FRAMING A COMMON PERSPECTIVE ON THE FUTURE FOR THE NATION POST-BREXIT?

A Perspective from London and the South East: Martin Simmons

Implications for the economy and growth

There is speculation about the effect leaving the EU will have on the prime London economy (financial and related business services) particularly if there is a ‘hard’ Brexit leading to a loss of these to other EU centres. This could lead to a downgrading of employment forecasts and growth generally. Uncertainties surround this and would need clarifying for any new forecasts to have credibility.

The Trump victory in the USA is compounding present uncertainties. The prime London economy is based on London as a global city, and growth forecasts are essentially based on globalisation being a continuing process. The combination of Brexit and the putative Trump agenda could well mean globalisation will be thrown into reverse, with serious implications for the London economy. This would have implications for the rest of the Country, particularly if the fiscal transfers from the hitherto very strong London economy decline, affecting inter alia ability to fund new infrastructure.

At present we just don’t know, but the above has to be borne in mind. It does seem that the future will not be like the past – with implications for the usual trend-based projections of growth. London voted decisively ‘remain’ and will be hoping for a ‘soft’ Brexit. An outcome which suppresses migration from the EU in a way which limits access to talent would damage the London economy and employment.

A different concern on London’s ability to grow as currently projected is the worsening relationship between the London economy in terms of labour supply and retention and increasingly unaffordable house prices. This has been highlighted in a recent report by economists CEBR for the business group London First. It posits a worsening housing cost constraint not just in filling low-paid jobs but also in many ‘middle class’ occupations where employees are being ‘priced out’ of London. The ratio of house prices to incomes has deteriorated significantly, so that only the better-off workers can access London housing. This, the report concludes, needs to be addressed by major intervention on affordability, or living in London will become unaffordable across many economic sectors ‘at almost all levels’. Affordability issues are recognised by the new Mayor Sadiq Khan, but effective measures are awaited.

The London Plan situation

The new Mayor has resolved to replace the present London Plan (statutorily ‘Spatial Development Strategy for Greater London’) inherited from the Boris Johnson regime. A timeline has been established:

* Preparatory work undertaken 2016/17 (incorporating earlier work) ;
* Publication of a draft replacement Plan for consultation in autumn 2017;
* Examination-in-Public summer 2018;
* Publication of final replacement Plan before the end of 2019.

This would complete the process before the next Mayoral election in May 2020.

On 24 October the Mayor published a ‘Vision Statement’ ‘A City for All Londoners’ which is currently subject to consultation. This sets out challenges, changes and opportunities, providing a Mayoral steer for the new London Plan and his other strategies including Housing and Transport (thereby facilitating due integration).

An obvious focus of the new Plan will be ‘accommodating growth’. In housing terms, on the basis of the latest (pre referendum) projections this is seen as requiring at least 50,000 new homes p.a. over the Plan period. This is twice the recent rate of output. The Mayor has also, as a matter of housing policy, set a (aspirational) target of 50% being affordable, but it seems that financial and institutional (including legislative) circumstances will make this very hard to achieve.

The Mayor has indicated he will pursue ways of increasing housing capacity within London, by:-

* Focusing more development at London’s town centres and intensification ‘around well-connected transport nodes’;
* Targeting ‘highly connected’ locations in outer London;
* Exploring how significant new capacity can be provided ‘within London and possibly beyond’ along ‘long stretches of Crossrail 2 and particularly around railway stations’ (a general concept of ‘station intensification zones’);
* Accelerating and extending brownfield land opportunity areas;
* A more rigorous approach to release of surplus industrial land which has good public transport accessibility.

The emphasis on transport as a key locational factor will be noted: the influence of Transport for London is apparent. The above will be elaborated upon during the Plan preparation period.

While a determined effort on these should release some further housing capacity, the 50,000+p.a. target appears extremely unlikely to be achievable within administrative Greater London. Very high land costs, constrained construction industry resources, the structure of the private housebuilding sector and the lack (for the foreseeable future) of a significant social housing sector, all militate against it. Brexit could put in question the basis for the target: the extent to which a reduction in net in-migration following a ‘harder’ outcome (‘control of our borders’) will reduce London’s housing requirement. This is an unknown factor not expected to be clarified any time soon, but which seems to raise complications for the new London Plan timeline, if the Brexit outcome remains unsettled by the intended time of the EiP in summer 2018.

London’s relationship with the wider South East

The boundary of administrative Greater London is meaningless in spatial economic and social terms. A linked ‘wider London region’ is widely perceived as extending around 30 miles outward, further along principal transport corridors. It is becoming increasingly recognised that some of London’s housing requirement will need to be met outside London, particularly as net out-migration of Londoners into the wider region is increasing and the prevailing form of new housing in London is apartments. While there is as yet no assessment of the scale of such ‘overspill’ nor where and how it could sustainably occur, there has been over the last part of the preceding Mayoralty a developing liaison with representative bodies in the adjoining South East and East of England regions. It seems that this is being taken forward by the new Mayor, with a joint ‘summit’ of local politicians arranged for 9 December following preparatory work. It remains to be seen whether an effective joint inter-regional planning mechanism can emerge from this, and indeed whether the geography is fit for purpose. Moreover it is important to recognise that planning is managed very differently inside London, with its strong strategic London Plan, and outside.

Useful work has been undertaken by the Outer London Commission set up by the previous Mayor. This has provided some spatial analysis on how London’s growth can be accommodated, not only in outer London but along key transport corridors extending into the wider region. The London Plan has since its original 2004 version included a policy on growth and coordination corridors and indicated these on its Key Diagram. With the exception of the (inherited) Thames Gateway (another story...) minimal follow-up action has been apparent. Latterly however and largely outside the London Plan/Mayoral arena a well-organised business and local authority consortium as actively engaged in advancing the London-Stansted- Cambridge corridor.

The Government’s recent decision in favour of a third runway at Heathrow Airport, with its implications for considerable further housing requirements to cater for the substantial employment growth envisaged by its proponents will put a clear focus on the London Plan’s ‘Western Wedge’ set of transport corridors radiating out from west London. Assuming the third runway does proceed this would require coordinated planning across the London boundary in this direction, extending westwards for a considerable distance along the transport spines.

These corridors run through the Metropolitan Green Belt (MGB). There has been much advocacy recently for reviewing the boundaries and extent (and indeed the concept) of the MGB, to allow significant London-generated housing development within it. The new Mayor has reiterated his predecessor’s position that the MGB is to be maintained in its present form. I make three points about it: firstly the need to reaffirm its regional purpose, to contain the unsustainable outward spread of London urbanisation and to provide for planned growth beyond it, in a way fit for the future; secondly to adhere to its established purposes, set out in paragraph 80 of the NPPF, including preventing the coalescence of settlements which is particularly crucial in its inner parts (local plan preparation appears to have so adhered where boundary changes have been justified); thirdly to recognise that transport and other physical and social infrastructure in many MGB areas is at capacity and that further development would mean a deterioration in quality of life.

The lack of infrastructure capacity (which can only be increased at very considerable cost), coupled with environmental constraints, also applies to areas beyond the MGB. These have borne the brunt of urban growth over 60 years and are now at or near the limits of their ability to cope with further significant development. Planning authorities obliged to meet ‘objectively assessed housing need’ are in many cases having to do so in ways that will worsen traffic congestion and other adverse impacts. This seems likely to intensify opposition to the proposition that these areas should accept further provision for Londoners. Media reports during the referendum campaign suggest that in-migration concerns were a factor in much of the Home Counties voting ‘Leave’.

If the infrastructure and environmental situation means that most Home Counties areas beyond the MGB are unsuitable for still further growth, what other possibilities can be considered for meeting the housing and related needs of the London region? Three starting points spring to my mind, which I state very baldly:-

1. An inclusive ‘growth and infrastructure commission’ is needed to analyse and advise on options, over an initially wider geography extending up to 100 miles from central London.
2. Options should be based on relating economic and employment growth to housing, and respecting environmental constraints.
3. Options need to focus on where strategic infrastructure capacity is being made available. The role of the Infrastructure Commission in this will be crucial. In transport terms it would include the role of HS2 and its effect on the West Coast Main Line which could create growth opportunities towards Birmingham, capitalising on the success of Milton Keynes.

I put these forward for discussion: much further consideration is required.

Martin Simmons

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