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# Bridging the Funding Gap: Urban Regeneration in the Age of Austerity.

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# Introduction.

Longstanding English proverb advises that we 'make hay while the sun shines', but successive Governments across Europe have failed to do exactly this, with the debate surrounding planning for the city without public economic funds being a direct consequence of this. The model of neo-liberal capitalism which has grown to dominate Western European policy doctrine has resulted in Keynesian economics falling from favour. There has, consequently, been a relatively long-term failure to invest during the 'boom' and reliance on third and private-sector stimulation during the 'bust'. This cyclical process of creative destruction results in a 'bust' phase austerity framework in which debate is focussed on how the social, economic and environmental value of planning decisions and plan-making can be captured. By their very nature they address existing inefficiencies through systematic improvements as opposed to holistic review and value creation. This paper considers the English approach to such improvements through an assessment of betterment, business, bureaucracy, community and cooperation.



# Betterment.

New housing, offices, retail and other forms of development can place heavy demands on existing services, infrastructure and the quality of the environment. Their construction also requires additional development such as new roads, schools, health facilities, open space and play space, each of which have a financial cost. The UK planning system seeks to balance the need for development against its economic, social and environmental effects on the wider community. "Betterment" refers to the way in which the planning system can capture some of the uplift in financial value created through development to fund the new or upgraded infrastructure and services required. In capturing this value, the burden on public funding requirements is reduced.

Since a 'plan-led' approach was introduced in 1947 there have been several forms of "development charge" or "tax" to secure an element of developer profit, created through the designation of land for development and subsequent construction. Today, Local Planning Authorities are able to extract value from schemes through:

1.- Financial contributions.

2.- Benefits "in kind", and

3.- The Community Infrastructure Levy.

***Contributions.***

Financial contributions relate to the payment of money from the developer towards certain public sector costs, whilst 'in kind' contributions relate to a developer providing certain benefits onsite. This may include transport improvements, affordable housing, a new community building, etc. Indeed, the importance of these contributions is significant, with financial contributions totalling £10 billion pounds in London over ten years to 2008 (GLA, 2008).

When a developer applies for Planning Permission, they negotiate the amount of financial and 'in kind' benefits to be provided with the Local Planning Authority. The amount provided varies from scheme to scheme and between Planning Authorities and once agreed are secured through a legal Agreement.

***Case Study One: King's Cross Central***



King's Cross Central is a 67 acre development site in Central London. Outline Planning Permission was granted in 2006 which established the principle for 50 new buildings, 2,000 new homes, 3.4 million sq ft of workspace and 500,000 sq ft retail floorspace, hotels and a new campus for the University of the Arts London.

The site was a previous industrial centre, intersected by the Regent's Canal and situated between two major railway stations. Significant hard infrastructure improvements such as roads, bridges and utilities were needed. Moreover, social infrastructure improvements would be required for the new residents, employees and visitors to the area.

The developer negotiated with the London Borough of Camden to bring forward a range of "in-kind" benefits in addition to financial contributions. Benefits to be provided "in-kind" include:

- 20 new streets
- Three new bridges.
- 10 new public squares – including the largest public square in London and playground for children.
- Construction Skills Centre – aimed at training local people in construction to benefit from the construction jobs whilst the scheme is built out.

Financial payments will fund:

- Payments for increased child places at surrounding schools;

***Community Infrastructure Levy.***

At the heart of the planning system is the principle that Permissions cannot be bought. Both developers and other stakeholders have complained that the way in which financial and 'in kind' contributions are negotiated is unpredictable and lacks transparency. This has led to criticism that some builders are 'buying' Permission through their payments. Others have also suggested that the development value created should be shared across nearby areas rather than focussed on a single site. This is something which the Community Infrastructure Levy ("CIL") seeks to address. It has been introduced gradually since 2008 and, if a CIL charge is not adopted by 6 April 2014, the pooling of financial contributions towards a specific type or piece of infrastructure will be limited to not more than five benefits ('Heads of Terms') under a legal Agreement. The purpose is to establish a clear fee (in £ per square metre) in each area to be charged to fund new development. The infrastructure to which this funding can be allocated is at the discretion of the Local Authority and therefore, should a specific proposal not materialise, can be spent elsewhere.

The CIL is intended to provide the developer with great certainty, as the amount of funding required will be known in advance. It also allows Local Planning Authorities to predict the money they will receive and plan more efficiently when considering what it will fund. It is not intended to incentivise Local Authorities to permit development as, following implementation, the amount which can be secured through Section 106 Agreements will be reduced to ensure there is no 'double-dipping'. There is uncertainty regarding how CIL will interact with "in-kind" payments which, in principle, remain unchanged. It is nonetheless anticipated that Government will make further reforms to the CIL regulations and allow charging authorities the choice to accept payments 'in kind' through provision of both land and infrastructure either on-site or off-site for the whole or part of the levy payable on a development (these proposals were consulted on in April 2013).

***Case Study Two: Mayoral Community Infrastructure Levy ("CIL")***

The Mayor of London introduced a CIL in 2012, to be levied on all development across the capital. All money raised will be contributed towards the funding of Crossrail, a new East-West underground railway line. It works by charging a fixed rate of £50, £35 or £20 per square metre of new development depending on where this occurs. Only affordable housing and charities are exempt.

***IMPACT:*** The flexibility which exists to negotiate both financial and 'in kind' contributions allows Local Planning Authorities to most appropriately capture the maximum benefit from the value created from development, with 'in kind' benefits potentially unlocking developer cost savings and passing these on to the Local Authority. The Community Infrastructure Levy likewise ensures that most developments contribute to the funding of wider improvements. Together, these reduce the reliance on local Government funding.

# Business.

The current Government has a clear 'growth' agenda and, with limited public resources, there is a greater emphasis on the potential for businesses to become involved in shaping local areas. This is both through collective private investment and collaborative working. Two important ways in which business can support local improvement are Business Improvement Districts (BIDs) and Neighbourhood Development Plans (NDPs).



***Business Improvement Districts.***

There are currently over 100 Business Improvement Districts in England, of which 25 are in London. The purpose is to support local businesses through collective investment towards additional or improved services; including safety, cleaning and environmental measures. BIDs cover areas of varying size, but are typically localised. Since their introduction, BIDs have delivered a number of benefits including:

- Assurance that funding is only used for supporting businesses within the BID area;
- Shared cost of services including security and cleaning;
- An elected group dealing with public authorities and agencies;
- Increased networking opportunities between businesses, and;
- Increased economic prosperity through promoting desirable trading environments.

A recent survey by Nationwide Building Society identified that England's existing BIDs have the capacity to generate total investment of around £66 million per year for regeneration and development initiatives (Nationwide, 2010). The level of funding nonetheless depends on the relative prosperity of the area, with London BIDs being willing and able to raise more money than those elsewhere.

***Case Study Three: New West End Company.***

The New West End Company (NWEC) BID was established in 2005 to represent property owners and retailers around principal shopping streets in London's West End (i.e. Oxford Street, Regent Street, Bond Street). The NWEC BID is focussed on three objectives:

1.- Making the West End cleaner and safer;
2.- Encouraging investment from both the public and private sectors;

Promoting the West End to its key markets.

The NWEC BID has become the leading partner for the biggest regeneration programme in the West End - a Masterplan to deliver an enhanced retail environment through new areas of public realm and streetscape. The NWEC BID's role is financed solely through voluntary contributions from the major landlords and business occupiers. To date, a number of measures to improve pedestrian accessibility within the area have been funded and implemented. In the West End, the model has been particularly successful, largely because of the willingness of those involved to provide funding. However, it is less clear whether the model will be as successful in areas which do not have the same amount of retail footfall or there is less demand for public realm and area branding improvements.

***IMPACT:*** Business Improvement Districts provide a mechanism through which local businesses can contribute financially to the management and regeneration of areas in which they operate, reducing reliance on funding from local Government and operating after developments has been constructed; thereby ensuring long-term funding for maintenance and improvement of an area.

# Bureaucracy.

Bureaucracy is commonly known as "red-tape". The Government are keen to 'cut red tape' and thereby make it quicker, easier and cheaper for both individuals and businesses to deliver development. The cost of a planning application is set nationally and is for example, £385 per unit for residential schemes. This is intended to cover the cost of the Local Planning Authority of processing the application for Planning Permission. The actual cost for Local Planning Authorities is, however, often much higher. This has resulted in some areas seeking a Planning Performance Agreement, where the developer agrees to provide additional funding to allow a full and thorough consideration of their proposals. This is in addition to the cost of consultants to prepare, submit and manage the application (i.e. Planners, Architects, Engineers, etc.). The actual cost of securing Planning Permission can therefore become prohibitively expensive. Relaxation of the planning requirements and efficiency reviews therefore provide an opportunity to address this.

***Removing requirements for permission.***

***Case Study Four: Relaxation of Permitted Development Rights.***

Planning Permission is only required for certain types of development, as set out in legislation. Other smaller proposals benefit from 'deemed consent' and therefore do not require permission. On 30th May 2013 the Coalition Government extended new "permitted development" rights, allowing the changes of use from offices to residential and free school uses without the need for Planning Permission. This allows vacant office buildings to become new homes where external alterations to the building are not required and there are not considered to be any negative flood, contamination or transport impacts.



The new rights apply nationally, although some parts of Central London have received special protection to protect the unique character of the area and these new rights do not apply to listed buildings or ancient monuments. As opposed to a planning application, a free Prior Notification procedure has to be followed, although this requires significantly less information and is far quicker than a normal planning application (taking no more than 56 days, as opposed to a minimum of 8 – 16 weeks).

The ability to change from office to residential only applies to buildings in England which are in use as offices on 30 May 2013, or if vacant on that date, were last used for offices. The new rights have only been introduced, in the first instance as a temporary measure for a time limited period of three years, for which reason the new use must commence by 30 May 2016. There has been considerable interest in this to-date, but concerns have been raised about the quality of accommodation created. Similarly, as Planning Permission is not required, there is no ability for the Local Authority to secure financial contributions (except CIL) or benefits in kind, raising concerns over the potential impact on existing infrastructure.

***Reviewing the system.***

The planning system has a reputation for being bureaucratic, although it is also highly political and is often used as a 'scapegoat' to blame when politicians fail to deliver what they have promised their voters. Prime Minister David Cameron has, for example, called planners 'enemies of enterprise' whilst Eric Pickles, Secretary of State for Communities and

Local Government (responsible for planning in the UK) has called the system ' a drag anchor for growth'. This is, however, not a consequence of the current economic climate and the previous New Labour Government, led by Tony Blair, also sought to address the matter.

***Case Study Five: The Barker Review of Land Use Planning.***

The Government instructed Kate Barker, an external member of the Monetary Policy Committee of the Bank of England, to undertake a review of the planning system in England. Previously, she was Chief Economic Adviser at the Confederation of British Industry (1994-2001), and prior to that Chief European Economist at Ford of Europe (1985-1994). The purpose of the review was to consider how, in the context of globalisation, and building on the reforms already put in place in England, planning policy and procedures could better deliver economic growth and prosperity alongside other sustainable development goals.

The Barker report found a need to finalise regional planning documents quickly, ensuring that national need for growth could be met. This however runs contrary to the current 'local' planning emphasis and the regional tier has since been disbanded. It also found a need to incentivise Local Planning Authorities to bring forward new development, something which has subsequently happened through the New Homes Bonus (where Council's receive money from central Government for the first five years following development). She also identified a need for less Government involvement in planning decisions, something which has actually increased since moving away from a top-down planning system and is at odds with the current decentralising emphasis. Its legacy is therefore as a reminder of the balancing act which planners must accomplish, whether top-down or bottom-up; a level of work is required to ensure robust decisions are made irrespective of who makes or funds these.

***IMPACT***: On-going review of the planning system serves to remove unnecessary tiers of bureaucracy and improve efficiency. This reduces the administrative costs associated with regulation of development and improves the quality and speed of decision-making. This consequently benefits both Local Government and developers, encouraging growth.

# Community.

The Localism Act 2011 has fundamentally shifted the focus of planning in England onto communities. This has bought with it an increased responsibility for communities to direct the little funding that is available towards development they consider as being required. Local people will, for example, receive 15% of the revenues from the Community Infrastructure Levy (CIL) in their area. In certain areas, they may also receive a larger share. If a community has adopted a Neighbourhood Plan for their area and if they have chosen to accept new development in their Plan, they will receive 25% (instead of 15%) of the CIL revenues from the new development. This is intended to help incentive communities, through their 'Forum' to engage with developers and to help identify the elements that require regeneration and redevelopment in their local areas. It is an incentive for local communities to get together and start developing a Plan for their local area.

Whilst the neighbourhood planning regime in England and London is still in its infancy, it can reduce the burden on local authorities. It also has the potential to stimulate and attract investment because private sector developers will have more certainty that their schemes will be welcomed by the local community. Developers and landowners of key redevelopment sites can therefore engage with local communities, and through cooperation, develop specific proposals for sites which can kick-start stalled development and overcome any objections.



Although the size of Local Planning Authorities in England is far bigger in terms of population than other European countries[1], there is likely to be an untapped resource base in the local community across many European countries. Neighbourhood planning could therefore provide a catalyst for a change in the culture of plan-making, by moving away from beyond simple top-down, box-ticking consultation exercise to a genuine dialogue and community-led planning with focus on shaping their areas and spaces. A key issue in London will however be the need for balancing the city's strategic position at the heart of the United Kingdom's economy and its significant role in the world's financial market, with the needs and concerns of the city's local residents and diverse communities.

***Neighbourhood Development Plans.***

Local communities have, since 2011, been able to prepare Neighbourhood Development Plans for their areas. This enables local people to have a greater ownership of the spatial policies for their local area. It

1 The average population size covered by a local authority in the UK is 119,000 people, by comparison to 40,000 in Ireland, 23,000 in the Netherlands, 5,000 in Germany, 4,800 in Spain and 1,550 in France.(Oxley et al, 2009).

also creates a role for businesses acting collectively help plan the area. The first requirement is for a neighbourhood area to be defined and a 'Forum' established, with at least 21 members from the community. The Forum then takes responsibility for preparing the plan – removing an element of plan-making (and thus also a cost) from the Local Planning Authority. In any event, NDPs must be consistent with those created at the Local, London and National level. The first NDP's were adopted in early 2013 and are proving a popular concept nationally, but particularly in London.

### *Case Study Six: Bankside Neighbourhood Plan.*

The Bankside Neighbourhood Forum (BNF) is comprised of resident, business and community interest groups drawn from an area in south London. The area accommodates a large number and variety of businesses; however the quality of the trading environment that these businesses operate within also varies significantly. The BNF have identified a number of priorities to drive the area's economic prosperity. The group therefore seeks to develop an NDP embracing spatial policies to:

- Support the existing business growth within the area
- Create an attractive trading environment for businesses
- Improve connectivity and accessibility to other parts of London



Neighbourhood planning is a relatively new concept and, in areas such as Bankside, it is hard to define boundaries and secure agreement over this from those in the local area. . It will also be difficult to manage the expectations and consequences of new sites being developed and changing the way in which an area functions, or similarly of a site lying vacant for a number of years. There is also the risk for a few key stakeholders to drive forward an agenda which does not adequately represent the will of the local community, should disengaged members of the area be either unaware of the opportunity, unwilling or unable to become involved.

***IMPACT***: Neighbourhood planning has the potential to empower communities and help them take a key role in shaping the future of their area, harnessing local knowledge and deploying it to 'best effect' in terms of CIL revenue spending and the identification of key issues. There is also an aspiration amongst many Local Authorities that this could reduce some of their work/cost burden in the longer-term.