



INNOVATIONS IN  
REGENERATION FINANCE

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# Keynote: devolving greater financial responsibility to local authorities

***Bob Neill**, MP for Bromley & Chislehurst & Parliamentary  
Under Secretary of State at Communities and Local Government*

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## Panel Discussion: investment strategies in the localism era

**Sir Howard Bernstein**, *Chief Executive, Manchester City Council*

**Peter Cosmetatos**, *Director of Policy (Finance), British Property Federation*

**Andrew Screen**, *Director, GVA Financial Consulting*

**Karen Hirst**, *Development Director, Salford City Council*

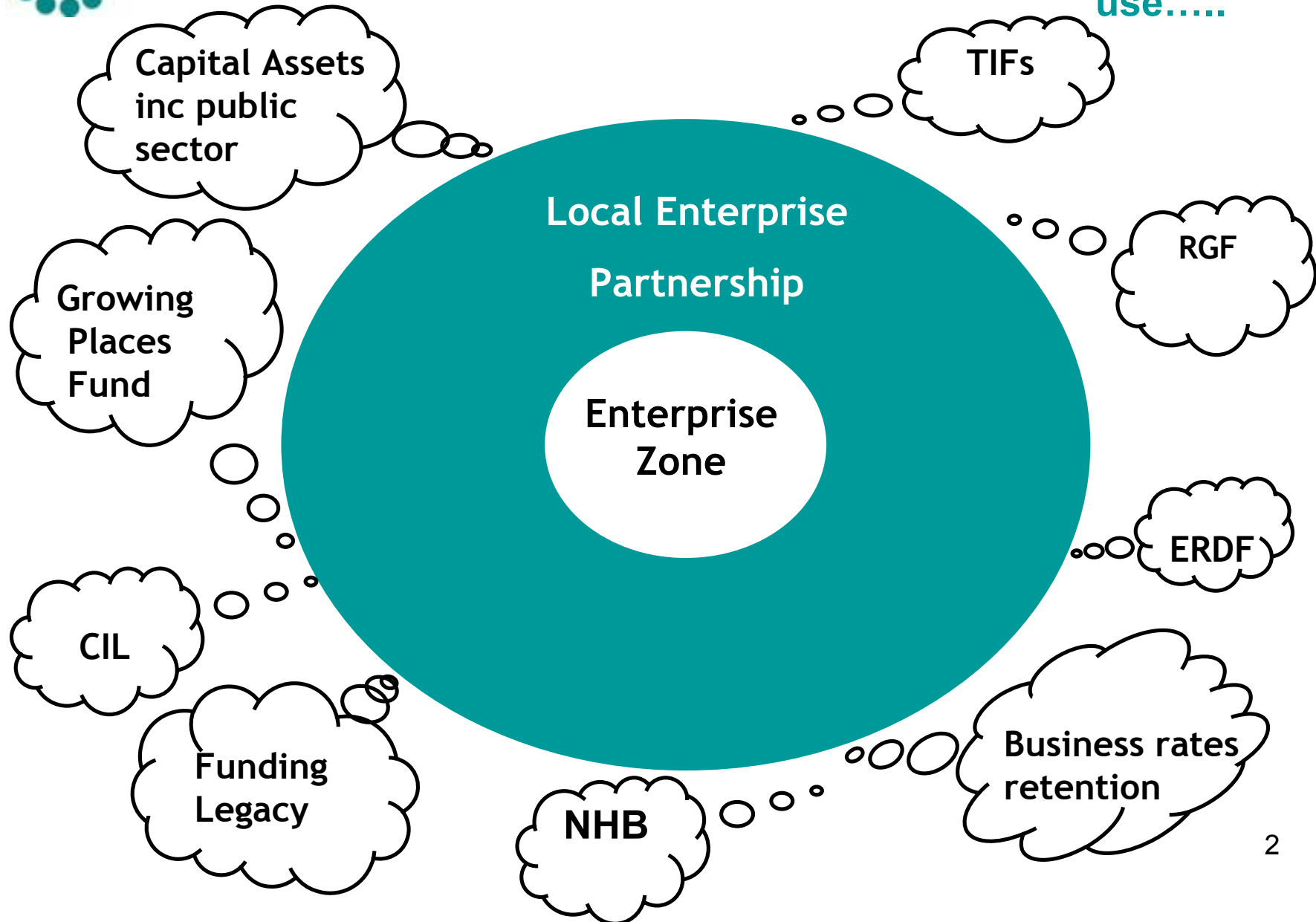
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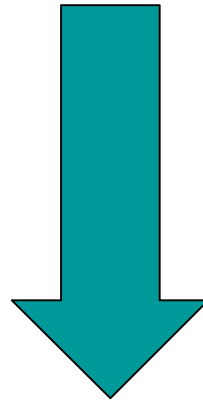


# Working with the new funding measures

**Philip Cox, DCLG**

## Variety of funding streams and resources localities can use.....





**= significant resource**

- Government serious about devolution and committed to a second wave of deals
- Greater Manchester - Earn Back model
- Liverpool – working with DWP on localised programme of support for people leaving Work Programme
- Encourage other cities to think about their vision for their wider area and what they need to make it happen
- But cities will need to demonstrate:
  - Strong leadership across wider area
  - Willingness to take on risks
  - Innovation and creativity





## So how do localities make the most of these funding streams and resources?

- How can we use these measures collectively to support growth?
- How can we collaborate across boundaries to maximise return on funding streams?
- Opportunities to pool different revenue streams to support LEP priorities

- **Growing Places Fund**

- **Aston Regional Investment Site**

- GPF will match fund funding from council
- and HCA to secure new direct access to site
  
- Phase 1 - £2m of GPF will fund remaining land acquisitions
  
- LEP taking investment stake in development
  
- Potential new gateway to Birmingham and
- new advanced engineering hub
  
- Potential for 3000 new jobs over 15 year period



## Pooling Revenue Streams

### Newcastle Science Central

- RGF & ERDF being used to support the development of second phase of Newcastle Science Central Project
- Funding to support land remediation and preparatory works
- Regenerating old Scottish & Newcastle site
- New buildings to house university facilities, incubator units & R&D space





## Working around functional economic areas

### Greater Manchester

- For over 20 years the ten local authorities of Greater Manchester have been working at a city region level to deliver growth
- Ten very individual councils have seen the benefit of working together with the private sector
- Notable success - Greater Manchester investment framework

### Leeds City Region

- 11 local authorities across North, South and West Yorkshire working together to help strengthen city region economy
- Notable success - **5-3-1** business-to-business campaign to increase investment in skills and apprenticeships

## Working around a variable geography

- Increasing need to work around a variable geography
- Where there is a mutual interest it makes sense to collaborate and pool resources
- Example - Stoke & Staffs and Black Country LEPs working together to get i54 EZ site market ready
- Geography not static – may mean collaborating with different areas on different issues
- Example - successful RGF bid from 5 LEPs for an advanced engineering supply chain investment fund – now being rolled out nationally
- On transport issues this may mean working with areas 100 miles away

## •Northern Rail Hub

- Hub to reduce journey times between northern cities
- Aiming to deliver £4.2 bn of wider economic benefits to the North of England
- Will allow Northern cities to work much better together
- Partnership working hard to find best value for money solutions





- Strategic rail route that will link Ipswich, Norwich and Cambridge, with Letchworth, Bedford, Milton Keynes, Bicester and Oxford
- Western section of the scheme between Bedford and Oxford opens up a number of passenger and freight opportunities
- Consortium brings together local authorities across stretch of proposed lines, rail industry and private sector
- Likely to require £50m local contribution needed over 15 years to cover project costs
- LEPs already contributing towards the cost of letting building contract

- Substantial funds and flexibilities
- Need to grab opportunities
- Partnership working crucial to success – sometimes across variable geographies
- Need to accept risks as well as rewards
- Need to sell to local residents





# **‘Optimising EU funding to support UK Cities’**

**European Investment Bank and Manchester City Council**

SocInvest Conference

**26 June 2012**



1. Introducing EIB
2. EIB in the UK
3. The importance of financial instruments
4. JESSICA progress and key achievements

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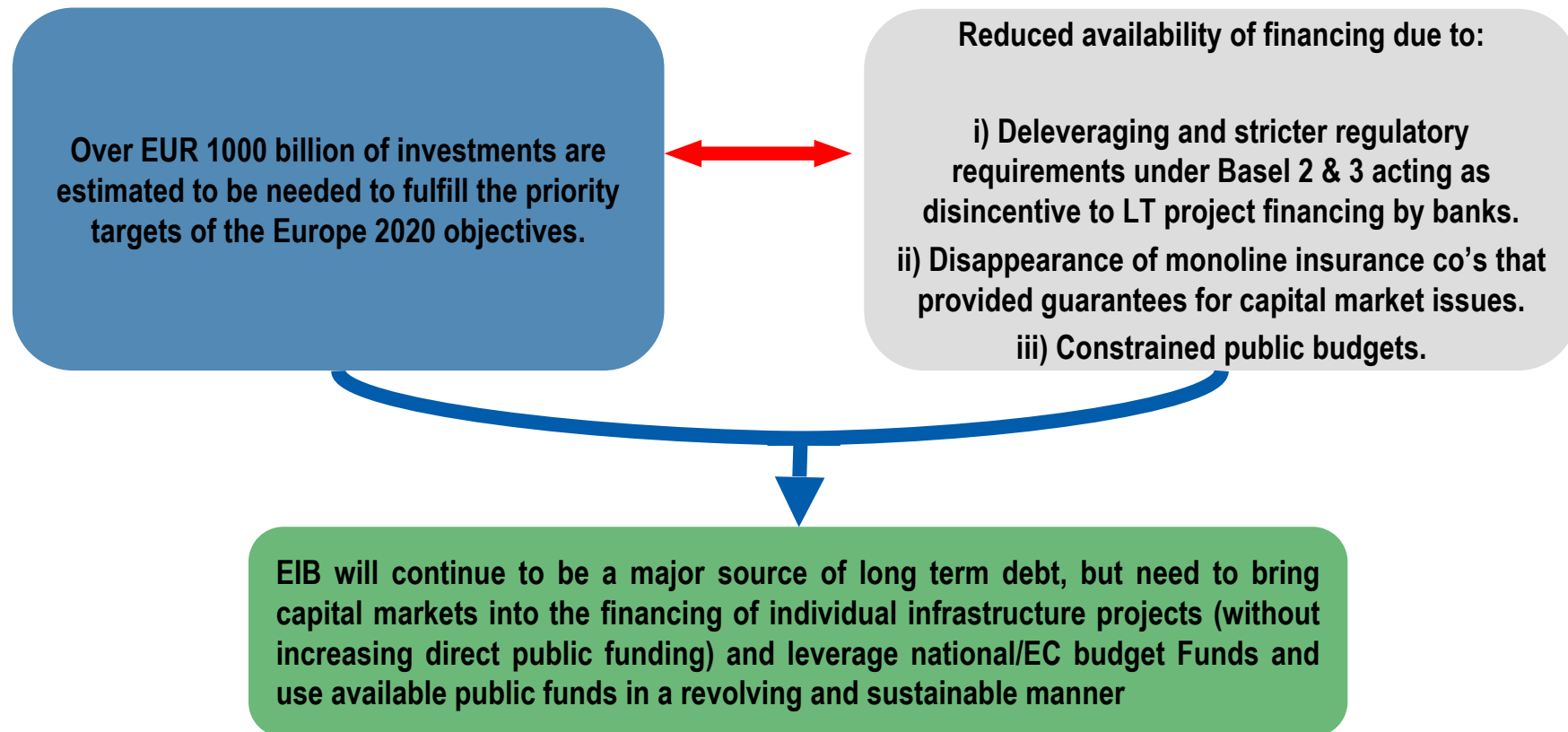
5. A JESSICA case study – The Evergreen Fund



## A changing project financing market .....



- Huge needs for financing at a time of reduced banking market capacity, fiscal cut-backs.



- ...sets the context for EIB activity



# Types of EIB Investment in the UK



- ❖ **Infrastructure**
  - ❖ Climate Action (for example offshore wind, OFTOs)
  - ❖ Infrastructure (for example transport, energy, housing, hospitals)
  - ❖ Environment (for example water)
- ❖ **Innovation & Competitiveness**
  - ❖ R&D programmes of UK corporates
- ❖ **SMEs** (through commercial banks and JEREMIE funds)
- ❖ **Social Housing** (either directly or through financial intermediaries)
  
- ❖ **Deploying a range of instruments**
  - ❖ **Debt**
  - ❖ **Mezzanine**
  - ❖ **Equity**

# Types of EIB Investment in the UK



Manchester Metrolink



Birmingham university



Manchester Waste PFI

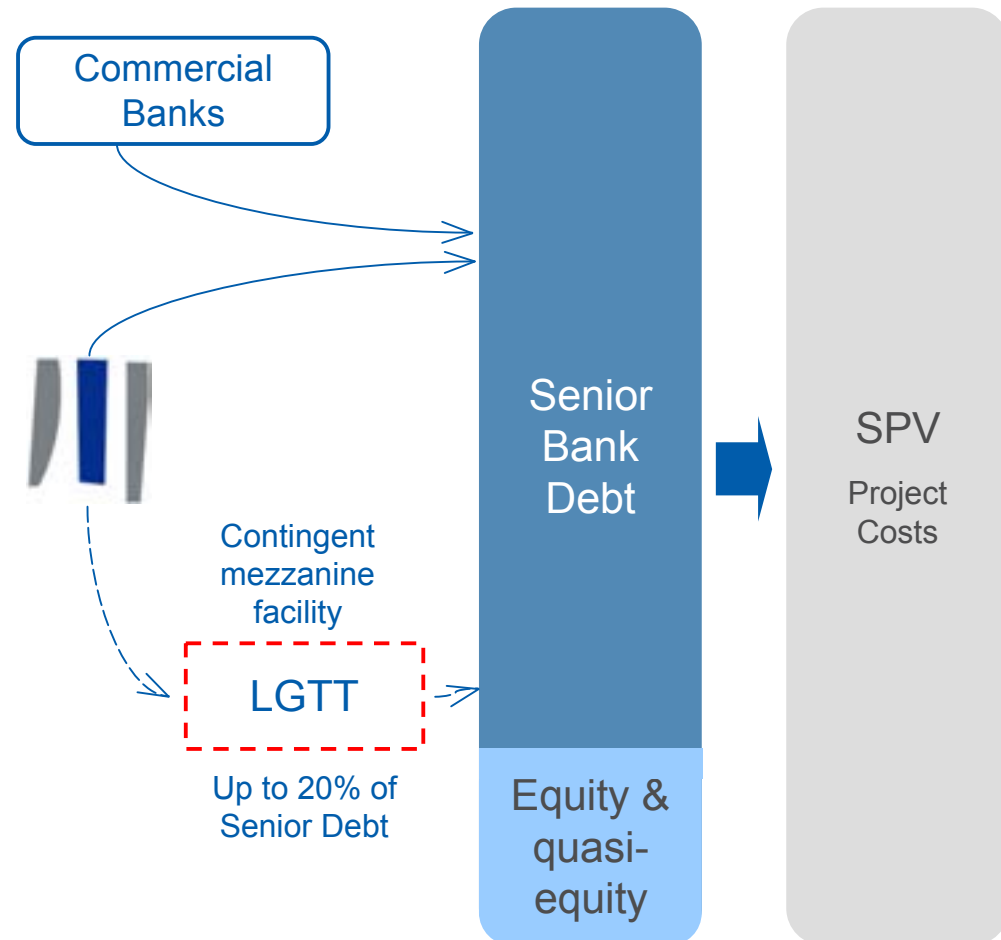


## Smart, sustainable, inclusive growth requires smart, sustainable, inclusive finance...

- **JESSICA holding fund management (for urban infrastructure investment)**
  - North-West
  - London
  - Scotland
  
- **ELENA technical assistance (mainly for energy efficiency/renewables project preparation in urban areas)**
  - London and Bristol first UK recipients
  - Other large councils also interested
  
- **Risk sharing instruments for RDI**
- **LGTT (and Project Bonds)**

# LGTT Main Product Features

- ❖ LGTT: contingent mezzanine funding instrument
- ❖ Size: up to 20% of senior debt facilities
- ❖ Availability period: up to 7 years from construction completion
- ❖ Drawdown: single drawdown structure, contingent liquidity structure or combination
- ❖ Trigger event: defined in terms of cumulative actual traffic figures vs. cumulative base case traffic figures
- ❖ Repayment: repaid out of cash available post senior debt service
- ❖ Security: second ranking security over the assets of the borrower behind the senior lenders but ahead of any shareholder debt/equity





## LGTT example - London Gateway Port (UK)



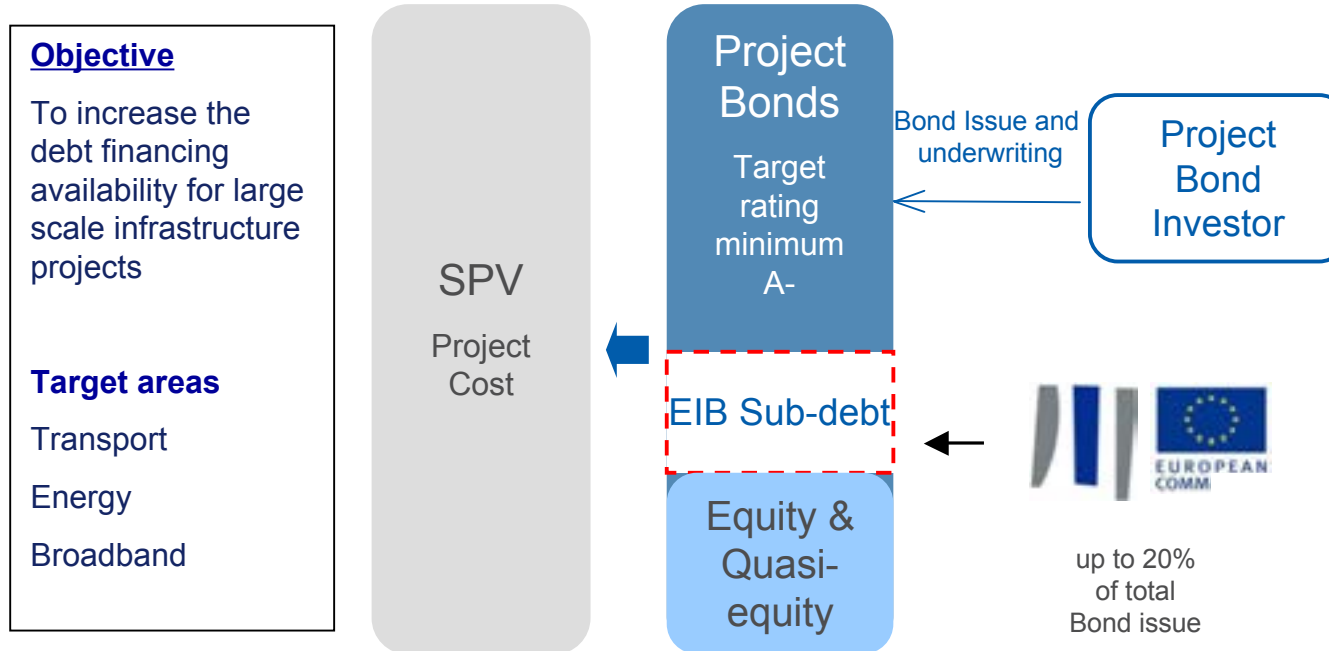
- ❖ Construction of a new deep water container terminal, rail and road connections, and an adjacent logistics park
- ❖ €117 million LGTT supporting €740 million senior debt and €1.7 billion investment
- ❖ Benefit: closest deep sea port to the main consumption centres in the UK; with adjacent logistics centre will contribute to substantial reduction in freight traffic and CO2 emissions





# The Project Bonds Initiative

Credit-Enhancing Project Bonds to Acceptable Investment Grade Status (at least A-) so as to attract institutional investors



**EIB Sub-debt** participation can be combined with different types of funding sources (bonds and other senior loans)

**EIB Unfunded Sub-debt** participation can be flexibly used and structured in order to ensure target rating.

- Covers funding shortfalls during construction
- Comes on top of a fully funded structure



- ❖ JESSICA stands for Joint European Support for Sustainable Investment in City Areas
- ❖ It's an initiative developed in partnership between the European Commission and the European Investment Bank
- ❖ JESSICA is a financial engineering mechanism, it enables the **public sector to invest on a repayable basis** by way of debt, equity and guarantee
- ❖ As it uses ERDF funds, JESSICA investment must be linked to the priorities in each relevant Operational Programme
- ❖ The model is applicable to a number of more mainstream initiatives – it can be used creatively to **secure private sector leverage** and to support other Government initiatives such as LEPs, TIF, Growing Places to **create City based investment funds**



## Rationale



- ❖ JESSICA aims to provide investment where project sponsors are **unable to access** the required level of debt or equity from commercial sources
- ❖ It is not intended to replace grant funding, it is an additional intervention tool – which **will address the ‘fundability’ problems** being experienced by many project promoters
- ❖ It can create a **better balance between risk and reward** with the private sector, enabling the public sector to still achieve its policy objectives, share in any upside and potentially participate at no net cost
- ❖ It can involve the deployment of governance structures and decision making processes which may **empower local policy** and decision makers, yet harness the **commercial expertise** of private sector fund managers



## EIB managed JESSICA funds (UK)



<b>Fund</b>	<b>Location</b>	<b>Investment Activity</b>	<b>ERDF seed investment</b>	<b>Public sector co-financing</b>	<b>Private sector leverage at fund level</b>
Foresight Environmental Fund	London	Waste, recycling, local energy infrastructure	£17.5m	£17.5m	£ 26m
LEEF	London	Energy efficient buildings, district heating	£ 25m	£ 25m	£ 71m
Northwest Evergreen	NW (excl Merseyside)	All economic development and local infrastructure	£ 20m	£ 20m (incl sites)	
Chrysalis Fund	Merseyside	All economic development and local infrastructure	£ 30m	£ 30m (incl sites)	
SPRUCE	Lowlands and Uplands of Scotland	All economic development and local infrastructure	£ 24m	£ 24m	£ 25m



## JESSICA successes to date...



- First project investments now underway
- JESSICA State Aid decision secured for the Northwest – a blueprint for other areas and Member States
- Emerging role of existing UDFs in city strategies – scope for increasing role by delivering Growing Places funds, supporting TIF investment and to lever public sector assets
- Strong emphasis on financial instruments in the 2014-2020 EU funds period – a real opportunity to build on progress to date



## North West Evergreen Limited Partnership

### ■ A JESSICA Case Study in Brownfield Regeneration



## The Evergreen Partnership - Limited Partners



### Greater Manchester Authorities

**Bolton Council**

**Bury Council**

**Manchester City Council**

**Oldham Metropolitan Borough Council**

**Rochdale Metropolitan Borough Council**

**Salford City Council**

**Stockport Metropolitan Borough Council**

**Tameside Metropolitan Borough Council**

**Trafford Council**

**Wigan Council**

### Cheshire and Lancashire Authorities

**Blackburn with Darwen Borough Council**

**Blackpool Borough Council**

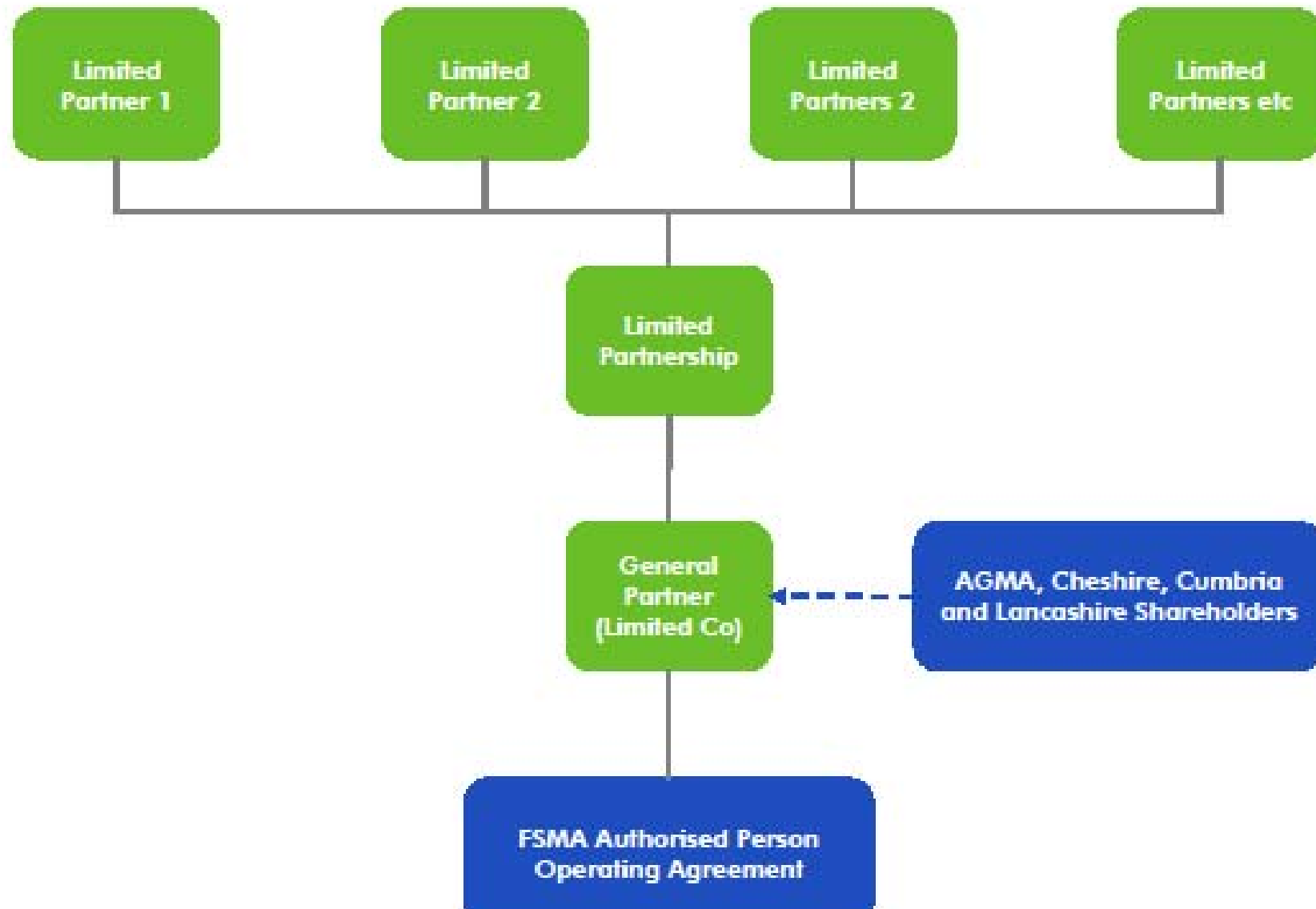
**Cheshire East Council**

**Cheshire West and Chester Council**

**Lancashire County Council**

**Warrington Borough Council**

## The Partnership - Legal Structure







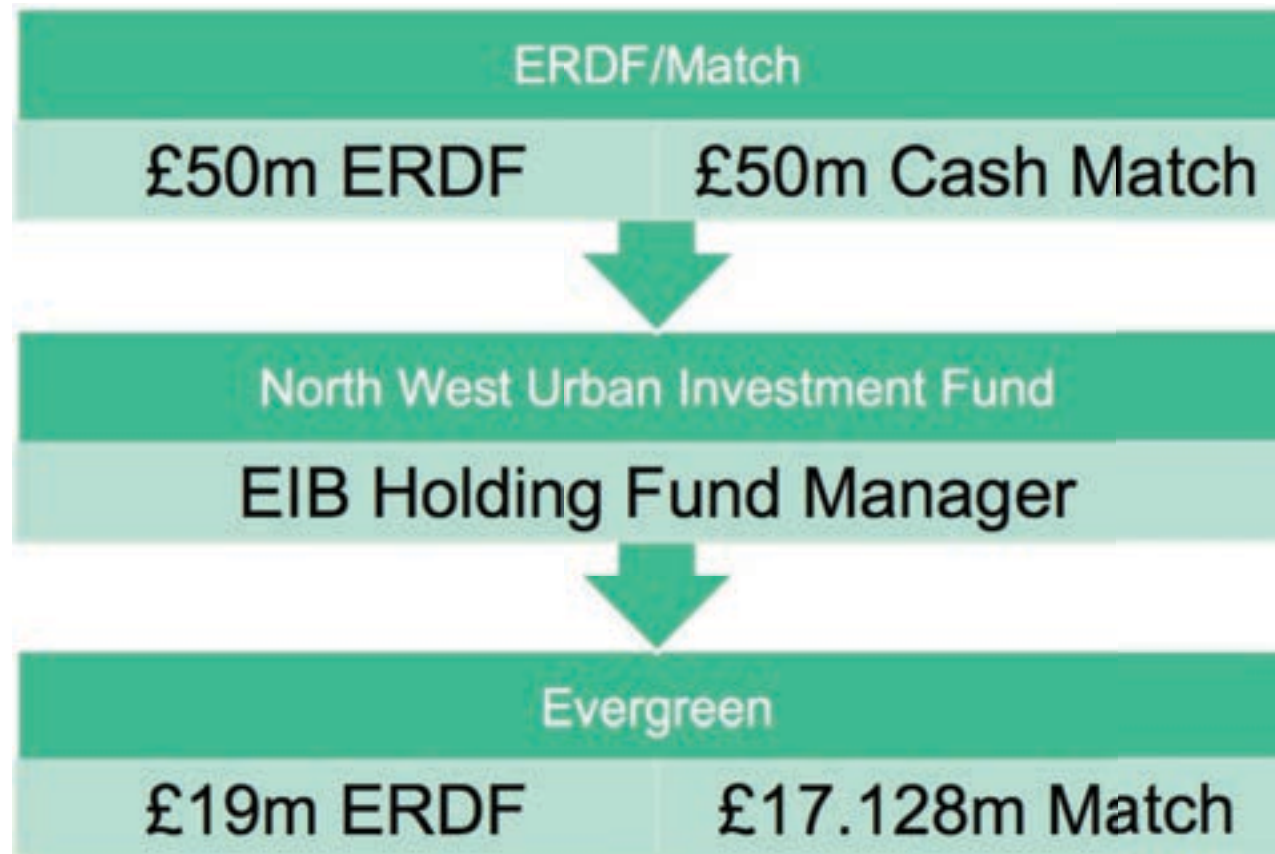
- **Requirement to have unlimited liability**
- **Manages the Fund, subject to FSMA requirements**
- **Delegates certain operational matters to the real estate adviser, (CBRE) and the administrator (Gallium Fund Solutions)**
- **Owned in equal shares by the limited partners**
- **6 directors – representatives of AGMA and County Areas.**

## The Partnership – Real Estate Adviser



- ▣
- ▣ Fund Management
- ▣ Project Assessment
- ▣ Project Involvement
- ▣ Underwriting

# The Holding Fund





•**Overarching Investment Strategy with six priority areas:**

1. Create a high-employment region
2. Invest in science, research and innovation
3. Build on the region's strengths in culture and media
4. Supporting strong and diverse town centres
5. Promoting a wider, stronger and more sustainable industrial base
6. Ensuring sustainable sites are ready for development

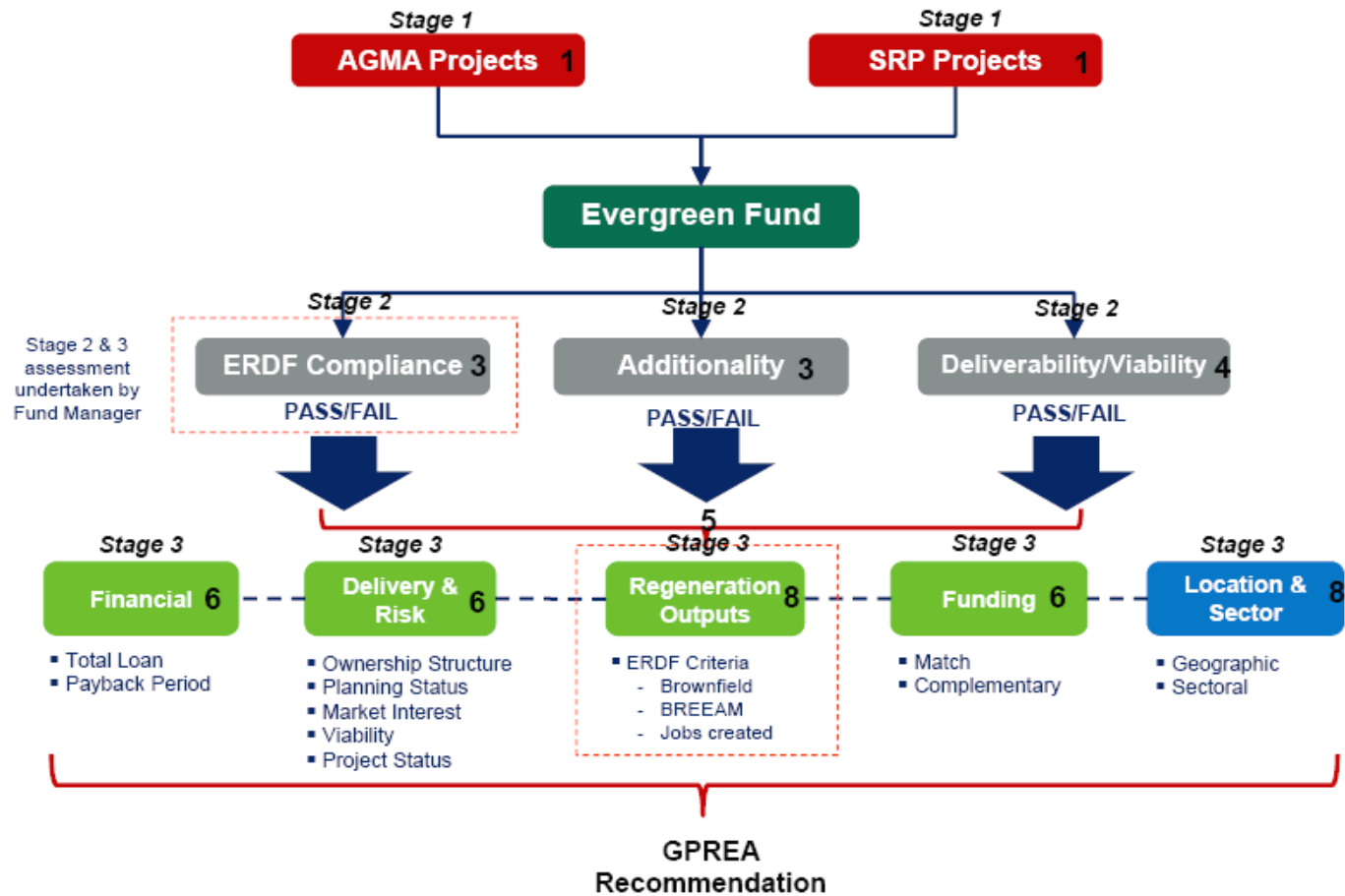
▣ **Initial Projects eligible for ERDF funding under the North West Operational Programme Measures 3.2 and 4.3**

▣ **Projects must bring match/complementary funding**



- ❖ **Investments into projects are by way of repayable loan NOT grant.**
- ❖ **When the funding is repaid back into the Fund, more flexibility as to what we can invest in (subject to revisions to Investment Strategy).**
- ❖ **And we hope Evergreen will be expanded over time to play the fullest part in the delivery of the widest range of regional priorities including:-**
  - Low carbon
  - Housing
  - Transport
  - Broadband/connectivity

# Project Appraisal Process



## Case Study – Former Royal Eye Hospital



- ❖
- ❖ **Soapworks, Salford**
- ❖ **Port Salford**
- ❖ **Chester CBD**
- ❖ **Manchester Eye Hospital**





## Case Study – Former Royal Eye Hospital



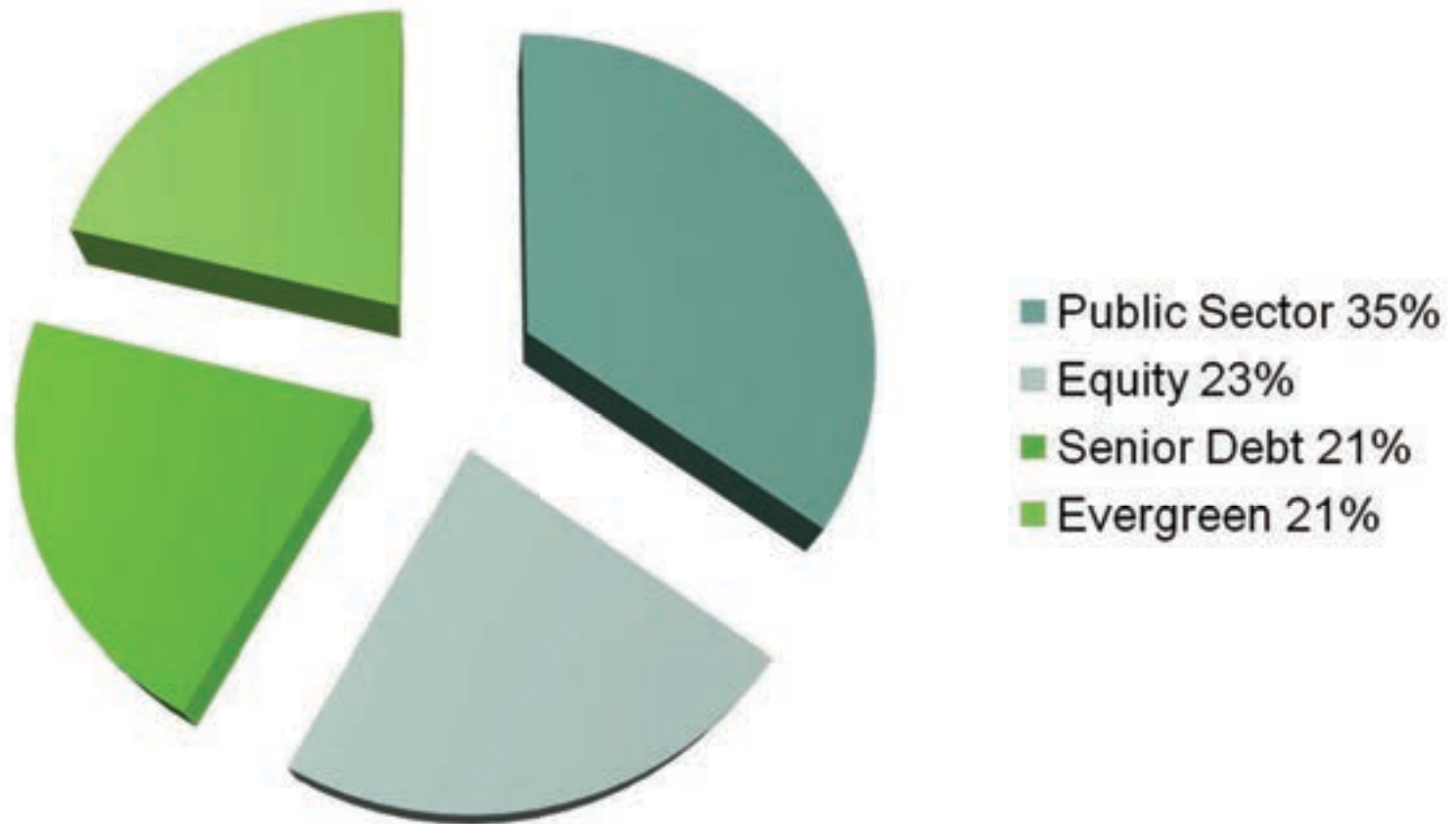
- **Grade 2 Listed Building**
- **Bio-medical Research Facility**
- **Prelet – 55% - Clinical Trials**
- **Challenges – Senior Debt**
- **Evergreen – Match Senior Debt “Club” Financing**



## Case Study – Former Royal Eye Hospital



### Capital Contributions



# Case Study - Soapworks

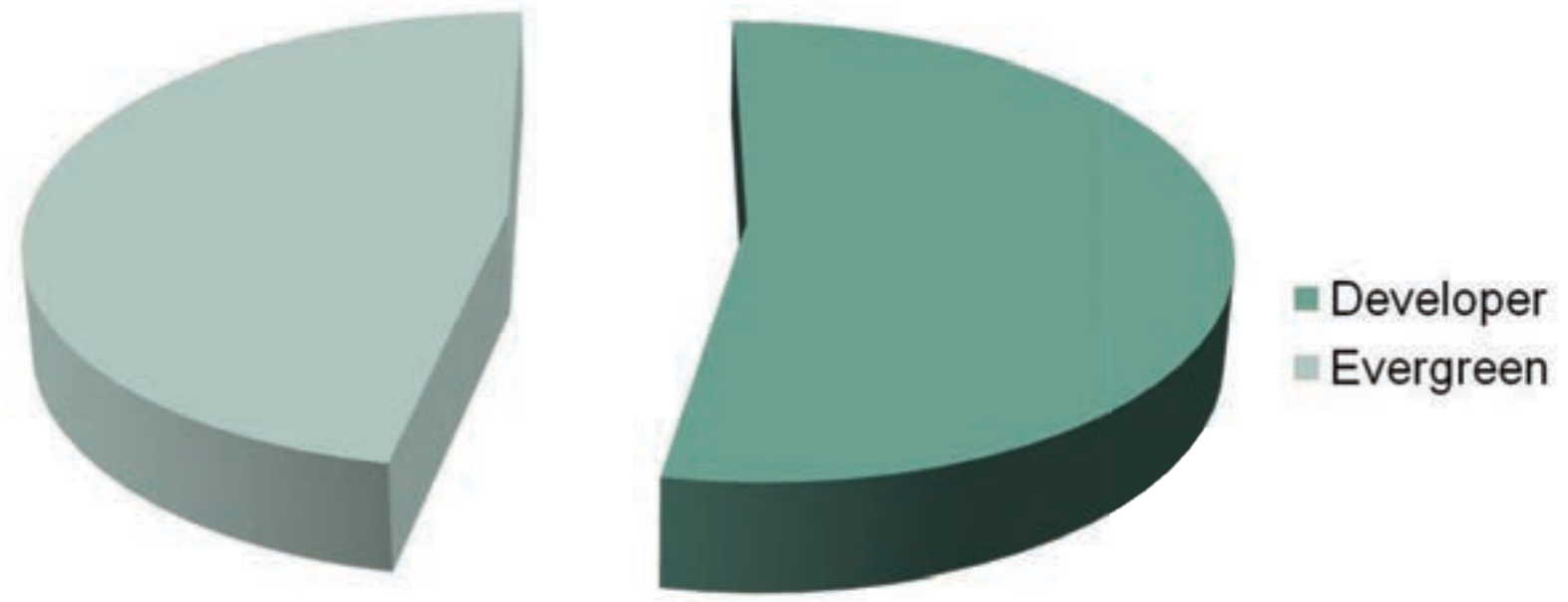




- **Former Colgate Palmolive factory**
- **Located in Salford – close to MediaCityUK/Salford Quays**
- **Phase 2 – 220,000sqft of flexible office space for a variety of sectors**
- **Challenges – access to finance and large pre-lets**
- **Opportunity – Location and cost effective flexible space**



### Soapworks - Match with Developer Equity





## **Challenges**

1. Project Pipeline
2. Match Funding – ERDF Compliance
3. State aid
4. The Market



### ■ Opportunities

- 1. AGMA Investment Group – Project Pipeline**
- 2. Links with Funders – Pension Funds**
- 3. Northwest JESSICA State aid Notification**
- 4. Market Awareness**

# Making PPPs successful: stories from the coal face

**Jane Winfield**, *Major Projects and Disposals Director, Oxford City Council*

**Simon Rutter**, *Regeneration Director, Solum Regeneration*

**Kuljeet Hothi**, *Partner, Eversheds*

**Andrew Ludiman**, *Director, Jones Lang LaSalle*

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*Real value in a changing world*



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# **Affordable housing and regeneration: re-evaluating the toolkit**

Anne Bowden, Pinsent Masons  
Phil Woolley, Grant Thornton



# Changing face of Housing Finance

- Where we are now – changing market
- Public sector borrowing – Prudential Borrowing, Self Financing, Bonds
- Asset Partnerships - LABVs, LIBVs and LHCs
- Co-investment funds
- Housing - NHT, HRA, PRI
- Securitisation

# A changing market: Supply

- CSR and Impact on Government Cap ex
  - CLG 74% reduction
  - Local Government 30% reduction
  - Dept of Education 60% reduction
  - Dept for Transport 11% reduction
- Abolition of PFI credits

# A changing market: Supply

- Cancellation of
  - BSF
  - 7 waste prospects
  - Housing round 6
  - Streetlighting
- Abolition of RDAs
- The future

# A changing market: New World

- Government Resources
- Limited Capital Grant (cf RGF and Growing Places Fund)
- New Order and Sources of Finance
  - Reserves and Borrowing (local authorities)
  - Assets
  - Funds
  - EU and Jessica
  - Revenues (rents and other income)
  - Tax incremental finance
- Making finance stretch further
  - Increased Powers (General Power of Competence)

# Prudential Borrowing and Self Financing

- Prudential Borrowing and Capital Receipts
- General Power to Borrow
  - PWLB
  - Bonds
- Examples
  - Lincolnshire Waste
  - RICOH Arena
  - SfT National Housing Trust
  - Manchester Regional Infrastructure Fund
- Capital receipts
  - 100% except for housing
  - Housing currently 75% (RTB) and 50% (land)
  - Council self financing (remains largely as is)
- Main issue risk and incentive under DBO

# Asset Partnerships

- Traditional Approach to assets (enabling)
- Change in Public Sector Landscape
- Need to leverage off
  - value of assets
  - revenue streams eg rents
- Public Sector investment approach (including Joint Ventures)

# Different Approaches to Vehicles

- Facilitator – URCs, CDCs, LDVs
- Special Purpose Vehicles/Companies
  - specific purpose eg housing
  - balance sheet issues
- Joint Venture Vehicles – LABVs, LIBVs, LHC's
- Investment Vehicles – Jessica/Co-investment
- Retained Business Rates/Tax Increment Finance

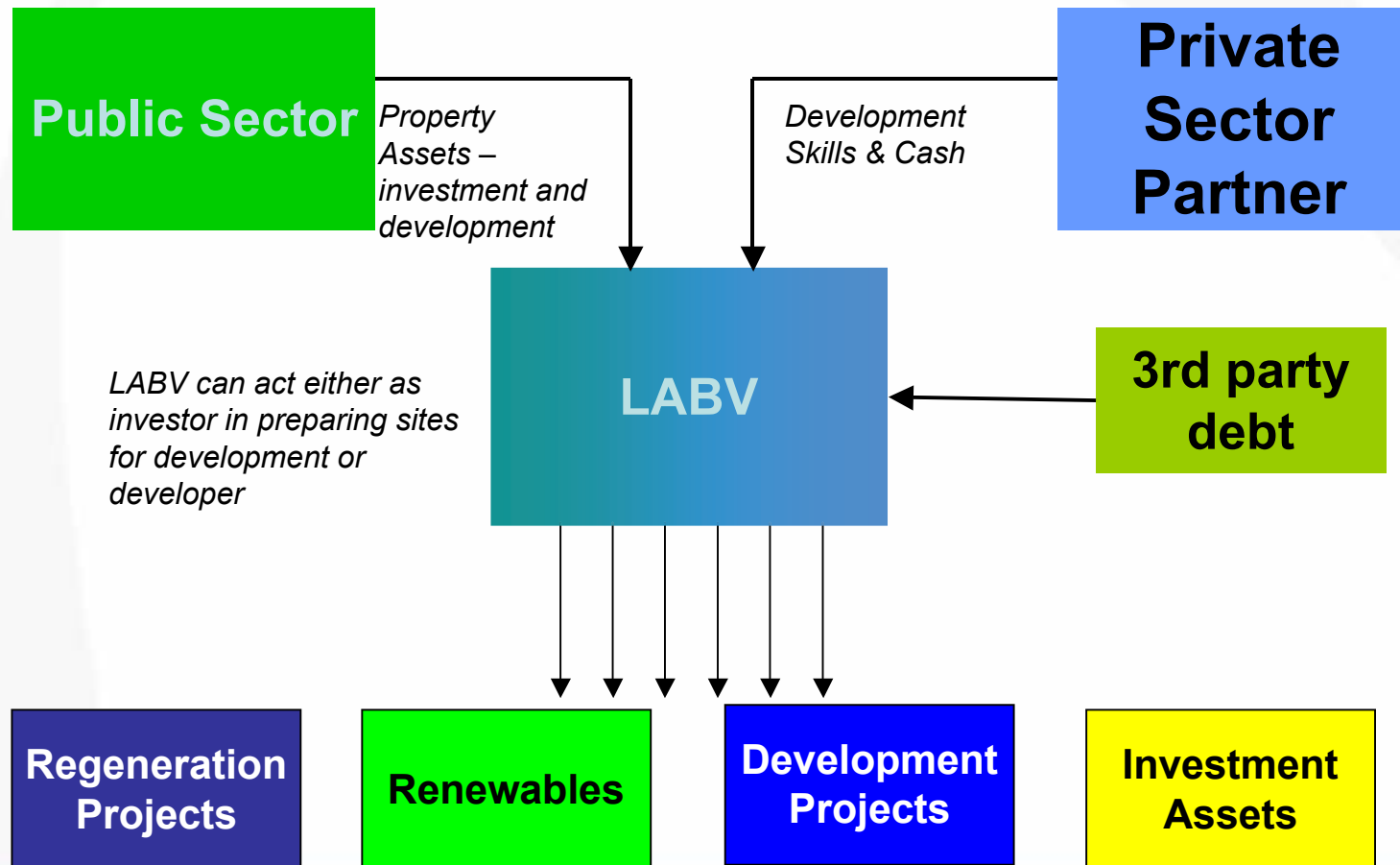
# Current Vehicles for Investment

<b>LABV</b>	Local Asset Backed Vehicle Fully Integrated LABV Value Capture LABV
<b>LIBV</b>	Local Incentive Backed Vehicle
<b>Co-Investment</b>	Co-Investment Fund
<b>TIF</b>	Tax Increment Financing

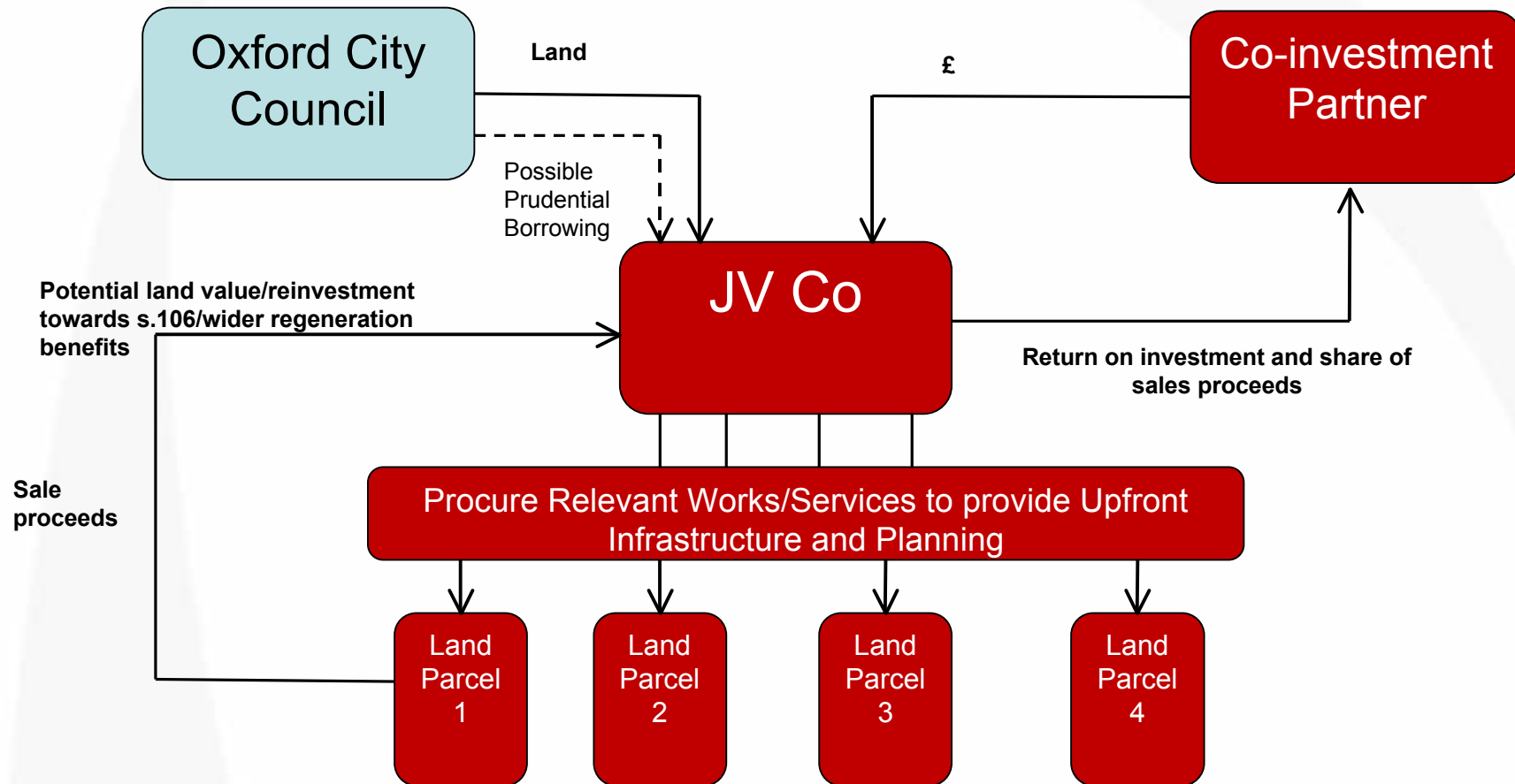


# Local Asset Backed Vehicle

Asset Transfer in Strong Market



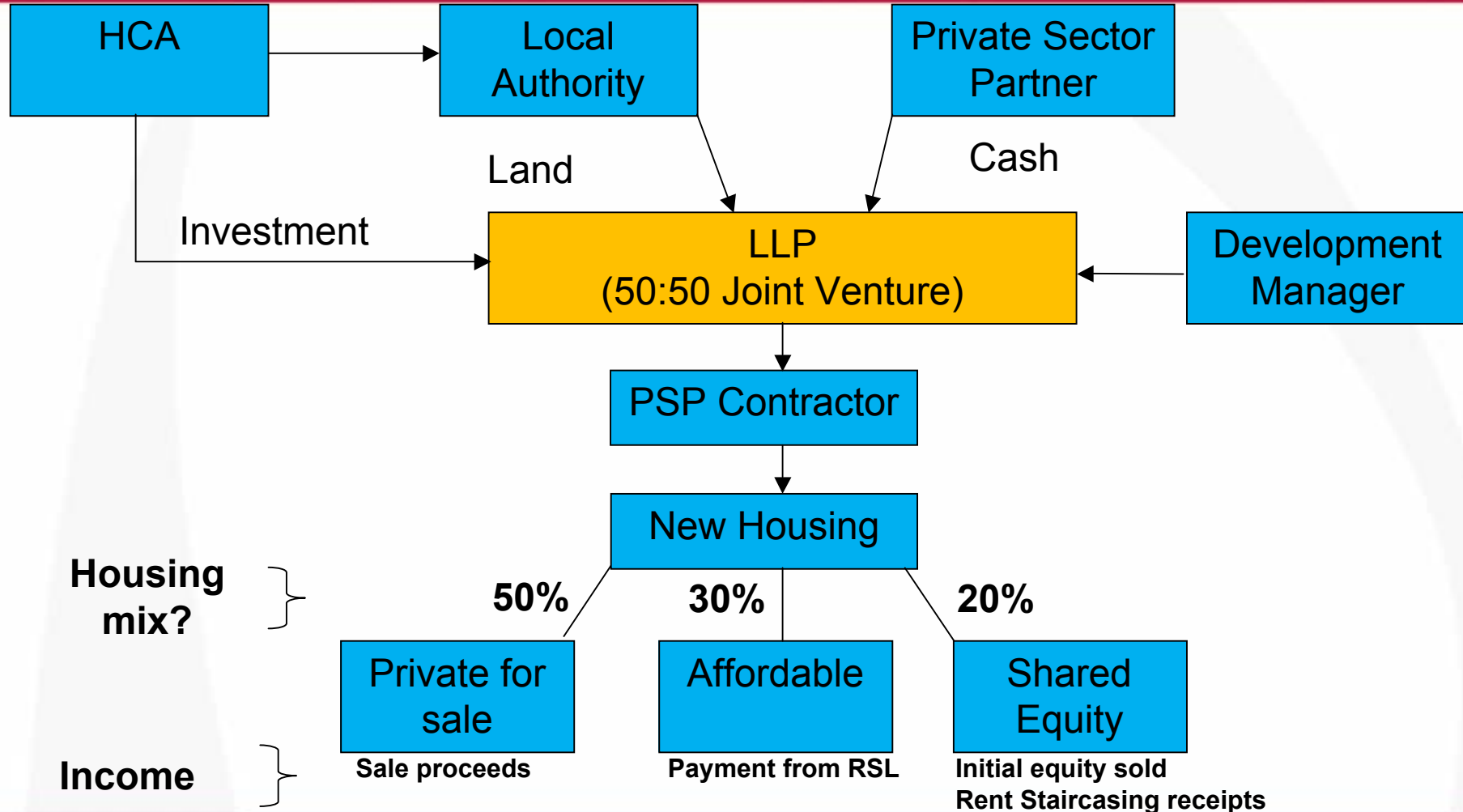
# Investment Model – non OJEU



# Investment model

- Non-OJEU-procurement envelope
- No guaranteed supply chain or services
- £20m infrastructure requirement
- Investment opportunity only?
- Risk
  - Horizontal development risk only
  - Vertical development risk passed to third party developer

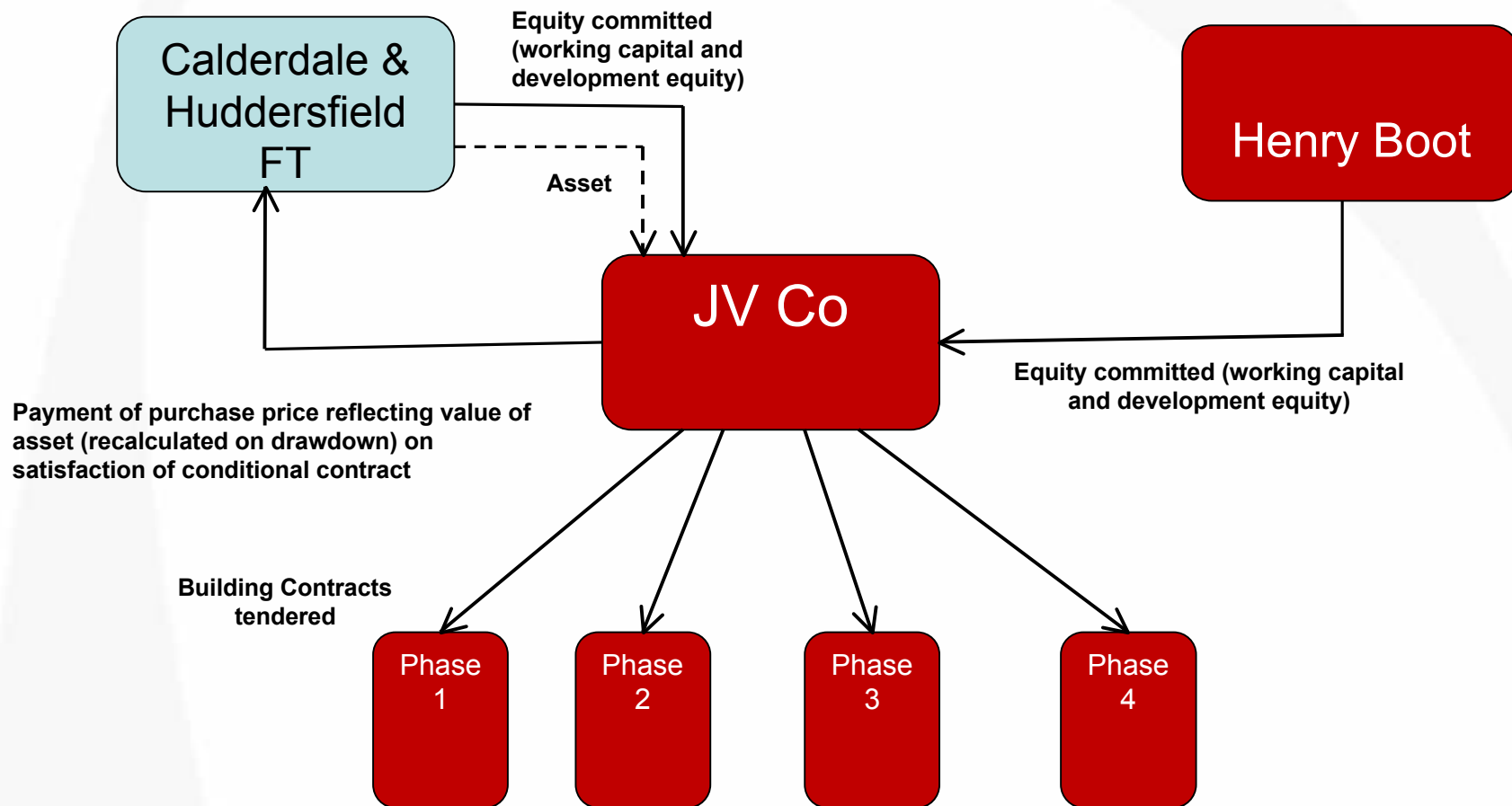
# Fully Integrated Model



# Fully Integrated Model

- HCA model for affordable housing delivery
- 25 hectare site – 1500 homes and town centre
- Bidders required supply chain exclusivity to make model work
- Council issues mainly around VFM
- Ultimate solution created KPI structure with interface between different interests
- Cross default issues
- Risk – creation of a developer – full development risk?

# Value Capture Model

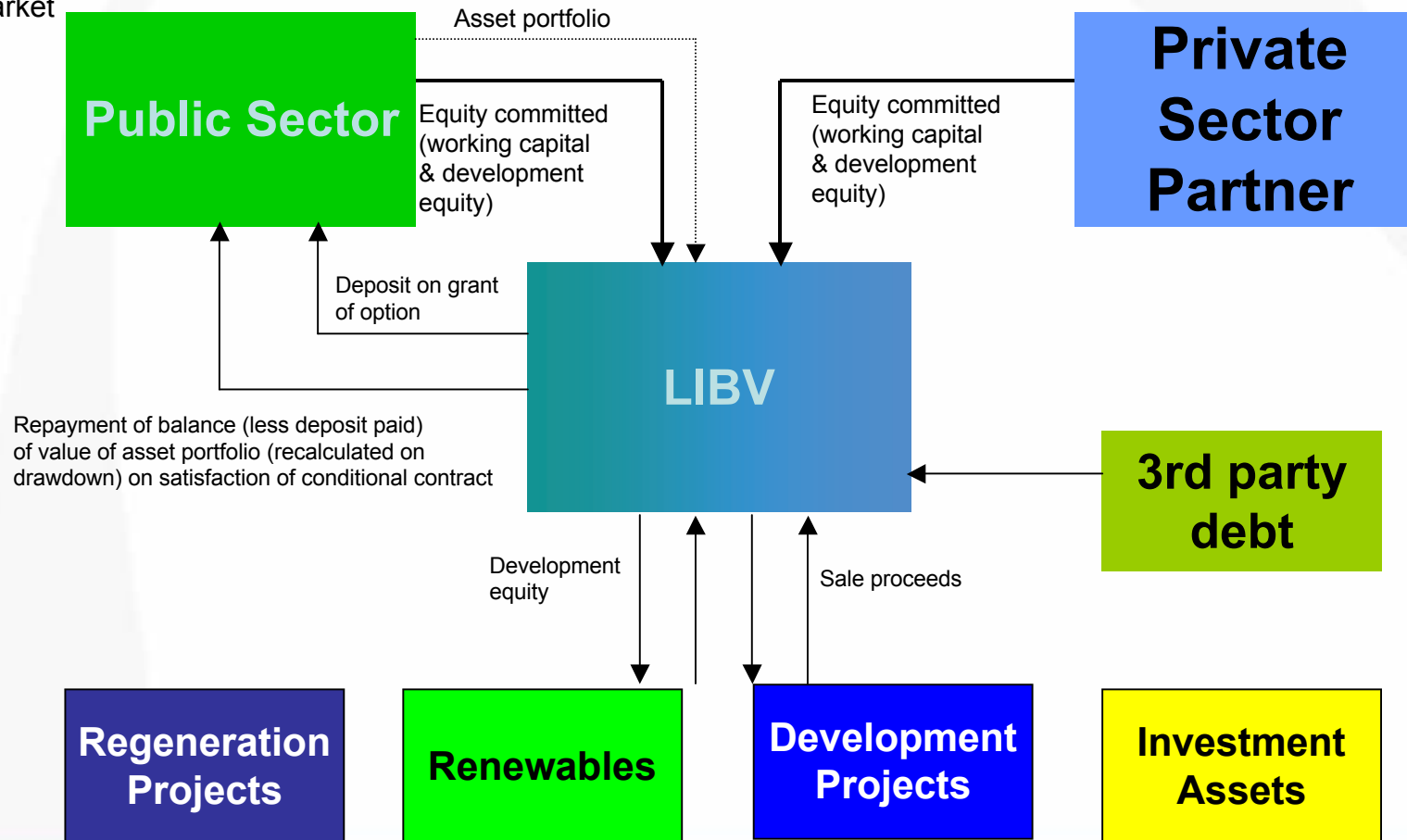


# Value Capture Model

- First FT example
- Surplus sites and adjacent site
- Surplus to fund FT office accommodation
- No supply chain exclusivity
- Risk: vehicle not taking residential risk
- Parcels packaged and sold

# Local Incentive Backed Vehicle

Options Granted in a Weak Market

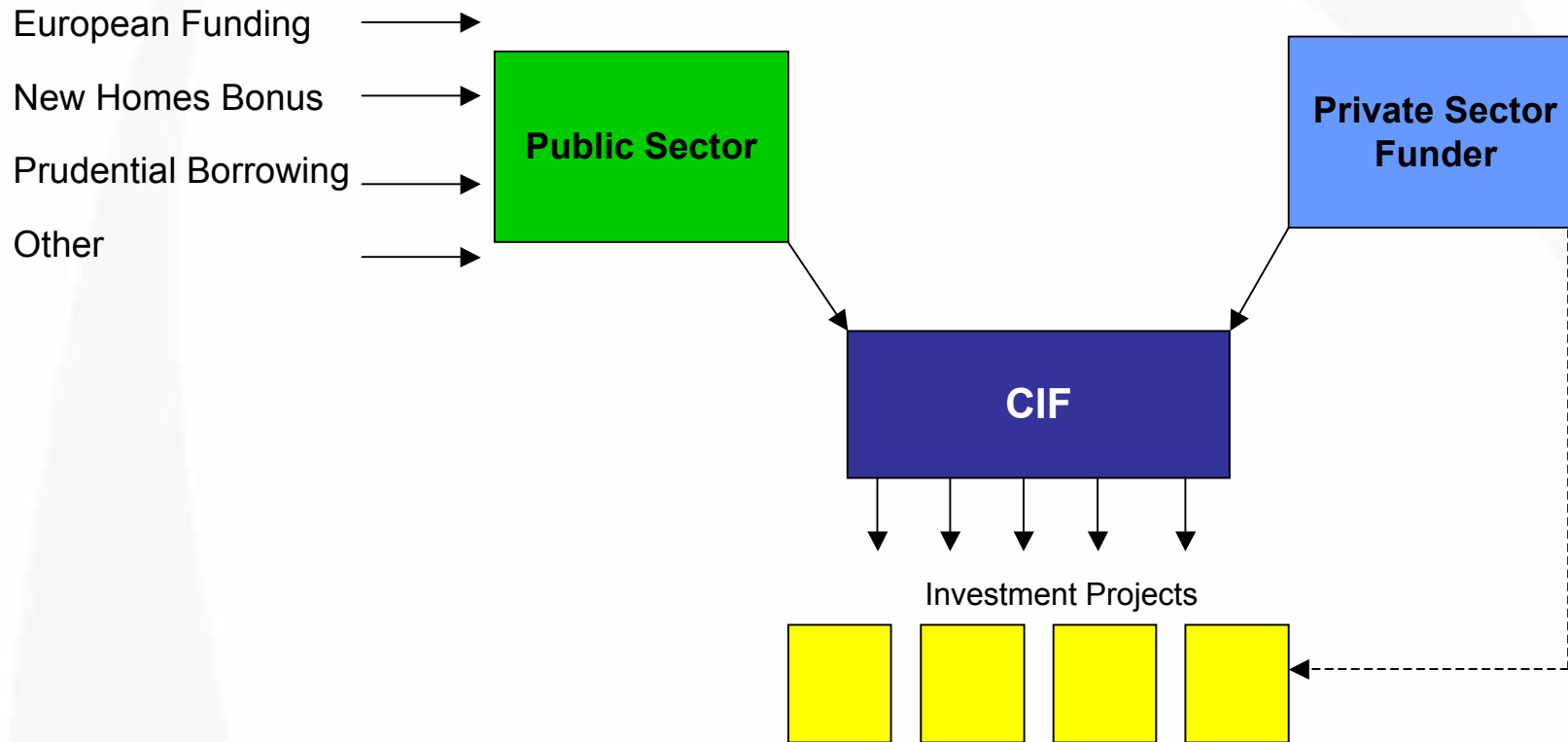




# Local Incentive Backed Vehicle

- Maximise asset leverage
- Investment properties/renewables fund development/infrastructure
- Early example Aylesbury
- Thinking now developing i.e. Sunderland
- Large scale projects
- Risk profile: depending upon SPV

# Co-Investment Fund



# Public Sector Sponsored Funds

- Jessica
- North West and London plus East Midlands and Wales
- ERDF funding
  - matched by RDAs – cash or land
  - creation of Holding Fund
  - procurement of Urban Development Fund
- debt or equity models
- local authority participation in UDA
- Investment in individual projects by reference to investment criteria
- State Aid

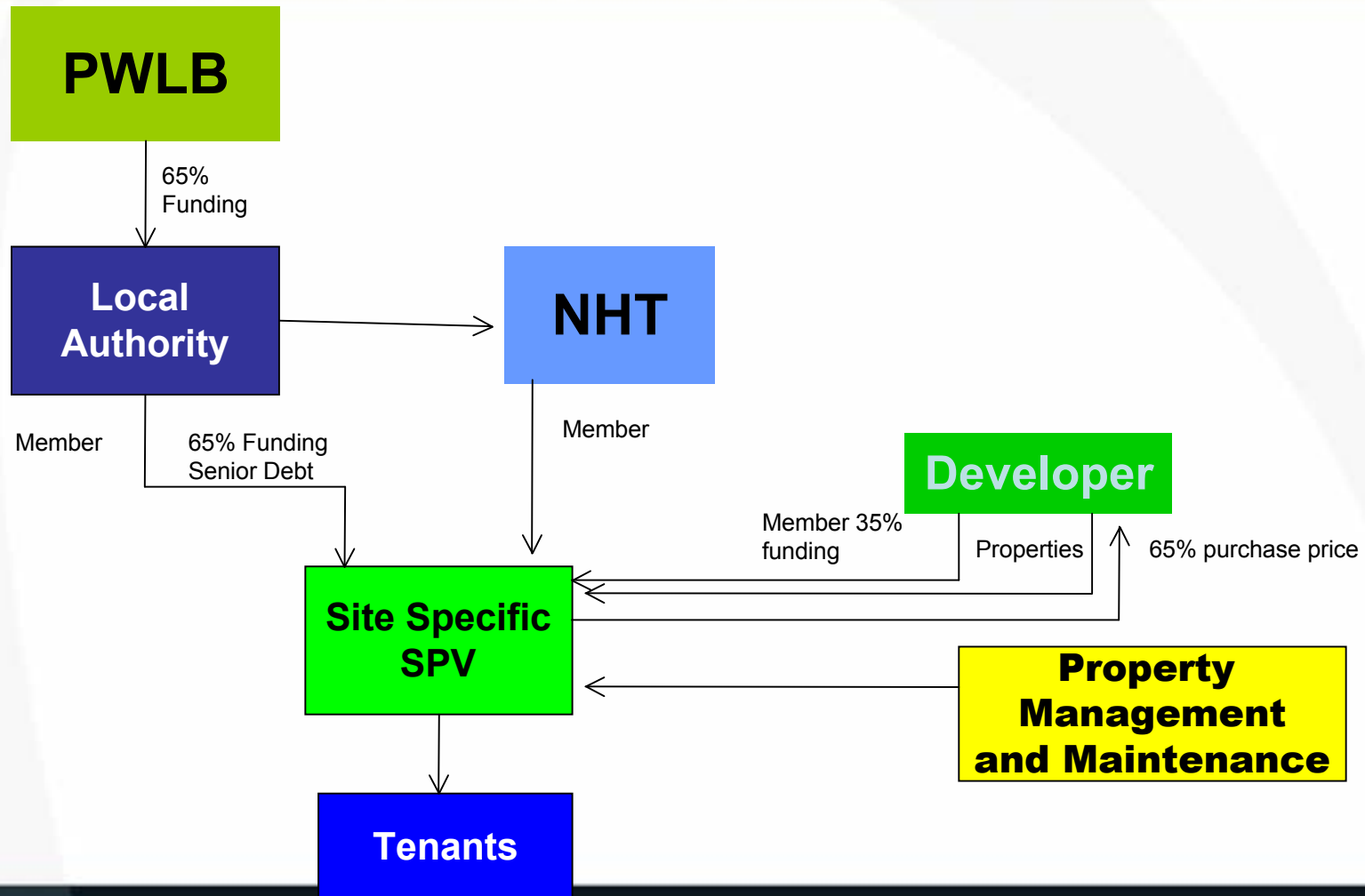
# Public Sector Sponsored Funds

- Local and Regional Funds (without ERDF)
- Economic Development, regeneration and housing
- Cocktail of funding sources (assets and income)
- Various structures
- More flexible than Jessica

# Housing

## National Housing Trust – Scotland

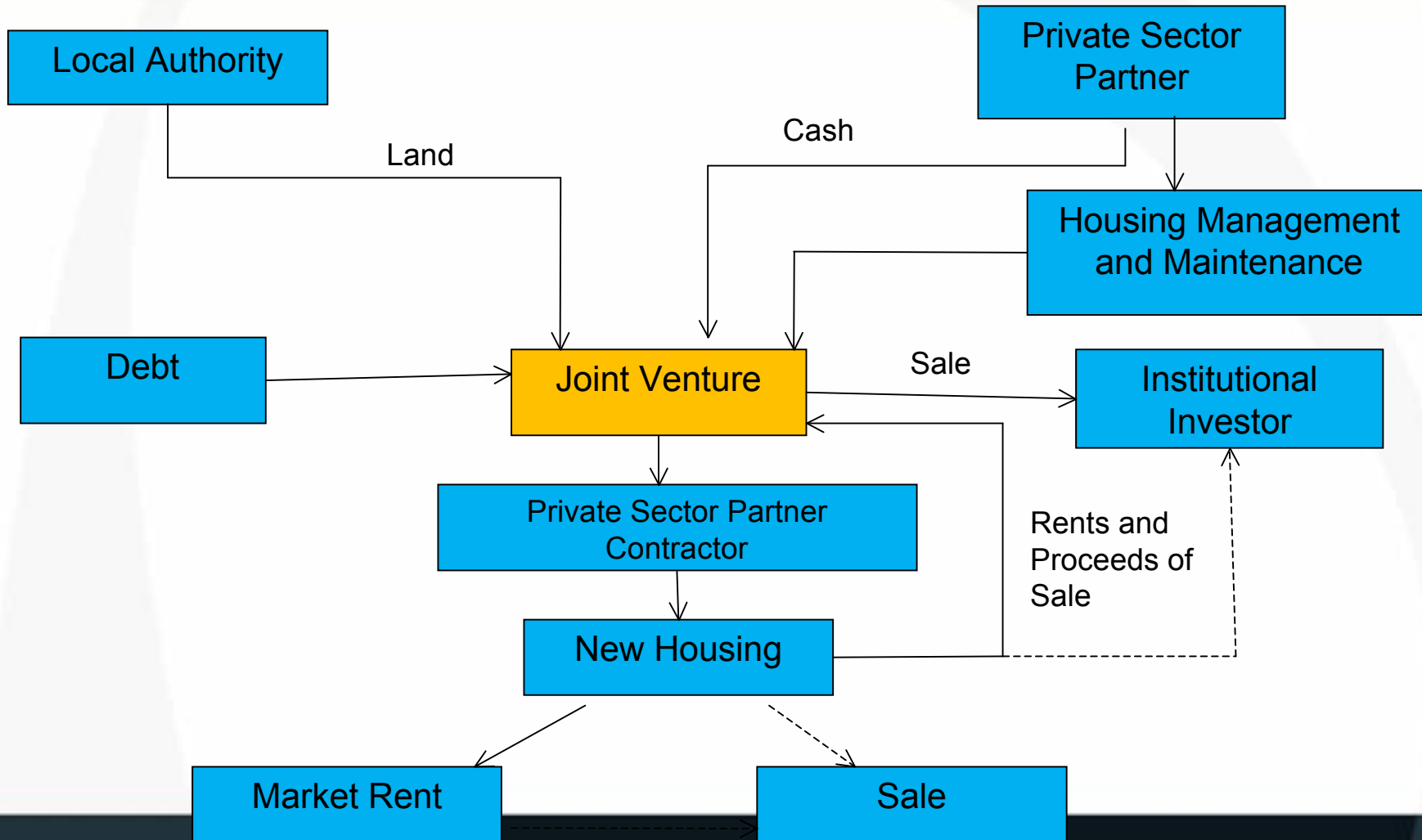
### Public Debt Funding and Private “Locked in Equity”



# Housing HRA Reform

- Under HRA reform authorities will keep the full benefit of all future rent increases
- So on basis that
  - rental income increases by 0.5% above inflation
  - revenue costs increase by inflation
  - Interest costs remain flat
- Potential for surpluses to fund capital resources
- However limited borrowing opportunity against surpluses
- So potential through
  - service concession
  - lease

# Housing: Private Sector Rental Public and Private Sector Joint Venture Funding



# Housing

## Private Sector Rental

- Local authority transfers land into joint venture entity (or an option depending upon market)
- Private sector partner contributes equivalent cash to JV
- JV raises finance to construct properties
- PSP contractor builds properties for contractor return
- Completed properties let on market rents and depending upon yields will be sale/"churn" over time
- Profit from rents and capital appreciation shared between local authority and PSP
- Potential for sale to institutional investor
- If structured purely as a land sale between local authority and JV (ie no works and services) then private sector partner could be appointed without EU procurement



# Tax Increment Financing in the UK

## Two Options

- Option 1 - borrowing against local authority-wide growth

Use existing prudential borrowing powers - serviced by rates growth over the baseline - will be subject to reset, and tariff regime (certainty on revenues diluted). Not really TIF .

- Option 2 - borrowing against growth in a defined area

More like traditional US model BUT requires Government approval, rate retention limited in last budget £150m pa 13/14 to 18/19, suggesting few schemes.

Model could be used in Enterprise Zones (where rates retained by LEP).

# Option 2 - principles

## Principles and origins

- A TIF district (or TIRZ zone) is a widely used economic development tool throughout the United States, created, monitored, and regulated by a local authority (city or county).
- **Its purpose is to finance public infrastructure supporting private, taxable development that would not otherwise occur “but for” creation of the TIF.**
- These Districts are alternatively known as a Tax Increment Finance District (TIF) or a Tax Increment Reinvestment Zone (TIRZ).

Coalition Government has stated intention to legislate to facilitate TIF model in the UK under new Local Government Finance Bill in 2012.

# Typical TIF Eligibility Criteria

A TIF District can be established if:

- There is significant potential to stimulate new, private sector, taxable development or redevelopment (regeneration).
- The public infrastructure is currently insufficient to support the new private sector development, including streets, utilities, water and wastewater treatment, pavements, lighting and common area public space.
- Development will not occur “**but for**” the creation of the District.

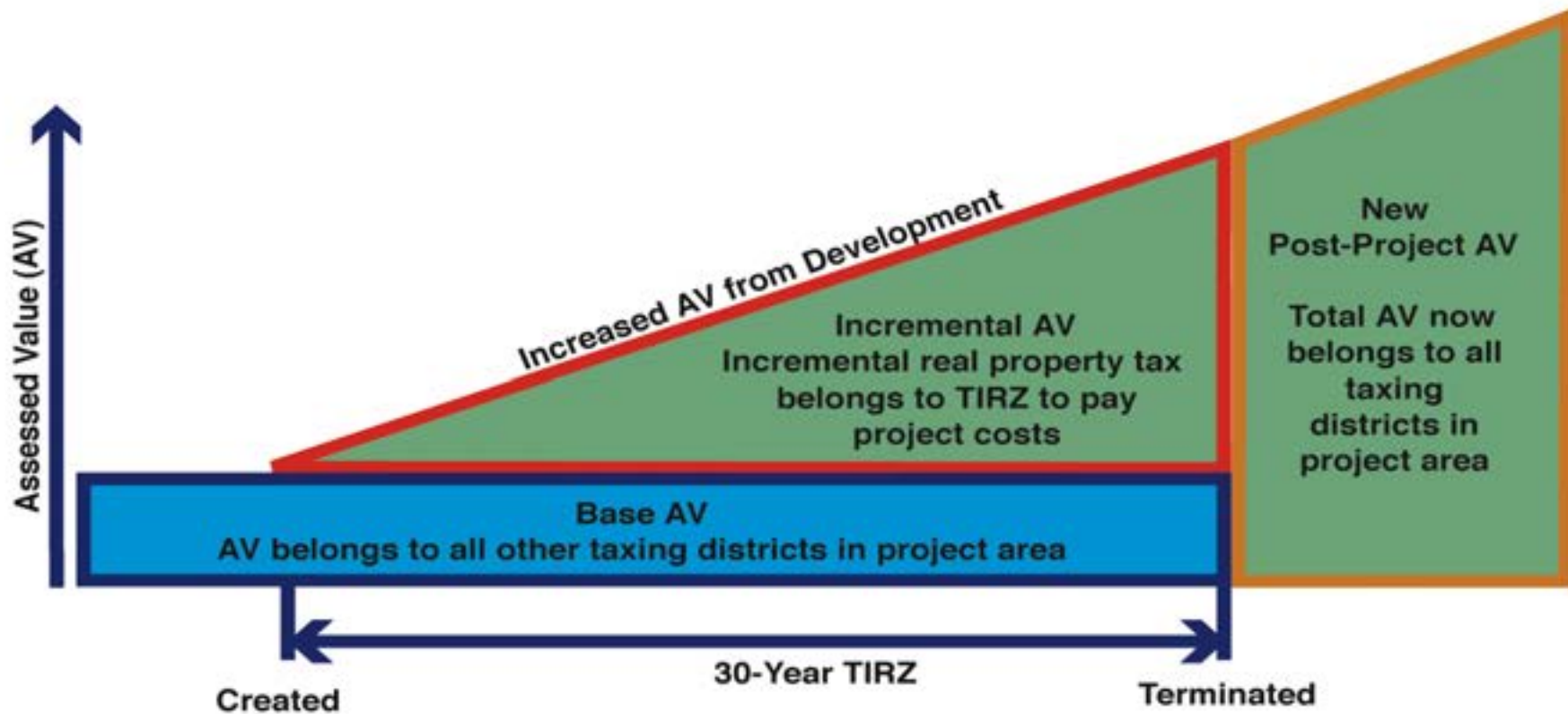
# TIF is NOT

- A tax abatement program
- A direct or uncontrolled subsidy to a developer
- A tax break for property owners within the TIF District
- A public sector-initiated enticement -- but rather a response to the expressed infrastructure needs of private sector development commitments (might be in an EZ)

Tax increment financing **IS** an alternative financing tool in which the community decides to participate temporarily to help fund the costs of the district's infrastructure for the ultimate financial benefit of the community's tax base.

# TIF concept

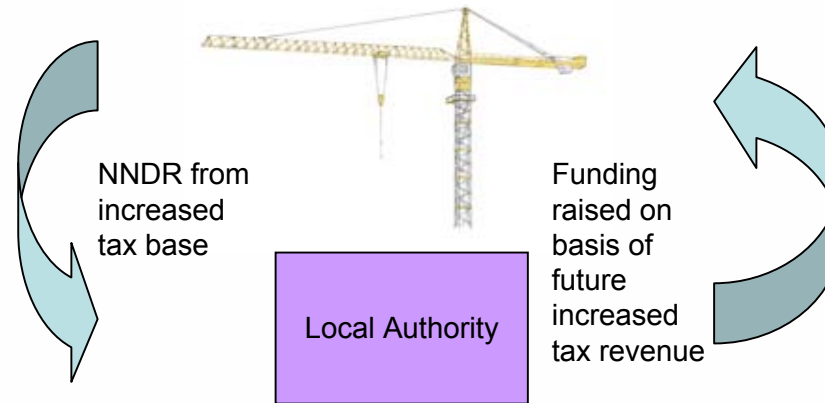
- The Zone or District and its real property base value are established.
- Private or public investors construct public infrastructure within zone.
- Real property values increase.
- The increase in real property value over the established base value (the newly realized increment) is used to repay costs of the new TIF infrastructure plus interest.
- The TIF expires, and taxing jurisdictions retain the total tax revenue from properties developed as supported by the TIF infrastructure improvements



# Tax Increment Financing

+

- Allows for project to be paid for by increases in property taxes they engender
- Extensively used in other parts of the world, in particular the US



Alternative to above is for tax increases in advance to fund project

-

- who takes the risk, what about market failure?
- leverage reduced in UK vs US
- Require either prudential borrowing or bond issuance (bond issuance is not an easy process and economically unattractive below £50m)
- Future tax flows uncertain
- US experience - TIF followers

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SocInvest 2012

June 2012

# Funding but not as we know it!

GVA Financial Consulting



**SKANSKA**



[gva.co.uk](http://gva.co.uk)



# Agenda

- Andrew Screen – funding market & PFI
- Chris Shepherd – Local Authority loans and housing structures
- Terry Mitchell – Overview of Skanska
- Mary Humphreys – Downtown/Midtown Tunnel a \$2.1 bn public private partnership
- Questions

# Andrew Screen – Director Head of GVA Financial Consulting



- Background
  - Merchant Banking
  - International Finance
  - Property Development
  - Financial Consultancy
  
- Specialist Areas
  - Joint Ventures
  - Structured Finance, Structured Vehicles
  - Equity, Debt and Mezzanine fund raising
  - City regeneration, PPP
  - Negotiation

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(andrew.screen@gva.co.uk)



# Overview of GVA Financial Consulting

- Specialise in structured finance
- Asset rationalisation for local authorities
- Joint Ventures
- Raising debt and equity finance from the public and private sectors
- Public sector finance

# The funding market



Long Term Funding Ratings			
Moody's	Standard & Poor	Fitch	Investment Grade
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly Speculative
B2	B	B	
B3	B-	B-	
C	C	C	Substantial risks/Extremely speculative

Bank  
1

Bank  
2

Bank  
3

Bank  
4

AA  
VStrong

A  
Strong

B  
Adequate

C  
High Risk

3%

4.5%

5.5%

10%

Equity Investor

Rating  
Moody's  
Standard  
& Poor  
Fitch

# Bank Credit Ratings

Bank/Holding Co	Previous Rating	Notches	New Rating
<b>First Group</b>			
HSBC Holdings plc	Aa2	1	Aa3
Royal Bank of Canada	Aa1	2	Aa3
JP Morgan Chase & Co	AA3	2	A2
<b>Second Group</b>			
Barclays plc	A1	2	A3
Lloyds	A2	1	A3
BNP Paribas	Aa3	2	A2
Credit Agricole SA	Aa3	2	A2
Credit Suisse AG	Aa1	3	A1
Deutsche Bank AG	Aa3	2	A2
The Goldman Sachs Group Inc	A1	2	A3
<b>Third Group</b>			
Bank of America Corporation	Baa1	1	Baa2
City Group Inc	A3	2	Baa2
Morgan Stanley	A2	2	Baa1
Royal Bank of Scotland Group plc	A3	1	Baa1



## Local Authority Credit Ratings

Local Authority Credit Ratings	Rating S&P/Moodys
Birmingham City Council	AAA
Wandsworth LBC	AAA
Cornwall Council	AAA
Guildford BC	AAA
Kensington & Chelsea RLB	AAA
Lancashire CC	Aa1
Woking BC	AA-



## Why is Rating and Covenant important

- Determines the risk and return investors are willing to undertake.
- Determines the costs of bank funding (interest rate).
- Can provide security or guarantees (wrap insurance)





## Current bank funding market

- Maximum of 3-5year lending on development
- Reduction in loan to value 50-70%
- Higher margins of 4% and upwards
- Higher costs – arrangement fees 2%, commitment fees 1%, exit fees 2%
- Lower levels of funding





## New debt and mezzanine funds

- Opportunity to provide debt or mezzanine funding
- Henderson Global Investors launches £1bn UK property debt fund for senior and mezzanine loans – prime property
- AgFe capital raising for a £1bn UK property debt fund – prime property
- AXA Real Estate, M&G Investments
- Fortress Investment Group, Starwood Capital
- Renshaw Bay, Goldman Sachs £2bn
- AEW Europe, Legal & General





## Equity Investors Market

- Higher level of interest from pension funds for local authority backed leases (residential and commercial).
- Greater interest in establishing new funds for strategic land investment.
- Funds being established for Private Rented Sector purchase and letting
- International funds entering the residential market





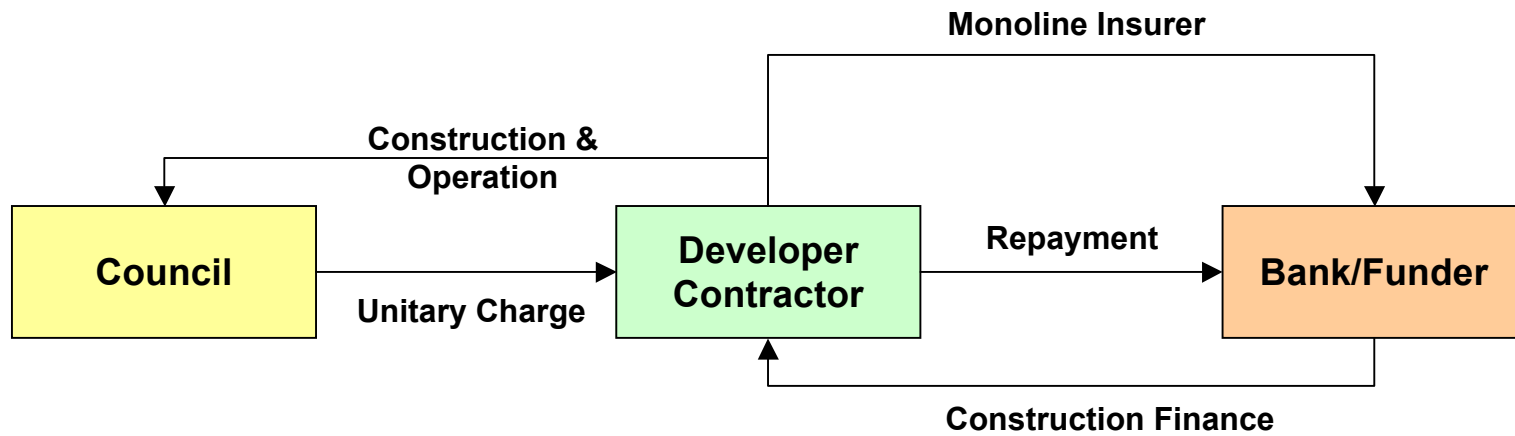
## Public Sector Funding

- HCA Get Britain Building – Loans and investment for residential development
- Local Enterprise Partnerships – Growing Places Fund - debt and equity finance (although insufficiently funded)
- Increase in joint ventures with the private sector
- Local authority loans to developers
- TIF, Business Rates Retention,

# PFI Restructured and Schools



# Traditional PFI Contract







## Collapse of the traditional model

- Collapse of the Monoline insurers AAA rating therefore no funding Wrap
- Lack of Government PFI unitary charge support
- Value for money issues



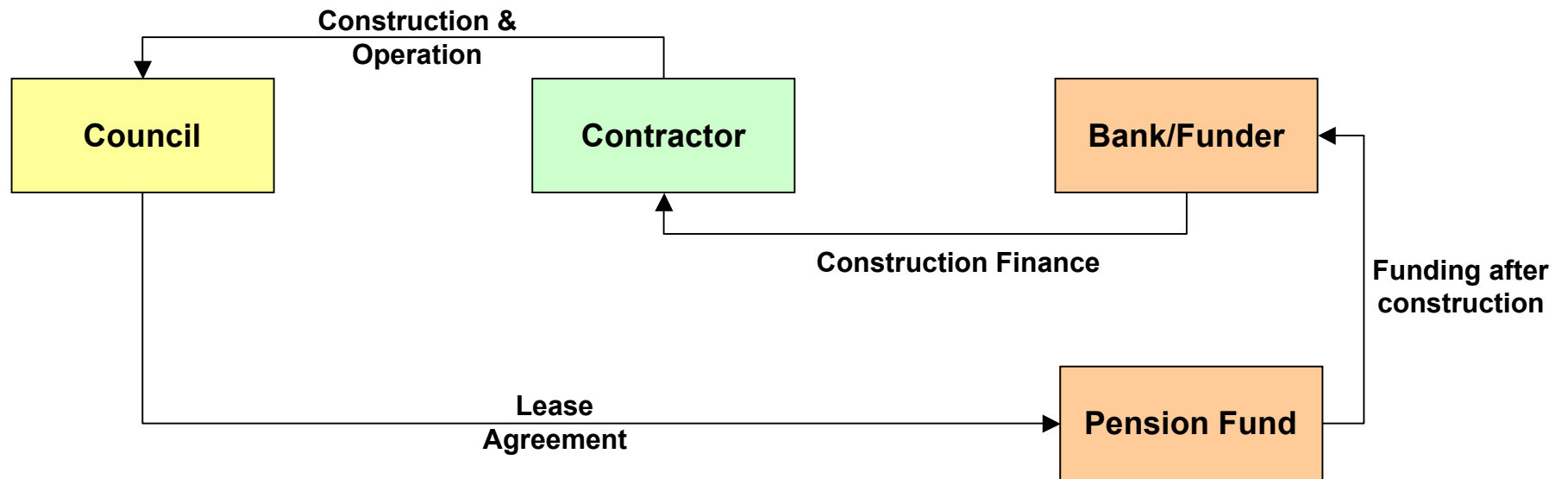


## Essential components of a PFI - Restructured

- Construction contract
- Repairs & Maintenance Contract
- Finance for the construction
- Finance during operations
- Lease from the local authority



# PFI Restructured





## Land for Schools

- Local authorities do not have the future income to pay for the initial school construction
- The local authority can transfer development assets into a joint venture in exchange for the development of the school
- The developer would use the assets as security to fund the school construction
- The local authority would participate in the profits from development of future sites





## Conclusion

- Bank funding is generally short term and in lower amounts
- Private equity funds and pension funds are setting up debt and mezzanine funds
- Local Authorities and Government are providing innovative funding structures to funds development
- PFI can be restructured by using leases and pension fund finance

# Chris Shepherd – GVA Property Finance



## • Background

- Chartered Accountant
- Public Sector advisory
- Local Government Finance
- Housing & Infrastructure Advice

### Chris Shepherd

Associate

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## • Specialist Areas

- Housing delivery models
- Asset portfolio review
- Revolving fund
- Structured solutions
- Strategic Advice
- Regeneration



# Government Assistance

- Local authorities have both a financial and political need to see and encourage economic growth
- But.....

Guardian of the public sector purse – generating value

Answerable to the local tax payer

Requirement to balance against excellent service provision and cost efficiency agenda

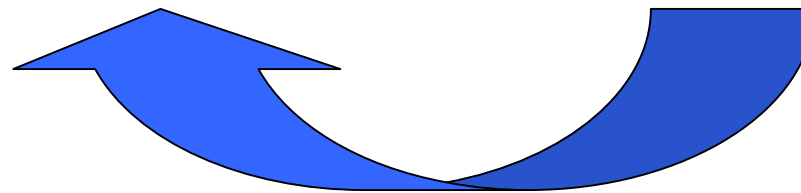
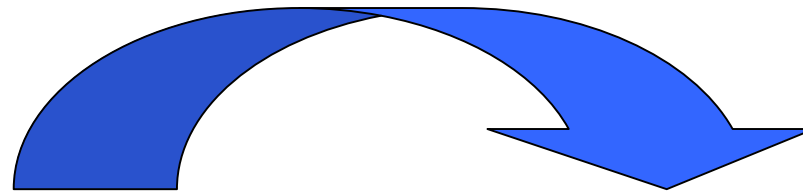


# Local Authority Impact on Economic Growth Cycle



Infrastructure and development

Employment



Increased Resource  
e.g. NNDR, CT,  
NHB etc.

Housing







## Local Authority Housing Delivery

- Developers not building housing therefore no S106 affordable housing contributions
- 30 year business plan – removal of subsidy system
- Government settlement – borrowing headroom or not?
- Local authorities decision – repay debt/new build/decent homes
  - Flexibilities provide certainty to borrow for new delivery, but....
  - Headroom provides control but also acts as a limit (particularly in the near term) to house building



## Local Authority Housing Delivery

- Infill development and refurbishment of current stock **inside** the HRA:
  - Lower risk
  - Relies on debt headroom as capital requirement is low
- House building **outside** the HRA:
  - High Capital requirement (circumvents headroom)
  - Local Authority wrap can encourage a range of different finance sources
  - Models that provide varying levels of affordability housing

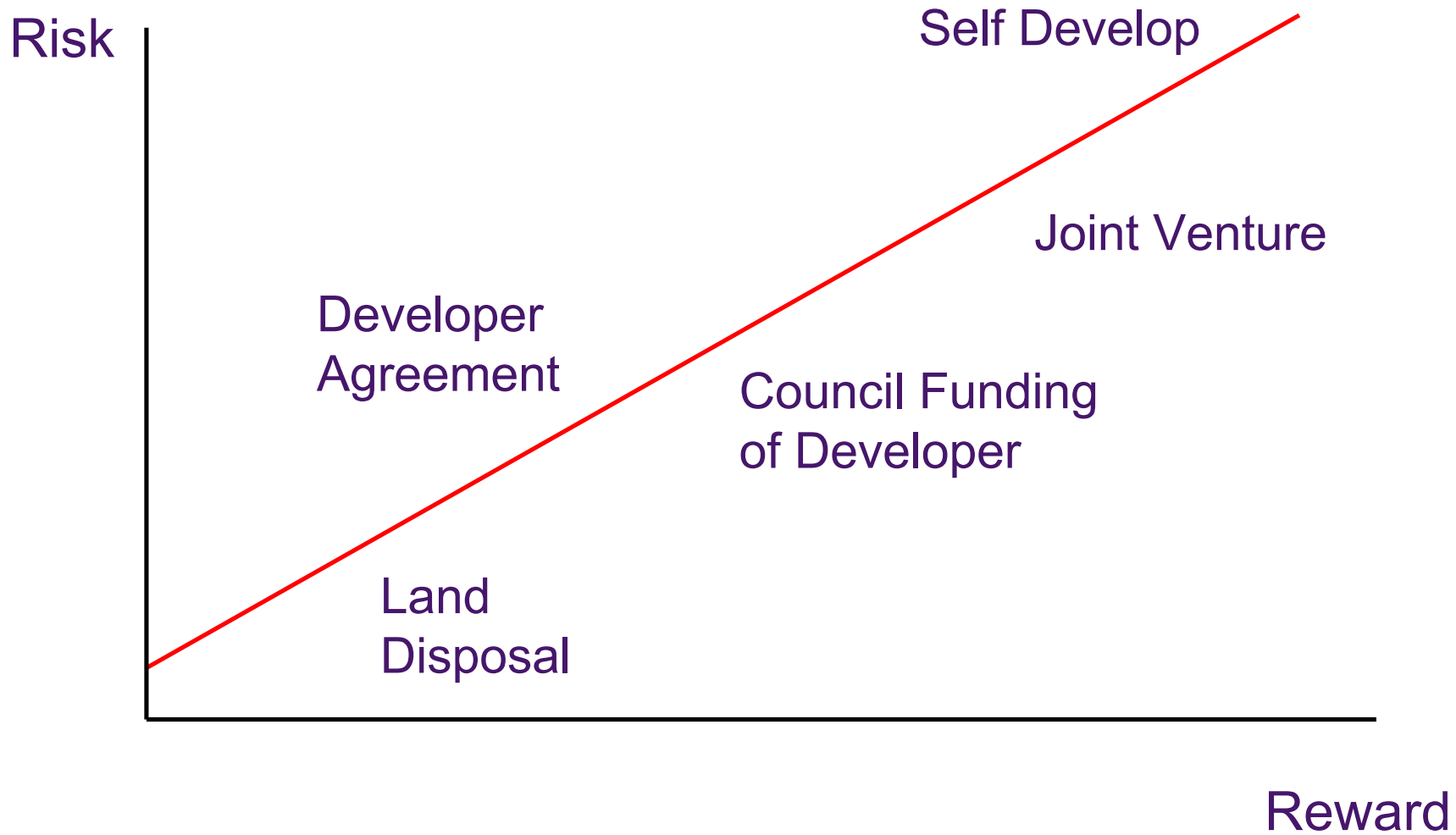




## What is the Local Authorities Role

Council/ (Client)	Developer (income risks)	Contractor (cost risks)
<ul style="list-style-type: none"><li>• Land Value</li><li>• Political</li><li>• Design and outcome risk</li></ul>	<ul style="list-style-type: none"><li>• Planning</li><li>• Design</li><li>• Income</li><li>• Exit Strategy</li><li>• Funding</li><li>• Inflation</li><li>• Legal and contractual</li><li>• Development phasing</li><li>• Professional Appointments</li><li>• Variations</li></ul>	<ul style="list-style-type: none"><li>• Contract Price</li><li>• Design</li><li>• Variations</li><li>• LADs</li><li>• Insurance</li><li>• Inflation</li></ul>

# Housing Delivery Opportunities: Risk v Reward





## Council provides direct funding to developer

- Council provides funding for the delivery of **viable schemes**
- Precedent now being set by Central Government e.g. LEP and HCA
- Circumvents difficult to get bank finance



## Under what powers

- Treatment of the loan as capital expenditure is set out in:

SI 2003 No 3146 - regulation 25 1) b)

- (b) subject to paragraph (2), the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure;



# What must LAs consider

## *“IS THIS A SOUND STRATIGIC AND FINANCIAL DECISION “*

- Internal Governance
  - Best Consideration
  - Impact on Prudential Indicators
  - Treasury Management Strategy Statement
  - Minimum Revenue Provision
  - Annual Investment Strategy
- Governance arrangements of acting as a bank:
  - Appropriate security
  - Term sheets and legal protection
  - Monitoring arrangements
- State Aid
  - Reference rates

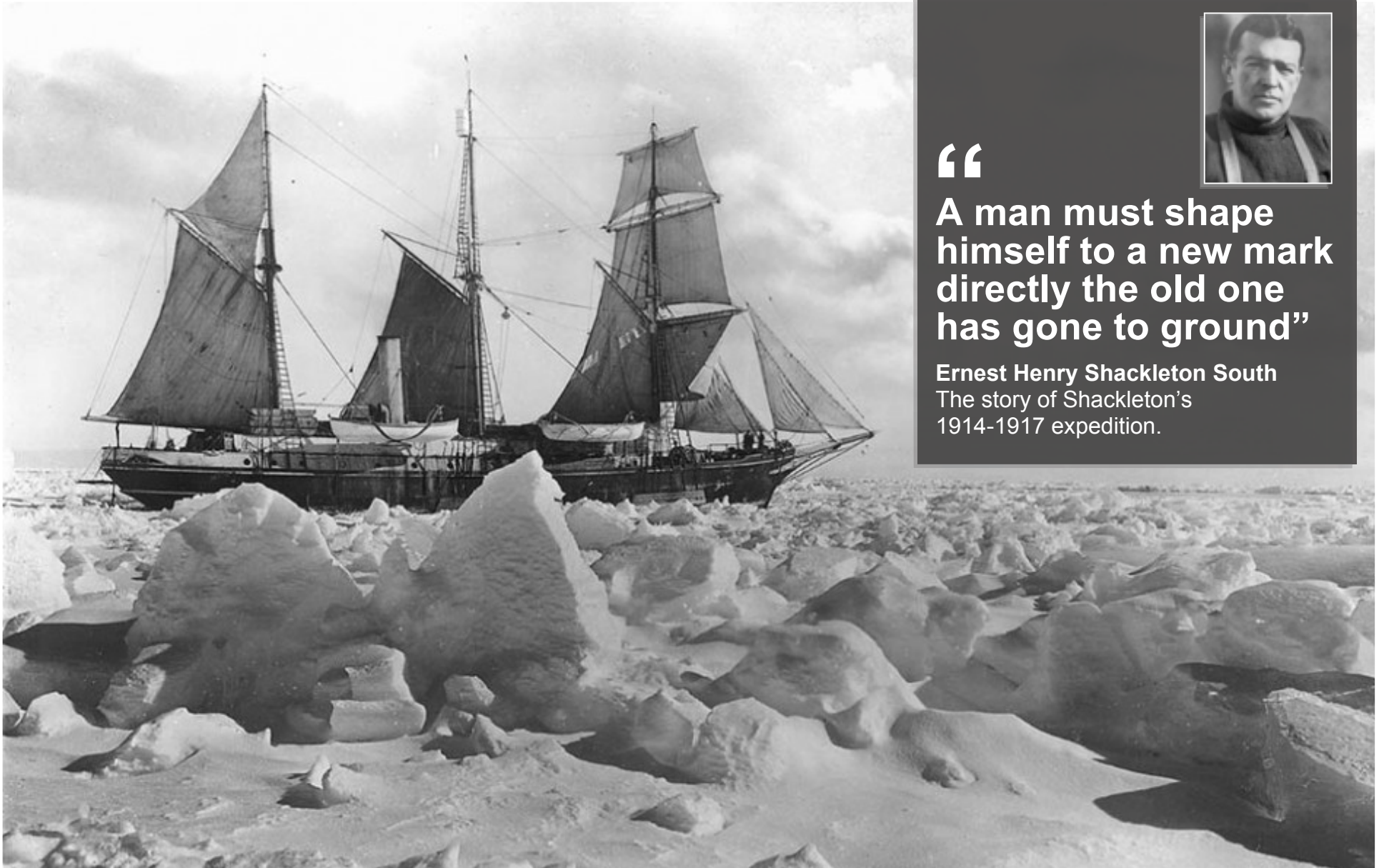


## Summary

- In the short term the Public Sector must encourage economic growth
- Models are evolving that allows local authorities to look beyond the HRA to deliver housing
- Local authorities can “act as a bank” to encourage development subject to sound financial and risk analysis



# SKANSKA



“

**A man must shape himself to a new mark directly the old one has gone to ground”**

**Ernest Henry Shackleton South**  
The story of Shackleton's 1914-1917 expedition.

**SKANSKA**

Swiss Re, London

Sjiska Wind Farm, Sweden

# Skanska: Midtown Tunnel

## Creating value in partnership

Midtown Tunnel, US

Karolinska hospital, Sweden

Mary Humphreys, Public Affairs Manager  
26 June 2012

# What to expect

- ❖ About Skanska
- ❖ Why Partner?
- ❖ Case Study: Midtown Tunnel
  - Parties
  - Developing the project
  - Creating funding advantages
  - Looking ahead



# Skanska Global Profile

- ❑ **Founded nearly 125 years ago**
- ❑ **Headquartered in Stockholm, Sweden**
- ❑ **Publicly traded on OMX Nordic Exchange Stockholm**
- ❑ **One of the world's largest construction & development firms**
- ❑ **Approximately 53,000 employees**
- ❑ **12 home markets**
- ❑ **Member of the UN Global Compact**
- ❑ **~\$22 USD B Annual Revenue (~14 GBP B)**

**125** Celebrating our  
first 125 years

# Qualitative targets – the five zeros vision



0

Zero loss-making projects



0

Zero environmental incidents



0

Zero accidents



0

Zero ethical breaches

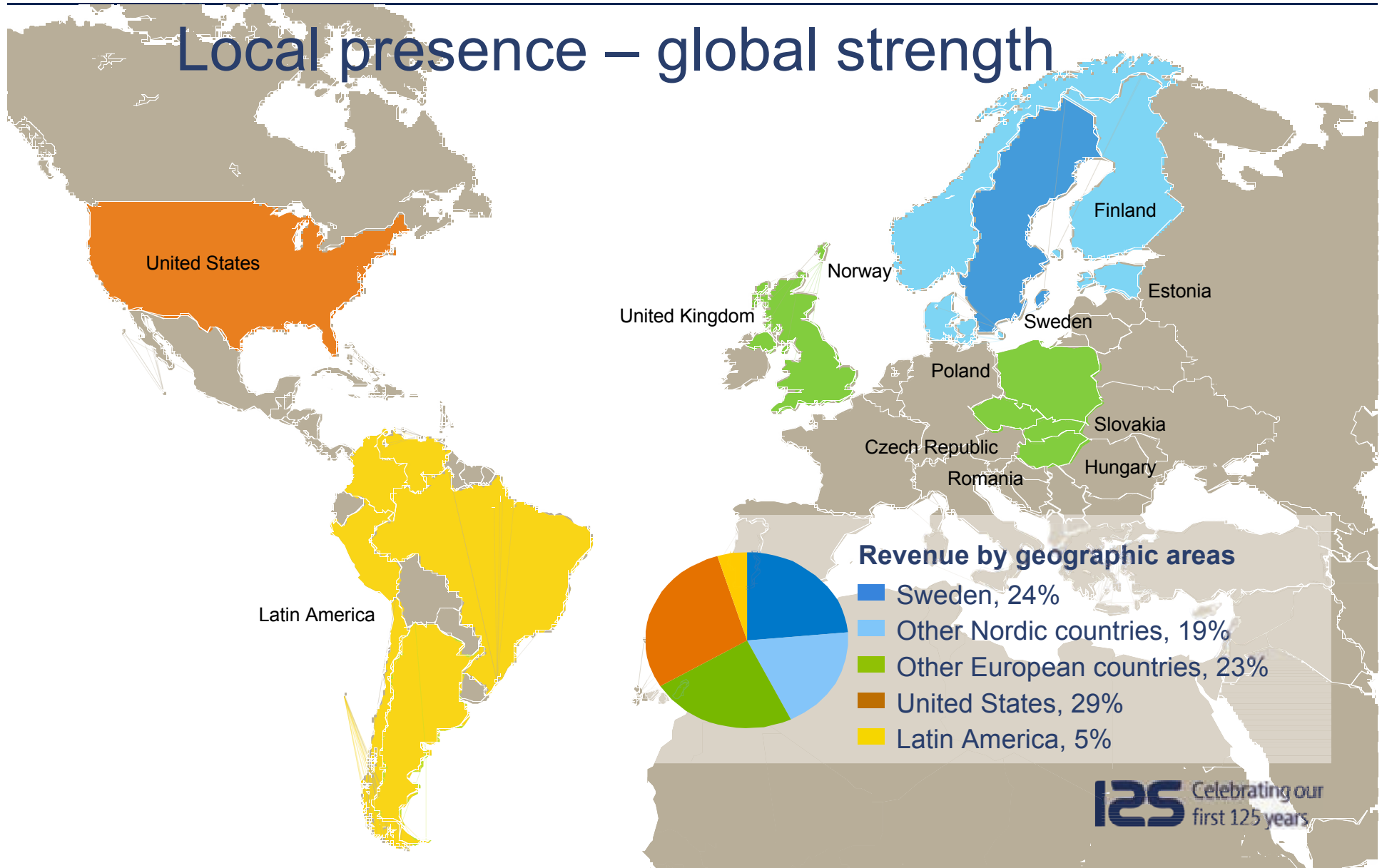


0

Zero defects

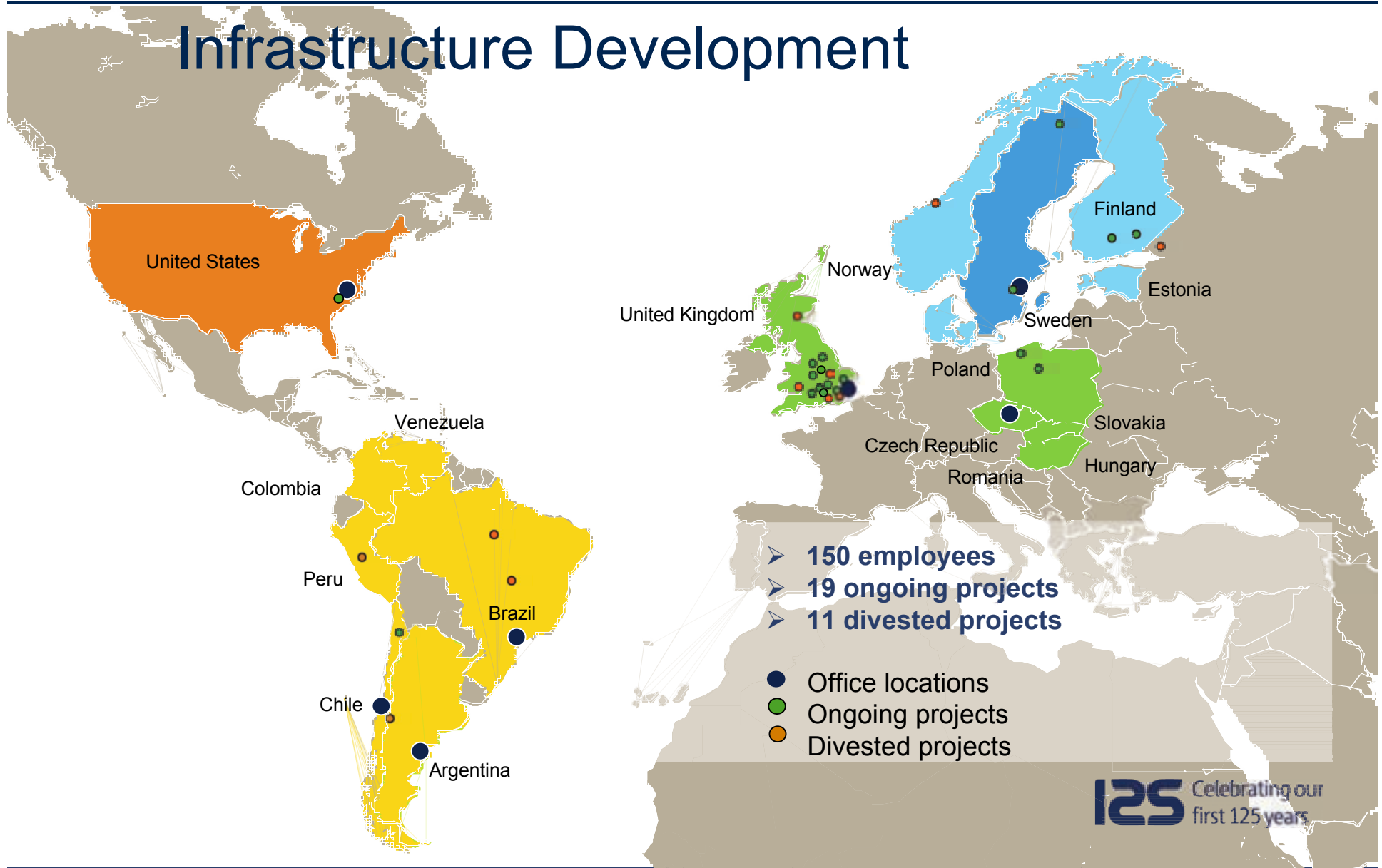
**125** Celebrating our first 125 years

# Local presence – global strength



**125** Celebrating our first 125 years

# Infrastructure Development



# Partnership Benefits

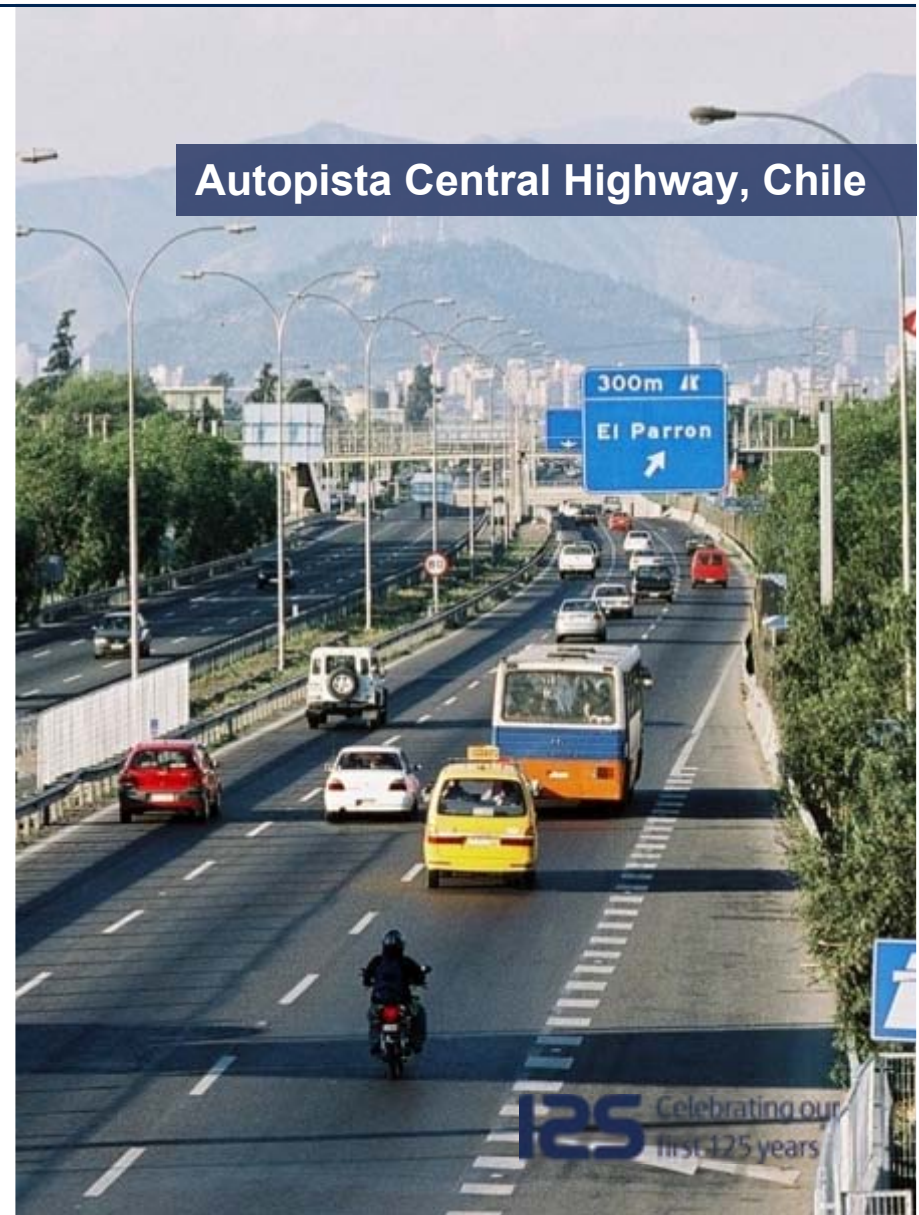
## To Government Clients:

- High quality, lifecycle management
- Accelerated delivery
- Increased performance standards
- Risk deferral
- Hand-back in excellent condition

## To Users:

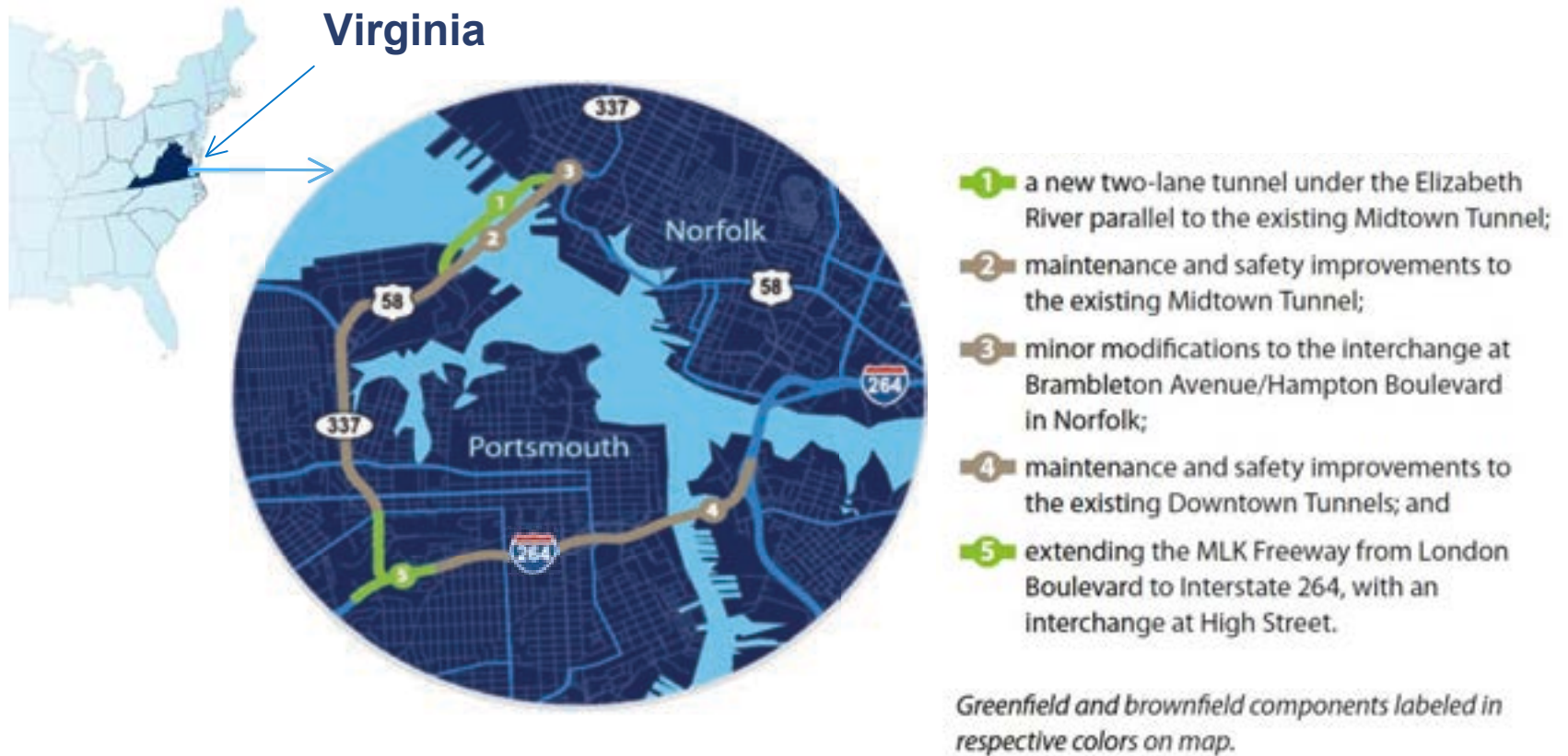
- Access to better infrastructure for living, travelling and working
- Infrastructure maintained in top condition
- Skanska works with communities to bring socio-economic benefits

Autopista Central Highway, Chile



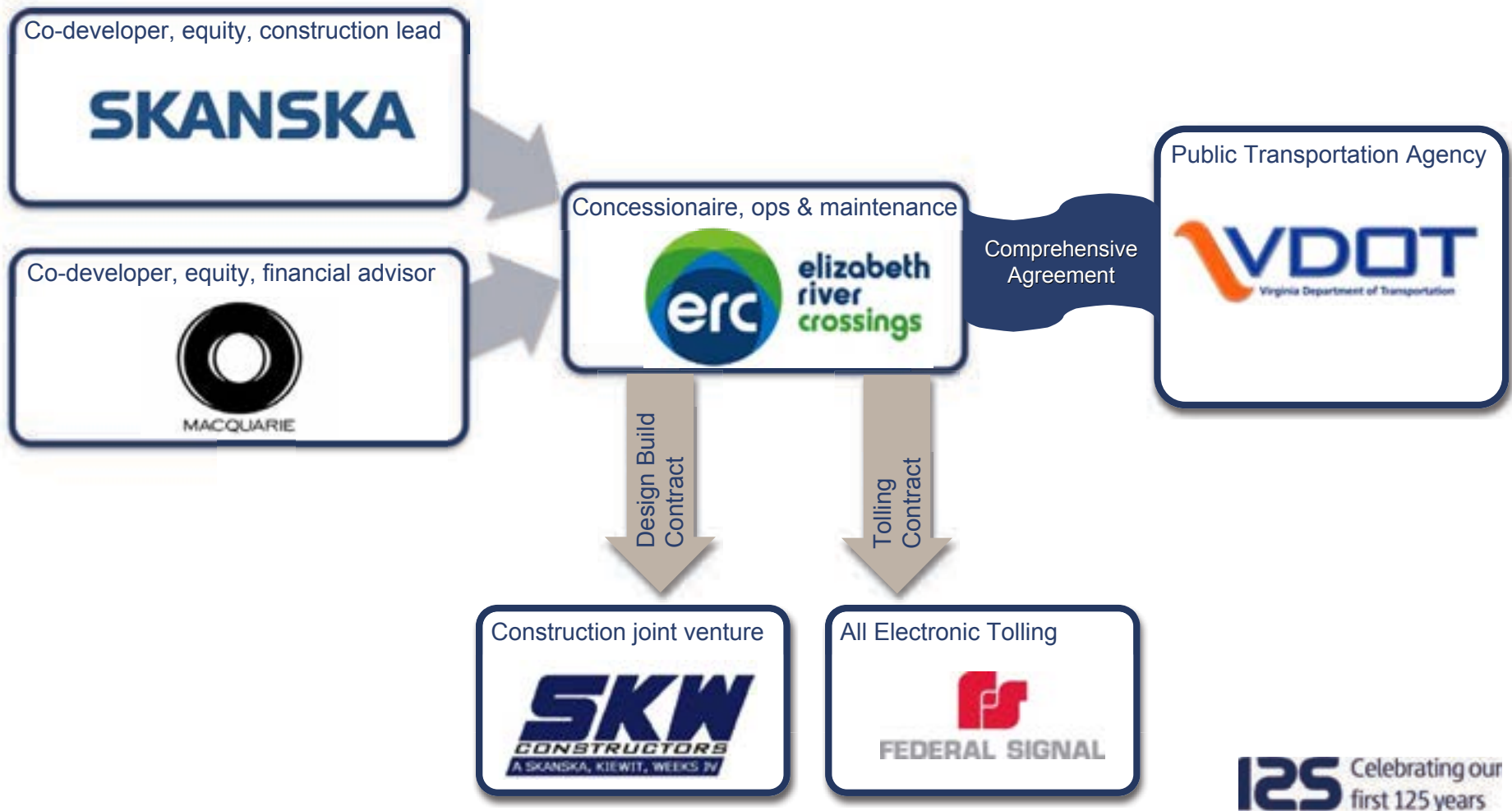


# 1<sup>st</sup> US PPP: Midtown Tunnel Project

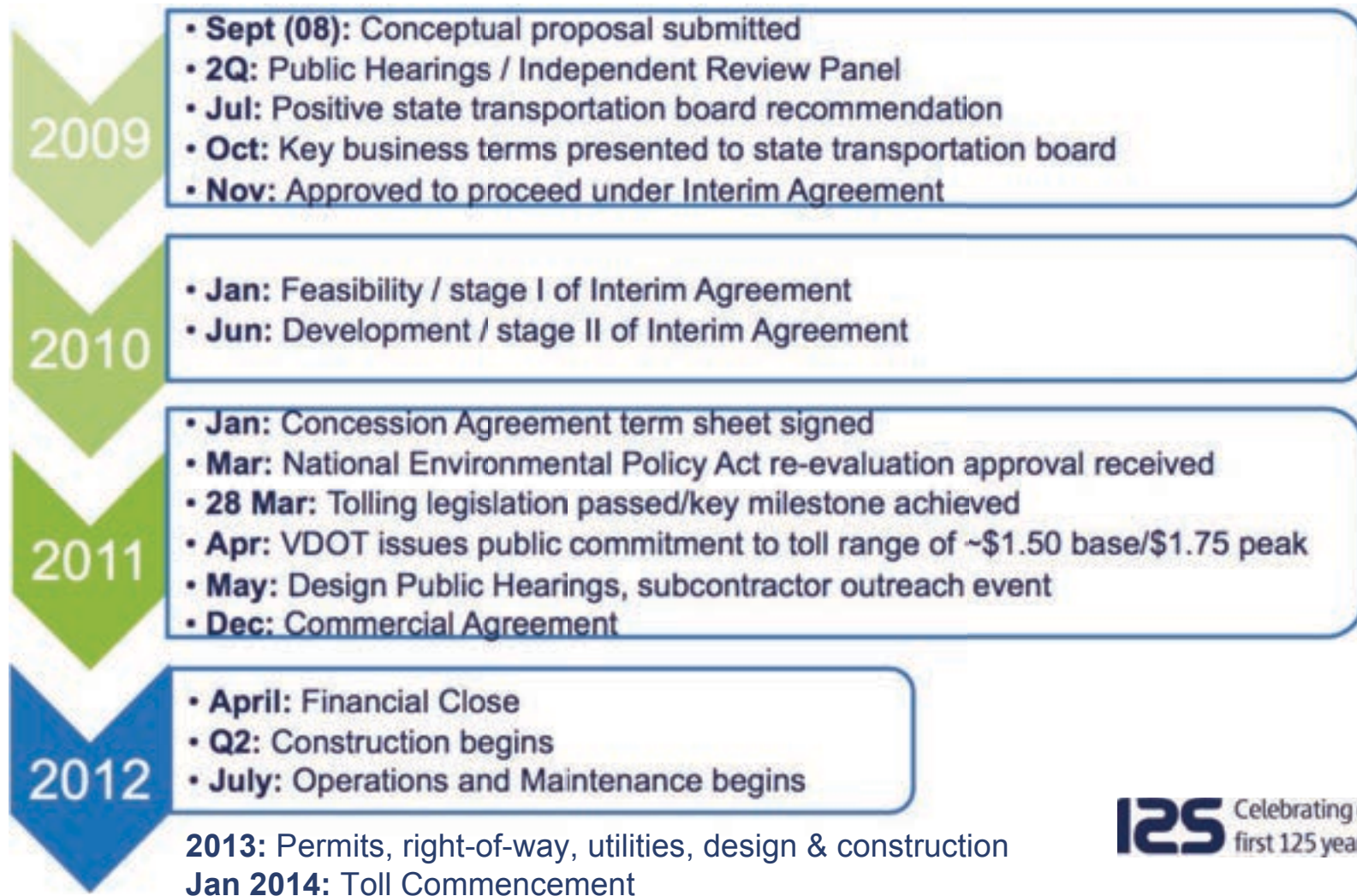


**Project Located in cities of Norfolk & Portsmouth, Virginia**  
(Area Population: ~1.7M)

# Partners



# Development Journey



# Optimized allocation of risks

The party best suited to assess the risk should also be harboring the risk

Traditional procurement		PPP	
State	Contractor	State	Contractor
Financing			Financing
Permits		Permits	
Program		Program	
Force Majeure		Force Majeure	
Organization			Organization
Design			Design
	Construction		Construction
O&M			O&M
Availability			Availability



## Developing Project Strengths

- Proven Procurement Legislation
- Developing a “funding advantage”
- Transparency
- Multiple validation
- Endorsement
- Competitive environment

**Background:**

Rendering of the new, concrete submerged tunnel for construction adjacent to the existing Midtown Tunnel. Its design reflects collaboration with fire, life and safety experts.

# A Look at the Numbers

**Project Value: 2.08 BUSD**

***Funding Sources***

675 in Private Activity Bonds

463 in a Federal Highway Administration TIFIA loan (including accrued interest)

363 in project revenues during construction

309 in contribution from VDOT to reduce tolls

272 in equity commitments from Skanska & Macquarie (50/50)

*Figures in MUSD unless otherwise stated*

# Looking Forward



- **Gantry Construction**
- **Operations and Maintenance start July 2012**
- **Toll commencement: Jan 2014**
- **Permitting, right-of-way acquisition**
- **Tunnel Section Mock-Up**
- **Design Progression**
- **Employment and Subcontracting**
- **Continued Stakeholder Outreach**
- **Pro-active issues management**

# Thank you...

Mary Humphreys

*Public Affairs Manager*  
**Elizabeth River Crossings**  
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*Communications Manager*  
**Skanska Infrastructure Development**  
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# Questions

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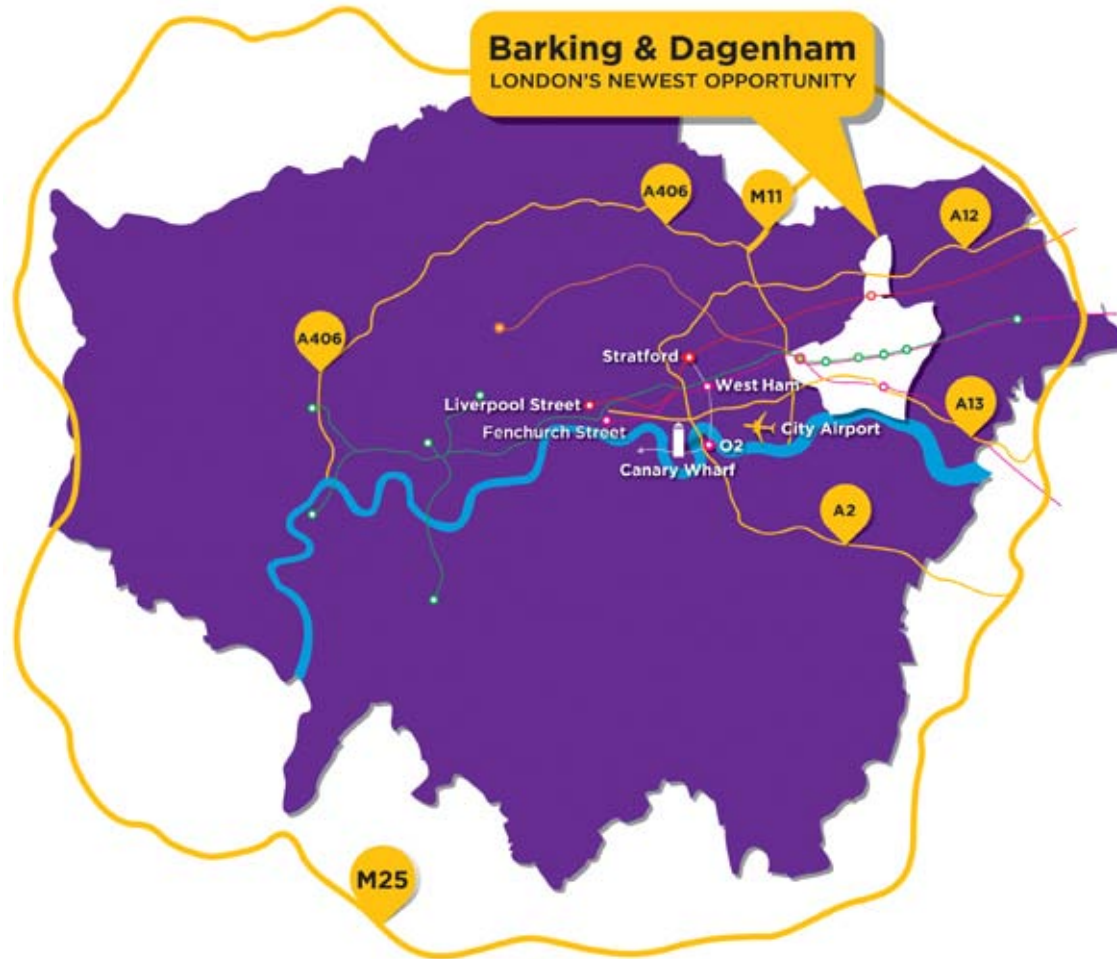
# Affordable Housing

## New Models of Housing Delivery



Ken Jones  
Divisional Director of Housing Strategy

**Barking & Dagenham**  
LONDON'S NEWEST OPPORTUNITY



## Barking and Dagenham – demographic perspective

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- lowest adult basic skills in London
- unemployment - 5% above London average
- low household incomes - £25,000 – 3<sup>rd</sup> lowest in London
- 80% increase in the housing waiting list
- 1,200 households in temporary accommodation
- high rates of young people not in employment, education or training
- historical dependency on Council for housing
- life-expectancy below the London average.
- significant increase in BME population in the last 10 years
- massive increase in birth rate in the last 5 years

# A changed future

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## Reasons and drivers of change

- well connected with good transport links
- lower than average house prices
- excellent school improvement progress
- Significant amounts of undeveloped land
- 2012 Olympic Borough

## Council's priorities and vision

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- Raising household incomes
- School and post 16 education
- Housing and estate renewal

To improve the quality of life for all people in the community, creating an attractive and sustainable place that promotes pride and sense of belonging



# local context

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- physical capacity for 20,000 new homes
- could be delivered over the next 15-20 years
- 3000+ on Council owned sites – majority of these on cleared estate renewal sites in existing town centres
- Council realism on likely tenure mixes
- need for new schools
- transport infrastructure needs

# Housing and Regeneration

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Housing development integral to our regeneration strategy

- social, economic and environmental sustainability central
- mixed income thriving communities is the objective
- extend the range of local choice of homes / tenures including aspirational housing
- estate renewal role vital – taking out our worst flatted estates and breaking up concentrations of deprivation on mono tenure estates





# Moving beyond the traditional approach

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opportunities opening up for councils

central factors for the LA:

- is new affordable housing a priority
- using land assets – foregoing capital receipts
- exploit Affordable Rent Product / market rent in developments to cross subsidise social rent homes

# New funders (for rented housing)

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- institutional investors recognising that rented housing can work for them
- they want – long term safe yield with rental guarantee
  - well managed homes, common parts and environment
  - enhance their reputation
- there's a close fit with councils' objectives and approaches
- B&D (and London wide) strong demand for private rented homes from young households in employment

# Special Purpose Vehicle option with partner

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- council procures development partner – puts land into SPV
- SPV brings in funder
- development funding on the basis of lease arrangements between SPV and funder and SPV and council (could be housing association)
- council (or HA) manages and maintains the homes – return paid to funder and rental income retained
- council could consider RP status
- ownership of homes with SPV – options on expiry of lease

## New housing delivery vehicle established in LBBD

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- Local Education Partnership (Council and Laing O'Rourke) set up a SPV as developer of 2 schemes with an institutional asset funder
- financial close mid February – start on sites made 477 all affordable homes
- Council manage and maintain with rental guarantee to funder – expiry of 60 year lease Council own outright
- mix – 20% at social rent (50% LHA), 5% at 65% LHA and 75% at 80% LHA
- 80% rentals are to be let to households in employment where rent is no more than 35% net income

# Council housing self financing

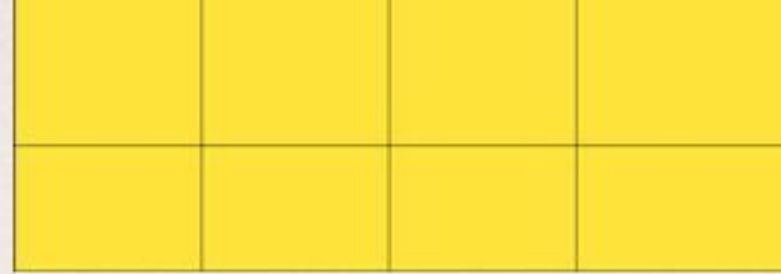
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- playing field with housing associations more level
- HRA Business Plans will produce significant resources for investment – decisions to be made on priorities, major works / estate renewal pump priming / new build
- potential to have a long term new build programme if land available
- explore within new development flexible council build to sell

# Who are we catering for ?

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- 50% LHA rents those in most need
- 65% those in employment on low incomes under £30,000
- 80% those in employment who temporarily need slightly subsidised housing ?
- What sort of tenures?



## Core Cities

New tools for economic  
development

# Key components of city deals

- Consolidated finance
- Skills
- Infrastructure
- Housing
- Transport
- Business and industry support





# Short term recovery?

- Creating confidence and demand
- Increasing transactions
- Increasing capacity
- Rebalancing
- Devolved places do best



# Systemic shifts? A work in progress

## From...

- Central dictat
- Needs-based policy
- Grant-giving
- Central policy levers
- National redistribution



## To

- Local controls
- Change-based policy
- Investment finance
- Centrally set incentives
- Local contribution



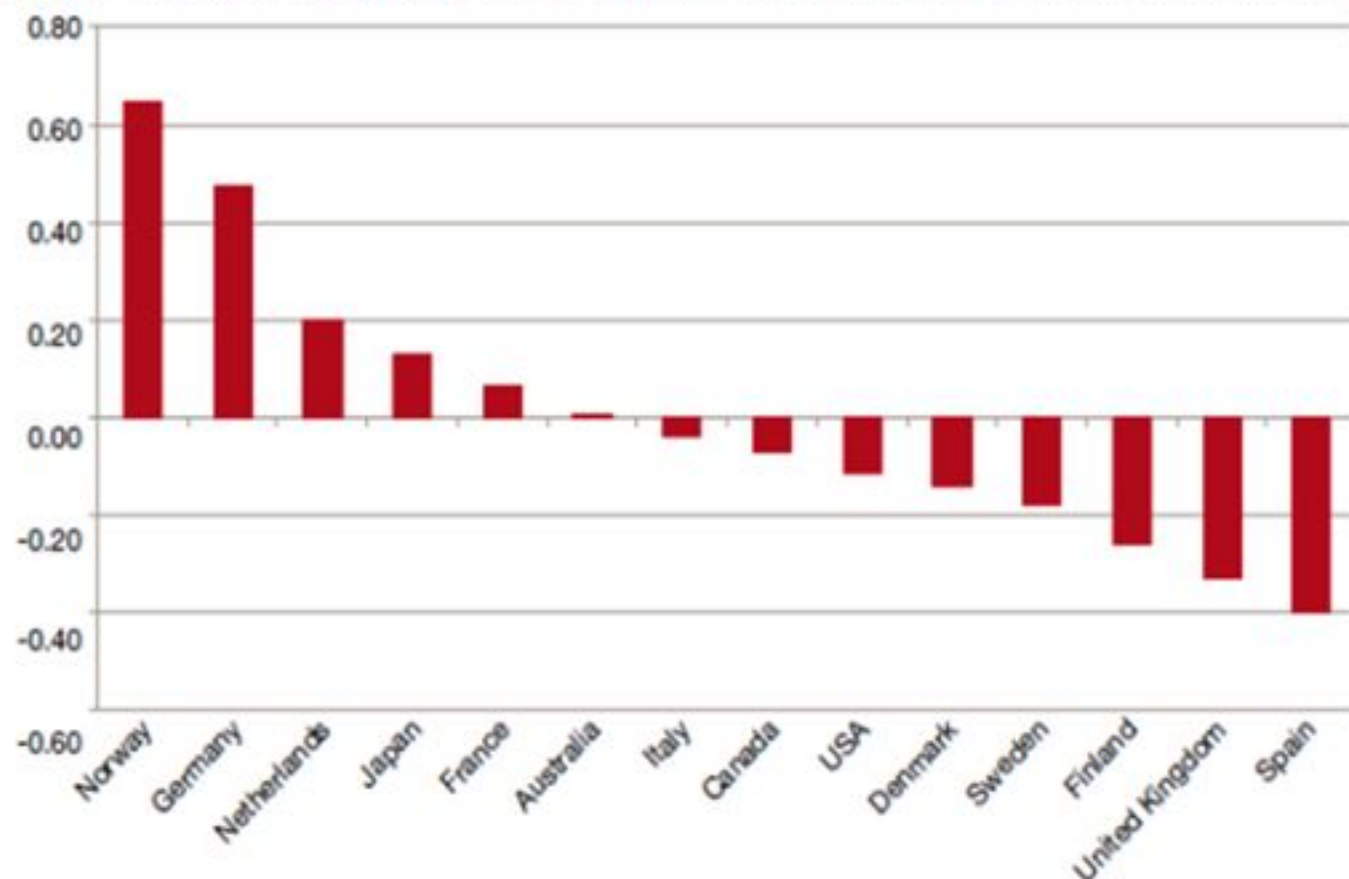
# Further shifts needed

- A radical, innovative beginning
- Set national incentives, let the system run
- Clearer spatial policies
- Bilateral relationships
- More on infrastructure and finance
- More to create demand
- Wider public sector reform



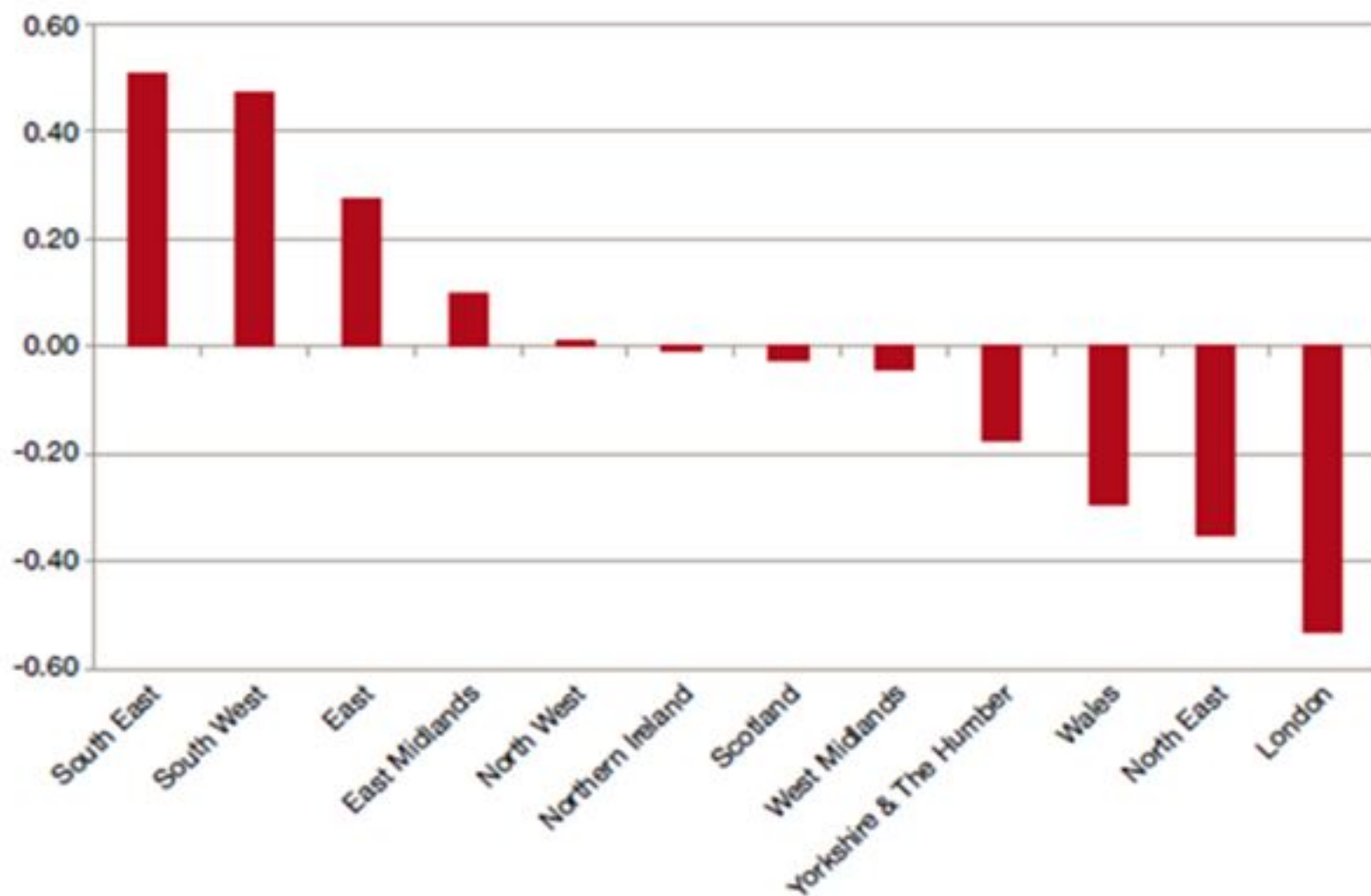
# UK sustainable competitiveness?

Figure 2: Demos-PwC International good growth index (using average weights)



Notes to figures 2 and 3: The y axis represents the number of standard deviations from the average of the group. We also looked at indices resulting from each of the individual three sets of weights from Table 1 as a robustness test, rather than the average. In general, the position of the UK in the country rankings did not change significantly regardless of the alternative variant ways of estimating the weights.

**Figure 4: Demos-PwC regional good growth index (with average weights)**



# Conclusion

- Continue the trend
- No half measures
- Recognise capacity
- More spatially aware
- Continue new mindset and culture change



# A Guide To CIL Practice and Procedures



Nationwide CIL Service

# CIL - An Introduction

## CIL - Adoption Stages

- Infrastructure Assessment
- Evidence Base
- Viability Appraisal
- Revenue Projection
- CIL Rate Setting
- Examination

## CIL - Issues & Pitfalls



# An Introduction to CIL

- CIL is a new charge that will fund the infrastructure required to support growth
- CIL charges are based on the size, type and location of development
- CIL will apply to all new dwellings and to any other development over 100sqm
- CIL rates will be set out in a Charging Schedule
- The Charging Schedule may be based on a fixed rate or have differential rates for different categories of development and different locations

# An Introduction to CIL

- CIL must be based on evidence of need for Infrastructure and an assessment of the impact of CIL on the economic viability of development.
- CIL will be levied in £ per Sqm of the net additional increase in floorspace. The area of existing buildings is deducted from the final CIL charge.

CIL Rate x Chargeable Floor Area x BCIS Tender Price Index (at Date of Planning Permission)

BCIS Tender Price Index (at Date of Charging Schedule)

- CIL may replace or act in parallel with planning obligation contributions. However the use of planning obligations will be severely restricted when CIL is adopted or in any event after April 2014.

# CIL – The Purpose

CIL is intended to contribute to the Infrastructure intended to support new development as part of the Authority's development strategy. Relevant infrastructure might include :-

- Highways and Transport Improvements;
- Educational Facilities;
- Health Centres;
- Community Facilities & Libraries;
- Sports Facilities;
- Flood Defences; and
- Green Infrastructure

CIL cannot currently be used to fund affordable housing though this is being reviewed for the Amendment Regulations April 2012.

# Infrastructure Assessment

- Establish the Infrastructure required to Support Growth
- Determine the Infrastructure Projects desired to be funded by CIL and assess the Delivery Costs
- Determine Alternative Funding Sources
- Calculate the Infrastructure Funding Deficit
- Confirm the Infrastructure List for Examination

# Evidence Base

- Undertake an area wide survey of land and property values. Existing evidence may be used (eh SHLAA, AH Surveys, VOA Reports) but it should rely on consistent assumptions.
- Obtain evidence of construction costs, fee rates, statutory fees, warranties, contingency rates that is applicable to the local area
- If a differential rate CIL system is desired, the evidence base should be sufficiently comprehensive and detailed to justify different rates for categories of development and charging zones
- The valuation evidence should enable charging zone boundaries to be justified in a differential rate system

# Evidence Base – Valuation

**Residential (C3) - Land Values per Ha, Land Values per 'house type' plot,  
Development Value based on 'house type'**

**Commercial - Land Values per Ha & Development Values :-**

General Retail (A1, A2, A3, A4, A5)

Food Retail (A1)

Industrial (B1b, B1c, B2, B8)

Offices (B1a)

Hotels (C1)

Residential Institutions (C2)

Institutional and Community (D1)

Leisure (D2)

Agricultural

Sui Generis - sample based on planning history.

Industrial B1(b), B1(c) B2 B8	Parish A, B, E, F	Parish C, D, G,	Parish S, T, U, V, W,	Parish H, I J, X,Y, Z	Parish K, L, M, N, O,P,Q, R
Land Value (Ha)	£220,000	£250,000	£275,000	£350,000	£400,000
Sales Value (Sqm)	£550	£580	£600	£700	£750

# Fixed Rate or Differential Rates

- Fixed rates are simple to apply and administer
- Fixed rates may be appropriate in homogenous urban areas.
- Fixed rates may unreasonably tax public services e.g. schools and community buildings.
- Differential rates may better reflect the economic circumstances of larger Authorities with significant variations in character, land and property value.
- Differential Rates recognise that many types of development and development in disadvantaged locations will not be capable of making any CIL contribution.
- Differential Rates must be based solely on economic viability evidence and require greater justification and more fine grained viability assessment

# Charging Zones

Differential Rate CIL System can employ variable rates for different categories of development, for different locations or a mixture of both.

Charging Zones may be quite simple (e.g. urban and rural) but in many cases the economic circumstances of Authorities will vary significantly across their area and justify a more sophisticated approach.

It is likely the commercial and residential value zones will be quite different and will require preparation of separate Charging Zone maps.

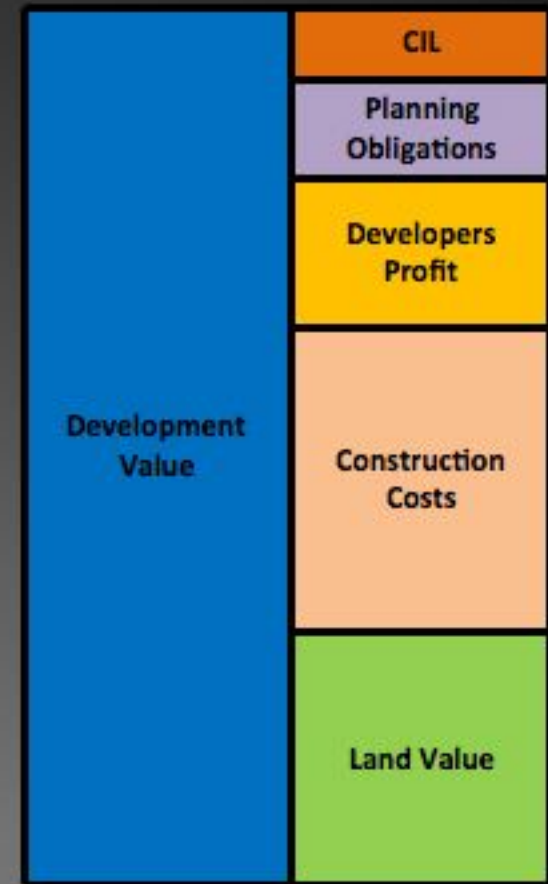
Charging Zones may be based on any type of boundary e.g. Parishes, Wards, Post Codes but the boundary must be robust and defensible based on the valuation evidence.





# Viability Assessment – The Principle

- CIL will generally be extracted from the increase in land value resulting from planning permission. The approach to land valuation assumptions is essential to establishing a robust CIL system
- Testing should take account of affordable housing and other planning obligation contributions - which may need to be reviewed to accommodate CIL



# Viability Assessment – The Model

Using the information from the evidence base a series of viability tests can be undertaken for every development category.

The viability model is based on a simple residual appraisal which tests the margin, beyond a reasonable development profit, of each development category to accommodate CIL without becoming economically unviable.

Any margin beyond these costs represents the amount potentially available for developer contributions from CIL and planning obligations.

<b>Development Value (Based on Floor Area)</b> Eg 2000sqm @ £1,100 per sqm	<b>£2,200,000</b>
<b>Development Costs</b>	
Land Value	£400,000
Construction Costs	£900,000
Abnormal Construction Costs (Optional)	£0
Professional Fees (% Costs)	£90,000
Legal Fees (% Value)	£30,000
Statutory Fees (% Costs)	£30,000
Sales & Marketing Fees (% Value)	£40,000
Contingencies (% Costs)	£50,000
Section 106 Contributions (Optional)	£0
Finance Costs (% Costs)	£100,000
Developers Profit (%Return on cost or revenue)	£350,000
<b>Output</b>	
Gross Margin	£210,000
CIL Rate (Maximum Levy per sqm)	£105

# Sample Testing

A series of viability tests will be undertaken for every development category in each of the identified charging zones.

- Residential - 100 unit (2B,3B, 4B & Apts)  
Factors in Affordable Housing
- Small Retail - 300sqm Convenience Store
- Industrial - 1000sqm Factory
- Large Retail - 4000sqm Supermarket

The individual viability tests will indicate the maximum rate of CIL per sqm that could be levied without rendering the development economically unviable.



DEVELOPMENT TYPE		Large Retail (A1 Retail Warehousing, Supermarkets etc)	
DEVELOPMENT LOCATION		Newark Growth Point	
DEVELOPMENT DESCRIPTION		Large Supermarket	
DEVELOPMENT SIZE		4000 Sq Metres	
<b>Appraisal</b>			
<b>Revenue</b>			
1 Units of	4000 sqm @	2300 £ per sqm	£ 9,200,000.00
Units @ £	each		£ -
<b>Development Value</b>			<b>£ 9,200,000.00</b>
<b>Costs</b>			
Land	12000 sqm @	300 £ persqm	£ 3,600,000.00
	plots @	£ per plot	£ -
Stamp Duty Land Tax	@	4 %	£ 144,000.00
Construction			
1 Units of	4000 sqm @	440 £ per sqm	£ 1,760,000.00
Units of	sqm @	£ per sqm	£ -
Units of	sqm @	£ per sqm	£ -
Units of	sqm @	£ per sqm	£ -
Professional Fees @		8 % cost	£ 140,800.00
Legal Fees		0.5 % value	£ 46,000.00
NHBC/stat fees/planning/build regs)		0.6 % cost	£ 11,404.80
Sales & Marketing Costs		2 % value	£ 184,000.00
Contingency		5 % cost	£ 107,110.24
Interest @	6 % - Assumes 15 month lag between build and sale		£ 224,749.31
Arrangement Fee	1 % of Cost		£ 59,933.15
Development Profit	20 % of Cost		£ 1,255,599.50
<b>Total Cost</b>			<b>£ 7,533,597.01</b>
POTENTIAL MARGIN FOR CIL/SECTION 106 PAYMENTS			£ 1,666,402.99
POTENTIAL CIL PAYMENT PER SQ METRE			£ 416.60



## Nationwide CIL Service

# Viability Testing – The Results

MAXIMUM CIL RATES - COMMERCIAL									
Charging Zones	Hotel	Residential Institution	Industrial	Offices	Food Retail	General Retail	Community Institutional	Leisure	Agriculture
Zone 1a	£120	£0	£55	£150	£275	£130	£0	£60	£0
Zone 1b	£93	£0	£42	£67	£196	£87	£0	£44	£0
Zone 2	£20	£0	£20	£0	£130	£70	£0	£22	£0
Zone 3	£0	£0	£12	£0	£100	£70	£0	£0	£0
Zone 4	£0	£0	£0	£0	£100	£70	£0	£0	£0

# CIL Revenue Projection

Determine development floorspace projections for chargeable categories of development over the plan period

Test various rates of CIL against development projections and establish draft CIL rates

Calculate total CIL revenue from all chargeable development and compare with the Infrastructure Funding Deficit

It will be important to demonstrate that the overall revenue raised by CIL does not exceed the level required to meet the Infrastructure Funding Deficit..... If it does, CIL rates have been set too high. This will be the first test of examination.

RESIDENTIAL DEVELOPMENT PROJECTIONS										
Zone			2013	2014	2015	2016	2017	2018	2019	2020
Oldtown	1600		200	200	200	200	200	200	200	200
Suburbs	1200		150	150	150	150	150	150	150	150
Satellite Village	210		0	0	50	50	30	30	30	20
Affordable Units	903		105	105	120	120	114	114	114	111
Market Units	2107		245	245	280	280	266	266	266	259
New Town	1900		250	250	300	300	300	200	200	100
Service Centres	520		80	100	100	80	50	50	30	30
Affordable Units	726		99	105	120	114	105	75	69	39
Market Units	1694		231	245	280	266	245	175	161	91
Rural Villages	240		20	30	30	50	50	20	20	20
Affordable Units	72		6	9	9	15	15	6	6	6
Market Units	168		14	21	21	35	35	14	14	14
CIL REVENUE PROJECTIONS										
Zone	Size sqm	CIL Rate	2013	2014	2015	2016	2017	2018	2019	2020
Oldtown	5760000	90	£40	720000	720000	720000	720000	720000	720000	720000
Suburbs	4320000	90	£40	540000	540000	540000	540000	540000	540000	540000
Satellite Village	756000	90	£40	0	0	180000	180000	108000	108000	72000
Affordable Units	0	90	0	0	0	0	0	0	0	0
Market Units	7585200	90	£40	882000	882000	1008000	1008000	957600	957600	932400
New Town	9405000	90	£55	1237500	1237500	1485000	1485000	1485000	990000	495000
Service Centres	2574000	90	£55	396000	495000	495000	396000	247500	247500	148500
Affordable Units	0	90	0	0	0	0	0	0	0	0
Market Units	8385300	90	£55	1143450	1212750	1386000	1316700	1212750	866250	796950
Rural Villages	1728000	90	£80	144000	216000	216000	360000	360000	144000	144000
Affordable Units	0	90	0	0	0	0	0	0	0	0
Market Units	0	90	£0	0	0	0	0	0	0	0
<b>TOTAL CIL</b>	<b>15970500</b>			<b>2025450</b>	<b>2094750</b>	<b>2394000</b>	<b>2324700</b>	<b>2170350</b>	<b>1823850</b>	<b>1754550</b>

# CIL - The Appropriate Balance

CIL Regulation 14 requires that a Charging Authority, in setting CIL rates:-

*Must aim to strike what appears to the Charging Authority to be an appropriate balance between 'the desirability of funding infrastructure from CIL' ... 'and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'*

The Charging Schedule Procedures advise :-

- Rates do not need to exactly mirror the evidence
- Avoid setting a charge right up to the margin of economic viability
- There is some room for pragmatism.

# CIL - The Appropriate Balance

- Ensure rates are set in accordance with the CIL Charge Setting and Charging Schedule Procedures. In the event that a Differential Rate system is adopted note guidance at sections 34-40 on consistency of approach
- Where the evidence indicates negative or very marginal viability, zero CIL rates may be considered
- CIL is not a policy tool. Statutory Guidance advises that rates should only be set in accordance with economic viability evidence
- Selectively favouring certain categories of development by zero rating them to encourage growth may breach State Aid rules. CIL challenges may emerge beyond Examination

# CIL Charging Schedule

When CIL Charging Zones and Proposed CIL Rates have been fixed and approved by the Authority, a Preliminary Draft Charging Schedule can be prepared for public consultation.

For a Variable Rate system the PDCS will comprise a Charging Zone Map and a table of CIL rates for each category. Additional maps and tables will be required where Charging Zones differ between Commercial and Residential uses.



**NEWARK & SOUTHWOOD GREEN COUNCIL**

Zone	Water £/l	Residential £/sqm/ha	Industrial £/sqm/ha	Office £/sqm	Large Retail/ Supermarkets	Small Retail £/sqm	Community/ Institutional	Others	Agricultural
Research Growth Zone	£100	50	25	50	£100	£100	50	50	50
1 Newark & Rural South	£100	50	25	50	£100	£75	50	50	50
2 Coltingham	£100	50	25	50	£100	£75	50	50	50
3 Newark & Rural North	£100	50	25	50	£100	£75	50	50	50
4 Southall	£100	50	25	50	£100	£75	50	50	50
5 Coltingham & Edge	£100	50	25	50	£100	£75	50	50	50
6 Woodwood	£100	50	25	50	£100	£75	50	50	50
Woodhouse Green	£100	50	25	50	£100	£75	50	50	50



# The Examination

- The Charging Authority should appoint an examiner who should be independent of the authority and have the appropriate qualifications / experience.

The role of the Examiner is to consider whether:

- The Charging Authority has complied with the procedures in the CIL Regulations and the 2008 Act;
- The Draft Charging Schedule, including the proposed rates is informed by and consistent with appropriate and available evidence including economic viability and infrastructure planning;
- The evidence shows that the proposed rate would not put overall development at *serious risk*

# Reporting, Monitoring & Administration

The Charging Authority must publish annual reports (for the financial year) indicating:-

- How much CIL has been collected;
- How much of that money has been spent;
- The items of infrastructure on which it has been spent;
- The amount of expenditure on each item of infrastructure;
- Any amount used to repay money borrowed;
- The amount of CIL used to cover administrative expenses; and
- The amount of CIL retained at the end of the reported year

It is recommended that CIL is reviewed periodically or in response to a significant shift in market conditions. Any review will be subject to full consultation procedures as outlined in the Regulations.

# CIL – Issues & Pitfalls

# CIL - The Issues

## CIL Inflexibility

- Once adopted CIL must be charged even if there is a compelling planning or political reason not to.
- CIL viability assessment cannot take account of abnormal construction costs (e.g. contamination) so there may be occasions when the application of CIL or Section 106 contribution would make development genuinely unviable but the CIL charge or equivalent contribution under the relief regulations is unavoidable.

## CIL Charging Zones

- Charging Zones should take account of development strategy and new sites that are likely to emerge. Relying on 'political' boundaries may not be the best approach.

# CIL - The Issues

## CIL Regulation 128

- Development permitted by any planning permission (including outline with subsequent reserved matter approval) in advance of formal adoption of a CIL Charging Schedule will be exempt from CIL.

## CIL Regulation 123

- Once CIL is adopted or in any event after April 2014, no more than 5 planning obligations can be used to fund any one piece or type of infrastructure. This will affect any obligation entered into after April 2010 and will fundamentally change the way Authorities plan for infrastructure delivery in the future.

## Regulation 123 Infrastructure List

- The list of infrastructure to be funded by CIL. This may be changed at any time with no consultation.

# CIL - The Issues

## CIL Infrastructure Delivery

- Unlike a Section 106 Agreement, CIL is not a legal agreement with the landowner. CIL provides funding for infrastructure but no obligation to provide the land to build it on. As drafted the Regulations prevent infrastructure being provided by a mix of Sec 106 Agreement and CIL (the double counting issue) so this is difficult to resolve.

## Lawful Use vs In Use

- The Regulations are designed to encourage brownfield development by providing CIL relief for existing buildings being re-used or demolished that are in Lawful use. However Reg 40 sub para 10 introduces a new concept of Lawful use, determining the buildings should have been 'in use' for a continuous period of 6 months within the previous 12 months. It is difficult to interpret what 'in use' means and make reasoned judgements. Could lead to unintended consequences and make some development unviable eg re-use of Listed Buildings.

# CIL - Developer Issues

## CIL Uncertainty for the Developer

- CIL contributions are not returnable. Developers will make contributions with a reasonable expectation that the declared infrastructure on the Reg 123 List will be delivered. However there is no guarantee that any of the essential site specific infrastructure will be forthcoming (eg roads, schools, health centres etc). The developer is at the mercy of the political spending priorities of the Local Authority.

## Essential Site Based Infrastructure

- If a development requires essential infrastructure to enable occupation. eg a junction improvement, and this infrastructure is to be funded by CIL, the developer has no control over the timing and delivery of a key element to the implementation of planning consent. Grampian conditions restricting occupation prior to CIL infrastructure being delivered could make some development unfundable. Mechanisms will need to evolve to overcome this.

# CIL - The Issues



## CIL & Localism

Under the Localism Act, Charging Authorities will be obligated to distribute 'meaningful proportion' of CIL to Parish or Community Councils.

- Growth mitigation in Zero rated disadvantaged areas
- Proportionate?
- Transparency & Accountability



# CIL - Queries

Adrian Kerrison

[nationwidecilservice.com](http://nationwidecilservice.com)

[adrian.kerrison@nsdc.info](mailto:adrian.kerrison@nsdc.info)

Tel 01636 655801

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# Making Assets Count, Cambridgeshire

Tobin Stephenson  
MAC Programme Manager

26<sup>th</sup> June 2012

# Introduction

- County Council's Better Utilisation of Assets Programme Making Assets Count Project MAC programme, the current partnership
- BUPA focused on single organisations estate though attempted to join-up with partners on a case-by-case basis.
- MAC Project – Total Placeish
- Forming the MAC Partnership has provided more opportunities to make joined-up decisions
- MAC was a CLG Wave 1 CAP Pathfinder
- Cambridgeshire is a two-tiered authority with 5 district councils and separate Fire Service

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**Making Assets Count**

**Book value - taken from published Statement of Accounts for 2009/2010 as at 8 December 2010)**

	£	County	City	ECDC	FDC	HDC	SCDC	Fire	Police	PCT	TOTAL
Operational	Council dwellings	0	575,320,000	0	0	0	435,493,390	0	0	0	1,010,813,390
	Infrastructure	526,967,000	1,324,000	659,211	5,000,000	8,744,000	61,569	0	0	0	542,755,780
	Community	79,000	678,000	441,807	1,498,000	1,406,000	0	0	0	0	4,102,807
	Other land and buildings	918,566,000*	91,072,000	12,413,964	21,193,000	35,468,000	18,544,900	17,776,000	30,351,000	44,025,000	1,189,409,864
	<b>Total operational</b>	<b>918,645,000</b>	<b>91,750,000</b>	<b>12,855,771</b>	<b>22,691,000</b>	<b>36,874,000</b>	<b>18,544,900</b>	<b>17,776,000</b>	<b>30,351,000</b>	<b>44,025,000</b>	<b>1,193,512,671</b>
operational	Surplus (held for disposal)	14,585,000	6,369,000	540,496	6,489,000	1,514,000	3,831,837	0	0	0	33,329,333
	Investment properties	0	89,034,000	459,951	0	15,799,000	0	0	0	0	105,292,951
	Properties under construction	193,788,000	470,000	194,091	619,000	1,020,000	0	0	8,964,000	0	205,055,091
	<b>Total non-operational</b>	<b>208,373,000</b>	<b>95,873,000</b>	<b>1,194,538</b>	<b>7,108,000</b>	<b>18,333,000</b>	<b>3,831,837</b>	<b>0</b>	<b>8,964,000</b>	<b>0</b>	<b>343,677,375</b>
<b>Overall Total (excludes dwellings and infrastructure)</b>	<b>£1,127,018,000</b>	<b>£187,623,000</b>	<b>£14,050,309</b>	<b>£29,799,000</b>	<b>£55,207,000</b>	<b>£22,376,737</b>	<b>£17,776,000</b>	<b>£39,315,000</b>	<b>£44,025,000</b>	<b>£1,537,190,046</b>	
<b>Total assets including dwellings and infrastructure</b>											<b>£3,090,759,216</b>

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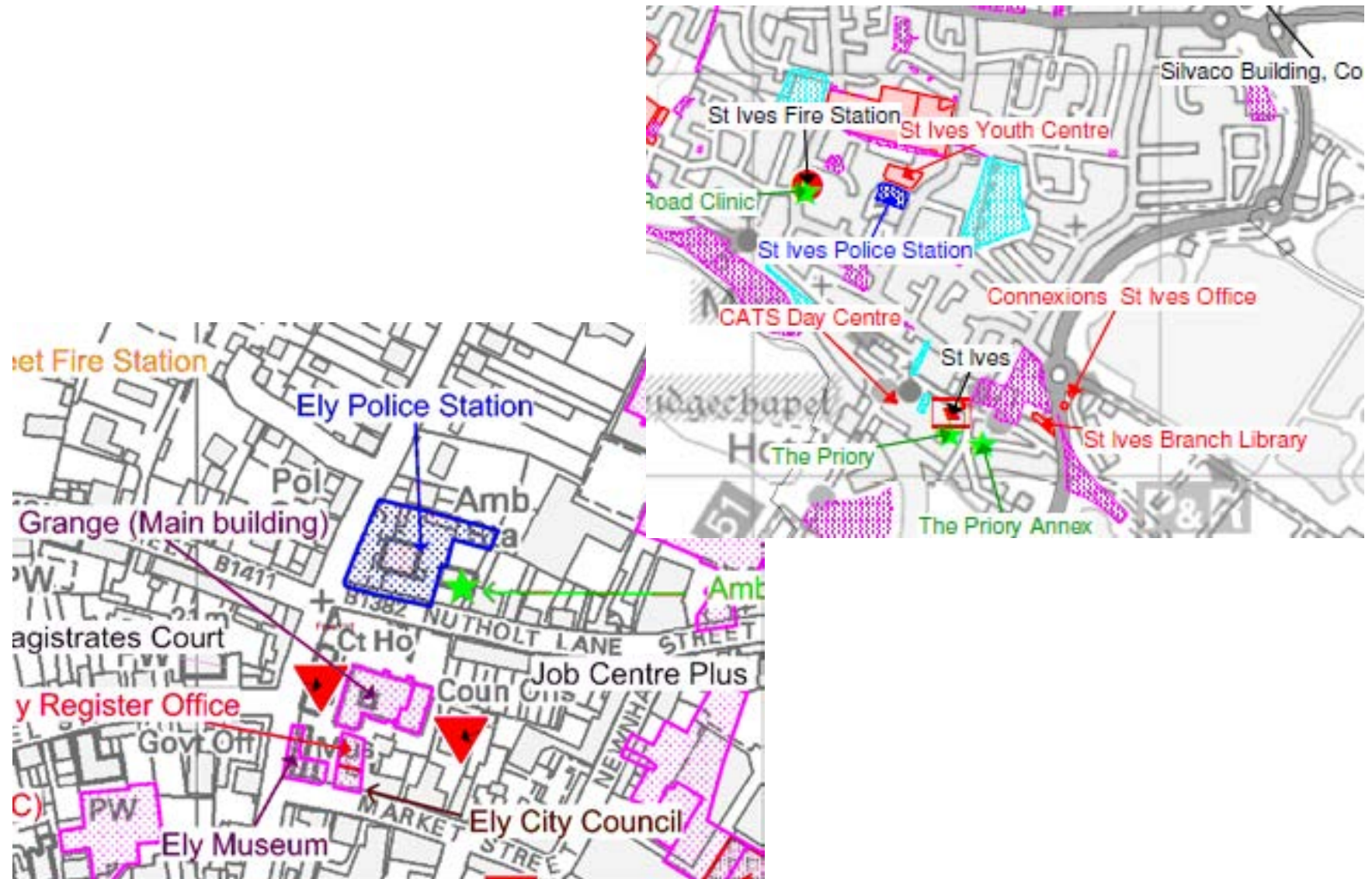
# What has been required?

- A map
- Data
- Suitability surveys
- Business Cases demonstrating overall value
- Asset Management capability
- Asset Management Strategy
- Manageable actions
- Structure to deliver
- Commitment

## Identified the value

- Brought people and maps together
- Helped them to find the value
- Not just financial – other value form sharing locations and delivery

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## St Ives - Scope

Building	Tenure	Partner	Service(s)
Broad Leas Centre (St Ives Youth Club), Broad Leas	Freehold	Cambridgeshire County Council	Children's and Young People's services
St Ives Library, Station Road	Freehold	Cambridgeshire County Council	Library services
CATS Day Centre, Bull Lane	Leasehold	Cambridgeshire County Council	Adult day services
Connexions St Ives Offices (x2), Meadow Lane	Licence	Cambridgeshire County Council	Young People's services
St Ives Day Centre, Ramsey Road	Leasehold	Cambridgeshire County Council	Adult day services
St Ives Fire Station, Ramsey Road	Freehold	Cambridgeshire Fire and Rescue Service	Fire and Rescue services
Ramsey Road Clinic, Ramsey Road	Freehold	Primary Care Trust (PCT)	Health care services
St Ives Police Station, Norris Road	Freehold	Cambridgeshire Constabulary	Police services
The Priory, Priory Road	Leased	Primary Care Trust (PCT)	CCS
The Priory Annex, Cromwell Works	Leased	Primary Care Trust (PCT)	CCS
Various properties – TBC	TBC	St Ives Town Council	Town Council services
Other services that may have an interest in being involved in the project include:			
Children's Centre			
Job Centre Plus			
District Council			
Luminus Group			



## Ely - Scope

Building	Tenure	Partner	Service(s)
The Grange, Nutholt Lane	Freehold	East Cambridgeshire District Council	ECDC main offices, council chamber.
Job Centre Plus, Market Street	PFI	Job Centre Plus	Job centre services
Magistrate's Court, Lynn Road	Freehold	Ministry of Justice	Vacant property
Ambulance Station, Nutholt Lane	TBC	East of England Ambulance Service	Ambulance Service
Ely Police Station, Nutholt Lane	Freehold	Cambridgeshire Constabulary	Police Station
City of Ely Council, Market Street	Leasehold*	City of Ely Council/ *ECDC Freehold	City of Ely Council services
Registration Office, Market Street	Leasehold*	Cambridgeshire County Council/ *ECDC Freehold	Register of births, marriages, deaths.
Ely Library, The Cloisters	Leasehold	Cambridgeshire County Council	Library Service
Noble House	Leasehold	Cambridgeshire County Council	Children's and Young People's services
Larkfields	Freehold	Cambridgeshire County Council	Adult Day services

## Financial Outline Business Case – Operations Centre

	Organisation						Overall
Capital Expenditure	£5,605,470	£1,768,927	£1,216,981	£1,795,886	£544,055	£275,157	£11,206,475
Capital Receipts	£7,656,000	£1,998,912	£5,241,994	£0	£139,925	£0	£15,036,831
<b>Capital Total:</b>	<b>-£2,050,530</b>	<b>-£229,985</b>	<b>-£4,025,012</b>	<b>£1,795,886</b>	<b>£404,130</b>	<b>£275,157</b>	<b>-£3,830,355</b>
Revenue (Current)	£439,730	£60,248	£79,494	£396,932	£44,259	£17,158	£1,037,822
Revenue (Post Project)	£135,492	£41,504	£21,154	£245,546	£43,165	£21,743	£508,604
<b>Revenue Total (pa):</b>	<b>-£304,238</b>	<b>-£18,744</b>	<b>-£58,341</b>	<b>-£151,386</b>	<b>-£1,094</b>	<b>£4,585</b>	<b>-£529,218</b>
<b>NPV (40 Year) - Baseline</b>	£7,540,553	£785,395	£265,372	£7,910,189	£978,235	£379,235	£17,858,978
<b>NPV (40 Year)</b>	£2,499,503	£1,358,649	-£4,634,484	£7,549,690	£1,503,145	£821,259	£7,256,859

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# Added Value

- Regeneration schemes:
  - Shared receptions
  - Multi-partner, redesigned, co-delivered services
- Ops Depot:
  - Site Managers → Site Manager
  - Fuel purchasing
- All schemes:
  - Potential of sites

## Barriers

- Organisational culture
- Pace and Prioritisation
- Political support

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# Culture



# Pace



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# Prioritising



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# The obvious

**HOSPITAL CARE**

## 'Do not resuscitate' orders put patients at greater risk of death

BY WILLIAM WEIR

HARTFORD, Conn. — Patients with "do not resuscitate" orders are more than twice as likely to die within 30 days of surgery as those without the orders, according to a new study.

The study, led by Hadira Kazare, an associate professor of surgery at Yale University School of Medicine, compared the surgical outcomes of 4,128 adult patients with Do Not Resuscitate orders and 4,128 without DNR orders. The two groups were matched for age and types of surgical

surgery, compared with 8.4 percent of the patients without the orders.

"The results suggest that the patients with the DNR orders are overwhelmingly more likely to die after surgery, regardless of whether the surgery was an emergency procedure. The study was published in the journal Archives of Surgery."

Kazare said some of the reasons for the higher mortality rates among patients with DNR orders are obvious: "Many DNR patients are sicker, less independent and have poorer nutrition — all those factors that you might suspect."

But even after adjusting for

"Of course, the question is, 'Why is that?'" Kazare said. "There may be other 'non-specific' factors, she said. "Do doctors treat them differently? Do they try less hard? I don't think this really answers that question, but it does raise those questions."

In her own experience, Kazare said there's often a greater delay in arranging surgery for patients with Do Not Resuscitate orders. "There's a lot of fuzziness and difficulty in deciding whether surgery should be done," she said.

*By David Cohen*

**REGION**

## Homicide victims rarely talk to police

THEY SHOULD ARE NOT able to talk over before dying, prosecutors say.

When police detectives investigate homicides, they usually have to work together. One might be in charge of the investigation, while another might be in charge of the victim's family.

But in many cases, the victim's family is not involved in the investigation. This is especially true in cases of homicide.

Prosecutors say that many homicide victims do not talk to the police before they die. This is often because the victim is too injured to do so, or because the victim's family is not involved in the investigation.

Prosecutors say that this is a problem because it makes it difficult to investigate the crime. They say that many homicide victims do not talk to the police before they die, and that this is often because the victim is too injured to do so, or because the victim's family is not involved in the investigation.

**FAIL**

## Utah Poison Control Center reminds everyone not to take poison

"Children Act Fast, So Do Poisons" is the theme for National Poison Prevention Week, arch 20 - 26. The Utah Poison Control Center (UPCC) would like to take the opportunity to remind parents and caregivers that poisonings can be prevented. In 2004, the Utah Poison Control Center responded to over 50,000 calls, the majority of which were about actual potential poisonings.

Over 80 percent of the potential poisoning exposures involved children under age 3. The top five substances that children in this age group are most likely to ingest or take are:

- \* Children Act Fast, So Do Poisons
- \* Avoid taking medicine in front of children.
- \* Never refer to medicine as candy.
- \* Clean your medicine cabinet periodically, safely disposing of unneeded and outdated medicines.

The UPCC, part of the College of Pharmacy, has an active community outreach program. In 2004, representatives of the Utah Poison Control Center provided 126 community presentations and distributed more than 40,000 poison prevention education materials.

**ON TEENAGERS, ADULTS:**

## Statistics show that teen pregnancy drops off significantly after age 25.

Mary Anne Tébide, Republican state senator from Colorado Springs (contributed by Harry F. Pomeroy)

## Federal Agents Raid Gun Shop, Find Weapons

### Store Owner Arrested Previously

By Brian Barber  
World Staff Writer

Federal agents on Monday searched a south Tulsa gun shop owned by the man who officials allege had kept in his

On July 2, undercover narcotics agents served a warrant at the home, [redacted] to search for drugs. They found a stockpile of lead mines, hand grenades, dynamite and other explosives.

## Most Earthquake Damage is Caused by Shaking

The intensity of shaking that a building or structure will experience during an earthquake is highly variable, but generally depends on three main factors:



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## Structured to deliver

- Single board
- Led by senior people
- Reporting to Chief Execs group
- Working to a joint Asset Management Strategy

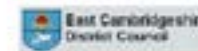
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# Asset Management Strategy

Cambridgeshire Public Sector  
Asset Management Strategy

2011 – 2021



<http://www.cambridgeshire.gov.uk/council/property/Policies+and+Strategies.htm>

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email: [ems@cambridgeshire.gov.uk](mailto:ems@cambridgeshire.gov.uk) web: [www.cambridgeshire.gov.uk](http://www.cambridgeshire.gov.uk)

## Summary

- Big opportunity
- Find the value propositions
- Strong governance, data and commitment required

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**Tobin Stephenson**

Programme Manager - Making Assets Count (MAC).

Res 1302

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# Pooling Assets to Generate Enhanced Return

## Legal Structures

26 June 2012

Vincenzo Maggio, Associate



# JOINT COMMITTEE/CONSORTIUM

- o No formal vehicle and operated through a memorandum of understanding/consortium agreement

## ADVANTAGES:

- i. Fluid structure that allows the consortium to adapt to change
- ii. Simplified entry and exit arrangements
- iii. Simplified tax implications as no change of ownership
- iv. Lower administration costs

# JOINT COMMITTEE/CONSORTIUM cont.

## DISADVANTAGES:

- i. Agreement to agree?
- ii. Decision by committee can sometimes lack focus and progression
- iii. Lack of ability to bind consortium members

# UNLIMITED PARTNERSHIP

- o Extension of the consortium arrangement - a partnership is created to carry on business in common with a view of profit

## ADVANTAGES:

- i. Tax transparency – each member taxed on own share of profit
- ii. Sense of identity over and above a consortium?

## DISADVANTAGES:

- i. Unlimited liability although methods of mitigating risk
- ii. Absence of a legal vehicle that is separate from its members



# LIMITED PARTNERSHIP

A partnership set up in accordance with the Limited Partnership Act 1907. Requirement that limited partners do not take an active role in the management and control of the partnership. A general partner assumes liability for the partnership's obligations.

Therefore, a non starter in the public sector?

# LIMITED LIABILITY PARTNERSHIP

- o A partnership set up in accordance with the Limited Liability Partnership Act 2000. The LLP is distinct from its members and the members would have limited liability.

## ADVANTAGES:

- i. LLP exists in its own right
- ii. Members' individual liability is limited
- iii. Tax transparency – generally taxed as a partnership
- iv. Entry and exit by members simpler than other structures

# LIMITED LIABILITY PARTNERSHIP

## cont.

### DISADVANTAGES:

- i. Tax consequences on transfer of assets to the LLP
- ii. Tax consequences on a dealing between the LLP and a member  
eg leaseback to a member
- iii. Collective investment scheme
- iv. Administration costs associated with LLP compliance and statutory filings with Companies House
- v. Lack of confidentiality arising from requirement to file financial information BUT consider F.O.I. requests

# LIMITED COMPANY

- o An entity set up in accordance with Companies Act 2006. Separate entity to its individual members and benefits from limited liability.

## ADVANTAGES:

- i. Separate entity
- ii. Limited liability status
- iii. Possibility of raising finance
- iv. Entry and exit by members simpler than other structures

# LIMITED COMPANY cont.

## DISADVANTAGES:

- i. Tax consequences on a transfer of assets and dealings, similar to the LLP
- ii. Tax consequences where members have differing tax statuses
- iii. Administration costs similar to the LLP
- iv. Lack of confidentiality

# thank you



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MILLS & REEVE

# Capitalising on HRA reforms

Soc Invest 12

26<sup>th</sup> June 2012

Nigel Minto (London Councils) & Tony Clements (Navigant Consulting)

## Unilateral – Going it alone options

Active asset management	Repositioning the Business Plan: reforming stock performance; improving rental income and reducing costs; debt financing and management.
Investment and service partnership	Maximising upfront investment through a long-term partnership contract for capital works and maintenance.
Stock transfer	Increasing investment capacity within the HRA through partial or trickle stock transfer.
HRA funded development	New development within the HRA or 'grant' funded outside it – partnerships and vehicles to advance the development of new housing.



# Multilateral options

Headroom trading	'Trading' borrowing headroom between councils to bring forward investment or development
Joint development	Combining HRA funding and available development land between authorities for new development
Collective HRA	Arrangements to share services, pool headroom or combine HRAs to optimise performance and maximise resources

# What are boroughs doing.

- Getting back into building! - Croydon, Islington, Hillingdon, Camden, Ealing, Hackney, Newham, Wandsworth, Southwark, Barking & Dagenham, Tower Hamlets)
- 7 boroughs have successfully bid under the 'affordable rent' programme
- Considering their longer investment term options
- Considering their relationships with developers and RPs
- Looking at their land and development potential

# Future challenges and opportunities

## Challenges

- Welfare Reform
- Right-to-Buy
- Cap being changed!
- Competence and capacity of local authorities to run a new business
- Borough appetite for risk
- Rent strategies
- Ad hoc government interventions



# Future challenges and opportunities

## Opportunities:

- Raising or indexing the debt cap
- Redefining local authority housing borrowing
- More tenures and rent levels within the HRA (?)
- Closer collaboration between boroughs and the Mayor ?
- Working off balance sheet
- CSR 2015

**Business**

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## Economists call for more investment in housing

**Building more affordable homes would be a quick and effective measure**

**Nick Duxbury**

Leading economists have called on the government to invest in housing as a way to prevent a 'double-dip' recession.

Speaking at a discussion held by housing charity Shelter last Friday housing experts and economists agreed that if the latest round of quantitative easing - the government's move to inject cash into the economy - failed, there was a good case for achieving growth through direct investment in more affordable housing via the Homes

**'Investment in housing would help get the economy moving'**

Vicky Pryce, senior managing director, FTI Consulting

and Communities Agency, housing associations and local authorities.

Investment in housing could 'serve as a good short-term stimulus' to boost the ailing economy according to Vicky Pryce, senior managing director of economics at FTI Consulting.

Ms Pryce said housing investment had the advantage of being quick to implement as there was enough land with planning consent to build up to

250,000 homes. She said it would have a swift impact on the economy through employment in the house building sector, and would benefit mostly UK-based companies.

Investment in housing would have a 'multiplier effect', she added, whereby each pound invested should create £2.09 of economic output - more than most other sectors.

'Not only would investment in housing help get the economy moving, it would also have beneficial effects on the supply side of the economy that could help raise the long-term trend growth rate,' Ms Pryce concluded.

Robert Carver, of AHL and Probono Economics, called for 'direct and explicit intervention' to boost construction levels instead of relying on

private developers.

'Without any increases in supply, improvements in demand through interventions in the mortgage market will only increase prices and reduce affordability,' he said.

He added that building more council housing was 'one of the only channels that would work tomorrow'.

Ms Pryce suggested the government could 'buy bonds in the major house-builders.

However, Tony Dolphin, senior economist at the Institute of Public Policy Research, cautioned that chancellor George Osborne 'would not undertake a short-term stimulus'.

For more business news, visit [www.insidehousing.co.uk](http://www.insidehousing.co.uk)

# Questions !

- How should the private sector and RPs see HRA reform?
- To what extent is building through the HRA a hedge against the CSR 2015 affordable rent 'cliff edge'.
- More that councils can do; more that councils need to do
- What are the different types of partnerships Councils can form?

[www.londoncouncils.gov.uk](http://www.londoncouncils.gov.uk)

NAVIGANT

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# What we will cover

- Overview
- London Councils work with Navigant
- Future challenges and opportunities
- Questions

# HRA Reform Summary

- Before: a national council housing business

Central government redistributes annually the rents of all local authorities according to an assessment of what they need to run their stock and service their debt. 2005 Audit Commission '*HRA not fit for purpose*'

Now: many local housing businesses

All local authorities will take on a sustainable level of debt which they can service with their rental revenues. All surpluses retained locally to maintain and invest in stock.

Annual re-allocation of rental revenues



A one-off re-allocation of debt, which makes each housing business independent.

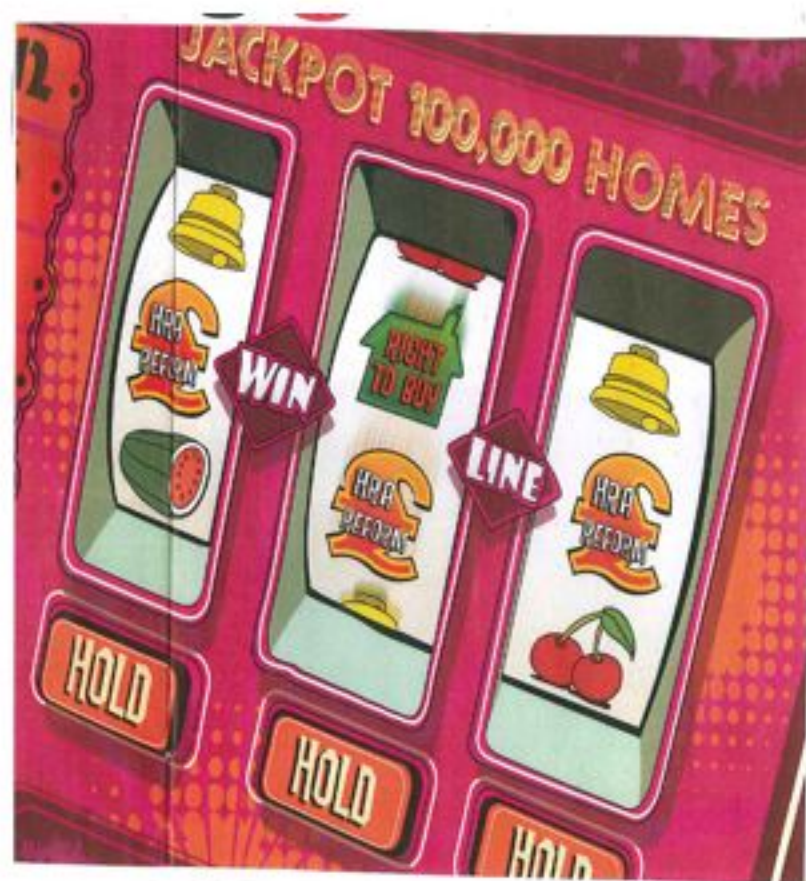


# Why local government wanted the reform?

- Ability to plan for the long term
- Greater transparency
- Freedom from the unpredictability of a complex system of national resource redistribution
- Local decision making
- Increased scope to access private finance
- Clarity over debt
- Ability to prudentially borrow
- Freedom to allocate rental income between different areas of service, and stock investment
- Greater certainty and the ability to make long term asset management decisions

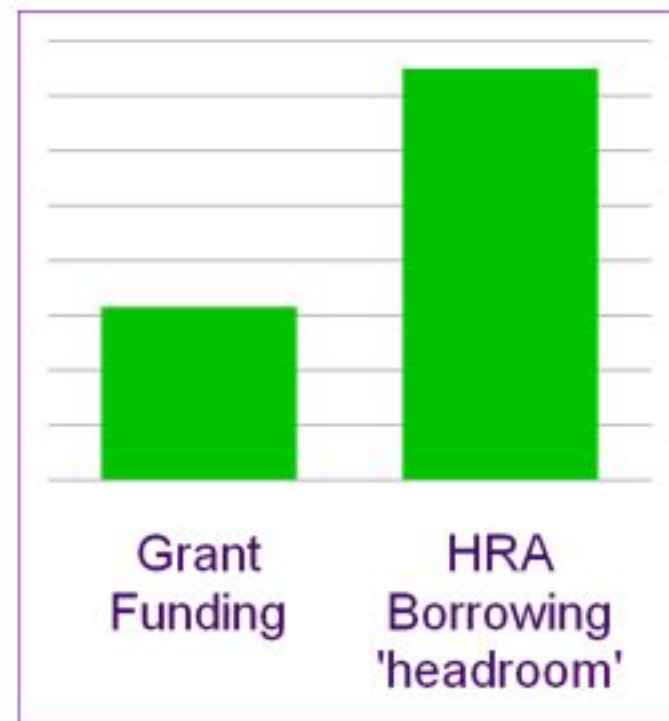
# The government's rationale

- Lack of transparency
- Poor relationship between rent, performance and standards
- Limited incentives for efficiency
- Underinvestment & the Decent Homes Programme
- New build!

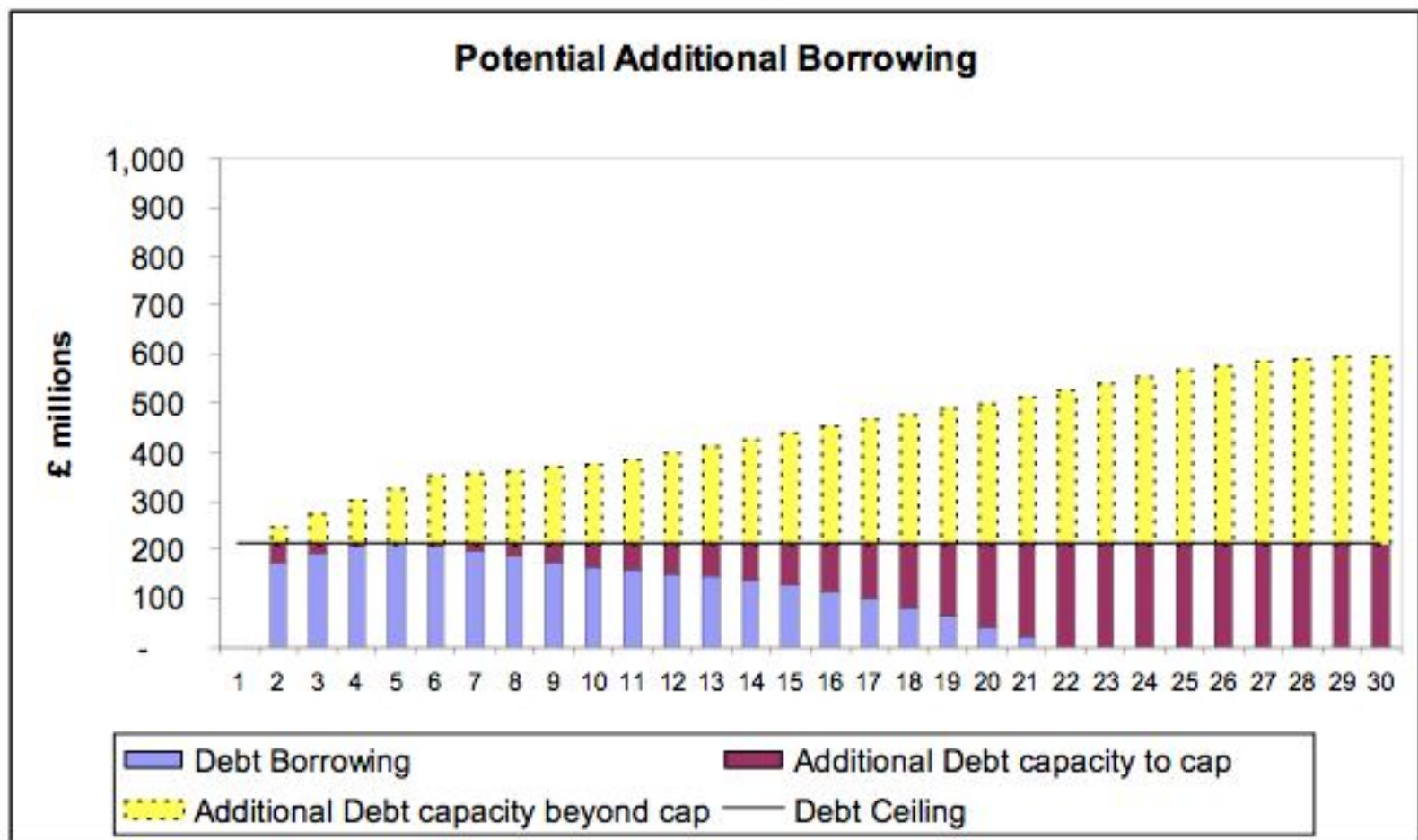


# The impact of the reform

- Released new resources:
  - more money in system
  - extra borrowing
  - future surpluses
- Council control of own housing business



# Where the capacity comes from



# London Councils work with Navigant

- **The brief**
- What new approaches could be developed or exist to help boroughs to increase their borrowing headroom.
  - To maximise investment in own stock
  - Explore (if viable) funding new build
- Approaches/models could be
  - For boroughs to use on their own
  - For boroughs to use working together
- We asked Navigant to be as bold and creative in their thinking as possible.
- Work closely with, and involve boroughs throughout the process
- But all models to be grounded in reality

## London Councils work with Navigant

- Worked with real data & business plans of London authorities
- Close engagement with majority of councils and joint work with core group
- Different opportunities and different starting positions



**SocInvest 2012**

**The Role of LEPs in Economic  
Development**

**Martin Yardley**

Director of City Service and Development  
Coventry City Council and  
Managing Director of CWLEP

**John Holmes**

Oxalis Planning

# Sympathy Vote

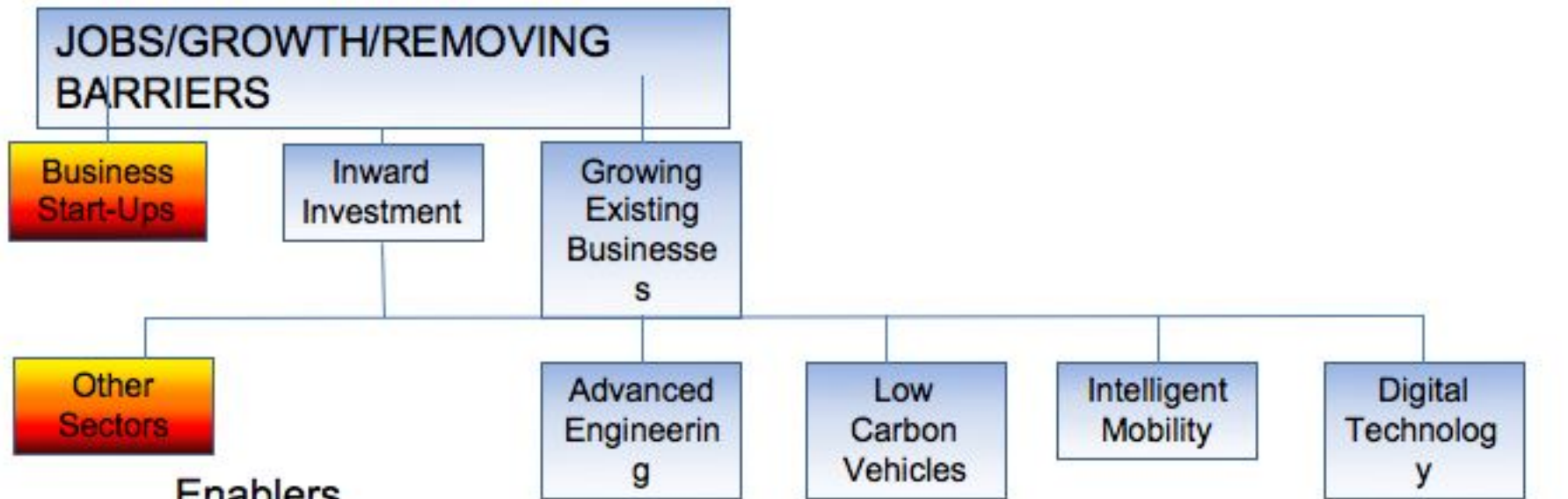






## CWLEP Purpose

- **Local enterprise partnerships will see business and civic leaders work together to drive sustainable economic growth and create the conditions for private sector job growth in their communities. This is a real power shift away from central Government and quangos and towards local communities and the local businesses who really understand the barriers to growth in their areas.**



**Enablers**

- Strategic Infrastructure
- HE/Skills
- Inward Investment
- Funding incl. Access to Finance
- Low Carbon Challenge\*

**WORK PROGRAMME**

- Focusing on economic growth (versus jobs growth)
- Role of Groups.....?

\*The Low Carbon Challenge is to provide a high efficiency, low impact 'wrapper' around activity, cementing C&W's leading position nationally

# Finances and what has gone before

- RDA
- LEP Funding
- RDF 1,2 and 3
- Growing Places



# Just between you and me

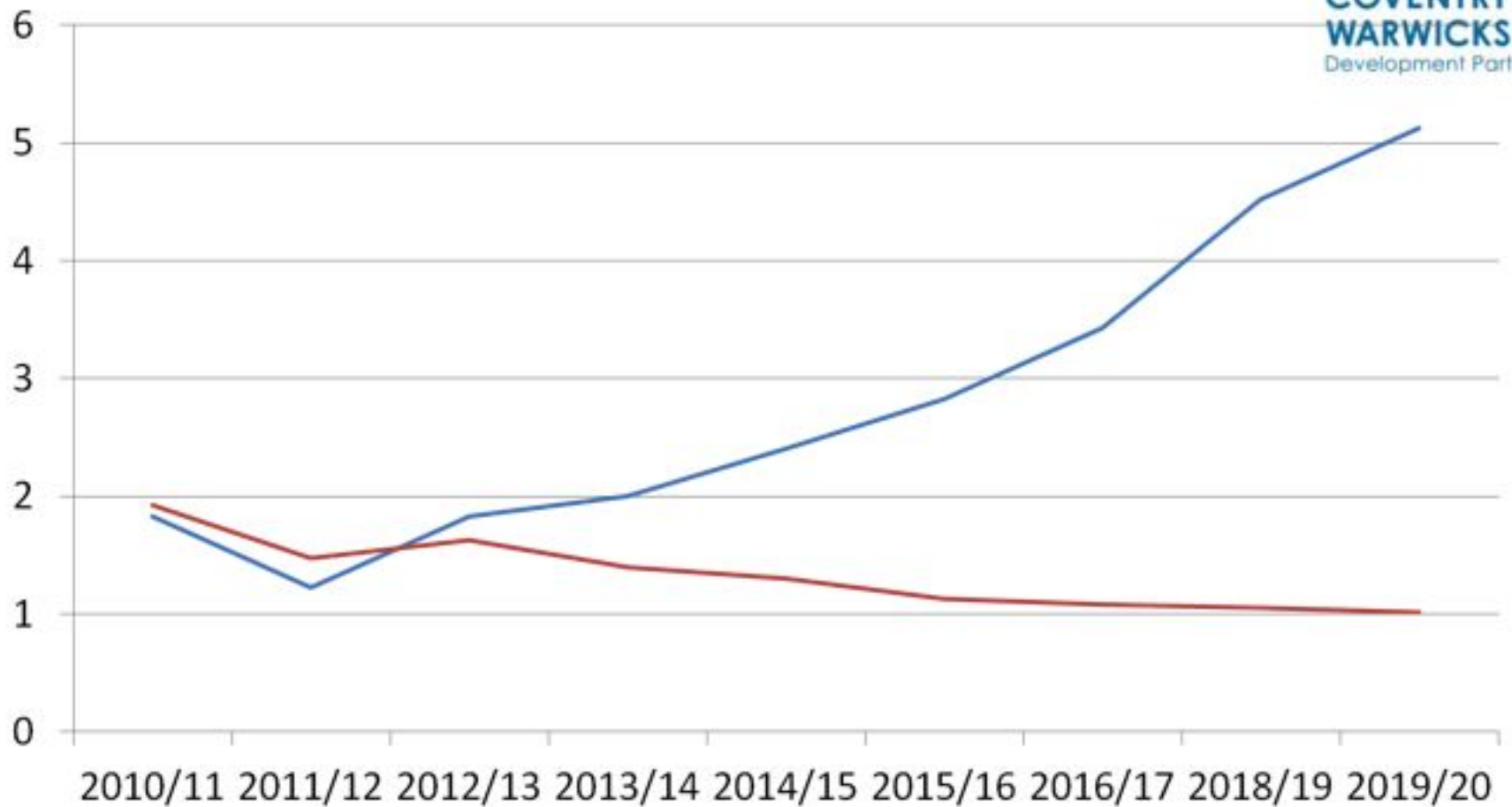


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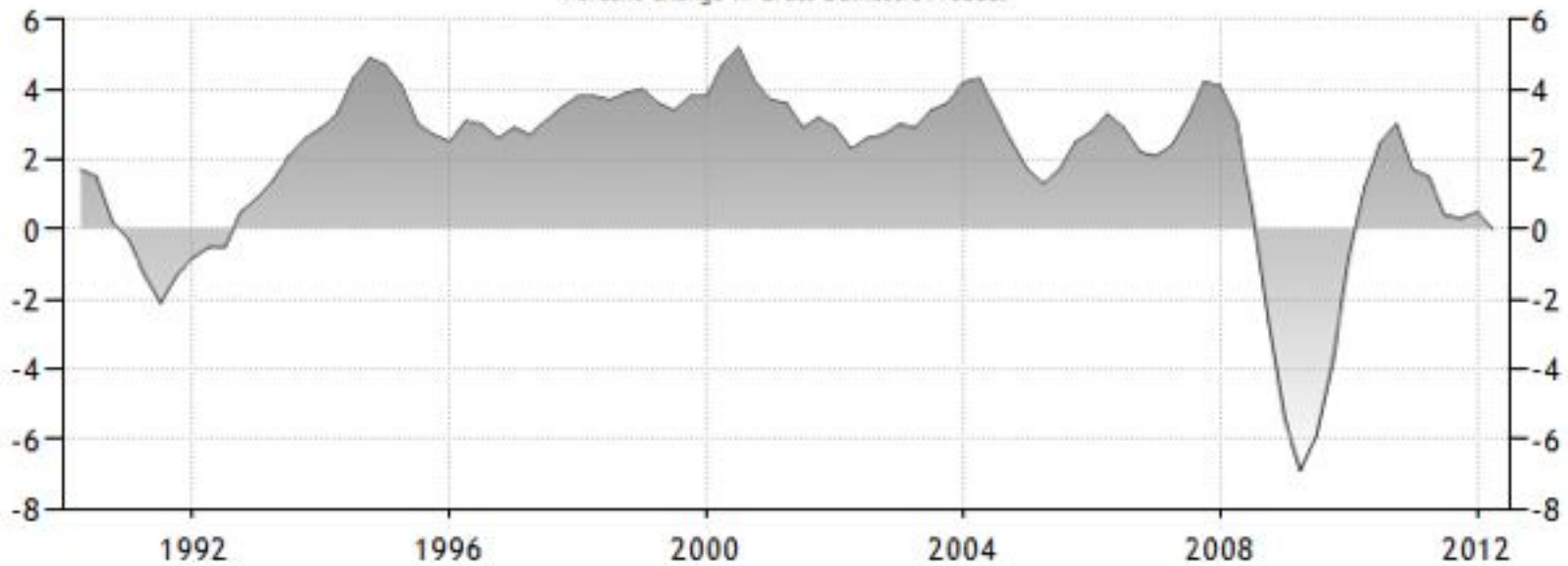
- Funding
- Powers
- Authority
- Entity
- Workforce



# A FUNDING SHORTFALL



**UNITED KINGDOM GDP ANNUAL GROWTH RATE**  
Percent Change in Gross Domestic Product



SOURCE: [WWW.TRADINGECONOMICS.COM](http://WWW.TRADINGECONOMICS.COM) | UK OFFICE FOR NATIONAL STATISTICS

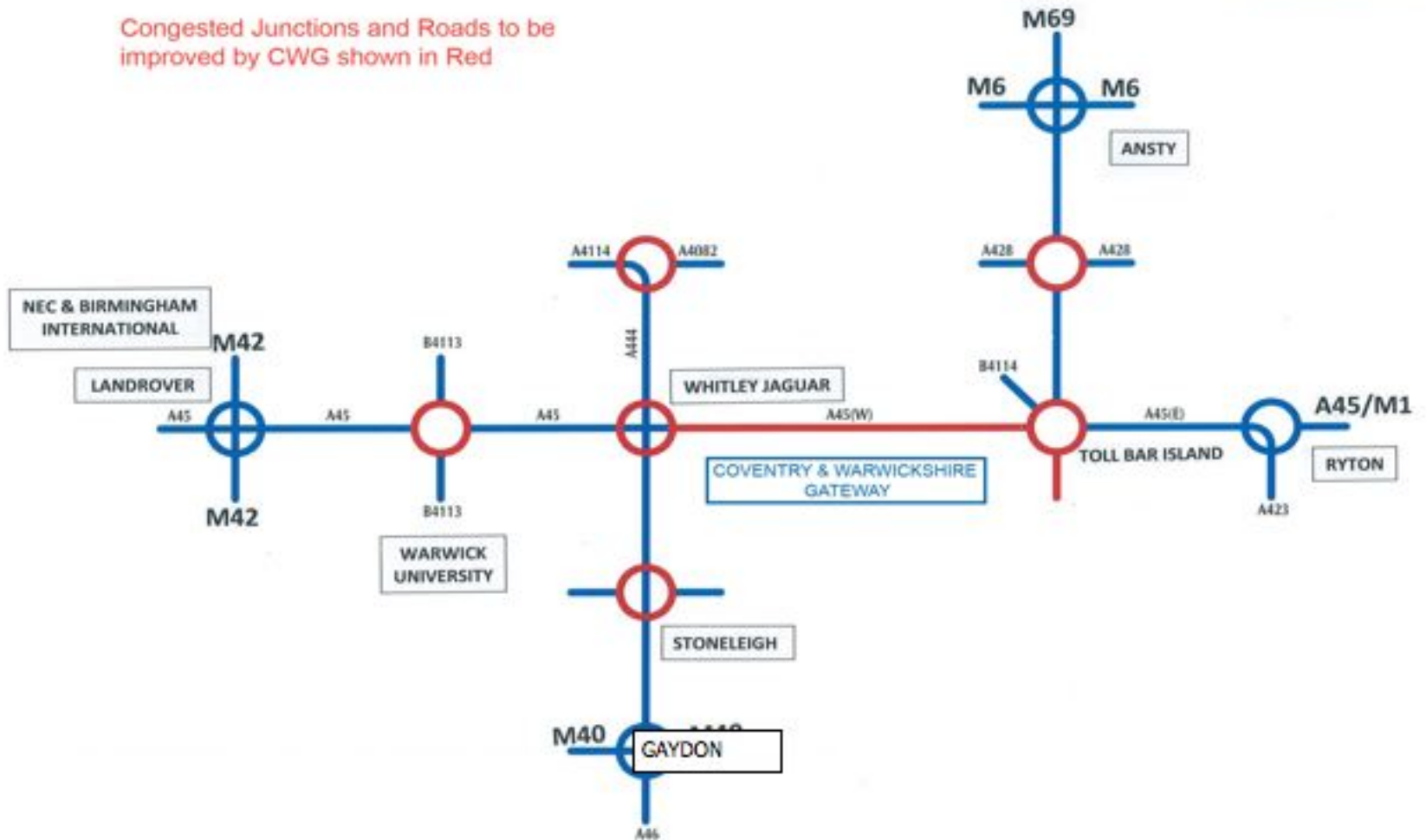




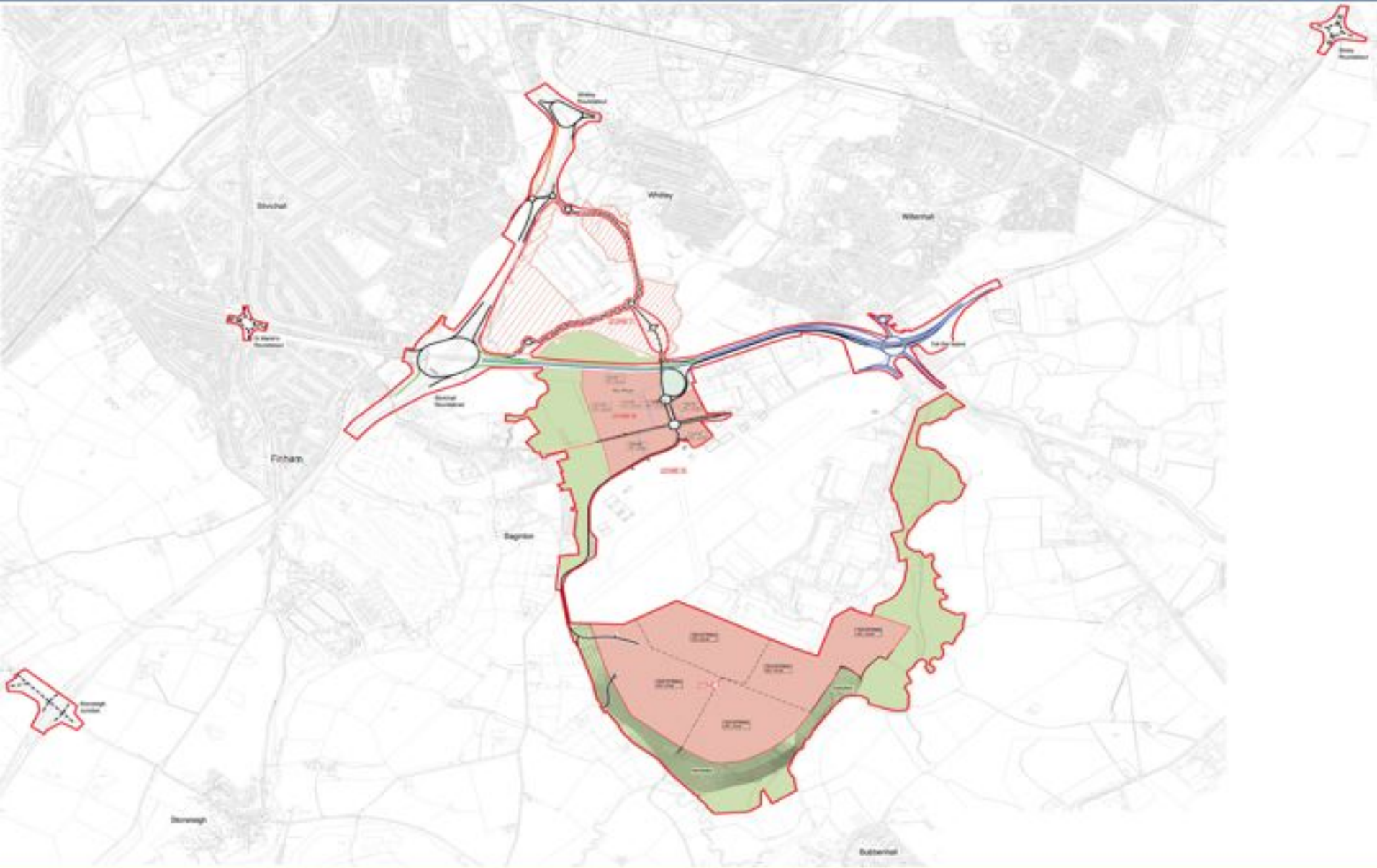
# CWG Strategic Influence



Congested Junctions and Roads to be improved by CWG shown in Red







# Key Highlights – Gateway Development



- Developing a true Public/Private solution for the A45/A119 congestion solution.
- Creation of 14,000 jobs.
- Attracting Private Sector investment of £250million.
- 300 acres comprising a Technology Hub, Business and Distribution Park and airport development and infrastructure.
- Fundamental to CW LEP strategy and local plans.



# Potential Employment

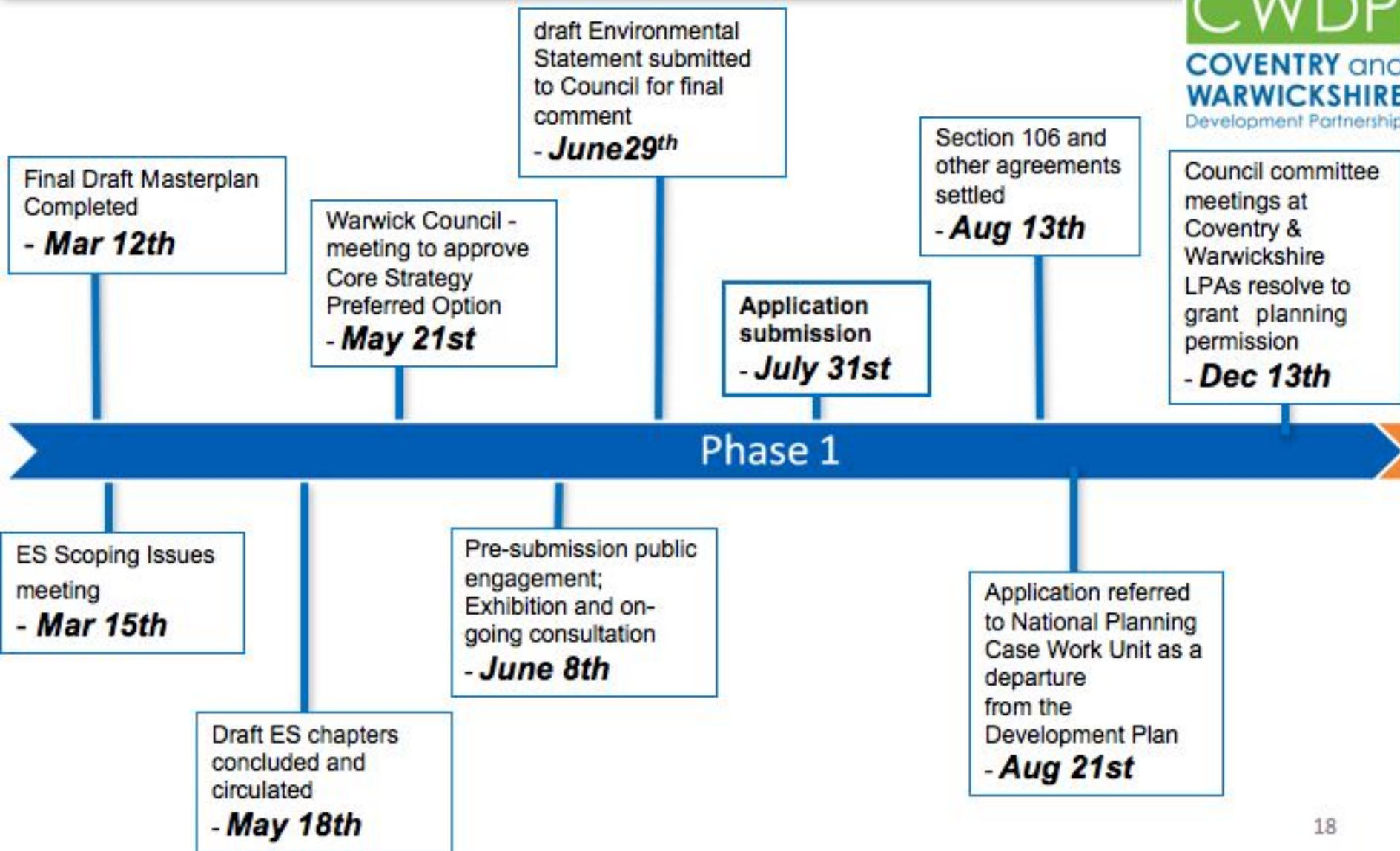


# Existing Site Images



# Time Line: "Phase 1"

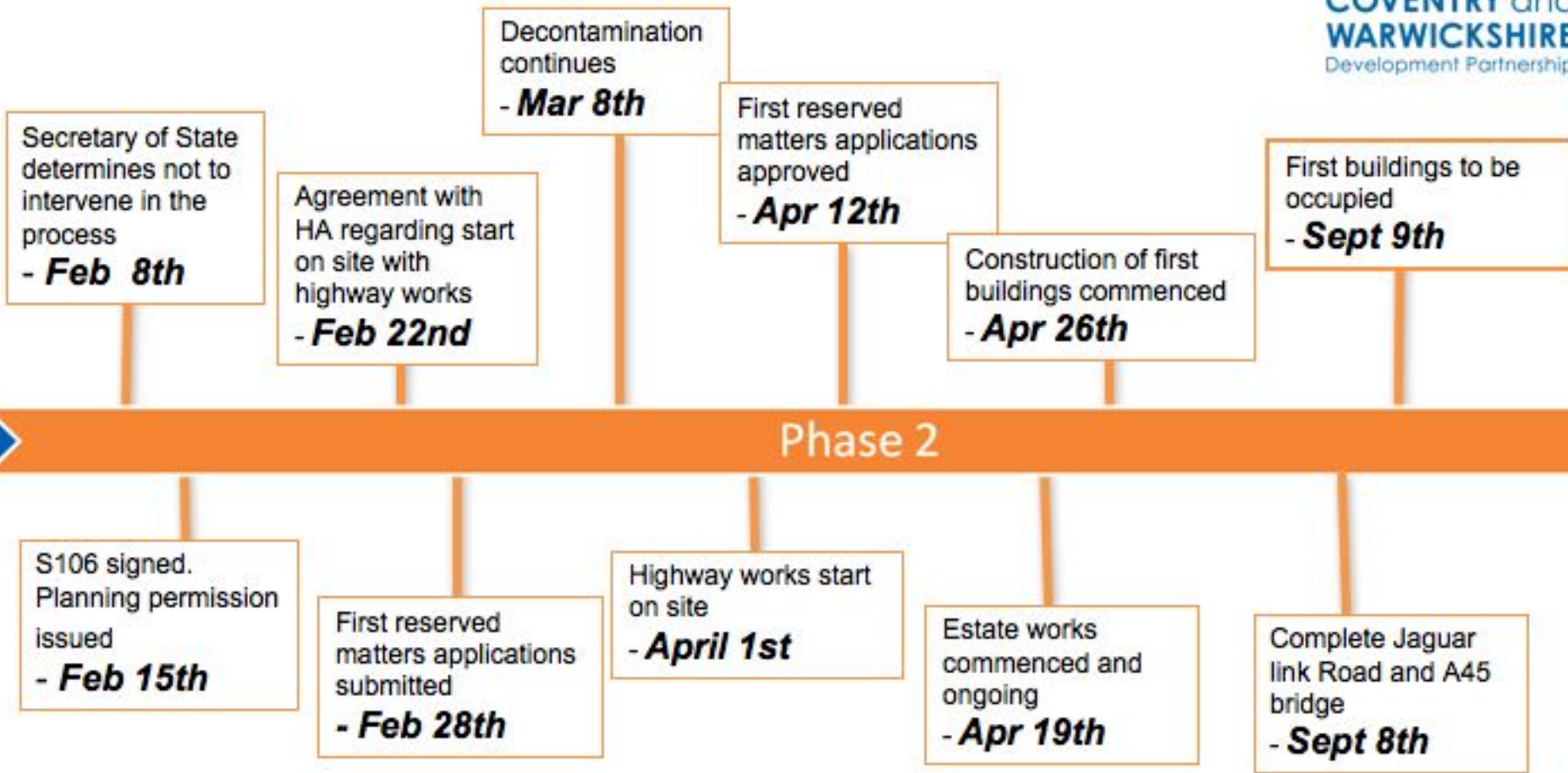
2012





# Time Line: "Phase 2"

## 2013



# COVENTRY AND WARWICKSHIRE GATEWAY SCHEME

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# True Partnership



“Could this be the first UK example of significant co-operation and collaboration between the private and public sectors comprising of three local authorities, two developers, three landowners and the Highways Agency.”

**Any Questions ?**

## Next steps and the agenda for change: panel discussion

**Frank Lee**, *Head of Holding Funds and Advisory, Northern Europe,  
European Investment Bank*

**Martin Yardley**, *Director of City Services and Development, Coventry  
County Council*

**Ken Jones**, *Director of Housing Strategy, London Borough of Barking &  
Dagenham*

**Nilam Popat**, *Corporate Head - Communities & Enterprise, Lewes  
District Council*

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