



All Party Urban Development Group

promoting sustainable development and urban renewal

The following are written submissions received for the All Party Parliamentary Urban Development Group's Inquiry into 'Devolution and Private Sector Funding of Infrastructure'

Written submissions were received from:

Advantage West Midlands
Bee Bee Developments
British Urban Regeneration Association
Centre for Local Economic Strategies
Culture South East
Hull City Council
Labour Finance and Industry Group
Leonard Martin Planning and Economics
Local Government Information Unit
London First
MLA South East
One North East Development Agency
Royal Institution of Chartered Surveyors
Royal Town Planning Institute
RPS Group
Seaside Ltd
South East England Development Agency
URBED

WRITTEN EVIDENCE SUBMISSION FROM ADVANTAGE WEST MIDLANDS

All Party Parliamentary Urban Development Group

November 2006 - inquiry – Financial devolution and private sector funding of infrastructure

Background

The All Party Parliamentary Urban Development Group's inquiry has invited written evidence from stakeholders on the following questions:

- What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?
- What existing funding mechanisms - public, private, and mixed - could be better exploited?
- What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?
- Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?
- Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

This is the response from Advantage West Midlands - The Regional Development Agency for the West Midlands region

Integrated approach

The West Midlands Economic Strategy (WMES) sets out 13¹ challenges that face the Region in bringing about long term structural change in the economy. The Challenges are grouped under five pillars² which provide a framework for activity and are firmly based around partnership working.

These pillars do not stand in isolation but reflect the need for an integrated approach. This is demonstrated by a quote from the Agency's Chief Executive to a BURA Annual Conference on why joined up actions are necessary to build sustainable communities...

- "It's not enough to build houses if you don't create jobs that give local people the incomes to afford the houses;
- It's no good creating jobs, if you don't give people the skills to access those jobs;
- It's no good creating outstanding buildings, if you don't support the businesses to work in that space; and
- It's no good creating stunning public places, if people do not feel safe using them".

¹ Enterprise, Manufacturing, Innovation, Environment, Visitor Economy, Transport, Development sites, Housing, Economic Inclusion, Demographic (Regional Challenges) Delivering Advantage - The West Midlands Economic Strategy and Action plan 2004-2010

²Pillar 1-Developing a Diverse and Dynamic Business Base; Pillar2 - Promoting a Learning and Skilful Region; Pillar 3 - Creating Conditions for Growth; Pillar 4 - Regenerating Communities; Pillar 5 - A Powerful Voice for the Region (West Midlands Economic Strategy 2004-2010) <http://www.advantagewm.co.uk/downloads/west-midlands-economic-strategy.html>

Within the WMES, “Creating Conditions for Growth” (Pillar 3) is seen as the engine to drive forward investment by private firms and individuals by encouraging the provision of a world-class infrastructure. Urban (and rural) areas require significant investment particularly in transport and electronic communications, in providing development and redevelopment sites and in revitalising housing stock.

This region acknowledges that infrastructure is hampering attempts to broaden the economic base. A modern transport system is seen as crucial. The Region is at the centre of the national road and rail network, but congestion is a major constraint on the Region’s and the UK’s economic development – so improving our transport system is fundamental to the delivery of the economic strategy. Alongside this is the need to:

- develop a better ICT infrastructure - with broadband communications a pre-requisite to economic development;
- provide good quality sites and buildings - the right site in the right location;
- deliver a housing agenda which is a driver for change and use of resources in a sustainable way.

However, it is important that physical development is not seen in isolation and a joined up ‘policy’ role across the spectrum of economic development activity is seen as critical to delivering effective regeneration and economic growth.

Shared framework for strategic thinking and delivery.

At a regional level the Economic Strategy is a key tool in effecting partnership working. It is widely consulted upon and its comprehensive input provides a clear framework for delivery by a range of local, regional, national and international partners.

This clear framework drives the alignment of funding, both public and private, for the region, against agreed aims in seeking to removing obstacles to growth and to build on success.

The key aims and objectives of the main Regional Strategies’ for the West Midlands have been distilled into five strategic priorities:

- Urban renaissance
- Rural renaissance
- Modernising and diversifying the economy and creating a dynamic business base
- Upskilling the region’s workforce
- Promoting the region’s competitiveness and assets in a national and global setting

Many of the of the successes of the region have only been possible due to strong regional partnership working and the open, transparent and consultative working around shared regional priorities enabling partners to commit to delivery within a clear regional framework. The West Midlands Regional Concordat (July 2006) provides an excellent framework for partnership working between the West Midlands’ regional organisations and for the integration of regional strategies in an agreement that respects the roles and shared responsibilities of partners. In focussing on regeneration, the region sets the delivery of sustainable communities at the heart its activity – communities which work for its people and businesses.

Across the Region there are many examples which demonstrate success. Key amongst the region’s big challenges to meet this complex agenda and to secure long term and sustainable regeneration of our communities are:

- Tackling the housing challenge -affordability, addressing restructuring, choice and growth
- Effective use of derelict land and addressing restructuring
- Tackling congestion and modal shift

The restructuring of land-use patterns shaped by the region's industrial heritage will continue to require transformational change - piecemeal change is not sufficient if urban areas are to meet their own economic and social needs. The Black Country Study sets out a 30 year Strategy for addressing some of these issues for that part of the region.

As a "can do" region, the West Midlands has a good track record in developing transport solutions including: agreeing a complex funding package to re-develop Birmingham New Street Station to deliver economic, environmental and rail capacity benefits;

- The A500 grade separation and dual carriage way work in Stoke-on-Trent assists accessibility and supports regeneration and economic growth in the city;
- Primeline Bus Network in Coventry where significant public and private sector investment to radically improve services,
- a number of road improvement schemes to unlock the economic potential of towns and cities and
- a Wheels to Work project which helps young unemployed people get to work.

The private sector has also shown its confidence in the region in development of the M6 Toll.

Key to the region's greater connectivity is the target to ensure that every household in every community in the region will have access to broadband by 2007. By the end of 2006 we expect the West Midlands to be the first UK region to be 100% broadband enabled that will result in economic benefits for the whole of the region. This has been possible through the work of the West Midlands Networking Company Ltd established in January 2003 by Advantage West Midlands to deliver the West Midlands Regional Broadband Network (WMRBN) and other ICT projects. WMNC works closely with Advantage West Midlands and the other regional partners in developing a strategic response to the region's ICT needs.

The Agency is well advanced in taking forward a Property Regeneration Partnership (PRP) for its investment portfolio and development sites. This will enable more private sector expertise to both assist with managing the Agency's retained investment and to catalyse the injection of substantial additional resources with which to regenerate the properties and estates in future years.

Large Scale Economic Regeneration Activity – Partnership and Cross Boundary Working

The Regeneration Zone³ Concept was developed in the region as one of the Strategic Delivery vehicles promoting joined up working, addressing ad-hocism and competitive bidding often so wasteful of resources. Each Zone covers a large geographical area cutting across several administrative boundaries designed to stimulate economic sustainability in the regions' most deprived communities and bring about a lasting change in the socio-economic conditions of its area, over a 10-15 year planning horizon. Each Zone reflects labour market areas and contains significant development opportunities. They also include or adjoin socially deprived wards, as measured by the Index of Deprivation. Regeneration Zones have become a recognised part of the regeneration infrastructure in the West Midlands: a cornerstone of the West Midlands Economic Strategy; they are used as the basis for targeting for the European Objective 2 programme and are a fully integrated part of the Regional Spatial Strategy. They are a key delivery mechanism in combining and targeting Agency resources with those of major partners.

³ Regeneration Zones are one of the Agency's strategic delivery vehicles agreed as a focus for all a partners. There are 5 urban and a rural zone. Their focus is to raise employment levels, increase business activity and improve the quality of life in the most deprived areas of the region by strengthening links between areas of need and areas of opportunity.

Delivering holistic regeneration through the zone concept requires the various stakeholders to come together as a partnership which is responsible for planning and delivering the programme, working together to overcome boundaries. It is this clear partnership working, combined with the Agency's strategic leadership role that has contributed to the increasing success of the region and shown that cross boundary working by Local Authorities is both possible and successful in a number of cases. Within three of the Region's Regeneration Zones sit two Housing Market Renewal Pathfinders and two Urban Regeneration Companies. Their work is integrated with Zone activity to ensure more effective understanding of the wider area issues and a greater knowledge of the impact they make.

Zones have promoted and enabled the engagement of the private sector by developing strong public sector co-ordination - in a similar way to that promoted by "City Development Companies" and in working with partners to utilise the "security" of public sector driven anchor buildings as a springboard to more expansive private sector investment. Zone Boards are all chaired by a representative from the private sector.

Real examples of how the region is working together to overcome the boundaries can be seen in East Birmingham. One of the largest of the 6 Regeneration Zones it covers an area that crosses the administrative boundaries of Birmingham and Solihull where the unemployment rate is almost three times the Regional average. Regeneration in this area is being kick started by the £6 billion Eastside initiative which is transforming 180 hectares of industrial wasteland into a new city park, learning district and high quality live/work space. Key anchor points of this development have already been created. The inspirational architecture of Millennium point and the Bullring shopping centre created in partnership with the private sector set the tone for the next generation.

The Bullring development demonstrates that it is not just the buildings and architecture that make for successful economic regeneration. The success of the Bullring is as much due to the work of partners in the job matching project as it is to the designers and builders. Working with local training providers, job centres and the community partners were able to ensure that the employment benefits created linked to the local communities who needed them. Almost 3,000 previously unemployed people gained employment through this route - almost a third of these were residents in the 10% most deprived wards (according to the index of multiple deprivation) and almost half were from minority groups.

In Stoke (North Staffordshire Regeneration Zone) a £400million transformational programme which will re-design Stoke-on-Trent City Centre has emerged from extensive master planning and partnership activity which has been joined up around the Zone, Renew (Housing Market Renewal Pathfinder) and local partners. Its potential 1:4 gearing is testament to the fact that in many areas seeking to restructure on a transformational scale, public sector intervention is crucial to galvanising private sector investment.

High Technology Corridors, another of Advantage West Midlands' strategic delivery vehicles, like Regeneration Zones were deliberately configured to encourage cross-boundary working and to identify & meet strategic sub-regional, regional and national infrastructure development priorities. This approach lends itself to projects, such as within the Wolverhampton-Telford Technology Corridor:

- the i54-Regional strategic development site offering knowledge intensive, high value added activities generating economic opportunities for the Region and sub-Region and career opportunities for graduates and other qualified individuals,
- a next generation Science Park facility incorporating knowledge transfer facilities; incubation and new business support;
- business relevant research and development.

All of these have involved cross authority working and the promotion of key infrastructure access improvements.

Key role of Local Authorities

Local Authorities play a key role in helping to shape regional strategies and RDA's have mature working relationships with them across a number of partnership initiatives. The potential of greater alignment and enhancement to cross boundary working resulting from Multi Area Agreements will provide further opportunities for cohesion and adherence to joint objectives, which Zone working has successfully shaped and assisted in this region, with cross boundary interventions.

On an inter regional level, strategic priorities have been informed by a understanding of the links with other parts of the UK and this region's work with the East Midlands on "Smart growth – Midlands Way" is providing a key opportunity for the mutual challenges of economy and accessibility.

Against this backdrop we would offer the following observations and comments to the inquiry.

The offer

- The infrastructure offer is a wider integration of activity than implied by just hard infrastructure around sites, buildings and transport. Many of the examples we have set out above are only effective due to strong regional partnership working and the open, transparent and consultative working around shared Regional priorities enabling partners to commit to delivery within a clear Regional framework. In focussing on regeneration, The Region sets the delivery of sustainable communities at the heart its activity – communities which work for its people and businesses.

Exploiting funding mechanisms/New tools and Mechanisms to boost the private sector's contribution to infrastructure/ make its contribution more effective?

- For RDA's as a key player in this activity, Current Resource Accounting Rules limit the flexibility in achieving focused large scale intervention in the Major Urban Areas and therefore the "offer" is hampered. Whilst there are also many examples of where Special Purpose Vehicles and Joint Ventures have been used successfully to deliver the complex solutions required in Urban Areas, greater flexibility in their activity and a more streamlined process for their establishment would be necessary to improve the offer and catalyse development.
- Whilst levels of investment are important, greater and more effective and efficient partnership working is hampered by the lack of a cohesive 'Regional Tasking Framework' – as each partner seeks to fulfil its particular requirements. Whilst this produces a greater level of creative solution "thinking", it diverts emphasis from the necessary task and fragments effort. A key success of enhanced delivery by RDA's has been the introduction of the "single pot", providing a wide ranging financial toolkit. However, this financial flexibility is at the expense of specific "organisational" targets rather than those more bespoke to the Region. In addition, successive "ring-fencing" creep, re-introduces fragmentation resulting in projects shaped to fit funding (and outputs). A plethora of regionally independent "bidding opportunities" also leads to greater "ad-hocism" and delivery of discrete activities at local level. Regeneration Zones have been a response to much of this "ad-hocism".
- We have already highlighted above the inefficiency created by the lack of a cohesive 'Regional Tasking Framework' which undermines essential and effective partnership delivery. Simple approaches which have worked effectively in the Region have included a "joint appraisal approach" across Single Pot and European funding which was possible due to the strategic alignment of priorities across delivery agencies.

- Whilst the region has confidence in its ability to deliver on its agenda for transformational change, there are planning system issues as well as financial ones which will impact on its pace of delivery. Regional stakeholders have been keen to be involved in the Barker Review - which has a clear resonance with the economic productivity and regeneration agendas, increased efforts are still needed to engage with and enhance the capacity of the business community in planning issues. Any opportunities to improve the flexibility and responsiveness of regional and local planning must be encouraged. In addition a clear statement of national policy on infrastructure provision would be welcomed, addressing the lack of financial incentives for Local Authorities to plan positively for economic development and consideration to a more streamlined and graduated cost structure for applicants.
- Even though there are some potential new mechanisms to assist with funding infrastructure i.e. planning gains tax, it is not a panacea and differential rates should apply to avoid problems in securing development of previously developed land and to encourage lower value end uses – such as employment. Given spatial variations in the costs of delivering infrastructure and the potential yield from different types of development, brownfield land might not generate sufficient revenues necessary to secure sustainable communities. Whereas reinforcement of inequities would occur if infrastructure rich high value areas retained recycled PGS within their localities. Section 106 agreements do have the merit of linking the value extracted from the development to the actual infrastructure needs arising from that development. Consideration needs to be given to the types of infrastructure requirements and by virtue of economies of scale, some need to be provided at sub-regional regional or even cross regional.

There is palpable state of flux around approved (gap funding) schemes which taken with revisions to “assisted areas” provide a degree of uncertainty at the close of European programmes and commencement of new ones. The importance of such interventions is clearly seen in the renaissance of Birmingham City Centre, which began with the Local Authority securing European Funding for the International Convention Centre. As a key public sector anchor development and infrastructure, it triggered unprecedented commercial and housing development. Whilst this is a key example of partnership working it also demonstrates the role of European funding in some of our key urban areas in creating certainty for subsequent private sector investment.

Further changes and refinements to the RFA process are required to maximise the benefits of identifying regional funding allocations for transport. In addition, there needs to be greater transparency of the total funding available for transport across the various funding streams and consideration given to identifying new appraisal and funding mechanisms which allow funds from a variety of sources to be ‘pooled’ for transport schemes, particularly those supporting economic development, regeneration and housing. One way of achieving this may be to increase the control and influence of the Region on investment decisions by moving from giving Government ‘advice’ to empowering regions to make the decisions and have full control of the funds including contractual responsibilities to enable the Region to contract with the delivery organisations.

- The West Midlands Economic Strategy has brought focus to economic regeneration activity in the region and is a key element in the regional framework of strategies and partnership activity. The Government is urged to give greater support to and strengthen the role of RDAs in promoting economic strategies and driving successful regions.

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WRITTEN EVIDENCE SUBMISSION FROM BEE BEE DEVELOPMENTS

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23/11/2006

Dear Dr. Marshall,

Thank you for the opportunity to forward ideas for your forthcoming inquiry on *'Financial Devolution and Private Sector Funding of Infrastructure.'* BBD welcomes the APUDG's inquiry as we believe that building political consensus on the question of infrastructure funding will be critical to providing the private sector with the confidence to drive forwards with the development and growth that the country requires.

Here follow some brief responses to your questions on behalf of Bee Bee Developments Ltd (BBD), a UK-based property development company, specialising in Urban Regeneration.

General Comments

- 1.1 Since 1999, BBD has invested in property across Northamptonshire including the acquisition of approximately 3,000 acres of strategic land (circa 1,000 acres in each of Corby, Kettering and Wellingborough) which is being brought forward with our joint venture partners for mixed-use development under the Government's Sustainable Communities Plan.
- 1.2 BBD has brought together landowners, developers and professional and technical advisers to contribute to the development of sustainable communities in North Northamptonshire. BBD's land interests are capable of delivering over 20,000 new homes and related developments.
- 1.3 We are committed to working with local people, local councils and other public agencies to deliver high quality homes, new jobs, good infrastructure and an enhanced environment.

Infrastructure in North Northamptonshire

- 2.1 The growth planned for North Northamptonshire under the Government's Sustainable Communities Plan requires a variety of infrastructure projects to be delivered, first to create and stimulate growth and, second, to service and sustain it. Without these improvements, it will simply not be possible to deliver the level of provision for household growth which the Sustainable Communities plan requires (growth of c.2,500 units per year).
- 2.2 Whilst Northamptonshire County Council has identified a draft infrastructure program required to service growth, problems remain with its delivery. More specifically, the required modification of the A14 and deciding how to fund it are proving major stumbling blocks for growth in the region.
- 2.3 At present, the Highways Agency believes that it cannot begin improvements until 2017 through traditional procurement routes. This scenario would render the delivery of the Growth Agenda in North Northamptonshire problematic, so BBD have been pro-active in trying to find an innovative solution to the problem. To this end, we have worked in conjunction with the County Council and Highways Agency to forward a solution costing £137 million, as opposed to the £400m to £800m originally assumed. In either of these or any

other instance, we need the relevant Central Government Departments to support any TIF/CIF bid if there is to be any realistic chance of improvements before 2017.

- 2.4 Clearly, the region's chances of successfully delivering the Growth Agenda will be much enhanced if a consensus can be found between all of the relevant bodies, regarding both what infrastructure is required and how it can best be funded.

Infrastructure funding solutions

- 3.1 In terms of a long-term, nationally standardised solution to capturing planning gain, BBD believe that Capital Gains Tax (CGT) could provide the most effective way to generate private sector contributions for infrastructure funding and should be considered as an alternative to the current Planning Gain Supplement (PGS) proposals. In our view, were the loop-holes regarding roll-over relief, taper relief and the ability to offset agricultural losses that neuter CGT on land to be closed, the system would be able to capture significant land values. In addition, it carries the advantages of being an existing system with which people are already familiar and, more importantly, is better equipped than PGS to take account of Hope Value. A CGT-based system rather than a flat PGS figure clearly only taxes gains, and this allows sites with high book costs or development costs (e.g. Brownfield sites) to come forward for development.
- 3.2 The argument often used against a CGT-based system is that it is not hypothecated, but there is no reason why a locally hypothecated form of CGT tax could not be introduced, and this would still be less administratively difficult to establish than a whole new tax in the form of PGS. Similarly, transparency should be a key characteristic of any new system, and consolidating CGT would negate the confusion of 'Double-Taxation' that would arise from the introduction of PGS running parallel to CGT in its existing form.
- 3.3 Equally, such a standardised, national mechanism will take years to establish, and there is merit in pursuing interim pilot schemes for large growth areas projects. We, therefore, support negotiated and flexible systems like the 'Milton Keynes' Roof Tax, or others mentioned later, which may be more effective in producing the swift delivery of projects like the one we are undertaking in North Northamptonshire.
- 3.4 Again, underlying both levels of provision is the fundamental requirement for Central Government and its various bodies to ensure clarity and consistency, therefore giving the private sector security in the function of the system.

Specific Question Responses

1. What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?
- 4.1 In order to make development happen through infrastructure provision, we need to consider which pieces of infrastructure motivate and stimulate end buyers to move into an urban area (i.e. what do buyers want?)
- 4.2 In reality today in the UK, most home buyers take basic infrastructure for granted. When deciding whether to move to a certain area, people generally assume that there will be adequate Health provision and Services and Utilities for their home. In our experience the key factors which make an area attractive to end buyers are:
- (i) Employment Opportunities

- (ii) Efficient Transport required to stimulate employment and good transport links between work and home
- (iii) A distinct identity or purpose (USP)
- (iv) To a lesser degree, a high standard of education

4.3 BBD's successful redevelopment of Clerkenwell in North London was based largely on the creation of a new identity for the area as a vibrant centre for aspirational young professionals, especially those involved in the growing information technology sector. We are currently in the process of achieving a similar upturn in Corby, which is shedding its reputation for suffering widespread unemployment and being devoid of opportunities in the aftermath of the mine closures.

4.4 When prioritising infrastructure to enable development therefore, we would always propose promoting employment and key transport links which are required to enable employment first and foremost. We then examine how we can use an infrastructure offer to differentiate an area from its peers/competitors (as in Clerkenwell). For example, we wish to market North Northamptonshire around 'Green Living', and to that end are building houses to high environmental standards, exploring the potential for making parts of our development 'carbon neutral' and will be piloting 'energy clocks', which encourage homeowners to reduce their energy usage. In addition we are designing developments with efficient, environmentally friendly infrastructure in mind.

2. What existing funding mechanisms - public, private, and mixed - could be better exploited?

5.1 In BBD's experience nothing generates as much delay and cost to public infrastructure delivery as the lack of consistency, communication and active engagement on the part of the key public funding bodies.

5.2 In February 2003, the Government announced that it needed 50,000 new homes built in North Northamptonshire prior to 2021, a proposal that had enormous implications for infrastructure provision in the region. This proposal immediately meant that plans and solutions to increase the capacity of the major roads (e.g. A14) and Statutory Utility Providers (e.g. Sewage) were required.

5.3 The key funders and statutory bodies should have been involved straight away in the plan-making process and asked to produce technical solutions and costs as soon as possible. Today, in 2006, we have only recently managed to focus the relevant bodies on finding solutions, partly because we are about to submit planning applications to which they have to respond.

5.4 One of our core recommendations to the APUDG is, therefore, that national Government agencies involved in funding key infrastructure projects should be involved in enabling the plan-making process from the beginning. They should be required to provide technical solutions earlier than presently, which really only demands solutions at the development control level (i.e. when applications are submitted), rather than as part of the plan making process.

5.5 This is both a funding issue, as your question suggests, but also an issue of communication between these bodies and private developers. What is needed is a way of involving these bodies in the planning and development process from the earliest possible stage. If a developer were able to co-ordinate with all of the relevant bodies, then both considerable time and funds could be saved and coherent, holistic solutions to infrastructure problems would be more likely to be found.

3. What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?

6.1 For the major bodies such as the Highways Agency or other statutory bodies to be able to take an active role from an early stage, the obvious requirement is for up front funding provision. This funding will most likely be required before the uplift in Land Values which the various existing taxation proposals intend to capture. If we take the South East as an example, it is suffering an infrastructure deficit of approximately £8billion at present, representing a considerable obstacle to delivering growth.⁴ There is little doubt that any subsequent uplift in land values would exceed that figure, but that uplift cannot happen until the infrastructure is first in place.

6.2 This pattern of land value uplifts outweighing the infrastructure investment required to trigger them is repeated throughout the country, meaning that funding exists, but is simply inaccessible. Therefore, a mechanism is required to liberate funds in advance of development:

- a. If we take an illustrative example of Tariff on an urban extension, set at a nominal rate of £15,000 per roof for 20,000 houses, the total infrastructure budget would be £300m. The problem is that this budget would only become available piecemeal over an extended timeframe, meaning that any infrastructure paid for in advance would result in a cash flow problem for whichever of the developer or the government body was funding the scheme.
- b. One possible solution to short-circuit this cash flow problem would be to use a private investment institution as an intermediary. The institution would agree to finance the infrastructure in advance of the scheme, therefore activating the project and meaning that the developer could progress the project at the fastest practical rate, free from the complex constraints which ordinarily cause delays. Subsequent uplifts in Land Value could then be used to pay back the loan over time. In the case of major pieces of strategic infrastructure, numerous private groups could enter the agreement, repaying sums proportional to their interest in the project.
- c. The example of the A14 in North Northamptonshire fits this example well as it is a major piece of infrastructure that would benefit a spectrum of developers and house builders were the Highways Agency to give their consent to such an initiative. A significant sum should also be paid by HMT on account of the scheme's overall benefit to UK plc. Without this or a similar mechanism, it appears increasingly unlikely that sufficient funding will be found to negate the obvious cash-flow obstacle in such a large and expensive scheme.
- d. The challenge will be to persuade private capital to invest in real estate development ahead of the opportunities available to them in other asset classes. Therefore, because increasing the yield beyond a certain level is implausible, we need to devise a method for lowering the risks associated with the delivery of large scale developments.
- e. At present, development opportunities are beset by three principal risk areas:
 - i. Market Fluctuations in Price and Demand
 - ii. Planning Permission Risk

⁴ Roger Tym and Partners (2005) *'The Cost and Funding of Growth in South East England'*

iii. Infrastructure Provision Risk

- f. The combination of these three factors, added to the extended timeframe over which such developments take place, mean that the required interest rate demanded by a private sector investor under current conditions would be crippling to the extent that the scheme would be worthless once it had repaid its costs.
 - g. The first risk is beyond any bodies' control, but is also one with which the banking market is very familiar (e.g. through mortgage lending). The other two could be minimised if central and local government were to combine to provide the scheme with security, either financial or statutory. This would require close co-operation throughout the planning process to avoid the pitfalls that have been discussed in our response to Question 2. If a consistent consensus could be agreed between all parties that the scheme was viable if it had the required infrastructure and the infrastructure would be provided to schedule if funding was made available, then the risk factor could be minimised and the investment securitised.
4. Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?
- 7.1 The fact must be accepted that there is always likely to be a ceiling on the private sector's funding capabilities that cannot be broken through regardless of any mechanism. As such the focus must be on efficiency, which has been the general emphasis of our response.
- 7.2 In our view if certainty about infrastructure delivery can be provided, then private developers will become more willing to assist financially in any way that they can, as their ability to deliver growth is dependent on it.
- 7.3 A potential improvement in the current system would be for the Government, perhaps jointly with developers, to evolve a standard form of these sorts of Business Plans / Cashflows, detailing the criteria which need to be met in order to secure public funding for major infrastructure projects. In our experience, the process of agreeing an Infrastructure Investment Programme for an area is doubled in length by extraneous debate upon the format, level of detail, content and supporting data required in such a document. A standard template, or readily available set of precedents of successful proposals, might be a valuable asset across the country. This would also give funders from both the private and public sector confidence that they were funding a tried and tested mechanism, which is likely to increase investment.
5. Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved? Would greater devolution help finance essential infrastructure and regeneration?
- 8.1 Whilst there is a strong case for devolution providing more focused collection and allocation of funding for local infrastructure, the complexities involved on both practical and political levels on significant projects likely render any great change unfeasible - the funding and delivery of the A14 in North Northamptonshire again provides a good illustration of this point.
- 8.2 Instead, therefore, we again reiterate the need for co-operation between all Government departments at both local and central levels as the best method for improving funding. Whichever system of taxation is chosen will be best exploited if all parties are working in unison.

I hope that some of the above will prove informative and useful. Should you require either any expansion or clarification on any of the above points, please do not hesitate to contact us, as BBD would be happy to assist your enquiry in any way we can.

Kind Regards

Vittorio Davico

WRITTEN EVIDENCE SUBMISSION FROM THE BRITISH URBAN REGENERATION ASSOCIATION

About BURA

This submission is made by the British Urban Regeneration Association (BURA) through its Steering and Development Forum. BURA was formed in 1990 to provide a forum for the exchange of ideas, experience and information for the emerging regeneration sector. BURA has now become the leading independent organisation in the field of regeneration. Our strong and influential membership

reflects the growing knowledge and expertise that BURA has at its disposal. We are seen by the private sector, the public sector, the not-for-profit sector and government departments alike as a key organisation within the whole area of regeneration.

About the Steering and Development Forum

The Steering and Development Forum (SDF) is BURA's cross-sectoral think-tank consisting of business, public sector and not-for-profit/community organisations, drawn together by a common interest in, and experience of, urban regeneration. The Forum was established in 2001 with the specific aim of articulating the views of the regeneration sector to policymakers through constructive dialogue. The Forum achieves this by informing and responding to government policy, as well undertaking a topical research programme. Focused primarily on delivery and implementation, the SDF is positioned at the leading edge of regeneration debate in the UK and, consequently, plays a key strategic role in breaking down the barriers to regeneration. All partner organisations have extensive involvement in regeneration and are key players within their specific disciplines.

This document represents the shared views of members of the Forum, without representing the formal policy of any individual partner organisation. Its value lies in the breadth of contribution available to BURA from its partners in the private, public and not-for-profit sectors.

The SDF's partner organisations are:

1. Argent Group Plc
2. Berwin Leighton Paisner
3. Bevan Brittan
4. Brierley Hill Regeneration Partnership
5. The Chief Executives' Forum of England's Regional Development Agencies
6. EC Harris
7. English Heritage
8. English Partnerships
9. Groundwork UK
10. Halifax Bank of Scotland
11. Lend Lease
12. London and Continental Stations and Property
13. Midland Heart
14. National Association for Community and Voluntary Action
15. National House Building Council
16. The Shoreditch Trust
17. Taylor Woodrow
18. Tesco

If you wish to follow up the observations made in this response, or for further information about BURA and/or the SDF, please contact:

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The SDF is content for its response to be reproduced and quoted as appropriate.

Responses to Consultation Questions

What is the infrastructure offer needed to make development happen in Britain's urban areas?

There is no doubt that one of the major obstacles to bringing forward significant new housing numbers is the ability to provide infrastructure capable of supporting major housing growth. The infrastructure deficit in places such as Milton Keynes, Thames Gateway and elsewhere, particularly strategic transport and highways, creates uncertainty which holds back significant private sector investment in new development. This can lead to a mindset in the private sector when the 'do nothing' option becomes increasingly attractive. This is especially so when the cost of traditional Section 106 obligations may unfairly penalise those who come to the market early at a time before the essential infrastructure has been put in place. It is precisely this which encourages land banking, reduces supply and accentuates the affordability problems associated with market shortages. The private sector is commercially driven and will not delay new building if the key infrastructure components are put in place. BURAs believes that funding towards the installation of infrastructure can, in a planned way, provide the essential kick start to the significant private sector investment needed.

There is a requirement for the government to develop a series of priorities for infrastructure provision within England; currently there are too many competing programmes. The government must identify a number of key infrastructure programmes to be developed over the next 10 years that will provide necessary large-scale infrastructure to provide economic growth and stability. These include, committing to developing infrastructure within the growth areas in order to pump-prime development and provide investor confidence. Examining the opportunities for developing Britain's transport network, particularly a north-south high speed rail-line. Coupled with these long term investment decisions should be the development of a national strategy for regeneration in order to provide a long term framework for the delivery of regeneration funding and development.

Currently there are a plethora of regeneration strategies and funding streams, that when taken as a whole do not provide best value. The potential for creation of a new agency from regeneration as part of the review of the institutional structure for the delivery of the government's housing and regeneration programmes could provide the impetus to develop such a framework.

What existing funding mechanisms – public, private and mixed could be better exploited?

It is futile to try and find a 'one-size fits all' solution. What works well in one location will fail in another, for example the infrastructure tariff that is being trialled in Milton Keynes, works very well in growth areas where there is both sufficient planned development and also sufficient profitability in terms of the finished product for this not to be an overly significant burden for developers. However, if one tried to apply the same principles (£18,500 levy per residential accommodation - £67 per square foot for commercial development) in for example a Cumbrian town, then either the levy would have to be significantly lowered or there is the risk of development stalling, thus creating a greater gulf between areas that could be considered to be the have and the have-nots.

Even where mechanisms for additional funding are identified, such as the infrastructure tariff it must be recognised that this will not pay for all infrastructure funding in an area. Again, utilising the Milton Keynes example, although it is estimated that this will provide in excess of £300 million

this represents only about a third of the cost of infrastructure improvement in the same period. Therefore government must recognise that significant funding will be required in order that delivery can be undertaken.

There are however some principles that can be universally applied, for example developers must have certainty, in this case contractual certainty, that any additional monies they pay will be utilised to provide agreed infrastructure provision within an agreed timeframe. If this is not delivered there should be punitive penalty clauses against the Local Authority.

Although the public sector increasingly talks about value for money, it is still a common belief amongst many in the private sector that this in reality equates to best financial return. This is often not the case and Local Authorities need to have a strategic view as to what will best facilitate long term sustainable regeneration, not short term cash inflow.

What new financial tools would enable local authorities to deliver high-quality infrastructure and lever in private sector investment? What should central government devolve?

Structures need to be developed that allow Local Authorities to borrow against future income streams. This is being successfully trialled in Milton Keynes but needs to be more widespread as it facilitates delivery of infrastructure.

Whilst initiatives such as LEGI and LAGBI are valuable we need to continue to develop processes whereby local areas directly keep and manage additional income that development generates rather than having a tortuous process whereby monies are collected then sent to Treasury and subsequently redistributed. Whilst it is acknowledged that this would be a major change in the statutory process the opportunity to apply, collect and utilise local taxation should be considered. This single step would be very in tune with the Government's aims for new localism and double devolution.

We need to recognise the fact that if we bestow powers locally then – at present – there may not be the skills capacity to utilise these to their full potential. It is considered by many that local authorities have been emasculated over recent times. Thus any transfer of powers must be undertaken in conjunction with capacity building and skills training at a local level.

Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

It is our belief that there are many major institutions such as pension funds, institutional investors and major banks who have the funding available to support major regeneration projects but who shy away from doing so because of the complexity of legislation and process. Whilst we must not abdicate responsibility to these major institutions we must look to develop mechanisms whereby they can take the lead on major projects. By doing this we can ensure that public money is not overly diluted and that when it is required it can be done in a focused and effective manner.

In respect of Milton Keynes, English Partnerships has drawn up a Business Plan detailing the indicative timetable for delivery of the infrastructure. This further strengthens the contractual relationship between the developers and Milton Keynes Council and English Partnerships as the bodies responsible for providing the infrastructure. The use of the Business Plan in this way could be widely adapted for individual planning authorities and/or regional bodies and then linked to a locally raised tariff. There is no reason why a banker figure similar to English Partnerships in Milton Keynes could not be used in each area adopting a tariff and Business Plan based approach, perhaps the relevant regional planning body.

There might be a need for the public sector to broker investment by the private sector. In economic terms this would be along the lines of 'Assurance Contracts' whereby participants make a binding pledge to contribute to an investment – and have their money refunded if the overall money needed is not forthcoming. A dominant assurance contract is a variation in which an

entrepreneur creates the contract and refunds the initial pledge plus an additional sum of money if the quorum is not reached.

Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial toolkit – both public and private – currently fit for purpose?

Although greater devolution could help prioritise local infrastructure requirements, there are concerns that major infrastructure projects could not be supported by local authorities and these must remain the preserve of National Government. In addition it must be ensured that local areas work closely together to ensure that infrastructure will be provided across borders in order to promote the regional economy in addition to local requirements.

WRITTEN EVIDENCE FROM THE CENTRE FOR LOCAL ECONOMIC STRATEGIES

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31st October 2006

All Party Parliamentary Urban Development Group – ‘Financial devolution and private sector funding of Infrastructure’

Evidence submission from the Centre for Local Economic Strategies (CLES)

CLES welcomes the development of the All Party Parliamentary Urban Development Group and the opportunity to submit evidence to their first inquiry on financial devolution and private sector funding of infrastructure. Creating genuinely sustainable communities is a key task and objective for everybody working in the regeneration and renewal arena today, be it central government, local authorities, regional development agencies, government quangos or the private and voluntary and community sectors. The focus of the sustainable communities agenda to date has been about renewing and reinvigorating physically and economically areas of decline and potential growth. In all of these developments two key areas of focus appear to have not taken as much significance as they should have done locally. These are infrastructure development and meeting the needs of those most socially excluded in society. Infrastructure should not however be restricted to physical development but encompass modes of governance detailing structures and processes. CLES has recently produced research on tackling social exclusion and what difference city regions can make, including a detailed look at transport and other infrastructure related issues.

For genuinely sustainable communities to exist and for infrastructure to shape inward investment and economic growth, central government need to be prepared to devolve financial and other powers locally, city-regionally and regionally, with particular regard to transport. More local decision making and locally responsive infrastructure schemes have the potential to attract private sector investment and shape the appearance of cities to be more susceptible to inward investment. These two interlinked issues of infrastructure and social exclusion will shape our answers to this inquiry of the All Party Parliamentary Urban Development Group.

The Centre for Local Economic Strategies (CLES) is an independent think-doing organisation involved in regeneration, local economic development and local governance. CLES is a charitable organisation and combines an information and briefing service, policy development, events and a consultancy arm. For further information on CLES or to discuss our responses further please contact:

Neil McInroy, Chief Executive or Matthew Jackson, Policy Researcher on (0161) 236 7036 or neilmcinroy@cles.org.uk or matthewjackson@cles.org.uk

Q.1 What is the infrastructure ‘offer’ needed to make development happen in Britain’s urban areas?

Joined up thinking, joined up delivery and partnership working are key to ensuring economically sustainable urban areas. The provision and connectivity of infrastructure be it for transport, education, housing or health services is crucial to creating the conditions for local economic development and economic growth. A sustainable and connected infrastructure ‘offer’ is key to

attracting further investment in our urban areas, particularly from private sector investors. Too often urban areas do not have quality and attractive infrastructure and too often the infrastructure in place does not sufficiently meet the needs of the most socially excluded or those living in the most deprived areas. Local authorities simply do not have enough control over infrastructure finance and particularly over the regulation of transport. In many cases local authorities do not have the budgets or the central government support to deliver joined up infrastructure support. Budgets to deliver transport improvements are often competing both centrally and locally with those for education and health.

Therefore, there needs to be a strategic and financial rethink over how funding for infrastructure is allocated in order to ensure effective growth. Transport funding locally needs to be increased and power devolved in order to ensure that more connected infrastructure is in place. This is particularly necessary in the housing market renewal areas of the North. These reinvigorated and new communities need the connections related to transport, health and education to move from decline to sustainability. Any infrastructure 'offer' therefore needs to include retail, education, health, and transport provision.

With regard to transport, the most effective way of governing transport infrastructure and power may well be at the city regional level. With transport forming a core part of 'travel to' patterns and with public transport often crossing authority boundaries, there is significant scope for central government to devolve powers and finance for transport to new city regional bodies. City regions for example could be given the fiscal autonomy to work with relevant local authorities to develop their own transport infrastructure projects. Rather than seeking financial approval centrally, city regions could work with central and local government to lead on projects that are more reflective of the varied needs of people across the city region and that are of importance to private sector firms seeking to invest in an area.

Q.2 What existing funding mechanisms – public, private, and mixed – could be better exploited?

Infrastructure development could be enhanced and exploited through stronger and wider ranging Section 106 agreements. Developers could be required to provide more and more effective infrastructure facilities as part of planning permission for new sites. Whilst this could consist of increased improvements to transport, health and educational facilities it could also be required to provide facilities which are of benefit to communities more generally such as meeting places, playgrounds and retail facilities. In areas of deprivation and social exclusion this could be particularly effective in enhancing not only social interaction and community engagement, but also in enhancing the attractiveness of an area for investment. This meets the whole notion of sustainable communities.

Infrastructure development and improvements are a key objective of the Regional Development Agencies. These bodies are supported by vast amounts of public funding to attract investors into regions and to increase economic growth. There is scope for the infrastructure capabilities of the Regional Development Agencies to be more effective and incisive and for the agencies to work more effectively with their region's local authorities to ensure that sustainable infrastructure is in place. This could be particularly effective where Regional Development Agencies have strong sub regional partnerships in place and where these partnerships are actively engaging with the private sector. Regional Development Agencies and city regional bodies should be given freedom to pool resources to deliver transport improvements in particular.

It should be remembered also that infrastructure is not solely about physical and economic development, but also about the development of skills and people. The Change Up and Capacity Builders Programmes for the voluntary and community sector is important for developing the sector and their capacity to attract investment and also work with public sector bodies. There is also need for the funding capabilities of skills boards and particularly the agencies of the Learning and Skills Council and Job Centre Plus to be exploited further in order for infrastructure and regeneration activity to be strengthened.

Q.3 What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment, and what should central government devolve?

One way in which local authorities could more effectively lever in private sector investment and develop infrastructure is through the ability to set and retain monies from business rates. At the moment business rates are collected centrally and redistributed locally. If local authorities had the ability to set, collect and redistribute business rates, monies could be more effectively utilised to fund infrastructure and inward investment activities. Whilst the idea of the Local Authority Business Growth Initiative (LABGI) adopts some of these principles of redistributing business rates, evidence to date suggest that it has not been as effective as it potentially could be. The rules of the initiative are complicated and overly bureaucratic and the focus remains on the assumption that local government finance and control should remain centralised. There is a need for the scheme to be simplified if the opportunities it presents to be used as a match to lever in external funds to support projects and initiatives are to be realised.

Pooling area based and other external funding as advocated by Local Area Agreements could have significant benefits locally and for infrastructure and investment purposes if applied more rigidly at the local level. To date local authorities and their strategic and delivery partners have not really taken up the opportunity presented to pool budgets for common purposes. Local authorities have often needed to convince partners to pool their funds.

As mentioned earlier the core area in which central government should devolve is transport. Transport for London works effectively with local authorities and other strategic partners to deliver solid infrastructure and boasts a transport heritage capable of attracting significant inward investment. If other cities and city regions were to have similar powers to those of Transport for London they could become more responsible for the regulation of existing transport systems and for funding for new infrastructure investment, particularly with the skills of the PTEs and PTAs already in place. Additionally, local authorities and city regions could become responsible for existing transport systems within an area, tailoring them to the needs of the most socially excluded and connecting them to other facilities.

Q.4 Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

There could be more effective publicity and marketing of private sector investment in infrastructure funding and infrastructure projects. Raising awareness that the private sector are working in partnership with local authorities and central government could boost local infrastructure and local economies. Local Strategic Partnership and Local Area Agreements offer key opportunities for public, private, voluntary and community sector cooperation and partnership. A duty placed on Local Strategic Partnerships to involve the private sector, particularly in delivering around the 'fourth block' on economic development and enterprise could be beneficial to ensuring both strategic and funding involvement. This involvement at the local level could ensure greater accountability to the private sector.

Q.5 Would greater devolution help finance essential infrastructure and regeneration?

In considering greater devolution of powers and funding, central government will have to consider what is being devolved and the level it is being devolved to. Certain services or themes are delivered best at the local level, whilst others are best at the city regional, regional or neighbourhood level. Indeed overarching control at the central level can be beneficial. Central Government therefore need to strike a balance between which services to devolve and to what level. Clearly local authorities and their partners do not always have the strategic and delivery capacity to deliver every type of service. Similarly there needs to be evidence to suggest that something would be better delivered through a city regional model of governance. It is clear that

the United Kingdom and England in particular remains the most centralised country in Western Europe and there is the need for devolution of particular areas most notably around transport and economic development. Building on existing partnerships at the local level could be particularly effective in delivering infrastructure and regeneration, especially in the larger cities. If transport funding and power were to be devolved, for example, the Greater Manchester conurbation and its association of local authorities could have far greater clout in financing and developing schemes such as the Metrolink extension with partners such as the Passenger Transport Executive for Greater Manchester and the private sector.

Q.6 Is the urban financial tool-kit – both public and private – currently fit for purpose, and if not, how could it be improved?

The late 1990s and the early 2000s brought a plethora of locally implemented regeneration and economic development initiatives designed to improve our most deprived neighbourhoods. They were also designed to be mainstreamed and to enable local authorities to cut back on the levels of funding they receive from central government. To date mainstreaming has on the whole not really happened, the infrastructure needs of our towns and cities are still high, and central government as will be likely to be shown in next years comprehensive spending review are seeking to reduce amounts spent and distributed from a central pot to local authorities. The 'financial toolkit' for local authorities and other new forms of governance does therefore need to be widened to include more devolved powers and more devolved funding.

Central Government also need to think further about rewards for good performance achieved through Local Area Agreements and Multi Area Agreements. If local authorities are achieving savings through the Local Area Agreement, through for example, reducing Job Seeker Allowance Claimants, rather than the surpluses achieved through that reduction being returned to the DWP, they should be reinvested in the locality to achieve further good performance. Similarly with good health and crime performance.

WRITTEN EVIDENCE SUBMISSION FROM CULTURE SOUTHEAST

Response to the All Party Parliamentary Urban Development Group
Inquiry into Funding, Planning Mechanisms etc. in the Delivery of Growth and Renewal

Introduction

Culture South East is the regional Cultural Consortium for the South East Region, established by the Department of Culture, Media and Sport in order to champion cultural and creative interests at regional level and promote the integration of cultural policy in the regional policy agenda.

Culture South East believes that culture forms one of the essential ingredients in the creation of sustainable communities, and that culture contributes to all aspects of the sustainable communities agenda. How this contributes to place making, prosperity and communities is outlined below together with examples of relevant work and achievements in the South East. These are used to respond to the specific questions asked by the Inquiry into Urban Infrastructure Investment.

If the committee would be interesting in further investigating the way culture could support the sustainable communities agenda, we would be delighted to assist.

Please contact:

Charles Freeman Executive Director, Culture South East
Email: C.Freeman@culturesoutheast.org.uk

Place making

Culture is fundamental to creating places where people want to live, work and invest. Culture is key to generating a sense of place and sense of belonging. Culture's contribution to place making includes

- Good urban design,
- The use of events, festivals and sporting excellence to develop a sense of identity,
- The enhancement of the environment through the sympathetic integration of the historic environment into new development.
- The cultivation of a diverse range of community-led organisations which provide opportunities for individuals and groups to engage in freely chosen activity, build social networks and achieve identity through free expression.

Prosperity

Creative industries and visitor economy are two of the most significant economic sectors in the South East, each contributing approximately 10% of regional GDP. The Visitor economy has played a vital role in transforming the image of many towns in the region including Brighton, Whitstable, Medway and Milton Keynes. Creativity is increasingly recognised as being a key determinant of future prosperity.

Communities

Engagement in sport, the arts, film making, music, book clubs and conservation are key factors to both promote community cohesion and ensure residents value the place they live. Engagement in cultural activity is also frequently seen as a way of reducing the risk of young people engaging in substance abuse and anti-social behaviour.

Furthermore the cultural sector can provide a powerful range of tools which can be used to engage hard to reach groups in healthy lifestyles, lifelong learning and the acquisition of transferable skills.

The Definition of Culture

Our definition of culture includes sport, tourism, the arts, museums, libraries and archives, heritage and the historic environment, film, media and creative industries, children's play and recreation. However, culture is more than a set of administrative categories; the definition is therefore much more open ended:

- It encompasses the region's shared memory, experience and identity.
- It includes minority as well as majority interests.
- It supports the excellent as well as encouraging wider and more inclusive participation.
- It values the traditional as well as the experimental.
- It emphasises life long learning and releasing individual creativity.
- It sees cultural activity as fundamental to people's health, well being and quality of life

Work of the Cultural Sector in the South East

Culture South East and the regional cultural agencies in the South East (Arts Council England, Sport England, Tourism South East, English Heritage, Museums, Libraries and Archives South East and Screen South), have been working collectively to support the sustainable communities agenda and urban renewal in the South East.

Our work has primarily focused on the three growth areas, Ashford, Thames Gateway North Kent and Milton Keynes and South Midlands.

Ashford

In Ashford, Culture South East chairs the Ashford Cultural Forum. In partnership with Government Office and the cultural agencies we commissioned the Cultural Chapter, the Ashford Growth Framework, and we are currently working with Ashford Borough Council to support the supplementary planning guidance which will enable the planning authority in the growth area to invite developers to contribute to the cultural infrastructure needed to support the transformation of the town.

www.seco.org.uk/ashford.html

Thames Gateway North Kent

In Thames Gateway North Kent Culture South East is a member of a partnership of regional cultural agencies, who appointed Alex Homfray as cultural co-ordinator to ensure that culture is embedded within policies for urban renewal within the growth area. This appointment was the first

of its type in the country and has proved influential in influencing both DCLG and DCMS to collaborate on the sustainable communities agenda.

In summer 2006, the partnership published the Thames Gateway Cultural Framework in partnership with DCMS and DCLG. This document provides guidance on how culture can be integrated within local planning policy.

http://www.seco.org.uk/thames_gateway_north_kent.html

Milton Keynes and South Midlands

In Milton Keynes and South Midlands Culture South East is represented on the Environment and Quality of Life Group of the inter-regional board. As a result of this work, Culture South East led a partnership of local authorities and cultural agencies in preparing the *Living Spaces* guide to the integration of culture into planning policy within the MKSM sub region.

www.seco.org.uk/milton_keynes_south_midlands.html

In order to ensure that this policy is further developed, the partnership has now appointed a cultural co-ordinator to work with local delivery vehicles to support the integration of culture into local development frameworks.

Creating Cultural Opportunities

As a result of the work taking place in the growth areas, Culture South East helped to form a national partnership of Regional Cultural Consortiums and regional cultural agencies in order to develop an Invest to Save project supporting the integration of culture into the sustainable communities agenda. This project, entitled Creating Cultural Opportunities received Treasury support earlier in 2006. The project aims are:

1. The incremental development of the national cultural planning toolkit. (This work is in part inspired by the Sport England developer contribution tool kit).
2. The establishment of three pilot projects (covering the Black Country, Milton Keynes and South Midlands and Thames Gateway Essex).
3. A national programme of training and dissemination.

The Regional Cultural Consortiums are also signatories to the concordat between DCLG and DCMS on sustainable communities which has led to formation of the Where We Live partnership

<http://www.wherewelive.org.uk/>

Regional Spatial Strategy

Culture South East is also working closely with the Regional Assembly to embed culture in the Regional Spatial Strategy. To support this work we commissioned Oxford Brookes University to prepare a report: *Culture and the Emerging South East Plan 2004*.

<http://www.culturesoutheast.org.uk/media/uploads/18/Branded%20front%20cover.doc>

Response to Specific Questions

1. What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?

Culture can help to deliver physical development itself. Developments which include culture are often more attractive to planning authorities, future residents, and investors. Creating cultural provision at an early stage can uplift property values and raise the quality of development.

An example is the New River Village development in Hornsey, where St James Homes converted a Victorian pumping station into a gallery for the Royal Academy of Arts. St James also sponsors an artist in residence at the gallery. Their far-sighted investment has paid off by generating publicity, involving the local community, accelerating sales, attracting commercial occupiers, and revitalising the High Street.

2. What existing funding mechanisms – public, private, and mixed – could be better exploited?

Cultural provision is funded via a complex mix of national and regionally distributed lottery and exchequer funds, both those dedicated to 'culture' and to other concerns such as education; local government funds; private sector funds, particularly those linked to physical development; and philanthropy by trusts and individuals.

The challenge is often assembling mixed funding packages for individual provision, particularly in doing this within the timescales needed for local authorities to respond to planning applications.

This challenge would be alleviated by greater integration of the development agenda within cultural policy, and greater integration of the cultural agenda within development policy. This is underway at national and regional levels, but is still patchy at local authority level.

At present a relatively small proportion of development contributions seem to benefit culture, given culture's contribution to successful places and to individual developments.

Developer contributions also tend to be released at the end of the development process while transformational cultural projects need to be initiated at the start of development, if culture is to help change the image of a locality. New innovative funding mechanisms such as development trusts may therefore be needed to facilitate transformation.

3. What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?

Typically, the earlier that cultural provision is provided within a development, the better. Yet development contributions are often released gradually.

It is suggested that consideration should be given to a 'gap fund' mechanism that could finance delivery of cultural provision at an early stage of development. Potentially this outlay could be recouped through development contributions and / or public sector grants.

Greater clarity from national and regional Government on matching funding sources to types of infrastructure would also be beneficial. Roger Tyms' report for SEERA (*The cost and funding of growth in SE England (2005)* http://www.tymconsult.com/u_files/FINAL_REPORT.PDF) recommends libraries and parks are prioritised for development contributions given their lack of central funds. Similar arguments could be made for arts, sport, heritage and screen data but the lack of evidence relating to cultural infrastructure requirements for new developments and the consultants' lack of familiarity with the sector meant these aspects of culture were overlooked.

4. Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

The mechanisms that could boost the private sector's contribution, or make its existing contribution more effective include:

- More flexible local use of development contributions – off-site / pooled / for revenue.

- For each local area, a clear statement of local cultural need, and robust policies setting out the cultural infrastructure expected to be provided within new developments.
- Research demonstrating conclusively that inclusion of cultural provision within developments assists the development industry to achieve speedier planning permission, maximum property values, speedier sales, greater attraction of commercial occupiers, etc.
- Management of cultural provision. It is often best to use existing organisations with track record, user groups, etc. Endow / fund to allow sustainable operation in perpetuity is a further important factor.

Opportunities also exist to recycle land values. In many areas existing cultural assets are outdated and not fit for purpose, provision is also frequently very fragmented. If new provision is made, which is often cheaper to operate on multi-use sites perhaps in partnership with schools, colleges or health provision, some existing sites could be re-developed thus freeing up funding.

5. *Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?*

A key concern with the planning gain supplement (PGS) proposals is the view that existing PGS agreements for off-site sport and culture provision will be replaced by notional contributions to infrastructure funds. Furthermore when these funds are applied, the sector fears pressure to provide schools, hospitals and roads will crowd out culture.

WRITTEN EVIDENCE SUBMISSION FROM HULL CITY COUNCIL

Dr Adam Marshall,
Centre for Cities at IPPR,
30-32 Southampton Street,
Covent Garden,
London,
WC2E 7RA.

31 October 2006

Dear Dr Marshall,

The All Party Parliamentary Urban Development Group (UDG): inquiry into funding urban infrastructure.

Your inquiry is timely both from a national perspective with the recent publication of the White Paper on Local Government and the forthcoming final version of the Lyons Review and from a local perspective, here in Hull, where there have been discussions over the creation of an enhanced single regeneration vehicle over the past 14 months or so.

In addressing the first question let me state in the affirmative that the current limiting of financial flexibility of local councils does indeed limit the practical regenerative projects that can be delivered by the public sector – without recourse to significant central government funds.

A single regeneration vehicle (SRV) – democratically accountable at the strategic level and democratically scrutinised at the practical level – is probably the most likely route (in today's political climate) through which the flexibility can be gained for exploiting financial instruments and tools available.

This does not also preclude that separately many of the flexibilities I describe are presently allowable on a 'specific by specific' basis but I do not believe that the framework described in a moment below exists in an off the shelf manner in the complete structure I envisage.

The requirement is for a legal infrastructure that provides an SRV with total financial flexibility. The SRV should be able to act as a parent corporation co-owned by its long terms stakeholder funding partners – the relevant RDA and local authority – and with a beneficial shareholding structure reflecting either the long term financial funding commitment of both or pre-agreed levels.

Management and Board arrangements of the SRV do need to ensure private sector participation but it also needs to be recognised there is a degree of a lack of transparency of the appointment of many on current Arcs Boards and other development guanos (the use of this word is meant in the literal not pejorative sense). The other issue concerning arrangements with the participants from the private sector – many of the most pertinently experienced or qualified are conflicted out of participation or do with such conflict and many do not have the time to be properly and fully engaged – also needs to be acknowledged.

Funds to the SRV from both organisations should then be able to be consolidated into one income stream free from constraints. For illustration, present capital funds from the RDA to a URC are subject to capital account constraints and project by project RDA Board approvals despite the fact that RDA representatives will sit on the relevant URC Board. Local Authority arrangements while less bureaucratic are not dissimilar. This slows down regenerative projects and acts as a major constraint on development activity as, for example, there may be a conflict

between the use of or timing of returns from an asset from the Ra's main board's interest and that of the SRV's Board.

Land and property assets (and any existing capital projects) bequeathed to the SRV should be able to be held on the SRV's own balance sheet and it should be allowed the full freedom to leverage against this. The freedom should also be given to the SRV to manage its asset base to full commercial advantage – the returns on which should then be able to be retained by the SRV to either pursue continuing value creating regenerative projects or by making returns to its shareholders, i.e. the two public sector funding stakeholders. The transparency can be created by the SRV having at all times to provide balance sheet, cash flow and other financial accounts akin to a public company. Given Treasury constraints a minimum annual return to be generated may be stipulated but this should be able to be accrued over a given time period – say five or ten years.

This flexibility would enable the SRV to capitalise uplift in asset values generated by its regenerative projects and also to borrow against future projected uplift to fund current projects. This should be able to be done across the SRV's full asset base not merely on a project by project basis so long as the minimum returns are generated. However, it should be recognised that the SRV will at stage have to undertake projects that simply do not generate a commercial return and it needs to be ensured that an appropriate write down facility is incorporated into the financial structure so that this does not impose too heavily on the overall financial performance of the SRV. However, the SRV does need to be able to undertake and subsidise such projects – specifically also where it they can be shown to be beneficial or indeed unlock asset values elsewhere.

The SRV should also then have the flexibility to set up special purpose vehicles (SPVs) for the purposes of entering into joint venture or strategic partnerships with the private sector or any other public sector organisation on as much as a 50/50 basis below the parent umbrella without the necessity to seek Treasury or other central government approval to undertake traditional borrowing and also exploit private finance arrangements for infrastructure projects. The 50/50 basis being pertinent as for example current LIFT arrangements necessitate the public sector taking a much less than fifty percent stake to be able to access the relevant funding streams. The SRV should also be able to undertake and manage public infrastructure projects on behalf of the local authority (or those centrally directed and funded by government) through any expressly created or otherwise SPV which should be able to utilise self generated funds from other sources within the SRV (subject to transparent financial reporting) to co-finance projects unable to generate commercial returns (again with the overarching caveat on minimum returns referred to above) which require write down.

The umbrella corporate accounts should be able to be provided to meet Treasury concerns about transparency of balance sheet liabilities and also to ensure that open-ended financial liabilities are not entered into. The SRV should also then be able to create fully proven financial business case justification for cross subsidisation across its SPVs to pump prime regenerative projects across an urban area.

The streamlining of capital accounts from the RDA and local authority will probably also require an acknowledgement from the Treasury that capital outlays once made will shift from the RDA and local authority balance sheet onto the SRV's but with the counterbalance that a share of this consolidated SRV balance sheet will reappear in their stead. It must also be recognised that further asset or additional capital bequests may be made to the SRV or its sub-SRVs which will require a re-calculation of the beneficial ownership status. Something analogous to dual share status and the ability to issue further 'shares' from the initial allocation is likely to be required.

That there may be concerns over the competitive implications of the type of SRV that I have described above is to be acknowledged. However, these are not insurmountable and whilst an SRV will have land assets in (assumedly pre-agreed strategic development areas defined

previously by relevant development plans and frameworks) certain geographies for which it is likely to act as a quasi lead developer this does not confer any special status in any other areas. However, the extent of these geographies is already likely to be defined by (as is the case in Hull) to the existing development areas that are already in the effective control of either an existing URC or local authority. Neither does this preclude the sale of assets to the private sector for development if it can be shown that this is the best method to deliver value back to the funding stakeholders in the SRV.

The above as is an outline of my view of a financial/legal framework necessary to provide an SRV with the required financial flexibility to deliver regeneration projects on a scale that is necessary for a city such as Hull.

In short the SRV needs to be provided the full financial and legal flexibility to capitalise future asset gains, leverage and securitize to free up locked capital to fund investment required to achieve the necessary investment required.

In summary these are the key points from above.

- The mechanism for ensuring the delivery of funded urban infrastructure is likely to be some type special purpose vehicle (whether designed fundamentally around the Urban Regeneration Company model or the (potentially) more geographically inclusive “City Development Companies”, most recently mentioned in the Local Government White Paper;
- Whatever the model of special purpose vehicle utilized, it is imperative that the tools and financial instruments deployed by the vehicle are firmly rooted in a democratically accountable structure;
- A single regeneration vehicle should possess maximum financial flexibility; such a single regeneration vehicle acting as a parent corporation which is co-owned by its long-term stakeholders and funding partners;
- Secure and impartial (re. conflicts of interests) private sector participation would be a major requirement for a super single regeneration vehicle;
- Funding for the super single regeneration vehicle should draw together ALL the available funding streams under ONE set of reporting and accounting arrangements (to the Board of the SRV);
- One of the key freedoms granted to the SRV would be that the land, property and existing capital assets could be used for leverage. Any returns generated would either go back into the SRV or be returned to the SRV’s primary public sector shareholders/accountable body;
- The provision of this financial flexibility would allow the SRV to capture uplift in asset values generated and from borrowing against future projected uplift. This should be undertaken on a programmatic rather than a single project basis;
- For those activities which initially cannot generate a commercial return, a write-down facility should be available;
- Single regeneration vehicles should also have the flexibility to set up special purpose vehicles as and when necessary and to undertake the management of public infrastructure projects utilizing funds generated from within the single regeneration vehicle. Within agreed parameters, the single regeneration vehicle should be able to cross-subsidize.

Further tools and mechanisms to secure urban infrastructure investment which we would like to see further investigated and implemented are:

- Further fiscal incentives to encourage investment in urban infrastructure: including enhanced capital write down for dealing with abnormal barriers to development over an extended period. This could include capital allowances for land reclamation and re use of empty/ brown field buildings.
- Utility sites left undeveloped to be handed over the local authorities (with development costs).
- A local levy on land values: the staged approach to this, as recommended by Nicholas Falk, would appear to have potential. As Falk points out “currently, major owners of Brownfield sites such as utilities and the railways have little incentive to use their land prudently, as they are on a ‘central list’, and do not pay the opportunity costs of leaving sites under-used”.⁵
- The concentration of available grants upon urban areas: these should include site servicing costs at an enhanced level from development costs – in order to overcome the barriers faced by the former utilities in needing to provide a commercial case which impacts on the developer.
- Industry or sector specific enterprise zones: particularly those contiguous with the currently existing Enterprise Areas could offer potential, particularly to encourage local value added in globally traded goods.
- The possibility of levying a charge on the increase in land values in areas benefiting from major public investment: this would be particularly relevant in those English cities experiencing the current wave of public investment.
- The extension of the Local Authority Business Growth Incentive; in effect, this should be mainstreamed and local authorities allowed to keep all of the increase in local business rates revenues.
- Local Enterprise Growth Initiative (LEGI): should be mainstreamed.
- Greater fiscal incentives for renewable energy projects; this should be tied quite clearly to local benefit.
- The exemption of VAT from new housing on brown field sites.
- The use of bonds in relation to revenue producing assets.
- Examination of best use of S106 contributions for regeneration schemes which are some time away from full value generation.

As the LGA submission to the All Party Inquiry has said, “in order to reduce disadvantage, growth incentives should be relative rather than absolute: reward should recognize growth relative to the starting position of the local area”.

⁵ Funding Sustainable Communities: Smart Growth and Intelligent Local Finance, Nicholas Falk, Town and Country Planning Association, 2004.

Additionally, it would be incumbent upon local government and other local stakeholders to ensure that such tools as those mentioned above, were firmly rooted in a fit for purpose regeneration delivery vehicle.

Our recently published Hull and Humber Ports City Region Development Programme addresses the need to improve the economic performance and recognizes that the quality of a place – its natural and man-made infrastructure – plays an immense role in making places liveable and successful. Our work on the Hull and Humber Ports City Region Development Programme clearly evidences the continued need for improving the state of our cities, as part of raising productivity and tackling inequalities.

Extensive research (often funded by UK government) has exposed the fractured and complex nature of urban regeneration projects. In an increasingly constrained public sector funding regime, the need for novel, smarter and effective ways of financing urban infrastructure, is becoming starker. Taken together with the Government's acknowledgement of need for indigenous, "bottom up" economic growth which builds on the strengths of individual cities and localities, and the commitment of the Government to "enabling regions, cities and other local areas to enhance economic performance",⁶ the All Party's inquiry comes at a very important time.

Whilst the physical resurgence of England's cities in recent years is evident, the growing economic (and social and cultural disparities) between cities (as well as within cities), remains a major concern – on economic - as well as social equity grounds. Increasing environmental pressures and concerns are also leading to a new appreciation of the importance of the agglomerative and proximity benefits provided by our cities and major urban areas.

Research, undertaken on behalf of the Government, clearly indicates "the most important factor in re-urbanisation" (halting or even reversing the flight from cities which has characterised so much of the post World War II period) "is almost certainly the successful restructuring of metropolitan economies and the rapid development of higher-order service-sector activities in the centres of many large cities".⁷

The most recent State of the English Cities report confirmed English cities had turned the corner but also confirmed that (with the exception of London), our cities lag far behind the best performing cities in Europe recommended the provision of "urban fiscal incentives"⁸. The Local Government White Paper concludes its chapter on "strong cities, strategic regions" by acknowledging that "to meet its economic objectives it is necessary to devolve greater power and resources down to regional and local level to foster economic growth throughout the country".⁹ As part of the place shaping and community leadership role of local government, the possibilities for more devolved governance, particularly with regard to economic development, planning, skills and infrastructure could lead to the implementation of innovative mechanisms for securing urban infrastructure investment.

I look forward to the findings of the inquiry and I am sure that the All Party Urban Development Group will produce a cogent and comprehensive assessment of the most effective funding mechanisms to promote urban renewal and sustainable development.

⁶ Devolving Decision making: 3 – Meeting the regional economic challenge: the importance of cities to regional growth, HM Treasury, DTI, OPDM, March 2006. Foreword. P. 1

⁷ The State of English Cities, Prof. Michael Parkinson, et al, DETR, November 2000.

⁸ State of the English Cities, A Research Study, Prof. M. Parkinson et al, ODPM, March 2006.

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⁹ Strong and prosperous communities, The Local Government White Paper, Cm 6939-1, Department for Communities and Local Government, October 2006. p. 91

Regards

A handwritten signature in black ink, appearing to read 'Andy Sloan', with a stylized flourish at the end.

COUNCILLOR ANDY SLOAN
PORTFOLIO HOLDER FOR
ECONOMY, REGENERATION & STRATEGIC PLANNING,
HULL CITY COUNCIL,
31 October 2006.

WRITTEN SUBMISSION FROM LABOUR FINANCE AND INDUSTRY GROUP

LFIG Regeneration Group submission to the All Party Urban Development Group.
November 2006

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Introduction

This submission is based on a report by the Labour Finance and Industry Group (LFIG) Regeneration Group, "Effective Regeneration Action: Finance and Regeneration," published in May 2006.

Effective regeneration occurs when intervention leads to a lasting and measurable improvement in the quality of life of people living or working in an area. There can be no regeneration without investment in one form or another. The LFIG report "Effective Regeneration Action: Finance and Regeneration," considers recent developments in private sector regeneration funding, and their implications for financial institutions and central and local government.

Successful regeneration depends on mobilising private sector investors, especially as sufficient public sector funding is unlikely to be forthcoming. To achieve effective regeneration, projects must offer sufficient returns that are fair to the private sector while protecting the public interest. Equally important planning regulations and conditions must be manageable from the point of view of both developers and the public sector. At present regulations are complex, bureaucratic, time consuming and expensive. Moreover, the lack of appropriate skills in the public sector acts as an obstacle to effective regeneration.

Recommendations

The report proposes 14 recommendations in a number of areas, including:

- excessive developer profits arising out of public sector interventions
- financial awareness and business skill shortages in the public sector
- the simplification in planning procedures, agencies and regeneration initiatives
- public sector borrowing for regeneration in the context of mobilising private sector finance.

Profit margins and property value uplift as a result of public sector participation in urban regeneration

To counter the politically unacceptable risk of excessive profit margins accruing to private sector developers arising out of the uncertainties of long term public investment in regeneration, to moderate the profitability of joint public private sector projects, in "Effective Regeneration Action", but not withstanding the need for attractive developer returns, it is recommended that:

the principle of an agreed reasonable profit margin on projects for the private sector should be accepted, with any profits in excess of the agreed amount being returned to the sponsoring public body. (Recommendation 3)

It is also recommended that where windfall profits arise out of public sector intervention, for example, in housing:

the public sector must be able to reserve the right and take the profit or value-uplift resulting from the value that public investment brings to private developments. (Recommendation 10)

Planning capacity and the need for appropriate skills in the public sector

Undoubtedly there are many individuals in the public sector who are extremely competent in planning and financial skills. Unfortunately these skills do not always penetrate down to the level of day to day management of development within the public sector. The LFIG Regeneration Group report therefore recommends that:

the "silo" mentality of professionals in the regeneration sector needs to be changed through education, with a significant component of a new training programme in financial awareness and competence. (Recommendation 7)

It is also vital to support this training by re-creating a public service ethos in local and central government by providing genuine career paths for those engaged in the planning process. It is therefore recommended that:

the planning profession would benefit from the introduction of four skills levels, with a clear path of progression that would make careers in the public sector more attractive, to address the current planning skills shortage. (Recommendation 5)

Reduction in the number of agencies and initiatives

Over recent decades there have been a large number of initiatives in the area of regeneration. We feel that the constant search for an instant solution only serves to confuse the situation and create conflicts and competition between local authorities, RDAs and other agencies as they try to win bids, rather than develop longer term strategies. Often these initiatives survive only a short time before being replaced or significantly modified. This churning of initiatives does not give sufficient time to identify successful policies. It is recommended that:

Government should restrict the number of new agencies and initiatives introduced over the next 5-year period, both by central and local government, and consider encouraging the merging of existing agencies into more effective bodies wherever feasible. (Recommendation 6)

Bond issues to back regeneration and infrastructure investment

The report shows that public sector borrowing for regeneration geared up with additional private sector finance of privately funded schemes generates net inflows of tax revenues to HM Treasury. A number of financial vehicles exist in the private sector, which could be mobilised to expand the scope of regeneration projects. Consideration should be given by Government to two recently proposed funding models – Delivery Companies (based on assets) and Regeneration Investment Vehicles (based on equity).

However, insufficient use is currently made of existing assets held by the public sector and the capitalised value of proposed regeneration schemes. Nevertheless, these approaches could be used to finance regeneration and could be used in conjunction with the issue of bonds to acquire finance at lower rates of interest than available to private sector firms. Moreover, the issue of bonds would reflect the expected life of proposals and spread their financial costs over time accordingly. The LFIG Regeneration Group report therefore recommends that:

local and regional authorities and agencies should use the revenue streams of their politically determined social objectives such as education, housing and health to create asset values and investor confidence. (Recommendation 13)

It is also recommended that:

funding for regeneration and infrastructure should be based on Government bond issues for financially sound reasons, or where risks are unacceptable or the rate of return is too low to attract private sector finance. (Recommendation 14)

Conclusions

The LFIG Regeneration Group report concludes that regeneration is an opportunity, not a problem. The Government's commitment to regeneration, and the keen interest in the UK investment community in financing regeneration projects, represent an opportunity from which all can benefit.

The LFIG Regeneration Group

The Labour Finance & Industry Group (LFIG) provides support for policy development in key areas of Government interest. Its members include Ministers, MPs, MEPs and Lords, and senior figures from the UK business and finance community, academics and local government.

LFIG Regeneration Group, which has produced this report, is one of LFIG's working groups. This report, "*Effective Regeneration Action: Finance and Regeneration*", is based on a series of meetings held over the past 18 months. These gathered evidence from senior members of the finance, development, university and other sectors, with experience of working with the public and private sectors at local and national levels. Its findings are supported by a robust econometric model.

The Group's aim is to promote practical solutions in response to changes at both local and regional levels brought about by the restructuring of the economy. It seeks to reinvigorate public debate and thinking on regeneration issues in the UK.

LFIG Regeneration Group is headed by:

Dr Stephen Gruneberg (*Chair*), Research Fellow in the School of Construction Management and Engineering at the University of Reading. An industrial economist, author and co-author of several books specialising in the construction and property sectors, his research interests cover the economics of the construction industry, strategic decision making, corporate planning and property development.

Nicholas Waloff (*Vice Chair*), a regeneration funding consultant, who heads his own company, Waloff Associates Ltd. He specialises in business planning, public affairs and financial communications for public and ex-public sector organisations, as well as emerging markets. Edward McCauley (*Secretary*), the original founder of the LFIG Regeneration Group in 2003. He is Managing Director of Diligentia Ltd, which provides an auditing service to evaluate and compare the performance of buildings.

To obtain copies of the report, (Price £30 plus P&P) contact:
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ISBN 978-0-946693-01-6 EVIDENCE SUBMISSION FROM ONE NORTH EAST DEVELOPMENT
AGENCY

WRITTEN EVIDENCE SUBMISSION FROM LEONARD MARTIN, PLANNING AND ECONOMICS

Winter 2006 Inquiry Session

'Financial devolution and the private sector's role in funding infrastructure'

"Our cities and towns all need a basic level of infrastructure in order to attract private investment, but this infrastructure is not always in place. There is widespread agreement that additional financial freedoms and flexibilities - or "enabling mechanisms" - are required to facilitate regeneration.

The inquiry will examine whether the absence of local financial freedom deters innovative private sector infrastructure funding solutions. It will also look at how devolved powers could enable the public sector to harness the wealth of the private sector, and secure infrastructure provision.

The session will address key questions concerning the provision of infrastructure for regeneration."

Summary of this submission

1. Local government may soon have more financial autonomy, but it may or may not be the case that individual authorities will then use these financial powers in a way that better enables them to successfully attract inward investment for regeneration and other urban change projects. The freedom to raise funding, and the ability to actually do so, are not the same thing. The latter is fundamentally about the ability to offer sound investment opportunities, and this remains the case whether investment is sought from the public or the private sector.
2. By definition, an investment requires that an investment return should be available to investors. This return has to be consistent with the inherent risk and in a form that is acceptable to would be investors.
3. Public sector investors may decide to accept investment returns in the form of direct or indirect ways of raising the tax base and social well-being of UK plc. Private sector investors require a more direct and tangible financial return. Because of this directness, they also need to assess project risk and return bearing in mind how successful and assured the particular delivery mechanisms are likely to be.
4. Our contentions are:
 - a) Urban change projects are not being adequately assessed for their ability to be delivered.
 - b) This omission and error is made at an early stage in the spatial planning process when spatial development alternatives are (or should be) compared.
 - c) The ability to achieve good delivery of each of these spatial alternatives should be assessed in an informed, robust and transparent way bearing in mind core spatial planning objectives (e.g.: the need to achieve closer integration between development and transport). This informed comparison work is not being done.
 - d) It is difficult to correct spatial planning assessment errors of this kind because of the long lead times involved and because the investment consequences only become apparent "down the line". Hence, although the spatial planning process is sometimes said to be iterative, in practice it seldom is. What instead seems to happen is that the process soldiers on more in hope than expectation.

e) The need for informed assessment of spatial development alternatives is particularly important given the new planning agenda. At its most basic, this agenda involves spatial strategies that focus on the development of (some) existing urban areas, and with public transport closely integrated with existing and new urban land uses so that the need to travel is reduced and overall urban sustainability is increased. However, because integrated urban development and transport is fundamentally dependent on the provision and use of genuinely accessible public transport (rather than roads and cars), the good delivery of integrated development is one of the most difficult challenges we now face in the UK (with or without road demand management measures). It is also one of the most important given the need for climate change solutions whilst maintaining economic growth.

f) A strong culture of good delivery needs to be embedded in the land use planning process, and from the outset of this process.

g) In summary, there may be widespread agreement that additional local government financial freedoms and flexibilities, or "enabling mechanisms," are required to facilitate regeneration, but it is also the case that these mechanisms will not actually raise funding for infrastructure projects without first demonstrating the ability to ensure the good delivery of this infrastructure and the urban change it is intended to support and help bring about. Within the context of this inquiry and the new planning agenda, these additional enabling mechanisms are therefore not the sole requirement, or perhaps even now the main requirement.

What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?

5. This question is fundamentally about confidence to invest in the infrastructure that is needed in support of urban change and development. There needs to be high levels of confidence about the ability to obtain an investment return consistent with the inherent risk of investment commitments.

6. Two important things follow from this:

a) Investment decisions need to be made on an individual project-by-project basis because the inherent risk of projects will differ;

b) Investors will only receive an investment return if the projects they invest in are successfully delivered.

7. The position can be summarised thus:

Demonstrating the scope to achieve good delivery =
Demonstrating the scope to receive an investment return =
Lower investment risk =
Higher investment confidence =
Both public and private investment =
The ability to achieve good delivery in practice

8. There are many ways of improving good delivery and of demonstrating the scope for good delivery. However, the urban change process seems unlikely to change for the better unless and until there is this focus on good delivery, and the need to demonstrate the ability to achieve good delivery.

9. Broadly speaking, it is not the system of land use planning and urban change that is in need of change and improvement for this purpose. What is needed is a better understanding of how to apply this system to good effect.

10. We would emphasise the basic quid pro quo in all of this. If towns and cities need more investment in their supporting infrastructure, it is incumbent on them to demonstrate in the first instance their ability to provide investors with suitably high levels of confidence about the ability to obtain an investment return if and when they invest in this infrastructure. This is the “investment offer” that matters.

11. It is not sufficient for towns and cities, or sub-regions and regions, to instead plead for Government infrastructure spending (rather than investment) and/or to maintain that if this spending is not available there can and will be no urban change and economic growth (as in “No infrastructure, no growth”).

What existing funding mechanisms - public, private, and mixed - could be better exploited?

12. There may be limited use of existing funding mechanisms, and limited innovation about the provision and use of new and better ones (e.g.: the current debate about the real added value of the proposed Planning Gain Supplement). However, we believe these are consequences of a more basic problem, i.e.: funding mechanisms are under-employed because sound inward investment opportunities are not offered to the investment industry as often as they might be.

What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?

13. As noted earlier, we believe this question is fundamentally about local authorities (and others) not adequately addressing the need to demonstrate good delivery in order to in turn foster and warrant high levels of investment confidence.

14. We accept that local authorities appear to be constrained in their ability to assess and demonstrate good delivery for these investment purposes. Central Government could help in this regard (e.g.: by issuing good practice guidance urging local authorities to accept and undertake this important task).

Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

15. We again contend that if land use planning made spatial planning decisions taking full account of the ability to deliver, the system as a whole would have a higher order of investment confidence and thus more inward investment in the supporting infrastructure required by these spatial plans.

Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

16. More local financial devolution may be needed, but the test will come if and when sound investment opportunities are presented by local government but are still not then invested in by either Central Government or the private sector. If in these circumstances there were a failure to invest, there would be evidence to support local authorities then raising finance and investing in essential infrastructure themselves. However, we believe we have not yet collectively reached this stage – we have not yet collectively demonstrated that urban change investment opportunities are genuinely sound, are being well presented to the investment industry, but are still then being denied.

17. In our view the single most important way to improve the urban change tool-kit would be to ensure that urban change investment opportunities were assessed in an informed, robust and transparent way as part of the spatial planning process. A number of good practice techniques and procedures could be adopted for this purpose, all of which would appear to be outside of the

scope of this inquiry. We would simply mention the need to not prejudge and pre-empt informed spatial planning assessment work in any way.

18. Our expectation is that if and when this is done, Central Government and/or the private sector would invest as required. Investment in sound investment projects is their business.

19. If at this stage the PSBR then proved a limitation in some way, local authorities indirectly adding to this PSBR would not remove this obstacle. The solution would instead lie in ensuring that the private sector was willing to invest. Back then to good delivery and sufficiently high levels of investment confidence. There are no short cuts in this regard, and no easy alternative solutions.

LEONARD MARTIN MA MRICS MRTPI

1st November 2006

All Party Parliamentary Urban Development Group

WRITTEN EVIDENCE SUBMISSION FROM LONDON FIRST

All Party Urban Development Group
Financial Devolution and Private Sector Funding of Infrastructure

London First submission – November 2006

This submission by London First is made in response to the request for evidence on funding infrastructure. London First is a business campaign group working to improve and promote London with the support of 300 of the capital's major businesses. London First members represent a quarter of London's GDP from key sectors such as finance, professional services, property, ICT, creative industries, hospitality and retail. Our membership also includes all of London's higher education institutions as well as many of the further education colleges, NHS trusts and independent hospitals.

London First's views on the questions raised in the request for evidence are as follows:

What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?

Infrastructure investment cannot by itself make development happen. It is however often a necessary condition for private sector investment in housing and commercial development. The 'offer' needs to include:

- Transport: to provide access to new development
Transport requirements may range from access to the main road network to new rail or light rail lines or stations. High density mixed use development on large brownfield sites is likely to need high capacity public transport.
- Water, power and telecommunications
While investment should be forthcoming from private sector utilities on commercial basis, there may be a need for some pump priming
- Social infrastructure – schools and medical facilities
Government funding may not be available until some time after housing has been built and occupied, which may make it unattractive for house builders to invest.
- An attractive environment
Urban development sites are often in former industrial areas with poor environment, so investment may be needed in removing eyesores such as overhead power lines and providing open space and recreation facilities.

In addition to infrastructure, development needs an effective planning system with clarity in terms of development plan policy, clarity over decision making and well-resourced planning departments.

What existing funding mechanisms - public, private, and mixed - could be better exploited?

The most common mechanism for funding infrastructure is s 106 agreements. There is scope for requiring contributions to be pooled to provide infrastructure that serves more than one site. However there is a limit to the total amount of s 106 contributions that brownfield development will support. Current proposals to introduce a planning gain supplement (see below) would limit s 106 contributions to site-specific mitigation of the effects of development. This would in practice reduce the contribution that new development may make to funding infrastructure.

The Local Authority Business Growth Incentive Scheme (LABGI) enables authorities to keep part of the rate income arising from new development. However the amount is limited and the arrangements are complex. We welcome the announcement in September that the cap on the amount that an authority may retain is to be removed. However if all rate income from all new

commercial development were retained by the local authority and if the authority were allowed to borrow against the prospective income, it would provide up-front funding for infrastructure investment. London First carried out a case study with the borough of Barking and Dagenham – local tax re-investment programme - which showed how this mechanism could be used (copy attached).

What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?

The interim report of the Lyons inquiry referred to the possibility of greater flexibility for local authorities to raise additional revenue to support infrastructure investment through greater discretion over business rates. However London First believes that the number of major projects, such as Crossrail, for which a business contribution of this kind would be appropriate is limited and that the funding package for each should be considered on its merits. A copy of London First's submission to the Lyons inquiry following the interim report is attached.

Planning Gain Supplement (PGS) is not an appropriate mechanism for mixed use development on brownfield sites. It is likely that its introduction would in practice frustrate development. A copy of London First's response to the consultation on PGS earlier this year is attached.

Road pricing could also be an important new source of revenue for local authorities. While it is not imminent, it is likely to be introduced progressively over the next 10 years and should therefore be taken into account in new thinking on local authority finance. In particular, it offers the prospect of a much more efficient and equitable way of funding transport investment than a levy on business rates. As major road users business would of course make a substantial contribution. It is however important that local authorities should be able to keep the proceeds and allowed to borrow on the security of the future revenue.

Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

There is a need for innovative mechanisms for joint ventures or public private partnerships. This is an area for future development. Where appropriate the local authority may need to use compulsory purchase powers for site assembly in order to achieve more comprehensive development and so achieve marriage value. The essential ingredients are to increase the value of existing public sector land holdings, to create extra value through land assembly and to enable the private sector to provide up-front funding for investment in anticipation of future revenue streams.

Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

In general local authorities have the necessary planning and land assembly powers. They are however tied by the need to obtain consent for deals that may be construed to amount to borrowing. There is a need for greater devolution to enter into financial transactions. Here again, further work is needed on the development of appropriate mechanisms.

In London, the agreement of a five year programme for Transport for London is very valuable in the planning of new development. It would be very helpful if this principle could be extended more widely.

Winter 2006 Inquiry - Financial devolution and private sector funding of infrastructure

WRITTEN EVIDENCE SUBMISSION FROM THE LOCAL GOVERNMENT INFORMATION UNIT (LGIU)

19 OCTOBER 2006

The LGIU welcomes this timely inquiry into funding urban infrastructure by the All Party Parliamentary Urban Development Group (APUDG). The Lyons Inquiry and the Local Government White Paper, both due later this year, and the current debate around the governance, structure and financing of urban areas, are major opportunities for real progress. The issue of funding urban infrastructure has to be seen in this wider context. Without genuine devolution from central to local government, particularly financial devolution, there cannot be radical progress made in this area.

In our final evidence to the Lyons inquiry, we stressed the urgent need for greater devolution of powers and responsibilities to our major cities. Not every city is demanding additional tax raising powers, but they all want more control over decisions about priorities and the means to deliver them, and over mainstream funding. The complexity of funding streams and the lack of accountability for decisions are the most frustrating aspects of the current system. All of this stifles innovation, hampers delivery and undermines longer-term relationships with the private sector.

The APUDG inquiry needs to consider, therefore, not just new funding mechanisms or better use of existing ones, but also how financing can be aligned to functional responsibilities and powers. Even central government has acknowledged that the underperformance of our cities compared to other European cities is related to lack of powers and financial autonomy.

The LGIU has supported the LGA in calling for more devolved governance and taxation, and clearer powers over transport, infrastructure, planning, economic development and skills, in line with similar international cities. The additional powers for the Mayor of London, and in some areas, limited control over funding decisions (such as over the allocation of affordable housing money) need to be given to all major cities - especially as not doing so could further deepen the competitiveness gap between London and the rest. The extent of the devolution in London is limited, but it does give the Mayor more leverage over boosting London's economy, and increases democratic accountability over key strategies.

Wider financial reform

The focus of the inquiry by the all party parliamentary group is how to fund major infrastructure projects. We would stress, however, that whatever new mechanisms the inquiry can identify, there will not be huge progress if the wider financial regime remains unchanged.

There is still an urgent need for radical reform to the council tax if there is to be greater financial devolution to local authorities. It would be unacceptable for such a regressive tax to take more of the burden of local government funding, even if councils had access to additional, smaller tax revenues. In our final submission to Lyons, the LGIU argued that the issue of control of resources is crucial, but that the balance of funding is as critical - that the current balance of funding position is part of the control problem, not separate to it.

The business rate should be relocalised. Businesses have not been paying their fair share of local government expenditure: this needs to be rectified urgently, even if relocalisation does not happen or is considerably delayed.

Raising additional resources

We recognise that there are lively debates going on about the governance of cities and city regions that impact on this issue, but whatever the future arrangements, urban areas need to be able to raise considerable capital investment, either directly or through leveraging in private investment, where currently they are severely constrained.

The prudential framework opened up investment opportunities for local authorities, but it has severe limitations – particularly where there is up-front investment needed before schemes can go ahead, but councils cannot borrow against future income. Reform is needed to ensure the prudential framework can fulfil its potential, with solutions and vehicles that maximise local control and flexibility.

There will be specific solutions depending on the nature of the infrastructure needed: major transport schemes, for example, will have a potentially large income stream from fares that can be used to finance borrowing, if transport authorities can harness them. All the projects, however, need flexible, additional revenue resources to enable investment. Although the Lyons Inquiry is not expected to deliver major change to the balance of funding, it is likely to recommend that major cities should have available to them various additional taxes that could be important in financing investment.

The LGIU supports detailed consideration of schemes such as tax increment financing (proposed by the Urban Task Force in 1999), used extensively in the USA, where resources are brought into localities by capturing the increased revenue when land values go up. Tax increment financing (TIF) uses the expected growth in property tax revenues from a designated geographic area to finance bonds that pay for acquisition, demolition, and infrastructure costs associated with redevelopment.

Tony Travers describes how TIF could finance transport schemes through a form of securitisation:

“The value of properties within the zone would be monitored, so as to make it possible to compare changes within the zone with those outside. Insofar as values within the zone rose more quickly than values outside, the difference would be attributed to economic benefits of the new infrastructure. This margin of difference could then be subject to a tax rate-in-the-pound. Sums by a TIF could then be used in a number of ways. But, for those seeking to develop a city’s infrastructure they provide a revenue stream against which it would be possible to borrow money in advance of the revenues actually being produced”.

Improving local transport, LGA, 2006

We are not suggesting that TIF is necessarily the right model – it is a controversial model in the USA, with concerns expressed particularly by neighbourhood representatives – that, for example, TIF schemes can displace existing jobs, that local residents are moved out without proper consultation, and that large businesses ‘win’ at the expense of smaller. There would need to be clear principles underpinning schemes like TIF, such as that they create jobs (not merely transfer them from other areas) and that the decision making processes around them are open and accountable.

There will also, of course, be financial risks associated with such schemes - there could be shortfalls if the projected tax increase does not materialise, but dynamic city development will, inevitably, involve a degree of risk. The government will have to balance the risk with their potential. Each scheme would require a robust business case.

It is also worth considering whether businesses would be willing to pay an additional levy to fund an approved project – an expanded version of the current business improvement district scheme:

in London five per cent on existing business rates would yield £200 million a year and finance £4 billion prudential borrowing.

The LGIU supports a significant planning gain supplement (even if there are still problems about how exactly it will be implemented) or a locally set roof tax. We have concerns, however, about other incentives, such as allowing councils to retain the growth in council tax income (not equalised) for a fixed period to encourage development. There is a danger that building in more incentives into the system will further disadvantage areas that are already lagging behind, but we understand that some of the medium and smaller towns and cities believe that they could compete and would welcome incentives.

In order to reduce disadvantage, growth incentives should be relative rather than absolute: reward should recognise growth relative to the starting position in the local area, and not recognise the absolute value of that growth (whether that is measured in increased numbers or increased income).

Government as a whole needs to sort out its contradictions – some major programmes are not ring-fenced, such as the Neighbourhood Renewal Fund, whilst the Department for Education and Skills has introduced the ring-fenced Designated Schools Grant that reduces flexibility and discretion, not just in education, but across local government. Currently, the Treasury holds all the levers – legislative and regulatory, There needs to be radical rethinking and devolution, a recognition of respective roles and responsibilities and new, creative financial mechanisms.

WRITTEN EVIDENCE SUBMISSION FROM MLA SOUTH EAST

Dr Adam Marshall
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30-32 Southampton Street
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1 November 2006

Dear Dr Marshall

All Party Parliamentary Urban Development Group Enquiry

In response to the current enquiry into the provision of infrastructure in urban development areas we wish to make the case for the inclusion of culture within its scope.

The contribution of culture¹⁰ to regeneration of places and communities is increasingly recognised among policy-makers and planners. Over the years, national planning policy has been developed and refined covering certain aspects that come under the umbrella of culture, and various tools have been developed – for instance by Sport England, MLA South East and English Heritage – to support professionals and practitioners. But cultural agencies' roles in relation to the planning system vary and there are perceived gaps both in terms of how planning policy addresses cultural uses and the spatial dimension of culture. Furthermore, the place of culture within Regional Spatial Strategies, Local Development Frameworks, regeneration and development plans varies across the country being highly reliant on effective lobbying and 'visibility' rather than being planned in as essential 'cultural infrastructure' for sustainable communities.

MLA South East is the regional development agency for museums, libraries and archives in the region. A key part of our activities is to help build stronger communities with a sense of place and cohesion, promoting new and expanded services for museums, libraries and archives as part of the sustainable communities' agenda. Museums, libraries and archives are uniquely placed to respond to demographic and social change within urban areas, offering opportunities for community engagement and meeting a range of cultural, learning, leisure, information, business, social and health needs. They expand educational opportunities, support economic vitality and build healthy, cohesive communities. It is therefore essential that libraries (a statutory service) and other cultural facilities and services keep pace with development through inclusion in regional and urban policies and local planning frameworks.

Part of the national MLA Partnership, we are also partners in the new DCLG, DCMS and NDPB *Joint Agreement on Culture and Sustainable Communities* (July 2006). This considers that the cultural aspects of the sustainable communities agenda should be '*firmly embedded in planning frameworks and delivery mechanisms' at national, regional and local levels*' [paragraph 13 of the Agreement].

¹⁰ Our definition of 'culture' includes sport and leisure, theatre, the visual and performing arts, museums and galleries, archives, libraries, the historic and built environment, architecture and design, public spaces and places of heritage, tourism, media, film and television.

At a regional and more local level there is a need for local authorities and local delivery vehicles, to have a comprehensive area-wide approach to the delivery of cultural infrastructure. The following relevant material has been produced:

- Sport England has developed a Spatial Planning website which includes a number of strategic planning tools such as the 'Planning Contributions Kitbag' and 'Active Places Power' (www.sportengland.org/spatialplanning);
- MLA South East has produced a *South East Public Library Tariff* and an *Archives Tariff* (both 2006), and a guidance note on *Securing Developer Contributions for Museum, Library and Archive Facilities in the South East* (2005) (4). This approach is being developed as a national tariff based formula for the libraries and archives sector.
- Work in the Thames Gateway area has resulted in a toolkit and framework for prioritisation of, and investment in culture in that growth area.
- In addition, Arts Council England, MLA Partnership, Regional Cultural Consortia, Northamptonshire County Council, Milton Keynes South Midlands, Black Country Consortia and Thames Gateway South Essex are all partners in a HM Treasury research project, funded through *Invest to Save*, to 'Create Cultural Opportunity in Sustainable Communities'. The strategic aim of the overall project is national in scope: to develop a coherent suite of tools and user guidance that will assist spatial and cultural planners anywhere in the country to assess cultural infrastructure need, plan for its provision and secure appropriate funding mechanisms to deliver. Work begins in November 2006 and completes in mid 2008.

Recommendation One: That culture is considered part of the essential infrastructure required to support successful urban development.

Recommendation Two: That funding mechanisms for cultural provision within urban areas, through the more consistent use of Section 106 agreements, tariffs and local planning policy and guidance be adopted as part of the funding mix for successful urban development. This is in line with recent Audit Commission recommendations on the use of planning policies for supporting community infrastructure.

Many thanks for your consideration. Please do not hesitate to contact us if you require any further information.

Yours sincerely

Sophia Mirchandani
Head of Development and Funding
MLA South East

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The South East Cultural Agencies (2006) Sustainable Culture: Sustainable Communities: The Cultural Framework and Toolkit for Thames Gateway North Kent, Thames Gateway North Kent Partnership.

WRITTEN SUBMISSION FROM ONE NORTHEAST DEVELOPMENT AGENCY

1 November 2006

A. Introduction

The All Party Parliamentary Urban Development Group's inquiry has invited written evidence from stakeholders on the following questions:

- What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?
- What existing funding mechanisms - public, private, and mixed - could be better exploited?
- What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?
- Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?
- Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

This is the submission of One North East, the Regional Development Agency for the North East of England.

B. Pivotal role of RDAs and Regional Economic Strategies

One NorthEast prepares the Regional Economic Strategy on behalf on the North East region. This sets out an ambitious and realistic target to regenerate the North East's economy. The North East RES proposes strong city regions to drive future economic prosperity. It is important that the urban areas at the heart of these city regions have fit for purpose infrastructure contributing to a high 'quality of place' to help facilitate growth. RDAs play a significant role in promoting sustainable development and urban renewal directly and also by working closely with regional partners to maximise opportunities by meeting identified regional needs and co-ordinating activity. Increased recognition from Government of the pivotal role of Regional Economic Strategies setting the priorities and framework that drive regeneration will help align public and private sector investment.

The North East Regional Economic Strategy understands the infrastructure 'offer' to include but not be limited to:

Road, rail, air and sea transport, ICT connectivity, utilities, a pipeline of commercial and residential premises, social capital and cultural and natural assets.

For this submission to the inquiry, One NorthEast would like to focus on the issues of transport infrastructure and commercial premises.

C. Meeting the economic challenge through partnerships

One NorthEast, through direct intervention and also through more indirect channels, has already begun to realise significant economic benefits in the North East. However, it should be recognised that there remains a considerable economic challenge facing the region. This manifests itself spatially as areas of low market demand where strong public sector support and leadership is required. RDAs play a decisive leadership and co-ordinating role at the regional

level. At a project-based level, One NorthEast has developed a Physical Regeneration Investment Framework as a tool to assist the effective prioritising of capital investment to improve the regions infrastructure 'offer'.

RDAs are already experienced at working in partnerships with a range of bodies on policy and delivery aspects. This includes using the mature relationships we have developed with local authorities. Often, LAs can provide the required local knowledge, understanding and a fine-grain expertise. It is such partnerships that contain a range of perspectives and skill sets, which are essential to economically productive regeneration and the prosperity of communities. Under current arrangements Local Authorities play a fundamental role in helping to shape the priorities in regional strategies. They also deliver on the ground and align locally delivered services, planning and procurement with wider regional and city regional economic priorities and objectives. This is reinforced in the recently published Local Government White Paper in which Local Authorities are recommended to pay due regard to the priorities of the Regional Economic Strategies to ensure their Local Area Agreements to implement their Sustainable community Strategies are consistent and added value.

It is important to note that real economic geographies do not respect LA and other administrative boundaries and requires consideration at larger geographies with intervention often across wide areas by a number of actors and with varying primary interests. Therefore, even closer partnerships are needed. For instance, the encouragement and support of cross boundary renewal programmes. Strengthening the ability of RDAs and Local Authorities to work across administrative boundaries should be a major priority for Government as it is only through collaboration across boundaries that places can realise their full economic potential. The development of Multi Area Agreements has the potential to provide an appropriate model of working to assist in this regard.

In the North East, urban investment priorities are guided by the city region approach, which seeks to develop a complementary offer. Devolving too much infrastructure funding directly to Local Authorities without a strong alignment with regional priorities will drastically reduce Regional capacity to ensure that physical regeneration is driven by economic need and supports economic objectives and priorities. This could result in missed leverage opportunities and frustrate opportunities with the private sector that the regional scale and range of investment can enable.

D. Public Private mechanisms and funding opportunities

Economically productive regeneration could potentially be delivered even more effectively if public private partnerships were given a more central role in delivery. Encouraging and supporting cross boundary renewal programmes could be built upon and widen the successful delivery of local regeneration projects already achieved through vehicles such as the Urban Regeneration Companies (URCs). The proposals for the development of City Development Companies through the Local Government White Paper are welcomed and may potentially provide a further model for driving and delivering regional and national economic growth. At a city regional level there may be a requirement for more focussed devolved delivery by an effective organisation with an explicit remit and buy in from the multiple stakeholders involved- the model of a City Region Limited Liability Partnership delivery agent responsible for delivery, as a separate body to a strategic partnership would be worth exploring in this respect.

The inability to raise capital from the markets, unlike European Public Authorities, constitutes a barrier to further flexibility of resources to complement the Single Pot. Therefore the use of local asset based vehicles by UK public bodies should be encouraged as another means of the public sector accessing private sector finance and expertise creating a new and potentially attractive asset class. Greater use of local asset based vehicles should be encouraged, allowing local authorities and other public sector asset owners' access to significant private sector investment finance and expertise within the structure of an equal partnership.

In order to be successful the region recognises that it needs a portfolio of quality buildings to support new and growing businesses. In April 2004 One NorthEast and UK Land Estates formed a 50/50 Public Private Partnership (PPP) company, trading as Buildings for Business, in one of the largest property transactions ever to take place in the region. The Public Private Partnership (PPP) with UK Land Estates has brought in private sector expertise to manage more effectively the Agency's retained investment portfolio as well as the injection of substantial resources to regenerate the properties and estates over the coming years.

The joint venture company comprises 1,700 properties on 49 estates, the region-wide portfolio consists of workshops, factories and warehouses ranging in size from 45m² (500 sq ft) to over 14,000m² (150,000 sq ft), together with a number of purpose built offices, high-tech units and managed workspace accommodation. This arrangement has an overall value of £148m and an annual income stream of £20m per annum with the Leverage potential being estimated at £180m over the life of the partnership.

One NorthEast is now considering a business case for establishing a Property Regeneration Partnership into which it can dispose of its retained development assets to ensure maximum regeneration returns over time. One North East, together with its partners at North West RDA and Yorkshire Forward, has commissioned work to consider the concept of a Northern Places Fund which could bring together public and private sector investment partners at a fund level. The fund could invest in a wide range of projects that would raise the quality of the North's places principally the City Regions helping create the conditions for accelerating their economic growth.

Through the Northern Way Sustainable Communities Investment Priority we are developing a new policy and investment framework proposition to further align housing policy and investment to improve the conditions for growth across the North of England. So far, this work has engaged with all eight City Regions across the three Northern Regions and with EP and HC and the three Regional Planning Bodies. The housing issue in the North is now more complicated than 'low demand' and affordability issues. Type and location of the residential offer are also important and the work seeks to develop a more sophisticated policy and investment response.

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WRITTEN EVIDENCE SUBMISSION FROM ROYAL TOWN PLANNING INSTITUTE

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PART 1: SUMMARY

1. The Royal Town Planning Institute (RTPI) considers that the United Kingdom currently has a 'sustainable infrastructure gap', in that a combination of market failure and lack of strategic direction form substantial barriers to the large scale infrastructure development necessary to secure housing growth.

2. The RTPI considers that one of the key means of addressing this market failure will be for the Government to put in place a national spatial planning framework, that will enable (amongst other functions) proposed housing locations to be cross-referred to existing and proposed infrastructure capacities and the underlying resource base (whether natural, human or financial) necessary to sustain and develop these capacities. RTPI research (the Uniting Britain project) has demonstrated the range of issues that can be cost effectively managed in a spatial frame of reference.

3. Such a national spatial investment framework should be underpinned by strategic infrastructure frameworks at the national and regional levels that provide the market with the confidence to invest in the locations and at the scales necessary to provide new development with sustainable infrastructure.

4. There is also a key role for local infrastructure programmes, supported by infrastructure contributions policies, an issue that raises concerns in respect of the current Planning Gain Supplement (PGS) proposal under consideration by the Treasury.

PART 2: RESPONSES TO THE REVIEW QUESTIONS

2.1 INTRODUCTION

5. The following material is offered to the Inquiry as a response by the Royal Town Planning Institute (RTPI) to the questions posed in its call for evidence. The material is broadly similar to an RTPI response to a call for submissions by the Treasury in its cross-cutting review of infrastructure provision for housing, in August 2006.

6. The RTPI has a long involvement in considering optimum ways of planning for infrastructure investment and delivery, including work at the European level. Against this background, the RTPI has answered the inquiry questions at the level of principle, with a strong focus on the implications of the questions for the practice of spatial planning.

7. The RTPI takes the view that effective infrastructure delivery requires integrated consideration of the relationships between the policy, regulatory and financial frameworks that underpin the identification of infrastructure need and hence investment opportunities. Not being an infrastructure developer or provider or having direct interests in

infrastructure development in any particular locality, it has not provided detailed responses in terms of development costs. Nor has it provided evidence as to the precise financial tools that might be necessary, other than where these tools form part of the planning system. Rather, it has focussed on the way the making of plans and strategies can provide market confidence, to support investment in infrastructure.

8. The RTPI has identified what it perceives as being high level sustainable infrastructure needs, largely to support new housing. It has then proceeded to identify what it refers to as a 'sustainable infrastructure gap', assailing the provision of infrastructure for built development of all forms. This gap consists of market, policy and system barriers to effective infrastructure investment. These are barriers that need to be overcome, to increase the rate of infrastructure delivery, to ensure that the location and scale of proposed infrastructure development relates to that of new housing development and to ensure that new infrastructure is sustainable.

9. Having identified this gap, the RTPI has then related it and the inquiry questions to developments in the practice of planning. This response refers to the RTPI's 'New Vision for Planning', and uses this as a springboard to identify how new planning practices can provide a framework for sustainable infrastructure development.

10. This response highlights techniques arising from RTPI research that the RTPI considers will be of value to the assessment and development of sustainable infrastructure. Most particularly, the response develops the proposal that Government should initiate a process leading to a 'spatial infrastructure investment framework' for the UK and more particularly for England, and that this process might underpin the development of more detailed sustainable infrastructure plans at regional and sub-regional level.

11. Finally, this response relates these issues directly to the inquiry questions posed in the call for evidence.

2.2 THE SUSTAINABLE INFRASTRUCTURE GAP

12. The RTPI identifies that the UK suffers from what it terms a 'sustainable infrastructure gap'. To understand the nature of this gap and how it has emerged, it is necessary to consider the history of approaches to infrastructure development and delivery in the period from 1979 to date.

13. Before 1979, the great majority of infrastructure relevant to new housing development was publicly owned and provided. Direct and consultative relationships between infrastructure providers and planning authorities ensured that infrastructure at then relevant standards of construction and provision was available for anticipated development and regeneration.

14. In 1979, the incoming administration was committed to privatisation of a broad range of State assets. Public infrastructure necessary to support development and regeneration were in part subject to privatisation, largely water, telecommunications and data, power and gas supplies and public transport. Other largely social infrastructures including highways, education, health and social service functions remained in public ownership and delivery – albeit subject to much more rigorous internal market control.

15. At the point of privatisation, the privatised infrastructures inherited forward investment strategies and growth directions that had been closely related to the housing land availability forecasts and land allocations made by local planning authorities through the development plan system. They also inherited a substantial reserve of unutilised or underutilised service capacity.

16. In the intervening years, new development has tended to be served by the balance of forward service investment that had been programmed before privatisation and/or by way of incremental allocation of the service capacity reserve and smaller scale system augmentations, easily capable of private delivery as part of individual development approval processes, with planning system funding by way of contributions under section 106 of the Town and Country Planning Act 1990 often being used to assist delivery.

17. In general terms it is fair to observe that the ability to grow infrastructure access through the utilisation of pre-privatisation programmed growth and greater use of service capacity reserve is now becoming limited. This programmed growth and service capacity reserve is a finite resource and it is now close to exhaustion in a number of locations.

18. The role of the economic regulators of the privatised utilities and the extent to which they have encouraged investment in new infrastructure needs to be examined. In the RTPI's view, the primary concern of regulators has too often been to set limits on pricing, protecting customer interests, and administering and enforcing the licensing of the companies they regulate. Forward planning to meet uncertain future demand generated by new development has not been always figured high on the list of many regulatory agendas. The implications of such short term thinking are now becoming apparent.

19. To deliver the levels of housing growth that are clearly needed to respond amongst other drivers to the Barker review of Housing Supply, it will be necessary to develop substantial new service capacity across a broad range of privatised infrastructures. However, it is also fair to observe that, over the last quarter century, there has been relatively limited investment in large scale new infrastructure.

20. This lack of investment generates a number of effects that lead to:

- a lack of capacity to deliver in scale: we simply do not have the institutional and investment capabilities and culture to deliver very large scale new infrastructure projects;
- a lack of capacity to deliver in space: we are not clear where the new infrastructure demand generated by housing or other growth opportunities can be met, having regard to resource availabilities and constraints and hence lack the certainty to prompt either infrastructure or housing investment at the speed that we desire – strategic decision making has become fragmented;
- ageing infrastructure, where the average age of the infrastructure stock continues to rise and where key infrastructures such as power stations approach their design life without programmed replacement;
- depreciated infrastructure, whereby returns from capital invested in new infrastructure have to compete against returns from substantially discounted and depreciated capital assets and whereby service/supply costs from new infrastructure are unduly high in comparison with service/supply costs from discounted infrastructure.
- inefficient infrastructure, where opportunities to deliver considerable sustainability and cost improvements in energy and water supply and public transport are not invested in, or where investment is limited, due to a conflation of issues around investment scale, the lack of certainty around the location of demand and undue competition from discounted infrastructures.

21. This situation severely limits our capacity to deliver infrastructure to service the needs of planned housing and other growth of the scale and in the locations currently anticipated to be necessary. It particularly severely limits our capacity for significant levels of advanced servicing, to ensure that new housing obtains reasonable access to infrastructure from the point of first occupation.

2.3 THE COSTS OF POOR SPATIAL INVESTMENT PLANNING

22. It is possible to undertake new housing and other growth investment without advance infrastructure delivery. However, the RTPI argues strongly that to follow such a road is to be broadly unsustainable. It increases the capital costs and delivery lead time for a broad range of necessary infrastructures. It also places the residents and business in newly developed localities in a position where they face structural barriers to access to sustainable infrastructure, which in turn form or prolong unsustainable patterns of behaviour.

23. To provide simplified examples, if new housing is developed in a growth corridor location in advance of effective education, health care and public transport provision, new householders are likely to make more private vehicle trips and or to have higher rates of car ownership than otherwise similar householders in established residential locations. Per capita carbon emissions are likely to be higher than in equivalent, well served settlements.

24. The recently released Stern Report indicates the broad economic costs of failing to respond to the need to control carbon emissions. The RTPI identifies effective advance infrastructure servicing as a key area of carbon response, both in terms of the choice of carbon efficient infrastructure types and the establishment of residents' and business purchase and behaviour patterns that limit carbon emissions.

25. Once patterns of journey to work and service use are established in new households, these can be much harder to change than at the point when a household forms in or relocates to a growth corridor. Similarly, if adequate water resources are not provided, either households will experience increasing service reductions or interruptions during drought years, or rivers will be driven below their sustainable base flows, or both. Some unsustainable practices become structural and a further economic barrier to the introduction of more sustainable infrastructure is created.

26. The sustainability costs of not planning effectively for the spatial delivery of new infrastructure are potentially severe. In summary terms, these costs could amount to:

- patterns of natural resource use (energy and water) that are unsustainable in the medium to long term, by way of utilising non-renewable resources, increasing greenhouse gas emissions and/or harming the ecological characteristics and carrying capacities of lands, water catchments and seas;
- lack of availability of sufficient water and energy supplies to meet demand over the medium to long term, particularly in times of excess demand or restricted supply and/or the adoption of pricing to further ration demand;
- higher costs and economic inefficiency in delivering lower quality and later infrastructure offers to meet demand than could have been planned for prior to development;
- continued under-investment in particularly energy infrastructure that would enable better responses to the need to further reduce greenhouse emissions;
- lack of education, health and social service facilities and longer trip times, greater energy consumption and higher carbon emissions associated with accessing these services;
- lack of local green infrastructure and longer trip times, greater energy consumption and higher carbon emissions associated with accessing leisure and recreational pursuits;
- lack of public transport capacity and relative under-utilisation of public transport; and
- greater utilisation of private transport, more and longer trips, greater road congestion, higher accident rates and higher carbon emissions than could otherwise have been delivered.

27. These are the challenges that must be responded to by any proposals to deliver sustainable infrastructure to facilitate housing and other growth. It is proposed that they should be responded to by new tools and techniques in planning, both to articulate clear policy guidance and investment priorities and to provide part of the necessary funds.

28. The planning system itself has been posed as in part providing a reason for under-investment in infrastructure, a proposition that is currently the subject of test in the ongoing review of land use planning by Kate Barker (the 'Barker 2 review'). The RTPi acknowledges that there have been some spectacular instances of individual infrastructure planning processes causing significant and unforeseen delay to development processes¹¹. However, it argues strongly that these individual cases are largely just that: individual, high profile cases, determined by way of public inquiry processes, which fail to reflect the underlying body of effective practice and timely decision making by local planning authorities. Furthermore, these often cited cases do not involve the infrastructures more directly relevant to housing supply and development. For this reason, any reform of systems of infrastructure investment planning and approval should not be based on a narrow view of a limited number of high profile process failures.

29. Planning is seen by some as being a regulatory activity that should be reduced in scale or scope by 'better regulation'. It has been suggested, for example in the interim paper for the Barker 2 review, that planning policies and processes can represent a barrier to market action and hence can warrant de-regulatory action.

30. In the RTPi's opinion, this view is not supported by an examination of the evidence. On the contrary, in our view as set out in our response to the initial consultation paper¹² in Barker 2 review, it is a necessary part of better regulation that the planning system should articulate a nationally competitive and sustainable vision for the UK. In circumstances where such a vision was attenuated or removed as a consequence of domestic policy changes, the UK and its constituent parts could be left at a substantial investment and competitive disadvantage to those other countries that do retain a clear spatial vision for investment, growth and jobs.

31. It is the RTPi's equally strongly held view that a primary driver in the shortfall of infrastructure has been that, during a time at which infrastructure development requires substantial private investment, there has been insufficient direction as to type, scale and location of infrastructure requirements as against the availability of resources to enable the market to deliver sound investment. In short, the problem is one of partial market failure, exacerbated by a failure to plan effectively for necessary infrastructure growth.

32. In the view of the RTPi, this situation in respect of privatised infrastructures cannot be allowed to continue. Its existence and potential severity are in part acknowledged by government policy review processes such as the recent DTI Energy Review. However, there has yet to be a review process that has identified this as a systemic problem and proposed systematic means of addressing it.

33. Turning to the social infrastructures that remain largely public, the situation is not as severe. Here, there has been ongoing investment, particularly from 1997 to date.

¹¹ For example, the Sizewell B inquiry, Dibden Bay port inquiry and Heathrow Terminal 5 inquiry processes, cited in the DTI Energy Review consultation paper.

¹² See <http://www.rtpi.org.uk/resources/policy-statements/2006/mar/pol20060319.pdf>

However, it is fair to observe that processes of predicting and providing for service need in spatial terms have not been as good as they could possibly be. Liaison between for example, National Health Service Trusts, local education authorities and local planning authorities are not leading as clearly and efficiently as they could to the advance identification of the locations and land necessary to service the demand arising from new housing. This is a direction that has been acknowledged in the Local Government White Paper (October 2006). Further joint work is being undertaken by the RTPi and DCLG in the *Planning Together* project, as part of which better guidance on the joint role of Local Development Framework Core Strategies and Local Strategic Partnerships will be provided in December 2006.

34. The current situation in both the privatised and non-privatised sectors calls for a clearer articulation of national policy and its spatial differentiation and impact and a greater integration of physical, sectoral and investment strategies. Both these aims are best achieved through the new planning system and approaches to planning practice in the UK – termed ‘spatial planning’.

35. RTPi's 2001 *New Vision for Planning* stated that: *Our focus is on the location and quality of social, economic and environmental changes. In developing a New Vision for Planning we therefore use the term ‘spatial planning’. We do so to emphasise that planning is as much concerned with the spatial requirements for, and impacts of, policies - even where these do not require a ‘land-use’ plan - as it is with land use zonings. The interrelationships, for example, of governmental policy can only be properly demonstrated by consideration of their aggregate impacts for specific places. ‘Spatial planning’ operates at all the different possible scales of activity, from large scale national or regional strategies to the more localised design and organisation of towns, villages and neighbourhoods.*¹³

36. It is a key part of this vision that it is not necessary for an effective spatial planning system to direct the detail of infrastructure (or indeed other) development by way of ownership or management control. The new vision is for a planning practice that gives expression to public (effectively shared) strategies that are influenced and implemented by public and private sector interests alike.

37. The RTPi considers that spatial planning for the delivery of sustainable communities and infrastructure is an activity that is closely linked to national competitiveness. Spatial plans provide the framework within which nations, regions and localities articulate their physical, social, economic and environmental visions. These visions in turn facilitate proposals for infrastructure and housing investment and development that provide enjoyable, liveable places.

38. The RTPi considers that the effectiveness of a country in terms of national competitiveness and in terms of its capacity to provide new sustainable communities’ growth and infrastructure, will depend on the clarity and efficiency with which its national, regional and local spatial visions are expressed and implemented. It will also depend upon the relationship between spatial planning systems for housing and infrastructure at the national or lower tier in the UK and its constituent countries, as against other countries that are also competing for investment. For example, if one country clearly expresses a policy vision and implementation tools to support the sustainable infrastructures that underpin housing growth, it is arguable that place will be a more effective ‘place competitor’ for footloose investment capital than a country whose planning framework is less clear. The same will be true of places that offer clear and sound means of attracting capital to address infrastructure needs over those that do not.

¹³ From the RTPi ‘New Vision for Planning’: <http://www.rtpi.org.uk/about-the-rtpi/vision.pdf>

2.4 FROM A NATIONAL SPATIAL FRAMEWORK TO NEW INFRASTRUCTURE PLANNING AND DEVELOPMENT TECHNIQUES

39. Following from this position, the RTPI takes the view that:

- well developed plans are a sound means to provide the certainty needed to underpin investment in the development of sustainable infrastructure; and
- it is necessary for the UK and particularly England to have close regard to the investment certainty provided by other countries if we seek to prioritise and promote investment in a new infrastructure programme to support housing growth.

40. Infrastructure development typically requires the delivery of major projects. For these to proceed in an efficient and timely manner, it is necessary to provide the certainty whereby investors can identify and control risks due to public policy and environmental contingencies in the development of major projects and target investment to relevant locations. Without this certainty, private capital can lack the capacity to deliver the infrastructure that makes places sustainable and competitive, and that underpins housing growth. The RTPI is strongly of the view that well developed plans are a key mechanism of providing this certainty.

41. In this regard, the RTPI notes that a substantial number of Member States within the EU have national spatial planning frameworks, documents and systems which outline, amongst other things, the national sustainable development priorities for that Member State. Within the framework of the UK, Scotland, Wales and Northern Ireland have national spatial strategies. The UK and, within it, England, are conspicuous in not articulating a national spatial vision. Similarly, the UK, whilst it has developed a system of drawing development funding to bear on the infrastructure needs generated by new development¹⁴, it is only in relatively recent times that the attention of Government has turned towards the development of consistent good practice in this field, such that significant funding streams can be developed. Again, this position places us at a relative competitive disadvantage with some overseas countries.

42. It is therefore not substantially surprising that, in comparison with other European nations, the UK and England are not perceived as being effective developers of the major infrastructures that are necessary to support major development.

43. The first proposal that the RTPI makes by way of response to the sustainable infrastructure gap identified above, in the context of improved planning processes, is to develop a national spatial infrastructure investment framework for the UK and more particularly for England. Such a framework would provide a clear basis on which to consider the following issues in their spatial contexts:

- current, trend and preferred locations of economic growth and reinforcement and employment change;
- current, trend and preferred locations of population growth;
- housing adequacy and need by region
- patterns of transport demand and systems;
- energy resources and distribution systems;
- water resources and distribution systems;
- social infrastructures in respect of spatial indicators of need for educational, health and welfare services.

¹⁴ Section 106 of the Town and Country Planning Act 1990

44. By examining questions of this nature on a national spatial scale, the Government will be placed in a position where the following will become considerably more apparent than they currently are:

- likely locations of major scale housing and other development need;
- that can efficiently be served with existing and/or new infrastructure.

45. In its 'Uniting Britain' project, the RTPI has undertaken research to examine the scope for a UK spatial planning framework¹⁵. This work, undertaken by Professor Cecilia Wong of the Centre for Urban Studies at the University of Manchester and Andreas Schulze Bäing and Alasdair Rae of the Department of Civic Design at the University of Liverpool, was completed in June 2006. It illustrates that a small team can use existing social, economic and environmental spatial data on a UK scale to illuminate issues and trends that are highly relevant to the competitiveness of the UK and of places within it and to the formulation, for example, of a national infrastructure investment programme. It illustrates that this analysis can be undertaken with expedition and economy. The results provide a powerful means to illuminate sustainable development decision making at all levels of government. In short, a national spatial framework is not the discredited national economic plan of the 1960s. It is simply a window through which Government can view the current condition and likely future needs of the UK and a tool by which greatly needed certainty can be delivered to support new investment in sustainable infrastructure.

46. Emerging from a national spatial framework, the RTPI considers that there will be a need for a clear and targeted national infrastructure programme, in which questions of existing infrastructure provision and capacity utilisation, and the need for additional investment, its mode, broad sustainability and indicative location are addressed in a high level strategy, leaving detailed development approval to consider much more closely the issues of immediate site impact and mitigation. Such a programme would be the place in which (for example) the balance between water resource demand to meet demand for housing proposed for the South East, existing water resources and our obligations to catchment. From such a programme, it would be possible to step towards both detailed feasibility appraisals for substantial growth locations, whilst also providing the clear certainty as to market demand and scale necessary to underpin the necessary private investment.

47. Similarly, there is a need for approvals processes that take place at the most appropriate level of government to facilitate the efficient implementation of a national infrastructure programme.

48. Such an approvals process should be reasonably expeditious in comparison with the public inquiries currently typical for major infrastructure approvals, because they would take place within the framework of strategic decisions that had already been taken by national or regional government and hence were not open to detailed re-argument at the project stage.

2.5 THE REVIEW QUESTIONS

49. The review questions raised in the inquiry's terms of reference are as follows:

- What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?
- What existing funding mechanisms - public, private, and mixed - could be better exploited?

¹⁵ A full copy of the RTPI 'Uniting Britain' report can be viewed and downloaded from <http://www.rtpi.org.uk/resources/publications/spatial2.pdf>

- What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?
- Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?
- Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

Summary responses are provided below, which refer to the principles articulated above, but these can be amplified in further discussion with the RTPI should this be required.

What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?

50. The RTPI has considered as a matter of principle the infrastructure that is necessary to be delivered to support urban growth. It has also considered what in broad terms might be measures of sustainability in the provision and operation of that infrastructure.

51. The infrastructure necessary to support housing growth includes:

- Energy infrastructures, relating to:
 - electricity generation (base load, peak and distributed generation)¹⁶;
 - distribution to a more localised equalisation system receiving from and sending to many millions of producers and consumers.¹⁷
 - electricity distribution; and
 - gas distribution.
- Water infrastructures⁷, relating to:
 - sourcing, storage and treatment;
 - water distribution;
 - waste water capture and management; and
 - drainage.
- Other physical household infrastructures including:
 - telecommunications and information infrastructure; and
 - solid waste collection and management.
- Access infrastructure including;
 - footpaths;
 - cycleways;
 - roads; and
 - public transport.
- Social infrastructure including:
 - education services;
 - health services; and
 - welfare, community and social services.
- Economic infrastructure including access to:
 - proximate employment opportunities;
 - proximate retail opportunities; and
 - proximate commercial recreational opportunities.

¹⁶ where models should include the use of demand management, energy efficiency, micro and distributed technologies and renewable technologies. There are opportunities for the grid to change from a largely centralised feed to distribution to a more localised equalisation system receiving from and sending to many millions of producers and consumers.

¹⁷ where models should include demand management, water efficiency, local water capture and storage (eg roofwater and grey-water recycling). There are also opportunities for Sustainable Urban Drainage Systems (SUDS) to feed back into water supply systems for eg parkland irrigation and for recreational and nature conservation water features (green infrastructure).

- Recreational and green infrastructure, including access to:
 - playing fields;
 - parks;
 - natural areas;
 - amenity areas; and
 - areas for quiet recreation and
 - access to opportunities for entertainment.

52. In considering sustainability, the RTPI has viewed the following measures are relevant:

- minimisation of greenhouse gas emissions and maintenance of air quality;
- minimisation of structural demands for private transport;
- maximisation of opportunities to use renewable energy resources;
- maximisation of opportunities to use walking, cycling and public transport;
- efficient use of input resources;
- maximisation of opportunities for re-use and recycling of waste streams;
- maintenance or enhancement of the ecological characteristics of the receiving environment;
- maintenance of minimum ecological flows in catchments and adherence to the Water Framework Directive;
- provision of affordable housing;
- reasonable local access¹⁸ to shops;
- reasonable local access to some employment;
- reasonable local access to social infrastructure facilities;
- reasonable local access to open space for recreation and appreciation of the natural environment; and
- provision of 'livable' places offering high standards of amenity and design.

53. Infrastructure need is driven by household and enterprise formation/construction and broader population and business characteristics (forming demand), as offset by deliverable measures to manage demand in response to resource limitations and the sustainability measures set out in paragraph 50 above.

54. Action will be necessary to overcome the sustainable infrastructure gap identified in section 2.3 above. Amongst other mechanisms, delivery must be improved through improved spatial planning and policy direction at the national level. The preparation of a national spatial planning framework as described in section 2.5 above would offer significant benefits at limited cost.

55. The most effective and timely delivery mechanisms will be by way of a national infrastructure programme as described in paragraph 47 above, together with refined development approvals process described in paragraph 48, which takes clear account of the need, mode and locational policy direction provided in the infrastructure programme.

What existing funding mechanisms - public, private, and mixed - could be better exploited; and

What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment? What should central government devolve?

56. As indicated above, the RTPI's focus in responding to this inquiry is not to provide detailed material on investment mechanisms beyond its expertise. It has focussed on the ability of the planning system to promote and focus investment.

¹⁸ This implies pedestrian, cycle or public transport accessibility for most of the population.

57. It has made clear its view that private investment in a broad basket of major infrastructure goods could be enhanced if the location, type and duration of opportunities was to be made more certain in policy. The sustainable infrastructure investment framework plans called for above fulfil this role.

58. The planning system has developed infrastructure funding practices by way of 'planning obligations', agreements with developers under section 106 of the Town and Country Planning Act 1990. This provision enables an agreement to be struck between a local

planning authority and a developer, under which funds are drawn down for (amongst other purposes) investment in meeting the infrastructure needs of new development. Considerable work has been done to identify and promote consistency and best practice in this field, for example through the Audit Commission 'Route Map To Improved Planning Obligations' project, documented in August 2006¹⁹.

59. That being said, certainty of practice in this area is currently being undermined by the lack of certainty around the future of the planning obligations system, due to Treasury proposals for a 'Planning Gain Supplement', an effective national tax that will capture a percentage of the land value uplift attributable to planning processes and apportion it to meet infrastructure (and other) needs. Whilst this approach is superficially attractive and may provide a sound means of identifying a new funding base for nationally provided infrastructure, it has the substantial disbenefit of de-linking regional and local infrastructure funding and provision from the development that drives demand for it. It is also likely to establish a substantial bureaucracy of funding allocation and to cause funding allocation discontinuities in local areas. The RTPI considers that the proposals as currently consulted by the Treasury are not well based and will not encourage the close marrying of new infrastructure provision to need on the ground, a position that it has made clear in its consultation response on this measure.²⁰

60. Having reached this position, it is incumbent on the RTPI to suggest the means that might be pursued to fund infrastructure at the regional and local level through the planning system. The RTPI considers that reformed s 106 planning obligations, delivered in the model as broadly advocated by the Audit Commission are to be supported, through the identification of a clear contributions policy framework that provides at the local level what the RTPI anticipates is needed at the national level through its sustainable infrastructure investment plan proposals. The RTPI notes the considerable development towards planning obligation tariff models undertaken for example in Milton Keynes and Ashford and again considers that these provide and developers with certainty, whilst also making clear that certain local infrastructures are required, providing a funding stream and an investment basis for these.

61. Other useful developments might include the pursuit of 'development contributions plans' to fund infrastructure, as pursued in the planning systems of Victoria, Australia, or in the Republic of Ireland.

Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

62. In planning terms, the mechanisms that can best boost the private sector's contribution are those which:

¹⁹ <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=4BF841CC-E93C-418c-9B20-62240BA961D1>

²⁰ <http://www.rtpi.org.uk/resources/policy-statements/2006/feb/pol20060209.pdf>

- provide clear need and spatial certainty that defined infrastructure types are available to be invested in (by way of a sustainable infrastructure investment plan at the national and regional level and by way of a clear tariff policy at the local level); and
- enable public revenue streams to be drawn towards infrastructure provision, making clear the funding gap that is to be met by the private sector (again largely by way of public spending and partnership finance commitments in a sustainable infrastructure investment plan at the national and regional level and by way of a clear tariff policy at the local level).

63. It is also relevant to observe that the changes brought about by the Planning and Compulsory Purchase Act 2004 within England have led to a development plan system that is intended to be much more strongly spatial than that which preceded it. As part of this change, it is intended that Local Development Frameworks will integrate the plans and programmes of many stakeholders – including infrastructure and service providers. This intention has been further reinforced in the 2006 Local Government White Paper and forthcoming guidance which makes clear that Local Development Framework Core Strategies should be the spatial expression of Local Strategic Partnerships programmes. It is becoming essential that private sector infrastructure providers and investors participate in these partnership and plan making processes.

Would greater devolution help finance essential infrastructure and regeneration? Is the urban financial tool-kit - both public and private - currently fit for purpose? How could it be improved?

64. The public urban financial tool-kit available through the planning system is not currently fit for purpose. Greater devolution alone will not be the answer, if this results in a reduction in certainty around the need for and location of new infrastructure.

65. Measures promoting consistency and investment certainty such as the development of sustainable infrastructure investment plans at the national and regional level and by way of a clear tariff policy at the local level will lead to improvement. Devolving measures to consider will include the preparation of clear 'development contributions plans' at the local level, with powers to levy development contributions to meet infrastructure needs. Careful regard should be had to the Treasury proposed Planning Gain Supplement (PGS). This somewhat centralising measure appears likely to erect an infrastructure funding blockage through further delay, uncertainty and raised administrative costs. The RTPI prefers infrastructure funding approaches that deliver in terms of subsidiarity: decisions should be taken on need and costs imposed that the level appropriate to the demand for the infrastructure.

2.6 RECOMMENDATIONS

In carrying forward this Inquiry, the Committee should:

- (1) recognise the core role of the planning system in articulating sustainable national, regional and local visions that encourage the delivery of sustainable development;***
- (2) support the use of a national spatial investment framework as a foundation stone for better identification of sustainable infrastructure needs;***
- (3) support the development of a national infrastructure programme, based on the national spatial framework;***
- (4) support the delivery of the outputs from these exercises into policy that strongly informs the decision making processes for major infrastructure projects;***
- (5) support the development of regional and local infrastructure policies;***
- (6) support planning obligations including tariffs and development contributions plans as means of delivering regional and local infrastructure finance;***
- (7) recognise the need for a principle of subsidiarity in decision-making and funding for infrastructure development; and***
- (8) recognise that whilst increased financial devolution and flexibility in infrastructure investment at the local and local government levels may be welcome, they should not overcome the need for sound national measures.***

WRITTEN EVIDENCE SUBMISSION FROM THE ROYAL INSTITUTION OF CHARTERED SURVEYORS

1 November 2006

Ref: 048 SL-2006

Dr Adam Marshall
Centre for Cities at ippr
30 – 32 Southampton Street
London
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BY EMAIL (a.marshall@ippr.org)

Dear Dr Marshall,

All Party Parliamentary Working Group on Urban Development

Comments from the Royal Institution of Chartered Surveyors

Introduction

These comments by RICS (The Royal Institution of Chartered Surveyors) have been prepared in response to the All Party Parliamentary Working Group on Urban Development.

RICS is the world's leading professional body dealing with land, property and construction issues. It has 110,000 members worldwide, working in both the public and private sectors and in large and small organisations. Under the terms of the Royal Charter, RICS is obliged to act in the public interest in all aspects of its work.

We welcome this opportunity to comment on the urban development. We would encourage a holistic approach to urban renewal through the regeneration of commercial opportunities, transport infrastructure and housing provision.

RICS Comments

Successful urban developments can act as catalysts for economic and social prosperity. For those urban areas not reaching their full potential there is a need to promote urban renewal and engage in sustainable development. Yet this can not be achieved by a single action. Any regeneration must encompass issues as diverse as housing, planning, commercial ventures, infrastructure, land use, asset management and historic landmarks, if it is to ensure the long term success and generate benefits for all spheres of the community.

The public sector funding mechanisms for infrastructure currently have stretched capital reserves and cover a complex web of geographical jurisdiction. The private sector, with substantial levels of investment capability, is playing an increasing role in funding infrastructure development be it through Section 106 Agreements and increasingly PFI/ PPP schemes. RICS would welcome more information on the Government's proposal to extend PFI/ PPP initiatives into the social housing sector.

The scale of the regeneration required and the comparatively limited funds available requires innovative and effective use of financial resources. RICS welcomes the move to increase the involvement of the private sector in infrastructure provision and the consideration, outlined in the recently published Local Government White Paper, on the governance infrastructure to develop and manage such urban development and infrastructure. The establishment of a Mayor with substantial powers in London has been deemed a success by many in generating positive change but we would stress that a one-size-fits-all approach is unlikely to be as effective, especially in those areas with weaker economic foundations and strong local leadership.

What is the infrastructure 'offer' needed to make development happen in Britain's urban areas?

Urban developments normally hang off an economic hook, be it through a source of employment creation or service provision. To facilitate and access these developments strong transport links and ample housing, that can cater for the broad spectrum of affordability and size requirements, are required.

RICS advocates high density developments centred around well serviced transport nodes. We have outlined this vision for integrated development in our work on Transport Development Areas (TDAs).

To achieve this there must be an integrated approach to commercial development, transport and housing provision, all of which have a common interface in the planning system. Taking an early and holistic approach to planning is one route to making development happen in urban areas.

Far too often, however, there is a presumption that infrastructure should be provided by the public purse. The truth is revealed to be the opposite in the following example of transport provision.

A transport strategy is required to deal with both public and private transport, including road, rail, bus and ferry, to achieve the Regional Economic Strategy within an agreed programme, that is both realistic and achievable. This programme also needs to be linked to a policy of leveraging in private sector finance to fund, or part fund, minor and major projects.

An innovative approach, such as a Special Purpose Vehicle, and Section 106 agreements for contributions from developments, which gain the benefits of infrastructure works could achieve such a goal.

Ultimately a comprehensive, cohesive strategy implemented in a planned manner within a defined programme is required.

What existing funding mechanisms – public, private, and mixed – could be better exploited?

Our response to this question focuses on the Private Finance Initiative (PFI) which we believe offers significant opportunities to be adapted and reformed to make it work more effectively.

The delivery of public services is crucial to any modern economy and over the last ten years PFI has been critical in increasing private sector involvement in the provision of public services. The attraction for government is that PFI avoids tough public rules preventing public bodies raising private cash as well as the more obvious avoidance of making expensive one-off payments direct from the exchequer. Whilst the attraction for private companies is that if the project is delivered as specified, PFI guarantees regular payments for an extended period. However, PFI has been widely criticised, particularly in sections of the media, as a 'build now, pay more later' approach that involves paying large sums of money to consultants to set up complex contracts. Critics say that PFI schemes are in effect a costly form of hire purchase and only necessary because of the overly restrictive public borrowing rules.

Both the government and the construction industry have learnt some hard lessons from the newly emerging niche of PFI. Whilst some PFI projects have been failed, particularly in rapidly developing fields of IT systems implementation, others have been extremely successful, such as road and bridge projects. Others have fallen between the two extremes. Some areas will be removed from the PFI arena. High technology content projects with rapidly changing demands, such as hospitals, are likely to be less attractive as potential projects. The operational risks are high and the level of annual charge necessary to cope with technological advances make them uneconomic. However, other areas will emerge, where the technological solutions are more readily available and it is the availability of capital funding that is the key determinant. Schools, social housing, waste recycling and urban regeneration are obvious potential markets. A newly emergent demand led niche is in energy generation; including the potential use of PFI nuclear power generation stations. The key is maximising the stimulants to PFI and minimising the obstacle

Nevertheless, the operation of PFI is not perfect in every sense (for either the public or private sectors) but with certain improvements the potential is considerable. To achieve this potential there are a number of practical recommendations which we urge the government to adopt:

- Reform the Public Sector Comparator (PSC) to allow PFI to reach its full potential. Currently the PSC does not compare like with like, focusing only on the narrower benefits and disbenefits of future project options and is often done at a stage when it is not possible to take sufficient account of the wider factors around pursuing a PFI procurement programme. In the process, this is actually constraining innovation
- Payments should be made available for a proportion of unsuccessful or abortive tendering costs for short-listed bidders on Office of Government Commerce (OGC), Partnerships UK or other government-approved projects. The current situation is deterring firms from bidding in the first place, which weakens the potential pot of expertise and does the industry no favours.
- Government should provide a 'seed-corn' fund for SME PFI projects. The ability of an SME to contemplate involvement in developing a PFI project is severely restricted by the proposal costs. The financial support for a proportion of the bid costs for short-listed bidders and the availability of SME support funding could significantly enhance the ability of an SME to promote smaller PFI projects
- Establish a 'standard form of PFI cost report'. This would enable all stakeholders to easily determine potential risks and assess value for money. The standard form would combine basic cost information with capital cost, cost in use, facilities management, operation costs, and spell out the payment mechanism
- Establish a 'standard form of Whole Life Cycle Cost (WLCC) report', which should become an extended form of the Building Maintenance Cost Information Service (BMCIS), to provide detailed feedback on 'hard' and 'soft' facilities management costs associated with the long-term operational features of PFI concession periods. There is still a great deal to learn about WLCC as PFI remains a relatively young mechanism (only 12-13 years old) and no concession period has yet come to an end.

What new financial tools would enable local authorities to deliver high-quality infrastructure, and lever in private-sector investment, and what should central government devolve?

RICS believes that infrastructure should be subservient to the overall economic strategy and regeneration plan of an area. Infrastructure should be procured to a desired standard which reflects the regeneration strategy. An example of this can be found in the Quayside development in Newcastle carried out by Tyne & Wear Development Corporation.

Investment by the public sector should initiate the regeneration initiative, with investment made by a mixture of public and private sector involvement.

We believe central government should define the strategy, but devolve implementation to the regions with the necessary funding allocation, together with the motivation and training to challenge cultural issues so that public/ private partnerships can be encouraged to work.

Are there mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contribution more effective?

The private sector looks to create a good return on its investment. Subsequently to gain private sector investment mechanisms which allow private sector investment in infrastructure and in turn increases values in the wider area, such as regeneration strategies, are required.

Planning-Gain Supplement should only be used to raise revenues for large infrastructure schemes of at least sub-regional importance. The scope of the existing section 106 regime should be retained at its current level or even extended. This will enable private enterprise to play its part in initiating and undertaking development as it does at present.

The introduction of Real Estate Investment Trusts (REITs) into the UK market from 1 January 2007 has been heralded by some to be a tool to boost the private sector's contribution to infrastructure

funding. However although REITs will be allowed to make investments in property development the level will be capped at certain thresholds. Subsequently there is a disparity between the theory of REITs which allow them to act as a potential funding tool for regeneration and the reality which is that, with their current constraints, can only ever marginally impact on the proportion of funding sought from the private sector.

Recognition must also be made of the fact that REITs are most likely to operate in areas of current or potential economic prosperity. Unfortunately the vast majority of areas with the greatest need of regeneration do not match this description. Therefore the likelihood of REITs making any noticeable contribution to the private sector's contribution to infrastructure funding is slim.

Would greater devolution help finance essential infrastructure and regeneration?

Central control, particularly in relation to funding, has frequently been the cause of much of the delay in the delivery of regeneration.

If it was a given that public sector funding is likely to be forthcoming in the foreseeable future, then greater efforts could be made to encourage the private sector to invest through investment vehicles, investment funds, special purpose vehicles, partnerships and other mechanisms which already exist. Each of these mechanisms could then be adopted to suit particular circumstances of a local or regeneration development.

Is the urban financial tool-kit – both public and private – currently fit for purpose, and if not, how could it be improved?

As present the urban financial tool-kit is not fit for purpose. A cultural change in the implementation of the public sector, particularly in the north of England, is required if they are to work in better collaboration and partnership with the private sector. Only then do we anticipate that there will be sufficient encouragement to release investment and speed up the delivery of regeneration and its infrastructure initiatives through the private sector.

Please do not hesitate to contact me if I may be of any further assistance.

Yours sincerely

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WRITTEN EVIDENCE SUBMISSION FROM RPS GROUP

FUNDING INFRASTRUCTURE THROUGH SECTION 106

A REVIEW OF THE NEED FOR PLANNING GAIN SUPPLEMENT (PGS)

a) The Current Scope of Section 106

At least part of the justification given for PGS is based on two serious mis-understandings in relation to the current Section 106 regime, namely:-

- That Section 106 negotiations are currently obscure, unfair or unsatisfactory; and
- That Section 106 cannot be used to achieve many of the objectives of Government which it claims for PGS.

Whilst developers will always complain about Section 106 obligations (or any method of extracting money), the planning and development industry has become familiar with Section 106 and has become much more skilled at operating it in a way which helps to deliver the objectives of the planning authority whilst ensuring a viable development and a tailored, site specific solution. Circular 5/2005 is clear, that planning authorities cannot abuse Section 106 by seeking extraneous benefits and, if they seek to do so, the private sector can be confident that the appeal process will deliver a result in line with policy. Planning Obligations now need to be placed on the planning register, the system is more transparent and works well in delivering much needed physical and social infrastructure in a timely way. If it has faults, these could be addressed through a revision to planning guidance, rather than a wholesale re-writing of the system.

Circular 5/2005 is also clear that Section 106 can be used where it is “necessary to make the proposed development acceptable in planning terms”. Para. B8 of the Circular explains that ‘necessary’ in this context can mean required to bring a development in line with the objectives of planning policies. Many planning authorities at the regional and local level are now rapidly developing documents which set out the planning policy requirements of their area which they seek to achieve through Section 106. There are two particularly relevant features of this:-

1. The ability to seek Section 106 obligations is increased because matters which were previously inappropriate can be made appropriate through planning policy (examples include, for instance, the increasing requirement for commercial development to contribute towards affordable housing); and
2. The ability at a local and regional level to develop policies requiring the pooling of planning obligations towards either a specific project (eg Ashford) or towards general infrastructure (eg Milton Keynes).

These developments have evolved rapidly since the Barker Review and the Government should fully consider whether at least some of the justification put forward for the PGS has been overtaken by these events.

b) Providing Infrastructure with Development

Section 106 obligations provide an essential mechanism, enabling infrastructure solutions to be designed to fit demand arising from development. The Section 106 obligation represents a contract between the planning authority and the developer, giving the opportunity for obligations to be imposed on both to ensure the provision of works and money by the developer and likewise by the planning authority; the system works.

The consultation suggests the intention to scale back Section 106 obligations to relate principally only to on site obligations, leaving off-site social and physical infrastructure to be funded through PGS. This generates a series of difficulties including:-

1. The developer can have no certainty that the infrastructure would be provided, unless the planning authority is still prepared to contract with him to that effect;
2. The planning authority is most unlikely to want to contract with the developer because the authority itself cannot have the same certainty that the necessary funds would be available, ie because they cannot tie the developer to provide the necessary funds, in the right scale at the right time; this is a serious disadvantage of PGS;
3. Because the planning authority cannot have the necessary level of certainty, it will become more difficult to grant planning consent, rather than easier. Solutions which were previously in the hands of the consenting parties are now dependent upon the operation of another mechanism which (however administered) cannot provide the same direct link between a scheme and its infrastructure requirements;
4. Even if planning consent could be granted in those circumstances, the developer is not satisfied. The developers objective is not just to obtain planning consent, but to ensure that his development works and that it will be provided with the necessary infrastructure;
5. There is clear scope for litigation by third parties objecting to the grant of planning consent if an absolute guarantee cannot be given that the necessary infrastructure to facilitate the development will be provided; and
6. This is particularly likely where the outcome of environmental assessment highlights the need for mitigation measures which are no longer within the direct control of the developer.

Added to this, the distinction between those facilities which would be legitimate or otherwise appears arbitrary. Most developments of significant scale require off-site infrastructure and public transport, for example, and some well planned developments require the integration directly of public transport physically into the development through the provision of interchanges etc. If this provision is to be either outlawed or discouraged, the quality of development is likely to suffer.

If the Government is determined to press ahead with PGS, it must not preclude the provision of necessary off-site infrastructure by the developer. In those circumstances, the developer would have the opportunity to elect with the planning authority to commit through Section 106 to fund or provide off-site infrastructure. This should not give rise to double taxation, because the cost of those obligations would be reflected in the calculated Planning Value; this is an essential flexibility.

c) Justification for PGS

If the principal purpose of PGS is to ensure the delivery of the requisite infrastructure in order to speed and facilitate development, its objectives can be met through the development of planning policy and Section 106, as discussed above. If its real purpose, however, is to generate tax values, that should be more openly explained.

A number of justifications have been put forward for PGS and these are commented on below:-

1. **Universal Application:** It is sometimes claimed that it is only the larger developments which are caught by Section 106 and which pay disproportionately towards local and regional infrastructure. This would be easily resolved by the adoption of planning policies requiring all development to contribute towards local or regional infrastructure pots.
2. **Transfer of Benefits:** It is sometimes claimed that it would assist if monies could be transferred from one area to another, ie Section 106 payments generated in high value areas could be applied to infrastructure in lower value areas – an example is the London region where Section 106 benefit can be captured in the City but needs to be applied in the Thames Gateway. Again, there is no reason why an alteration to the London Plan could not achieve this aim through planning policy. Such policy initiatives are legitimised by Circular 5/2005 (para. B29). Inter-regional transfer of planning obligation revenues would be more difficult but:-

- The necessity for these should be limited because areas of greatest requirement for new infrastructure are generally concentrated in London and the South East and these are the areas where there is greatest revenue potential within each defined region; and
- PGS is not intended to be the only way of funding infrastructure and other taxation revenues could be applied to address any inter-regional discrepancy.

The other principal justification put forward to PGS is its alleged fairness, ie the assertion that it is closely related to the ability to pay because it is derived from the uplift in value of land. With respect, this perceived advantage is illusory. The following points are relevant:-

1. The proposition is based on an assumption that PGS is fair. Many developers, however, would question whether a system is fair when an uplift in value is calculated without any reference to either (a) what the developer actually paid for the land, or (b) what the land is actually worth, ie including hope value generated through the work of the developer or through planning allocations;
2. In many metropolitan areas, planning obligations are being assessed through open book appraisals, particularly in relation to affordable housing. The policy of the London Plan allows the GLA to press the developer to provide increased affordable housing up to the point where no more can be afforded. By definition, the developer is not making any more than the minimum profit necessary. If PGS is introduced in addition (and because it is calculated in a different way), there is the clear prospect that a developer would be expected to pay PGS in a situation where he is already making only the minimum necessary profit to enable the development to proceed; this would not be fair and it would frustrate rather than encourage a development; it is a fundamental difficulty with PGS.
3. If a system is necessary, one based on open book assessments would more closely define the ability of the development to pay, rather than a flat rate tax based on an artificial valuation scenario.
4. The current Section 106 regime already allows the ability of the developer to pay to be taken into account (para. B10). If a developer claims an inability to afford the accumulated burden of Section 106 obligations (including any tariff or pool contributions), Circular 5/2005 allows the developer to demonstrate that position to the planning authority. The authority is then required to balance the merits of the proposed development against any disbenefits arising from a constrained Section 106 contribution in determining whether or not to grant planning consent. The planning system is ideally placed to reach such a judgement; PGS is not.

The analysis set out above in this note suggests:-

- a) Planning policy can be developed to oblige developers to increase the scale of their Section 106 contributions; and that such contributions can be (i) pooled, (ii) transferred across a region and (iii) required from all developments, big or small.
- b) Section 106 provides a unique mechanism which can tailor infrastructure obligations to suit the demands of an area and of a specific development and can ensure the timely delivery of that necessary infrastructure; and
- c) Section 106 can more accurately reflect the ability of development to pay infrastructure and other contributions than a flat rate tax based on an artificial valuation scenario.

The remaining justification for PGS relates to its taxation qualities, ie its ability to claim a significant proportion of uplift in value in cases where exceptional profit might be made – notably greenfield sites. There is no reason in principle why planning policy and Section 106 could not do this just as well, ie a roof tax type system could define greater contributions for greenfield land. Alternatively, the Government could introduce a new, specific tax on the development of greenfield land which would apply in addition to, rather than instead of the existing Section 106 regime. This could have all the advantages of (a) revenue generation and (b) a tax which can be said to reinforce Government's environmental objectives without the serious disadvantages of dismantling the existing Section 106 regime.

- d) Impact on Developers

Finally, the Government needs to think very carefully about introducing a measure which has the ability to work directly contrary to its principal stated objective, ie to facilitate the delivery of development. The burdens facing developers in bringing forward major development projects have increased very substantially in recent years. PGS represents an additional, unwelcome burden with the following four important characteristics:-

1. It makes planning more complex and more risky by disassociating the impact of the development from the ability of the developer to mitigate that impact. This makes development not only more difficult to sell to local communities, it also opens the risk of serious challenge;
2. The developer wants the infrastructure to be provided – he does not only want to obtain planning consent – the infrastructure is required to enable the development to function properly;
3. PGS is an additional cost which impacts upon viability and, therefore, can threaten the implementation of more marginal development, particularly if it is calculated in a different way from the obligations for affordable housing etc; and
4. PGS creates the one thing which investors do not want: uncertainty. It is highly unlikely that the scale of PGS liability on a particular project will be known at the time of its implementation. Developers will be reluctant to embark on a development without a clear understanding of liabilities, ie PGS creates an unnecessary risk.

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WRITTEN SUBMISSION FROM SEASIDE LTD

Financial Devolution and Private Sector funding of infrastructure

Response to the All-Party Urban Development Group Winter Inquiry 2006 from Seaside Ltd

About Seaside Ltd

Seaside Ltd is a developer bringing forward proposals for a multi-billion pound investment in Southend, located at the Eastern edge of the Thames Gateway national growth priority area. The proposed scheme is a major employment-led strategic proposal with an extension of the A127 at its very heart, facilitating jobs and housing growth in Southend over the next two decades and potentially beyond. It is entirely privately funded and discussions and consultation is currently taking place with all the local authorities and regional bodies involved in making such a strategic intervention a reality. If jobs and growth targets are to be met and opportunities such as the expansion of Southend Airport are to be fully exploited then a major investment in Southend's road and public transport infrastructure is necessary. That is the basis on which Seaside is developing its proposals.

Introduction

If the Government's ambitious targets for jobs and housing growth in the Thames Gateway (and beyond) are to be achieved, there is a need for sizeable investment in infrastructure. As the situation stands, neither local authorities nor central government are in a position to make such an investment. This is one of the motivating factors behind proposals for a planning gain supplement.

The financial constraints are:

- Large schemes require major up-front investment;
- Local authorities are unable to meet the scale of investment needed;
- Comprehensive Spending Review 2007 will not meet the shortfall as Government spending will be constrained for the next few years.
- Section 106 or tariff based private financing options will not fill the gap.

Given that local authorities, central government, and Section 106 or tariff monies together will be insufficient, there is a need to look at other means of raising the requisite finance. If other means are not found then, quite simply, the employment and housing growth targeted will not be delivered.

The scale of the problem

The most obvious example to quote is that of Milton Keynes to quantify the cost of major infrastructure investment needed to deliver significant growth. The flat rate charge levied on a housing unit in Milton Keynes is £18,000 (approx) and this only delivers one sixth of the total required infrastructure investment in order to achieve the 44,900 new homes and jobs required by the end of the current Plan period, i.e. 2021. The remainder of the required investment can only realistically come from two sources: land value increases (English Partnerships is the major landowner) or central government expenditure.

A typical town in Essex with lesser expectations of growth would still be looking at a higher standard charge still to deliver requisite infrastructure including road infrastructure, provision of public transport, a full mix of housing sizes and tenures, neighbourhood centres, community facilities, health and education facilities, recreational and leisure space, and other necessary public infrastructure investment.

Funding mechanisms such as Section 106 or tariffs while able to make a contribution on a small scale, are just not suitable to achieving sufficient investment on the strategic scale. Therefore, innovative funding mechanisms such as has been devised in Milton Keynes by the public sector need to be created in private sector delivery also. From the Government's perspective, the innovation of private sector funding mechanisms on the strategic scale could be the difference between growth targets for housing and employment being met and them being missed.

The limitations of brownfield development

Planning policy prioritises brownfield development and that is absolutely correct. However, there is not enough of an appreciation of the limitations that this will place on the Government achieving its growth targets.

Brownfield development has inherent limitations and costs that need to be factored into the debate. One of the principal limitations is that brownfield land already has an existing land value that reflects the ease of achieving planning permission given its brownfield status. Consequently, a PGS system based on value uplift will be unable to extrapolate sufficient development value uplift to generate the requisite infrastructure funding through a brownfield only policy.

Meeting brownfield objectives can also have the unintended consequence of undermining other objectives (e.g. employment growth) either directly or by preventing the necessary investment to make them possible. This is because:

- Contaminated sites are more costly to clean up, diminishing the ability to raise sufficient finance to make necessary infrastructure investment;
- They are often in the wrong location which exacerbates this problem;
- Brownfield housing often competes with other land uses such as employment or public service usages;
- Housing supply can become skewed towards a particular type of housing such as one or two bedroom housing at the expense of the provision of family housing;
- Amenity and public space can be under-supplied because of the need to maximise density in order to achieve profitability.

It should be stated that the above is not a criticism of brownfield development per se but rather an analysis of the risks that policy makers and planners should be aware of if brownfield is over-promoted at the expense of other forms of development.

To take an example, there is a target for 80% of new housing across the Thames Gateway to be on brownfield development. That target in itself not a problem but rather it is being interpreted by some local authorities in the Thames Gateway as a 100% target. Given that all land in locations such as Thurrock or Southend that is not brownfield is Green Belt (regardless of the quality or use of that land), a brownfield only approach has the effect of limiting development and minimising the amount of funding that can be extrapolated through planning gain for infrastructure funding. The predicted consequences of an over-rigorous pursuit of brownfield development (i.e. over and above the Government's target for brownfield development) are being experienced in locations such as Thurrock. This situation has been exacerbated by the Regional Planning Policy which, at present, fails to embrace the 20% non-brownfield development potential and use that to achieve employment, infrastructure, public service and amenity, and environmental investment over and above that which brownfield development can achieve.

Achieving private sector, infrastructure and employment led growth - the Southend example:

In order to extend the A127, a key strategic route in Southend, and radically improve public transport provision in the area, an investment in excess of £100million will be required. That is before other major investments that will be requirement for major jobs and housing growth are taken in consideration. Section 106 or a tariff system will not generate the required investment. Planning Gain Supplement should it be introduced would be counter-productive, costly, and would not meet local investment priorities tied to the delivery of growth. Seaside was established to find a private sector means of generating the required investment. The key point is that the development will consume its own smoke in both environmental and financial terms.

The key to delivery has been Seaside's ability to assemble a major land ownership to the north of Southend and the South of Rochford. This makes delivery feasible in a way that Milton Keynes is in the public sector context. However, significant land assembly is not a pre-condition for adequate strategic investment but it does make it far simpler. It is conceivable that a local authority could coordinate adequate strategic investment over a number of major developers as long as that number was not too great. If the number was too great then the local authority would very quickly find itself back in tariff or Section 106 territory and would be unable to generate the requisite investment.

What makes Seaside's proposals deliverable is land value capture. This is a very similar model to English Partnership's public sector model but it is entirely delivered by the private sector. Hypothetically, should a developer (public or private) own agricultural or Green Belt land worth £5,000 per acre, a secured planning consent for a mixed use development could raise the value of that land to over £1million per acre. If sufficient land was consented then major strategic infrastructure (such as a road) could be delivered without recourse to the public purse. For this reason, the brownfield target of 80% in the Thames Gateway should not be interpreted as 100% as the opportunity to finance development as in the above example would not exist even in the largest scale brownfield housing development opportunity for the reasons given above.

Enabling major private sector infrastructure investment

The following are necessary if the type of investment by Seaside is to be feasible:

- *Political consensus.* A cross-party acceptance that some Green Belt development may be necessary if jobs and growth are to be delivered over the next twenty years as long as that development is strategic, coordinated and tied to growth.
- *Regional policy.* Regional Plans need to be adequately aligned with Government policy on growth and facilitate a planning framework in which major strategic developments can be proposed and delivered. Currently, the East of England Plan is a hindrance rather than a support in this regard.
- *Local partnership.* Local authorities that have demonstrated the vision and leadership would have the freedom to work with developers on innovative funding models that would deliver major investment.
- *Planning Gain Supplement.* The introduction of the proposed Planning Gain Supplement would hinder the ability of the private sector to fund large-scale infrastructure investment.
- *A reversal of anti-Green Belt rhetoric.* The Government and all political parties need to be careful about fuelling anti-Green Belt feeling when such development may be necessary to finance local priorities and needs.

Concluding Comments

Experience suggests that the issue is not where powers lie with regard to urban development but how and whether they are exercised. There is no reason why a local authority, regional assembly, and Government departments could not create the right conditions for major infrastructure investment and, indeed, there are examples in places such as Swindon where this is occurring. However, there is not enough coordination and focus in ensuring that Government policy is reflected on the ground.

If this situation is not addressed, then Government targets will be in jeopardy. That is not just an administrative complication. It means that affordable housing will be undersupplied, economic growth will be curbed, and under-investment in transport infrastructure will be rife, thus further exacerbating the existing social problems that presently exist. All political parties should responsibly communicate these risks to voters as well as policy makers and planning authorities rather than indulging in the simplistic rhetoric that has characterised the discussion over recent years. The All-Party Urban Development Group has a significant role to play in this regard.

WRITTEN EVIDENCE SUBMISSION FROM THE SOUTH EAST ENGLAND DEVELOPMENT AGENCY

All Party Parliamentary Urban Development Group

Winter 2006 Inquiry - Financial devolution and private sector funding of infrastructure

Submission of South East England Development Agency. (SEEDA).

1 November 2006

A number of questions were posed by the Group which we have answered specifically, as well as providing some further input in respect of this topic more generally.

Questions:

1. What is the infrastructure offer needed to make development happen in Britain's urban areas?

We believe that a National Infrastructure development and delivery program would provide a strong basis to inform regional prioritisation and the necessary implementation/funding mechanisms. Work in this area has already been undertaken, including the Government Aviation White Paper and the Ports Policy Review, Network Rail Strategy and of course the former Government. Ten Year Transport Plan.

England would benefit from a single, comprehensive and long term infrastructure investment program, synchronised with Wales and Scotland as well as European Transport Strategies. The programme needs to be intermodal and relate to physical and economic development priorities.

RDAs have substantiated this in their response to the Aviation White Paper outlining a hierarchy of Airports and making absolutely clear that surface access needs to be appropriate. More recently, RDAs have replicated this joint approach for Ports, substantiating the classification of 16 major Ports of national significance and identifying national ports access corridors.

Secondly, infrastructure delivery must reflect the need to properly prioritise the finite resources available, and that we need to use them more intelligently. Over the past 50 years infrastructure has been strongly directed towards car accessibility. We now need to focus on more concentrated, higher quality urban development and efficient, integrated public transport. Without energy put into these two fundamental issues, we will not be able to instigate behavioural change. The STERN report does make useful recommendations which will need to be integrated with the need to address the necessity of improving our current pattern of urban development and the consequent spatial isolation of social, economic and urban functions.

2. What existing funding mechanisms – public, private, mixed – could be better exploited?

There are a number of funding mechanisms on both the public and private side that can currently be exploited, these have primarily been in response to meeting specific local needs to support housing development, however there is a need to mainstream these opportunities and to clarify the powers and responsibilities necessary to provide an effective background.

The issue is to invest quality time and resources in putting specifically focussed partnerships and funding packages together, as well as to provide confidence in the delivery capability of that partnership and very clear decision making powers at national, regional and local authority level.

A fundamental precondition for engaging any form of private sector finance is fast tracking preparation time and implementation time as well as clear leadership of delivery and identification of when value generated by the investments are able to be returned, and in what form. For instance raising additional tolls through local, regional or national charging regimes will be unlikely to be accepted, unless the public, and investors can be shown transparently that the additional revenue raised is directly re-invested in properly prioritised infrastructure.

3. What new financial tools would enable local authorities to deliver high quality infrastructure, and lever in private sector investment?

SEEDA does not feel able to comment on the local authorities in particular, however, consideration needs to be given to situations where a crucial piece of infrastructure needs to be delivered, that either bridges local authority or regional boundaries, or where the value being created or supported is remote from a piece of infrastructure necessary to support it.

Examples could include rail enhancements serving a number of communities such as Reading Station, Fasttrack, or a major road scheme such as the Hindhead Tunnel or A21 improvements which are needed to support communities and developments at some distance from their actual location.

One tool to address that issue which is being proposed in the new South East Regional Economic Strategy is a Regional Infrastructure Fund. Feasibility and evidence base for that model are being explored in detail by the South East and South West Development Agencies and Regional Assemblies together. Some further details are attached as Appendix A.

4. What should central government devolve?

Once funding decisions of national importance have been made by Central Government, funding should be devolved to the regional or local level as appropriate, depending on the impact and importance of the assets to be created. This will need appropriate governance and prioritisation structures at those levels. We would also suggest that clarity is created to enable the effective management of the implementation mechanisms, to enable the entity tasked with delivery to hold the possible public and private sector contributions where appropriate and to take the delivery agency into direct contract which may be long term in nature and which are necessary to deliver larger scale solutions.

The Regional Infrastructure Fund is a suitable mechanism to devolve prioritisation. We believe it would give appropriate prioritisation to schemes, as demonstrated by the Regional Transport Board, and the necessary confidence for the private sector to commit financially.

5. Are there any mechanisms that can boost the private sector's contribution to infrastructure funding, or make its existing contributions more effective?

At the most basic level what is necessary is the ability to create a cashflow or income stream against which a lender would be prepared to advance funds. This could be created through a number of charging mechanisms either direct, such as tolls, congestion charges etc, or indirect through shadow tolls, capacity reservation fees, or long term funding commitments. Some local models have already been created, for instance in Milton Keynes which fund infrastructure based on future value to be extracted from development but this is still effectively publicly funded. Mainstreaming of these ideas and greater contractual familiarity should enable the funding sources to be broadened.

Also, it would be a great benefit to speed up of decision making and preparation time for infrastructure projects. The private sector is understandably reluctant to engage in schemes that have a preparation phase of up to 15 years, that then have to go through a prolonged period of public enquiry and that have no assurance of being delivered after that period of time. Stronger planning, clearer timetables, and faster decision making would all assist enormously in this area.

6. Would greater devolution help finance essential infrastructure and regeneration?

Policy devolution to regional level needs to be closely related to funding devolution in order to provide the appropriate degree of confidence in the prioritised delivery of specific schemes. Furthermore, there needs to be a widely held recognition, that not all funding can be expected to come from the private sector, therefore there needs to be the opportunity for integration of funding streams at the most appropriate level.

This is especially true where:

- Infrastructure schemes serve a national role; and
- Government induced growth targets need to be met in government identified growth areas.

The first point is especially relevant to the South East, which is a transport transit region for the whole UK.

Through close engagement with the private sector, gains in productivity and higher profitability need to be identified on a case to case basis, and an agreement found how these additional benefits, which individual companies gain through specific infrastructure improvements, are allocated to help create a revolving fund to be re-invested into the scheme or other, related schemes. An example could be the Southampton - West Midlands rail gauge upgrade where part of the funding is expected to be drawn from the benefit created for users of the asset.

7. Is the urban financial tool kit – both public and private – currently fit for purpose and how could it be improved?

It is important to recognise that connectivity between, and provision of vital infrastructure outside the urban centres, is crucial to the delivery of a coordinated plan. The urban aspects should not therefore be looked into without reference to the bigger picture.

Further Issues.

RDA's Role RDAs currently have no clear statutory provision to deliver or fund infrastructure. The RDA Act specifically refers to regeneration, investments into business efficiency, competitiveness, employment retention and generation, skills and sustainable development. Whilst the Act implies that RDAs “may do anything which it considers expedient for its purpose” this does not provide the legal substance to engage actively in the delivery of infrastructure. However, over the past 3 – 4 years it has become increasingly clear for most, if not all RDAs, that infrastructure, particularly transport, plays a substantial role in national and regional economic performance. This applies especially in those RDA regions, that either have a globally successful economy (driving the UK's economy and performance) or that have the task to regenerate. In both cases, infrastructure begins to hinder economic growth, stifles inward investment and slows down development, ultimately leading to the potential failure to achieve government targets. Additional clarity in this area would ??? good support for the emerging role of the RDAs.

RDAs Strategic Added Value – Infrastructure Investment Track Record

Some RDAs, including SEEDA, already assist in facilitating infrastructure investment, where a clear economic benefit is identified, or where an overriding national and regional need exists. This has so far been concentrated exclusively on public transport and on co-funding of work that prepares schemes for faster implementation (such as Business Cases or support for Network Rail GRIP stages). Through SEEDA's involvement, in the form of Strategic Added Value (SAVs), we can observe that a number of schemes have been fast tracked or moved into the realm of implementable, priority transport projects, which previously was not the case. These responsibilities could be clarified to enable current useful experience to be mainstreamed.

Through facilitation funding (engineering studies, Business Cases, ERDF leverage, project management and co-ordination, pilot project funding) SEEDA has assisted in moving a number of schemes forward, including:

- Airtrack – rail access to Heathrow T5;
- East West Rail Link between Oxford, Aylesbury and Milton Keynes;
- Improved rail services to Hastings and connection of the South Coast rail artery to Ashford International;
- Southampton to Midlands Rail Freight Gauge upgrade (shortlisted for TIF-P funding);
- Dover Harbour re-connection to railway network and overall freight and passenger access package;

- East Kent Infrastructure Delivery Company making direct investments in economically relevant infrastructure;

Innovative Utilisation of Existing Programmes and Methods

The recently established Transport Innovation Fund (TiF) has the potential to be very helpful as a tool for RDAs and their partners. TiF has a specific strand that aims at the economic dimension of transport. The TiF- Productivity Strand is a funding tool, aimed at RDAs bringing forward specific transport schemes that could benefit from additional, third party and private sector funding. Here, RDAs are in a unique position to assist Central Government in developing innovative approaches to delivering schemes that satisfy the five productivity criteria as defined by DfT in the program guidance. SEEDA has made substantial progress in working together with Network Rail as the ultimate delivery agency, and AWM, to bring forward the Southampton-Midlands Rail Freight Gauge enhancement (SMART), which had previously been developed for over 10 years by various Departments and the now disbanded SRA.

This TiF-P (SMART) approach may be a suitable exemplar for the establishment of a Regional Infrastructure Fund, which basically identifies priority transport infrastructure schemes of regional significance, establishes the implementation time scale, helps prepare for fast track planning and engineering preparation, and collects contributions from a wide variety of public and private sector funding mechanisms.

Based upon the RDAs earlier work on SINEI (Surface Access of National Economic Importance) RDAs could combine to create a single company public/private sector structure that is aimed at facilitating the preparation and implementation of infrastructure projects of national and inter-regional importance. This gives the advantage of scale and joined up thinking. Local authorities, even City Regions, would find it easy to deliver this scale of intervention as they will need to focus on their respective administrative boundaries. Transport and other major infrastructure is however not limited by such administrative boundaries and the lack of strategic transport, water or power delivery in one area may well impact the economic performance of another. A joined up prioritisation and funding approach would definitely boost the ability to deliver essential transport infrastructure in the aviation, ports, roads, rail, water and energy sectors.

Current Regional Mechanisms in the South East

The above initiatives are based upon the RES and Regional Transport Strategy. Furthermore, the Region has piloted the establishment of a Regional Transport Board and a prioritisation mechanism for infrastructure investment, led by the Regional Assembly. This provides a unique tool to identify regional economic and spatial development priorities for infrastructure schemes and sets them into a time frame of deliverability. It also provides a clear policy and regional prioritisation to Central Government as to what schemes, out of the thousands usually submitted for funding, are of absolute region importance and which ones directly deliver regional and ultimately national policy. Again, this mechanism is effective at regional level, whereas a sub-regional or, administrative boundary orientated mechanism could have difficulty in responding to wider strategic needs. Consolidation of appropriate projects at this level also gives the potential to put a much wider funding package together and creates a framework that crosses the local boundaries, in a way that the region as a whole can support the cross-boundary, inter-regional and national infrastructure dimensions.

WRITTEN EVIDENCE SUBMISSION FROM URBED

Evidence to the All-Party Group on Urban Development

URBAN INFRASTRUCTURE AND STRATEGIC PLANNING

URBED has 30 years experience of devising practical solutions to regenerating run-down urban areas, and has produced a host of influential research studies as well as some pioneering masterplans and development frameworks. This paper draws on our experience of dealing with major planning and development issues across the country, and a series of recent research projects, including a summary report for CABE *Better Neighbourhoods: making higher densities work*.

Infrastructure and productivity

The two crucial reviews at the moment, the Barker Review of planning and the Lyons review of local government finance, both have to address failures in both spending enough on infrastructure, and in joining up infrastructure and development. The Barker Review of planning is concerned with how planning affects productivity, as well as its traditional concerns with quality of life and environmental impact. Lyons is concerned with how to raise more resources locally. Though the private and public sectors are often in conflict, there is widespread agreement that the current planning system fails to coordinate development with transport capacity, and that what might work in the South will not work in areas where the property market is weak, and where little can be extracted in 'planning gain'. So whatever changes are made to the planning system, some new sources of public funding must be found.

The lack of confidence in funding for improving infrastructure leads local authority councillors, particularly in the South East, to question much of the new housing that has been proposed, as research we did with MORI for the South East England Assembly found. The transport systems are widely seen as antiquated and overloaded. The costs of upgrading the transport (and other infrastructure) exceed the cost of building houses, and are way beyond current public investment budgets. As a result, despite ever more ambitious targets and studies, implementation remains slow, house prices continue to rise and both office and retail rentals outstrip their European counterparts.

Delays in building new housing will have knock-on effects on economic growth and productivity, and hence on the country's ability to fund public expenditure. For example in the Cambridge to London arc, where URBED has been working on a project to develop a charter for Quality Growth, there are still major doubts over the size of the new town of Northstowe, and whether the proposals for the guided bus will be enough to tackle road congestion at peak times. In Essex there are doubts over where growth in Harlow can take place, which is likely to affect the capacity of high tech employers like Glaxo at Harlow to attract the high calibre staff they need. Issues like improving Junction 7 of the M11 or building the Harlow Bypass have to compete with projects from all over the country, and are judged in terms of congestion and safety, not regeneration and economic growth. Private investors tend to believe the evidence of their eyes, for example the rush-hour queues, rather than the piles of documents that purport to be plans. They grow where it is easiest to attract skilled staff, and increasing that is abroad.

The problem of funding infrastructure

The government's complex proposals for Planning Gain Supplement miss the basic point that even in Milton Keynes, where house values are quite high and the infrastructure is already extensive, developers are only likely to contribute a maximum of a third of the cost of the related infrastructure, and only after the houses have been built. Furthermore escalating costs, for example the junction at Ashford has risen in cost from £45 to £54 million, make it almost impossible to ever strike a deal. The problem is little easier in regeneration and housing renewal areas, such as in Oldham. There plans to broaden the population, based on the planned extension of the Manchester Tramlink, are in danger of being abandoned because the government decided against trams as a means of transport, and even after much lobbying is not allowing the trams to run on the streets, as originally proposed.

Not only is the current process extremely wasteful, it also diverts time from making the most of what we already have. For example, £24 million has been spent so far on planning and designing the West

London Tram, even though all the local authorities it runs through are opposed to it. Meanwhile Crossrail grinds on even though there is no prospect of the funding gap being bridged, and some £200 million is said to have been spent. At the same time, quite modest ideas, like improving the interchange facilities at Ealing Broadway, tend to be ignored. Also major growth projects, such as plans to build 4,000 homes on the old Southall Gasworks site, can easily languish, as there is no mechanism for being able to link the planning of development projects with the planning of transport schemes even in London, where there is an elected Mayor and a single body responsible for strategic planning, economic development, and transport.

Proposals for change

Securing joined up planning Research for Joseph Rowntree Foundation into why cities like Lille, Rotterdam and Gothenburg appear to do better suggests that the explanations lie in their greater capacity for seeing the big picture, working together, joining up investment, and using culture to secure cohesion. In work for CABI, URBED proposed the use of Charters to enable local authorities to set out broad principles before becoming immersed in the details of the planning process, and there is evidence that this can work. The idea is to break down the conflicts that arise between the sectors who need to collaborate on major projects before people get too committed to the details of proposals. The process has been tested out in the Cambridge Growth Area with encouraging results. However it does not overcome the barriers which include:

- The authorities which face the greatest pressures for growth, such as South Cambridgeshire in the East of England and Selby next to York and Leeds, tend to have small staffs, and to be rate-capped, and also often suffer from poor performance ratings as well.
- There are no incentives for collaboration between adjoining authorities and the competitive bidding process sets authorities against each other when they should be joining forces to tackle common problems
- The excess of targets (some 450 in the case of a Local Strategic Partnership) work against innovation and strategic planning, and makes it harder to see the big picture or respond to changing circumstances
- The lack of mechanisms for land assembly and advance infrastructure funding plus low capital budgets put British local authorities at a disadvantage compared with their Continental equivalents, who tend to own the key sites
- Building costs in the UK are much higher, and public transport is not seen as part of our quality of life, but simply as a means of enabling poorer people to get about.

Funding the infrastructure gap Possible recommendations that would help overcome the barriers, and encourage collaboration have been spelt out in Nicholas Falk's TCPA pamphlet *Smart Growth and Intelligent Local Finance*. Here are three short proposals that would help to make a start, and which could be tried out in some of the areas where rapid transit schemes have fallen by the wayside:

1. Provide fiscal incentives to bring empty land into use in locations with transport capacity eg around railway stations; then plough back resources generated by growth or 'land value uplift' into upgrading the infrastructure eg Tax Increment Financing and bonds for projects that have priority status
2. Set up special teams in both local authorities and developers/house builders to handle major projects, and use study tours to Continental cities like Rotterdam or Freiburg to develop a new vision, and to see how a different approach to urban living can be achieved, with a major shift towards the use of public transport and cycling.
3. Devolve responsibility for infrastructure funding to groups of local authorities, possibly working through Passenger Transport Authorities like the West Yorkshire Metro; then focus on how to maximise the value from public investment through increased utilisation, and how to cut the cost of new infrastructure through value engineering (NOTE it costs at least twice as much to build a rapid transit line in the UK than on the Continent, partly due to the high cost of raising finance through the PFI)

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