



WOULD YOU LIVE HERE?

MAKING THE GROWTH AREAS COMMUNITIES OF CHOICE

JIM BENNETT

WITH DAVID HETHERINGTON, MAX NATHAN AND CHRIS URWIN

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About the authors

Jim Bennett is a Senior Research Fellow at ippr.

David Hetherington worked as an intern in ippr's social policy team in 2005/06.

Max Nathan is a Senior Researcher at the Centre for Cities at ippr.

Chris Urwin was an Economist at the Centre for Cities at ippr until August 2006. He is now a Senior Analyst at CB Richard Ellis.

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List of abbreviations

CPO	Compulsory Purchase Order
CTRL	Channel Tunnel Rail Link
CSR	Comprehensive Spending Review
DCLG	Department for Communities and Local Government
DfT	Department for Transport
DTI	Department of Trade and Industry
GLA	Greater London Authority
GVA	Gross Value Added
LSC	Learning and Skills Council
LSCP	London-Stansted-Cambridge-Peterborough
LSP	Local Strategic Partnership
MKSM	Milton Keynes and South Midlands
NHPAU	National Housing and Planning Advice Unit
NTDC	New Town Development Corporation
ODPM	Office of the Deputy Prime Minister
PGS	Planning Gain Supplement
PPP	public private partnership
PPS	Planning Policy Statement
PSA	Public Service Agreement
RDA	Regional Development Agency
RPG	Regional Planning Guidance
RSS	Regional Spatial Strategy
SCP	Sustainable Communities Plan
TGSE	Thames Gateway South Essex
UDC	Urban Development Corporation
URC	Urban Regeneration Company

Executive summary

The Growth Areas¹ are a crucial element of the Government's response to the very pressing problem of housing shortage in England. They represent a spatially strategic approach to the particularly acute housing pressures in the Greater South East, which undermine the achievement of social justice and the stability of growth in the economy.

The previous model of planning for the country's housing needs, which delivered dispersed housing growth through the 1980s and 1990s, was neither popular nor effective. It has not delivered enough housing of the right type in the right places. At the same time, housing growth plans inflame vocal local opposition. The dispersed pattern of growth has tended to be land hungry and has failed to meet the needs of the communities. The old model also failed because it provided no incentives at the local level for communities to accept growth.

As housing supply has failed to match household formation rates and house prices have grown relative to incomes, the number of households in need of housing has increased. The supply of social housing has been unable to meet newly arising housing need and rising prices have increased the numbers of households unable to access decent housing in the market. The result is a backlog of unmet housing need at record high levels. There are nearly 100,000 homeless households living in temporary accommodation and 1.5 million people on council housing waiting lists in England.

The Growth Areas have the potential to be a much better model for delivering growth, in social, economic and environmental terms. They can deliver more homes while taking less undeveloped land. They allow for a strategic approach to meeting transport and community needs alongside those for new homes, and for housing growth and economic development strategy to be aligned.

This report focuses on the social and economic challenges that the Growth Areas face in becoming communities of choice. For the Growth Areas to be successful in delivering places where people want to live and work there needs to be a greater commitment from across government to this approach.

Our research: background and scope

In 2005, ippr's Commission on Sustainable Development in the South East reported on the range of social and environmental pressures that the South East region faced (ippr 2005). The Commission identified some tough challenges to balancing the delivery of enough housing with maintaining quality of life and protection of the environment. In relation to housing need, it concluded that there was a case for higher rates of affordable housing provision in the region than current plans allowed for, but it rejected the argument that the rate of market housing provision should be increased to improve affordability.

The analysis in this report is based on new projections of household growth, which show that there is a strong demographic case for increasing housing output in the South East, London and the East of England. Current plans for house building in these regions will fall short of the projected number of new households by more than 200,000 homes as at 2016.

The public debate about how we respond to the housing pressures faced by the Greater South East has increasingly focused on the environmental impacts of growth. Addressing the challenges of water supply, flood risk and energy efficiency are absolutely critical issues, but there is a risk that they are obscuring wider social and economic challenges to delivering sustainable growth. This report does not address environmental questions; it focuses instead on the social and economic challenges and looks at how growth can achieve inclusive and cohesive communities with viable local economies to create places where people want to live and work, and that meet the needs of different households in different circumstances.

Our analysis highlights a number of social and economic risks that the Growth Areas and government policy for managing growth face. We have also set out the policies and actions necessary to address those risks.

Housing supply

The Growth Areas will make a significant contribution to housing supply in the Greater South East. However, even if the Growth Area's housing targets

1. The four Growth Areas are: the Thames Gateway; Milton Keynes-South Midlands; Ashford; London-Stansted-Cambridge-Peterborough corridor

are met, in London, the South East and the East of England there will still be a significant discrepancy between rates of new housing supply and new household formation. Over the period 2001-16 the shortfall amounts to more than 200,000 homes. This is the same amount of additional housing that the original Growth Area plans set out to deliver, in addition to the housing in previous plans. While some of this demand could be met in the Government's 'new' Growth Points, in order to address this shortfall in a way that is socially, economically and, arguably, more environmentally sustainable, the housing targets for the Growth Areas need to increase.

Established trends in migration indicate that, although household growth is primarily driven by the growth of single-person households, the profile of households migrating to the Growth Areas will include a higher proportion of families. The housing, community facilities and neighbourhood design of the Growth Areas therefore need to be family friendly.

Planning for housing needs in the Growth Areas needs to reflect the fact that the Growth Areas are an inter-regional response to the problems of housing shortage across the Greater South East. This means that local plans cannot solely be informed by local housing need assessments. Local and regional planning policies and decisions need to be informed by the new National Housing and Planning Advice Unit. The unit's advice should be based on an analysis of demographic change and migration at the inter-regional level, including the types of households as well as overall growth. It should strike a balance between achieving a socially and economically viable mix of housing types, while at the same time maximising the opportunity to increase social housing provision across the Growth Areas.

Inclusive and cohesive communities

Our qualitative research with prospective and existing residents of the Thames Gateway has highlighted the potential for tensions in the Growth Areas between new and existing communities. To date, the need for community development in the Growth Areas has not been given sufficient priority. Community infrastructure and development will be essential to supporting the development of social networks within the new communities in the Growth Areas and for ensuring good community relations between new and existing residents.

The Growth Areas communities will need to be supported by community development to engage existing residents in the delivery of growth, and

enable the development of positive social relations between communities. The Growth Area strategies need to identify the resources to do this and who will be responsible for delivering it. The planning of developments needs to ensure that market and affordable housing are fully integrated and that neighbourhoods have appropriate community facilities, open spaces and play and sports facilities, as these are essential for supporting networks. If the Planning Gain Supplement (PGS) is implemented, it is essential that some of the resources from this are set aside for community facilities.

Strong local economies

To create economically sustainable new communities, the Growth Areas' strategies need to be more explicit about economic development, and how to spread economic growth across a wider area of the Greater South East. Economic development and skills objectives need to be aligned with housing objectives in the Growth Areas.

Some parts of the Growth Areas will need to diversify their economies to achieve a balance between economic and housing growth. They will need to raise their income and skills profile and improve their connectivity. This will require a housing offer that can attract higher earners as well as co-ordinated and timely delivery of infrastructure.

Policies for supporting economic and housing growth in the Growth Areas need to be reconciled with national policy for reducing economic disparities between regions. Government needs to strengthen its commitment to reducing regional economic disparities through measures to empower city-regions to improve their economic performance and through extending its regional economic performance Public Service Agreement (PSA) target.

Delivering sustainable growth

If achieving sustainable communities is about more than just housing, then the strategies for the Growth Areas need to reflect this. Government is committed to delivering a strategic framework for the Thames Gateway that will combine economic, social and environmental objectives. Strategic frameworks, as opposed to just spatial plans, should be developed for the other Growth Areas. Delivery arrangements should also be strengthened at the local level through increasing the number of areas that have Urban Development Corporations (UDCs).

Commitment across government for achieving its objectives for the Growth Areas should be supported by a revised version of the PSA target for

housing supply. The new PSA target should set the objective of achieving housing growth and regeneration through the delivery of sustainable communities across all regions. The PSA target should be supported by a clear, ambitious government-wide vision for what a sustainable community should look like on the ground, and for the public sector's role in delivering it.

Housing growth cannot be delivered on the cheap. Without adequate funding for infrastructure from the public sector and private finance, the communities in the Growth Areas will not be sustainable. The local economies will be weak and the communities will be deprived and socially divided. There is a real risk that they will become the regeneration needs of the future.

The Government is aware of this risk and has acknowledged the crucial role that public investment in infrastructure plays in supporting sustainable housing growth. In the Comprehensive Spending Review 2007, the Government needs to review the funding formulae of the mainstream departments, particularly health, transport and education, to ensure that they are more responsive to increases in demand associated with housing growth. It will also need to add an estimated £300

million per year to the Community Infrastructure Fund to support higher housing targets in the Greater South East, which will be necessary if it is to meet its long-term objective of providing 200,000 homes a year in England. Some of this can be partially funded through the proposed PGS. It may also be possible to allocate further funding for transport infrastructure from the Transport Innovation Fund.

Conclusion

Government has rightly committed itself to increasing housing supply in England to 200,000 homes a year by 2016. The Growth Areas provide an opportunity to meet that objective, but more than that, to change people's expectations of housing and communities. The new communities in the Growth Areas should provide homes to new standards of design and environmental sustainability, and high-quality local community facilities, and deliver inclusive and cohesive communities where people from different backgrounds get to share in the benefits of living in 21st century communities of choice.

1. Introduction

The need to increase housing supply is currently one of the foremost priorities for public policy. The social impact of the shortage of housing can be seen in the fact that we have 100,000 homeless households living in temporary accommodation, and in the increasing difficulty faced by people with moderate incomes to access market housing. Recently, there has also been a focus on the macro-economic impact of housing shortage, as set out in the Barker Review (Barker 2004) and the Government's response to it (HM Treasury and ODPM 2005).

As a result of concern about the social and economic impacts of housing shortages, a strong, cross-party consensus about the need for additional housing is emerging (for example, see Cameron 2006). The damaging consequences of failing to address the current challenges facing housing policy have not escaped any of the main political parties. While, politically, there has been much focus on the impact that current policy failures are having on the plight of first-time buyers, there is a growing recognition of the much wider social and economic costs of housing shortages: the 1.5 million households on council housing waiting lists; the yawning wealth inequalities between owners and renters; and the stifling effect on labour market mobility and economic performance. The issue demands that any political party committed to social justice must have a policy response. However, while there may be a consensus on the case for greater housing supply, the policy prescription necessary to deliver that supply in a way that is socially, economically and environmentally sustainable is highly contested.

The Growth Areas, along with reforms to the land use planning framework and additional resources for social housing, underpin the current government's approach to addressing the problem of housing supply. The success or failure of the Growth Areas to deliver significant additional housing will be a key test of this approach. (A description of the Growth Areas programme and the location of the areas is set out in Chapter 2.)

However, the scale of growth proposed is such that the Growth Areas policy is about much more than delivering significantly more housing, which

would be a big enough challenge in itself: it is about building whole new communities, often in areas where the existing communities are excluded and deprived. This means putting in place a framework that supports the provision of not just housing, but also physical infrastructure, public services, retail and private sector services and community facilities.

The Government continually emphasises the importance it places on building sustainable communities, not just houses. However, the strategy for delivery of the Growth Areas initially focused on housing and transport infrastructure only. The importance of the social and economic aspects of the growth agenda are only now being fully recognised.

The key focus for ipp's research has been on those aspects of delivering growth that go beyond the physical and environmental considerations. Since the Growth Areas policy was launched in 2003, the public debate about housing growth has increasingly focused on the significant environmental challenge of delivering sustainable growth. Addressing the challenges of water supply, flood risk, waste, transport, air quality and energy use remain absolutely critical issues. But for some of these issues, most notably those relating to water, the impact of new housing growth is disputed. The Government urgently needs to assess what those impacts will be and develop suitable, sustainable responses to them, such as incentivising water efficiency (Every, forthcoming) and enabling the development of new supplies, where appropriate.

The scale of these challenges is such that they are in danger of obscuring other critical issues that will also affect the sustainability of the Growth Areas. This report does not set out to address the environmental challenges, but focuses instead on the social and economic challenges of the Government's housing growth policies.

Through our analysis we have sought to answer the following questions:

1. What are the challenges to the creation of mixed and sustainable communities in the Growth Areas?
2. To what extent will the Growth Areas alleviate the housing pressures in the Greater South East?

2. Throughout this report, where we make reference to the Greater South East, we include the Government Office regions of the East of England, London and the South East.

3. Are the current proposals for housing in the Growth Areas likely to meet the aspirations of those people that are expected to live there?
4. How can the significant community sustainability and cohesion challenges that the Growth Area proposals face, be overcome?
5. In addition to housing, what other development is necessary to ensure the social and economic viability of the Growth Areas?

The project seeks to provide a better understanding of who will live in the Growth Areas, what their aspirations and needs will be, and how we can meet them. To do this we have undertaken four main analyses:

1. A review of the New Towns Programme, identifying relevant lessons for the Growth Areas.
2. A review of demographic evidence on housing demand and need in the South East of England.
3. Qualitative research with groups of prospective and existing residents of the Thames Gateway.
4. An assessment of the prospects for economic as well as housing growth in two case study districts in the Growth Areas.

Alongside this work we have had extensive discussions with government, its agencies, local delivery bodies and the private sector. We have combined this analysis to set out what we see as the main social and economic challenges for the successful

delivery of the Growth Areas and how this should inform the future direction of policy on growth and housing supply.

Structure of report

Chapter 2 sets out the policy context for the housing growth agenda. Chapter 3 goes on to provide an overview of evidence about demographic change in the Greater South East and looks specifically at what this tells us about the nature of housing demand and need that the Growth Areas need to respond to. It also assesses the extent to which the Growth Areas will alleviate the housing pressures in the Greater South East.

Chapter 4 looks at the community needs of new and existing residents in the Growth Areas, and how housing growth can support the creation of inclusive and cohesive communities. Chapter 5 assesses the prospects for economic growth in the Growth Areas and how different levels of growth are likely to impact on the outcomes for the Growth Areas in the medium term.

Chapter 6 looks at some of the delivery challenges for the Growth Areas that arise from our demographic, social and economic analysis. Finally, Chapter 7 brings together the analysis from the preceding chapters and sets out recommendations for the Growth Areas and the future of housing growth policy.

2. The policy context for housing growth

The problem of housing shortage in some parts of England has been a long time in the making. But it is only in the last few years, when the consequences of this problem have started to bite on middle England, that the issue has gained sufficient political priority to stimulate a concerted policy response. This chapter sets out the key policy developments.

What, and where, are the Growth Areas?

In 2003, the Government published the Sustainable Communities Plan (ODPM 2003), which set out a programme to deliver a 'step change' in housing supply in those regions where housing was becoming increasingly unaffordable. A key feature of the new regional approach to housing policy that the plan proposed was that the delivery of additional new housing would be concentrated in four Growth Areas. The main objective of the Growth Areas is to accommodate the economic success of London and the Greater South East.

The location of the four Growth Areas had already been identified in regional planning guidance for London and the South East in 2001 (Government Office for the South East 2001). They are:

- The Thames Gateway
- Milton Keynes-South Midlands
- Ashford
- London-Stansted-Cambridge-Peterborough corridor

The potential of the Thames Gateway was originally identified much earlier, in 1967, as part of regional spatial planning for the South East. The idea was revived during the 1990s as the East Thames Corridor and became the Thames Gateway in 1995 when a specific planning framework for regeneration and development of the sub-region was published. The identification of the other Growth Areas in Regional Planning Guidance (RPG) 9 led to studies being carried out on the scale of development potential in each area. The results of these studies then informed the Sustainable Communities Plan.

Given the level of opposition (mostly on environmental grounds) to the previous administration's proposals for meeting the demand for housing, following the publication of the Green Paper *Household Growth: Where Shall We Live?* (Department of the Environment 1996), subsequent regional planning guidance has placed a strong emphasis on concentrating development around already built up areas. The initial rationale for the Growth Areas put forward by this government is that they would provide a more concentrated approach to development than the more dispersed approach that had been in evidence since the end of the New Towns Programme in the 1980s.

A more concentrated approach to development is assumed to be more environmentally sustainable, at least in terms of land use. It also allows for homes, workplaces, green spaces, leisure and cultural facilities, and community services to be pro-

Box 2.1 The Sustainable Communities Plan

The Sustainable Communities Plan was published in February 2003 and set out the then Office for the Deputy Prime Minister's (ODPM's) programme of policies and investment for housing and regeneration using its settlement for these policy areas from the Spending Review 2002. The plan focused on four main issues:

- Improving the quality of existing housing, primarily following the commitment made in 2000 to make all social housing of a decent standard by 2010.
- Achieving a step change in housing supply in the fastest growing regions.
- Addressing problems of low housing demand and housing abandonment in specific areas of the Midlands and North.
- Minimising the impact of growth on the countryside, in terms of land take.

The plan focused on the four Growth Areas as places where the growth in the Greater South East could be accommodated sustainably. The plan included resources for site assembly and land remediation, delivery vehicles, affordable housing and essential local infrastructure. £446 million was allocated to the Thames Gateway and a further £146 million for the three other Growth Areas.

Box 2.2 Overview of the four Growth Areas

Thames Gateway

The Thames Gateway encompasses both sides of the Thames Estuary, running from the London Docklands to Southend on Sea in Essex and Sheerness in Kent. In 2001, the area was home to 1.5 million people and 0.5 million jobs. The growth potential of the Gateway arises from its proximity to both London and continental Europe, enhanced by new transport infrastructure, principally the Channel Tunnel Rail Link, and from its 3,000 hectares of under-utilised brownfield land. The Thames Gateway Strategic Partnership has had responsibility for the overall co-ordination of the development. The Government has announced its intention to publish a new strategic framework and appoint a Chief Executive for the Thames Gateway in 2006.

Milton Keynes-South Midlands (MKSM)

The MKSM Growth Area covers 4,850 sq km and is located in southern central England between London and Birmingham. Its population is 1.5 million. The region lacks a single, dominant urban centre but major towns include Milton Keynes, Northampton, Luton and Bedford. It is home to Luton Airport and is traversed from north to south by the M1 motorway, although east-west transport links are poor. Economic growth has been broadly strong, although this masks some sub-regional variation, with Milton Keynes and Northampton growing much faster than Bedford, Corby or Luton. The MKSM Inter-regional Board was established in 2004 to manage strategic and implementation issues in the Growth Area.

London-Stansted-Cambridge-Peterborough (LSCP) corridor

The LSCP corridor comprises five London boroughs around the Lea Valley, Harlow, the Stansted/M11 corridor, Cambridgeshire and Peterborough. It is the most heavily populated of the Growth Areas, with 1.9 million inhabitants, and sustains 0.8 million jobs. The region enjoys good road and rail links between London and Cambridge, although these do not extend to Peterborough, while Stansted Airport offers connections to UK and European destinations. Cambridgeshire is the economic centre of the corridor with strong education, research, technology and service sectors. There is no overarching body responsible for the delivery of the LSCP corridor – instead, responsibility for individual sub-regions is shared between the Greater London Authority and the East of England Regional Assembly.

Ashford

The town of Ashford is situated in central Kent, houses 44,000 people and sustains a similar number of jobs. It was first identified as a potential hub in the Kent Structure Plan, and then recognised by the Government as a Growth Area in RPG9, along with MKSM and the LSCP corridor. Employment and economic growth in Ashford has been relatively slow due to competition from other areas of Kent, capacity problems associated with the M20 motorway, and a perception that it is too far from London. However, growth has increased recently with completion of the M20 and the opening of Ashford station on the Channel Tunnel Rail Link. Responsibility for delivery of the Ashford Growth Area lies with Ashford Borough Council and its strategic partners, including the South East of England Regional Assembly.

vided in closer proximity to each other, which can provide social, environmental and economic benefits.

The development of the Growth Areas approach should be seen alongside other initiatives such as government targets for 60 per cent of new housing to be delivered on brownfield (that is, previously developed) land; for minimum housing densities; and a general policy of encouraging urban renaissance, as opposed to land-hungry suburban sprawl and large-scale development in rural areas.

The Barker Review of housing supply

In the 2003 Budget the Chancellor and the Deputy

Prime Minister announced that they were asking Kate Barker, of the Bank of England's Monetary Policy Committee, to conduct an independent review of housing supply to report at the following Budget. The review had partly been prompted by the conclusion of the Treasury's consideration of the 'five economic tests' on whether the time was right for the UK to join the Euro. The relative volatility of the UK housing market was cited as one reason our economy was not sufficiently convergent with the Eurozone economies to enable a smooth transition to the Euro. Analysis underpinning the Euro decision had suggested that the weak supply responsiveness of the UK housing market was a factor in the volatility of house prices. Barker

was charged with exploring why, when house prices are high, such as they have been in recent years, private house building does not respond by increasing its output.

The results of the Barker Review highlighted that the long-term UK real trend in house prices was roughly twice the European average. Barker concluded that the lack of supply responsiveness was the main driver of that trend and made a number of recommendations that would improve housing supply. The main conclusion was that the biggest brake on new housing supply was the scarce availability of land. Most of the recommendations therefore revolved around making the planning system more responsive to market signals.

Other recommendations focused on the need for investment in more social housing, the scope for increasing rented housing supply through encouraging institutional investment in the residential sector and modernisation of the house building sector.

Importantly for the Growth Areas, the review also touched on the way in which public finances can act as a disincentive for local authorities to allow growth to happen in their areas. Essentially, public funding regimes do not always compensate local authorities for the additional local costs and demands for services that arise from growth. Under such circumstances it is not surprising that national government's growth plans can be frustrated by local opposition.

The review also looked at how the lack of strategic funding for infrastructure can limit the possibility of large-scale growth. This led directly to the announcement of the Community Infrastructure Fund in 2004, which is providing £200 million for transport infrastructure in the Growth Areas.

Barker also recommended that more could be done to capture the uplift in land values that arises when land is given planning permission for development. Specifically, her report recommended that the current approach to achieving public gains from development to pay for local infrastructure and affordable housing should be reigned back to allow for a new Planning Gain Supplement (PGS) to be introduced.

Beyond Barker and the Sustainable Communities Plan

In its response to the Barker Review the Government has set out a long-term ambition to deliver 200,000 homes a year in England by 2016 (HM Treasury and ODPM 2005). This figure was within a range of possible housing targets set out in the Barker Review's final report.

The Government also accepted that the land use planning regime for housing needs to be more responsive to market signals if housing affordability is to improve. It is in the process of implementing reforms to the planning system that will give greater weight to the achievement of housing market affordability in regional and local plan making. A new draft planning policy statement for housing has been consulted on and regional housing and planning bodies will be merged later this year. However, before any of these new policies have even been implemented, the Government has asked Kate Barker to conduct a further review of the planning system, again focusing on responsiveness to growth, but this time it is not restricted to housing. The interim report of the review has highlighted the need for the planning system to be making faster, more transparent decisions, do more to promote economic growth and be more responsive to price signals (Barker 2006).

It has also consulted on a proposed PGS, along the lines recommended by the first Barker Review. The outcome of the consultation has not yet been announced. Stakeholders' views on whether the PGS will help raise the resources necessary for infrastructure provision, or in fact have the effect of further stifling development, are evenly divided (Walker 2006).

The Government has also announced a tentative extension of the Growth Areas approach by inviting bids from other locations for £40 million of infrastructure funding to become Growth Points. The potential Growth Points will be much smaller, both in terms of geographical area and the numbers of additional homes over and above existing plans that they will provide.

In setting its long-term housing supply target, the Government has acknowledged that the level of public resources available to support the provision of infrastructure will have a significant impact on progress towards meeting it. It has also set up a cross-cutting review of infrastructure provision to inform the 2007 Comprehensive Spending Review (CSR), which will set out public investment plans for the period 2008 to 2010. This period will be key to the delivery of the Growth Areas. The cross-cutting review itself will look at the infrastructure implications of housing growth in different spatial forms and locations, cost-effective patterns of growth and the use of targeted investment, and whether departmental resources across government are targeted appropriately to support future housing and population growth. The importance of the CSR for the Growth Areas and the Government's housing supply objectives cannot be understated.

3. The Growth Areas and housing supply

As set out in the previous chapter, the main objective of the Growth Areas is to accommodate the economic success of London and the Greater South East, over and above the development capacity of existing urban areas and in such a way that delivers sustainable, well designed, high quality and attractive places where people will choose to live and work (ODPM 2003). Delivering this objective requires an assessment of the additional housing supply needed, over and above existing development capacities to accommodate growth.

The Sustainable Communities Plan set out the case for a step change in housing supply of 200,000 additional homes over and above existing plans by 2016. However, this target was not based on an assessment of future housing demand or need, but rather the assessment of the development capacity of the Growth Areas identified in RPG9. Meeting the Government's objective of accommodating economic success requires future housing demands and need to be met. Therefore, we need to assess whether the Growth Areas will enable this in the Greater South East.

In this chapter we use the very latest official projections for household growth, allied to evidence

on inter-regional migration and our own qualitative research, to answer two key questions:

- To what extent will the Growth Areas alleviate the housing pressures, in terms of both demand and need, in the Greater South East?
- What do demographic trends tell us about the types of new households that will form and make up additional demand and need in the future?

This chapter is broken into three parts. The first looks at current levels of housing supply, need and demand. The second provides new analysis of the latest available evidence about the nature of future housing demand and need. The third sets out how far the Growth Areas will take us to meeting housing demand and need in the South East.

Current supply and unmet needs

Before we can assess the contribution that the housing targets for the Growth Areas will make to housing supply, it is important to review the rate of provision in the Greater South East over the last decade. This is for two reasons. First, if existing tar-

Box 3.1 Definitions

Housing demand – demand for housing of adequate standard to rent or buy (that is, households with sufficient resources to rent or buy a home that meets their requirements at the going market price).

Housing need – a normative concept that derives from housing policy aims, such as the opportunity for a decent home for everyone. The implication of such a policy aim is that those households that cannot afford the market price of adequate housing from their own funds should be given access to it by assistance from public funds.

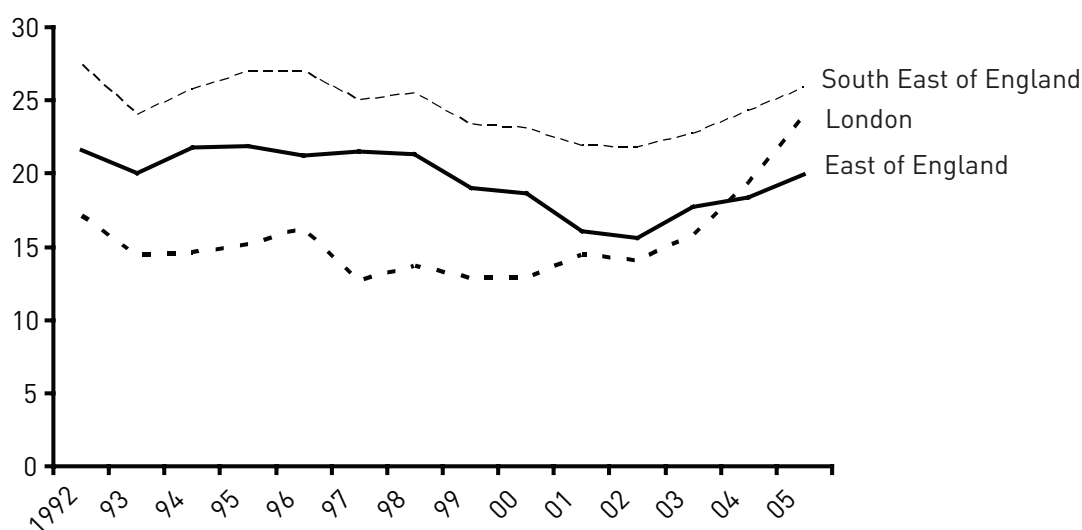
Unmet housing need – at any given time there are households and would-be households with unmet housing needs. This includes homeless households living in temporary accommodation, or people living as a 'concealed' family in someone else's household (for example, a couple living with the parents of one of the partners). In order to prevent growth in the backlog of unmet need, growing the increase in the number of dwellings occupied as main residences must be enough to match the increase in the number of households.

Newly arising housing need – among newly forming households there will be a proportion of households that are not able to access adequate housing in the market sector. These new households are additional to the backlog of unmet need.

Social housing – rented housing provided by local authorities and housing associations.

Affordable housing – includes social rented housing, housing under low-cost homeownership schemes, intermediate rented housing (housing where rent is above that charged by social landlords but below that charged on the open market) and discounted housing for sale.

Figure 3.1 New dwelling completions by region (1992-2005)*



Note: *All years are financial years (so 1992 represents 1991/92, and so on)
Source: ODPM 2005c

gets have proven challenging, then we might be sceptical about the achievability of higher ones in future. Second, if recent supply has been unable to reduce housing need, we should consider whether the new targets will be sufficient to address both newly arising need and the significant backlog of unmet need.

Previous rates of housing provision

The best available data for new housing provision is at the regional level. This indicates that over the period 1992 to 2003 across the Greater South East, the South East experienced the highest average rate of new dwelling construction with 24,600 new units per annum (ODPM 2005c). London's average rate of construction in the same period was 15,600 new units per annum, while the equivalent figure for the East of England was 18,600³ (ODPM 2005c). Rates of provision have increased in all three regions since 2002, although prior to this they had fallen steadily since the peak of the early 1990s. The year-on-year levels of new dwelling completions are shown in Figure 3.1.

The rates of provision described above are below the level of new household formations in the latest household projections data and Regional Planning Guidance (RPG) targets in all three regions (even when non-self contained dwellings and re-lets of vacant units are included). In 2002

and 2003, the average shortfall in London between supply (new dwelling provisions) and demand (new household formations) was 7,800 dwellings. In the South East, it was 4,700 dwellings, while in the East of England household formation outstripped new supply by 5,900 units. These outcomes are summarised in Figure 3.2 (next page).

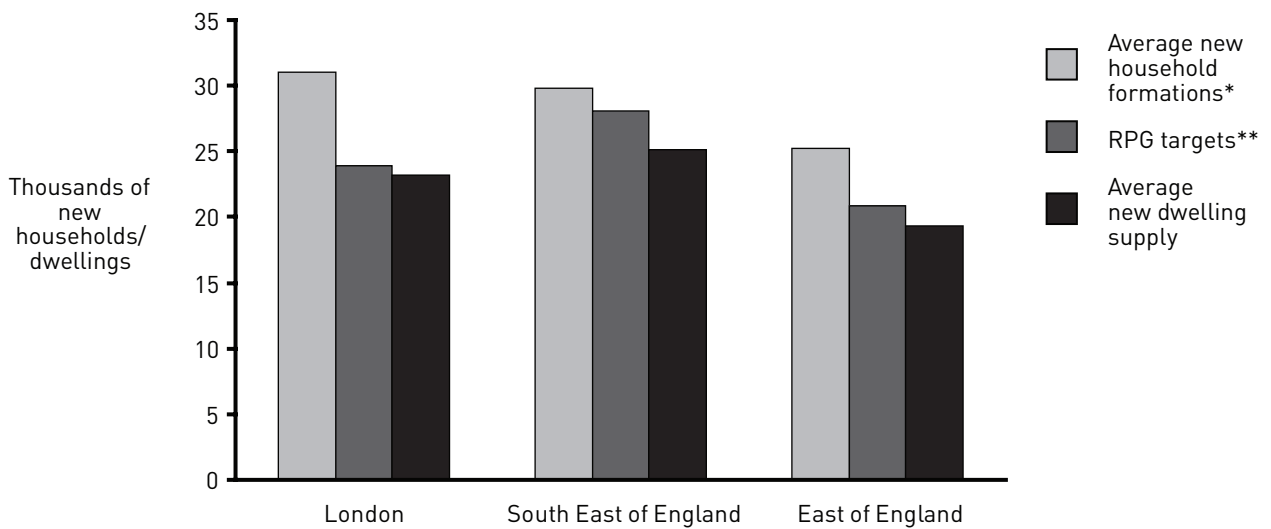
The impact of housing undersupply

There are various reasons why supply has been unable to meet demand in the housing market. The Barker Review (Barker 2004) identifies several capacity constraints that inhibit much needed growth in new supply. Although the recommendations from the review are contested, its analysis that the primary constraints on housing supply are the difficulty in accessing land for the construction of new housing, a shortage of skilled labour and inadequate levels of subsidy for the provision of social housing and infrastructure, are generally accepted.

In aggregate, these factors combine such that new housing supply has been below the level of housing demand and need. In this context, housing need is distinguished from market demand and refers to the need of households who are unable to find an acceptable housing solution without assistance. This group includes households that are in temporary accommodation or overcrowded

3. These supply rates include the construction of new self-contained dwellings, but exclude new units that are not self-contained, and the return to use of vacant dwellings. Figures produced by the ODPM are for new self-contained dwellings only. Total supply includes new self-contained dwellings, and non-self contained dwellings and vacant units returned to use.

Figure 3.2 Household formation versus planned and actual new dwelling supply (2002-03)



Notes: *Household formation figures are averages for 2001-06; **RPG6 for East of England, RPG9 for South East of England
Sources: Government Office for the East of England 2000; Government Office for the South East 2001; ODPM 2006

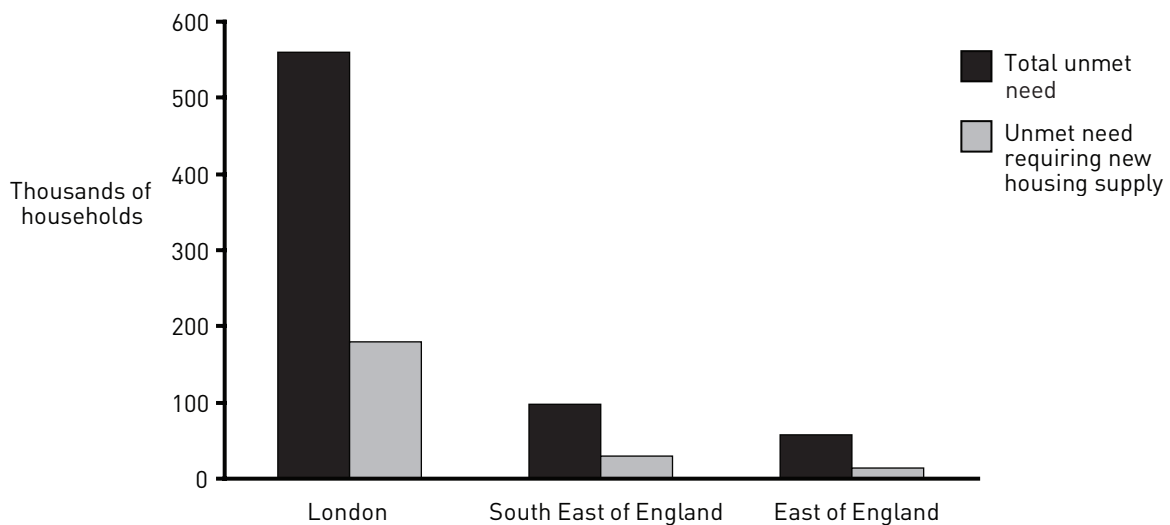
dwelling, are sharing facilities or whose tenancy or mortgage is under notice.

As supply has failed to match household formation rates and house prices have grown relative to incomes, the number of households in housing need has increased. The supply of social housing has been unable to meet newly arising housing need and rising prices have increased the numbers of households unable to access decent housing in the market. The result is a backlog of unmet hous-

ing need at record high levels. Across the wider South East, there are over 720,000 households whose housing needs have not been met. Some of these needs can be met by upgrading existing dwellings, but a large minority of these households' needs can only be met through the provision of new housing supply. In the three South Eastern regions, this group is estimated to constitute around 210,000 households (see Figure 3.3).

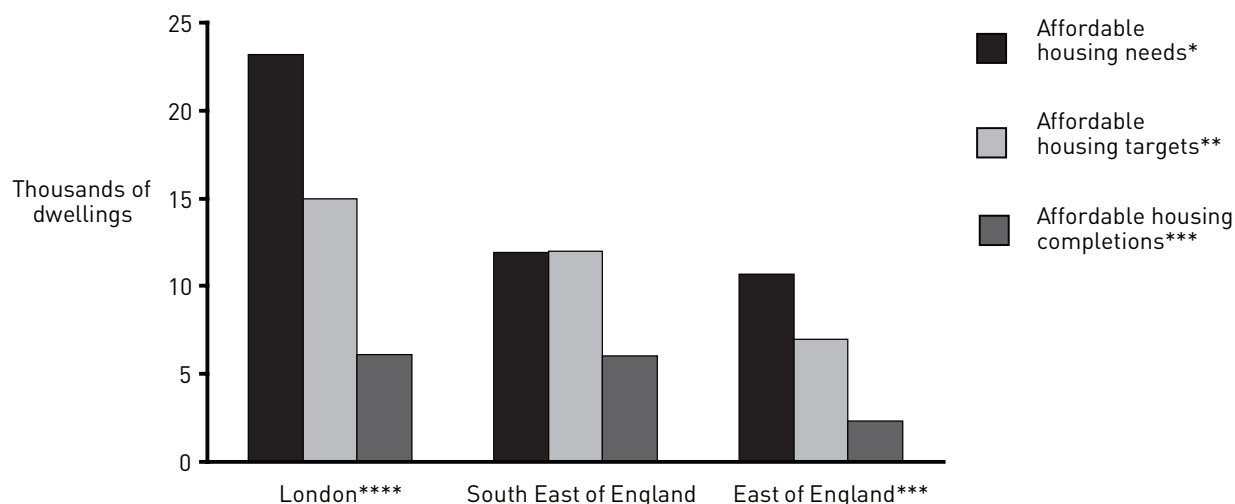
Unless the supply of new housing includes

Figure 3.3 Unmet housing need in the Greater South East (2001)



Note: London figure is for 2002
Sources: Cambridge Centre for Housing and Planning Research 2003, 2004; Lee 2004

Figure 3.4 Affordable housing needs, targets and completions by region (2002)



Notes: *Includes requirements for backlog of need; **RPG6 and 9 for East of England, London Plan for London, RPG9 for South East of England; ***Completions for the East of England are the average of 1996/97-2000/0; ****15,000 affordable housing target for London is 30,000 total upper target at 50%

Sources: Government Office for the East of England 2000; Government Office for the South East 2001; Cambridge Centre for Housing and Planning Research 2003; Lee 2004; Mayor of London 2004; London Housing Board 2005; South East Regional Housing Board 2005

enough social housing to meet the newly arising housing need, then the backlog will continue to grow. The principal policy response to meeting housing need has been to set regional targets for the share of affordable housing within new supply, supported by public subsidy and planning gains negotiated from private developers. In two of the three South East regions these targets have been set below the levels required to meet newly arising need and reduce the estimated backlog of housing need. Also, in recent years, these regional targets have not been met because of insufficient levels of public subsidy for new social housing further compounding the problem. This situation is illustrated in Figure 3.4.

In an attempt to redress this situation, the draft Regional Spatial Strategies (RSSs) have set still more ambitious targets for the share of affordable housing in new supply. London intends to provide 50 per cent of new housing at affordable levels, while the figures for the South East and East of England are 35 and 30-40 per cent respectively. However, it will not be enough to simply meet these percentage targets. To significantly reduce the backlog of unmet housing need, the regions must either ensure that total provision is increased considerably above historical rates of supply or increase the percentage of affordable housing within the total targets. ippr's Commission on Sustainable Development in the South East concluded that any increase in the rate of housebuilding in the region should be of affordable homes rather than market housing (ippr 2005).

Key points about housing undersupply:

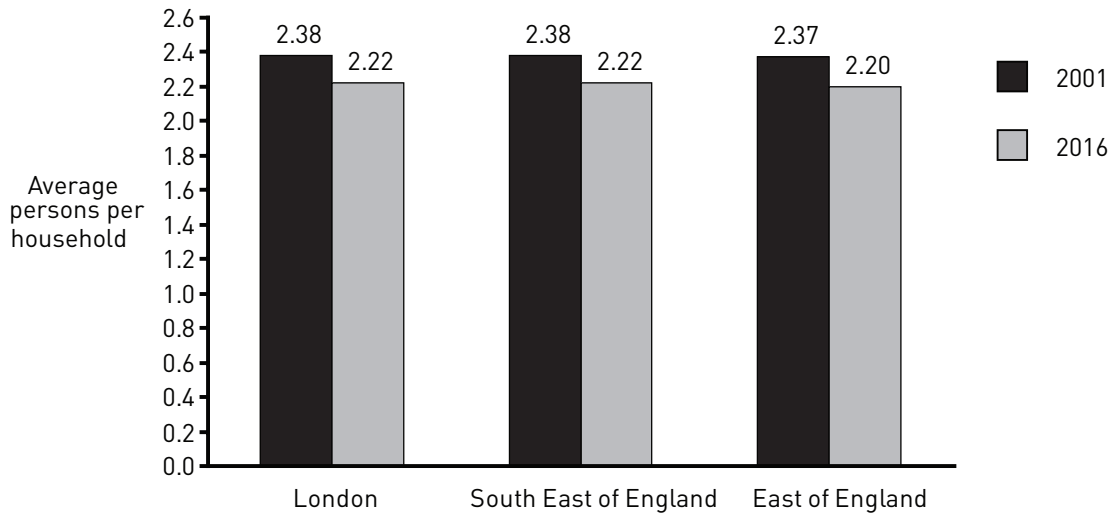
- The rate of new housing provision in the Greater South East has already increased significantly since 2002 but is still below the level at which new households are forming and below the level of targets set in regional plans.
- Supply shortfalls have contributed to record levels of unmet housing need in the Greater South East.
- To address unmet need in the Greater South East, the Regional Spatial Strategies must achieve both higher levels of overall housing provision and a higher proportion of affordable housing within the new supply.

Future housing demand and need

The above section looking at housing supply, demand and need focused on the numbers of dwellings required in the Greater South East. In this section we consider what demographic projections and recent evidence about patterns of migration can tell us about the types of housing that will be in demand in the new Growth Area communities.

The characteristics of the future residents are a critical determinant of housing and infrastructure planning. The age and composition of households affects their housing needs and aspirations. Infrastructure requirements also change with demographics. Families with children require schools and sports grounds. Older people need more care facilities.

Figure 3.5 Evolution of household size by region (2001-16)



Source: ODPM 2006b

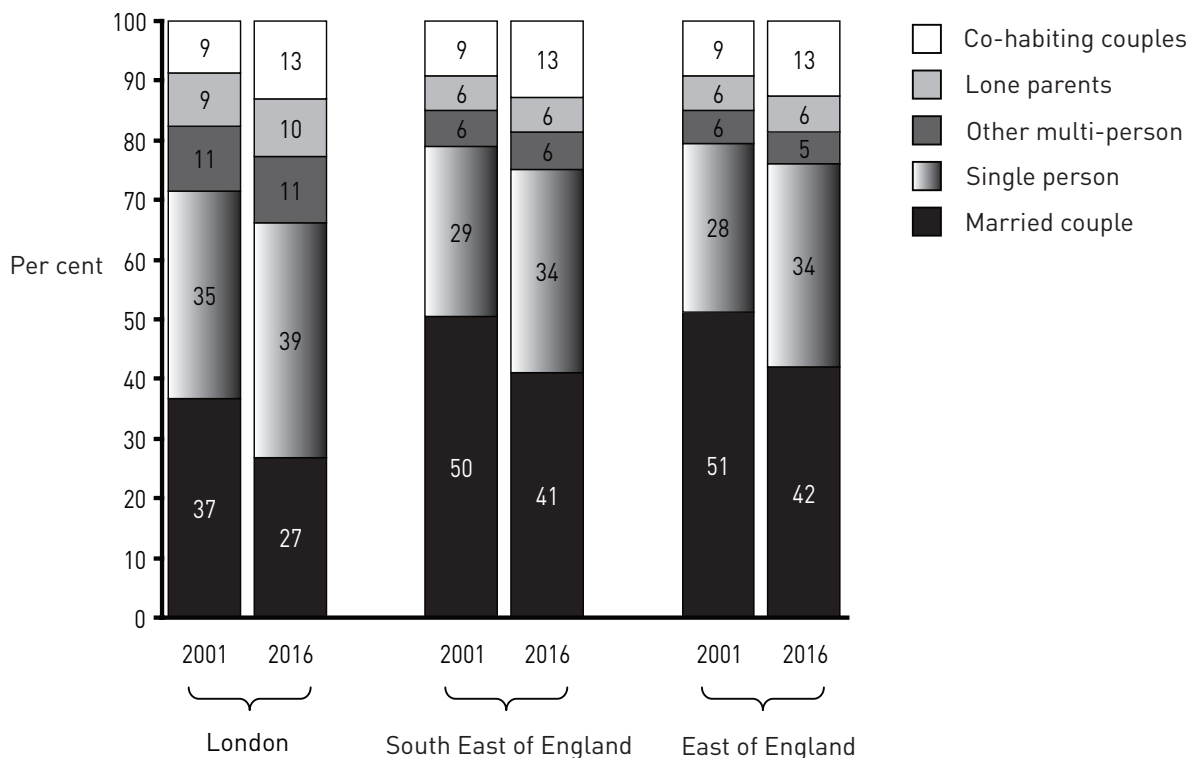
Patterns of household formation

To understand these competing requirements, we need to assess demographic projections for the regions, in terms of both household size and composition. Across England, the principal trend is one of household fission. Households are getting smaller and more people are living alone for longer periods of their lifetime. This trend is forecast to continue in all three regions of the Greater

South East over the period 2001-16, as outlined in Figure 3.5.

However, this broad movement towards smaller households masks several underlying trends. First, the share of couples in households is decreasing in all regions. In London, the combined share of married and co-habiting couples is projected to fall from 46 to 40 per cent. In the South East of England, their share is expected to contract from 59

Figure 3.6 Evolution of household composition by region (2001-16)



Source: ODPM 2006b

to 54 per cent and in the East of England from 60 to 55 per cent. Second, the share of single-person households is forecast to grow in all regions, from 35 to 39 per cent in London, 29 to 34 per cent in the South East and from 28 to 34 per cent in the East. Both these trends are consistent with decreasing household size. The proportion of lone parents and other multi-person households is expected to remain broadly constant. These trends are illustrated in Figure 3.6.

London has a markedly different household type profile relative to the South East and the East, with a much lower share of married couples and a higher share of single person households and co-habiting couples. This is explained by London's attractiveness as a destination for single young workers, as well as the relatively greater appeal to families of the lower density South East and East regions.

In absolute volume terms, the greatest increase is in the single-person household group, which has been forecast to grow by 990,000 households over 2001-16. 360,000 of these will be in London, 360,000 in the South East and 270,000 in the East. Married and co-habiting couple households grow more slowly than the total household population, with 230,000 additional households over all three regions. Multi-person households grow by 120,000 units, although from a much smaller base, and

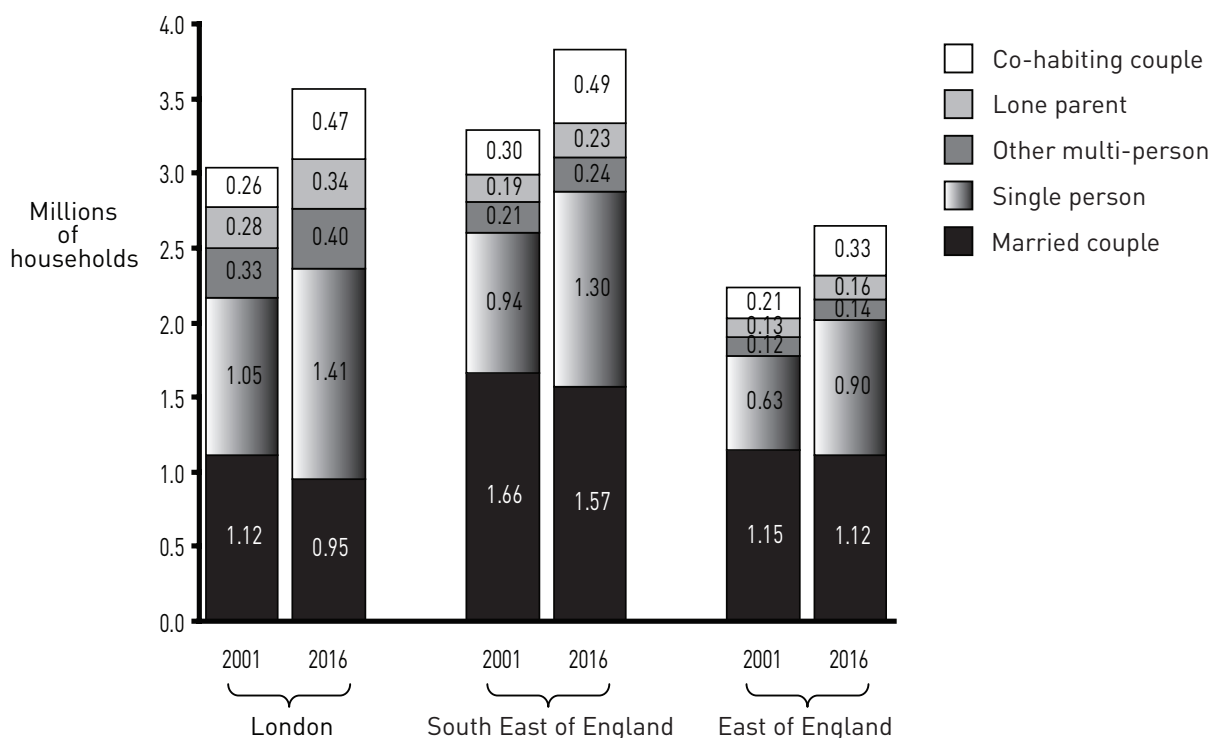
lone parent households grow by 130,000 units. These figures are summarised in Figure 3.7.

These trends have important implications for the size of new dwellings in the Growth Areas. The growing share of single person households suggests a need for significant numbers of smaller one- and two-bedroom dwellings. While there is a strong relationship between dwelling size and household size, there are other factors that affect the size of dwellings that households demand. The long-term trend of increased living standards among owner occupiers has been linked to increased housing consumption. Also, households of older people do not necessarily reduce their housing consumption as their household size reduces. When children leave to form their own households, many parents will continue to occupy family-sized dwellings (King and Hayden 2005). In spite of new household formations being dominated by single-person households, trends in housing consumption are likely to mean that demand for larger dwellings within new housing supply will be greater than the demographic trends alone would suggest.

In London, although average household size is falling, there is significant unmet and growing need for larger family-sized dwellings, which is reflected in earlier projections of the housing required in the capital.

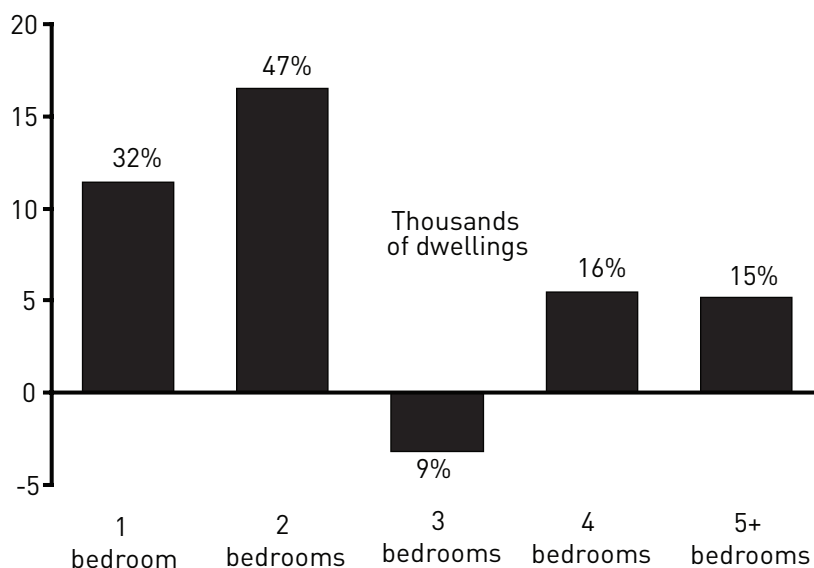
Projections of housing requirements based on

Figure 3.7 Number of household types by region (2001-16)



Source: ODPM 2006b

Figure 3.8 Annual net dwelling requirement in London by dwelling size* (2002-12)



Note: *Includes allowance for backlog of unmet need
Source: Lee 2004

the London households survey for the Greater London Authority (GLA) indicates that 69 per cent of new homes required will be either one- or two-bedroom dwellings over the period 2002-12 (Lee 2004). The remaining 31 per cent will be larger homes, of four bedrooms or more. This need for larger homes results both from earlier projections showing an increasing number of multi-person households and existing household units who are living in overcrowded, smaller dwellings. Finally, the GLA study also suggests that there is a surplus of mid-sized, three-bedroom houses in London which could be sub-divided into smaller dwellings or demolished to make way for larger houses.

While demographic trends of new household formations are dominated by the continuing rise of single person households, the future demand for housing in the Growth Areas will depend on the profile of households that migrate to these areas. Assessing future demand for housing there requires an understanding of patterns and drivers of migration across administrative and regional boundaries as well as regional demographic trends.

Patterns of migration

The Greater South East accounts for 47 per cent of the household growth projected by the new 2003-based household projections (ODPM 2006). This is slightly lower than historic trends. Between 1991 and 2003, London, the South East and East regions accounted for two thirds of national population growth. Following a period of net population loss from the capital prior to the 1980s, these trends highlight the fact that the importance of London's

role as a source of population growth has increased through a combination of natural (indigenous) growth and international migration (Bramley 2005). The reduction in the Greater South East's overall share of households reflects more positive growth forecasts for the other regions, which is supported by the recent reversal of the long-term trend for net migration within England to flow from north to south (Champion 2005).

In terms of migration within the UK, London is a net source of migration to other regions. This has accelerated in recent years from a net loss of 43,400 a year in 1994-97, to 110,000 in 2002-03. Most of the migration has been to the South East and East regions, but in recent years the flow from London to these regions has slowed, while increasing to the East Midlands and South West (Champion 2005).

These trends are interpreted as being driven by economic growth and the housing market. As London's population growth has accelerated with its economic prosperity, the housing market has increased in value. This has led some Londoners to use their housing wealth to move out to other regions. Increasingly, these trends are consistent across different ethnic groups, which indicates that the description of urban exodus as a 'white flight' is wide of the mark. This suggests that the regional escalator model (Fielding 1993), where young people move to London, become more affluent, form relationships, start a family and then move out of London to the surrounding region, has been modified slightly to cover a broader area of southern England and to be more ethnically diverse.

More broadly, latest evidence shows that the long-standing national trend of 'counter-urbanisation' (net movement from urban areas to rural areas) continues, although some northern cities have followed London's trend of more positive growth (Champion forthcoming). This has been linked to changes in the other long standing trend of net movement of population from north to south. Between 2000 and 2003 the flow reversed, and in 2003 the North gained a net 35,000 people from the South, which is unprecedented (Champion 2005).

Outside of London, in the Greater South East there was strong household growth between the 1991 and 2001 censuses in small towns and rural areas, reflecting the positive pull that these areas have. Milton Keynes shows the strongest positive trend, reflecting its young population profile as well as being an attractive location for counter-urbanites (Champion forthcoming).

Drivers of migration

In order to understand how these broad trends in demography and patterns of migration might map onto the future patterns of migration to the Growth Areas, ippr conducted qualitative research with groups of prospective residents of the Thames Gateway (Bennett and Morris 2006). The key question that cannot be resolved by analysing the demographic evidence is the extent to which the Growth Areas will be shaped by established patterns of migration, or whether the Growth Areas significantly change these established flows. Answering this question requires some evidence about how potential residents are likely to respond to the housing opportunities that the Growth Areas provide.

There is a limited amount of evidence available specifically about Londoners' attitudes to migration out of the capital. Evidence from the London Household Survey (LHS) indicates that households living in social housing wanting to move out of their current borough are dominated by single people or lone parents, younger people and people in employment (Power *et al* 2004). Analysis of the LHS in the London Housing Requirements Study found a total of over 130,000 established households and over 40,000 newly forming households considering moving to the South East and East regions over the next five years (Lee 2004). Among these households, securing access to better schools or a larger home were major reasons for moving out of London. Although the LHS shows that of those households considering moving out, a significant proportion were non-white (14.5 per cent), this was lower than the proportion of non-white households considering a move within London, at

31 per cent. In addition to families looking to move, a significant proportion were retired households.

An implicit assumption underpinning the Growth Areas approach is that people will be prepared to move relatively large distances within the Greater South East in order to secure a decent home. In the UK people with choice in the housing market tend to move only short distances unless they have a specific reason for relocating (Boheim and Taylor 1999). For the Growth Areas model to succeed, people will need to choose to migrate to these areas primarily to improve their housing options. The aim of our qualitative research was to test this proposition with a range of different household types whose housing choices would be constrained to varying degrees.

In our qualitative study we focused on prospective residents in three categories:

- A low income group of people in severe housing need, living in overcrowded social housing or temporary accommodation
- A mid income group whose household incomes ranged from £20,000-£40,000 per year, broadly reflecting the criteria for the Government's key worker housing schemes
- A higher income group with households incomes of £40,000-£80,000 per year, many of whom already owned their current homes.

All of the households we spoke to were looking to move home within the next year. Participants' views were gathered through a combination of in-depth interviews and focus groups. The research also covered existing residents of the Thames Gateway living in deprived areas, which we discuss in chapter 4.

The key issues emerging from our qualitative research with prospective residents were:

- The prospect of more affordable housing in the Thames Gateway was attractive to low- to mid-income groups. Higher income groups were less willing to consider moving to this area, and were only likely to be attracted to locations with very good transport links or a strong cultural heritage.
- In considering different locations, people focused on trade-offs between proximity to family and social networks (particularly for people giving or receiving care), wages, housing costs and travel costs.
- Higher income groups were resistant to the idea of mixed tenure developments, and although lower income groups were more enthusiastic, some expressed concerns about being looked down on by homeowners.

- All groups were concerned about the quality of housing and neighbourhood design of new housing developments and feared that the new homes in the Thames Gateway could be of poor quality, and that neighbourhoods would lack a sense of place.
- There was strong consensus about the need for new neighbourhoods to have access to a range of local private and public amenities, transport links and green space.
- Moving to an area with a sense of community and security was also considered to be important.
- People from black and minority ethnic groups were frequently concerned about the availability of culturally specific goods and services.

The findings of this research raise important questions about the physical, community and social infrastructure needs and community development, which are addressed in chapters 4 and 6. The findings also provide some pointers as to how we should interpret the implications of demographic and migration trends for the Growth Areas.

Conclusions – the nature of housing demand in the Growth Areas

Inevitably there will be significant demand for housing in the Growth Areas arising from within those areas. However, an inter-regional response to planning to meet housing demand in the Growth Areas will require an understanding of who is likely to move to these areas.

In spite of future household growth being dominated by rising numbers of single-person households, potential migrants to the Growth Areas will include a significant proportion of couples and families with children. The results of our qualitative research indicate that, particularly for those parts of the Growth Areas that are not very close to economic centres like London, the Growth Areas are more likely to attract families seeking to escape inner-urban living (Bennett and Morris 2006). This is consistent with current patterns of migration in the Greater South East. Higher income households are only likely to consider moving to parts of the Growth Areas with high quality transport links to work and strong cultural heritage.

People without children, particularly those on lower incomes, will also be attracted to the Growth Areas, but only where the housing offer is more affordable than in urban areas and neighbourhoods can offer some of the convenience and benefits that are typical of amenities in urban residential areas.

The fact that migration in the Greater South East is largely driven by London's role as a net source of migrants means that migrants to the

Growth Areas will be more ethnically diverse than existing residents. Any suggestion that the Growth Areas will facilitate 'white flight' from urban areas is wrong.

It will be important that the housing offer in the Growth Areas can respond to the needs and demands of the full range of different household types, including smaller units for single people and childless couples, family-sized homes as well as some housing for older residents.

The Growth Areas' contribution to future housing supply

This section provides an overview of the Growth Areas housing targets, places them in the context of current and developing regional spatial plans and then sets them against the latest projections for household growth in order to assess their impact on future housing supply.

Current and draft regional plans

In 2001, the four Growth Areas were home to around five million people, a figure expected to grow by 10 per cent over the next 15 years. The three larger areas have populations of 1.5 to two million people, while Ashford is much smaller at around 50,000 people.

One of the key issues for the sustainability of these areas is the balance between job creation and population growth, and current forecasts indicate total growth in new jobs of 430,000 by 2016. Chapter 5 considers the challenges of meeting the jobs targets in more detail. An overview of population and job growth is presented in Table 3.1.

Prior to the Sustainable Communities Plan (SCP), regional planning guidance (RPG) made provision for 310,000 new houses in the Growth Areas from 2001-16. The SCP and subsequent amendments now provide plans for more than 545,000 households to be delivered during this period, an increase of 235,000 dwellings. Under these targets, the majority of the additional dwellings above the existing RPGs are planned for the Thames Gateway at 135,000 extra units, with Milton Keynes-South Midlands and the LSCP corridor absorbing around 47,000 additional units each. Ashford will only house around 6,000 more dwellings, but this is significant growth off a small base. A comparison of the new annual targets with previous RPG benchmarks is illustrated in Figure 3.9.

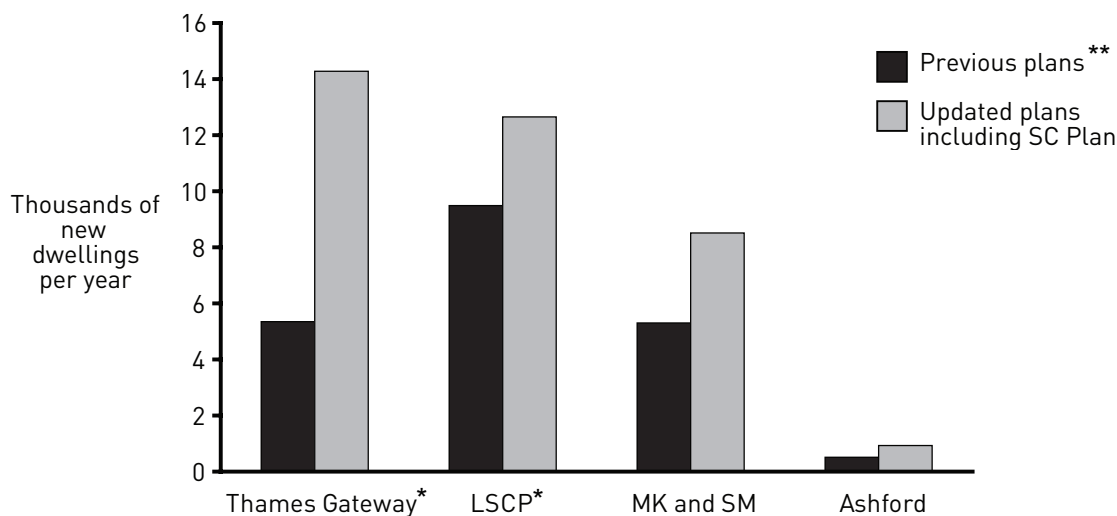
Given that the principal objective of the Growth Areas is to accommodate household growth in the Greater South East, it is important to consider what impact these additional dwellings will have on the total housing supply in the three South East regions.

Table 3.1 Overview of South East Growth Areas

	Population (2001)	Population growth (2001-16)	Population (2016)	Jobs (2001)	Jobs growth (2001-16)	Jobs (2016)
Ashford	44,000	3.3% pa	71,000	47,000	0.8% pa (low case) 2.0% pa (high case)	53,000 (low case) 63,000 (high case)
London-Stansted-C'bridge-P'borough Corridor	1.87m	0.8% pa	2.10m	0.82m	0.7% pa	0.91m
Milton Keynes-South Midlands	1.50m*	0.8% pa**	1.68m		8,550 jobs pa	
Thames Gateway	1.50m	1.1% pa (low case) 1.4% pa (high case)	1.78m (low case) 1.85m (high case)	0.50m	2.1% pa	0.68m

Notes: * Figure is 2002 population ** Growth rate is for 2000-10
Source: ODPM 2003

Figure 3.9 Comparison of previous and current planned dwelling production by Growth Area (2001-16)



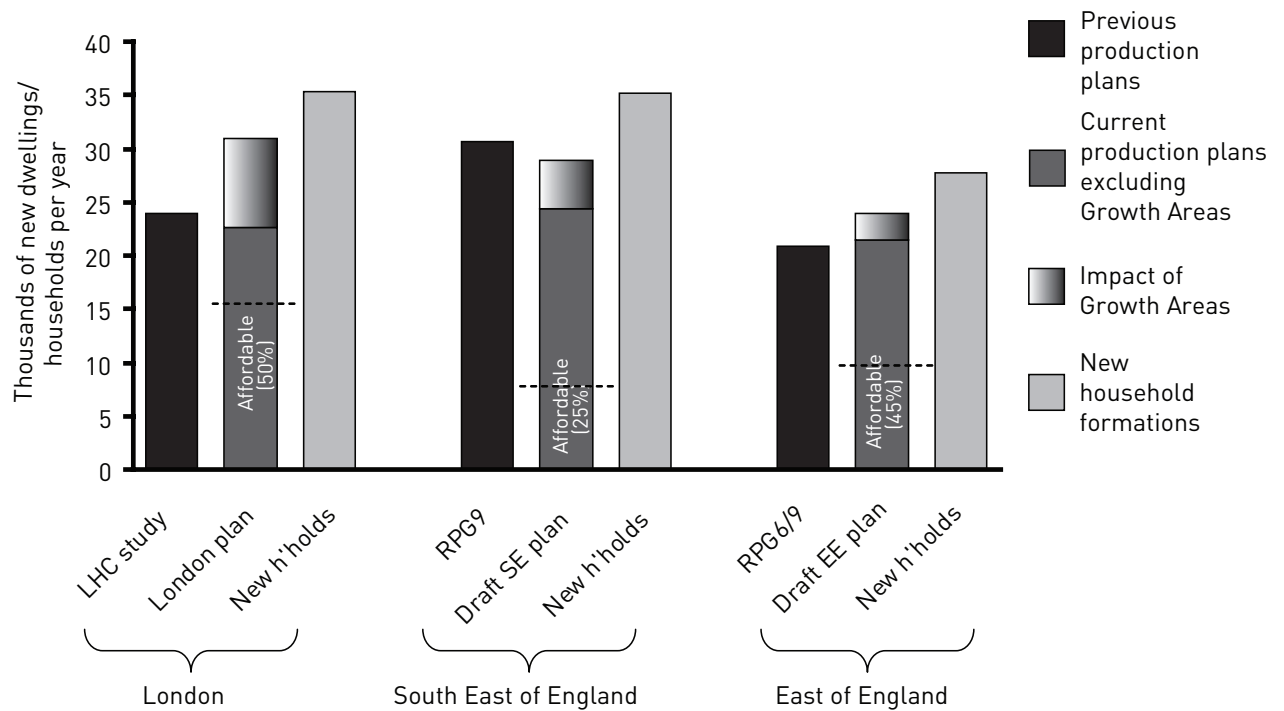
Notes: *Thames Gateway and LSCP include increased provision proposed in draft alterations to the London Plan (July 2005);
**Previous plans include RPG6, RPG9 and RPG9a
Source: Mayor of London 2005

The original RPGs are being replaced with Regional Spatial Strategies (RSSs). London has already agreed its new RSS and the South East and East regions are currently in the process of consultation and scrutiny on their draft RSSs.

In the East and London, the 'step change' in supply intended by the SCP is reflected in their having higher rates of housing provision than pre-

vious plans. The draft East of England Plan, incorporating the SCP targets for parts of the LSCP corridor and Thames Gateway, proposes 23,900 new dwellings annually, an increase of 3,100 above the RPG targets (East of England Regional Assembly 2004). The draft alterations to the London Plan (which incorporates tranches of the same Growth Areas) set a target of 31,505 units per year, 7,600

Figure 3.10 Comparison of dwelling production and household growth by region (2001-16)



Note: Draft SE Plan figure is 28,900 dwellings per year as per current proposals

Sources: McMullen and Fender 2000; East of England Regional Assembly 2004a; Mayor of London 2005; South East Regional Assembly 2006

more than was indicated in the 2000 London Housing Capacity Study (McMullen and Fender 2000; Mayor of London 2005).

However, in the South East, planned housing supply is lower in the draft RSS than in the previous RPG. Under RPG9, which is due to be replaced by the draft RSS, output was planned to increase from 28,100 to 32,100 dwellings per year from 2006, while the Draft South East of England Plan has a constant target of 28,900 per year until 2016. In effect, the South East is proposing an increase in housing provision in its Growth Areas (Ashford, Milton Keynes-South Midlands and the Kent side of the Thames Estuary), so reducing planned construction rates in other areas. The net result is an overall rate of housing supply below previous plan levels. The total rates of planned housing provision from 2002-16 prior to and after the launch of the SCP are shown in Figure 3.10.

Housing supply and demand in the Greater South East

The revisions to the regional targets in light of the SCP, as currently reflected in the RSSs, add around 230,000 dwellings to housing supply over the period 2001-16 (15,300 per year). This is a considerable advance on earlier plans. However, the addition to

the regional plans that the Growth Areas provide has to be considered against levels of household growth to assess whether it will enable the Greater South East to meet future demand. In making this assessment we have used the latest official projections of household growth, which are the 2003-based household projections (ODPM 2006).

As Figure 3.10 illustrates, the ODPM's 2003-based projections suggest that, while the additional supply from the Growth Areas will result in a closing of the supply-and-demand gap, the Greater South East still faces a significant shortfall in supply across all three regions.

Over the period 2001-16 demand is forecast to outstrip supply by 3,800 households per year in the East of England, and by 6,300 households annually in the South East. In London new households are expected to exceed new dwellings by 4,300 units per year over the same period. The scale of the shortfall is set out in Table 3.2.

The Growth Areas and the housing supply-and-demand balance

The overall scale of the shortfall shows that while the housing targets for Growth Areas have the potential to make a significant difference to the

Table 3.2 Draft regional plans, household projections and shortfalls (2001-16)

Region	Projected annual output under current/draft plans	Projected rate of household growth (2001-2016)	Annual housing output shortfall	Total shortfall over 2001-2016
London	31,090	35,400	-4,310	-64,650
South East	28,900	35,200	-6,300	-94,500
East	23,900	27,800	-3,900	-58,500
Total	83,890	98,400	-14,510	-217,650

Source: ODPM 2006

amount of housing delivered in the Greater South East, they will not be sufficient to meet future demand. If the household projections are reliable, then the scale of the shortfall, more than 200,000 homes, is as great as the additional provision that the Growth Areas are expected to deliver.

The Growth Area housing targets and regional spatial strategies in the Greater South East need to be reviewed to reflect the latest evidence on future demand. The review will also need to consider how to respond to demand within environmental limits.

The Government has a choice between three options for increasing housing output in the Greater South East:

- Demand higher housing targets from the three regional spatial strategies, without directing where growth within those regions should be focused; or
- Identify new locations where concentrated growth can be achieved; or
- Increase the housing targets of the Growth Areas.

To an extent, the Government is already pursuing the first two options. It has already signalled that it believes that the proposed housing targets in the draft regional plans in the South East and East are too low. It will also shortly announce the outcome of the 20 bids it has received for funding from the £40 million Growth Points initiative. However, pursuing these options alone will not be enough. If a commitment to a concentrated approach to development is to be retained, to ensure efficient land use and get maximum value from investment in new infrastructure, then a significant densification of the Growth Areas would be an appropriate response.

Independent evaluations of both the South East and East of England's draft plans have concluded that their draft housing targets are too low (East of England Plan Panel 2004; Roger Tym and Partners 2006). The Government and the regional planning

bodies will need to consider, whether these future levels of housing demand can be met, and if so, what balance to strike between seeking to absorb that growth within the existing Growth Areas or the wider regional plans.

Table 3.3 sets out the benefits and disadvantages of these three different spatial options for increasing housing supply. One of the key issues in deciding which is most appropriate, is the differing costs of increasing infrastructure capacity for a given number of additional dwellings. In the short term, a dispersed approach can be more cost effective, as this has the potential to make maximum use of existing infrastructure capacity (for example, empty school places, available water and sewerage capacity, adequate flood defences, underutilised road and public transport capacity). However, in the Greater South East, the short-term dispersed approach has already been pursued, it could be argued, almost to breaking point. Over the long term, it is not possible to simply continue to pile demand on the existing infrastructure; in this context, more concentrated growth may be favourable, to achieve efficiencies and economies of scale in delivering new infrastructure to particular areas.

The South East and East regional planning boards have rejected higher housing growth targets for their regions, partly on the basis of concerns about infrastructure capacity in these regions. Long-term trends in public spending on housing and transport as a proportion of GDP show that in spite of recent rapid increases, spending in these areas is only just returning to the same level as in the early- to mid-1990s, with much lower levels in the intervening years (ippr 2005). Analysis for the South East region and Eastern counties (Bedfordshire, Essex and Hertfordshire) shows a combined infrastructure shortfall of around £8 billion just to meet existing growth plans (Roger Tym and Partners 2005). In the absence of more robust analysis, one can conclude that the extent to which additional infrastructure costs can be avoided

Table 3.3 Spatial options for increasing housing output in the Greater South East

Criteria	Dispersed growth across SE regions	New growth points	Densification of existing Growth Areas
Maximises existing physical infrastructure capacity	✓✓	✓	✗
Large sites provide opportunities for masterplanning and mixed use development	✗	✓	✓✓
Economies of scale in new physical infrastructure	✗	✓	✓✓
Scope for raising density and sustaining diverse local service base	✗	✓	✓✓
Efficient use of brownfield land	✗	✓	✓✓
Minimises land take	✗	✓	✓✓
Links mixed communities and economic development objectives	✗	✗	✓✓
Builds on existing delivery arrangements and capacity	✗	✗	✓✓

Key: ✓✓ = meets criteria fully ✓ = meets criteria partially ✗ = does not meet criteria

though a dispersed approach is at best minimal.

There are no robust models for making this kind of judgment, and the position will vary, according to the extent of existing capacity in any particular location. But it is possible to review the broad arguments behind the different approaches, as provided in Table 3.3.

The issue of infrastructure capacity and funding is examined further in chapter 6.

Increasing the housing targets in the existing Growth Areas can be achieved without radically changing the proposed density of housing on individual development sites. Additional housing output could be achieved through designating more land within the Growth Areas to residential development and expanding plans for infrastructure provision in these areas, where possible. Concentrating more people within the Growth Areas as a whole should increase the long-term revenues (for example, through local taxes and higher

use of public transport) that can meet the ongoing costs of new infrastructure. However, this does not mean building more blocks of flats. As our analysis in this chapter shows, while policy should seek to encourage housing densities that can sustain a good level of local service provision, we also need to ensure that we are delivering housing and neighbourhoods that are attractive to families. The presumption that high density means building only flats, while understandable, is misplaced. There are new developments that demonstrate how low-rise houses can be delivered at relatively high densities in a similar way to Victorian terraced housing, but using modern architectural design (for example, Tanner Street in Barking).

Increasing the housing targets for the Growth Areas will have implications for water supply and treatment capacity and other environmental constraints. The Government will need to assess the impact and develop suitable, sustainable respons-

es to them. This should include incentivising water efficiency (Every, forthcoming) and enabling the development of new supplies where appropriate.

Housing supply: conclusions

The Greater South East's current housing supply is under significant pressure, as evidenced by record levels of unmet housing need. This is partly due to previous output being below planned levels, although output has increased in recent years.

To address unmet housing needs, increased supply of new housing is needed, and within this, a much greater proportion of affordable housing. Our analysis of demographic trends, combined with our qualitative research on housing aspirations, indicates that households moving into the Growth Areas will include a higher proportion of families than newly arising households in general. They will also be more ethnically diverse than the

existing communities in the Growth Areas. There is a risk that some of the Growth Areas will only attract households with limited choice in the housing market. This has significant implications for the skills and income mix of the Growth Areas, and therefore their social and economic sustainability. These issues are explored further in chapters 4 and 5.

The Growth Areas targets have the potential to make a significant positive impact on the balance of housing supply and demand in the Greater South East.

However, this will not be sufficient to meet the levels of household growth projected. The scale of the shortfall is almost as great as the additional supply that the Growth Areas are projected to provide. If the Government is to meet its objective of accommodating the Greater South East's economic success, then it needs to push for higher regional housing targets and review the scope for a densification of the Growth Areas.

4. The Growth Area communities

This chapter focuses on some of the issues that are critical to building new communities. It explores the potential barriers that the Growth Areas face in achieving good social relations in the new communities that will be created. Prospective residents of the Thames Gateway in our focus groups talked about aspiring to live in places with a 'sense of community', but at the same time existing residents were highly sceptical of the potential benefits of growth and hostile to the prospect of incomers. The scale of growth in these areas will create a unique set of challenges for community development.

The need for sustainable communities

The Government has been at pains to set out how its housing policies are about creating sustainable communities. By this, it means not just providing homes, but about ensuring that homes are provided with access to the necessary services, facilities, goods and opportunities to make them places of choice that are 'successful, thriving and inclusive' (ODPM 2003).

This goal is hard to disagree with. It partly reflects a recognition that much of housing and urban policy of the 1950s, '60s and '70s left a lot to be desired. The drastic action of the slum clearance programmes and decentralisation policies was meant to improve families' housing conditions, but in fact the 'quality' of much of the new housing provided was low, and strong social networks were dismantled (Young and Wilmot 1957), with long-lasting negative social repercussions (Holmes 2006b).

Box 4.1 Components of a sustainable community

- Active, inclusive and safe
- Well run
- Environmentally sensitive
- Well designed and built
- Well connected
- Thriving
- Well served
- Fair for everyone

Source: website of the Department for Communities and Local Government, www.dclg.gov.uk

While few would criticise the objective of creating sustainable communities, it is far from clear what this means in practice. Whether or not the current policy framework is capable of achieving it, either in new communities or in communities that are considered as currently not being sustainable, is perhaps even less clear.

The components in Box 4.1 focus on the physical aspect of a community (design and the environment), the goods that should be locally available (public and community services, transport, jobs and training) and its values (inclusive, fair and with accountable governance). What is missing, perhaps partly from wanting to avoid accusations of 'social engineering', is any consideration of the people that would make a sustainable community.

The need for mixed communities

Would a community that met all the above criteria be sustainable, regardless of who lived there? There is a growing consensus that the answer is probably 'no'. It is becoming increasingly clear that the profile of the population within a community is a key determinant of its sustainability, and one characterised by a mix of households of different types and different circumstances is more sustainable than one that is not.

The case for creating mixed communities is not based on idealised or utopian groupings, but rather on evidence that shows that where polarisation has concentrated lower income and vulnerable people in an area, the resulting multiple deprivation becomes reinforcing and difficult to address (Wilson 1987, 1997; Social Exclusion Unit 2000; 2004 Katz 2004; Berube 2006). It is argued that poor neighbourhoods are not just a symptom of disadvantage, but also one of its causes.

Concentrations of poor people tend to suffer from poor-quality housing, environments and public services. This can go on to create stigma, which limits social networks and is linked to crime and anti-social behaviour (Fitzpatrick 2004). However, Gibbons *et al* (2005) argue that while neighbourhood affects risk of crime strongly and educational outcomes modestly, it has no impact on employment.

A wide range of government programmes since the 1980s have sought to correct the problems of concentrated multiple deprivation (Imrie and Raco 2003). Some of the causes of these problems are now recognised to have been exacerbated by the

failure of earlier public policy programmes to avoid concentrating lower income households in certain areas (Page 1993).

Recently there has been much focus on the problems that can arise in areas with high concentrations of social housing, which, due to the limited supply of affordable housing and needs-based allocations policies, include high proportions of vulnerable households and low-income families with children (Prime Minister's Strategy Unit 2005). In the 2005 Budget the Chancellor announced that the Government would be introducing nine pilot schemes to test the effectiveness of radical interventions to rebuild previously mono-tenure social housing estates with a new tenure profile, focusing on estates that had not benefited from previous attempts to regenerate them (HM Treasury 2005). The return to large-scale, concentrated housing development in the Growth Areas, where large new communities are being created alongside existing ones, raises different and much broader questions about how to achieve the right balance. These challenges go beyond just ensuring that developments include a mix of tenures; they also need to consider income, household types, and occupants' ages and ethnicities.

The experience of mixed communities to date

Some aspects of housing policy already work to achieve a varied socio-economic mix. Planning policy enables local authorities to require that larger new housing developments include a significant proportion of affordable housing through what are known as section 106 agreements. This is becoming an increasingly important route through which new affordable housing is being delivered (Monk *et al* 2005). In addition to components of planning policy and the new mixed communities pilots there are indications that meeting mixed communities objectives will become a dominant feature of government housing and regeneration policy in general (Gardiner 2006).

This shift in policy direction is in spite of the fact that the evidence base to show the positive effects of mixed communities is quite limited. Recent reviews of relevant research literature point to some modest but significant benefits of developing housing and communities in a way that encourages 'mix'. The evidence base points to mixed tenure developments having the following

characteristics:

- They have avoided the problems that have beset some mono-tenure social housing estates (stigma, weak local economies), and are able to support more varied commercial services.
- There are no significant problems in terms of social relations between social renters and private owners, but at the same time there is no evidence of increased social capital or role model effects⁴.
- They are able to attract families, but in the private sector, the ability to retain families depends on an appropriate mix of housing types for childless households to move into when they start a family (Allen *et al* 2005; Silverman *et al* 2005).

Mixed tenure developments are clearly better than segregation, but the limited evidence does not fully support all the potential benefits that had been ascribed to them. Also, while there is some evidence of positive outcomes in mixed communities, it is not always clear why exactly this is the case (Tunstall and Fenton 2006). This may change as the evidence base grows. It is important to bear in mind that while policy can work to achieve a mix of housing types and tenures, it is a mix of households with different social characteristics that is thought to deliver benefits. Achieving mixed communities is often cited as reason to justify government subsidy for homeownership; however, homeownership itself does not deliver the community benefits sought from mixed communities (Maxwell and Sodha 2006).

Tenure is just a proxy for a potentially beneficial mix of household circumstances, and while there has been a strong focus on income as a positive characteristic, other factors such as household type are important (Holmes 2006a), although it is not always realistic to expect to achieve a strong mix in all residential areas. For example, the recent rise in city centre living is dominated by young single people, with a mix of tenures and incomes, but no mixing of ages and household types, and there would appear to be limited utility in policy seeking to change that (Nathan and Urwin 2006). That is not to say, though, that inner urban areas, as distinct from city centres, should be seen as 'no-go areas' for families with children (Silverman *et al* 2005; Nathan and Urwin 2006).

While the evidence base on the advantages of mixed communities is limited, it would be fool-

4. One of the arguments in favour of mixed tenure development is that it may be more likely to support the development of social networks that bridge between socio-economic groups, thereby increasing the aspirations and opportunities of people on low incomes (see for example, Wilson 1987)

hardly not to consider its implications for the Growth Areas. Clearly there are benefits to be achieved from seeking to achieve mixed communities in the Growth Areas. It is significant that Ministers now refer to the objective of policy to create mixed and sustainable communities.

In the previous chapter we highlighted the available evidence for who the new residents of the Growth Areas might be. In considering the question of how to achieve a balanced mix in the Growth Area communities we also need to consider how the profile of the new residents will mix with that of existing communities. Here we set out the challenges that the Growth Areas face in meeting the objective of creating mixed communities while at the same time alleviating some of the existing housing pressures in the Greater South East. We also look at some of the specific measures that will be needed in order to foster social networks and community cohesion within the Growth Areas.

First, it is useful to look at the New Towns programme, because it faced similar challenges in relation to both the social and economic mix, and also the development of social networks, in large new communities.

Lessons from the New Towns programme

The New Towns programme, which began following the New Towns Act of 1949, was underpinned by a strong vision of the new communities that would live in the New Towns. This highly paternalistic vision, championed by Lord Reith, had its place in the brave new post-war Britain, but it was never really achieved, due to the prevailing economic conditions at the time, limits on public spending and the bureaucracy surrounding access to New Town housing (Bennett 2005). However, having a vision, although key aspects of it were never fully realised, did mean that the overall programme had clear and comprehensive social objectives beyond that of simply increasing housing supply (Bennett 2005).

A similarly paternalistic vision for the Growth Areas is unlikely in today's social and political climate. While we have a description of the key components of a sustainable community, it does not amount to a vision. The closest we have come is the integrated social, economic, environmental and civic vision for the Thames Gateway set out by former Communities Minister David Miliband in a speech to the Thames Gateway Forum (Miliband 2005a).

The vision for the New Towns was that the new communities should be balanced, although the conception was limited to social class, and failed to

consider other potential aspects of what might constitute a balanced community. The goal of class balance in the New Towns was never achieved, because of affordability barriers to the development of an owner-occupied market, and the employment conditions placed on access to rented housing. In the early days the social class profile of the New Towns was predominantly made up of skilled manual workers.

There is no overarching vision covering all the Growth Areas. Clearly, the needs of, and futures for communities vary significantly within and between the Growth Areas. Nonetheless, a stronger vision could help to address the lack of certainty among stakeholders in the Growth Areas about what the Government actually means by 'creating sustainable communities'. It would also provide the basis for clearer social and economic objectives for the Growth Areas.

New Growth Area communities

In considering the make-up of communities, the development process for the Growth Areas differs from that of the New Towns in two key regards. First, the development of the Growth Areas will be predominantly led by the private sector. Most of the new housing will be for private sale and therefore access to the majority of the new housing will be through the open market. Second, the Growth Areas include existing cities and towns and much of the new development will occur where it is contiguous, or at least very close to existing urban centres.

It seems important, therefore, that consideration of the appropriate mix in the Growth Areas needs to take into account the make-up of the existing community. Furthermore, policymakers and planners can best exert influence on the mix of new residents through the housing and lifestyle on offer in particular areas.

The analysis of demographic and migratory trends, coupled with our own qualitative research, highlights the fact that those parts of the Growth Areas that are not in London, or immediately contiguous with it, are likely to attract more families with children than single-person households or childless couples, in spite of the growing proportions of single-persons households within household growth. The housing and neighbourhood offer in the Growth Areas therefore needs to reflect this profile: housing types will need to cater for families with children, and neighbourhood layouts need to be conducive to families and include appropriate open spaces and play facilities. In order to be able to attract families, it will be essential that appropriate public services

are available from the outset, including education, health care and childcare. Families will not move to areas without adequate schooling capacity. (See chapter 6 for more about services and infrastructure.)

Two areas in which our qualitative research threw up class differences in people's attitudes to moving to new communities were transport connectivity and cultural heritage (Bennett and Morris 2006). All prospective residents of the Thames Gateway that we spoke to highlighted transport issues as being an important consideration, and higher-income groups had expectations about ready access to high quality transport links to London. When discussing a range of possible locations that they would consider moving to, those with higher incomes placed greater emphasis on places with some cultural heritage.

Clearly it will be easier in those parts of the Growth Areas with very good transport connectivity and a sense of heritage to attract new residents with higher incomes and skills – something that will be important for the economic viability of some parts of the Growth Areas, as highlighted in Chapter 5.

The prospect of living in mixed tenure developments also revealed differing attitudes. People currently living in owner-occupied accommodation tended to report a strong aversion to living in mixed tenure developments (Bennett and Morris 2006). Many participants in our research expressed negative views of social housing and were against the idea of moving somewhere where they might live in close proximity to it. This stemmed from a concern that they would be exposed to the problems of large single-tenure social housing estates if they lived in such a development. Meanwhile, lower-income households who would be likely to live in social housing in mixed tenure developments expressed concerns that other residents might look down on them. Both these views are in sharp contrast with the attitudes of people already living mixed tenure developments (Allen *et al* 2005; Silverman *et al* 2005).

Inherent opposition to the prospect of living in mixed tenure developments raises two important issues. First, it suggests that planners and developers need to think carefully about how to market mixed developments. Second, investment in the social housing and public realm in mixed tenure developments needs to be sufficient to achieve 'tenure blind' integration and avoid the potential stigmatisation of social rented units (Silverman *et al* 2005).

Mixing with existing communities

Our focus groups with existing residents of deprived areas of the Thames Gateway highlighted considerable concern as to the potential impact of housing growth on their communities. The views expressed focused on two key issues: the capacity of public services; and community cohesion.

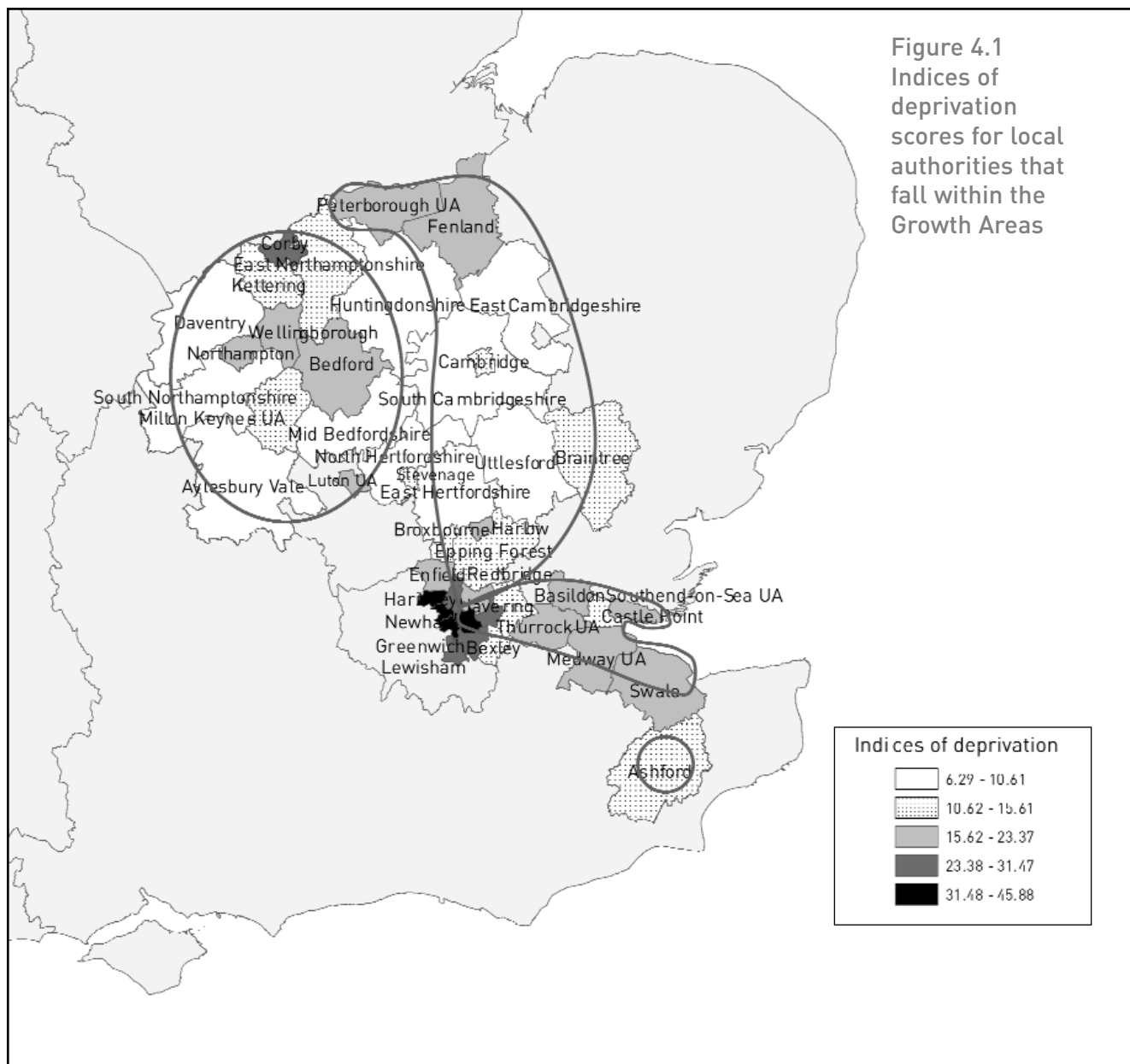
Existing residents felt that the quality and capacity of local public services and infrastructure were insufficient to meet existing demand, and that any investment to improve services alongside growth would only benefit new residents.

The other concern was that the new residents would be from different ethnic or social backgrounds from existing residents, that they would not integrate with the existing community, and that wealthier new incomers would lead very separate existences.

Some of these views were expressed using racist language, a fact that should sound a strong warning about the prospect for community cohesion in some parts of the Growth Areas. Indeed, the far right has already made considerable political ground in parts of the Thames Gateway. Delivery bodies will have to work hard to avoid creating conditions where far right political parties can exploit emerging tensions between new and existing residents. In the most recent local elections, the British National Party (BNP) gained 13 seats in Barking and Dagenham, which covers part of the Thames Gateway. However, the main issue underpinning the BNP's support was the perception of unfairness between existing and newer residents in the allocation of social housing in the area, rather than specific concerns about plans for growth.

Some of the communities in the Thames Gateway, for example in Basildon, Ockenden, Purfleet and Tilbury, were populated by overspill from London, mainly white working class families who moved out of the East End of London after the second world war. Some of the views expressed in our research mirror those in Michael Young's follow up to his influential 1957 study of East End communities: Young concludes that racial hostility and community divisions are partly due to perceptions of fairness in the allocation of scarce resources within the welfare state (Dench *et al* 2006). The concerns we identified in our study indicated that residents of deprived areas of the Thames Gateway anticipated that resources linked to growth would be allocated in a way that disadvantaged them.

To avoid divisions opening up between new and existing residents in the Growth Areas, it will be essential that existing residents are consulted and



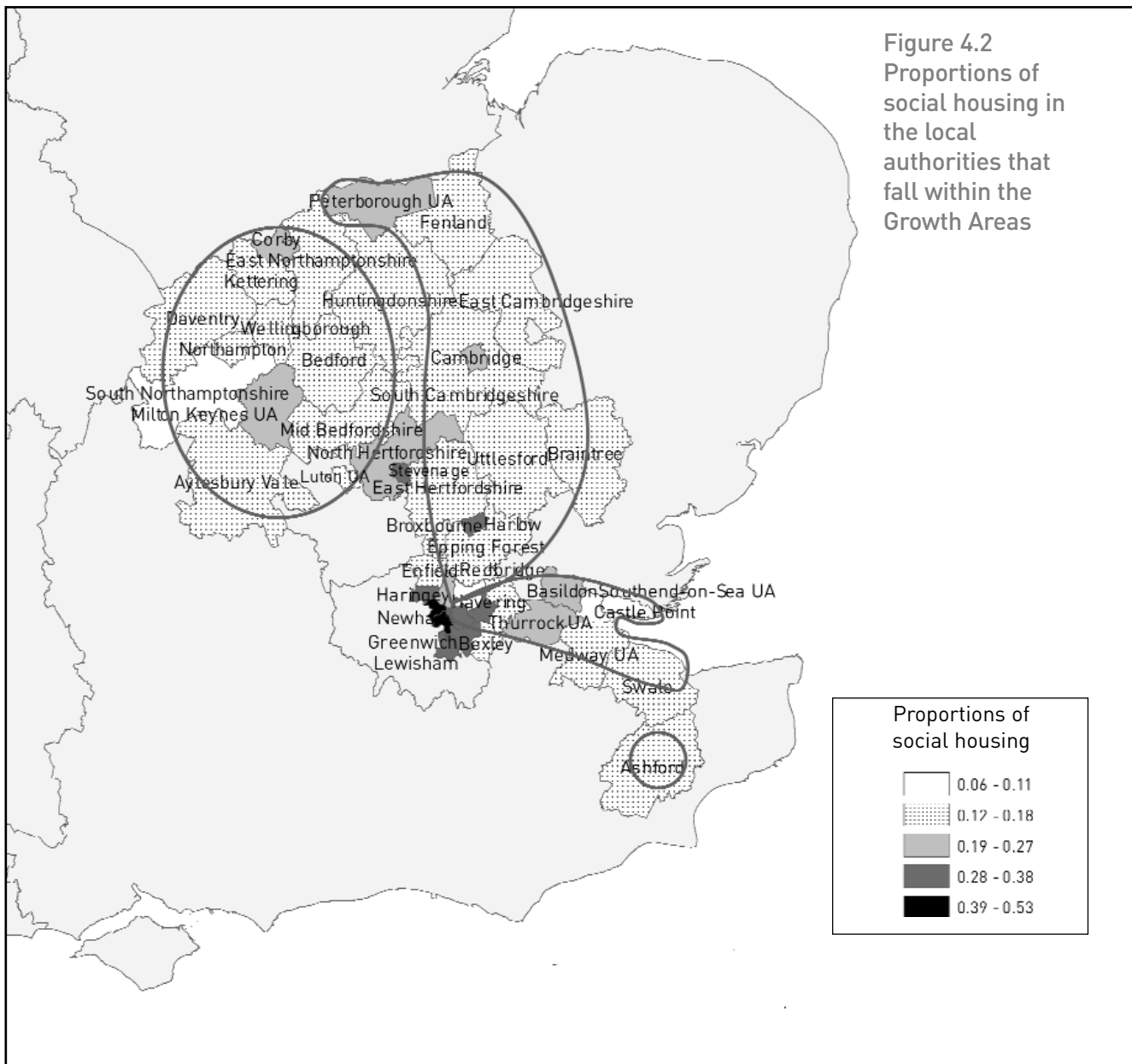
involved in decisions about the delivery of investment in public services linked to growth. Otherwise, a perception of unfairness, and that new community and public facilities are only for new residents, is likely to create a sense of resentment towards new residents, undermining community relations. The experience of the New Towns suggests that these issues need to be addressed from the outset, as once new places have developed a reputation it can be very hard to change that perception (Bennett 2005).

Achieving the right mix?

While the development of policy for mixed communities has identified that a mix of incomes and household types should be the objective of housing and planning policy, as mentioned above, this is not based on the notion of an idealised balanced

community, but on the premise that we should avoid 'non-mix' (Berube 2006). In the case of the Growth Areas, large-scale concentrated development necessitates careful consideration of the question of mix. This is because the Growth Areas are heterogeneous, in terms of their socio-economic profile and the existing mix of tenures (see Figures 4.1 and 4.2). The Growth Areas vary significantly both in terms of the existing proportion of social housing, and the levels of deprivation (as measured by the latest Indices of Deprivation).

In terms of avoiding the problems associated with concentrated deprivation in the Growth Areas, it is important to consider not just the tenure mix of new developments, but also the existing tenure mix and how new development will affect the overall tenure profile. Mix needs to be determined in relation to the whole market area, because site-specific targets, ultimately determined by whatever



level of provision the developer can bear, may make little sense in the wider context (Turkington 2006).

Also, places within the Growth Areas will vary in terms of their social and economic capacity to accommodate new social housing residents in a sustainable way. The next chapter highlights the extent to which some places see growth as an opportunity to improve their economic performance by increasing the top end of their skills and income profile. Our qualitative research with residents of deprived areas of the Thames Gateway highlighted the extent to which limited local employment opportunities and existing pressures on social infrastructure and public services in these areas where a concern for local residents prior to any growth taking place. On both these counts some parts of the Growth Areas are unlikely to be able to sustain significant increases in the numbers

of social housing units in their area.

The Regional Spatial Strategies for the Greater South East will specify targets for the provision of affordable, including social rented and intermediate, housing ranging from 25 per cent social rented and 10 per cent intermediate housing in the South East to 35 per cent social rented and 15 per cent intermediate housing in London (Mayor of London 2004; South East Regional Assembly 2006). These are regional targets, based on judgments of what is appropriate in response to housing need within each region and what the combination of public subsidy and developer contributions to affordable housing provision might be able to deliver.

It is imperative that the opportunity that the Growth Areas provide to increase housing supply delivers affordable, as well as market, housing, given the unprecedented levels of need in the

South East. As we have seen in Chapter 3, across the three regions there is a desperate need to significantly increase the amount of social housing that is available. The scale of unmet need across the three regions should be considered in all the Growth Areas, even if locally arising need is limited; the assessment of affordable and social housing needs should not be based solely on locally arising need. For example, Milton Keynes' plans provide for at least 30 per cent of all new dwellings being affordable, which is consistent with the emerging regional plan (Milton Keynes Partnership 2006). However, within this overall figure, only five per cent will be socially rented on the basis that this is all that is needed to meet locally arising need. Given that the Growth Areas represent an inter-regional response to the housing needs of the Greater South East, and that there is a very pressing need for more socially rented housing across the three regions, this should be reflected in the plans for specific locations in the Growth Areas. Where a higher proportion of socially rented homes can be accommodated sustainably, the housing needs across the regions should be considered, not just indigenous need.

It is important that a balance is struck between achieving a sustainable mix of household types and incomes and maximising the opportunity to increase the supply of affordable homes. The question of specific areas' social and economic capacity to sustainably accommodate a given proportion of affordable housing is not considered in the setting of regional targets. In the Growth Areas, it will be necessary to depart from the regional targets at the level of individual sites. Looking at the criteria of social and economic sustainability, in some locations the target should be lower, and in others it could be higher. What is essential is that there is some mechanism to provide oversight of plans for large developments, to ensure that the right balance between social and economic sustainability and maximising affordable housing supply is being struck across the Growth Areas as a whole.

The practitioners' perspective

The findings from our qualitative research indicate that delivery in the Growth Areas needs to take careful account of relations between new and existing communities. A response to this challenge cuts across three key areas:

- Planning for public services and community facilities that takes into account the needs of existing residents and delivers high quality services to new and existing residents simultaneously
- Involving residents in the delivery of new

services and facilities

- Supporting the development of positive social relations and networks within new developments and between new and existing residents.

Through discussion with stakeholders and reviewing growth strategy documents, our overall assessment of the extent to which current delivery in the Growth Areas is fit for purpose in terms of community relations, is that policy and practice are more developed on the first two of these points than the third. There are many examples in the Growth Areas where the investment supporting growth is also delivering benefits to existing communities, and in some instances this is being informed by consultation and community involvement processes. However, there is much less evidence that strategies and the resources necessary to support the development of good community relations in Growth Areas are being identified.

In the New Towns, community development was a key function of the New Town Development Corporations (NTDCs) and a significant number of their staff were employed to undertake community development activity. While much of the community development practice that was current at the time of the New Towns programme would look out of date today (for example, all new arrivals would be visited by an officer from the NTDC and were given a house plant), the wider point is that community development was a well resourced priority in the New Towns. The much leaner delivery vehicles in the Growth Areas are much more about land use planning and co-ordinating investment than direct delivery, but in terms of community development it is not clear who they could 'co-ordinate' to deliver this function. The capacity of the Community Development sector is limited, partly as a function of unstable funding. Forty per cent of community development work is delivered on short-term contracts, leading to insecure and fragmented delivery (CDF 2006), which, given the long-term nature of the community development process, is likely to undermine the effectiveness of current provision. There is a lack of strategic thinking at both the national and local level about the need for community development to support housing growth.

We tested our assessment that community development was a potentially neglected but very necessary aspect of delivery in the Growth Areas in a roundtable discussion with 12 regeneration and housing managers who worked for housing associations and local authorities in Milton Keynes and the Thames Gateway. The discussion focused on the practitioners' perceptions of the extent to which

community development would be a key challenge in the Growth Areas. Most of the practitioners had experience of working in relatively new developments or regeneration schemes.

There was a strong consensus that the scale of new housing provision in the Growth Areas meant that avoiding tensions in community relations and developing a sense of community within new developments would be a significant challenge. Some of the practitioners had direct experience of working in communities where there were poor community relations. There were a number of key issues that were common across the different examples they cited, including:

- Community facilities – there is a lack of shared community facilities to act as a focal point for community development activities
- Facilities for young people – tensions between residents often arise due to the behaviour of young people, which can be seen as problematic where they do not have access to sporting or cultural facilities
- Mix and layout – in mixed tenure developments, a lack of proper integration of market and social housing creates conditions where divisions between residents from different tenures could open up.

Other participants in our roundtable discussion worked in regeneration schemes where a multi-agency approach to the provision of sporting and cultural activities for younger people had been successful in addressing behavioural problems and improving the sense of community. They also highlighted that the provision of social infrastructure, such as community centres, quality public spaces and sporting facilities, was essential to achieving community development objectives.

'Wired' Growth Area communities

Recently there has been increasing attention given to the potential role that information and communication technology (ICT) can play in supporting social networks. This has even led some people to question the relevance of a place-based approach to community relations (see Bridge and Guilari 2004 for a review). However, there are good reasons to retain a significant focus on the local when thinking about social relations. Face-to-face contact

between people gives relationships meaning and trust, and is the type of social contact that most people generally prefer. Also, people will always have certain shared interests that are specific to their locality, even in the absence of a cultural identification with their local neighbours (Davies 2003). But while we may not accept that the internet has superseded the relevance of neighbourhoods, it is an important factor that can no longer be ignored in contexts where it is in the public interest to foster social networks.

Evidence suggests that ICT has a positive role to play in supporting communities. For example, there is evidence from a study in Canada that in one new community, those with access to the web from their homes knew more of their neighbours than those households without home web access (Hampton 2003). The main objective for wiring-up communities has been to enable people to access information and opportunities that would otherwise not be possible. The fact that it can also improve local social relations was something of an added bonus to early wired neighbourhood experiments (Davies 2004). It is important to note, however, that providing local Broadband networks or intranets should not be seen as a replacement for other, more traditional, approaches to supporting communities. ICT can have the biggest impact either where it can augment existing social capital or in predominantly middle-class communities (Gaved and Anderson 2006). In the Growth Areas, technology needs to be seen as part of a wider approach to supporting new communities.

Steps are already being taken to deliver wired-up communities in the growth areas. For example, the Government has recently announced the outcome of its Digital Challenge competition⁵ and one of the winning bids is for Milton Keynes to provide Digital Service Centres⁶ to broaden out access to ICT (DCLG 2006a). Also in Milton Keynes, one of English Partnership's Millennium Communities – Oakgrove – is being developed to deliver 2,000 homes in a mixed use development that aims to be one of the most IT-enabled communities in the country. Another Millennium Community, the Greenwich Millennium Village, already has a local intranet.

In the Growth Areas, the need to provide new telecommunications infrastructure is an opportunity to ensure that neighbourhoods have access to

5. The Digital Challenge Competition was a challenge to regions, cities or similar sized areas to use technology to transform services to better meet community needs (www.digitalchallenge.gov.uk).

6. Digital Service Centres aim to overcome barriers to the use of digital services in excluded and deprived communities by providing training and loans of equipment, and by installing wireless Broadband networks and Internet TV in homes that would otherwise not have access to such facilities.

Broadband from the outset. The use of that infrastructure to develop local social networks within communities should be maximised. This should be linked to measures such as Digital Service Centres to ensure that deprived residents can access ICT.

Communities: conclusions

The Growth Areas should conform to the Government's objective that new housing should be provided in such a way as to support the creation of inclusive and cohesive communities. It is right that policy and delivery in the Growth Areas should seek to achieve mixed communities, through new developments including a diversity of tenures and housing types. The evidence base for the advantages of mixed communities is favourable, though limited, and we know enough about the consequences of providing 'non-mixed' communities to prioritise a mixed communities approach in the Growth Areas.

However, in determining the appropriate proportion of affordable housing a balance needs to be struck between two imperatives:

- the need to significantly increase the supply of socially rented and affordable housing across the Greater South East; and
- the need to support the Growth Areas' economic strategy and reflect its socio-economic baseline.

A strategic approach to determining mix needs to balance these two factors and consider mix at the level of local housing markets, not just specific sites, and take into account the levels of housing need across the regions.

The scale of change in the Growth Areas' communities, coupled with the different ethnic and social backgrounds of new and existing residents, means that there is a significant risk that without appropriate support, community relations in the Growth Areas will be weak. The results of our focus groups have uncovered the potential for significant tensions in some areas. A breakdown of community cohesion is particularly likely where there are big differences in the backgrounds of new and existing residents, there are already pressures on local services, limited local economic opportunities and insufficient community infrastructure put in place. In the provision of social infrastructure to support growth, there will need to be a strong emphasis on community involvement in the process of delivering those services, so that as far as possible existing communities benefit and the perception that they

are only for new residents is avoided. If the issue of community development in the Growth Areas is not given priority then the objective of creating cohesive and inclusive communities will not be achieved.

In order for the Growth Areas to overcome potential problems with community relations, there are two key areas that require attention. The first is that new developments need to be delivered in such a way as to foster social relations, and avoid segregation. Developments need to:

- be 'tenure blind', so that social rented and affordable housing units are properly integrated with market housing and built to the same standards
- include a high quality public realm, supported by a single management organisation
- include public spaces and community facilities, which are essential to providing places for social interaction and as a focal point for community development action
- include access to play and sports facilities for children and young people
- maximise the potential role for ICT to support the development of local social networks
- have public services delivered alongside residential development and be accessible to, and reflect the needs of, existing residents as well as new residents.

The second key area that requires attention is the provision of resources to support community development work in the Growth Areas. In the New Towns, development corporations had whole community development departments. There is a real risk that in the Growth Areas responsibility for community development could fall between the gaps in the looser, partnership-based approach to development unless specific resources are made available to provide delivery vehicles and local authorities for this purpose.

A failure to invest in community facilities and development risks the Growth Areas' communities developing a similar reputation to those of some of the New Towns, which were considered to be lifeless places to live where residents suffered from the 'New Town blues' (Bennett 2005). This kind of reputation can significantly damage places' ability to become places of choice for residents or to attract business investment. There is also a risk that without action to prevent it, parts of the Growth Areas could have significant problems with community relations.

5. The Growth Area economies

A key question for the sustainability of the communities in the Growth Areas is their economic viability. The long-term future of these areas depends on the relationship between the rates of provision of housing and economic growth. The Government has set out ambitious goals for housing growth and job creation across all four Growth Areas. The Sustainable Communities Plan identified a flourishing local economy to provide jobs and wealth as a key requirement for a sustainable community, although the plan said little about how it expected local economies to grow alongside new housing.

Some of the Growth Areas already have flourishing economies: the main challenge is to provide housing and infrastructure to help support growth. However, other Growth Areas are performing less well. If the Growth Areas are to develop in accordance with the Government's definition of a sustainable community, housing growth needs to be matched by employment growth, through a combination of commuting and indigenous economic regeneration.

These challenges raise some important questions. What are the likely future sources of economic growth in low-performing Growth Areas, and what are the future risks for higher-performing areas? What are the social and economic impacts of a growing commuter economy? How can we improve skills to help local people compete in growing labour markets? How do we deliver and pay for the infrastructure that will underpin growth?

The Growth Area economies also raise some significant challenges in relation to national economic policy. Currently much investment in the UK is concentrated in the Greater South East, but mostly in locations away from the areas that have been targeted for housing growth (for example, the M4/M40 corridor). The Government also has a Public Service Agreement (PSA) commitment to improve the economic performance of all English regions, and over the long term reduce the gap in growth rates between regions. Is it possible to deliver housing and employment growth across the Greater South East, while doing the same elsewhere in the country?

This chapter looks at the economic landscape of the Growth Areas, focusing on two communities at different ends of the growth spectrum: Milton Keynes, and Thurrock in the Thames Gateway. It asks three key questions:

- What are the prospects for employment growth and what measures are relevant agencies using to attract inward investment to the Growth Areas? Could they be doing more?
- What is the likely balance of commuting versus self containment in the Growth Areas, and therefore what are the implications for the balance of residential and commercial development?
- How do the objectives of achieving jobs growth in the Growth Areas sit with wider government priorities for economic growth and reducing the gap in growth rates between regions?

The analysis in this chapter is based on three main sources:

- A survey of the academic and policy literature, including strategy documents, baselines and existing studies
- Quantitative analysis of economic and social data across the Growth Areas
- Interviews with local, regional and national stakeholders.

The chapter is structured as follows. The first section sets out the economic rationale for the Growth Areas, and introduces the case study areas. The second sets out the regional policy context. The third profiles Thurrock and Milton Keynes. The final section presents conclusions about future opportunities and risks for both areas, and lessons for decision-makers.

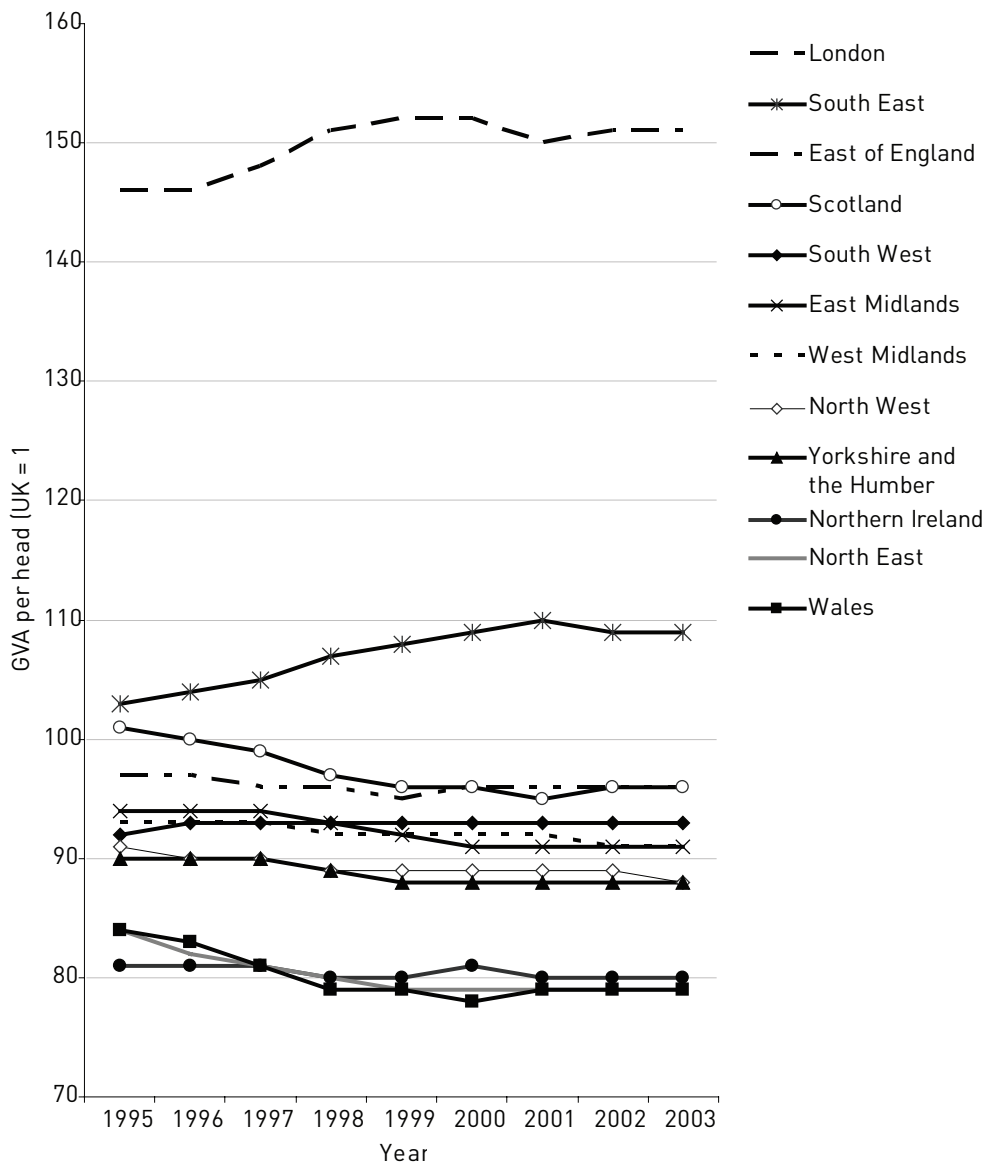
Economic and policy background

This section sets out the economic rationale for the Growth Areas. It then looks at the economic landscape of the Growth Areas, focusing on Milton Keynes-South Midlands and the Thames Gateway. It also looks at the specific policy frameworks for these areas.

The economic case for the Growth Areas

The overriding objective of the Growth Areas is to accommodate the economic success of the Greater South East (ODPM 2003). The three regions that make up the Greater South East are the most prosperous in the country. Compared to the rest of the UK, London, the South East and the East of England have the highest gross value added (GVA) per capita. And over time, growth in the Greater

Figure 5.1 Regional GVA per head, 1995-2003



Notes: The headline GVA series for this publication have been calculated using a five-period moving average. Estimates of workplace-based GVA allocate income to the region in which commuters work.

Source: ONS 2005a

South East has outstripped that of the rest of the country (Figure 5.1).

The analysis in chapter 3 of this report highlighted the extent to which housing output in the Greater South East has failed to keep pace with the rate of household growth, underpinned by the strong economic performance across these regions.

The Government has argued that there is a need to accommodate the population growth of London and the Greater South East, to support economic performance. It also has an objective that everyone should have the opportunity of having a decent home.

There are important national economic consequences that stem from the Greater South East's ability to grow its population and economy. London, the South East and the East regions account for a greater share of the national economy than other regions across a range of measures of economic output and performance (Robinson 2004). London itself imports £110 billion of goods and services from the rest of the UK (Oxford Economic Forecasting 2005) and accounted for 20 per cent of the UK's GDP growth between 1994 and 2004 (ONS Regional Data). The strong economic performance of these regions, and London

in particular, means that they have a role in supporting the UK economy as a whole and the performance of other regions' economies.

To prevent bottlenecks in the labour market developing, people across the income range need to be able to afford to live within travelling distance of their workplace. In London and the Greater South East, on a much larger scale than in other parts of the country, housing affordability is an employment issue. A large commuter economy has developed around the capital, on the back of affordable housing shortages. Commuting places considerable stresses and strains on workers and their families – particularly lower paid workers and low paid part-time workers. Also, high housing price differentials between London and other areas are likely to act as a barrier to inter-regional labour mobility, contributing to wage inflation in the Greater South East.

The economic landscape of the Growth Areas

While the Greater South East includes the three most prosperous regions, economic growth in these regions is far from uniform (Robinson 2004). The economy of the Greater South East has become increasingly polycentric over the past 15 years (Hall and Pain 2006). Towns and cities to the west and north of London – like Reading, Slough and Milton Keynes – have seen strong growth in population, economic output and employment. Some have evolved into economic centres in their own right, with significant commuter flows between them, as well as into London. Urban areas to the east of London have seen less economic growth and have evolved as primarily commuter centres, although some parts of the Thames Gateway have strengths in particular sectors, for example, logistics.

Some of the Growth Areas have been identified for growth because they simultaneously represent a need and an opportunity:

- A **need** because they currently lag behind other areas of the South East across a number of indicators and are in need of regeneration.
- An **opportunity** because they have relatively large amounts of previously developed land available, enabling commercial and residential growth to be achieved with the minimum greenfield land take.

The economic trajectories of the two Growth Areas studied here differ significantly. In Milton Keynes, and the wider MKSM sub-region, the primary challenge is to provide sufficient housing to support a growing economy. In the Thames Gateway – including areas like Thurrock – support for parallel

housing and economic growth is required.

Milton Keynes-South Midlands

MKSM has a strong and balanced economy. At the heart of the region's economy, Milton Keynes itself has experienced above-average GVA growth and its population growth has been higher than that nationally. Future economic growth would be likely to create additional housing demand, with or without the Growth Areas programme. As well as inward migration as a result of economic growth, its young population profile means that Milton Keynes will experience strong indigenous growth. As a New Town, Milton Keynes' development strategy was to achieve self-containment, with the population both living and working within the town. But over time, commuting out of and into the city has increased.

MKSM's economy has been characterised by strong employment growth and significant job creation (Figure 5.2). Unemployment levels are in keeping with those of the South East.

However, skills shortages are a potential future risk for the sub-regional economy. With a lower than average proportion of the population qualified to graduate level, raising the skill level of the workforce is becoming a priority.

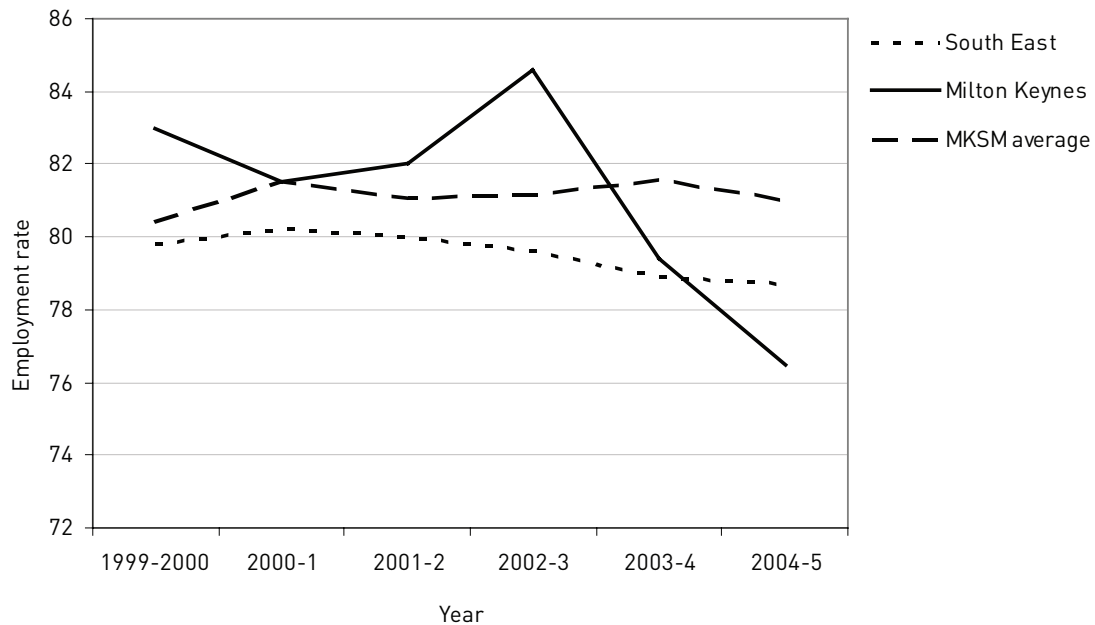
Generally, the economy is well positioned. It has a relative low proportion of its employment in manufacturing. The size of the service sector is in line with the national average. The region's economic activity includes high-value financial services, high-tech manufacturing and research and development, plus a lot of retail.

This picture varies across this large sub-region, however. Some areas of Northamptonshire still have a big manufacturing base. Similarly, there are pockets of low skills. The proportion of people with no skills is above the English average (29 per

Case study: Milton Keynes

Milton Keynes is at the heart of the MKSM Growth Area. A New Town, it has evolved into one of the highest-performing cities in the UK. Milton Keynes has strong population, output and employment growth, and a well-balanced economy. Well-connected to London, it has been a location of choice for investors and has received good flows of foreign investment. More people commute into Milton Keynes than travel out to work elsewhere (mainly to London). The city is now developing a series of broader commuter and economic links with the rest of the sub-region, and nearby cities like Oxford and Cambridge.

Figure 5.2 Employment rates for MKSM, 1999-2005



Source: Nomis 2005

cent) in Luton, Wellingborough (both 30 per cent) and Corby (39 per cent).

A key advantage of the MKSM sub-region is its geo-strategic location within the wider network of satellite economic centres surrounding London. Although east-west links are not good, the north-south axis of road and rail links means it is well situated in relation to London. Indeed, very quick commute times mean that Milton Keynes is 'closer to London than some parts of London', as a stakeholder told our research. But Milton Keynes is not economically dependent on its relationship with London alone. It sits in the Oxford-Cambridge Arc and has deep economic ties to other cities in the Greater South East.

Infrastructure requirements needed for both housing and economic growth include transport and public services. On the transport side, road transport cannot keep pace with the level of growth. A modal shift towards rail and buses is required generally. And more specifically, east-west connectivity needs to increase and business development would benefit from a high-speed rail link with Birmingham International Airport. Some stakeholders also suggested to our research that the rail links to London, although relatively good, could be improved further.

In terms of public services, there is a risk that the provision of key services and social infrastruc-

ture will not be able to match the rate of growth in housing. There is some concern in Milton Keynes that funding formulae for mainstream public services, especially for education and health, are not responsive enough to rapid growth. This problem in Milton Keynes dates back to the days of the New Towns Programme (Bennett 2005). Given the need to increase the skill level of the Milton Keynes population, there is a need for high quality further education facilities.

The big challenge for the MKSM Growth Area is finding the means to finance and deliver these infrastructure improvements. Money will come from the Department for Communities and Local Government (DCLG) (formerly ODPM) Growth Areas funds, and the tariff (see chapter 6). The tariff has gained a lot of attention. But it only has the potential to raise £310 million of the £1 billion needed⁷. It is not the solution in itself, but perhaps an example of the type of innovative revenue-raising measures required to plug gaps in mainstream funding.

The policy framework for MKSM

The MKSM Growth Area sits on the edge of three government regions, with Milton Keynes in its centre. As the city and surrounding urban centres have been identified as a Growth Area, it has been important to set out a clear growth strategy for the

7. Stakeholder interview, Government, November 2005

future, in particular to deal with the fact that the sub-region crosses a number of institutional boundaries. The strategy has been drawn up by the Government Offices for the South East, East Midlands and East of England. As the strategy amends the Regional Spatial Strategies for these regions, it has to have the support of the Regional Assemblies.

The strategy provides new housing and jobs targets for each of the growth centres within the MKSM sub-region, as well as longer-term guidance for sub-regional housing growth (to 2031) and a specific estimate of inter-regional infrastructure spending requirements over the next 30 years (£8.3 billion). The sub-region targets are for 170,000 new homes by 2021 and the same number of new jobs in the main towns by the same year (ODPM 2005d).

Alongside the strategy an MKSM Inter-Regional Board (IRB) has been established, which is currently chaired by Yvette Cooper, Minister of State for Housing, and brings together local authorities, local delivery vehicles, other public agencies, and sub-regional stakeholders. This body sets infrastructure priorities and monitors their implementation, with a specific focus on cross-regional investment that cannot be secured by local delivery vehicles.

In addition to housing growth, the strategy has the following priorities:

- Delivering economic growth and improving workforce skills, especially in high-value sectors
- Regenerating deprived areas
- Meeting both existing and newly arising infrastructure needs, including through a modal shift to public transport.

The strategy suggests projected numbers of new homes and jobs for each area within the sub-regions. Milton Keynes, for example, has a target of 44,900 new homes by 2021, and 70,000 new jobs by 2031. City planners want to concentrate new jobs in high-value industries including information technology, office jobs, research and development. They also want new jobs to be filled mainly by 'new locals', that is, people moving to the area rather than in-commuters⁸. New housing will help stabilise the number of in-commuters and reduce pressure on infrastructure.

Thames Gateway

The economic prospects of the Thames Gateway are much more difficult to describe than those of MKSM. The story of MKSM is driven by the experi-

ence of Milton Keynes itself, and, allowing for a degree of generalisation, the sub-region shares a common economic trajectory. This is not the case in the Thames Gateway. There is not a single urban centre within the Gateway that dominates the economy. Rather, there are a number of relatively small centres (Hall and Pain 2006). In many cases, their most important relationship is with London, not other towns within the Gateway.

There is not a Thames Gateway economy as such, but rather there are a number of economies within the region. As this lack of economic interdependency within the region would suggest, the state of the various towns' economies differs significantly. For example, population growth across the Gateway has been in keeping with South East trends but this has been very unevenly distributed. So some towns have experienced negative growth (for example, Havering and Gravesham) while others have experienced very rapid increases (for example, Newham and Swale).

These patterns mirror trends in the labour market. While some Gateway areas have experienced rapid job growth, employment rates across the Gateway tend to be lower than the South East average (Figure 5.3). Similarly, unemployment levels in a majority of Gateway districts tend to be significantly higher than in the rest of the South East.

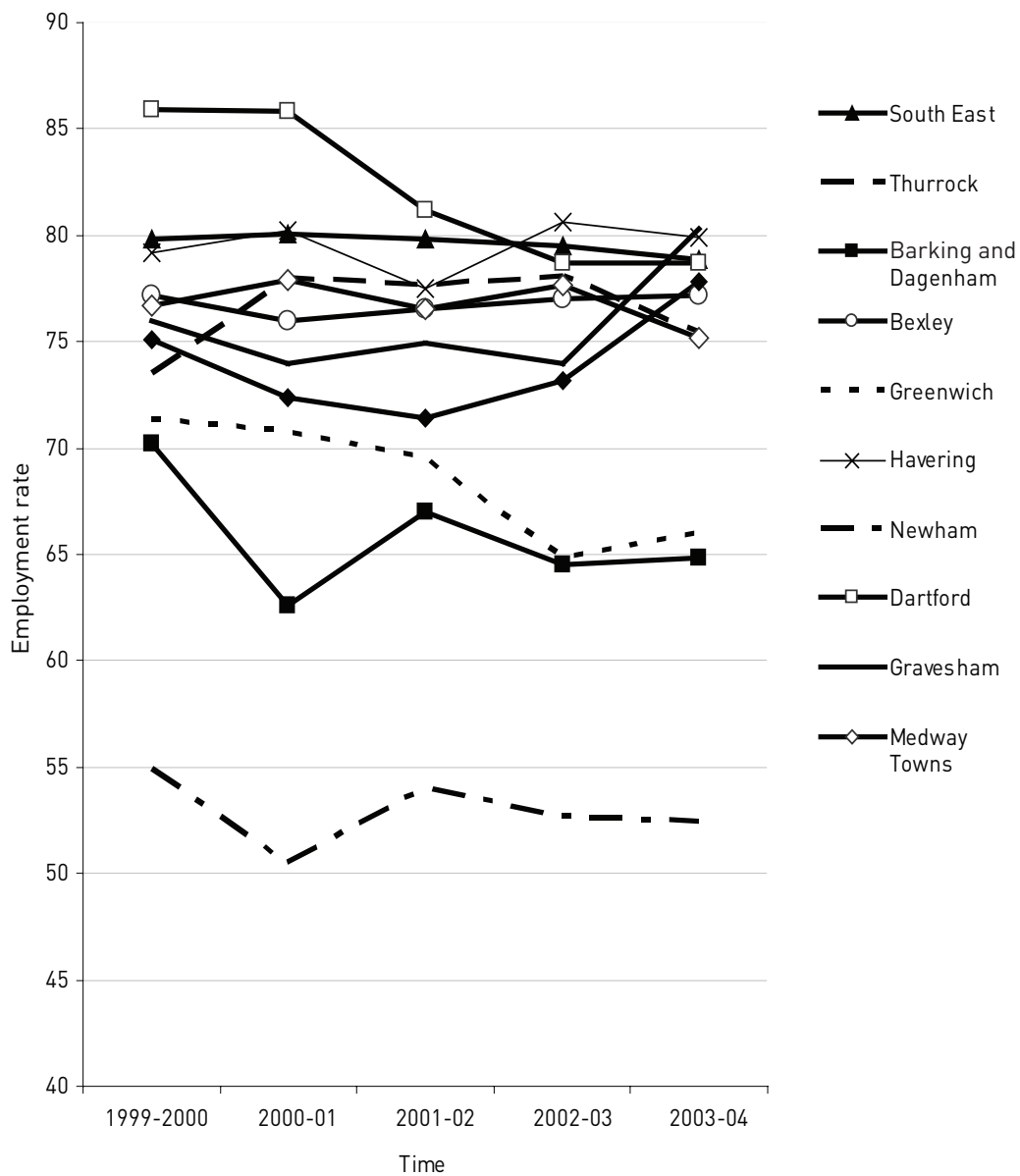
In part, these labour market trends are explained by the economic structure of the area. Generally, the Thames Gateway is over-dependent on a shrinking manufacturing base. The proportion of the workforce in manufacturing has historically been above the South East average. Although some of the losses in manufacturing have been offset by new jobs in retail and leisure, the Thames Gateway has done less well than neighbouring regions in generating replacement work opportunities for

Case study: Thurrock

Thurrock is in the middle of the Thames Gateway, around 25 minutes from London. It is less a city than a cluster of small towns, concentrated around the west of the local authority boundary. Thurrock's economy is strong, but narrow – key sectors are distribution, logistics and retail (in particular, the Lakeside shopping centre). Like much of the Thames Gateway, Thurrock has a poor local skills mix and low levels of school attainment. There is a great deal of commuting into London, and this is likely to grow under the Growth Area programme.

8. Stakeholder interviews, Milton Keynes, February 2006

Figure 5.3 Employment rates in the Thames Gateway, 1999-2004



Source: Nomis 2005

those who used to (or would have) worked in manufacturing. High tech industries are notable for their absence, for example. In the Thames Gateway, economic restructuring is an ongoing process.

Plant and machine operative occupations remain overrepresented (8.3 per cent of employees, compared to 5.3 per cent in the South East) while managerial, professional and associate professional occupations are under-represented (37.4 per cent, compared with 45.6 per cent for the South East). Relative to the South East generally, there is a greater proportion of resident workers with no qualifications (nearly 17 per cent, compared with 11 per cent across the region) and the proportion of skilled residents at all levels is lower than in

neighbouring areas. The regeneration of the Thames Gateway will depend on both basic and higher skill levels being improved.

With low skills and fewer inherent advantages than MKSM, it is even more important in the Thames Gateway that there is a comprehensive approach to growth that takes in housing, education, skills, employment and transport. At the heart will be an ability to make the Thames Gateway an extension of the London economy, taking advantage of its geo-strategic position. In the short term, the economic strategy needs to be based on growing the commuter economy through providing a housing offer that will attract people who work in London to live in the Thames Gateway. The hous-

ing will have to compete on both price and quality with housing in London and other parts of the Greater South East that are close to London. Through increasing the commuter economy, Thames Gateway agencies hope to draw out extra jobs in the service economy, for example, in retail and entertainment. In the longer term, the region will need to further diversify its economy and build its skill base.

The results of our study on prospective residents' attitudes to the Thames Gateway revealed that people on low to mid incomes would be potentially attracted to the prospect of more affordable housing in the Gateway. In contrast, people with higher incomes were less likely to consider it as an option, with people in this group expressing higher expectations of transport connectivity and cultural heritage in their location decisions (Bennett and Morris 2006). This raises significant issues for those parts of the Growth Areas that are seeking to attract commuters and change the skills profile of their area by attracting new residents with high skills.

Both the long-term goal of improving skills and the short-term goal of growing the commuter economy are dependent on very significant improvements in the region's infrastructure and ability to connect and integrate itself with Greater London. As in MKSM, this requires a modal shift away from the road. For some towns within the region, the Channel Tunnel Rail Link (CTRL) will help them achieve this goal. Connectivity within the Thames Gateway, especially with the CTRL, will be fundamental. Other important projects include the Thames Gateway Bridge, CrossRail, and a further extension of the Docklands Light Railway. Without huge investment in infrastructure, job targets will not be met. So a massive challenge for the Thames Gateway will be funding infrastructure projects. A version of the Milton Keynes Roof Tax (see chapter 6) may be an option, but the region will not be able to raise sufficient revenue locally. Further direct funding from central government will be necessary.

The policy framework for Thames Gateway

The Government's plan for the Thames Gateway is to deliver 120,000 new homes and 180,000 jobs by 2021 (ODPM 2004). A Cabinet Committee, chaired by the Prime Minister, has been set up to provide strategic oversight of the programme. The ODPM has committed to provide a Strategic Framework for the whole Gateway during 2006

and is in the process of recruiting a Chief Executive for Gateway, whose role will be to co-ordinate delivery.

Outside of Whitehall, there is a complex hierarchy of strategies and delivery bodies currently responsible for delivery. The Thames Gateway Strategic Partnership comprises the three Regional Development Agencies (RDAs), local delivery vehicles and other delivery agencies. Below this, three sub-regional partnerships provide detailed frameworks for each part of the Gateway.

The Thames Gateway South Essex Partnership (TGSE) is one of the three. It has set out its vision for the area: a differentiated economy with growth points across the sub-region, for example, logistics at Thurrock and business at Basildon (Thames Gateway South Essex Partnership 2005). Delivery priorities are regenerating key sites, attracting inward investment, supporting businesses, improving transport infrastructure and promoting skills.

Like the other sub-regional partnerships, TGSE works upwards with the RDAs and DCLG, and downwards with local authorities, local delivery vehicles, Learning and Skills Councils (LSCs), transport authorities and health and education providers.

At ground level, local authorities, Local Strategic Partnerships (LSPs) and local delivery vehicles take the lead. In Thurrock, for example, the UDC (Thurrock Development Corporation) is funded directly by DCLG. It can gap-fund projects, has Compulsory Purchase Order (CPO) powers and negotiates Section 106 agreements. Thurrock's Local Development Framework is still being drawn up, so the UDC is leading the regeneration and planning process. It lacks statutory plan-making powers but is designing 'quasi-statutory' policies that can be formally adopted later.

Thurrock's Regeneration Framework sets out nine goals, covering economic development, skills, housing, infrastructure, green space, leisure, culture and environmental sustainability (Thurrock Development Corporation 2005). Thurrock's headline targets are to create 26,000 new jobs and 18,500 new homes by 2021. Under this, the economic priorities are to:

- Bring in higher-value economic activity
- Build the existing SME base and bring in more inward investment
- Create employment opportunities that local people can fill.⁹

9. Stakeholder interview, Thames Gateway, January 2006

In the short term, the commuter economy will grow. Better transport infrastructure and a stronger local skills base are central to achieving all three long-term goals.

The Growth Areas and regional economic policy

The Sustainable Communities Plan sets the overall framework for planning, housing and development policy across the whole of England. As such, it is one of several strategic frameworks that affect economic growth. Some of these cut across the Growth Areas agenda, raising strategic tensions and contradictions.

The Government is committed to build more houses and raise employment across the Greater South East. But it is also committed to reducing economic disparities across the country. Since the 2000 Spending Review, the ODPM (now DCLG), the Treasury and the Department of Trade and Industry (DTI) have shared a PSA commitment 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, defining measures to improve performance and reporting progress against these measures by 2006.¹⁰

This target is at the heart of the Government's economic development strategy. Despite the pockets of deprivation in some parts of the Growth Areas, they remain relatively well-off compared with deprived areas of the North and Midlands.

While it can be argued that people can move to areas of prosperity to access opportunities, for reasons of social and territorial justice Government is concerned with *place* as well as *people* (Adams *et al* 2003). Some groups are more mobile than others – not everyone is able to move to opportunity. Structural economic change hits the worst-off hardest. Weak local economies, poor housing and environments, and poor public services create a cycle of decline, concentrating disadvantage in poor areas (Prime Minister's Strategy Unit 2005).

The need to improve lagging regions' performance also helps explain the resurgence of interest in British cities. A growing body of work suggests that conurbations like Leeds, Manchester and Birmingham are the economic building blocks of their regions (SURF 2004; HM Treasury *et al* 2006;

Marshall and Finch 2006). Better-performing cities could help reduce regional disparities, and contribute to key national policy goals: full employment, more even growth and reductions in child poverty (Healey 2005).

The Government is already moving to translate these ideas into policy. First, the Northern Way sets a strategy for narrowing economic disparities across the three Northern English regions (The Northern Way 2004). The delivery plan is based around the North's eight city-regions. A £100 million Growth Fund has been allocated, with the aim of leveraging the North's £60bn of public sector spending (The Northern Way 2005).

Second, the Government is considering greater powers and freedoms for big cities, to enable them to raise their economic performance. DCLG recently devolved significant powers over housing, skills and planning to the Mayor of London (DCLG 2006b) and this may become the blueprint for devolution to other cities. The Lyons Inquiry now covers the role and functions of local government, and will report at the end of 2006. Prior to that, a Local Government White Paper will float ideas in the autumn, which will include policies to empower cities to improve their economic performance (HM Treasury *et al* 2006).

Thurrock and Milton Keynes area profiles

This section provides an outline of the nature and recent development of the economies of Thurrock and Milton Keynes. It draws on economic and social baseline information, as well as a range of stakeholder interviews.

Thurrock

A poly-centric cluster of small towns concentrated around the west of the local authority boundary, Thurrock is a mid-to-good performing part of the Thames Gateway. Nevertheless, GVA levels¹¹ are well below national and South East levels (Figure 5.4). Employment levels are below South East averages but in line with national averages.

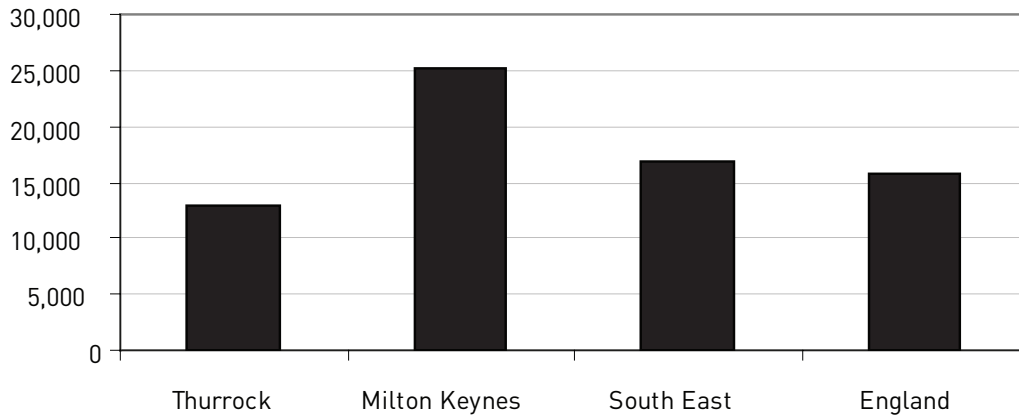
Geo-strategic location

In terms of connectivity, it is Thurrock's relationship with London that dominates. There is a high amount of commuting into London, and this is likely to grow under the Growth Area programme. In 2001, 43 per cent of the resident workforce com-

10. www.hm-treasury.gov.uk/performance/targets/perf_target_105.cfm

11. GVA figures need careful handling below regional level. Local data may not capture the shape of the local economy or labour market. Figures for Thurrock and Milton Keynes are provided at NUTS3 (sub-regional level), and give some approximation of the performance of the local economy

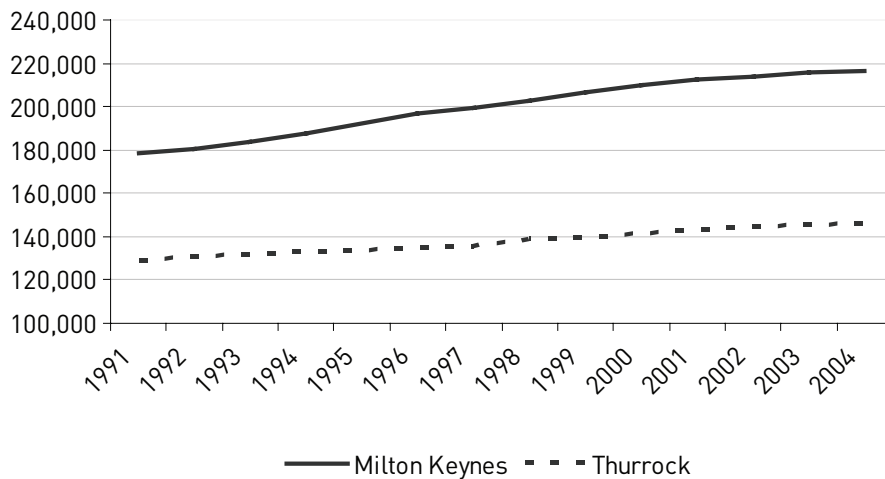
Figure 5.4 GVA per head in Thurrock and Milton Keynes, 2002



Note: Thurrock and Milton Keynes figures refer to NUTS3 areas

Source: ONS 2005a

Figure 5.5 Population in Milton Keynes and Thurrock, 1991-2004



Source: ONS 2005b

mutated elsewhere to work, marking an increase in the level of out-commuting over the previous decade. There is in-commuting at about 60 per cent of the level of out-commuting. Thurrock is a commuter-dependent economy, and is likely to become more so.

In the middle of the Thames Gateway and just 25 minutes from both the Thames crossing at Dartford and Canary Wharf, Thurrock has the potential to become a hub of economic activity but so far it has struggled to fully benefit from London's growth. Poor intra-regional connectivity is presently a barrier. The fact that Thurrock is not a stop on the Channel Tunnel Rail Link gives it a significant weakness compared to other areas.

Demographic characteristics

In 2004, Thurrock's population reached 146,400, having grown at a significantly faster rate than the population of England or the South East between 1991 and 2004 (Figure 5.5). The working age population has grown faster than that of the overall population.

Industrial structure

Thurrock has a strong but narrow economy. Key sectors are distribution, logistics and retail (in particular, the Lakeside shopping centre).

The increase in local population (both in Thurrock itself and neighbouring areas of the Thames Gateway) has the potential to boost the retail sector. The construction sector will also bene-

fit from growth. For other major employment sectors, expansion will be dependent on infrastructure improvements. There is no reason to assume that distribution and logistics sectors can provide the employment opportunities to generate jobs for a growing population. First, both industries are potentially mobile. Second, both react quickly to technological change (for example, container ports are increasingly computerised). So if Thurrock's increasing population is to be employed locally, the economy needs to diversify.

Skills

Despite evidence of gradual improvement, Thurrock has a relatively low skill level profile compared to the rest of the South East. Significantly more of Thurrock's population has no skills relative to both the South East and England. The proportion of the population with NVQ +4 (degree level and above) is less than half the South East average.

There is also a clear skew towards lower grades in the occupational profile. Managerial, professional and associate professional occupations are all under-represented, while personal services and elementary occupations are over-represented.

Milton Keynes

Milton Keynes is a high performing urban area. It has strong growth in output, population and employment. High average standards of living and strong and sustained GVA growth are key features of the Milton Keynes economy (Figure 5.4). The employment level is slightly higher than the national average (although lower than that of the South East).

Geo-strategic location

Milton Keynes benefits from its location and connectivity. Connectivity is important, not just with London but across the Greater South East. There are complex networks of economic interdependencies forming in Milton Keynes. The city is attempting to market itself as part of the 'Oxford-Cambridge Arc'. So far, this is more marketing initiative than concrete strategy, but the Arc has potential to leverage spill-over growth from both cities into Milton Keynes. Delivery will, however, depend on improvements in east-west transport infrastructure.

Between 1991 and 2001 there was a significant increase in the proportion of workers living in Milton Keynes that worked elsewhere: numbers rose from 34 per cent to 43 per cent. More people commute to London than anywhere else. The number of in-commuters travelling to Milton Keynes to work

grew over the same period but at a slower rate.

Demographic characteristics

In 2004, Milton Keynes's population was 218,400. Over the previous ten years, the town's population grew by over 16 per cent, far faster than population growth in either the South East or England (Figure 5.5). The main driver of this has been indigenous population growth, reflecting the relatively young demographic profile.

Industrial structure

The manufacturing sector remains prominent in Milton Keynes, although the service sector is also well developed. Overall, the city economy appears well balanced with high-value financial services, high-tech manufacturing and research and development all prominent. The retail sector is also a significant employer.

A significant proportion of the Milton Keynes population works in elementary occupations. There are relatively few people working at administrative or skilled trades but significant representation among higher skilled professions giving the town's occupation structure an hourglass-shaped profile.

Current concerns about future employment growth surround the footloose nature of many businesses and the perceived threat of off-shoring.

Skills

The Milton Keynes population contains a relatively small amount of people qualified to graduate level or above relative to England and even more so the rest of the South East. This is compensated for by an over-representation of people with NVQ 2- and 3-level qualifications. The number of people without qualifications is above the South East average but below the national average.

Analysis and findings

This section first sets out the future opportunities and risks for Thurrock and Milton Keynes, and suggests how their economies could evolve to 2021. It then draws out lessons for policymakers across the Growth Areas, and in national government.

Growth Area economies: opportunities and risks

The Growth Areas have both housing and employment objectives. In practice there has been more focus on housing to date. There are risks facing both objectives. If the economic objectives are not given enough priority, they will not be met. This will have a significant impact on the social and economic sustainability of the Growth Areas, especially those areas where economic performance is

generally lower. The greatest risk for the housing objectives is the inadequacy of infrastructure to support growth. These issues are being played out in the two case study areas we have looked at, the implications for which we consider in more detail below.

These tensions could be reconciled through a more explicit acceptance that the Growth Areas will spread economic activity, from London over a wider area of the Greater South East. Government needs to be more up-front about the importance of economic development to successful delivery of the Growth Areas. There are some indications that this has started to happen. For example, David Milliband referred to the need for the RDAs, LSCs and sub-regional partnerships to produce an economic strategy as part of a new strategic framework for the Thames Gateway (Miliband 2005).

Milton Keynes

In Milton Keynes, the main risk is on the housing side. The challenge is to provide housing to enable the economy to continue along its upward trajectory. There are also future risks to this economic trajectory, but compared with Thames Gateway, they are relatively low.

The Growth Areas offer opportunities both through the provision of housing and through the infrastructure improvements that accompany them. More houses will reduce bottlenecks in the labour market and commuting, while better infrastructure should improve Milton Keynes' location advantages, and cement comparative advantage over other towns and cities around the North and West of London.

However, if housing is not delivered, problems with labour supply could slow economic growth. Commuter routes will become increasingly overloaded, and house price inflation will become a serious problem. Similarly, failure to deliver infrastructure improvements will further overload roads, rail, education and healthcare across the sub-region. Some of the more footloose employers may relocate to other areas with lower costs, especially those associated with labour costs.

Thurrock

In some senses, the opportunities presented by the Growth Areas are greater for Thurrock than for Milton Keynes. But the need to achieve housing and regeneration goals requires careful balance, and the potential for things going wrong is higher.

One strategic risk for Thurrock is its dependency on commuters. In the short term, employment opportunities within Thurrock will not attract people to the area. People will choose Thurrock for

other reasons (for example, the availability and affordability of housing). The Growth Area strategy has to ensure that Thurrock becomes a place of choice, particularly for middle- and high-income households who can bear the costs of commuting and can, to an extent, work around poor infrastructure. 'Connectedness' and the quality of physical infrastructure are also an important part of the offer, however.

While evidence suggests the bulk of commuters' income is spent where they live, not where they work, relatively high earners will be needed to generate additional employment in Thurrock's local service economy. This is a significant risk given the current lack of leisure and entertainment facilities in Thurrock. If they do not emerge quickly, commuters will spend their money elsewhere and there is a risk that patterns of spending will be engrained. Commuter-led growth would then be a much more gradual process.

A failure to diversify would mean that certain groups would struggle to find employment. Low earners and part-time workers may find it harder to bear commuting costs. An effective regeneration strategy cannot depend upon the demand generated by a commuter economy alone. Thurrock must become a better place to both live and do business and compete with other locations close to London. Achieving these goals will have to be driven by infrastructure improvements rather than population growth.

The two case study areas that we have chosen broadly reflect each end of the economic spectrum. Other locations within the Thames Gateway will have a slightly different set of challenges than those that face Thurrock. For example, Kent Thameside in the Thames Gateway already has a more diverse economic base to build from, is closer to London and will benefit from being a stop on the CTRL. However, like Thurrock, its potential is limited by poor road infrastructure and a low skills profile.

2021 growth scenarios

Given all of this, how might Thurrock and Milton Keynes develop over the next 15 years? We have constructed high, medium and low growth scenarios for both areas. Scenarios cover change in the economy, commuting relationships, housing market, infrastructure projects and delivery partnerships.

Scenarios also cover future political risks – a change of priorities in the current government, or a change of government altogether. It is unclear if a future Conservative administration would change or reverse the Sustainable Communities Plan. At

local level there is a great deal of support for the Plan, especially in the Thames Gateway. And a Conservative government would face the same strategic challenges as the current administration. But it is likely that a new Government will make some cosmetic changes at least.

Milton Keynes: high growth scenario

- *There is continued high growth.* Jobs and housing targets are met.
- *The economy remains strong.* Milton Keynes' base remains diverse, and high-value sectors stay in the city. Central MK develops a better urban environment, and attracts more small firms – including creative industries.
- *Milton Keynes remains the premier location outside London.* It continues to benefit from its wider strategic location, and maintains strategic position in the Greater South East. The Oxford-Cambridge Arc brings in overspill from both cities. There is little impact from off-shoring.
- *There is little change in containment.* There is more commuting in and out of the city, and more 'new locals' moving into new housing stock.
- *New housing is delivered.* There is a clear strategy for delivering housing and social infrastructure. Milton Keynes Partnership's land holdings bring developers on board.
- *Infrastructure improvements are delivered.* Major road, rail, office space projects take place. Funding is delivered through the Roof Tax, and through central government budgets – bent to local needs.
- *Partnerships work.* There is a strong partnership between economic development, skills, housing and public service agencies. Agencies have good capacity and continue to agree on key goals.
- *Political risks are low.* There is long-term Whitehall commitment to the Growth Areas.

Milton Keynes: medium growth scenario

- *There is uneven growth.* The jobs target is met, but the housing target is not met.
- *The economy remains strong.* Milton Keynes' base remains diverse, and high-value sectors stay in the city. Central MK develops a better urban environment, and attracts a few smaller firms.
- *Milton Keynes remains the premier location outside London.* It continues to benefit from its wider strategic location, and maintains strategic position in the Greater South East. The Oxford-Cambridge Arc brings in overspill from both cities. There is little impact from off-shoring.
- *The economy becomes less self-contained.* There is more in-commuting, as residents are priced out of Milton Keynes housing market.

- *New housing is built, but social infrastructure is not delivered.* The Roof Tax provides some funding. Whitehall budgets are not leveraged to fill funding gaps.
- *Transport infrastructure is not delivered.* Road networks are overloaded, and rail improvements are not delivered on time – or at all.
- *Developers scale down commitment.* Not enough new housing is built.
- *Infrastructure is overloaded.* House price inflation prices people out of the city. There is excess demand for schools, healthcare and transport.
- *Partnerships work.* There is a strong partnership between economic development, skills, housing and public service agencies. But it fails to secure long-term commitment from the property and construction sectors.
- *Political risks are medium.* There is no change of Government, but attention moves away from the Sustainable Communities Plan.

Milton Keynes: low growth scenario

- *There is low growth.* Neither jobs nor housing targets are met.
- *The economy weakens.* Low-end elementary/service sectors continue to grow, but high-value sectors shrink or move away from the city.
- *Milton Keynes loses its 'premier location' status.* The city centre becomes obsolete, no longer providing a suitable location to many firms. They move to other cities in the Greater South East. The Oxford-Cambridge Arc fails to deliver real gains. Offshoring has a significant impact.
- *The economy becomes less self-contained.* There is more in-commuting, as residents are priced out of the Milton Keynes housing market. As the economy slows, there is more out-commuting to London and the rest of the Greater South East.
- *New housing is built, but social infrastructure is not delivered.* The Roof Tax provides some funding. Whitehall budgets are not leveraged to fill funding gaps.
- *Transport infrastructure is not delivered.* Road networks are overloaded, and rail improvements are not delivered on time – or at all.
- *Developers scale down commitment.* Over time, not enough new housing is built.
- *Infrastructure is overloaded.* House price inflation prices people out of the city. There is excess demand for schools, healthcare and transport.
- *Partnerships fracture.* As the economy slows and housing strategies fail, public and private sector actors diverge.
- *Political risks are high.* A different Government is elected, and changes the direction of the Sustainable Communities Plan.

Scenarios for Milton Keynes all involve degrees of success. In the low growth scenario, the city under-shoots housing and jobs targets, but remains one of the better-performing areas of the UK.

By contrast, the risks are much greater for Thurrock – and the rest of the Thames Gateway. Here, the low-growth scenario leaves Thurrock much as it is. The economy remains strong but narrow, and the area continues to perform poorly on skills, income and levels of deprivation.

Thurrock: high growth scenario

- *There is continued growth.* Jobs and housing targets are met.
- *The economy remains strong.* Shellhaven (a container port in Thurrock) and other major projects are delivered, and new, high-income residents help the local service economy.
- *The economy becomes more diverse.* The London commuter economy grows, as Thurrock's strategic location in the Gateway starts to pay off. Thurrock also attracts new back office jobs, for example, a local authority and utilities call centre at Grays.
- *The labour market improves.* Skilled 'new locals' move in. LSCs and other providers also improve local workforce skills base. The new undergraduate campus helps raise aspirations in the area.
- *The economy becomes less contained.* There is more commuting to London, and more local in-commuting from surrounding areas. This is partly balanced by more local jobs.
- *New housing is delivered, and occupied.* There is a mix of social housing, and intermediate housing for first-time buyers/middle-class families.
- *Social infrastructure improvements are delivered – in particular, new schools, healthcare and utilities.* Changes to mainstream funding formulae provide the bulk of the money. Additional funding is delivered through a Roof Tax/Planning Gain Supplement, helped by UDC gap funding.
- *Transport infrastructure improvements are delivered.* Thurrock gains from further Thames Crossings and dedicated links to the CTRL.
- *Partnerships work.* The UDC's frameworks are adopted by Thurrock Council. Both build strong links with local service providers, Thames Gateway South Essex Partnership, and RDAs.
- *Political risks are low.* There is long-term Whitehall commitment to the Growth Areas.

Thurrock: medium growth scenario

- *There is uneven growth.* The homes target is met, but not the jobs target.
- *The economy remains strong, but narrow.* There is growth in distribution, logistics, port, retail, but

no diversification. The commuter economy gets bigger.

- *The labour market remains weak.* There is little change to the local skills base, but higher-skilled 'new locals' help the skills profile improve a little.
- *The economy becomes much less self-contained.* The commuter economy into London gets bigger, and there is some in-commuting from surrounding areas.
- *New housing is delivered, and occupied.* There is a mix of social housing, and intermediate housing for first-time buyers/middle-class families.
- *Social infrastructure improvements are delivered – in particular, new schools, healthcare and utilities.* Changes to mainstream funding formulae provide the bulk of the money. Additional funding is delivered through a Roof Tax/Planning Gain Supplement, helped by UDC gap funding.
- *Transport infrastructure improvements are delivered.* Thurrock gains from further Thames crossings and dedicated links to CTRL.
- *Partnerships work.* The UDC's frameworks are adopted by Thurrock Council. Both build strong links built with local service providers, Thames Gateway South Essex Partnership and RDAs.
- *Political risks are medium.* There is no change of Government, but attention moves away from the Sustainable Communities Plan.

Thurrock: low growth scenario

- *There is low growth.* Neither homes nor jobs targets are met.
- *The economy remains strong, but narrow.* There is growth in distribution, logistics, port, retail, but no diversification. The commuter economy gets a lot bigger.
- *The labour market remains weak.* There is little change to the local skills base. Existing industries upskill, and local people find it harder to get jobs. Higher-skilled 'new locals' help the skills profile improve a little.
- *The economy becomes much less self-contained.* The commuter economy into London gets bigger, and there is some in-commuting from surrounding areas.
- *Poor infrastructure and a low skills base makes Thurrock less appealing to potential 'new locals' and inward investors.* CTRL links remain poor. Some indigenous firms move elsewhere (for example, logistics), and there is little migration into the area.
- *New housing is not all delivered, or occupied.* There is a failure to make a good 'offer' to first-time buyers/middle-class families. There is an unsustainable housing mix, with much of the market

housing bought by individual investors and let out.

- *Social and transport infrastructure improvements are not delivered.* Central government funding is insufficient, and funding formulae prevent it from being delivered effectively. Additional funding mechanisms do not provide enough.
- *Partnerships do not work well.* Political uncertainty creates patchy relationships between the UDC and Thurrock Council. Longer term, agency overload continues. The Thames Gateway strategic framework and Chief Executive fail to improve strategic leadership. In the short term, the Olympics divert resources.
- *Political risk is high.* A different government is elected, and changes the direction of the Sustainable Communities Plan.

Lessons for decision-makers: strategy

The Growth Areas agenda is moving from policy to practice. What does our evidence tell us about the chances of success, and what are the emerging lessons for decision-makers? This section sets out some lessons for strategy, and the broad pattern of development in the Growth Areas.

Strategic priorities

Currently, the Growth Areas are more concerned with providing housing than jobs. On the ground, homes targets are harder than jobs targets, which to some observers feel 'aspirational'.¹² In part, this reflects the needs of the different Growth Areas. In broad terms, outside the Thames Gateway, the priority is providing the housing to support and accommodate economic growth. In the Thames Gateway, it is delivering growth in both housing and employment. It is easier to plan for housing than economic development, and so far, the focus of delivery has been on property, rather than jobs or surrounding infrastructure.

This needs to change. First, concentrating on housing – and therefore, a commuter economy – will have some local multiplier effects. But on its own, commuter economy growth is unlikely to meet employment targets (see below). Second, both housing and employment targets are at risk if social and transport infrastructure is not delivered. This is particularly the case in Thurrock and other parts of the Thames Gateway, where infrastructure is key to attracting new residents and businesses.

Patterns of growth

The Growth Areas will not have entirely self-contained economies. While the New Towns set out to be self-contained, they are becoming progressively less so, as transport links improve, and as they evolve polycentric relationships with other cities across the Greater South East. The Thames Gateway has strong radial links into the capital, and these are unlikely to change in the near future (Hall 2005). It is much less self-contained than the other Growth Areas, and we should expect a significant amount of commuting into London.

This means that it is impossible for policymakers to try for a perfect balance of new homes and new local jobs. Some growth of the commuter economy is inevitable, even in high-performing locations like Milton Keynes.

A commuter economy could help generate local employment. Some stakeholders are worried that commuter spending would leak out of the area. Other analysis contradicts this view. London commuters are assumed to spend 85 per cent of their income where they live. In 2002, this amounted to £11.1 billion of spending in the rest of the UK, mainly in the rest of the South East (Oxford Economic Forecasting 2004). This money will help support and grow local services, particularly leisure and retail sectors like food stores, convenience shopping, restaurants and bars. But at the same time, a commuter-based economy may put considerable strain on family relationships and community structures – especially if infrastructure systems are poor.¹³ Also, if there is a lack of retail and entertainment offer from the outset of growth, there is a risk that a pattern of spending elsewhere can become entrenched even once facilities become available.

There is also a risk of 'lockout', where new local jobs are created, but local people fail to get them because of competition from commuters and 'new locals'. A similar scenario will arise if existing industries modernise and upskill – for example, logistics in Thurrock – again locking locals out of the labour market.

From a social justice perspective, it is critical that local people do not lose out from the Growth Areas programme. So it is important to improve local people's skills and employability, so that they can compete in the labour market. Those at the lower end of the labour market typically travel shorter distances to work and face greater barriers to finding and keeping jobs. They tend to find

12. Stakeholder interview, commentator, January 2006

13. Stakeholder interview, commentator, January 2006

work in local labour markets, with employers who hire from the area, such as retailers. Commuting into London will often not be possible or worthwhile. So for these groups, access to local employment is particularly important (Green and Owen 2006).

Better skills for locals must be the key strategic priority – especially in the Thames Gateway, where skills deficits are greatest. Increasing employment opportunities is also important. But creating ‘local jobs for local people’ will not have much impact if commuters or ‘new locals’ continue to get them (Adams 2005).

‘North’ vs ‘South’

Finally, what does the Growth Areas programme imply for other strategic goals? Is it possible to increase housing and employment across the Greater South East, at the same time as reducing economic disparities across the country? Specifically, can you expand London and the Greater South East, and raise economic performance in bigger cities in the North West and North East?

It is very hard to provide definitive answers. In an open market economy, there are limits to any government’s ability to direct growth across the UK. Similarly, economic development is not necessarily zero-sum. There is no ‘lump of growth’ to be apportioned across the UK. Urban economies are also highly interdependent, and while they compete for mobile investment, they do not ‘compete’ like individual businesses (Urwin 2006). For example, around 29 per cent of jobs in London depend on demand from the rest of the UK (Gordon *et al* 2002). The Greater South East needs the rest of the country, and vice versa.

So we need to approach the issue from a different perspective. If development in the Growth Areas detracts from growth elsewhere, this could be for two reasons:

- Sectoral growth in the Growth Areas shifts patterns of industrial location across the country. Key sectors concentrate in the South East.
- Employment growth in the Growth Areas shifts population patterns across the country. People move south to find work.

This has been the basic pattern of British industrial change for the past 50 years (Moore and Begg 2004). But in the past decade, this has started to change as northern conurbations have recovered. At the same time, London has entered a period of explosive growth. This suggests it is possible for North and South to grow together in the future,

particularly in sectors like retail, communications and elements of business and financial services (Simmie *et al* 2004).

However, it is much less easy to overcome the entrenched advantages of the Greater South East, particularly the presence of London. In key sectors like ports and logistics, growth in the South East could hurt prospects elsewhere (Loney 2006).

Latest estimates of regional growth rates suggest some improvement in the growth rate of northern regions. Looking forward, in the short term, there are good prospects for a continued economic recovery of the northern regions. Economic interdependencies between regions mean that the northern regions’ recovery is partly driven by the economic growth that is occurring in the southern regions. Accommodating the economic success of the South may be important to sustaining the ‘rippling out’ of economic growth to other regions.

However, while it is not inevitable that the Growth Areas programme widens disparities between northern and southern regions in the short term, in the longer term there is a risk of reinforcing established patterns of economic growth. While economic performance has improved, the North East’s growth rate remains below average, and absolute disparities between regions persist (Experian Business Strategies 2006). Similarly, ODPM’s *State of the English Cities* report illustrates the clear divide between urban areas in the South and East, versus urban areas in the North and West (Parkinson 2006). With a few important exceptions (growing cities like Manchester and Leeds) on key social and economic measures, cities in the South and East tend to perform 20 to 30 per cent better than places in the North and West. Other research for ODPM asserts that patterns of public spending – particularly on transport, science and innovation – effectively concentrate long-term economic development in London and the Greater South East (Harding *et al* 2006).

So how can the Government meet its commitment to narrow the output gap between North and South? In the longer term, an approach that more explicitly seeks to balance the rates of economic growth across the regions is needed, with a corresponding approach to investment in infrastructure to support economic development. This could ensure that regions with lower economic performance are supported to achieve greater economic growth, while at the same time, investment in infrastructure in the faster growing regions is not simply pouring fuel on the fire and further accelerating infrastructure demand unsustainably (Harding *et al* 2006). Over the 30-year horizons that some of the Growth Areas plans cover, in the

interests of territorial justice, there need to be counterbalancing policies to promote sustained growth outside of the Greater South East, which go beyond the existing regional economic policy framework.

To achieve this, first, all mainstream government departments will need to take a spatial view, and this should be reflected in PSA targets (see chapter 7). Delivering sustainable communities – and improving economic performance across the country – requires transport, skills and science spending to be joined up with economic development and housing.

Second, focusing economic policies on city-regions provides the best chance of boosting regional performance, and meeting national goals. Research by SURF finds that in the North, it will be four times easier to achieve the Government's regional economic performance targets if growth is concentrated in city-regions (SURF 2004).¹⁴ Other evidence suggests that devolving economic powers to city-regions has the potential to improve their economic performance (Marshall 2005).

Growth Area economies: conclusions

At the beginning of this chapter we asked questions in three key areas: about the prospects for jobs growth in the Growth Areas, the nature of the future Growth Areas' economies, and the relationship between a Growth Areas economic development policy and wider regional economic policy. So what are the answers? In brief:

1. The prospects for meeting the jobs growth targets are mixed (see scenarios above). Specific areas' trajectories will be shaped by their current economic base, existing infrastructure capacity and skills profiles. In areas where these are weak, such as many parts of the Thames Gateway, meeting jobs targets will depend on the ability of these areas to diversify the local economy, which in turn will require improvements in infrastructure and the skills base.
2. The patterns of commuting versus self-containment will vary across the Growth Areas. Areas starting from a position of relative economic strength like Milton Keynes have the potential to grow their economy in parallel to their population. Economic development should be a priority in all Growth Areas. However, in areas like the Thames Gateway, growth of the commuter economy may be a necessary precursor to significant growth of the local economic base.
3. The economic development objectives for the Growth Areas need to be made more explicit. In the short term, the Growth Areas should not threaten the recent signs of recovery in the northern regions, and the northern core cities in particular. However, in the longer term a stronger emphasis on achieving more balanced economic growth is necessary, supported by programmes that counterbalance the Growth Areas support of economic growth in the Greater South East, through investment in infrastructure in other regions.

14. This is based on the assumption that growth rates in the South East to 2014 continue at 80 per cent of their growth rate between 1995 and 2001. In practice, the Growth Areas programme may help accelerate growth rates above this level, particularly if major infrastructure improvements are delivered.

6. Delivering growth: infrastructure and structures

The focus of this report has been on the social and economic challenges facing the Growth Areas. The preceding chapters on their demography, communities and economies all raise implications for the provision of physical and social infrastructure in the Growth Areas. These issues are subject to much study elsewhere, but our analysis provides further arguments on the nature of the infrastructure challenge, the previous chapter providing insights into some of the possible responses to that challenge.

While the Growth Areas approach has a number of assumed benefits, delivering concentrated growth on the scale proposed by the Sustainable Communities Plan throws up two key delivery challenges:

- Physical and community infrastructure need to be delivered alongside new housing.
- The Growth Areas span the boundaries of local and regional institutions responsible for spatial planning, transport and economic development.

The more dispersed approach to development, typical of the 1980s and 1990s, allows new development to rely, to a certain extent, on the capacity of existing infrastructure. The gradual changes in population associated with dispersed growth can be more readily catered for by standardised mainstream funding frameworks and local development plans. However, the Barker Review identified a number of aspects of current local funding regimes that produce a lag between population growth and subsequent increases in central government funding support (see below) (Barker 2004).

It could be argued that in the highest growing regions, such as the South East, the dispersed approach has been pursued to the point where much of the physical infrastructure, particularly transport, is now creaking under the strain of gradual housing growth, unmatched by an appropriate level of infrastructure investment (Roger Tym and Partners 2005). In spite of the very significant increases in public spending under this government, spending on housing and transport as a proportion of GDP has only recently approached the levels of the early 1990s (ippr 2005).

Infrastructure

The need for government to invest in adequate infrastructure to support planned housing growth is cen-

tral to the current debates on the draft regional spatial strategies for the South East and East of England. While the Growth Areas approach has brought the issue of infrastructure investment needs into sharp relief, it is not exclusively a Growth Area issue.

The Government is committed to delivering supporting infrastructure alongside new housing. Specific Growth Areas funds were made available through the Sustainable Communities Plan but these budgets were not based on an assessment of the level and cost of infrastructure required to match the Government's growth targets. The Growth Area funds have been supplemented by the Community Infrastructure Fund (£400 million), which will support the additional transport investment needed at strategic sites to unlock further development. The whole question of public finance to support growth is a key aspect of the Government's response to the Barker Review.

In February 2006, the Government completed a period of consultation on proposals for a new Planning Gain Supplement (PGS) (HM Treasury *et al* 2005). This would seek to capture the uplift in land value that arises when land is granted planning permission, with the specific objective of making the resulting revenue available to finance infrastructure. It needs to be recognised that the amount of value uplift that may occur will vary considerably across different sites (English Partnerships 2006). On brownfield sites with considerable land remediation costs there will be minimal value uplift to capture. In areas like the Thames Gateway, where the majority of development is on brownfield land, PGS will only make a limited contribution to infrastructure funding. The Supplement will need to be flexible enough to accommodate a range of land development economics across sites. Also, it will be essential that it is levied at an appropriate level, which is not so high that it stifles development, but also not so low that the funding for the infrastructure of economically viable sites is not forthcoming.

The Government has also announced that it will be conducting a cross-cutting review of infrastructure, which will inform the Comprehensive Spending Review (CSR) 2007. The extent of further funding in the CSR will have a significant impact on the trajectory and rate of growth in the Growth Areas. PGS should improve the funding of infrastructure to support growth, but it will not be able to meet all the infrastructure needs of the Growth Areas. More public money will be needed.

The New Towns Programme faced similar delivery challenges to those of the Growth Areas (Bennett 2005). The New Towns originated in a very different social and political climate, in a period where development was led by the public sector, arguably under a more favourable set of conditions in which to deliver large-scale growth. The New Towns cut across existing jurisdictional boundaries, so powerful New Town Development Corporations were created, which were both public landowners and planning authorities. The New Towns were advanced significant capital resources from the public loans boards, which enabled them to build much of the infrastructure they required, although they still faced significant problems for types of provision that were outside of their control, such as health services (Aldridge 1979). In spite of the different context, the significant disparity, in terms of delivery capacity, between the New Towns programme and Growth Areas (Gardiner 2004) should make the Growth Areas policy makers pause for thought.

Structures

Delivery in the Growth Areas occurs through a range of different structures. At the local level they include Urban Development Corporations (UDCs), Urban Regeneration Companies (URCs) and partnerships of local authorities and the private sector, which are overseen by sub-regional partnership bodies. This approach enables delivery to take account of the very different local circumstances across and within the Growth Areas, and provides a degree of local accountability that was significantly lacking from the New Town Development Corporations.

However, the delivery structures, particularly for the Thames Gateway, have been criticised as being both too weak and too complex (Gardiner 2004; Urban Task Force 2005). The delivery vehicles do not always have the powers or resources necessary to deliver growth, and can be vulnerable to changes in the local political landscape. Certainly the New Town experience would point to the potential benefits of having a greater number of UDCs for the Growth Areas (Bennett 2005).

Before the Sustainable Communities Plan was published, local authorities were allowed to select an appropriate growth vehicle from a range of options. Some local authorities may have been fearful of the UDC option, given past experiences where the development corporations tended to ride roughshod over the local authorities, for example in the case of the New Towns and London Docklands Development Corporation. However, the new breed of UDCs is much more locally accountable and takes less power away from local authorities.

Learning from Milton Keynes

The Milton Keynes-South Midlands Growth Area has the most advanced and best developed delivery plans. Partly this is a function of the sub-region having some specific unique features, which place it at some advantage over the other Growth Areas. However, there are some aspects of its delivery arrangements that could be replicated elsewhere.

Learning from Milton Keynes: institutions

One reason for Milton Keynes' strong position to deliver growth is its history – specifically, a legacy of strong institutions. The New Town Development Corporation had around 1,000 employees. Milton Keynes Partnership and associated agencies have far fewer people to call on. However, many of the key players have remained in place from the New Town days, in new agencies that have spun out of the Development Corporation. Important relationships with the private sector were forged many years ago and have stayed strong. The business community is engaged and shares the values of public sector players. Most significantly, there is broad agreement across sectors on some of the key strategic goals for the area.

Milton Keynes has effectively evolved a 'delivery cluster', much like the industrial clusters elsewhere in the Greater South East. This network of agencies, personnel and shared understanding gives Milton Keynes huge advantages over the other Growth Areas, where institutional relationships are only beginning to form. In Thurrock, for instance, the UDC was only established in 2003. Organic relationships could evolve across the Growth Areas, but will take time to form. Milton Keynes is a good model of what other Growth Areas should aim for in 10 to 15 years' time.

Learning from Milton Keynes: powers

Milton Keynes Partnership and the Growth Areas' UDCs have a broadly similar set of economic development powers, but with two key differences. First, the UDCs only have limited planning powers: they can initiate strategic planning, but the local authority is under no obligation to adopt their ideas. While UDCs can make decisions about certain strategic applications, the MK Partnership also has statutory powers over key strategic sites in the town.

Second, outside its official powers, the Partnership has far greater effective powers to call on. It can leverage considerable social capital (see above). Most of all, it has huge land assets. By owning most of the developable land in the area, it is in a far stronger position to assemble land packages, negotiate with developers and so achieve strategic goals.

UDCs could use compulsory purchase powers to achieve similar ends. But the process is often costly, time-consuming and can be challenged in the courts. Compulsory Purchase Orders (CPOs) are a power of last resort, and a voluntary approach is usually preferable (Marshall and Finch 2006). Moreover, CPOs do not have the capital resources to match the land assets that the Milton Keynes Partnership has inherited from its New Town Development Corporation predecessor.

UDCs are some of the strongest delivery vehicles in the Growth Areas, but are only being used in a few locations. URCs, on the other hand, have no formal powers, small budgets and few staff (Clark and Hackett forthcoming) and across the majority of the Growth Areas there are no single purpose delivery vehicles. In most places delivery falls to non-statutory partnerships of local authorities, which in some cases are hampered by a lack of consensus among the partner agencies.

Learning from Milton Keynes: funding tools

One of the biggest differences in Milton Keynes is the development of its tariff model (sometimes referred to as a 'Roof Tax'), a form of extended Section 106 agreement, which will raise up to £310 million over ten years.

The tariff works as follows. English Partnerships (EP) provides advance funding for infrastructure. Developers pay a flat fee of £18,500 for every home they build. Developers also provide land for schools and hospitals, and undertake to build a given share of social housing. Over time, developers' payments are used to recoup EP's upfront funding. For the public sector, the cash and land deal means the tariff is effectively worth £37,000 per house. While the bulk of the money is split between strategic, trans-

port and social infrastructure, significantly, a small proportion will be used as revenue funding for the voluntary sector to undertake community development. This was the only example we found of planning gains or public resources being set aside for community development.

The tariff provides an important, secure source of funding for social and economic development and has two key advantages. First, Section 106 agreements can take a long time to negotiate, and can hold up the whole development progress (Marshall and Finch 2006). The tariff provides certainty for both developers and planners. Second, the tariff model can be used immediately. The Growth Areas need to fund infrastructure, and tariff agreements can be implemented now because they are part of the current Section 106 system.

However, there are limitations to its wider application, in terms of some of the unique features of the Milton Keynes Partnership and the favourable local land development economics. Milton Keynes' ability to negotiate this kind of arrangement stems from the fact that English Partnerships, through the Milton Keynes Partnership, is the planning authority in this area and so there is a direct relationship between the agency providing public money and the section 106 agreement to recoup it. This also depends on the developments plans being over a sufficiently long term for the financing to work. Also, the Milton Keynes Partnership has been very proactive and assertive in using its planning powers and this has shaped the nature of the relationship with developers such that they have to work with the Partnership. Furthermore, much of the developable land in Milton Keynes can be brought forward for development relatively cheaply. In contrast, in some parts of the Thames Gateway the costs of land

Box 6.1 Kent Thameside case study – delivery hampered by weak delivery vehicle and infrastructure funding shortfall

The Kent Thameside development crosses the boundary between Dartford and Gravesham District Councils, includes the areas surrounding the new Ebbsfleet Station on the Channel Tunnel Rail Link (CTRL) and is planned to provide 28,000 new homes and considerable office and retail space.

The Ebbsfleet CTRL station will give the area excellent rail connections to London, Ashford and continental Europe. However, the capacity of the local road network is limited and can only support growth of around 18,000 homes. Kent Thameside Partnership is looking at options for increasing road network capacity. Currently much of the road improvements are being paid through section 106 agreements. One option could be to apply the Milton Keynes tariff model. Even so, it is likely that limited road capacity will force a reduction in the number of homes built.

Resolving the challenges in Kent Thameside is made harder by the fact that the delivery vehicle, a local partnership, is weak. It has no formal powers and there is a lack of consensus between the three local authorities (the two districts and the county councils), who are the main statutory bodies on the partnership board.

decontamination and remediation, along with flood defence infrastructure, mean that the land development economics are less favourable, and the scope for extracting tariffs, or any form of planning gain, on the same scale as Milton Keynes is limited.

The tariff in Milton Keynes will make a significant contribution (£310 million) to the overall infrastructure costs, but even this will not be enough by itself. In the area of the city covered by the tariff, infrastructure, including works to the M1 motorway, will cost just under £1 billion¹⁵. So overall, the tariff will pay for around one third of this, certainly much more than a traditional section 106 agreement would, but it still requires significant public funding. The major long-term issue that remains is how mainstream government budgets respond to growth, in the Growth Areas and elsewhere.

A further innovative funding model is also being employed in Bedford in the MKSM Growth Area. Bedford has been identified as having the potential to deliver 19,500 homes by 2021. However, progress to this target is dependent on infrastructure deficits in the current plans being overcome. In West Bedford, where 2,250 homes and associated community infrastructure are planned, the development is dependent on a new road bypass, which neither the local authority nor the Highways Agency can fund. The cost of the bypass will exceed the level that the land developer could bear to pay in advance of selling the land on for housing.

To get round this, English Partnerships will fund the local authority to contract the road building, which will enable the landowners to get planning permission with a condition that the housing is delivered within a specified timescale. Another condition is that English Partnerships and the local authority will share in the uplift in the land value when the land is sold for housing over a ten-year period, which has been secured through a legal charge over the land.

This model as used in Bedford overcomes cash flow problems that block many large development sites, where landowners and developers cannot bear the full costs of gaps in infrastructure upfront through a section 106 agreement and mainstream public funds are insufficient. Net public infrastructure costs are minimised and the approach even allows for the possibility of the public sector accruing a net gain from its upfront investment, which can be recycled in another location.

The potential of public private partnerships (PPPs) for growth

Public private partnerships have become a very important mechanism for enabling private sector investment to accelerate the delivery of capital projects in the public sector. However, while PPPs are widespread in the education and health sectors, they are less developed in the delivery of housing and communities. Most of the examples of existing housing and related PPPs are in regeneration areas. Data on commercial property investment performance shows that investments in regeneration areas match the UK average for property investment and in some sectors perform better than average (IPD 2006). There is a willingness within the private sector to make long-term investment in regeneration areas which could in future extend to areas that are growing rapidly.

Regeneration PPPs can fill gaps in investment that cannot be met through planning gains or public sector budgets. Where less and more profitable investment locations can be bundled together within a PPP, investor confidence can be increased in areas that would not otherwise attract investment (Mills and Atherton 2005). In a regeneration PPP model, the public sector provides cash investment and assets (most often land), the private sector provides further cash investment as an equity stake in the partnership, and the assets can be used to raise debt finance. In the field of regeneration, governance arrangements vary and are evolving, but are likely to become more standardised in the future (ibid). Partnerships generate a commercial return through the enhancement of the land value that occurs as a result of the improvements in local infrastructure. In a Growth Area this return could be realised through development projects with a third party developer.

For PPPs to play a greater role in this sector they need certainty and to avoid delays in decision making processes by public sector bodies (ibid). In the Growth Areas delivery vehicles that can accrue control public land assets and align public sector interests and funding streams would increase the viability of a PPP model to deliver up-front investment.

Delivering growth: conclusions

Across the Growth Areas, the biggest single policy issue is how to fund and deliver infrastructure. At base, it is about how to deliver the nuts and bolts of sustainable communities, not just in the South East, but also in the Housing Market Renewal programme

15. Stakeholder interview, July 2006

in the rest of the country (Nathan and Urwin 2006). From an economic perspective, infrastructure is critical to growing existing industries, attracting new investors and drawing in skilled people. Connectivity – access to markets and suppliers – is a critical factor in business location decisions (Cushman & Wakefield Healey & Baker 2004; Kornblatt and Troni 2005).

The key point is that for agencies on the ground, it is far harder to deliver sustainable communities than it should be. There are three key challenges:

- *Cultural and capacity barriers*: many public sector health and education bodies lack experience of large-scale investment.
- *Funding formulae*: funding formulae for health and education do not allow investment ahead of newcomers arriving. This can limit investment time horizons.
- *Levels of funding*: there are shortfalls for key projects, particularly transport infrastructure and healthcare.

By slowing down investment and project delivery, these funding issues create additional strategic risks for the private sector. So there are knock-on effects, and over time, these may put whole programmes at risk. The scale of the problem differs across the Growth Areas. One calculation puts the funding shortfall at £2 billion in the South East – but at £6 billion in just the southern half of the East of England region (Roger Tym and Partners 2005).

Where might new sources of funding come from?

First, it is becoming clear that the 2007 Comprehensive Spending Review (CSR) will be tight. Government has signalled that infrastructure investment will be a priority in the CSR, but the overall fiscal position is likely to mean there is limited scope for significant increases above current levels of investment (HM Treasury *et al* 2006). Second, besides the Roof Tax, there are a number of innovative finance mechanisms available or under development, including evolving public-private partnerships for regeneration, which have the potential to attract long-term institutional investment (Hackett 2005). But these are all essentially niche funding tools, which will only be viable in particular circumstances (for example, where there are publicly-owned assets involved) and will not fully plug shortfalls in mainstream funding.

This means that central government needs to provide better strategic leadership, and better use of existing budgets, which dwarf regeneration funding. To do this, the Office for the Deputy Prime Minister suggested that it is sufficient to ‘maintain dialogue’ with other key spending departments (ODPM 2005b). However, when Minister for Communities, David Miliband also argued that ‘all Departments should be regeneration departments’, not just ODPM (Miliband 2005b). This suggests that ODPM had failed to gain enough political traction to get other departments meaningfully involved. Its Select Committee, for example, was yet ‘to be convinced that the Department will be able to ensure the co-ordinated Government action needed to meet its goals’ (ODPM Select Committee 2006b).

7. Conclusions and recommendations

Creating communities of choice in the Growth Areas is a huge challenge. It is not just about building many homes, rather whole new communities, often in areas where the existing communities are excluded and deprived. This means putting in place a framework that supports the provision of not just housing, but also physical infrastructure, public services, retail and private sector services and community facilities.

The analysis in this report highlights gaps in the current policy framework. In this final chapter we recommend how they can be addressed.

1. The Growth Areas will help, but will not solve, the Greater South East's housing shortage

The Growth Areas represent a strategic response to the need for increasing housing supply within the Greater South East in a way that reflects concern in the region about preserving undeveloped land. A strategic spatial planning approach, supported by targeted infrastructure investment, will deliver more homes than would otherwise be built. But our analysis of the most recent demographic evidence suggests that in London, the South East and the East of England, even if the Growth Areas housing targets are met, there will still be a significant shortfall between rates of new housing supply and new household formation. Over the period 2001-16 this amounts to the additional housing supply from the Growth Areas needing to be doubled to keep up with demand.

The Growth Areas are meant to deliver a step-change in housing supply, but under current plans the step is too low. In the long run, the Government has an ambition to deliver housing at a rate much closer to the rate of household growth in England (HM Treasury and ODPM 2005). Its objective is to increase housing supply across the whole of England by around a third to 200,000 homes a year by 2016. To achieve this objective in the Greater South East the Government has three choices. It could:

1. Demand higher housing targets from the three regional spatial strategies, without directing where growth within those regions should be focused; or
2. Identify new locations where concentrated growth can be achieved; or
3. Increase the housing targets of the Growth Areas.

To an extent, the Government is already pursuing the first two options. It has already signalled that it believes that the proposed housing targets in the draft regional plans in the South East and East are too low. It will also shortly announce the outcome of the 20 bids it has received for funding from the £40 million New Growth Points initiative. However, pursuing these options alone will not be enough.

In the three largest Growth Areas there is enough land capacity to deliver more homes than the current plans provide for. There are delivery vehicles and partnerships already in place and new infrastructure is being delivered. While the delivery arrangements and infrastructure investment are not adequate, it will be better to build on existing arrangements and investment than open up major new fronts in the growth strategy.

Government should:

- Review the Sustainable Communities Plan with a view to identifying the scope for a densification of the existing Growth Areas
- Use the CSR 2007 to identify how the Growth Areas can further support the Government's objective of increasing housing output to 200,000 per year by 2016.

We estimate that the infrastructure investment implications of providing a further 200,000 homes in the Growth Areas in the period up to 2016 will cost around £300 million a year (see point 5 below).

2. The Growth Areas need to be family friendly

The results of our qualitative research combined with analysis of patterns and drivers of migration point to a high proportion of the future demand for housing in the Growth Areas coming from families, even though new household growth is dominated by rising numbers of single-person households. The housing and quality of life offer in the Growth Areas will therefore need to be attractive to families with children. This means that the mix of housing types in the Growth Areas, the social infrastructure and local facilities will need to be appropriate to the needs of families with children.

There is a growing concern that although household size is declining, a significant proportion of new housing developments are almost entirely dominated by two-bedroom flats (ODPM Select

Committee 2006a). Over-provision of a particular housing type in a location will undermine the creation of mixed and sustainable communities. In 2000/01, when new planning guidance was introduced, around a third of all the new homes built had two or fewer bedrooms; by 2004/05 this had risen to almost half (ODPM 2005c). Developments that only consist of one- and two-bedroom flats might be suitable for city centre locations (Nathan and Urwin 2006), but they will not reflect the demand for new housing in the Growth Areas.

The quality and phasing of social infrastructure will be extremely important if the Growth Areas are to attract families. Capital planning for social infrastructure requires financial commitments to be made in advance of demand for those services. However, many public funding streams invest in response to growth in demand, rather than in anticipation of it.

The importance of access to local, good quality education provision in making decisions about where to live can be seen in the £60,000 premium that families are willing to pay to secure a home within the catchment area of a high performing primary school (Gibbons *et al* 2005). This is a major concern in the Growth Areas because the funding mechanism for schools depends on the number of children living in particular locality. This is perfectly logical, except for areas experiencing significant, rapid growth. In areas with high levels of new development, families with children will have to move into an area before funding will be made available to increase school provision (Walker 2005). It is very hard to attract families with children to an area where there are not yet schools in place.

Our roundtable discussion with housing regeneration practitioners highlighted the provision of appropriate play and sports facilities for children and young people as being critical to good community relations. Where young people are unable to access facilities, their behaviour becomes a source of conflict between residents, which undermines the community. In a context where there is significant pressure on the public funds to deliver the most basic aspects of the necessary physical infrastructure, there is a real danger that sufficient resources for community facilities, including play and sports facilities, will not be available. This will undermine cohesion in the new communities.

Government should:

- Strengthen the guidance on local development frameworks in Planning Policy Statement (PPS) 3 to ensure that new developments include an appropriate balance of housing for different housing types in individual developments, rather

than across the plan area

- Review the way in which mainstream funding mechanisms respond to growth, with a view to improving their responsiveness in rapidly growing areas
- Ensure that the new PPS3 recommends that large-scale new residential developments include adequate provision of community facilities in their master plans.

3. Taking a strategic approach to mixed communities

The Growth Areas are a response to the housing pressures of the whole of the Greater South East. As a concentrated approach to meeting the needs of these three regions, some people will have to migrate to these areas to access a decent home. However, planning for housing at the regional and local level is still based on the presumption that housing needs and demand are generated and accommodated within the same sub-regional housing market area (for example, see page 10 of the draft PPS3 (ODPM 2005a).

For the Growth Areas, where there is anticipated to be greater migration into these areas, a broader strategic approach to planning for housing is needed to reflect the fact they will be accommodating more housing need and demand from across the Greater South East. This will be important for addressing the appropriate mix of housing types (see above) and tenures.

In determining the appropriate proportion of affordable housing a balance needs to be struck between two imperatives:

- the need to significantly increase the supply of socially rented and affordable housing across the Greater South East; and
- the need to support the Growth Areas' economic strategy and reflect its socio-economic baseline.

A strategic approach to determining mix needs to balance these two factors and consider mix at the level of local housing markets, not just specific sites, including their existing level of affordable housing provision, and take into account the levels of housing need across the regions.

Government should provide strategic oversight and monitor the net impact that the plans for housing provision in the Growth Areas will have on the housing needs and demands across the growing regions. This should then inform planning guidance given to the Growth Area delivery vehicles from the Department for Communities and Local Government (DCLG) and advice given to the

merged Regional Planning and Housing Boards through the new National Housing and Planning Advice Unit.

The monitoring and advice should be informed by:

- An understanding of demographic change and migration at the inter-regional level, including the types of households as well as overall growth
- Balancing the objectives of achieving a socially and economically viable mix of housing types, while at the same time maximising the opportunity to increase social housing provision.

4. Providing for community development

Our qualitative research has highlighted the potential for tensions in the Growth Areas between new and existing communities. To date, the need for community development in the Growth Areas has not been given sufficient priority.

Community development will be important for ensuring that the plans for development and investment in new physical and social infrastructure in the Growth Areas reflect the needs of existing communities as well as new residents. Engaging existing communities will be necessary to avoid them viewing new infrastructure and public services as only being for the benefit of newcomers.

Community development will also be essential for fostering social networks within large-scale new developments and good relations between new and existing residents. Community development was a core function of the delivery vehicles in the New Towns, but responsibility for community development in the Growth Areas has not been allocated to any organisation or sector and there are no specific public funds available to support it. The Milton Keynes 'roof tax' was the only example of a funding mechanism that included specific provision for community development that we identified in this study. More generally, the only capital funding source for local community infrastructure is planning gain. Under the Planning Gain Supplement (PGS) proposals, section 106 agreements would no longer make provision for community infrastructure and therefore it will be essential that some resources from PGS are identified for this.

Government should:

- Include the challenges of integration and cohesion that housing growth presents within the terms of reference of the Commission on Integration and Cohesion
- Provide revenue resources for the provision of community development in the Growth Areas

- Encourage delivery vehicles to make provision for community development with their partners, including through setting aside a small proportion of developer contributions to fund it
- Ensure that, if and when it is implemented, some of the resources from PGS are set aside for local community infrastructure.

In order to support the creation of inclusive and cohesive communities planned and delivered in such a way that can foster social relations, and to avoid segregation, developments need to:

- be 'tenure blind', so that social rented and affordable housing units are properly integrated with market housing and built to the same standards
- include a high quality public realm, supported by a single management organisation
- include public spaces and community facilities, which are essential to provide places for social interaction and act as a focal point for community development action
- include access to play and sports facilities for children and young people
- have public services delivered alongside residential development and be accessible to, and reflect the needs of, existing residents as well as new residents.

To achieve this outcome, planning guidance needs to be robust on issues such as on-site provision of affordable housing, and planning authorities need to be bold in their expectations of new developments.

5. Housing growth cannot be delivered on the cheap

If housing targets are not supported by adequate funding from the public sector and private finance, the communities in the Growth Areas will not be sustainable. The Growth Areas must become communities of choice.

Inadequate funding of the physical infrastructure in the Growth Areas risks leaving communities spatially isolated, and will undermine their attractiveness to high value commuters and as a business location for potential investors. Developers will see the Growth Areas as a higher risk development and will be reluctant to invest in delivering high quality development. A shortfall, or lag, in the provision of social infrastructure will also undermine the ability of Growth Areas to attract higher income households and exacerbate the potential for community tensions between new and existing residents. Developments without high quality public space, fully integrated social and market housing and

access to community facilities will not achieve inclusive and cohesive communities.

Without enough funding to deliver the full range of physical and social needs of the new communities in the Growth Areas, they will not become communities of choice. The local economies will be weak and the communities will be deprived and socially divided. There is real risk that they will become the regeneration needs of the future.

Government is aware of this risk and has acknowledged the crucial role that public investment in infrastructure plays in supporting sustainable housing growth. The cross-cutting review of infrastructure that will feed into the CSR 2007 must put the Government in a better position to identify the level of infrastructure investment needed in the Growth Areas and to support its long-term objective of delivering 200,000 new homes a year in England. The review should also explore the full range of funding mechanisms for capturing land values and attracting long term institutional investment in growth.

While we need to have a better understanding of the scale of the infrastructure spending necessary to support growth, it is already clear that current levels of public investment, even when combined with planning gains, whether through section 106 or PGS, are not sufficient to achieve socially and economically sustainable communities. In order to support the Government's long-term ambition of providing 200,000 homes a year in England, the CSR 2007 needs to:

- ensure that the development of the proposed PGS does not undermine the development of other finance options, such as the Milton Keynes tariff model or Bedford cash flow mechanism
- explore the scope for regeneration PPP models to be applied in Growth Areas
- review the funding formulae of the mainstream departments, in particular the Department for Education and Skills (DfES), the Department of Health (DOH) and the Department for Transport (DfT), to ensure that they are more responsive to increases in demand associated with growth
- provide a comprehensive assessment of the infrastructure spending implications of the Government's long-term housing targets
- identify a further £300 million¹⁶ a year for the Community Infrastructure Fund to support the higher rates of growth in the Greater South East

necessary to meet housing demand. Some of this spending can be funded through planning gains, via the PGS or another land value capture model. The Transport Innovation Fund could provide a further source of funding for strategic transport infrastructure in the Growth Areas under the Productivity Schemes criteria.¹⁷

More generally, where resources for infrastructure investment are tight, spending should be prioritised on areas that will add greatest value – those with growth potential (that is, developable land), but significant current infrastructure deficits. They should be delivered in a way which maximises the potential to leverage private finance through PPPs, or for public investment to be recouped from developers when the profits from infrastructure investment can be realised through a cash flow mechanism.

In the long run, building on the PGS consultation and the Lyons Review, government should review the current system of property taxation with a view to replacing it with a system of land value taxation. As well as more effectively capturing the private profit that occurs when land values increase as a result of public spending on infrastructure, it would also support macroeconomic stability (Maxwell and Vigor 2005).

6. Economic growth and housing growth

To create economically sustainable new communities that do not become more deprived locations within the most prosperous regions in the country, the Growth Areas strategy needs to be more explicit about economic development and the spreading of economic growth across a wider area of the Greater South East. Economic development and skills objectives need to be aligned with housing objectives in the Growth Areas. This is already happening at the local level in some of the Growth Areas, but national policy needs to catch up and support delivery vehicles in joining up economic and housing growth.

Co-ordinated delivery of infrastructure will be essential to achieving economic growth, as well as supporting housing growth. Improving places' potential as business locations will be important for those areas that need to attract investment to diversify their local economy. The co-ordination of resources and delivery at the appropriate spatial scale will require stronger delivery vehicles that can

16. Details of how we calculated this estimate are set out in the appendix.

17. The Transport Innovation Fund will run from 2008/09 when £290m will be available, increasing to £2,550m by 2014/15. Funding is allocated to projects that meet either 'congestion scheme' (i.e. demand management) or 'productivity scheme' (for example, strategic transport that supports labour market mobility or the agglomeration of business activity) criteria.

proactively intervene in site preparation and drive forward masterplans that create space for local economic activity as part of a joined-up approach to housing and economic development. This will need to include a focus on human capital. For example, across the Growth Areas, government should allocate control of adult skills and employment budgets to sub-regional partnerships.

Policies for supporting growth and the economies of the Growth Areas and the Greater South East need to be reconciled with national policy for reducing economic disparities between regions. The long-term strategic tension is that if the Growth Areas meet their economic objectives, this may be at the expense of other regions. In the short run, current trends would suggest that investment to support growth in the South need not occur at the expense of growth in the North. However, in the long run there is a risk that without counterbalancing policies to support the infrastructure of other regions, spatial inequities in public investment will cement regional economic disparities. Government needs to strengthen its commitment to reducing regional economic disparities through:

- measures to empower city-regions to improve their economic performance
- extending its regional economic performance PSA target. This could involve a clear commitment to narrow absolute regional disparities in GVA per head, across the whole of the UK. The target should cover DfES, DfT and DWP, as well as the existing lead departments, DCLG, HMT and DTI, which should maintain lead responsibility.

7. Delivering communities of choice

If achieving sustainable communities is about more than just housing, then the strategies for the Growth Areas need to reflect this. Government is committed to delivering a strategic framework for the Thames Gateway, which will combine economic, social and environmental objectives. At the very least, the new framework needs to make the implicit assumptions about spreading economic growth into an explicit objective supported by economic development and skills strategies for the Gateway.

The strategic framework for the Thames Gateway should go beyond spatial strategy, and encompass and align housing, economic development, skills, transport and social infrastructure and community

development. The framework needs to allocate responsibility and public resources to meet specific objectives and targets in all these areas. The strategic framework for the Thames Gateway should then be used as a model for strategic frameworks for the other inter-regional Growth Areas (Milton Keynes-South Midlands and London-Stansted-Cambridge-Peterborough).

Delivery arrangements should also be strengthened at the local level. The experience of both our case studies suggests that the Growth Areas should review their delivery vehicles by 2008. Where appropriate they should be given the option to evolve into UDCs, with funding made available for start up costs. DCLG should closely monitor all delivery vehicles, and prepare examples of best practice than can be adopted across the Greater South East.

In order for the strategic frameworks to achieve their objectives, the Growth Areas need stronger leadership and a vision that is shared across government and with delivery agents and local authorities. The Government is in the process of appointing a Chief Executive for the Thames Gateway. This role needs to be given the powers and resources necessary to co-ordinate and drive forward delivery of the strategic framework as well as providing greater focus to strategic decision making and accountability across the gateway as a whole. The other inter-regional Growth Areas also need stronger and more focused leadership.

Commitment across government for achieving its objectives for the Growth Areas should be supported by a revised version of the Government's PSA target for housing supply. This target will need to be revised to reflect the Government's long-term housing growth objectives. The new PSA target should set the objective of achieving housing growth and regeneration through the delivery of sustainable communities across all regions. HMT and DCLG should be the lead departments, but the DfES, DOH and DfT should also have responsibility for meeting the target. This PSA should sit alongside a strengthened Regional Economic Performance PSA target.

The concept of sustainable communities has strong support, but has been criticised for being vague. The Growth Areas, and indeed wider housing policy, need a shared vision for what a sustainable community should look like on the ground. All of government, not just DCLG, and its partners need to commit to achieving a common vision. Without that commitment the Growth Areas are at risk of becoming stigmatised as the 'new New Towns'.

ippr's vision for communities of choice in the Growth Areas in 2016

By 2016 the Growth Areas will have exceeded their original targets for housing output as the rate of house building and infrastructure provision has increased to better match new household growth, while respecting environmental limits. The new homes are provided in well designed neighbourhoods with high quality shared public spaces. The housing is built at sufficient density to support local public and private sector services within walking distance, but includes housing and green spaces suitable for families. Residents are able to walk to local shops, a primary school and primary health care services. The Growth Areas have been used as an opportunity for innovation and have become exemplars in the provision of better public services.

A local bus service connects communities to the nearest town or city centre with regular rail services, retail and leisure services. The homes are of different types and designs and social rented and low-cost homeownership homes are mixed in with market housing and built to the same high design and material standards. The new homes have been built to very high environmental standards and neighbourhoods have modernised energy generation and waste management systems.

Some of the residents commute to jobs in major economic centres using high-speed rail links, some commute more locally and others work locally in new local retail and leisure services, business-to-business services and back office functions, creative, environmental and high technology industries. An increasing proportion of residents work from their home either on a self-employed basis or because teleworking has become increasingly common.

The neighbourhoods have a strong sense of community, where people know each other through using local services and some residents are involved in a local community group. The new public services have been located and designed to be accessible to new and more established communities and the shared benefits of growth have overcome initial misgivings between new and existing residents. All the neighbourhoods have been wired-up from the outset, and online networks have played an important role in developing social capital and engaging communities in local services and democracy.

Overall, the quality of life in the Growth Areas has meant that they have become as popular places to live as established locations within the Greater South East. Lessons from the delivery of growth in the Growth Areas have enabled other regions to respond to housing demand more effectively. Other locations are able to integrate public and private investment in new areas so that different elements of a sustainable community are delivered alongside each other. Public attitudes to new housing improve, and support grows for environmentally and socially sustainable development to meet demand. The problems of runaway house price growth, overcrowding and homelessness have become less acute.

Appendix: Estimating the infrastructure costs of higher housing growth targets

In 2005, Roger Tym and Partners (RTP) was commissioned by the South East Counties to assess the level of infrastructure necessary to support the draft spatial plans for the South East region, and the 'Eastern counties' (Essex, Bedfordshire and Hertfordshire, plus Thurrock and Luton Unitary Authorities), and the extent to which these infrastructure needs would be met by existing funding sources. The results of its analysis were published in 2005 in the report *The cost and funding of growth in South East England*. This is currently the most robust and comprehensive publicly available analysis of infrastructure needs in the South East. We have used their analysis to estimate the public infrastructure costs of increasing the housing targets in the Greater South East by 200,000 over the period to 2016.

In the South East region the draft regional plan made provision for 572,500 homes to be delivered over the period 2006 to 2026 and the draft East of England plan made provision for 205,500 homes in the Eastern counties over the period 2006 to 2021. The overall conclusion of RTP's analysis is that the South East faces a £1.9 billion shortfall and the Eastern counties a £6.1 billion shortfall in public funding for new infrastructure. The large difference between the two figures is because the Eastern Counties need a much higher provision for transport infrastructure. This partly reflects a greater deficit in transport infrastructure, but may also be a function of the East of England plans being more advanced at the time the analysis was conducted and therefore having more developed transport infrastructure plans than the South East.

In its analysis RTP found that:

- There is no gap in funding for health and social services, although provision may lag behind growth and the impact of current health service reforms could change this position.
- There is no gap in funding for schools and education, although there may be specific problems around the timing of provision in some locations.
- There are no funding gaps in the provision for utilities *per se*. However, there are concerns about cash flow and the risk that suppliers face in investing in advance of demand. There are specific concerns about water provision, and whether the water companies will invest in increasing supply sufficiently in advance of growth.
- There are no funding gaps for social housing, local open spaces and play areas *if* the majority of planning gains are spent on these (which cur-

rently is not the pattern for use of planning gains). If planning gains are needed for other infrastructure (like transport) then there is likely to be a shortfall in the funding for social rented housing.

- There is *not* enough funding for other local government services (community centres, libraries, cemeteries) and for some of these the only source of potential funding is planning gain.
- There is *not* enough funding for non-national transport infrastructure by a significant margin.

In calculating the overall size of the net public sector shortfall in funding for infrastructure, RTP first calculated the funding shortfall for transport and non-housing local government services. This is summarised in table A.2.

These figures do not include any contribution to the funding of infrastructure from planning gain. In its analysis, RTP goes on to calculate the extent to which planning gain could reduce these funding gaps. In doing so it first assumes that social rented housing has first call on planning gain contributions. In combination with funding from the Housing Corporation and other sources, planning gains can meet the costs of social rented housing with some funding left over for the purposes. The impact of the residual planning gains is set out in Table A.3.

However, in practice, social rented housing is not the first call on planning gain. If more planning gain contributions are used to meet other costs, as is the case in the majority of schemes, then it is likely that there will be a significant shortfall in the funding for social housing.

For this report we provide an estimate of the infrastructure costs of increasing the housing targets up to 2016 in the Greater South East by 200,000 homes. Given that the Government is planning to change the way in which planning gains are captured, through the proposed PGS with a proportion of revenues being paid into the Community Infrastructure Fund, this creates a significant degree of uncertainty about the net public funding requirement to increase housing output to this level. Therefore, in using the RTP analysis to estimate the infrastructure cost of the additional housing identified by this report, we have based our calculations on the figures for gross infrastructure costs before planning gain contributions from Table A.2.

From these figures, a per-dwelling unit cost of

Table A.1 Infrastructure costs in the South East region and Eastern counties

	South East region	Eastern counties	Total
Number of homes	572,500	205,500	778,000
Total public infrastructure costs	£29,660m	£15,630m	£45,290m
Total funding gaps, not including social rented housing or planning gain contributions	£5,550m	£7,212m	£12,762m
Total funding gaps, including social rented housing provision, net of planning gain contributions	£1,900m	£6,100m	£8,000m

Source: Roger Tym and Partners 2005: 10, 104-05

Table A.2 Public sector funding gaps in transport and local government services

Item	Gap in South East (£m)	Gap in Eastern Counties (£m)
Transport	4,267	6,703
Social and community facilities	687	261
Sports centres	200	90
Open space/play space	286	118
Libraries	58	25
Cemeteries	52	15
Total	5,550	7,212

Source: Roger Tym and Partners 2005: 100

Table A.3 Public sector funding gaps with planning gains, net of social rented housing costs

	South East Region (£bn)	Eastern counties (£bn)
Public funding gap	5.5	7.2
Planning gain contribution (net of social rented housing)	-3.6	-1.2
Net funding gap	1.9	6.0

Source: Roger Tym and Partners 2005: 101

Table A.4 Estimating the cost of increasing housing output in the Greater South East by 200,000 homes

RTP estimate of public sector funding gap (excluding housing and planning gain)	£12.7bn
Number of additional homes this will support	778,000
Estimate of per-dwelling cost	£16,300
Estimate of total costs of 200,000 additional homes to 2016	£3.2bn
Over ten years approximately	£300m pa

£16,300 for transport and local government services can be calculated. Applying this to the 200,000 home shortfall figure gives an overall cost of £3.2 billion. Given that this shortfall covers the period to 2016 this gives an annualised infrastructure cost of approximately £300 million.

This figure for annualised infrastructure cost does not include funding for health and education services as this should increase with population through standard funding formulae. It does not include funding for social rented housing as these will be significantly affected by the proposed planning gain reforms.

This provides an approximate estimate of the scale of resources that need to be added to the Community Infrastructure Fund if the Government wants to achieve its objective of increasing housing output to meet household growth by 2016 in the Greater South East. The proposed PGS, if implemented, would deliver revenues to provide a significant proportion, but not all, of these resources.

It may also be possible to provide some funding for strategic transport infrastructure under the Transport Innovation Fund's productivity schemes criteria. The Transport Innovation Fund will run from 2008/09 when £290 million will be available, increasing to £2,550 million by 2014/15. Funding is allocated to projects which meet either 'congestion scheme' (i.e. demand management) or 'productivity scheme' criteria. The productivity criteria include schemes that: increase the mobility of people or goods in a way that reduces business costs; support agglomeration of business activity; support the mobility and flexibility of the labour market; increase international competitiveness and trade through improving ease of movement of goods and services; increase network resilience and choice for business users. Arguably, some of the strategic transport infrastructure needs in the Growth Areas will meet these criteria. However, there will be significant demand for resources from the fund from other locations.

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