Planning for

Infrastructure

in Worcestershire

INFRASTRUCTURE FUNDING AND DELIVERY MECHANISMS

Update

June 2012

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worcestershire county council

1. Introduction

Purpose

To meet the challenge of creating sustainable communities at a time of economic and fiscal restraint will require the identification and co-ordination of a large variety of funding sources and mechanisms. Without adequate funding sources and arrangements delivery will ultimately falter.

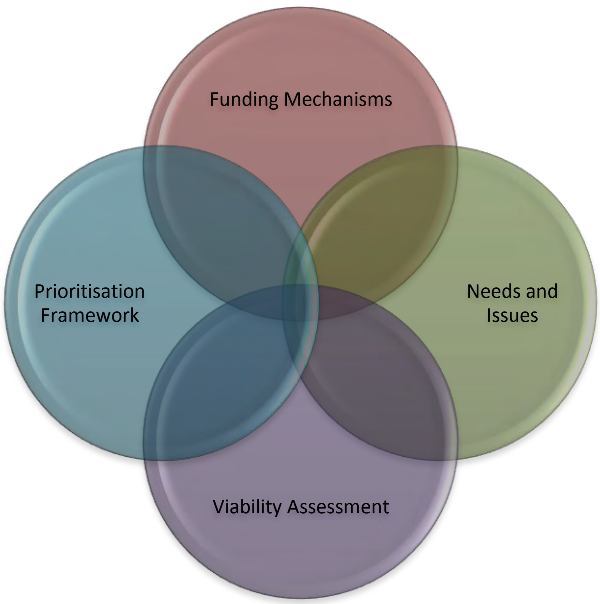
While developer contributions may play a significant part in meeting infrastructure requirements, efforts will need to be made to maximise the contributions from a wide range of other funding sources. The purpose of this paper therefore is to review and draw together evidence of the key potential mechanisms for funding of infrastructure.

How has this paper been prepared?

This paper has been prepared through a desk top review and drawing together of the key policies, guidance and available evidence as it relates to Worcestershire.

Scope and Status

This is one of a series of papers being prepared by the Strategic Planning Team to assist in the preparation of sub-regional infrastructure planning. The papers currently being developed include Infrastructure Needs and Issues, Viability Assessment, Prioritisation Framework and Funding Mechanisms (this paper). In drawing together the available evidence and key policies the paper intends to be a useful tool to policy makers, however no list can be entirely exhaustive in identifying the opportunities that can be taken in funding the future delivery of infrastructure. The paper intends to be a useful tool to policy makers but does not diminish the need for the reader to be alert to both existing and emerging policies.



2. Background

Area-wide viability

One funding source for infrastructure will be through developer contributions and it is essential that we understand the impact of developer contributions on viability of new development. An area-wide viability scoping report will scope and set out the evidence required to undertake an area-wide viability assessment to inform how much funding can be anticipated to be available through developer contributions (whether in the form of s106 or CIL).

Prioritisation Framework

With limited funds available it will be necessary to ensure scarce resources are focused on projects which are essential for economic growth. This paper will outline many of the issues that will need to be taken into account when developing a prioritisation framework and will examine examples of frameworks elsewhere to identify different methods for prioritising where resources should be focused.

Funding Mechanisms (this paper)

The Infrastructure Plan is required to include a Delivery Strategy to sit alongside a Schedule of committed and proposed schemes.

The Delivery Strategy is required to demonstrate how all the delivery elements fit together, how the requirements of PPS12 are being met and how investment and delivery will be governed. In short, it sets out what is to happen, where, when and how delivery will be achieved.

PPS 12 states that Delivery Strategy should include:

- How coordination of council wide investment is taking place
- When, where and how coordination and delivery are taking place
- Outline of Partner engagement and sign up for delivery
- That the strategy has realistic and reasonable prospect of being delivered
- Details of who will provide infrastructure and when
- Details of who is responsible for delivery

The government has made it clear that there is limited public funding available for capital investment. Rather, the limited public funds available should be used wisely and un-lock every possible source of investment. The public sector will therefore need to work closely with the private sector to develop new delivery models and ensure that investment is planned and coordinated to ensure processes are streamlined to produce more for less.

The paper scopes out the various methods for delivering and funding infrastructure provision. Capital funding for projects can come from a number of sources and it is important to understand at an early stage the mechanisms available to secure capital for projects as well as achieving buy-in and coordination from infrastructure providers for their own investment decisions.

Following identification of the infrastructure needs and issues within the County there will be a need to establish how these will be delivered and funded. This paper will identify and set out the various delivery mechanisms available to fund and bring forward investment in infrastructure. The paper is a living document and will therefore require subsequent revision to reflect the availability of funding through both planning gain as a result of the unstable housing market, and funding due to expected constraints on public expenditure.

- Identification of how different infrastructure types are funded and timeframes for getting projects into capital programmes;
- An assessment of the public sector's available resources and a schedule of funding commitments;
- An overview of other local investment from private, voluntary and community sectors;
- An agreed approach to the use of public sector assets (including the potential for rationalisation through co-location, relocation etc);
- A list of potential funding sources, process and timing for applying for grants, what types of infrastructure each could potentially fund etc;
- Consideration of the potential for CIL / S106 to contribute to the provision of infrastructure (this links to the background paper on "deliverability");
- Consideration of innovative ways of delivering infrastructure and services in Worcestershire.

3. Mechanisms

There is a clear correlation between investment in infrastructure and long-term growth. Investment in infrastructure has a strong positive effect on the level of GDP per capita, and on short term growth. Failing to make the right choices risks slower economic growth and ultimately could put competitiveness in jeopardy.

The Government plans that over the next five years, some £200 billion will be invested in UK economic infrastructure – a step change from the past. [1] The majority of investment will be in transport and energy, with investment in the energy sector almost doubling between 2010 and 2015.

A lack of clarity on the future investment can undermine confidence for private investors and businesses acting as a barrier to attracting private sector investors. Creating the optimum environment for investment will require understanding and ensuring that efficient and effective funding models are in place.

The future infrastructure required in the County to support development is unlikely to be able to be funded wholly by the public sector, or through market mechanisms. The range of infrastructure likely to be required is varied and includes both hard (utilities and transport), soft (parks, play areas, allotments) or community infrastructure such as schools and health facilities. The mechanisms are likely to come from a number of avenues including the public sector, central government, developer contributions or business investment. This information can then be incorporated into an Infrastructure Delivery Plan (IDP) to determine how infrastructure may be prioritised, phased and implemented. The mechanisms may include:

- Developer Contributions (Community Infrastructure Levy, S106 Contributions);
- Regional Growth Fund;
- New Homes Bonus Scheme;
- Business Increase Bonus;
- Transport (Sustainable Transport Fund, Local Transport Capital Settlement);
- Business Investment Districts (BIDS);
- Tax Increment Financing;
- Land Auctions;
- Local Authority Reserves;
- Capital Programmes;
- Prudential borrowing;
- Asset sales;
- Public Works Loans Board;
- Revenues e.g. car parks;
- PFI/LIFT/BSF;
- Commercial sources/partnerships;
- Bids/grants;
- Public sector investment;

[1] HM Treasury/Infrastructure UK - National Infrastructure Plan 2010. http://www.hm-treasury.gov.uk/d/nationalinfrastructureplan251010.pdf

- Health Funding;
- Area Based Grants;
- Aggregates Levy;
- Landfill Tax;

The following chapter discuss these mechanisms and illustrative examples are provided where possible (a summary table of these discussions is available in appendix 2).

4. Central Government (Policy & Funding)

Community Infrastructure Levy (CIL)

The Community Infrastructure Levy is a new planning charge that came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010 and is intended to act as a 'transparent' means of securing money to fund the infrastructure required to support growth through a standard charge levied on new developments according to their type, size and other factors, largely replacing section 106 agreements.

Regulation 14 of the Community Infrastructure Levy Regulations 2010 (Statutory Instrument 2010 No. 948) specifies: *"In setting rates….a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between –*

(a) the desirability of funding from CIL (in whole or in part) the actual or expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."

CIL will be set out in a Charging Schedule, underpinned by the infrastructure planning undertaken as part of the development plan (as set out in PPS12). The CIL charging schedule will comprise 'indicative projects' rather than a comprehensive list and will take into account other sources of funding and the impact of the proposed CIL on 'overall' development viability (rather than individual sites).

A wide definition of infrastructure can be funded by the levy, including transport, flood defences, schools, hospitals, health and social care facilities as well as a broad range of facilities such as play areas, parks and green spaces, cultural and sports facilities, district heating schemes and police stations and other community safety facilities. However the regulations rule out the application of the levy for providing affordable housing because the Government considers that planning obligations remain the best way of delivering affordable housing.

Local authorities are required to spend the levy's revenue on the infrastructure needed to support the development of their area and will need to decide what infrastructure is needed. The levy is intended to fill the funding gaps that remain once existing sources (to the extent that they are known) have been taken into account. Local authorities will need to look across their full range of funding streams and decide how best to deliver their infrastructure priorities, including how to utilise revenue from the levy.

The levy is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development. The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development. Authorities will need to draw on the infrastructure planning that underpins the development strategy for their area and should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy upon the economic viability of development across their area.

In setting their proposed rates for the levy, charging authorities should identify the total infrastructure funding gap that the levy is intended to support, having taken account of the other sources of available funding. They should use the infrastructure planning that underpinned their development plan to identify a selection of indicative infrastructure projects or types of infrastructure that are likely to be funded by the levy. If a charging authority considers that the infrastructure planning underpinning its development plan is weak, it may undertake some additional bespoke infrastructure planning to identify its infrastructure funding gap.

Levy rates will need to be set in consultation with local communities and developers and will provide developers with much more certainty ‘up front’ about how much money they will be expected to contribute. The Localism Bill includes a provision for local authorities to "allocate a meaningful proportion of levy revenues raised in each neighbourhood back to that neighbourhood". However, the mechanism by which funds will be passed down to neighbourhoods is as yet unclear. Until CIL regulations are released which may not happen until after the Localism Bill has been passed?

Charging authorities (District Councils) will be able to use revenue from the levy to recover the costs of administering the levy, with the regulations permitting them to use up to 5 per cent of their total revenue on administrative expenses to ensure that the overwhelming majority of revenue from the levy is directed towards infrastructure provision. Where a collecting authority has been appointed to collect a charging authority’s levy, as will be the case in London where the boroughs will collect the Mayor’s levy, the collecting authority may keep up to 4 per cent of the revenue from the levy to fund their administrative costs, with the remainder available to the charging authority up to the 5 per cent ceiling.

Such administration costs might include monitoring and reporting, whereby authorities will be required to prepare short reports on the levy for the previous financial year setting out how much revenue they received from the levy in the last financial year and how much revenue was unspent at the end of the financial year. They must also report total expenditure from the levy in the preceding financial year, with summary details of what infrastructure the levy funded and how much of the levy was ‘spent’ on each item of infrastructure.

Charging authorities may pass money to bodies outside their area to deliver infrastructure which will benefit the development of their area, such as the Environment Agency for flood defence or, in two tier areas, the county council, for education infrastructure. If they wish, charging authorities will also be able to collaborate and pool their revenue from their respective levies to support the delivery of ‘sub-regional infrastructure’, for example, a larger transport project where they are satisfied that this would support the development of their own area.

The regulations also include provision to enable the Secretary of State to direct that authorities may ‘prudentially’ (see Tax Increment Funding) borrow against future income from the levy, should the Government conclude that, subject to the overall fiscal position, there is scope for local authorities to use revenue from the levy to repay loans used to support infrastructure.

Therefore, the regulations provide for charging authorities to accept transfers of land as a payment ‘in kind’ for the whole or a part of a the levy, but only if this is done with the intention of using the land to provide, or facilitate the provision of, infrastructure to support the development of the charging authority’s area.

Few authorities have at the point of writing developed charging schedule however appendix 1 contains illustrations of draft CIL Charging Schedules from Sherwood and Newark District Council and Shropshire Council. Both these authorities have adopted a zoning approach recognising the need to demonstrate viability across their areas.

<table>
<tr>
<td>Strengths

Provides an element of certainty for developers.
Greater flexibility for authorities.
Opportunity to pool funding across boundaries and with external partners i.e. for flood defence.
Ability to recoup some of costs of administration.
Can apply to a wide range of infrastructure.
</td>
<td>Weaknesses

Perception by politicians that District Councils will lose independence.
Need for Core adopted Core Strategy.
Cost if taken forward by individual authorities (i.e. public consultation, examination & research).
Awaiting guidance following localism bill.
Aspirations of local communities may not meet strategic need identified by authorities.
Cost of administration.
</td>
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<tr>
<td>Opportunities

Cost saving by adopting county wide schedule. Hillingdon Council have estimated cost of preparing CIL charging and research at approximately £80,000.
Opportunity to develop a Worcestershire charging schedule.
Opportunity to accept land transfer as 'payment in kind'.
Can prudentially borrow against future CIL income.
</td>
<td>Threats

Perception by politicians that District Councils will lose independence.
Need for Core adopted Core Strategy.
Awaiting guidance following localism bill.
Diversion of funding to meet community aspirations.
Funding opportunities may be missed for development coming forward whilst CIL being adopted.
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Issues for consideration

An issue to be resolved in developing a CIL in Worcestershire will be at what spatial scale will it operate? This might include one of three options:

- County wide;
- North/South split or
- By individual district.

In deciding an appropriate spatial scale at which CIL might function there is a need to recognise the stages of progression of district's development plans (with only Wyre Forest having an adopted Core Strategy). This will have implications for the introduction of a charging schedule with potential lost opportunities for funding. Further guidance on CIL is yet to be published by government and subject to this a consideration for Worcestershire's charging authorities could be the adoption of a shadow charging schedule.

The development of a Joint charging schedule would however require a specific change to the regulations. There are only very specific circumstances that would allow this, namely either a formal merging of the two authorities to become one LPA under s37 of the PCPA 2004 or to form a Joint Committee under s29 of that Act. The latter situation is the one which would then need a specific CIL regulation setting out the CIL powers that the two LPAs would be delegating to the Joint Committee.

However, authorities can produce a co-ordinated schedules based on combined evidence for example the Greater Norwich Development Partnership is producing a schedule that it is intended each of the district partners will adopt with minor differences. This will draw on a single evidence base and will have a single examination and partners expect to work together on implementation. The basis for this is that CIL rates must reflect the evidence from the LPA which has set the rates and so even with joint evidence, the different land/property markets could result in different rates between the two LPAs.

Planning Obligations

The purpose of planning obligations is to secure requirements that facilitate the grant of permission, whereas CIL is for more general infrastructure need. Where an authority intends to fund an item of infrastructure through CIL it cannot seek funding for the same item from planning obligations. Examples of Infrastructure or services not capable of being funded through CIL include affordable housing and services funded through revenue payments such as maintenance.

Regulation 122 of the Community Infrastructure Levy Regulations (April 2010), makes it unlawful for a planning obligation to be taken into account in determining a planning application if it does not meet the three tests set out in Regulation 122. These statutory tests are identical to tests (ii), (iii) and (iv) in Government Circular 05/2005 which requires planning obligations to be:

(i) relevant to planning;

(ii) necessary to make the proposed development acceptable in planning terms;

(iii) directly related to the proposed development;

(iv) fairly and reasonable related in scale and kind to the proposed development;

(v) reasonable in all other respects.

However

- S106 can still legitimately be used for site specific mitigation measures.
- S106 can be pooled for up to 5 developments where infrastructure is not locally intended to be funded by CIL.

New Homes Bonus

The New Homes Bonus Scheme has been designed by government to incentivise local authorities to increase housing supply by rewarding them with a bonus payment, equal to the national average for the council tax band on each additional property and paid for the following six years as a un-ring fenced grant. The scheme is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth.

The grant will be payable for the following six years, so the total will rise for at least the first six years. The scheme is however intended to be a permanent feature of local government funding and will therefore continue beyond the six year cycle. The government propose to link the level of grant for each additional dwelling to the national average of the council tax band.

To ensure that affordable homes are sufficiently prioritised within supply, an enhancement of a flat rate £350 per annum for each additional affordable home is proposed. Affordable rent homes will be eligible for the same bonus as other affordable homes. Gypsy and traveller pitches in public ownership will also attract an additional payment.

The Government proposes to strengthen the incentive for local authorities to identify empty properties and work with property owners to find innovative solutions that allow these properties to be brought back into use by rewarding local authorities for bringing empty properties back into use.

Local authorities can decide how to spend the funding in line with local community wishes and councils are expected to work closely with their communities – and in particular the neighbourhoods most affected by growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. This may relate specifically to the new development or more widely to the local community. For example, they may wish to improve local facilities such as playgrounds and parks.

In two tier areas outside London, the role of upper tier authorities in the provision of services and infrastructure and the contribution they make to strategic planning is recognised. The government therefore proposes to split the payment of the New Homes Bonus between tiers outside London: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation.

The proposed tier-splits are a starting point for local debate. The government recognises that every development is different and will need different services to support it and will in many cases involve advanced planning with local service providers to ensure that there is timely delivery of infrastructure for new development for example, by allowing local authorities to pool funding by allocating more to the upper tier to deliver infrastructure.

Housing Assumptions (worked for Worcestershire)

New Homes Bonus Final Scheme Design[2]

The scheme will provide local authorities with a New Homes Bonus, equal to the national average for the council tax band on each additional property and paid for the following six years as un-ring fenced grant. There will be an enhancement for affordable homes.

- For each additional home local authorities will receive six years of grant based on the council tax;
- The Government expects local councillors to work closely with their communities – and in particular the neighbourhoods most affected by housing growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. This may relate specifically to the new development or more widely to the local community.
- To ensure that affordable homes are sufficiently prioritised within supply, there will be a simple and transparent enhancement of a flat rate £350 per annum for each additional affordable home. This is about 25 per cent of the current average Band D council tax or 36 per cent of the average Band A council tax, and will be reviewed if council tax rises. Over six years an affordable home would receive an enhancement of £2,100.
- Affordable rent homes will be eligible for the same bonus as other affordable homes.
- The government has recognised the role of the upper tier authorities in the provision of services and infrastructure and the contribution they make to strategic planning.
- Local authorities are best placed to decide how to meet the needs of local neighbourhoods and communities. In many cases this will involve advanced planning with other local service providers to ensure that there is timely delivery of infrastructure for the new development. For example, local authorities can pool funding to deliver infrastructure.
- 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation.

Basis of calculation

- The New Homes Bonus will use the Council Tax Base form to calculate increases in effective stock. This brings together data on additions, demolitions and empty homes in one place and is already used to calculate formula grant and the data is provided by local authorities.
- The New Homes Bonus grant will normally be paid alongside the local government finance timetable. This means that provisional allocations will be announced in early December and final allocations in early February. This will allow local authorities to include the grant in their budget setting process in February.
- Grant for increases in effective stock between successive Octobers will be paid from the following April. Using this approach means that there is a potential time lag for payment of the grant. Houses built between October 2010 and October 2011 will be paid the following financial year - between April 2012 and March 2013.

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[2] New Homes Bonus Scheme – Final Design
http://www.communities.gov.uk/documents/housing/pdf/1846530.pdf

- The best source of data on affordable homes defined is considered to be the Department for Communities and Local Government official statistics on gross additional affordable housing supply. This includes data from a range of sources including the Homes and Communities Agency Investment Management System and other Homes and Communities Agency monitoring systems, and returns made by local authorities to DCLG through the Housing Strategy Statistical Appendix and the P2 quarterly house building return. The data is collected for financial years and published in the following October. It includes newly built affordable homes and acquisitions to the affordable stock.
- The government will use the Department for Communities and Local Government official statistics on gross additional affordable housing supply to calculate the affordable homes enhancement. Local authorities will receive an additional £350 for the following six years for all additional affordable homes reported in this statistical release.
- Authorities will receive the enhancement for all new affordable homes regardless of whether there have been any reductions to stock to serve as an incentive for regeneration schemes which demolish unfit housing and include a large number of affordable homes. The statistics also measure acquisitions – previously market homes that have been made affordable. Acquisitions increase the availability of affordable homes and so would receive the £350 enhancement. <u>They would not receive the council tax element as they are not new supply and would not be included in the data set from the valuation list.</u>
- These statistics run from April to April and do not become available until October. For reasons of simplicity the affordable homes enhancement of £350 per home will be paid the following April. **So the enhancement for affordable homes delivered between April 2010 and April 2011 will start to be paid alongside the main grant payments for year two.**

<u>Issues for consideration</u>

The NHB is an additional payment that has potential to grow over a six year period. The increase in the sum will be driven by both the running cumulative total or alternatively by an increase in housing development.

However it is likely that once the NHB budget is spent, the excess payments will be top-sliced from RSG, meaning that those authorities who have adopted development plans (or are close to) or who are promoting greater levels of growth will have opportunity to secure funding earlier and to a greater extent.

There are a number of issues that will need to be considered for both the county council and district authorities:

- Will the NHB be accounted for separately and dedicate it to the delivery of agreed infrastructure priorities;
- Will the opportunity be taken to convert the NHB revenue stream into capital;
- Will local authority funding be pooled or aligned to achieve greater spending power (the lack of ring fencing may mean that the bonus is absorbed into local authorities' core budgets).

New Homes Bonus – whilst the grant received for 11/12 is new money, for 12/13 an element will be top sliced from Revenue Support Grant and the increases in all subsequent years will come from RSG. There is a risk that if the rate of new build is lower than average then local authorities might actually end up in a net worse off funding position. The Council will need to determine how it uses this grant, which might mean infrastructure investment or might mean supporting its revenue budget or a mix of the two. I think this point needs to be made as we can not currently assume it will all be used to fund investment in infrastructure, without member approval.

Worked Example

The calculations below have been made using the New Homes Bonus calculator[3]. These are provisional allocations based on October 09-10 delivery. The first enhancement payments for affordable homes will be based on 2011/2012 data; and paid in year 2.

Table 1: New Homes Bonus provisional allocations year 1 (20:80 split).

Authority	Lower Tier (£)	Upper Tier (£)
Bromsgrove	124,988	31,247
Malvern Hills	409,762	102,440
Redditch	164,263	41,066
Worcester	406,308	101,577
Wychavon	361,276	90,319
Wyre Forest	258,420	64,605
		Total £431,254

Table 2: Annual and cumulative totals for Worcestershire (based on a 20:80 split). Please note these do not include enhancement payments for affordable homes will be based on 2011/2012 data; and paid in year 2.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Year 1	431,254	431,254	431,254	431,254	431,254	431,254	
Year 2		431,254	431,254	431,254	431,254	431,254	431,254
Year 3			431,254	431,254	431,254	431,254	431,254
Year 4				431,254	431,254	431,254	431,254
Year 5					431,254	431,254	431,254
Year 6						431,254	431,254
Year 7							431,254
Total	431,254	862,508	1,293,762	1,725,016	2,156,270	2,587,524	2,587,524

Note:

Prior to the publication of the governments final scheme (outlined above) calculations were made taking account of differing scenarios for growth and a range of assumptions and these can be viewed in appendix 3.

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[3] New Homes Bonus Calculator - http://www.communities.gov.uk/housing/housingsupply/newhomesbonus/

Community Right to Build

The Localism Bill includes the introduction of the creation of Community Right to Build. As part of neighbourhood planning, the Bill will give groups of local people the ability to bring forward small developments. These might include new homes, businesses and shops. The benefits of the development, for example, profits made from letting the homes, will stay within the community.

The government has suggested that the type of property to be built will be for the community to decide. Communities might wish to build a mixture of market housing for sale, affordable housing for rent, sheltered housing for elderly local residents, or low cost starter homes for young local families struggling to get on the housing ladder. Or they might wish to build a new play ground for children.

As well as housing, the Community Right to Build will allow the community to provide other services for the benefit of local people. For instance, they might offer long-term low rent commercial accommodation for a village shop on a serviced tenancy, a community hall, or a sports facility.

The Community Right to Build may have both positive and negative impacts for infrastructure funding. On the positive side it may see affordable housing delivered by community groups without the use of public sector funding or developer contributions or alternatively the provision of community facilities such as playgrounds or village halls. On the negative side the development of affordable housing outside of that planned for by authorities or RSL’s may present additional burdens on existing infrastructure such as roads.

It will be important for authorities at both tiers to engage with Parish Councils to try and gauge the potential level of interest (if any) in such schemes and to understand the potential infrastructure ramifications (both capital and revenue). This is of particular relevance where affordable housing will not be subject to development contributions. This will also be of relevance in establishing the development levels that will act as a trigger for CIL (as discussed previously).

Community Right to Buy

Although not directly a mechanism for funding the Community Right to Buy has important implications for asset management.

The reason for closure of a community building or facility may affect the viability of an alternative community ownership proposal. However, community ownership can allow the adoption of a different business model and therefore make the asset viable again (e.g. through the use of volunteers, access to charitable funding or community share investment, or through a more enterprising pattern of service provision) which would not be open to the current private or public sector owners/operators.

Build Now, Pay Later Scheme

The Build Now, Pay Later model enables house builders pay to for land after they have started work on new homes. In March 2011 the government announced the first of six sites to come forward under the scheme which draws on surplus land in public sector land for development.

The government estimates that up to 7,500ha of land is "sitting idle" in public sector land banks. Government departments will now be asked to make land available for house and many of these sites will be available under build now, pay later.

In May 2011 the Government announced that the first publicly-owned sites to be allocated exclusively to self-builders through the Build Now, Pay Later would soon be identified.
These initiatives could potentially have cost ramifications for public sector bodies in Worcestershire. Particularly when coupled with the Community Right to Reclaim Land.

The Community Right to Reclaim Land, which will be based largely on existing Public Request to Order Disposal (PROD) regulations.

The PROD regulations give members of the public the right to request that disused land owned by town halls and a limited number of other public bodies is sold off. Under these powers, anybody can request that the secretary of state to investigate why public land or property remains empty. The secretary of state can then use the powers to force a sale.

However, the Department for Communities and Local Government (DCLG) says that the regulations are "obscure and restrictive" and have only been used successfully once in the past 13 years.

Under government proposals, a new one-stop shop would be set up to provide residents with information on vacant publicly owned land and buildings in their neighbourhoods. The government is considering expanding the number of public bodies covered by PROD powers. As the regulations currently stand, these bodies include councils, the Environment Agency, British Waterways and National Rail.

The Community Right to Reclaim Land is intended to be used in conjunction with the Community Right to Build, which will allow communities to approve new housing developments without the need for specific planning applications.

Devolving local major transport schemes[4]

The current system for prioritising major schemes is a competitive process, which was put in place in October 2010 to deliver an affordable programme of schemes left over from the previous Government's Regional Funding Allocation. The government is currently seeking views from Local Enterprise Partnerships, local authorities and representative groups on the structure, sizing, configuration, governance and accountability arrangements for a new system beyond 2014-15.

The government proposes devolving capital funding for local major transport schemes to democratically accountable local transport bodies. This will include

[4] Dft -Devolving local major transport schemes - http://assets.dft.gov.uk/consultations/dft-2012-04/main-document1.pdf

allocating budgets by formula rather than bidding to DfT, and removing the former role of the Department in appraising individual scheme business cases.

The Government proposes that local transport bodies would be responsible for establishing a programme of local major scheme priorities for delivery beyond 2015. They would oversee the delivery of individual schemes, but would not be the vehicle for their delivery, which would remain with individual local authorities or other relevant delivery agencies.

The Government wishes to see local transport authorities and Local Enterprise Partnerships take influential roles in the decision-making arrangements of local transport bodies, but the detailed membership would be for the local area to propose and agree, with the starting point for allocating funding and developing governance being the Local Enterprise Partnership geography. In return for greater devolution, central government will need assurances on effective governance, financial management, accountability and the achievement of value for money.

The government's proposals suggest that the average cost to central government of a local major scheme under the previous Government's Regional Funding Allocation was around £30m, but there were wide variations in the size of individual schemes, as the graph below shows. However, the vast majority of Schemes are in the region of £5m and £30m, with only around 10% of schemes costing over £75m. This suggests that there will only ever be a handful of big schemes, and not all local areas will have them.

The Government proposes that Local Enterprise Partnership geography is the starting point for allocating funding, rather than individual transport authorities.

In terms of a formula for distributing the money, the Government proposes that the basic premise should be to keep it as simple and equitable as possible. The options include:

• **Option 1** - Population (i.e. per capita) allocation, as per the former Regional Funding Allocation;
• **Option 2** - Economic contribution in terms of employed earnings which excludes capital output, or another measure; and,
• **Option 3** - A measure of transport need. This could use the integrated transport block or a subset of it, for example the elements on public transport (50%) and congestion (50%).

The Government expects to be in a position to give a range of an indicative devolved budget per Local Enterprise Partnership area by August 2012, as a minimum for the next Spending Review period.

The Government's emphasis is towards a public-private partnerships delivering schemes with high economic potential, and securing good levels of local and third party contributions. This could include the retention of business rates locally and the introduction of Tax Increment Financing powers, which enables councils to borrow against future increases in business rates for infrastructure.

Local partners should think creatively about local funding sources and where possible negotiate and pool resources, for example European funding, developer and other local contributions. It is expected that the majority of the approved Development Pool schemes will have third party funding contributions - in some cases nearly 40% of the total cost. It will be left to the local transport body as to whether or not to introduce minimum requirements in terms of match-funding, or putting in place a benchmark local or third party contribution, which individual scheme promoters should be required to meet.

Local transport bodies will be required to put in place measures that demonstrate accountability and provide assurances on proper financial management and propriety: that deal with risks, such as cost overruns; and, that deliver value for money. *The Government will expect the promoter or delivery body to take ultimate responsibility for the risks of constructing the scheme to time and within budget.*

County Council initial response is set out in the paragraphs below.

Worcestershire County Council is supportive of the proposal to devolve capital funding for local major transport schemes to "democratically accountable local transport bodies" and view it as vital that the Local Transport Body (LTB) for Worcestershire (and any parts of the county) includes Worcestershire County Council as the democratically accountable transport authority. This will also ensure alignment between the LTB and the primary transport scheme delivery body.

In terms of LTB areas, Worcestershire County Council strongly favours consistency with Local Transport Authority boundaries, thus ensuring alignment between the LTB and the transport scheme delivery body. In the case of Worcestershire this also aligns with the Worcestershire LEP boundary.

There will be an issue to be resolved in terms of larger strategically important projects whose benefits cover a wider area than that of a single LEP. It will be in the interests of the West Midlands' LTBs to agree on these regionally important schemes at an early stage along with the methods of calculating each individual LTBs funding contribution.

Whilst welcoming active LEP membership of the LTB, it is Worcestershire County Council's view that the LTB should be chaired by the local transport authority to ensure that decisions and budgetary control are democratically accountable.

Worcestershire County Council supports the allocation of budgets by formula where this is on a per capita basis (Option 1 above).

However, it does not support budget allocation on basis of Options 2 and 3, i.e. Economic contribution in terms of employed earnings and measure of transport need. Option 2 will disadvantage LTBs which cover areas of lower average earnings rural areas and urban areas which are seeing growth but which currently have lower average earnings, whilst Option 3 is likely to be a complex and less transparent method.

The consultation document makes reference to the fact that 50% of the total funding for RFA was for schemes costing more than £40 million, with 10% of the funding for schemes costing in excess of £75 million. These schemes are generally single component schemes (such as a new relief road, for example). However, when considering Packages of schemes, the total package cost will often be similarly significant, despite a fundamentally local focus. This could result in a weakening of the package approach (despite their obvious wider benefits) as they can be classified both as big/major schemes, but also local schemes.

The proposal to deliver greater funding certainty for local authorities to enable long-term programming of investment, together with the ability to borrow against a certain government grant is considered essential by Worcestershire County Council to optimise the level of value for money achieved by local administration.

In particular, the ability to plan investment will enable local areas to better focus investment to support the buoyancy of local economies in a way that is currently impossible.

Worcestershire County Council welcomes the proposed introduction of Tax Increment Financing as a means of securing greater private sector contributions towards investments in transport infrastructure and services.

However, it is keen that mechanisms are put in place to manage the risks incurred by local authorities when delivering these schemes. It is right that all those who benefit in the investment of transport infrastructure and services pay their fair share of the costs of implementation.

It is suggested that leaving LTBs to define the level of private/third party contributions without some suitable guidelines in place will not incentivise local areas sufficiently to seek funding in this way. It is proposed that LTBs are expressly required by the DfT to maximise local and third party contributions, potentially through the inclusion of a specific section for the purpose with quantifiable benefits attached to levels of external funding (and therefore local support) sourced.

Local Transport Capital Settlement

Integrated Transport Block is capital funding used by local transport authorities for small transport improvement schemes costing less than £5 million. Schemes include - small road projects, road safety schemes, bus priority schemes, walking and cycling schemes and transport information schemes.

Highways Maintenance Capital funding provided to help local authorities plan and manage the road networks. This covers major resurfacing, maintenance or replacement of bridges/tunnels and occasional reinstatement of roads following natural disasters. Paid out as supported borrowing as part of the local transport funding process. The funding is allocated according to a needs based formula taking into account factors such as road length, number of bridges and tunnels, and extent of rurality. Local authorities will be expected to seek significant efficiency savings by using their purchasing powers to drive down costs of maintenance.

The transport capital settlement calculated according to needs based formulae developed with local authorities. The funding is not ring-fenced, and local authorities are free to spend their allocations in accordance with their priorities. All funding will be supplied as capital grant, and not as supported borrowing. The figures provided include final allocations for 2011/12 to 2012/13, and indicative allocations for 2013/14 to 2014/15.

Year	Maintenance Block (Thousands)	IT Block (Thousands)	Total (Thousands)
2011-2012	12,656	2,885	15,541
2012-2013	12,174	3,078	15,252
2013-2014	11,722	3,078	14,800
2014-2015	10,917	4,328	15,245

Note: Worcestershire County Council has recently been notified by Central Government that both major scheme funding bids for the Worcester Transport Strategy (Phase One) and the Evesham Abbey Bridge Maintenance project have successfully progressed through the next important stage.

The Department for Transport announced on Friday (February 4) that both submissions have made it in to their designated Development Pools. Final bids for around £30million – approximately £20million for the Worcester Transport Strategy and £10million for the Abbey Bridge works – will now be put together over the coming months and handed over in early September. A final decision is expected by the end of 2011.

Local Sustainable Transport Fund

Separate funding has also been set aside by the Department for Transport for the Local Sustainable Transport Fund. The government has set aside £560 million for the fund over a 4 year period to 2014-15.

The guidance supporting this fund invites local transport authorities to apply for funding to support the cost of a range of sustainable travel measures and can include measures that promote walking and cycling, encourage modal shift, manage effectively demands on the network, secure better traffic management, improve road safety and improve access and mobility for local communities. The guidance also sets out the criteria against which decisions on the allocation of funding will be taken. The criteria will include meeting the core objectives of supporting economic growth and reducing carbon. Bids will also need to demonstrate value for money, deliverability and affordability of package proposals.

Authorities will be able to bid for small packages of under £5 million and larger packages of up to £50 million over the Fund period, but will only be able to be successful with one bid. Local authorities will also be given a choice as to when to apply to the Fund in recognition that they will be at different levels of readiness to submit proposals, with two rounds of bidding; one closing in April, the other at a later date. Bids from local transport authorities will be particularly welcome if they can demonstrate support from, and the involvement of, voluntary and community organisation, and the private sector. The ability to lever in financial contributions from external sources will also be taken into account in assessing value for money.

£m	2011-12	2012-13	2013-14	2014-15	Total
Resource	50	100	100	100	350
Capital	30	40	60	80	210
Total	80	140	160	180	560

In July 2011 Worcestershire County Council was awarded £2.815 million pounds for a 'Choose How You Move 2' this project will focus on Redditch.

Community Transport Fund

The government has also announced a £10-million of funding to be distributed to rural local transport authorities to kick-start the development of community transport services in their area. In addition a partnership has been formed with the Community Transport Association to provide each of the 76 rural local authorities in England with £2,600 worth of consultancy advice on how to establish, manage and make sustainable community transport operations within their area. There is the option for local authorities to supplement this with their own funds to receive further services.

The additional funding will complement the Local Sustainable Transport Fund discussed above.

Rail Funding

The following funding schemes have been identified within the Draft West Midlands Rail Development Plan. The plan provides a strategic focus for existing passenger and freight services and future rail development to serve the West Midlands Region.

Access for All

The Access for All Fund includes £35 million of ring fenced funding until 2015 to improve access for disabled passengers. All funding is subject to the completion of feasibility work by network rail. The Department of Transport (DfT) identified Kidderminster and Shrub Hill stations in the 2006-09 rounds.

National Station Improvement Programme (NSIP)

Is a DfT programme to improve medium sized stations and Kidderminster station has been identified in this programme.

Regional Funding Allocation (RFA)

The RFA provides each region with as specific budget to invest in local authority major schemes through the LTP process. Priority schemes to be delivered by 2014 were confirmed in 2009. These include Bromsgrove station relocation and improvements to Kidderminster station.

Whilst the plan identifies potential funding mechanisms and schemes the plan currently notes that funding has not been secured for station improvement schemes in Worcestershire.

Railway Station Improvement Funds

On 18 April 2011, Network Rail, Association of Train Operating Companies (ATOC) and the Department for Transport (DfT) launched a £100 million fund to improve railway stations. Train operators, third-party organisations and Network Rail can all submit proposals, but they must show that the plans are financially viable and will return project costs. Proposals must be submitted by 17 June to be considered for the first wave of funding.

To be considered for funding, proposals must make improvements to the station environment, provide a financial return over and above project costs and be complete by the end of Control Period 4 (31st March 2014). There is no cap on the maximum value of proposals up to the £100m.

Proposals will be assessed by a panel including the Department for Transport, the Association of Train Operating Companies and ourselves.

The deadline for applications to be considered for the first tranche of funding, proposals is by 17 June 2011. A second tranche will be released in October 2011 for which proposals are requested by 30 September 2011[5].

Water & Flooding

The Flood and Water Act

The Flood and Water Management Act received Royal Assent on 8 April 2010. The Act needs commencing by ministerial order before it comes into effect.

The Act defines the lead local flood authority (LLFA) for an area as the unitary authority or the county council. This will avoid any delay or confusion about who is responsible, but in no way prevents partnership arrangements to make full use of all capabilities and experience locally. The Act enables lead local authorities to delegate flood functions to another risk management authority by agreement.

It requires the relevant authorities to co-operate with each other in exercising functions under the Act and they can delegate to each other. It also empowers a lead local flood authority or the Environment Agency to require information from others needed for their flood and coastal erosion risk management functions.

Sustainable Drainage Systems (SUDS) have a number of benefits, such as improving water quality and the local environment and an important function in reducing the risk of flooding of homes and businesses, as well as adjacent or downstream properties.

The Flood and Water Management Act encourages the use of sustainable drainage in new developments and re-developments and will require drainage systems to be approved, against a set of National Standards[6], before building can commence and a connection to the sewer can be allowed (if needed). It also makes local authorities responsible for adopting and maintaining SUDS.

[5] http://www.networkrail.co.uk/aspx/12458.aspx

[6] The National SUDS Standards are in the process of being developed and have been subject to some delay (currently envisaged that they may not be available until 2012).

Plans for drainage system will need to be approved, before construction can start, by the SUDS Approving Body (SAB) which will be the unitary or county council for the area[7]. This applies to both permitted developments and those that require planning permission. This will ensure that SUDS are also included in construction that may cover large surface areas, but does not require planning permission.

Where both planning permission and SUDS approval are required, the processes will run together. Applications for the drainage system and for planning permission will be submitted together to reduce burdens for the applicant. The planning authority will notify the developer of the outcome of both the planning permission and drainage approval at the same time, including any conditions of approval. Regulations will set out a timeframe for the approval of drainage application by the SAB, so the planning process is not delayed.

This will encourage pre-application discussions – ideally between developers, planners, highways authorities and the SAB - to ensure that delays to the approval system can be avoided as far as possible. Pre-application discussions should ensure that SUDS are considered at the earliest stages of site design in order to maximise their use on the development and ensure a smooth approval process. SUDS will become a routine feature of new construction.

As part of the approval process, the SAB can require a non-performance bond to be paid. This bond will be refunded in full if the work is completed to the satisfaction of the approving body. The size of the bond would not be greater than the cost to build the drainage system. This approach offers buyers reassurance by ensuring that the home owner or local taxpayer does not have to bear the cost of bringing drainage up to standard where a developer has failed to complete a SUDS, or not built it to the approved plan. The Government may provide advice to local authorities on what amounts may be required for bonds.

SUDS assets that serve more than one property will be adopted and maintained by the local authority when it has been completed to their satisfaction. Highways authorities will be responsible for maintaining SUDS in roads to National Standards. The drainage system must function as approved, including any conditions, in the plans for the drainage system.

Flood Risk

In December 2010 the government announced £21 million of grants for 2011/12 to enable LLFA (Lead Local Flood Authorities) to implement the provisions of the Act in phase 1 this includes the preparation of flood risk management plans and the development of partnerships (Worcestershire has been allocated £143,000 2011-12 and £260,000 2012-13).

In April 2011 sect 21 of the Act comes into force and will require LLFA's to prepare and maintain a register of structures likely to have a significant flood risk in its area and to maintain a record of ownership and repair.

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[7] There is currently ongoing discussion as to which body will be the SAB there are some suggestions that this responsibility may fall on Water Utility companies.

Flood defence work is currently funded by the Environment Agency via Regional Flood Defence Grants. The Environment Agency applies on an annual basis for funding for major schemes of which a small proportion are granted funding. Many of the organisations involved in flood prevention and mitigation already work together to deliver flood defence, surface water drainage etc. Co-location and joint delivery is an option that could be explored in terms of the links between flood prevention and mitigation and green infrastructure and open spaces.

Issues for Authorities (in discharging responsibilities)

The Act will place significant extra responsibilities and burdens on lead local flood authorities and Defra have committed to funding local authorities for their flood risk management (as can be seen above). Research by Defra suggests that authorities will need to spend between £30m and £42m a year, in preparing local strategies and surface water management plans, on capital improvement works, designating third party assets, and resourcing in-house teams.

As a result the local authority formula grant settlement for the current period to March 2011 included additional funds to spend on flood risk management, including in levy payments to the Environment Agency and internal drainage boards. As formula grant is un-ringfenced, it is for local authorities to decide how much to spend on each of their priorities, however Defra evidence suggests that local authorities are not spending as much on flood and coastal erosion risk management as expected.

Defra aim to ensure that the ongoing costs of maintaining SUDS adopted as a result of the new duty, will be funded in full. These costs will be near zero in the first year following commencement but will rise as more and more SUDS are built by developers and adopted by authorities.

Ministers have committed to publish a clear way forward on long-term funding for SUDS maintenance. The Act will also extend the role of the Regional Flood Defence Committees, to become Regional Flood and Coastal Committees, and as a result allow them to raise funds through the existing 'local levy' for locally important works to manage coastal erosion. Assuming this means the levy will increase by 10%, to reflect the national split between flooding and erosion work, county and unitary authorities will be provided with an extra £2.7m a year in their settlement. Local authorities may vote as members of the committees to spend more or less than this.

Local authorities could potentially save money as a result of their additional risk management work, and investment by central government and agencies, in that there should be fewer and less severe floods occurring than otherwise. Expenditure on preventing floods is highly beneficial, given that responding and reinstating buildings, roads and repairing other damages can be extremely expensive.

This will prevent activity being paid for twice and encourage an "investment to save" culture amongst authorities. For the Environment Agency's national investment programme, the benefits of improved defences outweigh the costs on average by 8 to 1 over the long-term. Local authorities will also need to take a benefit/cost approach to flood risk management to make sure the costs of plans and investments are well justified.

Ultimately, on top of the risk management activity, local authorities will need to decide - as part of local strategies - whether extra up-front money should be raised and spent locally to further reduce future flood costs and damages in their area. This would be to avoid costs authorities themselves will otherwise bear, but more importantly, to help mitigate the costly and traumatic impact of flooding on local communities.

Flood Resilience Partnership Funding

The way that Government funding is allocated to flood and coastal erosion risk management projects in England is changing. The new system will begin from now for all projects seeking financial approval.

Instead of meeting the full costs of just a limited number of projects, the new approach could make Government money available towards any worthwhile scheme over time. Funding levels for each scheme will relate directly to the number of households protected, the damages being prevented, plus the other benefits a scheme would deliver. For the first time, grants for surface water management and property-level protection will be available alongside funding for other risks and approaches.

Three aspects of a project will influence the amount of national funding available:

- The value of benefits for householders as a result of flood or coastal erosion risks being managed, especially in deprived areas and where risks are significant.
- The value of other benefits achieved, such as the benefits to businesses, agricultural productivity and protection for national and local infrastructure, across the whole-life of the scheme.
- The environmental benefits of the scheme, needed to maintain healthy ecosystems as well as offset any habitats lost when defences are built to protect people and property.

The maximum amount of funding for a project will be based on multiplying each of the aspects above by a set of payment rates, which are fixed amounts of national funding per unit of outcome or benefit achieved. Payment rates for protecting households will be higher in deprived areas, so that schemes in these areas are more likely to be fully funded by Government. Levels of deprivation will be assessed using the existing Index of Multiple Deprivation.

There are likely to be some projects that stand to be fully funded and others that could attract partial funding from Defra. LLFA's are required to work together in partnership with others to develop local flood risk management strategies for their areas, as required under the Flood and Water Management Act. As part of this, local partners could decide to concentrate solely on those schemes likely to be fully funded by Defra.

Alternatively, they may decide that the benefits to the community arising from some or all of the part-funded schemes going ahead more than justify the extra amounts of money required. In doing so, local partnerships can have a considerable influence on the overall number and priority of schemes taken forward.

The new system will apply from now for projects seeking funding approval from the Environment Agency. Through to the end of March 2013 will be treated as a transitional period, allowing lessons to be learned and refinements made to the approach before being confirmed for the 2013/14 financial year onwards.

5. Economy & Business

Regional Growth Fund

The Regional Growth Fund is a discretionary £2.4bn Fund that will operate from 2011 and 2015 to provide support for projects and programmes with potential to create long term private sector led economic growth and employment. In particular it will help those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth and prosperity.

The Fund will provide a mixture of direct support for private sector investments and support for some basic infrastructure that removes the barriers that trigger private sector led economic growth as part of a wider investment. Bids must be able to demonstrate that the Fund will create long term growth by levering private sector investment and jobs.

A minimum bidding threshold of £1m assistance will apply. This will ensure that the Fund is accessible to SMEs, which should encourage a wide diversity of bids, harnessing innovation from all sectors bidders need to present realistic and competitive bids. Round 1 of the bidding closed on 21 January 2011. The second round is likely to follow in March with a focus on funding programmes on skills.

Proposals which include support for basic infrastructure which unlock specific business investment that leads to sustainable employment are welcomed and will be assessed alongside other bids. The Regional Growth Fund is not a Fund that simply supports speculative commercial developments, housing or other construction/infrastructure projects per se. S106 funds may not count as private sector contributions but they can be used to match fund private sector contributions.

RGF Round 1, 2, 3

A total of 6 bids were submitted by Worcestershire to the first round of bidding in January by public and private sector organisations.

The Worcestershire LEP has been successful in securing £17.85m (subject to conditions) to bring forward 70 hectares of land for Worcester Technology Park. The scheme – which was put forward by Worcestershire County Council, Worcester City Council, Wychavon District Council and Advantage West Midlands support by Worcestershire LEP - now has to pass through a due diligence process before receiving a grant.

Two Worcestershire bids were successful in round 2 and round 3 is currently open for bids and will close in June.

Local Enterprise Partnerships (LEP)

Early indications from the government are that LEP's will have an important role to play in infrastructure planning and these roles are likely to include:

- working with government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery

- co-ordinating proposals or bidding directly for the Regional Growth Fund

- making representations on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications

- strategic housing delivery including pooling and aligning funding streams in support of this

- coordinating approaches to leveraging funding from the private sector and
- becoming involved in the delivery of other national priorities such as digital infrastructure

LEP's are also likely to have management and lead responsibilities for a range of funding streams including those discussed within this paper namely Regional Growth Fund, Transport, ERDF and managing business rates.

LEP's are unlikely to be able to lead and manage these major funding streams until 2013/14 in part due to European Funding cycles and regulations and the same issues may well apply for other funds such as those for transport, housing and rural development that have been identified as potential funds for LEP management.

In order to prepare for the management of any funding streams, each LEP will need a strategy and programme. The government announced in January 2011 that a capacity fund would be available to support these processes. Any such strategy and programme would need to relate to the underlying planning and infrastructure investment processes already underway including linking to IDP's and the LIP.

Growing Places Fund

The Governments £500m Growing Places Fund is intended to generate short term activity by addressing immediate infrastructure and site constraints by empowering Local Enterprise partnerships to deliver their economic strategies by establishing revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

The fund does not provide gap funding rather, developers are expected to use a proportion of land value uplift or financial receipts to repay the public sector outlay. Initial funding could be recouped or interest paid and recycled into new infrastructure projects, such as those relating to transport, utility provision, flood defences or other constraints which are prohibiting development. This will need to be determined locally on a project by project basis and funding will need to be targeted at those projects which represent good value for money.

Local enterprise partnerships were invited to submit proposals, on the basis that they had an identified lead local authority that would receive and account for the funding, on behalf of all members of the partnership and Worcestershire has been allocated £3,667,852.

The Worcestershire Local Enterprise Partnership invited the public and private sectors to express an interest in the fund with appropriate projects in Worcestershire with a sub group of the Local Enterprise Partnership Board prioritising projects which could be eligible for the funding to unlock investment in jobs and housing.

In March 2012 the first four projects to be allocated support were identified as:

- **South Kidderminster, £1.2million in WLEP support to help spearhead progress of the first phase of an enterprise park, by funding the prime access route known as Hoo Brook Link Road. This will open up 24 hectares of redevelopment land on the former British Sugar factory site, where the employment element could create up to 450 jobs.**

- **WLEP finance of £1million to bring forward the first phase development of the proposed 47-acre University Park in Worcester, where outline plans for an enterprise, science and wellbeing campus has been approved. This will enable construction of a community health centre and doctors' surgery to commence with money to help install infrastructure to the site.**

- **Worcester - The LEP board has also approved £750,000 funding to Worcestershire County Cricket Club to speed up its £10million redevelopment plans. Money will be used to aid construction of improved access and infrastructure to a new 120-bedroom hotel and to the club's new hospitality, conferencing, administration and spectator facilities, which received planning approval in March 2012.**

- **Pershore, Springhill Farms has secured £275,000 for the development of a new road traffic island on A44 to enable the construction of a £5million anaerobic digestion plant. This plant will use green waste from the company's growing processes to generate energy and heat for the adjacent commercial glasshouses, which in turn will be extended, thus safeguarding and creating new jobs.**

An additional £575,000 in finance has been held back for subsequent schemes still under consideration or which may emerge in the months ahead.

In the March 2012 budget the Chancellor announced that the Growing Places Fund will be increased by £270 million, Worcestershire has been allocate an additional £1,791,486 taking the total to £5,518,972.

Get Britain Building Fund

The £420m fund to Get Britain Building was announced on 21 November 2011 as part of the Housing Strategy for England. The programme aims to unlock stalled sites with planning permission to support construction activity and restart work on sites.

It is intended to address difficulties in accessing development finance faced by some house builders and to help bring forward marginal sites by sharing risk. Following a strong response from the sector, the fund was increased by a further £150m to £570m on 19 March 2012. With the additional investment, the HCA has now shortlisted 224 schemes that will be invited to take part in a thorough due diligence process. These schemes underwent an initial assessment by the HCA - looking at value for money, deliverability and fit with local priorities.

The shortlisted projects will now undergo a due diligence process and it is expected that funding allocations to projects will be announced from May, with work restarting on sites across the country from June.

Within Worcestershire two expressions of interest have been submitted and include:

• Wychavon	Miller Homes Limited	Evesham	40
• Wyre Forest	BDW Trading Limited	Waters Edge	25

Business Improvement Districts (BIDS)

A Business Improvement District (BID) is a precisely defined geographical area of a town, city, or commercial district where ratepayers have voted to invest collectively in local improvements in addition to those delivered by local Government, not replace them. Whilst the majority of BIDs currently exist within town centres, there are increasing numbers in industrial areas, as well as commercial and mixed-use locations. Funds are directed toward those projects selected by members and may include capital or revenue investment on improvements to the street scene such as new signage or other environmental improvements.

Case Study - Worcester City BID

The Worcester City BID commenced on the 1st of April 2010 for a 5 year period. The BID is funded by a 1.5% levy on the rateable value of most businesses in the area. Premises within managed shopping centres that pay a service charge have a BID levy of 0.75% of their rateable value. Businesses with a rateable value of £7,500 or less are exempt but can make a voluntary contribution.

Business Rates[8]

[8] http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/d/business_rate_supplements_localauthority_guidance.pdf

The Business Rate Supplements Act 2009.4 provides a discretionary power for councils to levy a supplement on the national business rate. Levying authorities will be able to retain the revenue raised from the supplement and use it to invest in additional projects aimed at promoting the economic development of their local area. The Act permits two or more authorities to co-operate to raise a BRS together, in order to deliver economic development on a larger geographical scale.

Local authorities are required to consider their proposals in light of relevant existing or emerging policy frameworks. The Act requires authorities wishing to levy a BRS to consult on proposals set out in a prospectus and to hold a ballot of business where revenue from the BRS is expected to amount to more than a third of the total cost of the project to be funded. There is no limit on the duration of any BRS. The duration of each BRS will be determined by the levying authority based on the funding needs of each project.

The Government recognises the need to maintain local flexibility over what specific projects will best promote long term economic development in an area. Examples of projects that the BRS may support includes BRS could provide a useful tool in facilitating the investment required to bring forward physical infrastructure projects, such as transport schemes.

Businesses are unlikely to favour higher business rates in the current economic climate, but the tool could be a useful option for cities in the longer term. There is however concerns that this tool may only be suited to large cities and large scale projects. In some parts of the country, the scale and type of businesses may not create a sufficient revenue stream to finance major investments. Where projects are smaller, it is unlikely that the wider business community would be willing to pay a business rate supplement that would benefit only one area.

Business Increase Bonus

Government has been drawing up proposals for a BIB – where growth in business rate yield exceeds a certain level, Local Authorities are able to keep the increase for 6 years. Will provide incentive to Local Authorities to seek long term sustainable growth in business rate base.

This is less than proposals for business rates to be retained locally (which is also being considered through the Local Government Resource Review).

6. Grants & Funds

Landfill Communities Trust Fund

Landfill Communities Fund: is regulated by ENTRUST and was set-up to oversee the distribution of funds generated from landfill tax in the UK. The Landfill Communities Fund is designed to help mitigate the effects of landfill upon local communities. The scheme applies only to projects within a set radius of an active landfill site. Grants are distributed by local Environmental Bodies (EBs), and in Worcestershire these include The Veolia Environmental Trust, WREN Ltd, Royal Society of Wildlife Trusts – Biffaward, CEMEX Community Fund Limited, SITA Trust, Derbyshire Environmental Trust, Warwickshire Community and Voluntary Action.

Case Study
Projects: Improvements to Evesham Cricket Club and Sports Clubs in Worcestershire

LCF funding - £254,009 through Evesham Cricket Club to fund 8 separate projects benefiting 7 sports clubs with grounds in Worcestershire. Work which has equally benefitted Evesham Rugby Club and Evesham Bowling Club, schools and the community, include major improvements to changing rooms, plus provision of disabled access and toilets. Repairing and resurfacing the access road to allow for all vehicles including school mini-buses was also achieved. Projects to improve the environment for community use include planting, water re-cycling, energy conservation and installation of solar panels to provide hot water for the showers.

Project - Tardebigge Community Hall Car Park, Worcestershire

LCF funding - £50,000 provided through Biffaward - The aim of the project was for the community to co-operate in improving access to its popular community hall and the surrounding countryside by creating a multi-purpose countryside access point with parking near the new hall, access from the road and sympathetic lighting, landscaping and planting.

The rural setting and Grade II listed church nearby meant planning restrictions were quite stringent and included a requirement for grasscrete surfacing, which made the project more expensive, but luckily the funding application for Biffaward was successful. The project qualified for LCF support under Object D: The provision, maintenance or improvement of a public park or other general public amenity.

Aggregates Levy Sustainability Fund (ALSF)

Aggregates Levy Sustainability Fund (ALSF): The ALSF was introduced to reduce the environmental impact of aggregate extraction and promote a more sustainable and environmentally friendly way of mineral extraction and waste management. Availability is restricted to areas affected by aggregates extraction, but some funding is obtainable in conjunction with award partners such as Natural England. Following the Spending Review settlement in October, the Government has decided to discontinue the Aggregates Levy Sustainability Fund programme of work after the current Financial Year ending 31 March 2011.

National Lottery Funds

- *Big Lottery Fund:* The aim of the fund is to provide money to good causes. The fund provides money to health, education and environment related projects.

- *Heritage Lottery Fund (HLF):* The HLF purpose is to be used to conserve and enhance heritage assets including nature reserves and parkland.

- *Access to Nature Grants* – Funded by HLF administered by Natural England. Funds improvements and access to the local environment.

- *Sport England:* The aim of Sport England is to increase participation in sport participation. Sport England are opening a number of funding programmes open to a wide range of organisations including sports clubs, voluntary or community organisations, local authorities, schools, colleges and universities. Applications to Sport England funds do however need to be backed by evidence such as a Playing Pitch Strategy or Sports Facility Strategy.

Protecting Play Fields

Is part of the Places People Play legacy programme and inlcudes £10 million of lottery investment to protect and improve existing pitches and to create new ones.

Sport England will run five £2 million funding rounds over the next 3 years investing sums of between £20,000 and £50,000 in schemes suc as buying new playing field land.

Reaching Communities Programme (Big Lottery Fund)

From December 2010, Community buildings within targeted urban and rural settings will be eligible for funding between £100,000 and £500,000 through the Reaching Communities programme.

Community buildings play an important role bringing people together and providing a space for a wide range of community activities to take place. Unfortunately many existing buildings are underused as a result of their poor condition.

BIG will be targeting funding to bring back some of these buildings into vibrant use. Community and voluntary organisations along with parish/town councils from the eligible areas are able to apply from the £75 million pot of funding which will be assessed on a rolling basis and an Eligibility Checker will be available online shortly.

Droitwich - A new community building has been opened in Droitwich having received nearly £400k in a Community Building grant from BIG. The Cutnall Green Centre was one of 28 buildings receiving funding totalling £8.3 million.

Voluntary and Community Sector

Many voluntary and charitable organisations may invest in and manage infrastructure from open space to community buildings and transport infrastructure. These organisations are often able to access sources of funding not open to public or private sector organisations and should be an important consideration in the make-up of funding avenues.

Case Study - Sustrans

The new Diglis Bridge over the River Severn for walking and cycling bridge was completed and opened in July 2010. Connect2 Worcester forms part of the national Sustrans Connect2 project to improve local travel in communities across the UK by creating new walking and cycling routes. The project was awarded £850k with matched funding of £1.5m for the construction of the bridge and putting £450k towards the connecting walk-cycle links from Worcestershire County Council. New paths that link to the bridge giving direct, convenient access have also been completed, including Weir Lane, Bromwich Parade and Slingpool Walk. The scheme has also been boosted by the resurfacing of the canal towpath from Diglis Basin, to the rugby stadium on the outskirts of Worcester, by British Waterways working closely with both the City and County Councils. Worcester City Council will be contributing an additional £1m which will be spent on developing the riverfront between the New Road Bridge and Diglis Island.

National Route 45 - Canal towpath route in Worcester resurfaced

Sustrans also secured the funding for the whole of the canal tow path in Worcester that carries National Route 45 from the River Severn in the city centre, all the way out to the rugby stadium on the outskirts to be resurfaced. The funding was secured from the Department for Transport and Cycling England, and the work was undertaken by British Waterways. Worcester City Council and Worcestershire County Council also assisted.

Community Generation Fund

The Community Generation Fund is a national fund created to provide a catalyst for the widespread development of community-owned renewable energy infrastructure.

The Fund aims to bring creation and ownership of renewable energy generation within the reach of those communities seeking to create clean energy, social engagement and a long term income source for the good of their community.

The fund is managed by the FSE Group, a fund management organisation, and lead partner National Energy Foundation (NEF). An initial £1.25 million is available through the support of initial Fund investors, Big Society Investment Fund and Esmée Fairbairn Foundation. Further investment is expected to follow.

Charities, Community Interest Companies, Industrial and Provident Societies, and Companies Limited by Guarantee may apply as long as the location of the main beneficiary group ranks within the 50% most deprived locations, as listed in the latest available Indices of Deprivation. The fund is particularly keen to receive applications from organisations within the 20% most deprived locations.

The fund offers loans of up to 75% of eligible costs for both pre-planning studies and construction. Communities can apply for:

- Development Loans which are contingently-repayable loans for design, environmental and other external costs involved in achieving the required planning and other consents/licenses.

- Construction Loans which are long-term loans for equipment, construction and commissioning costs (post planning consent) either stand-alone or alongside bank finance.

The Fund will consider project sizes from 25kWp capacity upwards, subject to assessment of technical viability, financial viability and social impact. The level of project typically is likely to involve total feasibility/pre-planning costs of £20,000-£150,000 maximum (depending on technology and scale) and construction costs of £250,000-£2,000,000 maximum.

European Funding

The European Union provides funding to member states for a wide range of issues. The two main mechanisms for funding are the Structural Funds and Community Initiatives both of which have a mainly economic and regeneration focus, although other more subject specific funding is also available. All funding has to be matched to some extent by the member state.

ERDF – West Midlands European Regional Development Fund 2007-2013

ERDF is a component of the European Union's Structural Funds. Structural Funds are monies allocated to regions to stimulate economic development. The West Midlands ERDF Programme will provide €400million of investment to create jobs and assist small and medium-sized enterprises from now until 2013.

The vision for the West Midlands ERDF Programme 2007-2013 is to achieve a significant increase in the productivity of the business base in the West Midlands; to reduce unemployment and inequalities; and ensure that the region's economic growth is achieved in a sustainable manner, which aids its transformation towards both a low-carbon and high-value added economy. Specifically, the programme seeks to assist 22,441 businesses to improve their performance, create 10,519 jobs and 2,495 new businesses and support the reduction of regional carbon emissions. In addition 3,288 businesses within the region will engage in new collaborations with the UK knowledge base as part of the Programme's determination to upgrade the regional economy.

The programme objectives are:

- Achieve a significant increase in the productivity of the business base in the West Midlands.
- Reduce unemployment and inequalities.
- Ensure that the region's economic growth is achieved in a sustainable manner.

The Programme's objectives are closely aligned with the West Midlands Economic Strategy (WMES) and the priorities identified by the region's Strategic Boards to ensure ERDF provides the necessary additional and focused resource to help achieve the shared goals for the region.

Programme level indicators are used to ensure the Programme's impact can be measured. Annual and mid-term programme reviews determine this impact and are expressed in terms of: (i) increase in Gross Value Added (GVA), (ii) increase in employment and (iii) reduction in carbon emissions.

The Programme is currently administered by Advantage West Midlands however on 1st July 2011, in line with the closure of AWM, the ERDF Programme with transfer management to the Department for Communities and Local Government (DCLG). The Programme will still be delivered in Birmingham.

The Programme is focused on five priority areas of activity and underpinned by the two Cross Cutting Themes Environmental Sustainability and Equal Opportunities.

- Priority 1 – Promoting Innovation and Research & Development
- Priority 2 – Stimulating Enterprise Development
- Priority 3 – Achieving Sustainable Urban Development
- Priority 4 – Developing Inter–Regional Activity
- Priority 5 – Technical Assistance

Currently the funding is awarded through competitive bidding rounds announced periodically against the priorities of the fund. The fund is open to all sectors, public organisations, private business, voluntary organisations and social enterprises and partnership bids are encouraged. Lead applicants are expected to provide match funding and demonstrate private sector leverage in their bid. There can be significant amounts of funding available depending on the scheme proposed.

Elena - European Local Energy Assistance

Established by the European Commission and the European Investment Bank ELENA is a European Facility aiming, through technical assistance, at supporting regional or local authorities in accelerating their investment programme in the fields of energy efficiency and renewable energy sources. It supports the local and regional authorities in contributing to the "20-20-20" initiative of the EU to reduce carbon emissions.

This grant support, provided within the framework of IEE II programme (Intelligent Energy Europe), covers up to 90% of the costs associated with technical assistance for preparing large sustainable energy investment programmes in cities and regions, which may also be eligible for EIB funding.

Urban areas represent around 70% of the energy consumption of the EU and studies show that there is a large investment potential to improve energy efficiency and to develop renewable energy in cities and regions, notably in buildings and urban transport.

Examples of investment programmes that can be supported by ELENA are; energy efficiency in public buildings, development of solar energy in public buildings, clean and energy-efficient public transport in cities.

The ELENA facility aims at a broader utilisation of innovative techniques, processes, products or practices. The intention is that the investment programmes supported can be replicated in other cities or regions in the EU.

Many EU cities and regions have recently started to prepare large energy efficiency and renewable energy proposals to tackle energy and climate change challenges. Many are still at the conceptual stage and their implementation is proving difficult because many regions and cities, particularly medium to small ones, often do not have the technical capacity to develop large programmes in this area.

In addition, public resources are generally limited, and therefore the involvement of the private sector through, for instance, Energy Service Companies (ESCOs) is frequently considered. This may lead to complex tendering processes exceeding the capacity of some public promoters.
ELENA aims at helping public entities to solve these problems by means of offering specific support, in order to facilitate the implementation of investment programmes.

Example: Birmingham City Council.

Will be applying for ELENA funding to support the delivery of the Birmingham Energy Savers programme. The initial implementation of Birmingham Energy Savers (Phase 3) will deliver eco-refurbishments to 10,000 to 15,000 private and social housing properties through a public/private partnership based on the UK Government's Green Deal legislation targeted to go live by 2012. Under this legislation householders can have energy efficiency measures completed on their properties at no initial cost to them. The costs of doing this are then recovered through a fixed charge on their energy bills over a period of up to 25 years.

Rural Development Programme for England - RDPE

Rural Development Programme for England, forms part of the Solutions for Business portfolio of publicly funded business support. It is a funding scheme for land based businesses (farmers, growers, foresters, and primary processors), rural tourism organisations and other small rural businesses.

The RPDE aims to safeguard and enhance our countryside, to improve the competitiveness and sustainability of our rural businesses, and help communities to thrive. The programme which runs until 2013 is funded jointly by the EU through the European Agricultural Fund for Rural Development (EAFRD) and the UK Government. In the West Midlands, the RDA has a budget of £53 million to deliver the social and economic development elements of RDPE.

The Vision of the programme is that by 2013 rural businesses in the West Midlands will be more sustainable, competitive and better connected to their markets, active management will have improved the rural environment and rural communities will have a better quality of life.

The strategic objectives of the programme are:
- Develop diverse, competitive and sustainable rural businesses that are better connected to their markets
- Capitalise on low carbon opportunities
- Maximise cultural offer and natural assets
- Invest in high value skills and employability of the rural workforce
- Develop more sustainable rural communities

RDPE is currently delivered through a number of activities including Strategic Investment Grant, Smaller Grant Schemes and LEADER.

A recent statement from the RDPE states that a series of changes will be made to the operation and delivery of the socio-economic elements of the Rural Development Programme for England 2007-13 (RDPE), which is currently delivered by the Regional Development Agencies.

Future responsibility for delivery of support for farming and forestry competitiveness, diversification of the rural economy and rural quality of life under Axis 1 and 3 of the RDPE, and for management of the community-led Leader approach, will transfer from the RDA to Defra on 1st July 2011. The support for Worcestershire will be based in the Defra Offices in Worcester to ensure continuity and consistency of delivery for authorities, and compliance with the relevant European regulations.

There will be a move towards a national approach to delivery of the Programme, with a clear focus on the Government's priorities for farming and forestry competitiveness and the needs of rural areas: managed nationally and delivered in a way which provides locally accessible support.

We will engage further with stakeholders and customers about changes to the Programme, building on the existing programme governance at the regional and national levels.

Following the Spending Review, the West Midlands budget has been revised which affects the Rural Enterprise Grant programme and Leader. The RDPE will work to ensure the funding available is focused on delivering against their key priorities for competitiveness and rural areas, whilst also beginning the process of putting in place the new nationally consistent approach to delivery in 2011/12.

Rural Enterprise Grant Scheme

The Rural Enterprise Grant (REG) is a small capital grants programme funded under the Rural Development Programme for England (RDPE), and has been investing in rural businesses since October 2008. It is available to farmers and specific rural micro-businesses in the West Midlands region.
Funds are available for eligible applicants for investments in environmental technologies, food and drink and tourism. Projects which are based on-farm and whose core activities support agricultural businesses may also be considered. The fund is available to farmers and specific rural micro-businesses within the West Midlands region. This covers:

- Farm businesses
- Members of farming households and
- New or existing businesses of less than 10 full time equivalent employees whose turnover is equivalent to less than £2m. The business will need to be located in the eligible area (determined by postcode).

Farmers and members of farming households may be eligible to apply for a wider programme of grant funding linked to farm diversification activities.

Eligible businesses can apply for up to 40% of costs in their proposal, which can be up to a maximum of £62,500. The remainder of the funding must be from non-public sources.

The Rural Enterprise Grant Scheme is administered regionally by Herefordshire Council. Since February 2009 the scheme has given over £560,000 of funding to Worcestershire rural businesses and helped ideas as varied as a new wedding venue and a spa facility get off the ground.

Whilst Worcestershire County Council is encouraging other businesses to see how the scheme could help them it should be noted that the programme is affected by the reductions in the regional RDPE budget allocation, the transfer of the RDA staff to Defra in July 2011 and moves towards a nationally strategy under Defra referred to above.

Case Study

Redhouse Barn, a corporate events and wedding venue in Bromsgrove, has been supported by the Rural Enterprise Grants scheme. Redhouse Barn has been a home and business for over 40 years. This is a unique development that not only thrives as a stand-alone business but also supported other local businesses in the area.

The funding received from the grant went towards the development of the catering kitchen and the eye-catching glass reception area. Redhouse Barn is also an environmentally friendly and sustainable site – a fresh water bore hole supplies all of the water.

The project provided work for local tradesmen and businesses throughout the two year development and now continues to support a whole host of businesses from local hotels, taxis, florists and photographers.

Inter Regional European Programmes

There are a number of inter-regional programmes which aim to enable co-operation between authorities and actors at the regional and local level from different countries in Europe in projects to exchange and transfer their experiences and jointly develop approaches and instruments that improve the effectiveness of regional development policies and contribute to economic modernisation.

Whilst these projects appear to be focused on the sharing of knowledge there are examples of projects that have funded physical infrastructure.

These funding streams require partners from different countries. The West Midlands European Service displays all those projects seeking West Midlands partners on their website. Potential partners submit expressions of interest and the lead applicant will use these to decide the partners for the project who will develop and submit the bid. For the majority of these types of programmes, the only cost to the authority is staff time. Due to the commitment required to lead a project, it is advisable to join an existing project rather than develop one of your own.

Example:

INTERREG IVC Interregional Territorial Co-operation Programme – EU 2007-2013.

The Operational Programme for interregional co-operation (INTERREG IV C) throughout the European Union sets a broad framework for interregional co-operation, and is one Europe-wide programme with a single management structure,

The Programme aims to enable co-operation between authorities and actors at the regional and local level from different countries in Europe in projects to exchange and transfer their experiences and jointly develop approaches and instruments that improve the effectiveness of regional development policies and contribute to economic modernisation.

The formal overall objective of the INTERREG IV C programme is:

"To improve, by means of interregional co-operation, the effectiveness of regional development policies in the areas of innovation, the knowledge economy, the environmental and risk prevention, as well as to contribute to economic modernisation and increased competitiveness of Europe."

This programme is designed to strengthen economic and social cohesion in the European Union by promoting interregional co-operation across the entire EU territory and neighbouring countries.

The programme is structured around two thematic priorities, grouping action fields that are important in helping to achieve a contribution from the regions of Europe to the Union's strategy for growth, jobs and sustainable development.

- Priority 1: Innovation and the knowledge economy
- Priority 2: Environment and risk prevention Funding

The EU budget for this programme is EUR 302 million.

Organisations, both UK and transnational, are eligible to apply through partnerships that involve partners who represent at least three EU Member States.

Organisations participating may be in the public, voluntary or community sectors, providing they have a legal constitution and are financially sound. This includes universities, not-for-profit organisations, and regional and Local Authorities.

The private sector can participate only at their own expense, or as sub-contractors. All parts of the UK are eligible to participate in this EU interregional programme.

Applications are made in response to Calls for Proposals published on the INTERREG website.

JESSICA (Joint European Support for Sustainable Investment in City Areas)

Is an initiative, developed by the European Commission (EC) and the European Investment Bank (EIB) in collaboration with the Council of Europe Development Bank, to enable sustainable regeneration activity to be delivered in Europe's urban areas.

JESSICA is an initiative developed to allow Member States to use monies from their Structural Fund Programmes to make repayable investments in urban development projects. This is a strategically important delivery mechanism as any return on investments can be used to support further urban development projects.

JESSICA works by allowing Member States to contribute resources from the European Regional Development Fund (ERDF), alongside contributions from other public and/or private sources, into an urban development fund (UDF). The UDF will then invest in public–private partnerships and other urban development projects (in the form of loan, equity and/or guarantee) that will help to enhance the sustainability of urban areas.

JESSICA can also be organised through 'holding funds' whereby the ERDF contribution is placed in a holding fund which has been set up to invest in more than one UDF.

Example: JESSICA in London: the London Green Fund

In October 2009, the Mayor of London and the European Commissioner for Regional Policy launched a £100 million JESSICA Holding Fund – the first in the UK. The fund comprises contribution of £50 million from the London ERDF Programme, £32 million from the LDA, and £18 million from the London Waste and Recycling Board.

In order to have a more coordinated approach to the funding of environmentally sustainable infrastructure projects it was agreed, in March 2010, to bring the proposed London Green Fund and the JESSICA Holding Fund together as a single fund. This single fund, which is known as the London Green Fund, will provide repayable investments for waste infrastructure, decentralised energy and energy efficiency projects.

The London Green Fund is being managed by the EIB, which is responsible for establishing two UDFs: one focusing on decentralised energy and energy efficiency and the other on waste infrastructure. They will launch an open procurement exercise to identify suitably qualified, experienced professionals to manage and invest the assets of the UDFs. Once established, project promoters/companies will be able to apply directly to the UDFs for funding.

The procurement process for the waste UDF commenced in April 2010 and it is estimated that it will be established in late autumn 2010. Please visit the EIB website for more information on the procurement process.

The procurement of the decentralised energy and energy efficiency UDF should commence in late summer 2010 with the aim of establishing the UDF in early spring 2011.

LIFE +

This programme runs form 2007-2013 and has the objective of contributing to the development and implementation of Community environment policy and of environmental legislation, as a contribution to promoting sustainable development. There are three strands: Nature & Biodiversity; Environment Policy and Governance; and Information and Communication.

Objectives have been set for each strand to support EU objectives and comply with EEC directives. Last year the total funding available to the UK was in excess of €19 million.

Eligible applicants are public and/or private bodies, actors and institutions, in particular:

- national, regional and Local Authorities;
- specialised bodies foreseen in the EU legislation;
- international organisations;
- non-governmental organisations.

Beneficiaries must be located in EU Member States and applications are made in response to Calls for Proposals published in the Official Journal of the European Union.

The European Commission announced that the 2011 call for proposals under the Life + Programme on 26th February 2011. This is now open for applications with a deadline for submission for the 18th July 2011. The Life + programme is the EU's main fund for supporting environmental projects. The Commission will be supporting projects under the following headings;

Nature and Biodiversity: The Nature & Biodiversity component continues and extends the former LIFE-Nature programme. It will co-finance best practice or demonstration projects that contribute to the implementation of the Birds and Habitats Directives.

Environment Policy and Governance: The Environment Policy & Governance component continues and extends the former LIFE-Environment strand. It will co-finance projects that contribute to the implementation of Community environmental policy, the development of innovative policy approaches, technologies, methods and instruments, the knowledge base as regards environment policy and legislation, and the monitoring of environmental pressures (including the long-term monitoring of forests and environmental interactions).

Information and Communication: This component will co-finance projects that implement communication and awareness raising campaigns on environmental, nature protection or biodiversity conservation issues, as well as projects related to forest fire prevention (awareness raising, special training)
The European Commission has also scheduled Information Sessions in each EU member state, in the national language, for potential LIFE+ applicants. The Sessions will provide valuable advice and guidance on what national authorities and the Commission expect from project proposals. Potential applicants are

advised to attend one of these Sessions, which will take place in February, March or April 2011.

Local examples of the use of this fund are set out below:

Organisation	Budget	Programme
Staffordshire Wildlife Trust	1,309,734 euros (£xx)	Connecting UK biodiversity action plan habitats and species in the North Staffordshire Living Landscape Area and beyond (nature and biodiversity)
Warwickshire Wildlife Trust	29,237 euros (£25,147.94)	Communication and education on biodiversity around Roman Roads.

Leader

An example of European Funding is the LEADER Programme. The LEADER Programme is a source of funding for farmers, foresters, rural businesses and community organisations. The funding is part of the Rural Development Programme for England (RDPE).

LEADER in Worcestershire[9]

The LEADER Programme has been set up to fund projects and initiatives that benefit rural areas and communities in rural Worcestershire. Projects must benefit populations in the rural wards of Malvern Hills, Wyre Forest and Wychavon and are open to Social enterprises, Parish Councils, Voluntary organisations, Formally constituted groups and Businesses.

Each project can apply for up to £75,000 and must contribute to at least one RDPE Measure as a requirement of the funding. Examples of measures include aiming to improve or maintain the living conditions and welfare of people living in rural areas. This should be done through the provision of more, and better, basic services.

Some examples of projects that could contribute include:

- Culture and leisure activities, such as places for displaying local art, festivals, recreational activities, sports grounds, parks and gardens;
- Development of community buildings to provide services;
- Renewable energy projects in community buildings, e.g. woodfuel-based heating;
- Support of ICT for community benefit.
- Small scale infrastructure projects to develop or enhance community buildings
- Developing or improving public amenity spaces
- Community ownership of services and facilities.

[9] http://www.worcestershire.gov.uk/cms/business/business-and-commerce/business-info-centre/grants-and-funding/worcestershire-leader.aspx

The Worcestershire LEADER Programme has supported many successful projects since it began in September 2009. Two themes that have emerged from the successful project applications are community buildings and community amenity spaces. Below are details of two such projects however there have also been many other successful projects such as the construction of a visitors centre at a nature reserve; the promotion of local businesses through an event and creation of a database and an outreach service for a toy lending service.

Rock Village Hall – Photovoltaic Panels
LEADER Funding awarded: £16,460
Total Project Cost: £76,300

Rock Village Hall Management Committee consulted extensively with the hall users and local community regarding eco-friendly solutions to improving the environmental sustainability of the hall. Photovoltaic panels were identified as the preferred solution. Successfully installed, the panels provide the electricity required by the hall users, as well as a surplus which can be sold on. The reduction in electricity bills is a saving that is passed onto the end users, and the panels reduce the carbon footprint of the hall by 60%. An energy monitor was also installed in the entrance to the hall so that visitors could see the effect of the panels; the committee hope this will inspire others to consider environmentally friendly technologies for their own homes.

Bowen's Field Community Project, Great Witley
LEADER Funding awarded: £44,745
The applicants contributed volunteer time to the project.

Great Witley & Hillhampton Parish Council were successfully awarded funding to make improvements to Bowen's Field; situated at the back of the Village Hall and in the centre of the village. LEADER funding enabled the surfacing of a footpath across the field, connecting two parts of the village and removing the need to walk and cross busy main roads. It also funded the development of the field into a community amenity area with a level playing area suitable for games, village events and use by youth organisations; benches and a picnic area; a wildflower meadow; a wetland area and a cherry orchard and planting of native tree species in the field and hedgerows. It is hoped that the newly completed project will bring a sense of identity to the local community; provide leisure opportunities for young people and conserve and enhance the natural environment with the reintroduction of species of trees and plants that have almost disappeared in this area of Worcestershire.

Note: The Leader team have received notification from Advantage West Midlands that the Leader budget will be reduced in 2011/12 and likely in 2012/13 as well. At this stage we have not been informed of the level of cuts, or the date by which we will be made aware of future budgets.

7. Finance

Prudential Borrowing

The Local Government Act 2003 introduced new freedoms and flexibilities for local authorities. One of the new powers allowed local authorities to borrow to invest in capital works and assets so long as the cost of that borrowing was affordable and in line with principles set out in a professional Prudential Code.

Since the prudential capital system began in 2004/05 £6.13bn[10] has been borrowed using the system. This has helped to maintain an overall increase in investment by local authorities despite the slowing of central government contributions to capital expenditure.

Whilst prudential borrowing can only be used as a source of capital expenditure, it could help authorities reshape services to meet changing demands. Prudential borrowing could have a role to play in helping deliver invest to save projects by enabling efficiency gains to be made from large scale projects to transform the delivery of services.

The LGA published *Using prudential borrowing: one year on*. This showed that prudential borrowing was being used to deliver: economic development and regeneration; better capital programming; cheaper funding options; better asset management; and innovation.

Cumbria County Council – improving access to new employment sites

As part of a wider PFI scheme Cumbria are using around £4million in prudential borrowing to pay for work on a motorway junction which aims to maximise the scope for developing a strategic employment site in Carlisle and improve transport links to support regeneration in West Cumbria. Through opening up the motorway at this junction it will also reduce through traffic in Carlisle, which is part of Cumbria's local transport plan.
This work was a necessity before a much larger PFI road scheme could be commenced. The timing of the junction work was crucial, as it had to be completed before other major work, being undertaken by the Highways Agency, was started. If it had not been funded from prudential borrowing the work would have been delayed for three years, which would also have delayed the PFI scheme.
Prudential borrowing gave the authority the ability to undertake this project within the timescales needed. If it had not been available the project would have been delayed which would have significantly impacted on regeneration within the area. It gave the council much more flexibility and the ability to develop better long term capital planning and better integration of revenue and capital budgeting.
However prudential borrowing is not seen as an unlimited resource; officers are expected to submit applications for support for capital projects and they are advised of the ongoing costs of minimum revenue provision (MRP) and interest, which will be a charge on their directorate budgets.

10 http://new.lga.gov.uk/lga/aio/22386

Whilst discussed separately within this paper, Worcestershire County Council's preferred method of prudential borrowing is the Public Works Loan Board (PWLB). If the option of Tax Increment Funding (TIF) were to be taken up then borrowing might also be secured through the PWLB. However given current financial constraints there are very limited prospects of significant prudential borrowing for new projects.

Public Works Loan Board

The PWLB considers loan applications from local authorities and other prescribed bodies and, where loans are made to collect the repayments and these loans are largely to local authorities requiring loans for capital purposes. The security for money borrowed by a local authority, together with interest, is charged indifferently on all its revenues; all securities created rank equally without any priority. Moneys are provided by Act of Parliament, drawn from the National Loans Fund and rates of interest are determined by the Treasury.

The two types of loan available from the PWLB are:

- Fixed rate loans, for which the maximum repayment period is 50 years and on which the rate of interest is fixed for the duration of the loan. Repayments for fixed rate loans are due at half-yearly intervals; and

- Variable rate loans, for which the maximum repayment period is 10 years, and on which the rate of interest may be varied at one, three or six month intervals. Repayments are made at intervals corresponding to that selected for the variation of the rate. Once an interval is chosen, it remains unchanged throughout the life of the loan.

The pooling of authorities' borrowing requirements into a single public offering can be beneficial in terms of both reduced borrowing margins and arrangement fees. There may however be hidden costs such as the early repayment of PWLB loans being more expensive and, thereby, raising the cost of debt restructuring for local authorities.

Tax Increment Funding (TIF)[11]

TIF is a mechanism for using anticipated future increases in tax revenues to finance the current improvements (such as new or improved infrastructure) that are expected to generate those increased revenues. In simple terms, it enables a local authority to trade anticipated future tax income for a present benefit.

The Government has introduced the concept of Tax Increment Financing in the Localism Bill. This would allow local authorities to capture the increase in income from business rates that would flow from infrastructure investment and borrow against this future income. The additional revenue generated would then be used to pay back the loan. This is a freedom under the Prudential Borrowing Code.

[11] http://www.bpf.org.uk/en/files/bpf_documents/BPF_TIFS_Paper_Final_A4.pdf

Tax Increment Financing is an investment tool for financing infrastructure and other related development. A version of TIF has been developed by industry and local government to work in a UK context. UK TIF is a national framework through which responsibility and power for local economic growth and renewal is given to local communities. The UK TIF model is based on reinvesting a proportion of future business rates from an area back into infrastructure and related development. It applies where the sources of funding available for a scheme to deliver economic growth and renewal cannot cover the cost of infrastructure required by the scheme.

TIF works on the principle that the supply of new or improved infrastructure usually leads both to new development and to an increase in the value of surrounding property, both of which serve to increase the level of property taxation in the area. Within a designated TIF district, this anticipated increased taxation (the 'tax increment') is captured and used to fund the infrastructure that has been provided.

A TIF scheme ring fences increases in property tax revenues arising from value uplifts resulting from improved infrastructure. The increased tax revenues are then used to repay borrowing needed to fund the enabling infrastructure.

The initial viability analysis is crucial in establishing whether there is a case for a TIF, and that expectations of development and resulting tax increment are realistic. It is essential, therefore, that the right expertise is deployed at this stage. This might involve a role for public audit.

- A TIF needs to have a comprehensive development plan so that piecemeal and uncoordinated development does not take place. In particular there needs to be clarity about what infrastructure is going to be provided.

- The relationship between the TIF and the local authority must be harmonious. TIFs must be established with the full backing of the relevant local authority. As a TIF is a long term project it would also be advantageous to seek cross-party support.

- TIF money needs to be spent on infrastructure investment that is most likely to encourage greater private sector investment. This is likely to include public transport links, roads, flood defences, utilities and other essential infrastructure.

A modified form known as Accelerated Development Zones (ADZ) could be adopted in the UK, which would work within the following key principles:

- It is designed to allow local authorities to 'participate in the growth dividend' – or, in other words, allow local authorities to capture incremental value in the form of tax revenue generated from new development.
- In order to do this, local authorities require the power to retain long-term local tax revenues generated from development, such as business rates, allowing funds to be raised for investments through securitisation of those revenues.

- ADZs would be defined physical areas, consisting of either a single or multiple administrative areas linked by a common infrastructure requirement.
- Within ADZs, local authorities could retain new business rates that are supplementary to the existing revenues for the area, and secure that income to raise funding for upfront infrastructure investment.
- Business rate growth would be captured and reinvested for a maximum of, for instance, 20 years or more or until finance raised to invest in upfront enabling infrastructure is repaid.
- Accelerated Development Zones are a form of TIF that could include ring fencing business rates for an agreed period of time, or attributing a proportion of any business rate supplement levy to projects specified within the ADZ.

Example: Birmingham ADZ
80 Local Authority's responded to the invitation to submit projects as possible pilots for ADZ.

<u>Limitations</u>:

1) Are tax revenues incremental e.g. are they displaced from elsewhere? Some methodologies for assessing if TIF delivers greater economic outputs than would otherwise be the cause.

2) Hypothecate – Government generally opposed to hypothecation believing decisions on revenue raising and spending should be separate.

3) Should public sector borrow to fund TIF schemes? – Local Authorities required to borrow prudentially to finance the upfront infrastructure cost. Some argue this debt only adds to national public sector borrowing and this may be in appropriate at a time of spending restraint.

4) Do risks outweigh benefits? – TIF scheme will only be successful if there are sufficient NNDR (business rates) to repay borrowing. Requires Risk Management Strategy.

5) The potential for TIF should be considered on a case-by-case basis, it will not be suitable for all schemes.

6) Enabling legislation is required and the Government announced in the Local Growth White Paper its intention to introduce TIF, along with a number other measures.

In the March 2012 budget the Chancellor announced that £150 million will be made available from 2013–14 for large scale projects in core cities to be financed through Tax Increment Financing.

Green Investment Bank[12]

The Green Investment Bank Commission's report "Unlocking investment to deliver Britain’s low carbon future" set out the challenges facing the UK’s transition to a low carbon economy, the market failures and barriers to investment and the case for intervention to address them. It proposed the establishment of the Green Investment Bank (GIB) to tackle the low carbon investment needs of the UK, working as a key part of overall Government policy.

In addition to ensuring the UK meets its legal decarbonisation targets, the case for intervention is supported by a number of arguments including:

- Ensuring energy security and future growth;
- Reduction of exposure to high and volatile fossil fuel prices;
- Creation of a large number of new businesses and jobs;
- Underlying externalities and market failures.

In May 2011 the government published an update on the details of the Green Investment Bank[13].

The government intends to make direct, state aid compliant investments in green infrastructure projects from April 2012. Once state aid approval is achieved and the final form of the institution is agreed with the Commission, will move to enshrine the GIB in legislation.

Big Society Bank

The government has published outline proposals for the Big Society Bank (BSB). The government intends the BSB to act as social investment champion with the public, stakeholders and investors. The policy framework for the BSB is set out in HM Government’s February 2011 document “Growing the Social Investment Market: A vision and strategy.

The government recognises that social sector, through its charitable investors and social organisations, already plays a significant role in tackling social issues. However its capacity to achieve maximum social impact is constrained by a number of factors including its inability to access investment capital and its heavy dependence on donor finance. The government considers that the removal of these constraints will enhance its capacity to deal effectively with important social issues such as boosting affordable housing and achieving affective mixed use of community facilities.

The BSB through its capacity to invest debt and equity, to co-invest with other investors and occasionally to protect investors against the risk of loss, will have

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[12] Green Investment Bank Commission's report "Unlocking investment to deliver Britain’s low carbon future"
http://www.climatechangecapital.com/media/108890/unlocking%20investment%20to%20deliver%20britain's%20low%20carbon%20future%20-%20green%20investment%20bank%20commission%20report%20-%20final%20-%20june%202010.pdf

[13] Green Investment Bank Update - http://www.bis.gov.uk/assets/biscore/business-sectors/docs/u/11-917-update-design-green-investment-bank.pdf

the ability to accelerate the establishment of diversified social purpose funds, such as venture funds, property funds, community asset funds, microfinance funds and funds that invest in social impact bonds. Such funds will provide social and management expertise as well as investment capital to social ventures capable of expanding to deliver significant social impact as well as a financial return.

It will provide long-term capital to support the growth of intermediaries and the infrastructure of an effective social investment market. Much of its investment portfolio will comprise assets whose returns are uncertain and whose liquidity is poor. In many respects, the closest parallel is a venture capital fund. The BSB will need to set an appropriate level of investment risk to achieve its social mission, while making sufficient financial returns to cover its operating costs and investment losses.

The BSB will not be a grant-making organisation. Funds deployed will therefore seek both financial and social returns. It is expected, however, that it will often partner with grant-making institutions such as the Big Lottery Fund (BLF), NESTA and foundations that share the BSB's objectives.

The government is mindful is mindful of the need for a wide regional spread of investments across the UK and this will be a factor in decision-making.

Local Asset Backed Vehicle (LABVs)

LABVs are a form of public and private sector partnership that allow public sector bodies to use their assets (usually land and buildings) to attract long-term investment from the private sector in order to deliver socio-economic development and regeneration.

They are designed to encourage parties to pool resources, such as finance, planning powers, land and expertise, in order to deliver regeneration with an acceptable balance of risk and return for all those involved. LABVs are increasingly being looked at as a potential model to help local authorities meet their regeneration aspirations.

In LABVs, local authority land assets are used to lever investment from the private sector by bringing together a range of public and private sector partners in order to pool finance, planning powers, land and expertise; to ensure an acceptable balance of risk and return for all partners; and to plan and deliver projects more strategically". LABVs are a valuable model, but they are relatively new and are not yet used widely around the UK, particularly in the north. One of the problems is the requirement for a significant set of land assets for the proposal to be attractive to the private sector.

One of the furthest developed LABVs is in Croydon, where Croydon Council and property developer, John Laing, signed a £450 million partnership deal in December 2008. The deal will regenerate four town centre sites, including the construction of two 40 storey towers with 650 new flats and a new headquarters for the council. The council is using its land assets to act as a partner in the deal and will receive a 50-50 share of the profits, providing it with enough money to pay for its new headquarters.

Models such as LABV's that have been used in recent years to lever in investment funding still remain valid. However in the current economic climate where the ability to create new risk sharing delivery partnerships has diminished due to increased risk, reduced expectations of value uplift and falling land values, models will need to adapt to the changing economic landscape[14].

Given the significant and long term financial constraints facing local authorities, the TIF model might be one way of raising finance for this type of investment. Other alternative, or additional, options include the joint European support for sustainable investment in city areas (JESSICA) scheme. It may be that this model is better suited to smaller more manageable projects is one option for minimising risk for all concerned.

Land Auctions

The Business Secretary Vince Cable MP has proposed the idea of 'Land Auctions' as part of the governments Growth Review. Land Auctions would be included in the review to act as an incentive to councils to make land that does not have planning permission available for house building.

The scheme would involve councils inviting local landowners to offer parcels of land for sale. If the local authority wishes to bring forward some of that land for development, the landowner and council agree a price. That land is then given planning permission and is auctioned to developers, with the council pocketing the difference.

Asset Management & Co-Location

Co-locating public and community services - in shared buildings or on shared sites - provides a number of advantages for both the community and for service providers. In the current economic climate and competing demands for space and resources means that a different approach towards locating services and facilities may be needed, especially if we want to ensure that infrastructure is provided in the most sustainable and accessible locations.

Integration of services can be a focus for on rationalisation of the public estate can be both a facilitator and a catalyst for transformational change and efficiencies. The Worcestershire Partnership notes that where cross agency property usage has been rationalised, revenue savings have been achieved[15]. Asset ownership is potentially an emotive issue that requires a collaborative approach to the use of assets in order to maximise the benefits, recognising that property usage has a cost.

[14] http://www.centreforcities.org/assets/files/APUDG6%20-%20Regeneration%20and%20the%20recession%20-%20FINAL.pdf
[15] Report of the Worcestershire Total Place Pilot 5 February 2010 http://www.worcestershirepartnership.org.uk/cms/pdf/TP%20FINAL%20SUBMISSION%20V1%202%20pdf.pdf

The Partnership's experience has been that implementing changes to the estate to facilitate transformational service change requires the injection of capital funding, and a number of issues arise as a result. They are

- The capital cost of new facilities more often than not exceeds the capital value of any assets released, so funding gaps have to be addressed by capitalising some of the projected revenue savings.

- Capital receipts can only be achieved after the investment has been made, so there is always a cash flow issue.

- The degree of difficulty in aligning finances for a joint project is directly proportional to the square of the number of partners.

- The PFI and private sector can be great sources of funding but both require financial commitment over a fundable period, (usually minimum of 20 years). Few public services are likely to remain predictably static for that period, so arrangements for change need to be incorporated into agreements. These change mechanisms are almost always disproportionately expensive, so this route can often offer a higher long term financial risk.

Prudential borrowing has enabled individual authorities to borrow sufficient funds to pump prime its own developments, but this route is more difficult where multi agencies are involved and the risks increase for the host authority.

The estimates below are based on an analysis of Worcestershire County Councils estate and the figures refer to premises related revenue savings. Past experience shows that these revenue cashable savings can be increased by a factor of 5 when service integration can be achieved. The property rationalisation therefore acts a catalyst for a transformational change.

Getting a measure of the scale of these potential benefits is difficult due to the gaps in the relevant data. The Partnership has therefore estimated this using the County Councils own operational portfolio as an example. The County's comprises:

Type	Number	Floor area m2	Property cost/m2	Total Cost pa
Schools	294	620,000	£50	£31m
Other operational	174	141,000	£68	£9.6m
Non operational	66	36,000	£3	£108k

Extrapolating this analysis to the whole of the Worcestershire public sector "operational" estate of approx 645 properties at the average property cost pa of £55k per property (£9.6m/174), the potential savings arising purely from reduced premises related revenue costs could range between £3m and £6m per annum after year 5. (see appendix 8). However, drawing on the experience gained on the County Hall & Wildwood accommodation changes (see case study), the service related and FM efficiency gains may be up to 5 times the property savings. Therefore the scale of the prize is expected to lie between £15m and £36m in revenue savings over a 5 year period.

It should be noted that over this period, the rate of savings achievable will not be even. A slow start is expected in the early years with savings gathering pace as the initiatives are implemented.

Asset Management refers to sale of local authority assets, in addition use might also be made of capital receipts from an unconnected project to fund capital investment, possibly in infrastructure. Local authorities are sometimes able to sell smallholdings they own for development, so promoting new development and generating capital receipts which can be used for investment.

Capital receipts are more difficult to predict. They depend on alternative development potential and the state of the property market. In addition, releasing properties for sale requires investment in replacement facilities. Despite replacement usually being less that "like for like", the cost of replacement often equates to or exceeds the total capital receipts. As a result the Partnership considers imprudent to predict achieving net capital receipts and that a proportion of revenue savings may have to be used to finance the capital expenditure needed to implement changes.

Co-location (the developers perspective)[16]

There is a growing emphasis on co-locating services to enhance the effectiveness and efficiency of service delivery.

Providing new social infrastructure facilities is one thing, maintaining them over the long term is quite another.

Getting capital funding often seems attractive and can sometimes be relatively easy to achieve but it is the revenue funding, which is harder to negotiate, that is key to achieving a sustainable asset over the long term. Understandably, developers are not prepared to take on open ended commitments to provide revenue funding for new facilities but want to have a clear exit strategy.

It is may often be much more cost-effective and more sustainable in the longer term to improve what already exists - either through upgrading assets or simply better management and use of existing facilities.

Securing local involvement in the ownership and stewardship of community assets is highly desirable and often key to long term viability. Running community facilities often depends on the active participation of committed local people. The process of community consultation can help local authorities and developers spot people with the inspiration and ability to take on a longer-term role. However, the ability of community groups and others to run a facility or service must be realistically examined.

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16 http://www.bpf.org.uk/en/files/bpf_documents/regeneration/Social_Infrastructure_Report__Final.pdf

Developers get frustrated at funding the capital cost of a community asset only to hand over its management and maintenance to a body that lacks the ability, the commitment or the resources to maintain it. This is why investment in the capacity of a new community at an early stage through, for example, the employment of a community development worker, can make significant inroads.

For all these reasons, it is imperative that issues relating to funding, management and ownership of new services and facilities are considered up front as these will have a key impact on project finances and the scope of appropriate planning obligations.

Enterprise Zones

The government intends to establish 21 new enterprise zones within local enterprise partnerships (LEPS) and Birmingham and Solihull has been named as one of the 11 LEP'S promised an enterprise zone. An initiative was agreed by the Worcestershire Local Enterprise Partnership in April proposing to invite expressions of interest for Enterprise Zones in line with the Prospectus issued by CLG.

The LEP will need to agree the location, sectoral focus and range of incentives within an Enterprise Zone and is seen as an important means through which to minimise local displacement of businesses and business rates (a criticism of the previous enterprise zones initiative in the 1980's). Local enterprise partnerships are viewed as being able to bring together a wider package of support, including working with local colleges, Work Programme providers and linking Enterprise Zones to current and planned infrastructure.

The geographical coverage of enterprise zones will be defined and agreed between the local enterprise partnership and Government. There is no single size for an Enterprise Zone, however the Government anticipates that most Enterprise Zones would be broadly 50 – 150 hectares, although this will depend on a range of factors, including the size of the area covered by the local enterprise partnership, the nature of the site, the size of business likely to be attracted, and the level of rates that would be foregone as a result. Similar constraints do not apply with all elements of the potential Enterprise Zones package however. The Government envisages that Enterprise Zones will generally be based on 'clean' sites, either previously developed or currently undeveloped land.

Enterprise Zones will benefit from a business rate discount worth up to £275,000 per business over a five year period. Business rates growth within the zone for a period of at least 25 years will be retained by the local area, to support the Partnership's economic priorities and ensure that Enterprise Zone growth is reinvested locally. Government support to ensure that superfast broadband is rolled out throughout the zone, achieved through guaranteeing the most supportive regulatory environment and potentially, public funding. Enhanced capital allowances are to be made available to help manufacturing, along with the prospect of using TIF.

Local authorities with an enterprise zone will provide discounts of up to 100% for every business within that zone, with the Government reimbursing the local authority the cost of the discount.

Discounts are limited by EU state aid law, up to a *de minimis* threshold of €200,000 over a rolling three-year period, the equivalent of approximately

£55,000 per year. The relevant local authority will be required to ensure that businesses do not receive greater levels of support. Each business will receive discounts for five years from the start of its occupancy in the Zone, providing it enters the Zone by April 2015.

Expression of Interest

In April 2011 the Worcestershire LEP supported by the Birmingham & Solihull LEP submitted an expression of interest for an Enterprise Zone for South Kidderminster Business Park.

The proposed enterprise zone included two concentrations of businesses within the South Kidderminster Park:

- Stourport Road Employment Corridor
- Worcester Road Employment Corridor

BDUK – National and Local Broadband Strategy.

The Government has the objective of stimulating private sector investment to deliver the best superfast broadband network in Europe together with increased coverage across the UK by 2015.

The Government's National Broadband Strategy "Britain's Superfast Broadband Future" was launched In December 2010 The strategy sets out the Government's vision for broadband in the UK, which is to ensure the UK has the best superfast broadband network in Europe by 2015.

The strategy sets out the Government's approach to investing the £530m secured as part of the TV Licence Fee settlement to help deliver superfast broadband into more rural and remote locations.

In delivering the BDUK broadband investment, Local Bodies (Tier 1 Local Authorities and Local Enterprise Partnerships) will have the prime responsibility for ensuring the appropriate delivery of broadband in their areas.

BDUK on behalf of DCMS (Department for Culture, Media and Sport) has invited first tier authorities and/or LEPs to prepare plans for broadband infrastructure upgrades. In order to secure the funding lead authorities/LEPs must develop a local broadband plan as part of their bid. Bids must be submitted by 18th April 2011 with announcement of successful bids in May 2011.

BDUK are not setting a guide speed for investments but would not fund projects that deliver below the stated 2 Mbps required for a quality home working experience or an ability to view the BBC iplayer. BDUK have not mandated speed or coverage targets but Instead expect local bodies to locally determine an appropriate balance between 'standard' (2 Mbps minimum) broadband and 'superfast', which is sufficiently ambitious while being based on potential availability of funding and an assessment of local needs and priorities.

BDUK will work with local bodies to provide support, advice, and, as appropriate, contribute funding to ensure that local broadband projects are developed and successfully completed.

BDUK will also facilitate the sharing of materials, experiences and best practice between local bodies. It will act as a liaison point with industry, and provide co-ordination at a national level from a programme perspective to ensure that the objectives for broadband as stated in the national strategy are achieved.

BDUK will provide support for projects that are awarded funding through the current award round and through the subsequent process.

BDUK does not envisage that it will have, or require, the power to mandate that local bodies undertake any specific activities. In line with the government's agenda on localism, local bodies will be responsible for the development, sourcing and delivery of their broadband projects.

Funding provided by BDUK is likely to be a capital grant for the Local Authority partner to deliver the broadband investment. It is currently assumed that BDUK funding will be via grants under the Local Government Act 2003 (subject to HM Treasury consent) covered by a standard form funding or grant agreement between BDUK and the receiving body. It is assumed that the actual grant/funding agreement is finalised/signed when the local body signs the contract with a supplier, but BDUK may issue a letter of funding intent – where necessary to expedite stakeholder approvals – and agree funding principles before contract signature.

The grant/funding agreement would set out how the funding is drawn down at key milestone implementation milestones: grant funding can be released ahead of expenditure but not in advance of need. The funding is controlled under the Managing Public Money framework, so the agreement would likely also need to include a monitoring regime and recovery mechanisms if objectives are not met, in order to effectively ring-fence the BDUK funding for the purposes of the broadband project.

The Local Broadband Plan will need to identify the potential phasing of any capital funding sought from BDUK. The bid for funding should sit within a BDUK advised notional grant of £60 per premise, which can be flexed to take account of factors such as topography, population density and network architecture.

BDUK wishes to see local commitment to the proposed project. All bids must therefore include a local financial contribution towards the overall costs of the measures put forward. Bids must identify whether the local contribution will come from local authority sources or external partners such as health authorities as well as the private sector. They should also describe whether any local contributions are in the form of a pure capital contribution to the overall subsidy or whether they are based on guaranteed public sector demand as an 'anchor customer' for the project. BDUK would welcome capital contributions from local bodies towards the cost of their broadband projects based on an 'invest to save' business case (for example, through the achievement of lower transaction costs as a result of increased customer interaction via the web).

The greater the overall contribution towards the costs (both in terms of capital and revenue funding) from local authorities and other local bodies as well as other external organisations, the more positively the bid will be considered in the assessment process.

Bids for funding are invited as part of the current award round from public authorities including tier one local government bodies and Local Enterprise Partnerships (LEPs). Public authorities should work closely with lower tier authorities especially at neighbourhood level. BDUK welcome applications covering geographical areas that cut across local authority boundaries in which case one authority should be identified as the lead authority, for administrative purposes and to receive the funding, with others as partner authorities.

The bid by a local body will be a completed Local Broadband Plan. This is a document which covers the broadband strategy, delivery plans for infrastructure upgrades and the outline business case for the overall desired investment. Therefore, the Local Broadband Plan is both a bid document and an outline business case for the project.

The Local Broadband Plan should set out the approach for improving broadband infrastructure within the whole of the local body's area, which is likely to involve a multi-phased project to be implemented between now and 2015. This would include both upgrades to superfast access and ensuring that everyone can get a basic level of service. In addition, local bodies will be expected to outline their aspirations for the period beyond 2015 to 2020.

The Local Broadband Plan will provide details of all the assumed funding that would be available (including from private sector, BDUK, EU etc) and the assumed funding profile up to 2015. Plans should be realistic about funding required and identify any dependencies or risks relating to funding.

Local bodies should consider the re-use of existing public sector networks as part of the solution where they provide an efficient means of improving household connectivity. Where appropriate, local bodies should describe how they intend to use their existing investments in public sector networks as well as how partnerships with the wider public sector (for example police and health) can be used to leverage the best superfast Broadband upgrades for their community. Where the use of public sector networks is not deemed appropriate, this should be stated explicitly in the Local Broadband Plan.

BDUK attaches importance to a wide spectrum of community participation in decision-making and delivery, with local bodies drawing on the ideas and expertise of the community. BDUK will treat positively in the assessment process those applications which have the support of community interests and have involved local communities as much as possible in their development.

Local bodies should also describe how the proposed investment will facilitate the continued drive to transform the delivery of public sector services by making as many services as possible available online as the delivery channel of choice. We intend to give priority to projects that seek deliver a range of outputs contributing to public service transformation, economic development and activities to tackle digital exclusion.

In order to enable universal access, local bodies will be able to determine the balance between ‘speed’ and ‘coverage’ in terms of the focus on next generation access and the need for ‘standard’ broadband (i.e. not less than 2 Mbps).

As part of the Local Broadband Plan, BDUK require an acceptance that project management is a dedicated job for a full time member of staff. The level of other staff resources that are required will vary according to the scope of the project but the submission should contain evidence that sufficient resources will be made available.

BDUK will select a number of successful bids based on their Local Broadband Plans for entry onto the Broadband Delivery Programme as part this Award Round. In assessing and selecting schemes, BDUK will take account of the agreed criteria which indicate that 40% weighting will be against the procurement strategy.

Once the selection process for this bidding round is complete, there will be no further official bidding rounds for BDUK investment funding. Instead, BDUK will move to a continuous process where local bodies will bid for funding within their own timescales. BDUK will look to use the same assessment criteria and assessment process for this as used for this bidding round.

Local bodies that are not successful at the first stage will be shortlisted and encouraged to address the feedback supplied by BDUK; revise their LBP bid and within agreed timescales then re-submit the bid under the continuous process of getting bids ready to enter the programme. Where appropriate, BDUK may choose to guide and support these local bodies more closely to ensure their future success.

BDUK recognises that local bodies will be at different levels of readiness to apply for funding at this point in time and so after the current award round ends BDUK will operate a continuous process where local bodies will bid for funding within their own timescales. In practical terms this will mean that any local authorities and other local bodies who are not able to meet the timescales laid out for producing a Local Broadband Plan as part of this bidding round will be able to submit a Local Broadband Plan (i.e. a bid for funding) from the second quarter of 2011-2012 onwards as soon as they are ready to do so.

All local authorities and other local bodies who are not yet ready to bid as part of the Spring 2011 award round but intend to submit a bid (i.e. a Local Broadband Plan) during the remainder of 2011-2012 should complete an expression of interest form (see LARC ‘Spring 2011 workspace or DCMS website). This document will not be binding in any way on either party. Its purpose is to enable BDUK to undertake planning activity and estimate funding requirements based on likely demand from local bodies.

Four superfast broadband pilots are currently underway, including one in Herefordshire. Officers developing the initial stages of the broadband plan have met with Herefordshire in order to embed the learning form the pilots in the Worcestershire Local Broadband plan and bid.

8. Points for Consideration and Questions

In identifying and discussing the potential funding mechanisms for the delivery of infrastructure it is also necessary to recognise the changing landscape in a time of fiscal restraint and policy revision. It will therefore be necessary to keep a watching brief on National and local investment plans and implementation programmes and priorities under review, to make sure that they are appropriate to meet the sub-regions needs. Representation to these plans and programmes may be needed to ensure that any additional requirements or adjustments are recognised and addressed by the relevant body.

Uncertainty around and challenge to CIL

There are potential legislative changes to CIL and in addition there are potentially a number of legal challenges to the application of CIL. It may be necessary to delay work on CIL until the situation is clearer, or continue to timetable with the potential that the work will be abortive or need to be amended.

Trigger Point for Contributions

Previously large developments contributed towards infrastructure provision, whilst small developments rarely did so. The cumulative effect of small developments in rural villages and towns are gradual they have a significant impact on the infrastructure. A mechanism is therefore required to share the burden and is particularly important if development is to be accompanied by adequate new infrastructure. The infrastructure steering group will therefore need to decide the quantum upon which development will be required to make contributions toward infrastructure.

Viability (for further information please refer to the viability research paper)

The Community Infrastructure Levy Charging Schedule sets the contribution required from developers for different categories of development, in different locations. Evidence will be required on the economic viability of requesting contributions from development i.e. residential development, industrial, business, retail or leisure related developments. It may therefore (subject to appropriate assessment) be necessary in certain circumstances to establish a ‘nil’ Levy rate. Where such developments have a significant impact, developer contributions may instead be sought through planning obligations.

An appropriate assessment of viability will therefore be required across the sub-region to determine the viability of requesting CIL and to identify development types and areas where a ‘nil’ levy rate may be appropriate.

Administration

It is clear that a number of the mechanisms identified within this paper will require a comprehensive monitoring, reporting and feedback processes to be established for example the need to complete monitoring reports for CIL and to publish these annually on local authority websites. A number of authorities across the country have dedicated S106 or Planning Obligations Officers.

Administration Fees

The Infrastructure Steering Group will need to give consideration to what governance, administrative and monitoring structures will be put in place to charge, collect and monitor CIL. There will need to be very clear and transparent corporate processes for administering the funds. This should include collaboration between partners to allocate and prioritise spending. The infrastructure planning process and the resultant delivery programme underpinning the CIL charging schedule will form the basis for allocating CIL spending in a clear and transparent manner.

The Infrastructure Steering Group will therefore need to determine administration fees for infrastructure contributions. Authorities are required to record and publish details of contributions collected and to which infrastructure items these funds have been allocated annually (see discussion on CIL for further details). The CIL allows authorities to levy an administration fee of up to 5%.

Shropshire Council

The Council (through its planning obligations officer) will track compliance with each provision contained in a legal agreement as a development proceeds to ensure that all service departments are spending financial contributions and completing non-financial obligations in accordance with the terms of agreements. In order to provide this service, the Council will levy an administration charge on each legal agreement equivalent to 2% of the value of the contribution, unless agreed otherwise with the applicant. This will be in addition to the normal costs and any external specialist advice costs required for processing and completing the legal agreement.

Capacity Building

The previous chapters and table in appendix 3 highlight the complexity of mechanisms available for both capital and revenue funding of infrastructure. In developing an infrastructure funding strategy it is perhaps clear that a more proactive, joined –up and co-ordinated approach will be required to infrastructure funding between a number of partners and stakeholders.

Funding mechanisms such as CIL, S106 or the New Homes Bonus will require an understanding of community aspirations alongside the need for monitoring and administration of fees.

Whilst European funding offers opportunities to capitalise on the large sums of money that are available, this will require dedicated staff able to submit applications or bids for funding that are complex and often at short notice.

This will however require additional capacity and skills to those currently available. A proportion of this cost may be offset by the ability to administer admin charges (as per CIL) or by the allowance for staff cost within European schemes such as INTERREG.

Co-ordination of VCS

It is clear from this research that there are many potential opportunities for Voluntary and Charitable organisations to access funding that can deliver improvements to both the environment and to infrastructure provision including Lottery funding and central grant funding. These funding avenues are often not available for Local Authorities to access. The Infrastructure Steering Group will need to work with VCS to explore opportunities for a joined up and co-ordinated approach across the county to maximise these opportunities particularly for rural communities.

Note: an illustration of points for consideration/discussion is included in appendix 1.

Questions

Having read the Paper and attached appendices could you please answer the questions below and return to hwyld@worcestershire.gov.uk

1. **Have we identified the appropriate funding mechanisms/streams, if not please identify those we have missed?**

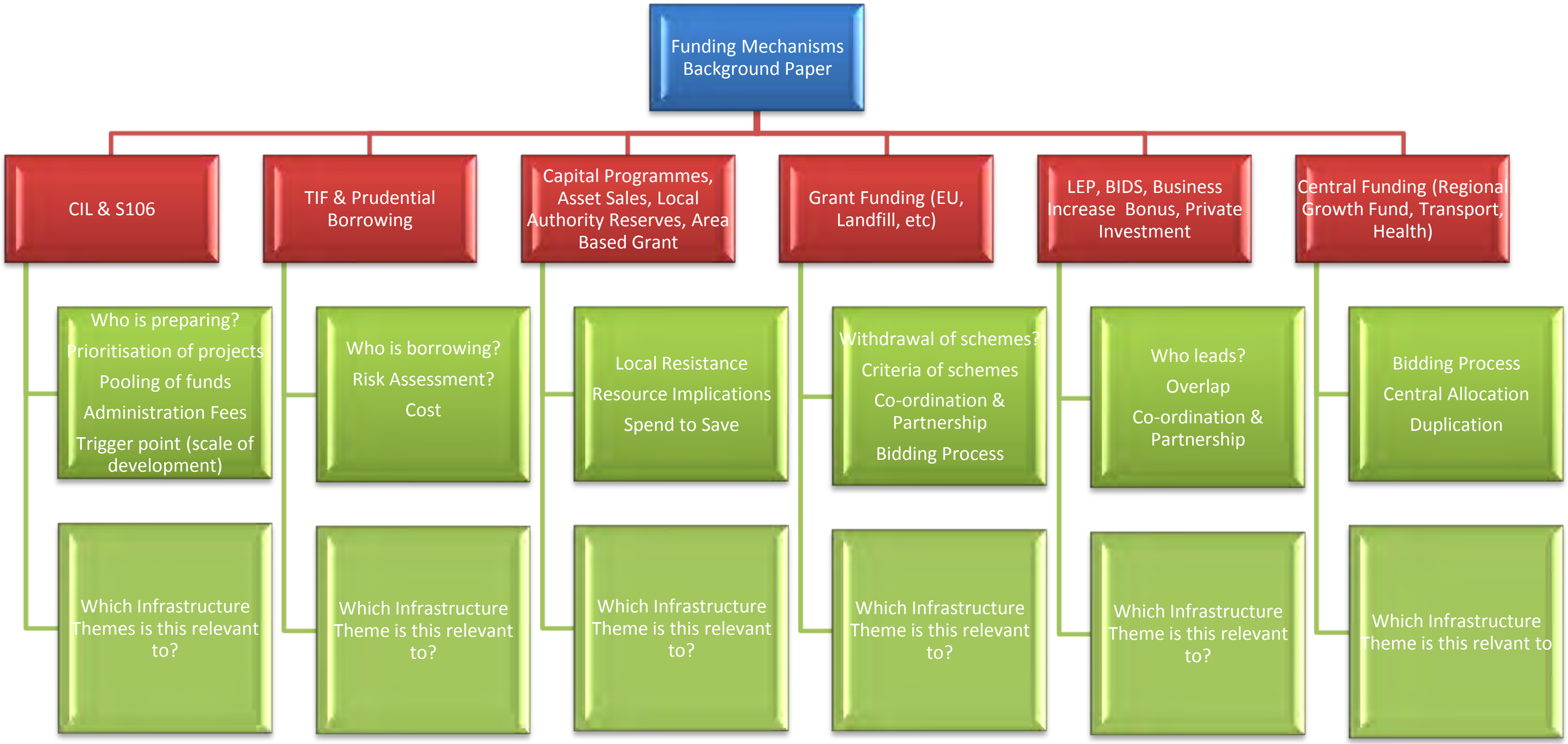
2. **How do you anticipate funding your future capital infrastructure schemes?**

3. **Reflecting the complexity of mechanism illustrated do you feel our interpretation is correct?**

4. **Have we identified the primary constraints and opportunities in the table in appendix 2?**

Additional Comments:

Appendix 1 - Next Steps



Appendix 2 - Funding Mechanisms Limitations and Constraints

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
Developer Contributions (CIL)	Negotiated as part of planning consent. Needed to enable the development or as planning gain.	In place by 2014	Affordable to development. To fill the funding gaps that remain once existing sources have been taken into account. Not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development. Administration costs authorities are required to monitor and prepare annual report with details of receipts expenditure and infrastructure funded.	Used to increase the capacity of existing infrastructure or to repair failing existing infrastructure. Can pool revenue from the levy. Charging authorities (District Councils) can recover the costs of administering the levy.	District Council/developer
Developer Contributions (S106)	Negotiated as part of planning consent. Needed to enable the development or as planning gain.		Planning obligations cannot be used for items already funded by CIL. Administration costs authorities are required to monitor and prepare annual report with details of receipts expenditure and infrastructure funded.	Can be used to fund affordable housing and services or revenue payments. Can be pooled up to 5 developments where infrastructure is not intended to be funded by CIL.	District Council/developer
Regional Growth Fund (RGF)	£1.5bn fund over two years. Round 1 closed 21.01.2011. Massively	Round 1 - closed Feb 2011. Round 2 – not for	A minimum bidding threshold of £1m applies. To support move from	S106 funds can be used to match fund private sector	Central Government

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
	over-subscribed.	infrastructure.	public sector to private sector employment creates jobs. Bids must demonstrate that the Fund will create long term growth by levering private sector investment and jobs.	contributions.	
New Homes Bonus	Extra Council tax receipt on new homes. To be split 80/20 (district/county) to help local communities to meet costs of development.	First payments 2011/2012 ongoing for 6 years.	Some districts have allocated spend on anticipated receipts already. Benefit must be local. Lag time in receipt of affordable homes element. Expectation that local councillors will work with communities and neighbourhoods affected by housing growth to understand priorities for investment and to communicate how the money will be spent. Un-ring fenced. If oversubscribed may be subject to claw back from Local Settlement resulting in no net gain. Un ringfenced.	Payable for six years. Development delivers a return.	District/County
Local Transport Capital Settlement (Integrated Transport Block)	Funding for transport authorities for small improvement schemes less than £5 million. Schemes include - small road projects, road	Allocated to 2014/15		Not ring-fenced, can be spent in accordance with local priorities.	Local Transport Authority

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
	safety schemes, bus priority schemes, walking and cycling schemes and transport information schemes.				
Local Transport Capital Settlement (Highways Maintenance Capital)	Covers major resurfacing, maintenance or replacement of bridges/tunnels and occasional reinstatement of roads following natural disasters.	Allocated to 2014/15		Not ring-fenced, can be spent in accordance with local priorities.	Local Transport Authority
Local Sustainable Transport Fund	Local transport can apply for funding to support the cost of a range of sustainable travel measures.		Bidding process. Need to meet criteria of supporting economic growth and reducing carbon.	Authorities will be able to bid for small packages of under £5 million and larger packages of up to £50 million over the Fund period.	Local Transport Authority
Community Transport Fund	£10-million of funding to be distributed to rural local transport authorities to kick-start the development of community transport services.		Small amount when split across all authorities.	Will complement the Local Sustainable Transport Fund	Local Transport Authority
Business Improvement District	A defined geographical where ratepayers invest collectively in local improvements in addition to those delivered by local Government. Worcester City BID is funded by a 1.5% levy on	No set time span introduced by business groups	Spend of income has to be identified prior to BID vote.	Additional investment does not replace rates.	Local businesses.

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
	the rateable value of most businesses in the area.				
Business Rates/Business Increase Bonus	Business Rates normally levied centrally and redistributed by government. The Business Rate Supplements Act 2009.4 provides a discretionary power for councils to levy a supplement on the national business rate. Levying authorities can retain the revenue raised from the supplement to invest in additional projects aimed at promoting the economic development.		Businesses are unlikely to favour higher business rates. My only be suited to large scale projects. The scale and type of businesses may not create a sufficient revenue stream to finance major investments. Business community may be unwilling to pay a business rate supplement that would benefit only one area.	Additional income. Authorities can group together to create levy.	District/Business community.
Tax Increment Finance	Enables local authority to borrow based on anticipated growth in tax base from development.	Consultation not expected until late 2011.	Risk to councils if tax revenues do not materialise as expected An increase in net public sector debt. It may be difficult to prove that uplift in business rates are additional, not simply caused by businesses relocating from one area to another. May require long periods (up to 25 years) for enough tax to be generated to pay off loans.	A new source of funding for projects that may otherwise be unaffordable The ability to finance infrastructure in advance of housing developments A potential confidence boost for an area, making it more	Local Authority/Local Businesses

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
			TIF schemes may be used for areas where redevelopment would happen anyway. Meaning that the extra tax generated is used up paying off loans, rather than being available as revenue. May attract development to certain areas at the expense of other parts.	attractive to investors.	
Prudential Borrowing	Allows local authorities to borrow to invest in capital works and assets.		Can only be used as a source of capital expenditure. Revenue implications as authorities have to meet the interest and repayment costs of the borrowing. Can be more difficult where multi agencies are involved	Enable long term strategic planning of infrastructure.	County Council
Green Investment Bank	The aim is for the bank to support low-carbon and renewable energy infrastructure projects by raising equity and debt finance.	Due to commence April 2012	Current uncertainty of banks mechanisms and structures. May see pooling of existing government funds and grants i.e. Carbon Trust. Reducing other potential sources of funding. Revenue implications as authorities have to meet the interest and repayment costs of the borrowing.	Opportunity to sell energy and benefit from The Renewable Heat Incentive, Feed in Tariffs and ROC's would off- set some cost creating a sustainable model for rolling investment i.e. ESCO.	Local Authorities, Business, Communities.
EU Funding	A suite of mechanisms to		In some cases complicated	Able to attract	Local Authorities,

Funding Source	Brief Description	Time period	Limits/Constraints	Opportunities	Decision with
• JESSICA • INTERREG • ELENA • ERDF • RDPE	fund interventions at a variety of scales and for a number of infrastructure typologies.		application process or bidding rounds. Requires specialist knowledge of funding EU funding mechanisms and laws. May require dedicated posts. Some schemes may be subject to withdrawal or re-prioritisation.	large sums of funding. Able to couple with other sources of funding i.e. private sector, TIF etc. Funding can cover cost of posts research.	Business, Partnerships.
Local Asset Backed Vehicle	LABVs are a form of public and private sector partnership that allow public sector bodies to use their assets (usually land and buildings) to attract long-term investment from the private sector in order to deliver socio-economic development and regeneration.		One-off receipt. May be subject to community objection. The capital cost of new facilities may exceed the capital value of any assets released.	Generation of capital receipt for re-investment. Co-location or sale of surplus or inefficient assets may generate revenue savings.	Asset owner
PWLB	The PWLB provides loans on both a fixed rate and variable basis.		There may however be hidden costs such as the early repayment of PWLB loans being more expensive and, thereby, raising the cost of debt restructuring for local authorities.	Opportunity to pool authorities borrowing into a single public offering can be beneficial in terms of both reduced borrowing margins and arrangement fees.	Local Authority

Funding Mechanism		**Infrastructure Type**																	
	Roads	Rail	Walking & Cycling	Water Treatment	Waste Water	SUDS/Flood Defence	Telecomms	Energy Infrastructure	Renewable Energy	Schools	Emergency Services	Health	Waste	Green Infrastructure	Sport & Recreation	Social Care	Community Buildings	Libraries	Religious
Community Infrastructure Levy[17]																			
County																			
District																			
S106 contributions																			
County																			
District																			
Regional Growth Fund																			
Growing Places Fund																			
New Homes Bonus Scheme																			
County																			
District																			
Local Transport Capital Settlement (integrated transport block)																			
Local Transport Capital Settlement (Highways Capital																			

[17] This funding mechanism has been split by County and District level in recognition of the requirement to reflect the priorities of communities in allocating funding.

Maintenance)																			
Local Sustainable Transport Fund																			
Community Transport Fund																			
Business Improvement District																			
Business Rates/Business Increase Bonus																			
EU - Interreg																			
EU - Jessica																			
EU – LIFE+																			
EU - Leader																			
RDPE																			
Public Works Loan Board																			
Tax Increment Funding																			
Prudential Borrowing																			
Green Investment Bank																			
Big Society Bank																			
Local Asset Backed Vehicle																			
Land Auctions																			
Asset Management																			
Enterprise Zones																			
BDUK																			
Big Lottery Fund																			
Heritage Lottery Fund																			
Access to Nature																			
Sport England																			
Landfill Community Trust Fund																			

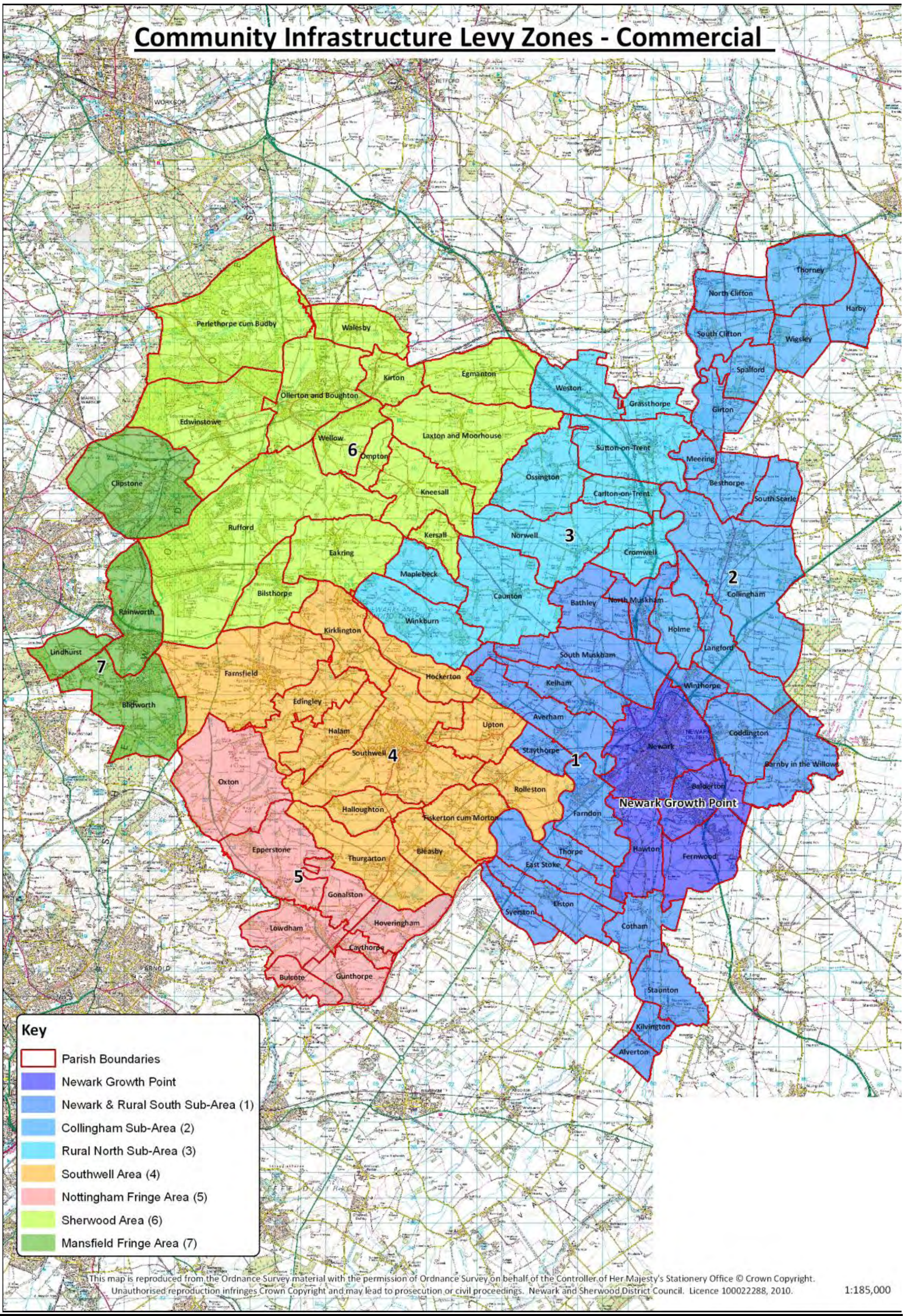
<u>Appendix 3: Funding Mechanism v Infrastructure Type</u>

Infrastructure	Funding Mechanism	Timing of Funding									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Renewable Energy	Regional Growth Fund										
	Round 1										
	Round 2										
	Tax Increment Funding										
	Public Works Loan Board/Prudential Borrowing										
	Green Investment Bank										
	EU – Jessica/Leader/Elena										
Energy Infrastructure	Regional Growth Fund										
Flood Defence/SUDS	Flood & Water Act										
	Flood Resilience Partnership Funding										
Waste Water											
Water Treatment											
Roads	Local Transport Capital Settlement (integrated transport block)										
	Local Transport Capital Settlement (Highways Capital Maintenance)										
Rail	Access for All										
	National Station Improvement Fund										
	Regional Funding Allocation										
	Railway Station Improvement Fund										
Walking & Cycling	Local Transport Capital Settlement (integrated transport block)										
	Local Transport Capital Settlement (Highways Capital Maintenance)										
	Local Sustainable Transport Fund										

	New Home Bonus
	Leader
	EU - Interreg
	National Lottery (various)
	Flood & Water Act
	Landfill communities Trust Fund
	Sport England
	EU - RDPE
	EU - Life +
Sport & Recreation	Sport England
Community Infrastructure	Landfill Communities Trust Fund
	Leader
	Big Lottery Fund
	Community Right to Buy
Schools	PWLB/Prudential Borrowing
	TIF
Health	
Waste	Green Investment Back
	EU - Jessica
Emergency Services	
Telecommunications	BDUK
	BIDS
Libraries	PWLB/Prudential Borrowing
	TIF
	Heritage Lottery Fund
Social Care	
Religious Buildings	

<u>Appendix 4: Table of Infrastructure type, potential funding source and indicative timing of funding programmes</u>

Appendix 5 – Example of Draft Charging Schedules



Newark and Sherwood preliminary draft charging schedule[18]

[18] http://www.newark-sherwooddc.gov.uk/ppimageupload/holding/Image96637.PDF

Table 1 – Proposed CIL Rates for Commercial Uses - £Sq metre

Commercial Zones	Hotel C1	Residential Institution C2	Industrial B1/B2/B8	Offices B1(a)	Large Retail/ Supermarkets	Small Retail (< 500sqm)	Community/ Institutional	Leisure	Agricultural
Newark Growth Point	£125	£0	£25	£0	£125	£100	£0	£0	£0
Newark & Rural South	£100	£0	£5	£0	£100	£75	£0	£0	£0
Collingham	£100	£0	£15	£0	£100	£75	£0	£0	£0
Newark & Rural North	£100	£0	£20	£0	£100	£75	£0	£0	£0
Southwell	£100	£0	£15	£0	£100	£75	£0	£0	£0
Nottingham Fringe	£100	£0	£0	£0	£100	£75	£0	£0	£0
Sherwood	£100	£0	£0	£0	£100	£75	£0	£0	£0
Mansfield Fringe	£100	£0	£0	£0	£100	£75	£0	£0	£0

Appendix 6 New Homes Bonus

The New Homes Bonus Scheme consultation document includes a calculation tool to enable estimate the potential fiscal benefits of proposed growth.

The tables below provide indicative calculations under two scenarios:

- RSS Phase Two Revisions – based on the proposed housing figures contained within policy CF3 and the indicative annual averages (see table 1).
- Corporate Strategy week assumptions – based on figures contained within corporate strategy week 'Future Thinking' report. These 'Current Status' figures include planned dwellings taken from Option 1 for South Worcestershire districts, and the West Midlands RSS Phase 2 Revision Panel Report for North Worcestershire districts (see table 2).

Table 1: WMRSS Phase Two Revision, Housing Proposals 2006-2026.

Planning Area	Proposal Total 2006 - 2026	Indicative Annual Average 2006-2026
Worcestershire	36,600	1,830
Bromsgrove	2,100	105
Redditch	6,600	330
Malvern Hills	4,900	245
Worcester City	10,500	525
Wychavon	9,100	455
Wyre Forest	3,400	170

Table 2: Corporate Strategy Week Assumptions – Current Status.

Planning Area	Proposal Total 2006 - 2026	Indicative Annual Average 2006- 2026
Worcestershire	25,200	
Bromsgrove	4,000	200
Redditch	4,000	200
Malvern Hills	2,200	110
Worcester City	5,900	295
Wychavon	5,100	255
Wyre Forest	4,000	200

Assumptions

In order to enable the use of the calculation tool a number of assumptions have made in relation to affordable housing, empty homes and gypsy/traveller pitches as described below (see also table 3):

- Affordable homes provision has been calculated as a percentage of the indicative annual averages in table 1 & 2 above per district drawing on emerging or adopted core strategies i.e. South Worcestershire, Bromsgrove & Redditch 40% and Wyre Forest 30%.

- Gypsy and traveller pitches have been calculated using the WMRSS Phase Three Revision Interim Gypsy Policy (*Policy 1A Local Authority allocation additional residential pitches 2007 – 2017*).
- Empty Homes have been calculated using either a mixture of targets within district authorities Empty Homes Strategies or by calculating a 4% reduction (in line with the national average) from the existing number of empty homes identified by district authorities.

Table 3: Illustration of Assumptions

District	Affordable	Empty	Gypsy/Traveller
Bromsgrove	80	10	2
Malvern Hills	44	10	3
Redditch	80	10	1
Worcester City	118	20	2
Wychavon	102	10	4
Wyre Forest	80	20	4

Calculations

Calculations have been made using the information above and using the online calculation tool to provide indicative estimates of the sums that could be delivered from the New Homes Bonus Scheme for each authority and the county council.

Example 1 - WMRSS Phase Two Revision, Housing Proposals 2006-2026.

Authority	Phase 2	Affordable	Gypsy	Empty	Gross 6 yrs	p.a.
Bromsgrove	105	42	2	10	1,100,000	183,333
Malvern Hills	245	98	3	10	2,437,000	406,166
Redditch	330	132	1	10	2,837,000	472,833
Worcester City	525	210	2	20	4,510,000	751,666
Wychavon	455	182	4	10	3,898,000	649,666
Wyre Forest	170	51	4	20	1,561,000	260,166
						2,723,830

Worcester - shire	2011 - 12	2012-13	2013-14	2014-2015	2015-2016	2016-2017	2017-2018
Year 1	2,723,830	2,723,830	2,723,830	2,723,830	2,723,830	2,723,830	
Year 2		2,723,830	2,723,830	2,723,830	2,723,830	2,723,830	2,723,830
Year 3			2,723,830	2,723,830	2,723,830	2,723,830	2,723,830
Year 4				2,723,830	2,723,830	2,723,830	2,723,830
Year 5					2,723,830	2,723,830	2,723,830
Year 6						2,723,830	2,723,830
Year 7							2,723,830
Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
	2,723,830	5,447,660	8,171,490	10,895,320	13,619,150	16,342,980	**57,200,430**

Localised Split @ 20% (cumulative)

20%=	**544,766**	**1,089,532**	**1,634,298**	**2,179,064**	**2,723,830**	**3,268,596**

Example 2 - Corporate Strategy Week Assumptions – Current Status

Authority	Housing	Affordable 40%	Gypsy	Empty	Gross 6 yrs	p.a.
Bromsgrove	200	80	2	10	2,028,000	338,000
Malvern Hills	110	44	3	10	1,139,000	189,833
Redditch	200	80	1	10	1,745,000	290,833
Worcester City	295	118	2	20	2,600,000	433,333
Wychavon	255	102	4	10	2,549,000	424,833
Wyre Forest	200	80	4	20	1,853,000	308,833
						1,985,665

Worcester - shire	2011-12	2012-13	2013-14	2014-2015	2015-2016	2016-2017	2017-2018
Year 1	1,985,665	1,985,665	1,985,665	1,985,665	1,985,665	1,985,665	
Year 2		1,985,665	1,985,665	1,985,665	1,985,665	1,985,665	1,985,665
Year 3			1,985,665	1,985,665	1,985,665	1,985,665	1,985,665
Year 4				1,985,665	1,985,665	1,985,665	1,985,665
Year 5					1,985,665	1,985,665	1,985,665
Year 6						1,985,665	1,985,665
Year 7							1,985,665
Cumulative Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
	1,985,665	3,971,330	5,956,995	7,942,660	9,928,325	11,913,990	**41,698,965**

Localised Split @ 20% (cumulative)

20%=	**397,133**	**794,266**	**1,191,399**	**1,588,532**	**1,985,665**	**2,382,798**

Sources

http://www.agma.gov.uk/cms_media/files/gm_lip2_executive_summary.pdf