1.3 The Thames Gateway presents a huge opportunity. Its growth potential was recognised over 10 years ago. It covers an area 43 miles long by 20 miles across and:
 - Is close to London;
 - Is in a strategic location on major transport links to the continent;
 - Has one of the largest concentrations of brownfield sites in the country; and
 - Offers the opportunity to regenerate existing deprived communities through access to 300,000 new jobs that could be accommodated by 2031.
- 1.4 The regeneration of the Gateway is a broad-based project that needs to tackle brownfield development, economic growth, environmental improvement and urban renewal in an integrated way best calculated to achieve sustainable development and contribute to the sustainable development goals of the sub-region as a whole. The Government is keen to realise the potential of the Gateway, working in partnership with local authorities, the Greater London Authority, the Regional Development Agencies and other stakeholders in the region. The Housing Corporation and English Partnerships, as key national delivery agencies, also have important roles.
- 1.5 The Thames Gateway Partnership, which has been in existence for over two years, provides strategic direction for the project. It is chaired by Lord Rooker, an ODPM Minister, and includes key Government Departments and other key stakeholders. The Partnership has developed a series of initiatives covering, for example, education, health, innovation, transport and environment programmes, to take forward key strategic issues. It has also identified the zones of change that will be the focus for development and planning. These form the framework for the local delivery arrangements that are now being put in place.
- 1.6 In many locations, such as North Kent Themesside, Medway and Swale, local authorities will take the lead with the RDA, English Partnerships and

other partners. However, in a few locations, the scale and intensity of the task on land assembly and site preparation will require special powers, particularly planning, for which a UDC offers significant advantages, particularly in the increased private investor confidence which it is likely to generate. Under the proposed approach to UDCs, there will be substantial local accountability with a strong element of local representation. These UDCs are to be brought forward, in agreement with local partners, in the London Thames Gateway, and in Thurrock.

1.7 This consultation paper sets out the Government's proposals for the area the Thurrock UDC will cover, the powers they will have and the composition of their Board.

1.8 Responses to this consultation paper should be sent to:

Charlotte Eveleigh
Thames Gateway Strategic Executive
Office of the Deputy Prime Minister
Zone 4/G10
Eland House
Bressenden Place
London
SW1E 6DU
charlotte.eveleigh@odpm.gsi.gov.uk

1.9 Responses should reach the Office **no later than Friday 23 May**. The ODPM may wish to publish the responses to the consultation paper, or to deposit them in the Libraries of the Houses of Parliament, or in the Office's own Library, unless specifically requested to treat a response as confidential. Confidential responses may nevertheless be included in any statistical summary of numbers of comments received and views expressed.

1.10 A copy of this document will also be made available on the internet at:

www.odpm.gov.uk

2. Urban Development Corporations

The Role of a UDC

2.1 The statutory objective and powers of a UDC are set out in section 136 of the Local Government, Planning and Land Act 1980. A UDC's objective is to secure the regeneration of its area. This is to be achieved in particular through:

- Bringing land and buildings into effective use;

- Encouraging the development of existing and new industry and commerce;
- Creating an attractive environment; and
- Ensuring that housing and social facilities are available to encourage people to live and work in the area.

2.2 For the purpose of achieving the regeneration of its area, a UDC may

- Acquire, hold, manage, reclaim and dispose of land and other property;
- Carry out building and other operations;
- Seek to ensure the provision of water, electricity, gas, sewerage and other services;
- Carry on any business or undertaking for the purposes of regenerating its area; and
- Generally do anything necessary or expedient for this purpose, or for purposes incidental to those purposes.

2.3 It is the Government's intentions that the new UDC will operate, as far possible, in co-operation with the Boroughs. Informal discussions have, therefore, already taken place with Thurrock Council. The options for planning powers, boundaries and board membership set out below, reflect these discussions.

2.4 UDCs are intended as short-life bodies. It is important that they focus on achievement within a clear timescale rather than regard themselves as having an open-ended remit. Typical lifespans for past UDCs have been seven to ten years. This gives them sufficient time to develop and implement a strategy to tackle the complex land assembly problems in the area. We therefore propose that Thurrock UDC has an indicative lifespan of seven years, with a full review after five years.

Relationship with Existing Agencies

2.5 A number of other Government agencies already exist to deliver sustainable regeneration. English Partnerships is the Government's national regeneration agency. The East of England Development Agency is responsible for sustainable regeneration in Eastern region. The UDC will work co-operatively with these agencies to focus action in their areas.

2.6 The UDC will also need to liaise closely with other Government agencies who, while not directly involved in regeneration activity, will have an influence on the UDCs ability to deliver. Examples include the Strategic Rail Authority and the Highways Agency.

Q[]: Views are invited on the most appropriate lifespan for the Thurrock UDC.

3. Boundaries

Thurrock

- 3.1 Thurrock has a wide range of complex land-use and land assembly problems, which currently constrain housing and economic growth. In addition some communities within the borough (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley) experience some of the most acute levels of multiple deprivation in South Essex.
- 3.2 This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care and dentistry services, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency. Tilbury Riverside and Tilbury St Chads are ranked amongst the 10% most deprived wards in the country.
- 3.3 But Thurrock is also a key growth location in the Thames Gateway. It has the potential to become an important centre for international trade, and enterprise building upon its rich maritime heritage, maximising the value of the river and empowering its diverse communities to provide an exciting, vibrant and sustainable place to live, work and visit.

Proposed Boundary

- 3.4 The UDC's role is to help deliver these sustainable communities. The area of the UDC must therefore be large enough for it to have sufficient scope for development that can effect real change (critical mass). Within Thurrock the Government therefore propose that the UDC's operational boundary should be coterminous with the local authority's administrative area.
- 3.5 This proposal would provide the UDC with the flexibility to consider development opportunities across the borough, to create new settlements and to improve the sustainability of existing communities.
- 3.6 This boundary proposal would enable the Thurrock UDC to undertake a detailed appraisal of current land-use within the borough and to develop strategic proposals for regeneration, housing and economic development, which will ensure balanced and sustainable growth across the borough.
- 3.7 Within this proposal, housing, commercial and industrial growth would be focused predominantly (but not exclusively) on brownfield land south of the A13.
- 3.8 Within this arrangement the UDC would operate in line with Government policy as it relates to development in the countryside. Namely:

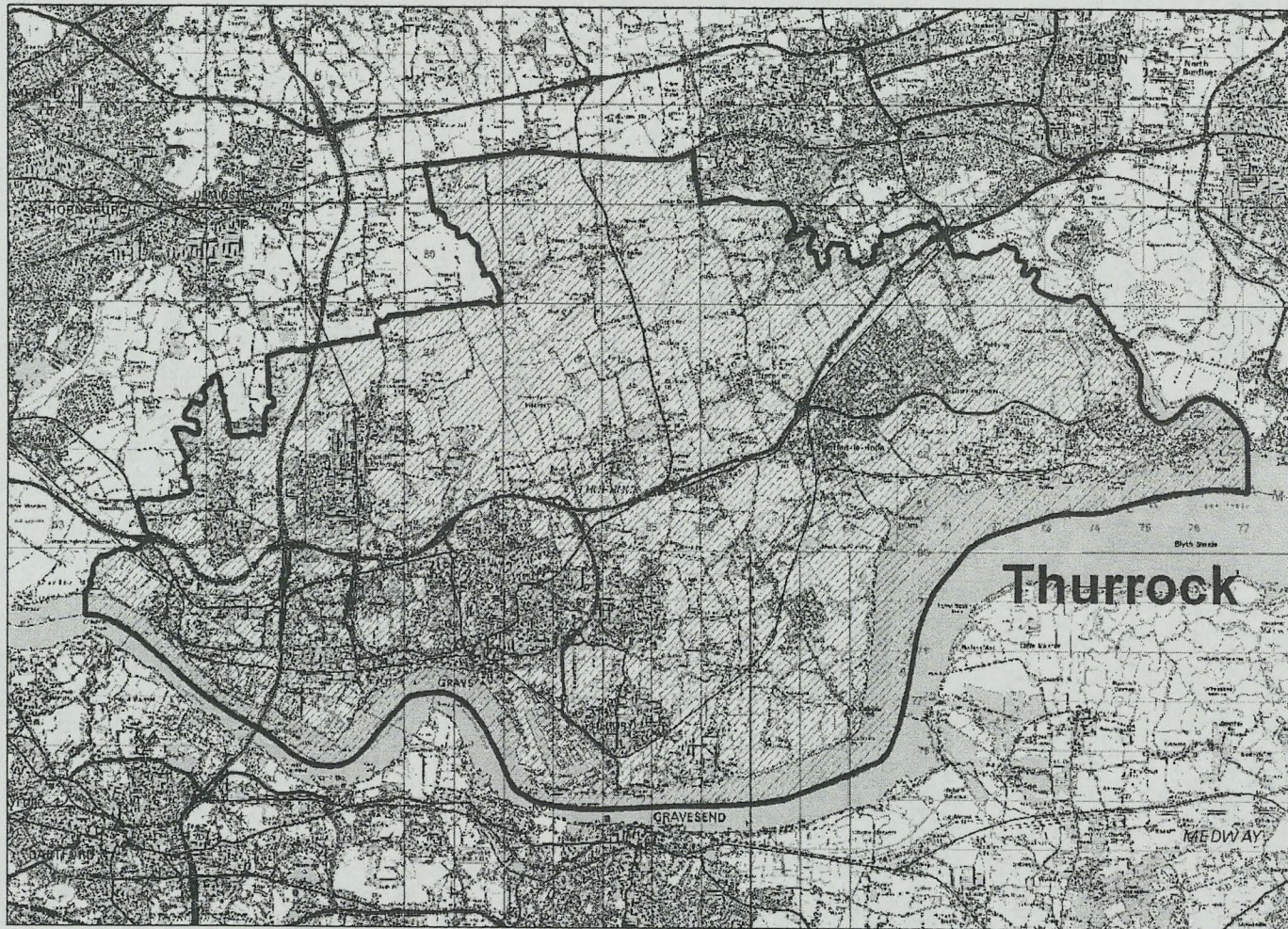
- That the Government aims to protect the countryside and enhance its quality rather than create urban sprawl;
- That the Government aims to make the best use of land by ensuring that the majority of new housing is constructed on previously developed land; and
- That the Government will ensure that where greenfield land must be used, that is not used wastefully.

Views are invited on:

Q[]: The boundary proposal for the Thurrock UDC.

Q[] Does the proposal provide the UDC with sufficient flexibility in which to maximise the regeneration and growth opportunities within the Thurrock area.

Q[]: Are there other boundary options that should be considered.



Map 1: Thurrock Boundary Proposal : The UDC's operational boundary mirrors the local authority's administrative area.

4. Planning Powers

UDCs and Planning Powers

- 4.1 Giving UDCs the role of determining planning applications directly relevant to their purposes allows them to deliver action quickly and effectively in areas of intended change.
- 4.2 The Local Government, Planning and Land Act 1980 empowers the Secretary of State to provide by Order for a UDC to be the local planning authority for the whole or any part of its area. This would mean that the UDC received all planning applications in the specified area, for all kinds of development, whether from businesses, householders or otherwise.
- 4.3 To avoid overloading the UDC Board with planning decisions, the legislation allows the Secretary of State to confine the scope of the order to specified purposes of Part III of the Town and Country Planning Act (control over development), and to certain kinds of development.
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Q[]: Assuming the power existed, how might a UDC best identify strategic and significant planning decisions. Would this approach offer added flexibilities?

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The Board's Role

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5.2 The Government believes that members of the Board should be drawn from the range of interested parties involved in the regeneration of the UDC area. This includes the local authority, and the private and voluntary sectors. However, to ensure the UDC works in the best spirit of partnership, the Government does not believe that any one interest group should have a majority of seats on the Board.

5.3 The Chair will be appointed on merit from open competition following the procedures set out in the Commissioner for Public Appointments (OCPA) guidance. The Government does not believe this position should be reserved for any interest group. However, as with other Board members, a deep understanding of the regeneration issues in the UDC area will be one of the important criteria for this position.

Views are invited on:

Q[]: Which groups should be represented on the UDC Board?

6. Conclusions

Next Steps

6.1 Following the consideration of the responses to this consultation, it is the Government intention to bring forward the Order setting up the Thurrock UDC before the summer recess. Subject to Parliamentary approval, it is then expected that the UDC will then come into operation in the autumn.

List of Questions

6.2 Views have been specifically invited on the following questions:

[Complete List of Numbered Questions]

6.3 Responses to these questions, and any other comments should be sent to the address below **by no later than Friday 23 May**.

Charlotte Eveleigh
Thames Gateway Strategic Executive
Office of the Deputy Prime Minister
Zone 4/G10
Eland House
Bressenden Place
London
SW1E 6DU
charlotte.eveleigh@odpm.gsi.gov.uk



Deputy Prime Minister

File

MH
26 Whitehall
London
SW1A 2WH
JSH
AA
SV

Tel: 020 7944 8623
Fax: 020 7944 8621

PRIME MINISTER

THURROCK UDC CONSULTATION PAPER

I am writing to inform you of my intention to issue a consultation paper on the boundaries for the Urban Development Corporation (UDC) in Thurrock. A further consultation paper on the boundaries of the UDC for London Thames Gateway will follow later in the year.

UDCs for Thurrock and London Thames Gateway were announced in the Communities Plan. Thurrock is an important long term growth and regeneration priority in the Thames Gateway, where a UDC would be ideally placed to tackle the major constraints of widespread contaminated land, fragmented development, diffuse landownership and weak infrastructure. The attached letter from Jeff Rooker invites colleagues' views on the proposed consultation paper for the Thurrock UDC. The main proposals for the UDC are:

- To follow the Borough boundaries;
- To take planning powers; and
- To become operational by September.

Action to this timetable is essential if we are to maintain the momentum for change that has been built up with the local authority. Very little positive action is taking place in Thurrock and the UDC is required to get real change on the ground happening quickly.

A consultation on the London UDC will follow later in the year. I consider it prudent to await the final conclusions from MISC22 and a decision on the potential Olympic bid before proposing boundaries. I am also pursuing the possibility of amending the existing legislation to increase the maximum UDC Board size from 13 to 17. In London, at least six Boroughs and the GLA are expecting seats, and I believe this will ensure sufficient room at the table for other interested parties.

I am copying this letter to other members of MISC22 and to Sir Andrew Turnbull.

JP.

JOHN PRESCOTT

31 March 2003



Jeff Rooker
Minister of State For Housing,
Planning and Regeneration

OFFICE OF THE
DEPUTY PRIME MINISTER

26 Whitehall
London SW1A 2WH

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Deputy Prime Minister

Web site: www.odpm.gov.uk

3 1 MAR 2003

THURROCK URBAN DEVELOPMENT CORPORATION PAPER

Summary

I am writing to seek your agreement to publish a Consultation Paper on the boundaries, powers and Board membership for Thurrock Urban Development Corporation (UDC). Thurrock is a key location for long term growth, particularly on employment sites, but is held back by major land assembly problems. It is also a key regeneration priority. As we have already had lengthy discussions with stakeholders I intend to limit consultation to 6 weeks. This enables the set up Order to be laid before summer recess and the UDC to be operational in October. This letter is copied to members of DA(SER) and LP Committees, and to Sir Andrew Turnbull. I would be grateful for responses by Friday 11 April at the latest.

Purpose of the Consultation

The Communities Plan set out the Government's aim of a step change to deliver successful, thriving and inclusive communities. The regeneration of the Thames Gateway is a broad-based project that needs to deliver brownfield development, economic growth, environmental improvement and urban renewal in an integrated way best calculated to achieve sustainable development.

We need to strengthen delivery arrangements across the Gateway at local level. In several areas local authorities will take the lead in co-ordinating partnership programmes, including with the RDAs and English Partnerships, as in North Kent Thameside, Medway and Swale. However, in a few locations, the scale and intensity of the task on land assembly and site preparation will require special powers, particularly planning, for which a UDC offers significant advantages, particularly in the increased private investor confidence which it is likely to generate. Under our approach to UDCs, there will be substantially greater local

accountability with a strong element of local representation. As set out below, in the Gateway we are proposing two new UDCs. These are to be brought forward in the London Thames Gateway, and in Thurrock.

- ✓ The attached consultation paper sets out the proposals for the area the Thurrock UDC will cover, its powers and the composition of its Board. Some of these options will require changes to primary legislation and officials are considering whether there is any suitable legislative vehicle that could introduce such a change. This session's Planning and Compulsory Purchase Bill may provide such a suitable opportunity. If we decide to pursue these options I recognise the need to seek the approval of LP Committee to such a course of action.

Misc22

Misc22 is considering how fast development in the Thames Gateway should proceed, and whether additional infrastructure is needed to secure this. This may prove relevant to boundaries drawn for the London UDC, but is unlikely to materially affect the boundaries proposed for Thurrock.

Thurrock

Thurrock has a wide range of complex land-use and land assembly problems, which constrain housing and economic growth. In addition some communities experience acute levels of multiple deprivation (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley). This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency.

The UDC's area must allow scope for development to effect real change (critical mass). I therefore propose that the UDC's operational boundary should follow the local authority's administrative area. This provides flexibility to consider development opportunities across the borough, to create new settlements and to improve the sustainability of existing communities. It enables a detailed appraisal of current land-use within the borough and the development of strategic proposals for regeneration, housing and economic development, which will ensure balanced and sustainable growth across the borough.

Within this proposal, housing, commercial and industrial growth would be focused predominantly on brownfield land south of the A13. Within this arrangement the UDC would operate in line with Government policy as it relates to development in the countryside. Namely:

- To protect the countryside and enhance its quality rather than create urban sprawl;
- To make the best use of land by ensuring that the majority of new housing is constructed on previously developed land; and
- Where greenfield land must be used, it is not used wastefully.

Powers

General

A UDC's objective is to secure the regeneration of its area through:

- Bringing land and buildings into effective use;
- Encouraging the development of existing and new industry and commerce;
- Creating an attractive environment; and
- Ensuring that housing and social facilities are available to encourage people to live and work in the area.

For the purpose of achieving the regeneration of its area, a UDC may

- Acquire, hold, manage, reclaim and dispose of land and other property;
- Carry out building and other operations;
- Seek to ensure the provision of water, electricity, gas, sewerage and other services;
- Carry on any business or undertaking for the purposes of regenerating its area; and
- Generally do anything necessary or expedient for this purpose, or for purposes incidental to those purposes.

Planning

The consultation paper proposes the UDC taking responsibility for determining 'strategic' planning applications. This allows it to deliver action quickly and effectively where land assembly is essential. However, the existing legislation is not very flexible, and once any, or all, planning powers have been given to the UDC, the Board are required to take all decisions within these powers themselves. We are considering whether it is possible to amend the legislation to enable the transfer of applications, not essential to their purpose, back to the local authority.

We therefore do not propose taking forward the order passing planning powers to the UDC until the autumn. In the interim period, the UDC will be unable to consider planning applications. However, it will still have a job to do, in particular pulling together a development framework/strategy for the area.

Board Membership

The Board's role is to set the UDC's strategic vision and take the decisions required to deliver it. The Board also appoints the Chief Executive, and takes planning decisions. The consultation paper suggests Board members should be drawn from the range of interested parties involved in the regeneration of the UDC areas. This includes the local authority, and the private and voluntary sectors. However, to ensure the UDC works in the best spirit of partnership, I propose that no interest group has a majority of seats on the Board.

In London, this creates a problem. There will be at least six local authorities expecting a seat on the Board, as will the GLA. As current legislation restricts Board size to 13, this automatically gives a public sector majority. We are therefore exploring whether the legislation can be amended to enable a maximum Board size of 17.

The Chair of the UDC will have to be appointed on merit from open competition following the procedures set out in the Commissioner for Public Appointments (OCPA) guidance. The consultation paper suggests this position should not be reserved for any interest group. However, as with other Board members, a deep understanding of the regeneration issues in the UDC area will be one of the important criteria for this position.

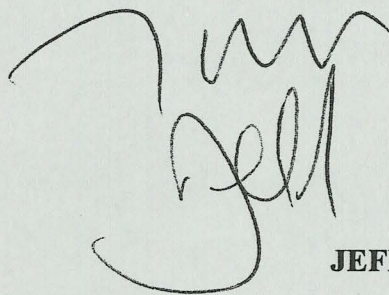
Timing

The Communities Plan set out the need for action, and it is important to start delivering as soon as possible. In the case of the London UDC this is not yet advisable. The uncertainty over the bid for the Olympics, the need to explore whether we can amend legislation to provide for additional Board members, and the continuing Misc22 process argue for delaying formation until next year. In the interim period, I propose taking forward shadow arrangements to keep partners together and start preparatory work.

However, none of these factors are material in Thurrock, and this presents an opportunity to move quickly. There is little positive action taking place in the area at the moment, and the UDC is required to get things moving. The local authority are signed up to the proposals, and there is a real momentum for change. Delay would risk dissipating the energy and enthusiasm that has built up. As we have already had lengthy discussions with stakeholders it is my intention to limit consultation to 6 weeks only. This enables the Order setting up the Thurrock UDC to be laid before the summer recess with a view to establishing the UDC in October. If we miss this deadline, the UDC will not be established until, at the earliest, the end of the calendar year.

I would therefore welcome your agreement to publish the consultation paper by Friday 11 April at the latest.

I am copying this letter the Prime Minister, members of DA(SER) and LP Committee, and to Sir Andrew Turnbull.

A handwritten signature in black ink, appearing to read 'Jeff Rooker', with a large, stylized initial 'J' and 'R'.

JEFF ROOKER



OFFICE OF THE
DEPUTY PRIME MINISTER

Sustainable Communities:

An Urban Development Corporation for Thurrock.

A Consultation Paper



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Executive Summary

In February of this year, the Deputy Prime Minister set out an action programme to deliver sustainable communities for all. To accommodate the economic success of London and the wider South East and ensure that the international competitiveness of the region is sustained, four growth areas including the Thames Gateway have been identified.

The programme included a commitment in these growth areas to set up strengthened local delivery agencies with the necessary powers to drive forward development. In many locations, local authorities will take the lead with RDA and other partners, but in a few locations, with particularly difficult sites, the long term focus and special powers of an Urban Development Corporation (UDC) will be required to deliver the necessary change and maximise private investment. In the Gateway this approach will be needed in the London Gateway and Thurrock.

This consultation paper invites views on the boundaries for the Thurrock UDC. It also describes the powers the new UDC will inherit and the composition of the Boards required to ensure they deliver sustainable regeneration. Consultation on the London Gateway UDC will follow later in the year.

Thurrock has a wide range of complex land-use and land assembly problems, which currently constrain housing and economic growth. In addition some communities within the borough (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley) experience some of the most acute levels of multiple deprivation in South Essex.

This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care and dentistry services, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency. Tilbury Riverside and Tilbury St Chads are ranked amongst the 10% most deprived wards in the country.

To maintain the momentum for change in Thurrock, created by the Communities Plan announcement, the Government has set a challenging timetable for the introduction of the UDC. This consultation is scheduled to run until Friday 23 May. Orders setting up the UDC could then be laid before Parliament ahead of the summer recess. Subject to approval from Parliament, the intention is to then have the UDC operational in the autumn.

1. Introduction:

Purpose of consultation

- 1.1 "Sustainable Communities: building for the future" (ODPM, February 2003), set out the Government's aim of a step change to deliver successful, thriving and inclusive communities.
- 1.2 To accommodate the economic success of London and the wider South East and ensure that the international competitiveness of the region is sustained four growth areas, including the Thames Gateway, have been identified.
- 1.3 The Thames Gateway presents a huge opportunity. Its growth potential was recognised over 10 years ago. It covers an area 43 miles long by 20 miles across and:
- Is close to London;
 - Is in a strategic location on major transport links to the continent;
 - Has one of the largest concentrations of brownfield sites in the country; and
 - Offers the opportunity to regenerate existing deprived communities through access to 300,000 new jobs that could be accommodated by 2031.
- 1.4 The regeneration of the Gateway is a broad-based project that needs to tackle brownfield development, economic growth, environmental improvement and urban renewal in an integrated way best calculated to achieve sustainable development and contribute to the sustainable development goals of the sub-region as a whole. The Government is keen to realise the potential of the Gateway, working in partnership with local authorities, the Greater London Authority, the Regional Development Agencies and other stakeholders in the region. The Housing Corporation and English Partnerships, as key national delivery agencies, also have important roles.
- 1.5 The Thames Gateway Partnership, which has been in existence for over two years, provides strategic direction for the project. It is chaired by Lord Rooker, an ODPM Minister, and includes key Government Departments and other key stakeholders. The Partnership has developed a series of initiatives covering, for example, education, health, innovation, transport and environment programmes, to take forward key strategic issues. It has also identified the zones of change that will be the focus for development and planning. These form the framework for the local delivery arrangements that are now being put in place.
- 1.6 In many locations, such as North Kent Thameside, Medway and Swale, local authorities will take the lead with the RDA, English Partnerships and

other partners. However, in a few locations, the scale and intensity of the task on land assembly and site preparation will require special powers, particularly planning, for which a UDC offers significant advantages, particularly in the increased private investor confidence which it is likely to generate. Under the proposed approach to UDCs, there will be substantial local accountability with a strong element of local representation. These UDCs are to be brought forward, in agreement with local partners, in the London Thames Gateway, and in Thurrock.

1.7 This consultation paper sets out the Government's proposals for the area the Thurrock UDC will cover, the powers they will have and the composition of their Board.

1.8 Responses to this consultation paper should be sent to:

Charlotte Eveleigh
Thames Gateway Strategic Executive
Office of the Deputy Prime Minister
Zone 4/G10
Eland House
Bressenden Place
London
SW1E 6DU
charlotte.eveleigh@odpm.gsi.gov.uk

1.9 Responses should reach the Office **no later than Friday 23 May**. The ODPM may wish to publish the responses to the consultation paper, or to deposit them in the Libraries of the Houses of Parliament, or in the Office's own Library, unless specifically requested to treat a response as confidential. Confidential responses may nevertheless be included in any statistical summary of numbers of comments received and views expressed.

1.10 A copy of this document will also be made available on the internet at:

www.odpm.gov.uk

2. Urban Development Corporations

The Role of a UDC

2.1 The statutory objective and powers of a UDC are set out in section 136 of the Local Government, Planning and Land Act 1980. A UDC's objective is to secure the regeneration of its area. This is to be achieved in particular through:

- Bringing land and buildings into effective use;

- Encouraging the development of existing and new industry and commerce;
- Creating an attractive environment; and
- Ensuring that housing and social facilities are available to encourage people to live and work in the area.

2.2 For the purpose of achieving the regeneration of its area, a UDC may

- Acquire, hold, manage, reclaim and dispose of land and other property;
- Carry out building and other operations;
- Seek to ensure the provision of water, electricity, gas, sewerage and other services;
- Carry on any business or undertaking for the purposes of regenerating its area; and
- Generally do anything necessary or expedient for this purpose, or for purposes incidental to those purposes.

2.3 It is the Government's intentions that the new UDC will operate, as far possible, in co-operation with the Boroughs. Informal discussions have, therefore, already taken place with Thurrock Council. The options for planning powers, boundaries and board membership set out below, reflect these discussions.

2.4 UDCs are intended as short-life bodies. It is important that they focus on achievement within a clear timescale rather than regard themselves as having an open-ended remit. Typical lifespans for past UDCs have been seven to ten years. This gives them sufficient time to develop and implement a strategy to tackle the complex land assembly problems in the area. We therefore propose that Thurrock UDC has an indicative lifespan of seven years, with a full review after five years.

Relationship with Existing Agencies

2.5 A number of other Government agencies already exist to deliver sustainable regeneration. English Partnerships is the Government's national regeneration agency. The East of England Development Agency is responsible for sustainable regeneration in Eastern region. The UDC will work co-operatively with these agencies to focus action in their areas.

2.6 The UDC will also need to liaise closely with other Government agencies who, while not directly involved in regeneration activity, will have an influence on the UDCs ability to deliver. Examples include the Strategic Rail Authority and the Highways Agency.

Q&A: Views are invited on the most appropriate lifespan for the Thurrock UDC.

3. Boundaries

Thurrock

- 3.1 Thurrock has a wide range of complex land-use and land assembly problems, which currently constrain housing and economic growth. In addition some communities within the borough (Tilbury, Chadwell St Mary, West Thurrock, Purfleet, South Ockendon and Aveley) experience some of the most acute levels of multiple deprivation in South Essex.
- 3.2 This is characterised by poor quality, unpopular and isolated social housing, high levels of anti-social behaviour and youth crime, under achievement at school, poor provision of primary health care and dentistry services, teenage pregnancy and higher than average levels of unemployment contributing to widespread poverty and a culture of welfare dependency. Tilbury Riverside and Tilbury St Chads are ranked amongst the 10% most deprived wards in the country.
- 3.3 But Thurrock is also a key growth location in the Thames Gateway. It has the potential to become an important centre for international trade, and enterprise building upon its rich maritime heritage, maximising the value of the river and empowering its diverse communities to provide an exciting, vibrant and sustainable place to live, work and visit.

Proposed Boundary

- 3.4 The UDC's role is to help deliver these sustainable communities. The area of the UDC must therefore be large enough for it to have sufficient scope for development that can effect real change (critical mass). Within Thurrock the Government therefore propose that the UDC's operational boundary should be coterminous with the local authority's administrative area.
- 3.5 This proposal would provide the UDC with the flexibility to consider development opportunities across the borough, to create new settlements and to improve the sustainability of existing communities.
- 3.6 This boundary proposal would enable the Thurrock UDC to undertake a detailed appraisal of current land-use within the borough and to develop strategic proposals for regeneration, housing and economic development, which will ensure balanced and sustainable growth across the borough.
- 3.7 Within this proposal, housing, commercial and industrial growth would be focused predominantly (but not exclusively) on brownfield land south of the A13.
- 3.8 Within this arrangement the UDC would operate in line with Government policy as it relates to development in the countryside. Namely:

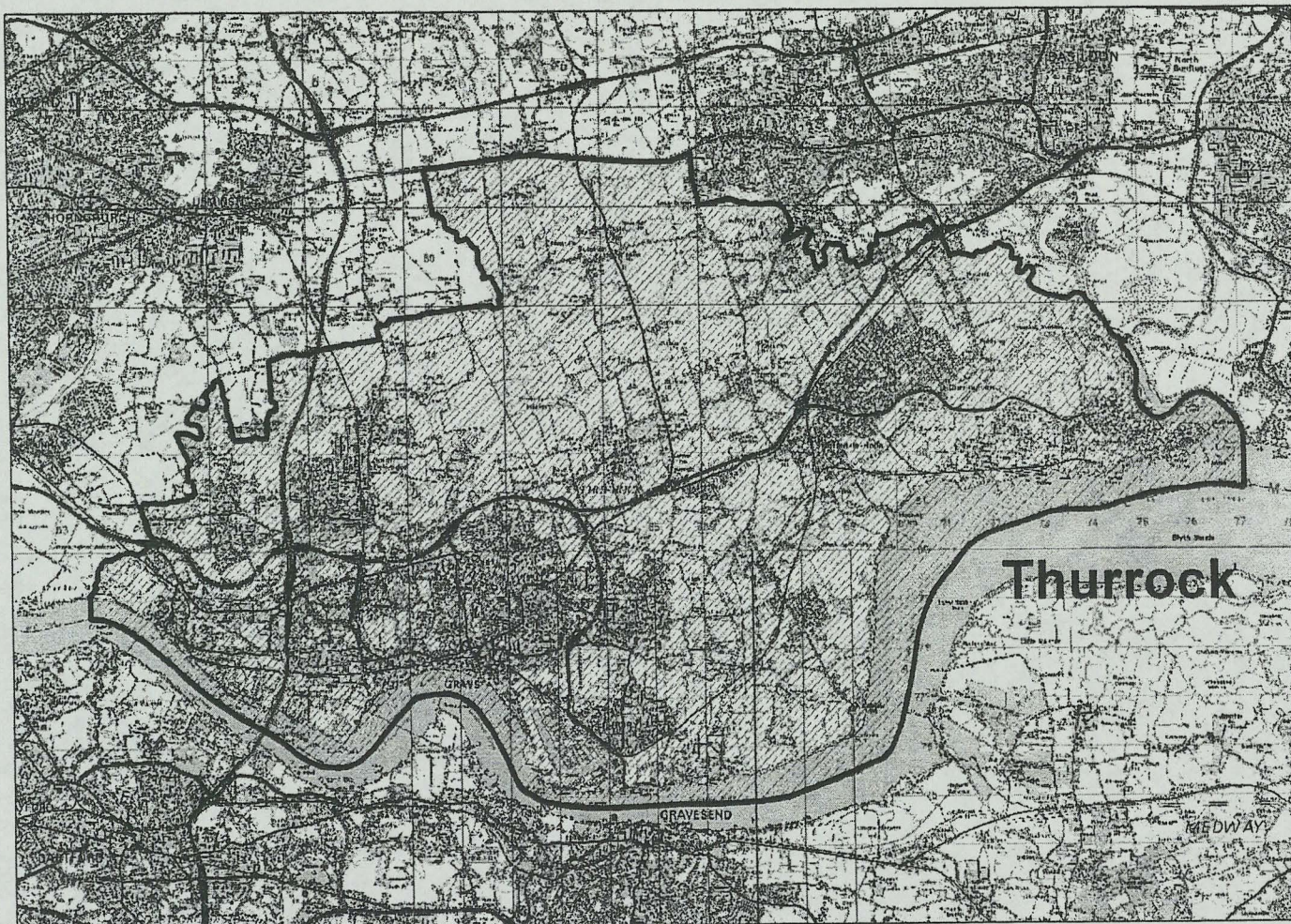
- That the Government aims to protect the countryside and enhance its quality rather than create urban sprawl;
- That the Government aims to make the best use of land by ensuring that the majority of new housing is constructed on previously developed land; and
- That the Government will ensure that where greenfield land must be used, that is not used wastefully.

Views are invited on:

Q[]: The boundary proposal for the Thurrock UDC.

Q[] Does the proposal provide the UDC with sufficient flexibility in which to maximise the regeneration and growth opportunities within the Thurrock area.

Q[]: Are there other boundary options that should be considered.



Map 1: Thurrock Boundary Proposal : The UDC's operational boundary mirrors the local authority's administrative area.

4. Planning Powers

UDCs and Planning Powers

- 4.1 Giving UDCs the role of determining planning applications directly relevant to their purposes allows them to deliver action quickly and effectively in areas of intended change.
- 4.2 The Local Government, Planning and Land Act 1980 empowers the Secretary of State to provide by Order for a UDC to be the local planning authority for the whole or any part of its area. This would mean that the UDC received all planning applications in the specified area, for all kinds of development, whether from businesses, householders or otherwise.
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- 4.4 The downside of confining the planning powers of the UDC in these ways is the difficulty of deciding and defining precisely what powers are to be passed to the UDC as local planning authority, the danger that key strategic decisions may sometimes fall outside the scope of the UDC's powers, and the need for a further order to adjust the arrangement put in place.
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Q[]: Assuming the power existed, how might a UDC best identify strategic and significant planning decisions. Would this approach offer added flexibilities?

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5.1 The role of the Board is to set the strategic vision for the UDC and take the decisions required to deliver that vision. The Board will appoint the Chief Executive (although the first will be appointed by the Secretary of State), and take planning decisions on behalf of the UDC.

5.2 The Government believes that members of the Board should be drawn from the range of interested parties involved in the regeneration of the UDC area. This includes the local authority, and the private and voluntary sectors. However, to ensure the UDC works in the best spirit of partnership, the Government does not believe that any one interest group should have a majority of seats on the Board.

5.3 The Chair will be appointed on merit from open competition following the procedures set out in the Commissioner for Public Appointments (OCPA) guidance. The Government does not believe this position should be reserved for any interest group. However, as with other Board members, a deep understanding of the regeneration issues in the UDC area will be one of the important criteria for this position.

Views are invited on:

Q[]: Which groups should be represented on the UDC Board?

6. Conclusions

Next Steps

6.1 Following the consideration of the responses to this consultation, it is the Government intention to bring forward the Order setting up the Thurrock UDC before the summer recess. Subject to Parliamentary approval, it is then expected that the UDC will then come into operation in the autumn.

List of Questions

6.2 Views have been specifically invited on the following questions:

[Complete List of Numbered Questions]

6.3 Responses to these questions, and any other comments should be sent to the address below **by no later than Friday 23 May**.

Charlotte Eveleigh
Thames Gateway Strategic Executive
Office of the Deputy Prime Minister
Zone 4/G10
Eland House
Bressenden Place
London
SW1E 6DU
charlotte.eveleigh@odpm.gsi.gov.uk

ANNEX A

STRATEGY UNIT REVIEW OF LONDON

ANNEX A. STRATEGY UNIT REVIEW.
OF LONDON.

LONDON

POLICY

PART 4

niceday by Guilbert



No.181088 Red
No.181126 Blue
No.181164 Green
No.181203 Yellow
No.181242 Pink
No.181089 Buff
No.181127 Orange
No.181165 Assorted

RESTRICTED

OK
COPY
From: Martin Hurst
Date: 27 June 2003

London

PRIME MINISTER

cc: SPAs (w/o attachment)

STRATEGY UNIT LONDON PROJECT

John Birt has sent you the 'evidence stage' of the SU's report on London. This will be published on the web next week. There will be a few further changes before publication to accommodate concerns from Alistair about the balance on transport issues.

There is a wealth of interesting and relevant material. Some of the key bits are:

- a) Population projections. London will continue to suck in under 30s from the rest of the country, almost exactly offset by migration out of London of UK over 30s. But the population will rise by around 700k over the next 20 years because of legal immigration.
- b) Housing demand will increase equally rapidly over the next 15 years. The main land availability is in the Gateway. But we will need to be innovative in order to persuade the better off to live there.
- c) London is a victim of its past. Compared to other capital cities we have a lot of low density housing - a relatively wasteful use of land. And our fairly good rail network is accompanied by a dreadful road network, about which we can do very little - basically, London was not designed for the car.
- d) Financial services, long the 'driver' of the London economy, may be declining in importance. The creative industries are large, and growing.
- e) Public service provision is very variable. In health London has some of the best and the worst delivery in the country. In education there is large middle class opt out. And in areas like job seeker plus delivery is uniformly poor.
- f) Like most capital cities London has huge wealth and massive deprivation. Almost half of inner London children are in poverty. And we have very substantial labour market non-participation, which could be exacerbated as demand for low skilled labour falls off - this worries me.
- g) In net terms London finances the rest of the country by up to £20bn

The team will now proceed to policy analysis, looking at three areas:

- Public services;
- Transport, housing and planning;

is this
not a bit of
an inflationary
force?

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- 2 -

- The unwaged.

Any thoughts?

John B's minute to you also asks for your agreement to a private study on London governance. There is a clear case for some work in this area. But JP has been strongly opposed in the past, and would bitterly resent a private study if he found out. What do you think?

It can only be done
with JP's consent.

We cannot do a study in
this without JP being aware &
involved!

Martin Hurst

MARTIN HURST

But there is no doubt that
at some stage we need to
revisit key elements of the
London "settlement" (e.g. the
police governance arrangements
& the rising powers).

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RESTRICTED - POLICY

From: John Birt
Date: 23 June 2003

PRIME MINISTER

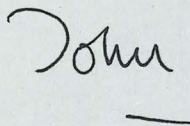
cc: Jeremy Heywood
Geoff Mulgan
Martin Hurst

SU REVIEW OF LONDON

I have pleasure in enclosing the report of Phase 1 of the SU review of London.

The review has produced, I think, substantial new insights into the significant challenges London faces, and we will seek in Phase 2 to identify some solutions to those challenges.

I hope you will agree, when you read the report, that one of the issues we very definitely need to examine in Phase 2 is London's unwieldy and unfocused arrangements for governance. ODPM is sensitive about this, but with your agreement, we plan to do a private piece of work for you on the issue.



JOHN BIRT

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