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ECO-TOWNS

STRATEGIC DELIVERY ISSUES

Final Draft

Summer 2009

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Note

This paper has been prepared for Communities and Local Government by our external advisers as part of the supporting appraisal on eco-towns.

Summer 2009

Eco-towns - Strategic Delivery Issues

1 Overview and context

As part of the work undertaken to support the financial viability assessment Communities and Local Government (CLG) requested its external advisers to prepare a paper to look at new approaches on generic delivery issues for eco-towns, as proposals get taken forward. This paper on Strategic Delivery Issues provides a general commentary and looks at options for different delivery mechanisms. It is not specific to individual eco-town proposals and the purpose of the advice is to set the context for further more detailed consideration by promoters and local planning authorities later in the process when work begins on taking proposals forward. **This paper has been prepared by the Department's external advisers and is not a statement of Government policy on the issues discussed.**

2 The Department's advisers

This paper was produced by our external team of advisers led by PricewaterhouseCoopers LLP (PwC), and including DentonWildeSapte (DWS), providing planning related inputs.

3 Introduction

Promoters and their respective Local Planning Authorities (LPAs) have been encouraged by the Department to agree a statement of intent (a plan) for how their schemes are to be progressed up to and including the submission of an outline planning application. Guidance on this has been provided by the Advisory Team for Large Applications (ATLAS) and is available from their website –

<http://www.atlasplanning.com/lib/liDownload/445/ATLAS%20Statement%20of%20Intention%20Guidance.pdf?CFID=551923&CFTOKEN=71446843>

This section considers how the Communities and Local Government (CLG) and LPAs might ensure that the eco-town schemes deliver on the promise of their proposals once outline planning permission is granted. It is important to note that the bulk of history of “new town” development in the UK has involved some form of local delivery vehicle under either majority public sector ownership and/or control or in some other form or “partnership” where the roles and responsibility of the public and the private sectors are clearly set-out, be this as:

- **Statutory bodies** - Urban Development Corporations (UDC) or New Town Development Corporations (NTDC)

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- **Non-statutory legal entities** – Urban Regeneration Companies (URC), Pathfinders or Limited Liability Partnerships (LLP)
- **Other partnership form** – one of a myriad of other forms of joint venture or local partnership

These approaches have proliferated because they act as “multi-agency” partnerships that seek to:

- drive growth and bring forward major new developments in order to deliver sustainable communities
- co-ordinate delivery (particularly between public and private sectors and amongst public sector actors)
- use returns from value uplift to invest in enabling infrastructure and other improvements

They have generally embodied the following key qualities:

- single purpose body committed to sustainable development
- power to assemble land
- power to capture development values
- power to invest either through land or cash

Importantly, the majority of delivery vehicles have been initiated and established by the public sector typically through leveraging public land and/or property holdings and/or investment in remediation or infrastructure. The majority of the eco-town schemes considered in this report start from a somewhat different place. The land is often under the ownership or control of a private sector developer and the promoters of the schemes are generally assumed to be seeking to maximise the returns to shareholders and funders whilst delivering an eco-town scheme. Therefore, it is reasonable to assume that there will be some significant negotiation between promoters and local planning authorities to ensure that the new development fits well within the local planning context and community aspirations and that its impact is suitably mitigated and that sufficient financial contribution is secured from the development to pay for additional infrastructure required to support the new community. However, eco-towns also present a complex challenge from a public sector delivery perspective and, therefore, it is also reasonable to assume that the promoters of the eco-town (and their funders) would wish key public sector agencies to work together as a coordinated group and to commit (as far as they can) to their ‘side of the deal’ in the successful delivery of the scheme. In general terms, and in the absence of any other mechanism, planning law and s106 is the main tool available to LPAs to control and guide delivery and to secure financial contributions from developers. The question therefore is whether these tools are sufficient to deliver the optimal outcome from individual eco-town schemes?

The remainder of this section begins by considering the potential opportunities and limitations of the use of traditional s106 obligations to secure the delivery of the objectives underpinning the proposals in the shortlisted eco-town

locations¹. It then considers an alternative approach based on a delivery vehicle model that could be established, either alongside a s106 agreement, or as an alternative, to deliver individual schemes' stated objectives.

4 How can local authorities maximise the potential of section 106 arrangements?

The schemes proposed by promoters for eco-towns are large, complex and ambitious developments of high aspiration. The proposals submitted to CLG aim to create exemplars across a range of areas, including for example, environmentally sustainable building and infrastructure standards, with the expectation that the eco-town schemes will positively influence the wider planning and construction industry. As a result of the scale and complexity of these proposals there are concerns regarding the potential to secure delivery of these objectives through the traditional system of s106 planning obligations. There is also a requirement that public sector actors are able to coordinate effectively their role in the delivery process including the funding and timely delivery of, for example, social infrastructure.

Indeed, the efficacy of section 106 (s106) obligations as a delivery tool for eco-towns has been questioned by a number of participants in the process to date, and for a number of reasons, including:

- The concern that LPAs may not have adequate resources or expertise to negotiate, monitor and enforce the necessary obligations to achieve the eco-town standards, as well as the complex range of other provisions necessary for any development on this scale.
- The concern that s106 obligations do not engender in landowners and developers the degree of long-term investment which is required to ensure a successful and sustainable eco-town.
- The concern that s106 obligations are inadequate to realise sufficient co-operation between all parties to ensure that the vision and delivery of the scheme is achieved by way of a shared and collective approach.
- A concern that s106 obligations could ineffectively and unfairly allocate development risk between the various parties.
- A concern that s106 obligations are often difficult to negotiate, monitor and enforce where necessary.

4.1. How can LPAs maximise the potential of s106 obligations?

S106 obligations are used most frequently to regulate the payment and use of financial contributions towards the cost of mitigating the impact of development on existing or new infrastructure. S106 obligations are, however, not just about money, but can also restrict the development or use of land, require specified operations or activities to be carried out in, on, or under land and require the land to be used in a specified way. S106 agreements can also

¹ Those proposals assessed in the Financial Viability Study (March 2009).

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be used to oblige parties to work together to establish and operate a management company or trust to regulate (certain aspects) of the development. They can provide an opportunity for LPAs or other stakeholders to be represented within the company or trust and set out the roles and responsibilities of the management company or trust. In this sense, s106 obligations can be seen as flexible.

Box 4.1.1: An alternative use of s106

The Milton Keynes Planning Tariff

Working together with land owners, the development community and wider public sector actors, Milton Keynes has developed and implemented an alternative use of s106 – a standard planning tariff. This tariff arrangement is designed to provide up-front funding for identified elements of enabling infrastructure, required to facilitate the large scale of growth projected for the city over the next 20 years.

Instead of negotiating s106 agreements on a site by site basis, a standard tariff charge of £18,500 is levied on each new residential unit constructed, and of £260,795 on each hectare of commercial development brought forward. English Partnerships (now the Homes and Communities Agency HCA), has committed to providing the funding for this identified infrastructure up front, and are then repaid as development is brought forward, and tariff receipts are collected. (For more details on the Milton Keynes Planning Tariff, and the Milton Keynes Partnership, please see Appendix – A6).

Similar uses of s106 can be found in other parts of the country, each calibrated to the needs of the respective local authorities. In addition, the Government is continuing to work on its own proposals to introduce standard planning charges, the Community Infrastructure Levy (“CIL”).

For large sites, the precise content or timing of obligations may not be known at the time that planning permission is granted, but s106 clauses can be used to determine relevant factors, and to set up a process whereby the parties reach agreement on how to proceed.

Indeed, s106 obligations should be considered together with the role and use of planning conditions. The preference of most LPAs will be, in part, to shape development by imposing conditions, to which the planning permission will be subject. Conditions have higher 'visibility', but they have their limitations, in that they cannot require contributions to be paid, and due to their lack of flexibility, do not adapt well to complex and changing developments where a desired outcome may depend on a number of different circumstances.

4.2. The master developer model and the passing on of obligations

A majority of the eco-town promoters intend to use a 'master developer' implementation approach. This involves a lead organisation (not necessarily

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the landowner) submitting the application and guiding it through the planning process, including the negotiation of s106 obligations. The organisation would then act in the role of 'development manager' in relation to the exercise of development activity: with the development of houses undertaken by separate house builders procuring serviced plots, with the 'development manager' ensuring that infrastructure is delivered and that standards and restrictions are observed.

S106 obligations need to be clear about the timing of, and standards to which, public services and infrastructure (schools, new roads etc.) are to be provided. On one level, LPAs will not be concerned as to which landowners are liable, as long as they can enforce the obligations against someone who is able to control development and who has sufficient financial resources to procure or provide the infrastructure. The essence of their control lies in ensuring that provisions are correctly and clearly drafted. Master developers will, in contrast, seek comfort that where they are relying on the public sector to deliver services that they have sufficient capacity and skills to do so to an agreed timetable, and will wish to ensure that obligations are drafted in a way which makes it clear which apply to the whole development and to individual plots.

For example, there may be restrictions on the number of dwellings that can be developed until an important element of infrastructure (for example, an upgrade to some part of the strategic road network) has been completed. This kind of mechanism is seen by LPAs as constituting a clear and enforceable restriction on development. Plot developers will, contractually, want to make sure that the master developer has put in place the necessary financing and agreements (including, perhaps, bonds) to comply with that restriction, so that the development of individual plots is not delayed. In contrast, some obligations (for example, the provision of affordable housing or compliance with relevant sustainability codes) will be passed to the developers of individual plots.

S106 agreements run with the land, which gives them special effectiveness: anyone deriving title from the main interests initially bound is in theory liable for a share of the overall obligation. Because this could include the developers of individual plots as well as owners of individual houses, there is a very strong incentive on developers to comply, so that potential purchasers are not put off.

4.4. Phasing

The s106 agreement may contain specific obligations relating to the phasing of the development. These types of obligation ensure that thresholds are set to control delivery of a certain number of houses and affordable houses in line with the obligation to deliver infrastructure including social infrastructure such as schools, GP surgeries etc.

4.5 Monitoring

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The burden of monitoring compliance with s106 obligations falls on the planning authorities charged with enforcing them. The specified responsibility for providing information or relating to compliance is often passed to the developer or landowner. Increasingly LPAs now seek a fee (often a percentage of the value of the contributions) to meet their likely costs in monitoring compliance.

4.6 Enforcement

An agreement made under s106 may be enforced by the relevant LPA against the relevant landowners (or their successors in title) using the statutory procedures in s106, or as a matter of contract law against other parties (e.g. the developer, if he is not an owner). The statutory methods of enforcement are by injunction and by the LPA carrying out the works themselves, at the developer's eventual cost. Neither is attractive to LPAs. Using injunctions is discouraging to LPAs – the process is expensive, only quick in the most extreme cases and can often leave the Authority exposed to costs which they may be ill equipped to bear. The power to enter land and carry out works is only effective in relation to obligations to provide infrastructure, and would involve LPAs funding the costs of doing the work, notwithstanding the power to recover those costs, although the provision of bonds or other forms of guarantee may mitigate this risk.

Litigation is rarely a suitable forum for resolving disagreements regarding compliance with an agreement and the statutory remedies are rarely used. Less scrupulous developers and landowners play on this. For this reason, many s106 obligations now include dispute resolution provisions which seek to provide a 'first line' problem-solving solution, like arbitration. However, even arbitration can be expensive and slow. As a result it is preferable that agreements set up mechanisms to resolve disputes at the time they arise and at appropriate levels. If necessary, the parties' rights regarding other enforcement regimes can be reserved.

Another important factor is that, practically, it is often the case that s106 agreements are entered into by a number of different parties including the LPA(s), the developer and public transport service providers. In these cases, care must be taken to ensure that the covenants provided within a multi-party agreement are practicably enforceable and are structured in a way which provides the parties to it an ability to reach decisions based on collective agreement.

4.7 What does a s106 agreement not capture?

Planning obligations must be commercially acceptable. This does not give the LPA the ability to ignore good planning, or the developer the right to refuse to accept planning obligations because he could make a better return if it were not imposed. It does mean, however, that planning obligations which would render a development financially unviable would not be regarded as reasonable.

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Planning obligations must also avoid seeking to regulate matters which might be subject to other legislation. For example, LPAs must take care in imposing obligations which relate to what is, in effect, a service charge. This is partly because service charges are not strictly a planning matter, but mainly because the owners of long tenancies will (regardless of the s106) be able to refer any "service charge" to the Leasehold Valuation Tribunal for a determination of whether it is reasonable. There is no difficulty in theory in imposing obligations on house owners to contribute to planning-related infrastructure, or contributions to community funds, but it must be done in a way which gives them ownership of the process.

One issue which is relevant to the eco-towns programme is the use of s106 obligations to enforce certain modes of behaviour, for example. Although such obligations have been used, their effectiveness depends on the ability, willingness and resources of the LPA to enforce the relevant obligations. Even assuming that such obligations on behaviour could be acceptable commercially, there are legal and practical challenges to overcome.

Nevertheless, Table 4.7.1 highlights some examples whereby provisions have been used within s106 agreements on large scale developments to achieve a range of outcomes.

Table 4.7.1: Example s106 agreements

Outcome	Agreement and date	Description of mechanism
Mix of tenure of affordable housing	The Wixams, Elstow – 02.06.2006	There are a series of "target" or indicative mixes set out in the s106 for the various plots proposed by the developer. At the time each plot comes forward for development, these are to be examined against a range of factors (including local housing needs, availability of HCA grant etc.) to determine the actual mix that is to be applied to the plot. This mechanism is given "teeth" by also placing restrictions on the amount of open market housing which can be occupied before the affordable housing has been provided
Location and design of affordable housing	Love's Farm, St Neots – 22.03.2006	A scheme for the provision and location of affordable housing in each phase of the development has to be approved by the local planning authority before work on that phase can begin.
Community Services plan	Greenwich Peninsula – 23.02.2004	The plan is to cover the provision of a variety of social (education, health) and cultural infrastructure. The developer is to submit details to the LPA and, once these have been approved, implement the plan.

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Outcome	Agreement and date	Description of mechanism
Sustainability	Kings Cross – 22.12.2006	Reasonable endeavours obligations are imposed on the developer to incorporate a variety of “sustainable“ technologies to achieve a range of environmental objectives, based on reductions in carbon emissions.
Public Realm	Kings Cross – 22.12.2006	Based on a pre-agreed public realm strategy, obligations are imposed on the developer to deliver and manage the development in accordance with the strategy. Adoption by the local planning authority is envisaged, as is the investigation of the feasibility of an “academy” to research best practice for public realm management.
MUSCO	50 New Kent Road, SE1 (2008)	Imposes obligations on the developer to liaise with the local planning authority during the detailed design phase to explore the potential for incorporating service interfaces to site wide communications, CHP and “green water” systems.
Construction and skills training	Kings Cross – 22.12.2006	These provide for equipped space within the development to enable recruitment and training during and after construction. In each case, the developer is to secure the approval of the LPA to plans which aim to meet pre-agreed targets over the lifetime of the development and beyond.
Community Safety	Kings Cross – 22.12.2006	Imposes obligations to grant space within the development for a local police office and to agree (and then implement) a strategy (including objectives and a timetable for achieving them) for integrating police, security and safety wardens and the on-site CCTV system.
On site parking	Greenwich Peninsula – 23.02.2004	The developer is to submit details to the local planning authority for a controlled parking zone (CPZ) at the site, which is to be consistent with other strategies (eg. car parking, air quality monitoring) forming part of the application. Once these have been approved, the developer is to implement the CPZ.

Nevertheless, despite these instances of the use of planning conditions and s106 agreements to secure delivery of specific outcomes or services for development schemes, it is anticipated that in at least some of the proposed eco-town schemes the establishment of a distinct local delivery vehicle may

be advantageous in ensuring that the schemes deliver on the promise of their proposals. That said, such approaches are not necessarily essential, where the LPA and the promoters can agree a well constructed and enforceable s106 agreement that adequately addresses the specific needs in their local circumstances.

5 Alternative delivery mechanisms

The remainder of this section provides a high level consideration of possible alternative delivery mechanisms and their potential to facilitate the delivery of eco-town schemes. It explores some of the general principles underpinning the delivery of development, and a summary review of a range of delivery mechanisms and outstanding issues to be considered by all participants in the eco-towns programme as proposals are moved forward. For a more detailed review of a selection of delivery vehicles in operation across the UK, see Appendix. It is unlikely that any one of these examples would represent a “direct fit” for any one of the eco-town proposals being considered. Rather the case studies highlighted are intended only to illustrate the range of different delivery mechanisms or vehicles that are currently being used or explored across the UK, and to highlight elements that could potentially be deployed in the context of eco-towns.

A series of general advantages can be articulated in relation to the establishment of a delivery vehicle approach for selected eco-town schemes, including:

- Ensuring clarity around the responsibility for delivery, ensuring that the local authority, central government departments and the developer each understand their respective roles and obligations throughout the lifetime of the Eco-town Programme.
- The protection of the overall development “vision”.
- The opportunity to access and secure financial and other resources and expertise from a range of key delivery agencies and bodies from the public and private sector.
- The provision of a visible expression of commitment from all involved parties to the project.
- The fostering of strong community leadership.
- Opportunities for long term equity interests by developers and residents.

5.1 Types of alternative delivery mechanism

There are a range of different kinds of delivery mechanism that could be used to facilitate the successful delivery of the eco-towns programme. Different models bring with them a range of different opportunities, risks and requirements to achieve their aims. In order to provide an overview Table 5.1.2 provides a summary of different kinds of delivery vehicles and models focussing on the ownership structure used. This review is not intended to be comprehensive, but rather is intended to provide a general overview of a

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series of mechanisms, and highlight some specific mechanisms that could be appropriate for use within the delivery of the eco-towns programme.

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Table 5.1.2: Summary table of alternative delivery options for eco-towns

Ownership	Likely delivery arrangements	Defining characteristics	Opportunities for eco-towns	Limitations for eco-towns
<p>100% Private sector</p>	<p>(1) Traditional private sector design and construction of units with single private sector developer.</p> <p>(2) Traditional private sector design and construction of units with one private sector developer assuming the role of a master developer, and selling serviced plots to other subsidiary developers.</p> <p>(3) Development agreements could be involved, representing a contract between the landowner and developer which regulates the development of the land in question.</p>	<ul style="list-style-type: none"> • Private sector developer owns the land in question, and develops plans and proposals for a new eco-town. • Plans are submitted to local authority, who either accept or reject proposals. • If proposals are accepted, it will be on the condition of certain planning obligations being met, and a s106 package being negotiated to mitigate the impacts of the proposed development on existing infrastructure capacity. • Traditional provision of social infrastructure. 	<ul style="list-style-type: none"> • Well understood approach (pre market downturn). • Does not require local authorities to take a commercial stake in development. 	<ul style="list-style-type: none"> • Concerns with regards the capacity of local authorities to enforce the s106. agreements re: the delivery of all elements of proposed eco-towns. • A lack of public sector control of the timing and phasing of development. • Difficult to conduit any necessary public sector subsidies as a result of state aid laws.

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Ownership	Likely delivery arrangements	Defining characteristics	Opportunities for eco-towns	Limitations for eco-towns
<p>Majority (c. 80%) private sector</p>	<p>(1) A strategic use of s106 whereby infrastructure requirements are paid for by the developer as the scheme comes forward, and a “investor” provides up front finance to deliver predetermined elements of the scheme. (see Milton Keynes Partnership example in Appendix – A6).</p> <p>(2) A Public-Private Partnership where a special purpose vehicle is established and public sector makes contributions to the facilitation of development (e.g. LIFT/BSF) in return for private sector investment. (see Bolton delivery vehicle example in Appendix – A4).</p>	<p>(1) A contractual agreement whereby the public sector taking a formal role in the infrastructure required to enable the scheme, and committing to providing up-front funding, and being paid back by tariff receipts from the private sector developer as the scheme progresses.</p> <p>(2) As 100% private scenario, but with the public sector taking a formal equity stake in the development.</p>	<ul style="list-style-type: none"> • Represents realistic level of public sector involvement across most schemes, given the lack of land ownership and other viable commercial interests in the schemes in question. • Allows local authorities to take a more active, albeit limited, role in shaping the development. • Help to mitigate some risk from the private sector developer. 	<ul style="list-style-type: none"> • What specific equity share would local authority take? Most do not own relevant tracts of land. • Who would provide the up front finance and assume the “investor role” in relation to the strategic use of s106? Are local authorities able to adequately cost and evaluate infrastructure required?

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Ownership	Likely delivery arrangements	Defining characteristics	Opportunities for eco-towns	Limitations for eco-towns
<p>Public / Private (c.50/50%)</p>	<p>(1) Joint Venture (JV), whereby the public and private sector come together and establish a delivery vehicle to deliver a pipeline of development for part or all of the proposed site. In the majority of cases the public sector puts land or other assets into the vehicle. See Appendix – A1 for more detail on Blueprint, and North Solihull for examples of public-private (JV).</p> <p>(2) Local Asset Backed Vehicle (LABV) – a type of JV whereby local authorities use their assets (usually land) to lever long-term investment from the private sector for regeneration projects. An example of a LABV arrangement is the Government’s Local Housing Company initiative, which is currently being piloted across the UK.</p>	<ul style="list-style-type: none"> • Joint ventures are designed to lever in the skills and capacities of a number of development partners so as to plan and deliver projects more strategically. • LABVs are designed to bring 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. 	<ul style="list-style-type: none"> • Help to mitigate risk re single developer. • Allows local authorities and other public sector bodies to take a more active role in shaping the development. • The value of public investments and development gain is captured within the vehicle, potentially underpinning the sustainable development of a defined locality or community. • Participation arrangements determine the potential to recycle revenues from the development to other public sector pre-determined strategic priorities. • Lower cost form of financing. 	<ul style="list-style-type: none"> • Suitability should be evaluated on a case by case basis. For many shortlisted schemes², it is unclear what the public sector has to offer to take a commercial stake in a JV due to the lack of relevant land held by local authorities across the majority of schemes in question. However, it might be feasible to ‘swap’ some portion of a section 106 contribution for a stake in the land if this suited both parties. This would clearly then require upfront short-term finance from the public sector. • Subjects public sector bodies to management overheads and development risk.

² Those proposals assessed in the Financial Viability Study (March 2009).

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Ownership	Likely delivery arrangements	Defining characteristics	Opportunities for eco-towns	Limitations for eco-towns
<p>Majority (c.80%) public sector</p>	<p>(1) Local Delivery Partnership where public sector bodies (local authorities, PCTs, RSLs HCA etc.) come together with developers. (see Cambridgeshire Horizons and Milton Keynes Partnership examples in Appendix).</p> <p>(2) Community Land Trust (CLT) - a mechanism for the democratic ownership of land by the local community. Land is taken out of the market and separated from its productive use so that the impact of land appreciation is removed, enabling long-term affordable and sustainable local development.</p>	<p>(1) Local Delivery Partnerships have no formal planning powers, and generally do not hold land. Rather, their purpose is to facilitate consensus, and use the planning system to have influence over the development process.</p> <p>(2) Through CLTs, local residents and businesses participate in and take responsibility for planning and delivering schemes. Activities include: developing affordable housing to rent or buy for members of the community, providing and maintaining facilities for social and public services and managing green spaces, and public realm.</p>	<ul style="list-style-type: none"> • Would help bring other relevant local authorities and public sector bodies into the development process. This could be particularly relevant where significant infrastructure investments are required which span local authority boundaries • Help to mitigate risk where there is single developer. • Long term objectives – take into account economic, social and environmental priorities. • Public sector at the heart of the whole development process. • Flexible approach which offers opportunity to square commercial aspirations of private sector, and community interests of public sector. 	<ul style="list-style-type: none"> • Long term nature of developments, together with the fact that their influence depends almost solely upon the granting of planning permission, means that there are question marks over the ability of a local delivery partnership to maintain its influence throughout the lifetime of the development • CLT predicated on a transfer of land or other assets into a trust - developer will need to be persuaded of the merits of transferring commercially valuable land. Also, risk that CLT creates two distinct and not necessarily reconcilable land ownerships with different objectives.

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Ownership	Likely delivery arrangements	Defining characteristics	Opportunities for eco-towns	Limitations for eco-towns
<p>100% public sector</p>	<p>(1) The majority of public sector regeneration and development vehicles (urban regeneration companies, city development companies etc.) do not have the necessary powers and scope to deliver an eco-town. Therefore, for the purposes of this review, we have considered New Town Development Corporations (NTDC) in more detail. They were used in the design and construction of the last wave of new towns to be introduced into the UK, including, for instance, Milton Keynes. They have not been used since 1968, but are still available for use under the New Towns Act of 1981.</p> <p>(2) The exception to the above is the newly created Homes & Communities Agency (HCA), which has powers similar to previous NTDCs and UDCs. It can operate anywhere in England through the establishment of a sub-committee. The nearest example, set up under the former English Partnerships powers is Milton Keynes Partnerships.</p>	<ul style="list-style-type: none"> • NTDCs were bestowed with a number of powers that most urban regeneration and economic development organisations formed since have been without, including powers in relation to land assembly, compulsory purchase and other elements of the planning process. • Despite being agents of central government, they were locally based and driven in large part by local stakeholders. 	<ul style="list-style-type: none"> • Powers to use planning powers, lever funding and exploit land ownership allow NTDCs to deliver on their holistic brief. • They were created to build new settlements, nurture new communities in the early phases of the development, and to stimulate the fledgling economy as required. • Public sector at the heart of the whole development process - the NTDCs were created with long term objectives in mind, and as such, could only be closed down, wound up, or adapted into other organisations, as and when significant parts of the new towns and communities were functioning as planned. • The HCA could play one or more of several delivery roles in eco-towns, from small scale assistance with expertise and financial assistance, through land acquisition and development procurement, and finally onto a full scale local delivery vehicle using land assembly and planning powers. 	<ul style="list-style-type: none"> • All but two of the proposals are being promoted entirely by private sector developers • Mechanism not recently used. • Transfers significant risk to public sector • Question marks over skills / capacity / ability of public sector to perform necessary roles.

5.2 Implications for the eco-towns programme

Following this review and upon considering the objectives of the eco-towns programme, some key principles emerge which should underpin any delivery arrangements:

- **The design and establishment of delivery mechanisms should be ‘needs driven’** and structured to reflect the specific circumstances, the development objectives and the scale of the issues that they are established to address (eg land ownership and site assembly status, local social, economic and environmental issues needing to be addressed, whether the scheme sits within one or more LPA, the nature and extent of local partner commitments). In other words, the rule should be that “form follows function”. Given that the range of shortlisted eco-town proposals differ significantly in geography, scale and ambition, it is unlikely that a single delivery model would be appropriate for all of the schemes that go forward in the process. Rather, bespoke models are likely to be required for each individual scheme, contingent on issues such as land ownership, availability of public sector funds to participate in development and the level of likely remediation works required to enable the site.
- **There is a need to ensure partners’ commitment over the long term** to the vision and wider objectives of the eco-towns programme, as opposed to focussing on securing a short-term return. This may be an issue in terms of protecting longer term potential returns to the public sector, and, conversely, in preventing public partners from undertaking deals to secure short term ‘political’ advantages. Clarity and certainty will be needed over what and how all aspects of the scheme are to be delivered and what long term commitments are required from any public and private sector partners. Agreement will also be needed on governance arrangements to monitor delivery against commitments and to agree and manage any changes to partner obligations that happen over time.
- **There is a need to identify what extra value can be achieved from entering in to a delivery vehicle rather than a s106 agreement**, and over what period. Potential benefits of this approach could include more public sector control over the delivery of elements of the scheme or public sector participation in investment and the potential retention of returns from land value uplift.
- **It is important to note that in the overwhelming majority of cases, even when an alternative delivery mechanism is pursued, the planning process continues as normal.** In other words, a delivery vehicle to pursue the development would still be required to secure planning permission in the same way as an individual private sector developer. If the public sector is represented in the delivery vehicle, then there needs to be an explicit separation of its identity and role as LPA and development partner. There is a need to secure clarity over what are the barriers to achieving the agreed purpose and then ensuring full commitment to addressing them.

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- **There is a need for an integrated 'Business Plan' of development** to provide focus and clear development milestones where progress can be evaluated. It is important that parties work in a transparent way, that their plans involve appropriate consultation, and that sufficient flexibility is included within these plans to allow the scheme to evolve over time if circumstances change. For example, low carbon energy technology solutions may change requiring an adjustment to the development plan to reflect new innovation.
- **Securing upfront investment/commitment to infrastructure provision will be critical, and there is the possibility that this investment and risk could be shared between the public and private sectors.** With the availability of finance squeezed by the “credit crunch” the availability of funds to invest in up-front enabling infrastructure is limited, particularly given the risk profile and long term nature of major development schemes. A growing number of public bodies and agencies are considering the option of taking responsibility for investment and delivery of up-front enabling infrastructure. This investment would be made in return for either a share of the development proceeds, or for the investment to simply be repaid in full at a later date. If public finance can take the lead it could have a significant and positive impact on deliverability by helping to de-risk elements of a scheme for developers, and can act as a catalyst to kick start development. Joint investment will also enable the public sector to secure some “skin in the game” with a consequent improvement in its ability to participate in delivering not just financial returns but desired development and a range of other outcomes.
- Where possible, **contractual and legal requirements of the vehicle in question must not restrict, inhibit or stifle potential and reduce any potential benefits.** This can be both an issue for the structure of a vehicle, and via other issues such as return profiles and State Aid requirements
- **Differences in culture and approach between public, private and social sectors should be considered,** and where possible bridged. In many cases, the private sector sees public sector procedures as time consuming and unnecessarily complex, where as the public sector sees the private sector as too interested in short-term financial returns and not paying sufficient attention to the long term vision of developments. A joint venture approach of one form or another may assist in bridging this potential gap in understanding and expectations.
- **A thorough assessment of the risks, and implications in terms of skills, capacity and resourcing required to implement a preferred delivery approach needs to be undertaken.** Public bodies must be aware of the range of potential risks they will face if they pursue an alternative delivery vehicle approach. Those approaches which involve the public sector taking a commercial stake in a development will necessarily involve taking on risks that the body in question may have no, or limited, experience of managing and mitigating. In addition, the risks of not

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pursuing an alternative delivery vehicle to complement the s106 process need to be assessed.

6 Conclusions

The analysis in Table 5.1.2 highlights that, as a result of a number of factors, alternative delivery vehicle approaches, and particularly those involving the establishment of joint ventures, may only be suitable for implementation on those sites in the eco-towns programme promoted by the public sector, or where land is currently in public ownership or public sector investment funds are available. Effective joint ventures depend on a sharing of investment, management, delivery obligations, risk and financial returns. It follows therefore that the public sector, to participate fully in the development process and in guiding its outcomes, will be required to invest either through land, deferred payment for land or through direct investment.

In the majority of the shortlisted proposals, the land for development is owned entirely by the private sector. For private sector developers to cede elements of control, or potential profits, from their schemes to public sector partners, they will need to be persuaded that there are tangible benefits for them in doing so. This means that unless the local authorities or other public sector agencies are able to provide additional investment sources for the development, or resources and commitments to the provision of enabling infrastructure, it is difficult to envisage how a compelling case can be made to promoters to pursue alternative delivery approaches as opposed to a traditional section106 agreement. This is not to say, however, that the public sector will not be able to secure a role in delivery through some overarching delivery arrangements. Rather the point is that investment alongside the private sector is likely to secure a much higher level of participation and influence over outcomes. Investment by the public sector may also play a key catalytic role in kick-starting the eco town programme. It is recognised, however, that the availability of public funds to invest in eco-town proposals is likely to be limited and therefore consideration should be given as to where to direct any resources to ensure the best return on investment, including financial economic, social and environmental.

In those eco-town sites where land is currently in public ownership or where the promoter is a public sector body, there is likely to be a need to establish some form of local development vehicle to implement their proposals, particularly as they work through how they will access the necessary capabilities and investment, from both public and private sectors, needed to move forward the proposed schemes.

This section has considered how CLG and LPAs might ensure that the eco-town schemes deliver on the promise of their proposals once outline planning permission is granted. It has reviewed the potential opportunities and limitations of the use of traditional S106 obligations to secure the delivery of the objectives underpinning the shortlisted eco-towns. In addition, it has provided a high level review of how alternative delivery vehicle approaches could be established to deliver schemes stated objectives. Finally, it is important to note that many of the promoters have put forward innovative

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proposals for the delivery of services and town management. The attractiveness of each of these proposals, and the models outlined in this section, will ultimately need to be tested in their local context.

Appendix – Examples of delivery mechanisms

Existing examples of delivery vehicles

A1 The North Solihull Partnership

The North Solihull Partnership is a special purpose Regeneration Vehicle, set up in May 2005. It is a partnership between Solihull Metropolitan Borough Council and a consortium comprising In-Partnerships, Bellway Homes, and Whitefriars Housing Group Ltd. The Solihull Metropolitan Borough Council invited the private sector to partner them in the transformation of the area in a sustainable way. Whitefriars is involved in a consultancy capacity, Bellway Homes is the leading house builder, and Inpartnership Ltd is a specialist investment company. This main partnership is supported by a range of other partners including EC Harris, international master planning organisation EDAW, West Mercia Housing Group, and financial specialists ABROS.

The North Solihull Regeneration Project

The North Solihull Regeneration Project is a 15 year programme involving three wards of Solihull Borough Council: Chelmsley Wood, Fordbridge and Kingshurst, and Smithswood. The project area covers 1,000 acres, and has a total population approaching 40,000.

The Regeneration Partnership's strategic framework (developed from an original masterplan) provides details on the delivery of the project. Individual projects will be delivered in various ways; by the partnership itself, by consortium partners, by other partners brought in by the competitive process or by maximizing resources from Government, Europe and the East Birmingham and North Solihull Regeneration Zone resources SLC (Solihull Community Housing) and the Council's team undertaking the "Building Schools for the Future" (BSF) procurement for Secondary Schools are key delivery components. The Solihull Local Strategic Partnership (LSP) will also be a key partner in delivering the strategy. It provides a framework for multi-agency working and allows local groups and organisations to be involved.

Funding

The core principle behind the funding of the programme is to use the value of Council land holdings and other forms of development in the area to bring about regeneration. The funding structure is based upon the council's land input and securing increases in value from this through development, and investment from the In-Partnership Consortium shareholders. The aim of this financial structure is to:

- Capture the maximum amount of value from development and put this back into improving schools, the local environment and housing.
- Develop incentives for the Partnership to capture the maximum financial resources from third parties.

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- Secure significant net additional public sector resources to fund development activity.
- Allow the incorporation of a neighbourhood management partnership to improve the quality of neighbourhood services and to underpin the strategy for value enhancement.
- Includes scope for income streams to fund community programmes to make community activities sustainable in the long term.

External funding is also required to support, enhance and speed up the regeneration programme, and this may be drawn from a variety of sources, including:

- External funding for all new social housing, primarily provided by the Housing Corporation
- A Council / Department for Children, Schools and Families contribution towards the cost of building new primary schools
- A grant contribution towards the cost of village centres
- The Council's 2006/07 allocation from the Regional Housing Board includes some resources for housing growth and regeneration in North Solihull

The Regeneration Partnership has also considered other sources of external funding including English Partnerships' First Time Buyers Initiative, and using the Private Finance Initiative (PFI) through a Round 6 Housing PFI bid.

A2 Laganside Development Corporation (LDC)

The LDC is an Urban Development Corporation (UDC). It was established by the UK Government in 1989 under the Local Government Planning and Land Act (1980).

The LDC's Mission is "Contributing to the revitalisation of Belfast and Northern Ireland by transforming Laganside to be attractive, accessible and sustainable, recognised as a place of opportunity for all."

On establishment in 1989 the LDC's remit was to undertake the comprehensive regeneration of an area of inner city land in Belfast - the "Laganside Designated Area". This was initially a 140 hectare area, straddling both banks of the River Lagan. In 1997, the rationale behind the LDC's work shifted in two respects:

- Firstly, the area boundary was extended to incorporate the Cathedral Quarter; an area close to the city centre which had become neglected during the political troubles and had consequently missed out on the economic development taking place elsewhere.

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- There was also a need to develop stronger links between the Laganside sites, surrounding residential communities, and the city centre.

The remit of the LDC is tightly defined in relation to a specific geographic area with clearly identified needs. All projects undertaken by the LDC have to be located within this area and although the primary focus of the LDC was on physical regeneration projects undertaken, they have to address wider community improvements rather than just the development of property and buildings.

The LDC is run by a Board which comprised a non-executive Chairman and nine independent non-executive directors. The Board's responsibilities cover the setting and monitoring of overall strategy, approving major capital expenditure and development, monitoring the performance of senior management, and ensuring that a proper system of internal controls was in place, and reviewing its effectiveness, including risk management, internal audit, etc. The senior management team comprised of a Chief Executive, Deputy Chief Executive, Finance and Corporate Affairs Department, a Director of External Affairs, and a Director of Corporate Affairs. The Board and senior management team were supported by a River Management Group, a Development Department, and Communications, Community & Marketing, and Financial & Corporate Affairs Departments.

The LDC is financed by the Government, in the form of a Grant-in-aid voted by Parliament to the Department for Social Development. The LDC has no shareholders, and is not run with a view to achieving an overall profit. Any surpluses earned are available to supplement the Grant-in-aid. Grant-in-aid received is released to the income and expenditure account so as to match net expenditure on operations and the charge for historical cost depreciation made on operating assets and major public assets. The LDC is able to use project receipts either in the year in which the receipt arises, or in any subsequent year, to finance payments in respect of project expenditure which would be eligible for grant. The LDC has also made use of cumulative grants from the European Regional Development Fund, and has received contributions from landowners in respect of infrastructure and community projects.

A3 Blueprint

Established in 2005 with a ten year life span, Blueprint is a 50:50 public/private partnership between English Partnerships (EP) and East Midlands Development Agency (EMDA), both public sector bodies, and Morley Fund Management's Igloo Regeneration Partnership, as a private sector partner. English Partnerships and East Midlands Development Agency each have a 25% share, whilst Igloo holds the remaining 50%. The partnership is technically classified as a private sector company, and is therefore treated as "being off balance sheet" for the public sector partners.

This partnership was created as a solution to the difficulties EMDA were experiencing in attempting to manage three separate Urban Regeneration Companies in the East Midlands. It became clear that EMDA lacked the

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resources to efficiently manage an Investment Portfolio of this size as landlord, and the establishment of a Public Private Partnership was chosen as the most suitable option to remedy this. Blueprint describes itself as a new model for delivering regeneration – “a different way to re-energise struggling neighbourhoods”. It represents a partnership between public and private sectors to deliver a common set of social, environmental and economic objectives. Investment, control, risk and profits are shared equally between the public and private sector. This financial structure, which focuses on the recycling of funding from project to project, encourages a long-term perspective to be held by all participants.

In addition, Blueprint is designed to be responsive to commercial pressures through a lean management structure, within a strong governance framework. The Blueprint board comprises an EMDA chairman, a member from English Partnerships, and two members from Igloo. EMDA transferred its property assets to the new vehicle, but the Agency still has a role in evaluating development options for the assets so that it can ensure sustainability standards and social enterprise are encouraged. Innes England has been retained to manage substantial portfolio of small business units throughout the region.

Under guidance from HM Treasury (via English Partnerships) the form of vehicle chosen was a private company. This offered advantages in relation to placing the vehicle off the public sector balance sheet, and in relation to a reduction in bureaucracy and approval processes for undertaken investments / developments, and procurement. Key issues in this regard related to potential claw-back, State Aid requirements, and OJEU requirements. The choice of a public body however would have had benefits in terms of greater ‘comfort’ from public sector partners and funds, greater potential flexibility in relation to processes and requirements, which could be significant as many projects are reliant on public sector input, particularly the larger scale developments in areas of deprivation / greater need / market weakness / failure.

A4 Bolton delivery model

An alternative joint venture approach to delivery is currently emerging in Bolton. Bolton Council wants to drive the development of 6,000 housing units, with a 50/50 mix of private and affordable provision, while capturing some of the revenue from the scheme to put toward additional urban regeneration projects across the city.

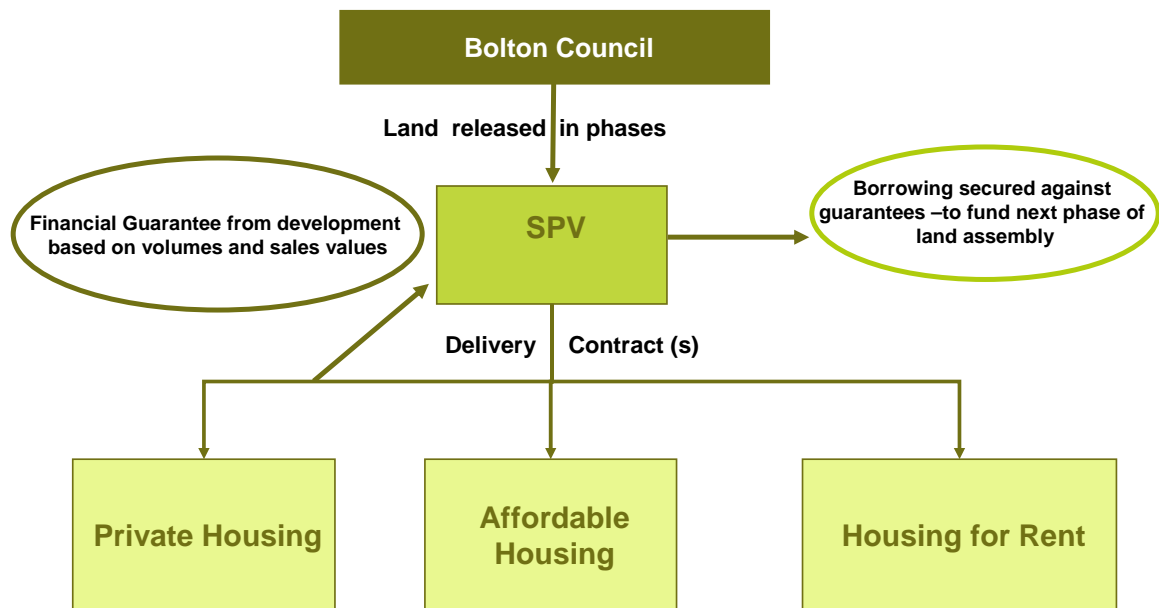
Bolton Council has established a Special Purpose Vehicle (SPV), agreeing and supporting its purpose, without assuming a direct, significant role on its board. A contract has been agreed to protect the Council from losses or delivery failure. The Council commits land to the SPV on a phased basis. The SPV, while not itself a delivery body, fulfils a strategic role, de-risking development by leading on securing outline planning, the assembly of land, and the recycling of funding, overseeing development through contracts with developers and rented social landlords.

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Finally developers are contracted to design and construct the units themselves. No land cost for the developer is incurred, but they are required to make future payments to the SPV pending revenue.

This set of arrangements is illustrated in Figure A4.1.

Figure A4.1: The Bolton Delivery model



A5 Cambridgeshire Horizons

Cambridgeshire Horizons (Horizons) is a local delivery partnership, and was established in 2004 in recognition of the fact that no single existing agency or authority could be expected to implement this planned growth on its own. Coordinating growth on such a grand scale is quite a challenge and can only be achieved through effective management and commitment on the part of everyone involved. Horizons is a company limited by guarantee and, as a partnership organisation, does not have statutory planning powers, which are the preserve of the democratically elected local authorities.

Horizons' role is to bring together the relevant agencies, statutory bodies, developers, and other interested parties, to ensure that projects are delivered on time, on budget and to the highest possible standards. In addition, Horizons' has a crucial role to play and one that involves a wide range of responsibilities, from project management of the major developments to securing and managing additional funding streams. Other important roles include developing Quality of Life and sustainable infrastructure strategies, championing low carbon growth, and researching innovative new funding streams.

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The Horizons team project manages the delivery of the growth strategy for Cambridgeshire, which equates to at least 73,300 new homes, 50,000 new jobs and over £4 billion worth of new infrastructure by 2021. The Horizons Board comprises of a cross-section of partner representatives, including each District Authority, the County Council, the Primary Care Trust and independent figures from different sectors (including the development community), supported by the Joint Strategic Growth Implementation Committee (JSGIC). It is the key body through which Horizons' key objectives are agreed.

Key strategic objectives

Horizons' five core objectives are to:

- Coordinate development and infrastructure implementation
- Overcome barriers to sustainable development
- Secure and manage funding for infrastructure
- Ensure developments employ high quality sustainable design
- Communicate the wider benefits of the planned development to the wider community

Key ongoing projects

Horizons is currently leading the project management of the delivery of a number of developments across Cambridgeshire, including:

- **Cambridge East:** Cambridge East will be an exciting city-edge development of between 10,000 and 12,000 new homes with a range of associated facilities to the east of Cambridge city centre on the existing airport site.
- **Cambridge North West:** Cambridge North West will be a major new urban extension to Cambridge, covering two sites either side of Huntingdon Road.
- **Cambridge Southern Fringe:** The Cambridge Southern Fringe will be a distinctive new urban extension on the southern edge of Cambridge, strategically located close the growing employment centre at Addenbrookes.
- **Market Towns:** The Market Towns of Cambridgeshire have been identified as potential areas of growth to improve the balance between jobs and homes.
- **Northstowe:** Located just five miles north west of Cambridge, Northstowe will be a truly modern community, showcasing excellent sustainability

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standards, high quality design, cutting-edge public transport and inspiring people to want to live and work there.

A6 The Milton Keynes Partnership Committee

Following the launch of the Sustainable Communities Plan in February 2003, the Government designated four Growth Areas in the South East and made a commitment to set up Local Delivery Vehicles (LDVs) with the necessary powers to drive forward investment and development. Milton Keynes-South Midlands (MKSM) was identified as one of the key Growth Areas that would generate economic growth, build sustainable communities and enhance the international competitiveness of the region.

To implement this policy and oversee the future growth of specific areas of Milton Keynes, Milton Keynes Partnership Committee (MKPC) was established as an LDV in June 2004. MKPC was set up as a legally constituted committee of English Partnerships (EP, now Homes and Communities Agency, HCA) with the remit to facilitate the planned growth of Milton Keynes under delegation from the main EP Board. It exercises development control planning powers within the Urban Development Area (UDA) of Milton Keynes, works in partnership with local authorities in the region to create a vision for the growth of the city, delivers housing and commercial projects on behalf of HCA, and works with local partners to facilitate delivery of jobs, infrastructure and community services in support of growth.

Until recently some of MKPC's functions regarding projects and transactions covered by the Central Milton Keynes Development Framework had been the responsibility of a separate body – Central Milton Keynes Project Board (the CMK Board). Since 2007 it was agreed that the CMK Board be disbanded and be replaced by a CMK Placemaking Group, an advisory group dealing with growth projects in the city centre and acting as a focus for consultation on CMK development projects. These new arrangements aim to ensure Central Milton Keynes is fully integrated into MKPC's remit with MKPC taking ownership of strategic work, projects and associated activities, providing a single point of responsibility and ownership for growth related projects and removing the potential for confusion over roles. The new structure acknowledges the importance of city centre growth to the wider economic wellbeing and prosperity of the city as a whole.

The day-to-day activities of MKPC are carried out by its staff of management, professional and technical experts, known collectively as Milton Keynes Partnership (MKP).

Key strategic objectives

The MKPC business plan identifies six strategic objectives for the Partnership:

- Contribute to the development and implementation of visionary long term growth plans for Milton Keynes

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- Continue to increase the pace of housing and employment growth at a level consistent with adopted policy in order to meet government targets
- Ensure timely provision of infrastructure
- Enhance quality of life
- Encourage effective community involvement
- Support community cohesion

MKP aims to meet the housing targets set out in the MKSM Sub Regional Strategy whilst ensuring that we are providing a mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes. This is being achieved within the city centre, through implementation of the CMK Development Framework, and within the expansion areas identified in the Local Plan. Equally important is the need to encourage a flourishing economy in order to provide jobs and wealth. Work is underway with partners and stakeholders on a refresh of the city's economic vision to establish priority activities to attract new business investment into Milton Keynes and create higher skilled, higher value jobs. Work is also under way to better align economic development and inward investment activity with SEEDA and its emerging Regional Economic Strategy.

Adopting the tariff approach

One particular element of the MKPC delivery landscape is the use of a strategic infrastructure tariff. It is estimated that the UDA expansion areas to the East and West of Milton Keynes, together with the Strategic Reserve Areas, are capable of being fully developed by 2016 and are expected to accommodate an estimated 15,000 new dwellings, 500,000 sq m of commercial floorspace and bring approximately 35,000 new residents to Milton Keynes.

To ensure these new residents move into a quality environment conducive to establishing thriving and prosperous communities, it is essential that key infrastructure is in place ahead of major expansion in the city. To make sure this happens, MKP has pioneered a new approach to infrastructure provision.

Traditionally, developers contribute towards local infrastructure through s106 Agreements (s106), negotiated on a site by site basis with the planning authority. The outcome often depends upon the negotiating strength of the planning authority versus the developer and the resulting piecemeal approach does not allow for long term planning or for provision of more strategic items which only become justifiable when considering development as a whole. Also, strategic items often require pooling of developer contributions to meet the total cost, which is often not possible with the traditional approach.

By bringing together local agencies responsible for delivering infrastructure and services, MKP has been able to itemise and cost the infrastructure requirements to meet population growth over the next decade. This includes

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agencies responsible for highways, public transport, schools, heritage & culture, leisure services, libraries, sports & open space, social services, waste facilities, crematoria and burial grounds, health services, higher and further education and emergency services.

MKP have worked with landowners and developers in the MK Urban Development Area to jointly agree a “tariff” which applies to all housing and employment development in the Eastern Expansion Area (EEA), Western Expansion Area (WEA), Tattenhoe Park and Kingsmead South. The agreed figure at least doubles the developer contributions previously achieved in Milton Keynes, yielding contributions of approximately £311 million over the next decade. In December 2005 MKP received Government approval for the ‘tariff’ approach and specifically the principle for HCA to act as an investor, forward funding infrastructure ahead of receiving tariff payments from developers. Legal agreements embed the developer as a partner in the process to ensure that new communities get the services they need. The tariff does not, however, aim to meet the full cost of infrastructure needed in MK. MKP therefore work closely to support Milton Keynes Council in obtaining funding required from Government to meet these costs.

Certainty of developer funding means that infrastructure will be in place to support growth making MK a primary choice for business hence attracting jobs and investment and boosting the local economy. Funding for major road capacity improvements is already helping housing and employment land development in MK. It also provides certainty of funding to help the social, health and community services to fulfil their roles, enhancing the wellbeing of the population and promoting social cohesion. Funding for these services is unlikely to have been achieved using traditional methods.

A7 English Cities Fund (ECF)

The ECF was established in December 2001, by English Partnerships (EP) and two joint venture partners, AMEC and Legal & General, as a means of delivering the Government’s urban renaissance agenda. The ECF is managed by a board comprising six directors, two from each of the partner organisations, with an independent chairman.

AMEC have taken on the role as Development Manager, and Legal & General the role of Investment Manager, and in conjunction with an independent Chief Executive, lead the day-to-day operations for the Fund. ECF activity requires the involvement of strategic local partnerships, which are formed in the early stages of agreed developments. The ECF works with these local partners across an agreed “area of influence”, rather than just a number of development sites. Local partners pool assets and resources, and make long-term commitments to share risk and return, recycle funds, and hold property to take account of value growth.

The ECF was designed to deliver sustainable regeneration through long-term investment. It is required to meet Urban Task Force recommendations in respect of bringing brownfield sites back into use, and attracting institutional investment into regeneration. The ECF operates in the UK Assisted Areas, in

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town and city centres and their hinterlands. Projects seeking to secure ECF funding support must comprise mixed-use, and have sufficient scale to achieve a sustainable step-change in the area concerned. Although its primary focus is development, the ECF also undertakes some enabling investment, for example in East Manchester.

The ECF's objectives are to:

- Demonstrate, by undertaking area-based regeneration, that mixed use area-based regeneration schemes provide viable and worthwhile opportunities for institutional investors in the medium to long term, as well as lasting community benefits and environmental improvements.
- Make way for higher levels of private investment in the regeneration of towns and cities.
- Bring together public and private-sector skills to ensure that the regeneration process is continually improved.
- Raise the quality of life in urban communities, by increasing (and broadening access to) prosperity, improving public services and tackling inequality, crime and anti-social behaviour.
- Assess opportunities against quality criteria, in order to ensure the best possible development product, with the greatest impact.
- Provide affordable housing – as part of the broader aim to raise the quality of life in urban communities by living spaces.

The fund was established with a mix of capital injection from the three partners and from the market, on the basis of an initial £100m comprising £50 in equity provided by the three partners, with an additional £50m of bank debt. As a second stage a further £150m of private-sector investment was raised. As a fund, ECF recycles returns. EP's investment is made on the basis of taking a "position of first loss". This position is potentially an area of concern as it is essentially providing a public sector guarantee. It may also encourage private sector investors to 'cherry pick' investments leaving the public sector covering high up-front costs and securing low levels of return – if any are achieved at all.

ECF is involved in a range over activities related to the funding and delivery of regeneration projects, including:

- Investing in mixed-use projects in town and city centres and their fringes in the Assisted Areas of England, where local economies fall below the EU average.
- Working with local partners to support schemes that match skills and learning programmes to the employment opportunities created by local regeneration activity, attempting to maximise use of local labour and suppliers where possible.

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- Undertaking speculatively building with other developers, as required, linked to the provision of social and affordable housing to underpin sustainable mixed and balanced communities.

It is important to note that in the majority of projects supported by ECF it has acted in the role of developer, rather than positioning itself as an “investor”.