TEN GROUP

Notes of discussion at Meeting of 24th November 2003, at Milton Keynes on financing infrastructure and resourcing services

Present:

John Best, Chief Executive, Milton Keynes Council

Peter Bishop, Director of Environment, LB Camden

Chris Donovan, Assistant Director (Strategy, Planning and Regeneration), LB Bexley

Marc Dorfman, Director of Regeneration, LB Ealing

Paul Evans, Strategic Director of Regeneration, LB Southwark

David Hennings, Director of Strategic Planning, LB Haringey

Apologies:

Craig Anderson, Director of Environment, Reading Borough Council

Phillip Goodwin, Director of Planning and Development, LB Croydon

Richard Simmons, Director of Development and Environment, Medway Council

Daniel Zammit, Corporate Director, LB Redbridge

The meeting was preceded by a bus tour that took in the wider area, with housing, and the centre, looking at the Campbell Park, where proposals are underway to densify housing around it. A briefing pack was circulated beforehand providing background information on building concordats and new towns, the Milton Keynes/English Partnerships project, and case studies of Gateshead/Newcastle partnership and expansion of the new town Almere, in the Netherlands.

The meeting began with a short presentation by John Best, following a detailed outline that had been supplied to members in advance.

Milton Keynes – developing a vision for a sub-region and working with multiple partners to fund expanded services as well as infrastructure in advance of new housing

Milton Keynes starts with the great advantage that the others do not of having large amounts of land under public ownership, a high capacity road system, and a growing economy that employs four-fifths of the residents, resulting in low travel to work times. It is well located and therefore well-placed to continue to grow. It has reached an outline agreement with English Partnerships to share the costs of extending the infrastructure in the central area in return for a proportion of the uplift in land value. A statutory body is proposed in MK with accountability through EP and with more local stakeholders. The remit is something around the cost of services. This could provide a useful model for other areas, along with the Urban Development Corporation's record for repaying Treasury investment. However the maximum achievable without imperilling the investment is 25% of the eventual value, and this assumes public land ownership in the first place.

Developing the centre is the easy part, but despite its size (four Nottinghams), it accounts for only three square kilometres out of a total of over 120. Unresolved problems include securing a quality bus service in a settlement that is so dispersed, and avoiding all the increase in land values going to those who have options or own the surrounding agricultural land. They are also looking at how to fund the proposed reinstatement of rail services to Oxford and Cambridge, which would reinforce the 'arc of opportunity', and the introduction of multi storey car parks to help intensify the city centre.

A bigger problem for Milton Keynes, and for much of the South East, is funding the expansion of health and education services to keep pace with population growth. The annual revenue funding deficit for the Council varies from year to year but is at least £10 million, of which £ 5-7 million is due to the lag in reflecting population increases in the government's Grant Assessment, with the rest being due to 'ceilings' or top-slicing to support other LAs. The total rises to £20-30 million if the costs of extra health and police services are added. As a result a growing town gets a lot of pain for no real gain. Hence it is hard for the democratic process to take account of the medium term, and to capture the 'big choices'.

Problems also include:

- Maintaining an ever expanding public realm, and avoiding vandalism detracting from the look of the place
- Engaging the wider community in the 'growth process'
- Providing enough teachers to go with the new schools that can be funded through betterment
- Cutting hospital waiting times (which may call for different approaches to health).]

Discussion session

A two-hour discussion followed the presentation, focussing on the problems and possibilities in getting funding for services. It covered:

1) ***Key issues in implementing sustainable communities, including the relationship with central Government***
2) ***Which partners and mechanisms might be appropriate?***
3) ***Milton Keynes as an experiment, and as a 'Trojan Horse' for change***
4) ***Brokering distinctive and exceptional deals***

The slightly extended discussion time worked well, and the session was very successful in making the Group feel they had begun to 'invent things' in addressing the question of what might work. The following notes summarise discussion under each heading, followed by a list of some specific points made.

At the end of the session the Group began to consider what future action it might take, and a summary of this is in a separate document.

1) Key issues in implementing sustainable communities, including the relationship with central Government

Despite great differences in the local context, for example between Milton Keynes and Haringey, Ten Group members faces similar challenges in responding to pressures for growth, and accommodating increases in population. Considerable progress is being made locally on agreeing a shared vision and phased strategy for developing key sites, but getting 'joined up thinking' in Government is still very hard. The centralisation of funding in the UK creates fundamental barriers in resourcing sustainable communities, which will make it difficult to achieve the Government's objectives of securing higher economic growth, while reducing environmental impact and social exclusion. The challenge therefore is to move planning beyond simply creating new homes at higher densities, and to link these to better transport, balanced activities, more sustainable development, and expanded local services.

- Urban renaissance is not just about design features, its about building successful balanced communities.
- The pressure is on for housing growth – 'sustainable growth is the only show in town'. But how are other elements delivered? For example, schools are funded only if the local authority puts its hands in its pockets.
- What do Government departments bring to regeneration despite a new commitment to regeneration?
- A difficulty is that the 'growth agenda' is set by John Prescott and Jeff Rooker; and is not shared by the NHS. The health agenda is based on where hospitals are worst [not where growth is planned]. While there is money for health and education, this is about replacement not growth.
- There is a payoff for the Treasury in hitting housing targets. But building communities is more than housing targets.
- From the political perspective the growth agenda for Haringey leads to fear of loss of powers, and that costs will all fall back on the local authority. Also growth targets mean that Haringey has to build five new schools but how do they get the land and buildings, and the capital to acquire them?

- There are benefits to the region growing, and regional government needs to play a role in allocating resources.

2) Which partners and mechanisms might be appropriate?

To secure the support of local politicians and other stakeholders, real changes are needed in the way resources are allocated. Hence there is a strong case for being able to agree a 'concordat' or protocol with the different Government departments, rather like the 'covenant' used to secure commitments in Holland or the French Contrat de Ville, to reflect local priorities.

- The argument should be that you seek to densify an area to get better value out of scarce assets, and then borrow against expected tax proceeds [like the US system]. But the 'quality deal' doesn't seem to exist in the English system. Instead of relying on complicated formulae (even thought their intention may be 'fairness'] you need to show real public benefits from growth. The problem is who to enter into an agreement with. There are European precedents, eg Dutch polder mentality, French contrats de ville. There may be precedents in Britain too: New Towns got fast revenue, and Bucks got additional revenue for opening schools. What is the tax take? And how can we borrow against it? Local authorities have a small income that is heavily determined, and little discretion in spend. How do you leach money out of growth into running a place? The pressure point is the Treasury. Education and Social Services are big blocks so that flexible money for other things is very small. Southwark adds little bits to things, as it is not as pressured on creating new as is MK.
- More certainty is needed through the Public Service Agreement. The Government guarantees 3 – 6 years of funding and this has to be backed up with a 'protocol' so that short term rolls on to mid-term and to long term. Need to scan forward 30 years; see how different things were 30 years ago and how much they could change in the coming 30
- How does it work in Holland? Is there Government commitment over time? In the first 30 years, Almere was given land at rock bottom prices. For the next 30 years they are talking about getting private money into what was previously seen as public infrastructure. Its partner is Amsterdam, who is committed to seeing Almere grow. This is not relevant for MK which is not on the edge of London or Birmingham, so its only linkage is with ODPM or EP.
- The RDA not relevant in MK, as it is for London. MK is a SEEDA authority (with Guilford its centre!). EP is local, present and active. Government will trust the EP mechanism. There is no value that SEEDA can add, and as the economy is booming, SEEDA is not that interested.

- Our institutional memory is that we have escaped from the Development Corporation, and we do not want it back, and there is no history of an Urban Development Corporation delivering services. What about local authority control? A DC is proposed for the whole of the upper Lea to provide infrastructure, but with no local authority control.
- Capital and revenue need to be separated to avoid 'revenue drag'. How do you use public sector resources to kick start development? Southwark wants enough space to do things in an uncomplicated way. Don't think about endowing public sector with public sector assets.
- The challenge is that at local level there are all sorts of partners at different levels of control and power. While the local authority can forward think, few partners, e.g. the Police, are in a position to do so.
- In MK public space did provide a means of realizing assets: Assets were endowed to MK Council but there is clawback by Treasury if values are realised. So they cannot collect uplift in values and there is no asset to reuse, and therefore no incentive. However, the MK Parks Trust was set up and endowed so that it did not belong to the local authority. It was given retail assets, and this has worked well enough. Is there a PFI route with capital and revenue in a single pot to fund services? The person taking the capital project on should have revenue responsibility. But local services should be run by local people and not by e.g. construction companies.
- Use planning obligation mechanism where housebuilders could pay a tariff linked to the value of development.

3) Milton Keynes as an experiment, and as a 'Trojan Horse' for change

As Milton Keynes has been designated as a Growth Area, and has already crossed a number of hurdles, including developing a Sub Regional Spatial Strategy and a development framework for the city centre, it is in a good position to innovate in terms of the funding mechanisms as well as the way new housing is built. MK has something negotiable around return to the Treasury, in contrast to Haringey where land for development is all owned privately. A suggestion was to designate half the MK area as MOL. Densify and make developable land scarcer; keep a bit and sell it high.

- New towns were the single most effective public investment that has been made with a tremendous revenue stream to the Treasury. In London the investment framework must be pan London, while in MK it is in a sub-regional level, e.g. MK and the South Midlands. A new approach to planning that goes beyond current regional boundaries is needed.
- Government needs successes in delivering growth in the South East. MK is in a prime position to experiment and deliver growth of a suburban area. The (admirable)

urban design work MK has done is key to demonstrating living at a higher density. Managing post-design, ie. managing space has to replace state management.

- The Government decided that MK was rich, e.g. net incommuting and good jobs etc, and therefore that it must pay for itself. So to get more money MK must invent new ways. It should look across Europe at local government and tax systems that might help, for example more controversial BIDs; prudential borrowing.
- All these suggestions and questions are apposite, and people are really interested. MK is 'an extraordinary experiment' ahead of greenfield sites. Everywhere wants to densify: if you can't make MK work, what chance is there for e.g. Haringey or Ealing?
- MK has been in conversation with Lord Rooker and the suggestion is that they will get money by providing a unique formula – one that applies to no-one else! But how do you avoid the money being taken back by the other hand as there are so many different priorities, e.g. environment, hospitals?

4) Brokering distinctive and exceptional deals

The group was excited by the idea of being able to work up a set of principles that could be used to negotiate changes in the funding system for local government in areas that were playing a key role in implementing the Sustainable Communities Plan. Milton Keynes has a mass of relevant information, plus a secondee from the Treasury. But it may achieve more through making common cause with other authorities, as the Core Cities have done, and getting the message over in a number of different ways. The aim is for individual authorities involved in substantial growth to negotiate their own direct agreement or 'quality deal' using existing 'freedoms', such as Prudential Borrowing, plus various forms of 'hypothecation'. You could put conditions in place, eg.. how good are you at managing yourselves? Then you could demand things.

- The growth incentive thing won't work so well for people. It won't work for just anyone. Something distinctive is needed in each case – a separate agreement or deal to try and make formula work – a deal saying something exceptional in each case. Is a political debate needed on who is on different 'strands' e.g. London boroughs, seaside towns etc?
- For those authorities committed to expansion, is there the possibility of entering into an agreement with Government for certain rights in return for certain obligations? Are different formulae needed for different places?
- We need to move away from rhetoric and think how to trick or fool the government. Threaten? Kent have equated infrastructure demands with growth demands. The Thames Gateway approach is that if we grow housing, we need public transport infrastructure. Thames Gateway shows a deal can be done. A contract proposed for the London boroughs to enter in with Government – a LDC – is described as a

partnership, but there will be problems with the concept. There will be a clearer picture next summer. But will it deliver e.g. nurses' salaries? Local authorities are aware that the UDC will not deliver, but could the UDC put pressure.

- Do we have to persuade people to tax themselves more in order to achieve quality of life? E.g. like bond mechanism, because in the end the Government will say, if you are doing well, no help.
- In MK it should not be the Government saying you must develop 30,000 houses, it should be MK saying that this is good for us. The only way to fund services is to allow some growth benefit to stay in the system.
- For a long time 'new town receipts' were used to balance other figures. Government needs an hypothecated way of using money – you need to demonstrate that you can generate more, and that the more should deliver purposes that in turn will deliver more.
- Do we have a sub-regional strategy setting out how we relate to the rest of the region?
- There is a lag in the system which only catches up when growth stops. The Treasury is agreeable to transition funding to cover until there is a reassessment of population.
- LSPs are not seen as an element of the answer.
- What about Misc 22 Cabinet Committee?
- What about renting land to developers?

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