Partnerships and politics
Urban development partnerships in the UK

1.0 Introduction
Over the past 30 years, the UK has seen huge changes in urban policy, and in the way that regeneration projects are undertaken. After public sector attempts to revive de-industrialising inner cities in the late 1970s, the Thatcher Government promoted private sector leadership in regeneration, albeit backed by tax-breaks and public sector 'enabling'. Since the 1990s, the tide has again turned, and public authorities have developed new ways of working with private developers, creating a legal, fiscal and institutional infrastructure that falls between a laissez-faire reluctance to 'interfere' with market forces, and the insistence that public goods can and must only be specified and delivered by public authorities.

This paper has been drafted to provide background information to the Mackenzie Presbyterian University/SECOVI-SP team, during the Urban Age 2008 investigation into South American cities. It presents an overview of the UK planning and development process, a brief overview of developments during the last 30 years, then focuses on the ever-expanding range of development and partnership models now in place, before making some concluding remarks.

2.0 Context
In common with countries across the world, the UK's cities are marked by the transition from an industrialised to a more service-based economy. This has left large areas of previously-developed 'brownfield' land within or near to city centres. In many cases these sites are well-positioned in relation to heavy transport infrastructure (particularly rivers and railways), but not easily accessible by public transport or local roads. In addition many brownfield sites are heavily contaminated, and ownership is often fragmented, giving sites a negligible or negative development value without heavy public investment. Nonetheless, as the UK's population has grown and the need to contain urban sprawl has assumed ever-greater importance, the efficient re-use of brownfield sites has become crucial, both to accommodating a growing population and to reviving older cities in the UK.

The paragraphs below give a summary overview of the UK planning system, then review how public private partnerships have evolved to bring brownfield sites into active and productive use, while seeking to realise public benefits from the development process.

2.1 Development and planning in the UK
Since the Second World War, the UK has had a hierarchical land use planning system. Its generic features are as follows:

- Central government sets overall ***planning policy***, determining standards and policies in relation to a range of issues including environmental protection, regional housing targets, preservation of town centres, and transport and development links. It now also sets ***regional spatial strategies*** for areas outside London,
- Elected local authorities prepare ***land use plans***. These define permitted land uses in different locations (eg, housing, office, industrial, retail, mixed), set out protection policies for public amenities (eg, parkland), define the

quantities and densities of development permitted, set requirements in terms of affordable housing (ie, subsidised for sale or rent), car parking and environmental standards, and - on occasion – set design guidelines. Before adoption, plans are subject to public consultation and must be in accordance with national guidance and regional spatial strategies.

- Local authorities also make ***planning decisions***, responding to proposals by individual householders (eg, for an extension) and by commercial developers. Major decisions are taken by committees of elected councillors meeting in public, with formal public consultation and a right of appeal. Major applications are sometimes 'called in' for decision by central government, usually following a quasi-judicial public enquiry.

In London, the Mayor of London is an intermediate authority, setting a spatial development strategy ('The London Plan') for the capital. The Mayor also has the power to take decisions himself for applications above certain thresholds.

2.2 Market-driven regeneration – the 1980s

As Britain's manufacturing industry declined in the 1970s and 1980s, brownfield sites became the subject of intense political debate, with many elected local authorities intent on a strategy of re-industrialisation, to create jobs that would suit people who had previously found employment in manufacturing, or of building public housing to serve those communities. The Conservative government elected in 1979 took a different view. Viewing local authorities' publicly-funded approaches as slow, and either incapable of or actively resistant to engagement with the private sector, Mrs Thatcher's Government established a new type of delivery mechanism, the ***urban development corporation*** (UDC).

Urban development corporations (13 were established in the 1980s, and three more in recent years) were intended to bring private sector expertise and focus to bear in areas where local authorities, the traditional promoters of regeneration, were not capable or willing to promote development. To this end, private sector-led boards were appointed directly by central government, and given specific powers that would normally reside with local government:

- taking planning decisions;
- channelling government funds into 'regenerating' land (cleaning up pollution and building infrastructure); and
- compulsory purchase (ie, compensated requisition of privately held land ('eminent domain' in the USA)).

The UDCs were extremely controversial in their early years, reflecting the intense polarisation between the Thatcher government and the left-wing councils that controlled most urban areas, but UDCs gradually began to work more closely with local authorities as well as with private sector development partners. The best-known UDC was the London Docklands Development Corporation (see Case Study 1)

Case Study 1 – London Docklands Development Corporation

By the early 1970s, the traditional function of east London's docks was being undermined by industrial change and in particular by the rise of containerised shipping. By 1981, the scale of the problem was becoming clear: since 1967, Docklands had lost 150,000 jobs and around 30 per cent of its population, with 50 per cent of land becoming derelict[1].

London Docklands Development Corporation took over land from a variety of owners. Using government grants, it cleaned up contamination, and installed road and light rail transport infrastructure, including new trunk roads and tunnels. Assisted by tax breaks, sites were then marketed to the private sector for development (and receipts returned to government), but LDDC and its government sponsors resisted preparing detailed masterplans for the sites under its control – the market would decide what was built. Over the 17 years of its life, the LDDC invested £1.9 billion of public money, and attracted £7.7 billion of private funding, built 24,000 homes and around 1.5 million square metres of commercial floorspace.

The impact of LDDC on east London was huge: the inner docks were converted to housing, the Isle of Dogs (the heartland of the docks) became the site of Canary Wharf (London's second financial services district), and the outer docks now house a short-haul airport and an international exhibition centre. But controversy persists. While most LDDC developments have been successes on their own terms (Canary Wharf is the most obvious example, though its first developer went bankrupt), they have been criticised for their failure to integrate into east London's urban fabric, or to deliver significant economic or social benefit to the persistently poor populations that live around them.

2.3 Re-discovering partnership – the 1990s

In the early 1990s, as the UDCs began to wind up their activities (and the replacement of Margaret Thatcher indicated a change in tone from Government), relationships between central and local government – and between local government and the private sector – began to improve, and 'partnership' became the dominant model.

Central government began to offer funding, through the ***Single Regeneration Budget***, on a competitive basis to partnerships (sometimes set up as companies, sometimes less formally established) that were expected to include both private sector players and community interest groups. Most of the partnerships that applied for funding were public sector-led, but most also allowed some role for private developers. Where projects had a significant physical development aspect, this new approach to partnership also succeeded in levering private sector investment into economically marginalised areas of the UK, where market failure had previously dominated[2].

At the same time, legislation introduced in 1990 formalised a method ('Section 106 agreements') through which local planning authorities could require developers to provide public amenities (for example, new roads, schools and public spaces) or to provide payments to enable the public sector to do so. During the 1990s, these powers were frequently used to require developers to provide social housing (ie, with subsidised rents), filling the vacuum that had been left following local authorities' government-enforced retreat from house-building during the previous decade.

[1] Peter Turlik, *Initiating Urban Change*, *LDDC Monograph,* 1997, on www.lddc-history.org.uk
[2] DETR, *Lessons and evaluation evidence from ten Single Regeneration Budget case studies*, 2002, on www.communities.gov.uk

3.0 *Current models of practice*

Recent experience of the above model shows failure as well as success, but a much more open attitude towards public-private partnership in relation to urban development is now visible, and has been accompanied by a much more sophisticated range of tools and negotiation techniques.

Most public authorities and private sector developers now recognise that each has something to contribute: private sector developers can access finance, and expertise in design, building and marketing places that is rarely to be found within the public sector; the public sector for its part has certain regulatory functions, as well as the ability to contribute public sector funding and assets.

The paragraphs that follow give a brief overview of different models of joint working, classified according to the contribution of the public sector: whether its role is solely regulatory, or whether it also contributes funding and/or assets to the development process.

3.1 Regulatory models

For major developments, particularly those involving the re-use of brownfield sites, the formal submission of a planning application is likely to mark the end of a preparatory process that can take five years or more.

Major development proposals within the UK are usually based on a spatial masterplan, which will set out land uses, design guidelines, development quantities, public amenity provision and phasing proposals. These masterplans may be commissioned entirely by a private developer in control of the land, though often in close consultation with the public sector. In other cases, masterplans are commissioned by the public sector, forming the basis for the preparation of detailed planning guidance or (if the public sector partner has land interests) of development briefs.

England's Urban Task Force (UTF), appointed by the incoming Labour government in 1997 to advise on ways of delivering more housing as efficiently as possible, identified a systemic failure on the part of English projects to achieve the quality of architectural and urban design visible in the best continental and international schemes, and argued that this was condemning English cities to decline. The UTF's report, 'Towards an Urban Renaissance'[3], argued both for more focus on integrated masterplanning, and also for new institutions to promote design quality. The Commission for Architecture and the Built Environment and Design for London are responses to this recommendation (see Case Study 2). These new institutions complemented the role of English Heritage, which acts through the planning process to protect buildings of historical architectural value.

Case study 2 – regulating and promoting design quality

The Commission for Architecture and the Built Environment (CABE) was established to encourage policy makers to create places that are safe, beautiful and efficient to run. Their work includes:

- advising clients, contractors, architects and planners
- helping public agencies with good design
- supporting public agencies in boosting their in-house design expertise
- promoting better education, skills and careers for the built environment

[3] Urban Task Force, *Towards an Urban Renaissance*, 1999

- conducting research and running campaigns on architecture, design and public spaces.

Beyond their research and campaigning activity, CABE has two main programmes: *enabling*, which involves appointing architects and urban designers to work with public authorities to commission masterplans and building designs, and *design review*, which involves a process of expert review of designs as they enter the planning process, with (non-binding but influential) advice passed to developers and local authorities.

In London, architect Richard Rogers (who led the Urban Task Force) was appointed by the Mayor Ken Livingstone to set up a team (which the author of this report managed for a period), now known as Design for London (DfL). DfL takes a slightly more sustained and proactive approach to its work within the capital, working closely with local authorities and mayoral agencies to brief, procure and manage architects and urban designers, in order to prepare masterplans, planning guidance and development proposals. DfL also acts as the Mayor's design advisor on schemes commissioned or funded by the mayoral agencies (Transport for London and London Development Agency).

Negotiations on design quality (which may include joint procurement of design teams) are accompanied by negotiations on a range of other matters. These are generally expressed through a Section 106 agreement (see Case Study 3), often negotiated through an open book approach, which allows the public authorities to see private sector profit projections, in order to assess what level of demands for Section 106 payments or provision is reasonable.

Case Study 3: planning obligations in practice

Barking Riverside is an isolated 179-hectare brownfield site on the banks of the River Thames in East London. Over the past ten years, extensive masterplanning has taken place, with the involvement of Design for London in the most recent plan, prepared by a joint venture – Barking Riverside Limited (BRL) - comprising English Partnerships (a government agency, which has invested in clean-up of the contaminated site) and Bellway Homes (a residential developer).

An outline planning application was granted permission in 2007, and proposed a total of 10,000 homes, to be built over the next 20 years. It was accompanied by a detailed Section 106 agreement[4], which covered issues including:

- Housing (proportion of larger homes and proportion and quality of affordable homes);
- Community infrastructure (the development by different partners of places of worship, police stations, health centres, shops and community centres at certain points in the development process);
- Limits on development until new transport is completed, and contributions towards the cost of new public and road transport infrastructure by BRL;
- Reservation of sites for schools;
- Provision of open space and construction of an ecology centre;
- Provision of play space and sports pitches; and
- The continuing use of a design panel, agreement of design codes, and a public art strategy.

[4] Barking Riverside, *S.106 agreement signed 7 August 2007 – summary of main planning obligations*, 2007 (available on www.lbbd.gov.uk)

Section 106 has been criticised by developers for creating a ‘development tax’, adding delay to the development process, and allowing local authorities local authorities to ‘hold developers to ransom’[5], and government has been developing proposals for different approaches.

One of these, used in Milton Keynes (a new town a short distance north of London), is known as a ‘tariff’ or ‘roof tax’ approach. The tariff is based on a development framework that sets out a menu of infrastructure requirements: developers are required to make set contributions (currently £18,000 per house and £67 per square metre of commercial space) to a central fund, from which these improvements are financed[6]. This approach recognises that, when several development projects are running concurrently, it can be hard to deliver major infrastructure (like a motorway intersection) that is required on account of their cumulative impact. It also seeks to reduce the length of time taken in negotiations, by providing a transparent costing mechanism.

3.2 Joint funding/partnership models

While the 1997 Labour government was reluctant to continue with the ‘Thatcherite’ model of urban development corporations, the Urban Task Force report argued that long-term regeneration programmes still needed focused delivery structures, especially given the proliferation of area-based regeneration initiatives in the late 1990s. The UTF recommended that ***urban regeneration companies*** (URCs) should be established in these areas.

Unlike UDCs, which were based on the belief that the only way to promote regeneration was to remove powers from local authorities and give them to centrally controlled agencies, URCs were designed to promote and codify partnership, between local authorities, government and its regional economic development agencies, and the private sector. Reflecting this approach, URCs were not intended to undertake a direct development role, but to deliver physical improvements through new initiatives and enhanced co-ordination of existing programmes and public funding streams. URCs do not have any specific statutory powers, but rely on their members to achieve planning permission and, where necessary, use compulsory purchase powers.

While many URCs have had a measure of success (see Case Study 4), the voluntaristic nature of their role has led to criticisms that they are weak, and unable to deliver the scale of change that many developments require.

Case Study 4: New East Manchester

New East Manchester (NEM), was established in 2000 to promote regeneration around the East Manchester site of the 2002 Commonwealth Games, in a 1,900-hectare area that had suffered from falling employment, a declining population, high crime and failing services. It is constituted as a company, but works through its partners (Manchester City Council, and regional and national regeneration bodies) to fulfil its aims. Its board includes representatives of these partners, of local businesses and of local residents.

[5] British Property Federation, *Don’t kill the goose – the case for tariffs not tax*, 2005, at www.bpf.org.uk

[66] Milton Keynes Partnership/English Partnerships, *The Milton Keynes Partnership: an overview of the infrastructure tariff and how it works*, 2006 (available on www.miltonkeynespartnership.info)

NEM's core aims are to[7]:

- Increase the population to 90,000 over 10-15 years
- Build up to 12,500 new homes
- Improve 7000 homes
- Deliver a 160-hectare business park
- Create 10,000 new jobs
- Raise educational attainment above the city average

To meet these aims, NEM developed a strategic regeneration framework that included proposals for physical redevelopment, but also programmes to enhance social and economic opportunities for local people. An evaluation report[8] commissioned in 2006 found that NEM had been successful in working towards many of its targets, but also identified the need to tie partners – particularly national government – more closely into the partnership.

Specific projects include New Islington[9], a project on a very deprived area of social housing, led by Urban Splash (developers specialising in brownfield inner city sites), with land provided by the City Council and designs from a range of leading UK architects, which will provide:

- 1,700 new homes (including replacement of social housing for residents who wished to remain/return to the area)
- 3,000 sq m of new retail/leisure space
- 12,000 sq m of commercial space aimed at small to medium sized businesses
- a new health clinic
- a new primary school with an extended working day and additional facilities available to the whole community
- a transformed environment based around new canals
- the first new park to be built in Manchester since the 19th century

In recent years, the government has proposed several variations on the URC approach, including ***city development companies***, ***local housing companies*** and ***community interest companies***. In addition, in 2003, three new UDCs were established, though on a more consensual basis than their 1980s predecessors.

3.3 Asset-backed models

Traditionally, local authorities in the UK have been required to dispose of their land holdings (including surplus or redundant operational property) for the best possible price, which has on occasion led to local authorities' own land being used in a way that fails to meet their wider objectives for local people, though the sale may yield funds that can be redirected to meeting those needs.

In recent years, taking advantage of a more permissive national regime, some local authorities have begun to explore new models of partnership, generically known as ***local asset-backed vehicles*** (LABVs). These typically involve local authorities entering into formal partnerships with a private sector partner: the local authority contributes land and identifies regeneration projects that it wishes to see delivered; the private sector partner brings capital finance and development expertise; risk and reward are shared between the partners. LABVs are in their infancy, and several

[7] New East Manchester, *Report to Manchester City Council Regeneration Scrutiny Committee*, 5 March 2006 (available at www.manchester.gov.uk)
[8] European Institute of Urban Affairs, *New Evaluated Manchester*, 2006 (available at www.neweastmanchester.com)
[9] www.newislington.com for more information

issues (such as whether the partnerships can be regarded as ‘private sector’, so that they can raise finance outside the public-sector borrowing regime) remain to be resolved. Nontheless, several innovative models are being developed (see Case Study 5).

Case Study 5: Croydon Council Urban Regeneration Vehicle

Croydon, in south London, is the capital’s third largest employment centre, boasting excellent connections to central London and Gatwick Airport, but suffering from a tired stock of 1960s and 1970s office building.

In 2006-07, Croydon Council undertook a review of how it could renew or replace its own offices, while also contributing to the revitalisation of the city centre. It reviewed alternatives including a straightforward sale of its buildings (and re-investment of the proceeds) and a sale process with conditions attached. It decided to seek a private sector partner to enter into a joint venture partnership, to be owned 50:50, and a preferred partner was selected in Summer 2008.

The Croydon Council Urban Regeneration Vehicle will have three main aims:

- To support and contribute to the regeneration process for the Town Centre and the wider Borough.
- To maximise the value of surplus Council assets and have greater control over their long-term development.
- To replace its aging civic office accommodation which is not fit for purpose, increasingly costly to maintain and which is inadequate for current working practices and customer services

Detailed contractual and funding (including risk and reward sharing) arrangements for the vehicle (intended to be incorporated as a ‘limited liability partnership’) are currently being negotiated.

Recent research suggests that LABVs can offer a route to successful partnership, and recycling of profits to create public benefits, but also identifies some challenges in the UK context. These include residual suspicion of the private sector, ensuring that LABVs do genuinely create (rather than re-allocate) value, creating robust governance mechanisms, and ensuring that partners have the skills and capacity to manage the process[10].

4.0 Concluding observations

With government encouragement and a decline in ideology-driven suspicion, public authorities in the UK have developed a sometimes bewildering array of different approaches to working with the private sector to achieve social and economic aims through private sector development projects.

Underpinning all of them is the belief that it is legitimate and possible for the public sector to negotiate and deliver public benefits through private sector development projects, and that the private sector is better-equipped to deliver major development programmes.

[10] Ben Harrison and Adam Marshall, *City Solutions: delivering local growth*, PWC/Centre for Cities, 2007 (at www.centreforcities.org.uk)

It is hard to generalise about success, partly because of the long timescales over which regeneration projects must be evaluated. As stated earlier, Canary Wharf can be seen as a success in its own terms, though it is not clear how far this can be attributed to the impact of LDDC: the Canary Wharf development was largely the result of private speculation (LDDC's original plans were much more modest in aspiration), and only became a success following the bankruptcy of the original developer (Olympia and York), and the extension of London Underground's Jubilee Line at a cost of £3.5 billion (against an original budget of £2.1 billion)

On the surface, the newer models of partnership working, which involve active engagement early on in the process, rather than using planning powers as a – fairly clumsy and binary – regulatory tool, does seem capable of creating better results. Better developments in terms of their responsiveness to elected authorities, in their capacity to meet public needs, and better too in their ability to marry both these objectives to commercial viability and sustainability.

Challenges remain, however. One problem has been the sheer complexity of the UK planning process, and – more importantly – the horse-trading that accompanies it. In some cases – Heathrow Terminal 5 is a good example – the gap between design and completion can be measured in decades not years.

Another problem rests in the capacity of the public sector. While few in local authorities now expect directly to deliver building projects as they did in the council housing boom of the post-war years, people working in local government have not necessarily acquired the skills or capacity (in terms of time) to engage fully as clients or partners for private sector developers. With weak or inconsistent clients and partners, private developers are set adrift, unable to deliver unarticulated needs.

Lastly, the flourishing of development partnerships (since the mid-1990s) has taken place against the backdrop of economic growth and a construction boom. In these circumstances, rising profits and an appetite for speculative development create financial room for negotiation, and for accommodation of a growing list of public sector requirements. As the economic tide turns (in the Anglo-Saxon economies at least) and private sector finance becomes a scarcer commodity, the emphasis may shift – from making the most of what's happening, to trying to make something happen. As a colleague of mine once observed, "You can only make a snowman if it's snowing."

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