APPENDIX A

Report

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Welborne Infrastructure Funding Strategy

June 2014

Contents

1. Executive Summary

1.1 Fareham Borough Council (the Council) has commissioned a study to examine innovative funding solutions to deliver the significant infrastructure requirements for the New Community North of Fareham development, now called Welborne.

1.2 The Council wishes to enable a development that is sustainable and where people want to live. It has consistently made clear its intention and willingness to work with the site promoters and other partners to support the implementation of infrastructure associated with Welborne, including affordable housing provision. It's objective in doing so are:

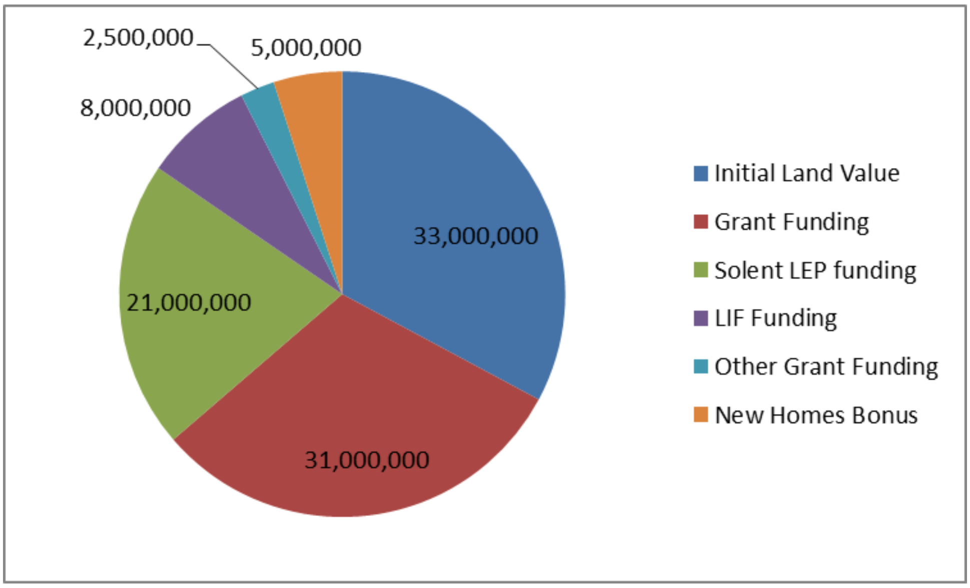
- To support the overall viability of the development and ensure maximum public benefit from it.
- To help smooth cash-flow requirements and ensure its timely delivery
- To ensure key infrastructure requirements are met in a timely fashion
- To add value by bringing forward infrastructure delivery and/or by enhancing the quality of the development.

1.3 Therefore the Council have supported various applications for funding for Welborne infrastructure and continue to work closely with the developers to bring the Welborne development to fruition. This Infrastructure Funding Strategy builds on the work undertaken to date and the Outline Infrastructure Funding Strategy published by the Council in March 2013. Importantly, it should be noted that the strategy models funding opportunities based on the Council's own concept master plan, and is not necessarily representative of the funding solution that will be used as the scheme is progressed by site promoters.

1.4 This paper explores various funding mechanisms and the financial impact expressed as an overall increase in land value (based on a 20% Internal Rate of Return to the developers) has been determined from the following mechanisms:

- A grant funding application by Hampshire County Council to the Solent Local Enterprise Partnership (LEP) of £41.2m
- A grant funding application by the landowners to the Solent Local Enterprise Partnership (LEP) of £24m
- A Local Infrastructure Fund (LIF) loan bid by the landowners via the Homes and Communities Agency (HCA) of £45m
- The application of a portion of the Council's New Homes Bonus.

1.5 The diagram below shows that the original land value of £33m can increase to approximately £100m from these funding sources. While this is only indicative of a proposed development, it shows that these funding sources have a significant positive impact on the overall viability of a development of this nature.



2. Introduction

2.1 GVA Financial Consulting (GVAFC) was commissioned by Fareham Borough Council (the Council) to examine innovative funding solutions to deliver the significant infrastructure requirements for the Welborne development (previously known as the New Community North of Fareham). An Outline Infrastructure Funding Strategy report (drawing on and updating work already completed for the Council by Almond Tree Strategic Consulting Limited) was provided to the Council in March 2013 since when there have been significant changes to the proposed development and progress in developing approaches to supporting the costs of infrastructure associated with it.

2.2 The proposed new community at Welborne is planned to include approximately 6,000 homes and employment of up to 97,255m^2. This will require substantial new infrastructure including transport links to the M27, improvements to the motorway junction, green infrastructure, a secondary school, three primary schools, community and health facilities, waste and recycling facilities, water supply, waste water treatment and sewerage, energy, heat generation and its distribution and its distribution and telecommunication infrastructure.

2.3 While there has been an increase in funding in the private sector, as the economy has improved, this funding is targeted at low risk projects and property portfolios. Funding for infrastructure and development is still scarce and therefore government funding intervention is required to enable delivery of significant development opportunities such as Welborne.

2.4 A strategic approach to infrastructure funding is therefore essential to ensure delivery. An approach that shares risk and reward between appropriate parties and delivers a funding package that works for all parties and the Welborne development as a whole is essential.

2.5 In March 2013 GVAFC undertook a Funding Option Appraisal which included a number of funding alternatives that could be used and ranked these using a traffic light system, the output of this analysis is contained in Appendix A of this report. This Infrastructure Funding Strategy report primarily focusses on the funding alternatives highlighted in green (classified as funding sources that the Council and the developers should actively pursue to enable the development).

Infrastructure Requirements

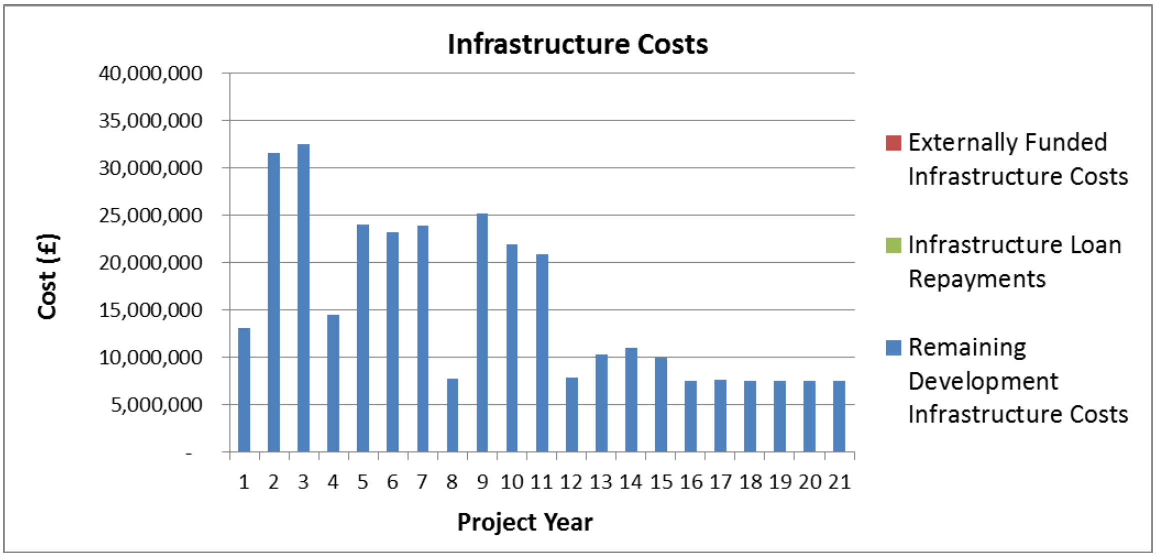
2.6 Alongside preparation of the Welborne Plan, the infrastructure requirements for the development have been assessed and mapped against the following primary infrastructure categories.

- Social;
- Green;
- Transport; and
- Utilities.

2.7 The initial estimate of the total infrastructure investment required is over £323M (including contingency).

2.8 The cost of infrastructure delivery, inevitably, is not spread evenly across the development period as the Figure 1.1 shows. For example, there is a high level of infrastructure need in the first 10 years, which includes significant infrastructure items such as the utilities distribution network and off-site utilities reinforcement, Bus Rapid Transit and dedicated public transport corridors and substantial green infrastructure. These high initial infrastructure costs have a negative impact on the development's viability.

Figure 1.1 – Phasing of Infrastructure costs

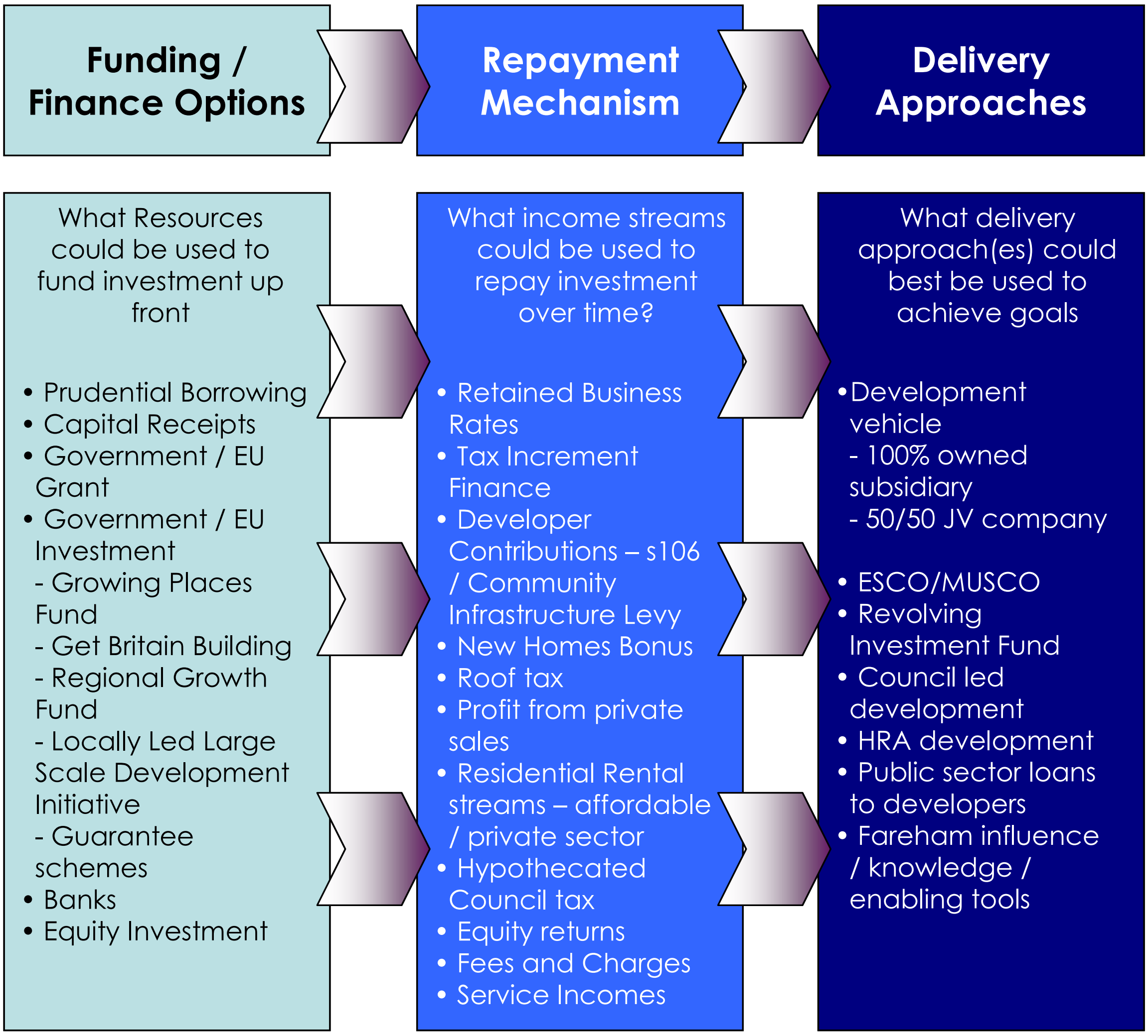


Potential Funding Sources

2.9 The Outline Infrastructure Funding Strategy reviewed potential best practice, currently available and future sources of infrastructure funding and delivery opportunities that could help enable the Welborne development. That analysis has been updated in this report.

2.10 Figure 1.2 demonstrates those finance and funding mechanisms and their associated repayment and delivery approaches that could be used to enable the development.

Figure 1.2 – Overall assessment of approaches



2.11 In addition to those opportunities identified in Figure 1.2, affordable housing is the single largest "infrastructure" cost associated with the Welborne development.

2.12 Given the scale of affordable housing to be delivered, it is likely that the Council and the developers will want to spread the risks associated with the provision of affordable housing, by adopting a range of different approaches to its delivery, which are explored in greater detail later in this report. These include:

- Self-development by the Council on land provided by the developers through the section 106 agreement.
- A range of Local Housing Company options.
- Local authority guaranteed purchases and/or supported guarantees.

- Overage arrangements (where threshold land values trigger either payments of commuted sums or increased on-site delivery).
- Joint Venture approaches with registered providers, developers and/or other local authorities.
- Third party funding of affordable housing on land provided through the section 106 agreements.
- Self-build or custom-build schemes.

Infrastructure Funding Strategy

2.13 The March 2013 Outline Infrastructure Funding Strategy report outlined several funding sources and funding mechanisms, of which it was recommended the following should be actively pursued to enable infrastructure and funding of the development.

- Grant funding;
- Locally led large scale housing delivery funding;
- LEP funding (including Growing Places Fund and Regional Growth Fund);
- New Homes Bonus;
- Community Infrastructure Levy;
- Engagement with utilities to ensure inclusion of off-site reinforcement in 5 year investment plans;
- Third party funding of schools: to be pursued with the County Council and LEP, including exploration of EU funding;
- Third party funding for residential care;
- Council (FBC and possibly HCC) investment;
- Local authority guaranteed housing purchase;
- Local Housing Company and possible joint venture(s) with other authorities and/or registered providers;
- MUSCO/ESCO;
- Self-development of affordable housing; and
- Revolving Infrastructure Fund(s).

2.14 Other options were recommended as potential options if required, and/or suitable (EU funding, Business Rates retention in respect of renewable energy and Overage

Payment) and others (general Business Rates retention and Joint Venture Development) were ruled out as being unsuitable for the time being. For completeness, some of these are briefly discussed further in this report.

3. Selected sources of finance, funding and delivery models

3.1 This section provides an overview of the funding opportunities outlined in section two and their individual impact on the overall financial viability. The financial viability is determined by a financial model created by GVAFC to determine the financial viability of the development. Without detailed proposals from the site promoters, it has been necessary for the purposes of the Welborne Plan, to construct a hypothetical development model based on the Council's concept master plan, to estimate the infrastructure requirements and costs as set out in the Council's Infrastructure Delivery Plan, and estimates of build costs and values. Using this as a basis, without external financial support the development viability analysis reflects a land value of c£33m based on a development Internal Rate of Return (IRR) of 20% (including inflation), this paper will refer to this position as the Base Case. At this level, comparable market intelligence would suggest that the scheme is unlikely to be brought forward, and requires external sources to funding to improve the viability of the scheme.

3.2 The analysis in this section looks at selected funding methods and evaluates them based on an increase in land value (positive impact) in comparison to the base case or a decrease in land value (negative impact). It also covers the state of progress in respect of each funding method. Where the impact has been shown graphically, the report uses project years to illustrate when infrastructure costs will be incurred in the lifecycle of development. In all cases, "year 1" is expected to be 2015/16.

Potential Funding Sources

Grant Funding

3.3 Funding is deemed as grant funding where there is little or no expectation of repayment of the funding to the provider. A submission has been made by Hampshire County Council (HCC) and Transport for South Hampshire & Isle of Wight (TfSHIoW) to the Solent LEP for £89.9m. Of this amount, £41.2m (as indicated in Figure 3.1 below) has been allocated to the Welborne project. While the nature of this funding has yet to be determined, as a working assumption it is not anticipated that the Welborne project will be required to repay this funding. While this application would provide a significant benefit to the project, this is an initial proposal to support a funding request from the LEP. It is yet to be determined if the application has been successful or what the terms and conditions of such funding would be.

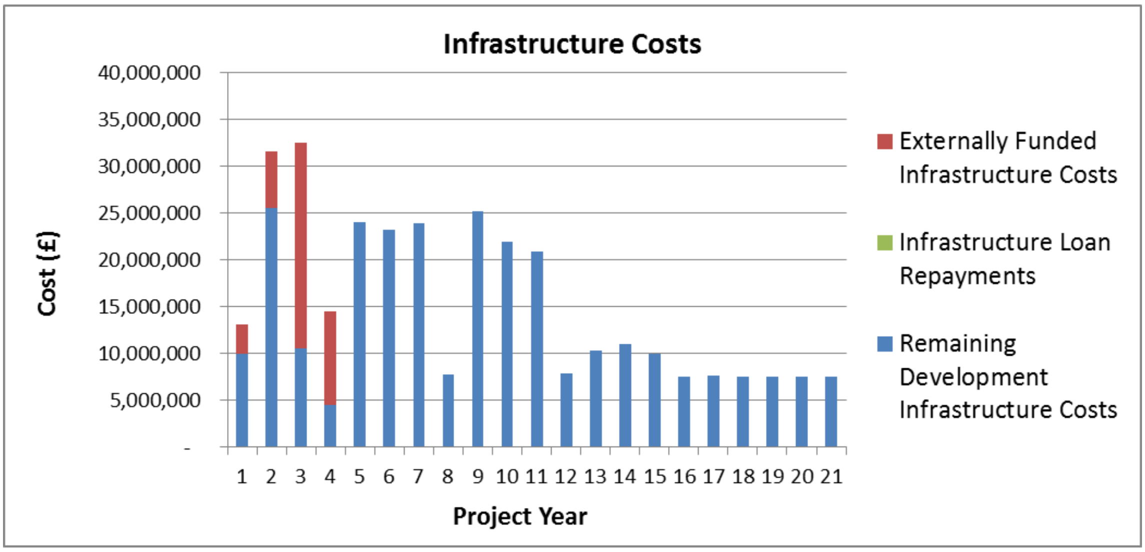
3.4 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) results in an increase in land value of £31m.

Figure 3.1 – TfSHIoW Welborne funding cash flow application to the Solent LEP

Total Capital Costs	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Welborne							
M27 Jct 10			3,000,000	22,000,000	10,000,000		35,000,000
Local road network		3,200,000	3,000,000				6,200,000
Total Capital Cost		**3,200,000**	**6,000,000**	**22,000,000**	**10,000,000**		**£41,200,000**

3.5 Figure 3.2 below shows how infrastructure costs have been re-profiled as a result, reducing costs in years 3/4/5 which has a positive impact on the overall financial viability.

Figure 3.2 – Updated Phasing of Infrastructure



Solent LEP

3.6 A direct application for funding from the developers to the Solent LEP has been made for £24m (as shown in Figure 3.3 below) for the funding of undergrounding of the power lines, a substation, water mains and the upgrading of the A32 between the M27 and Knowle Road. Following discussions with the LEP and their application to Government for funding, it is proposed that this funding will be considered as grant funding. Again, this will depend on a successful allocation of funding to the LEP for grant funding.

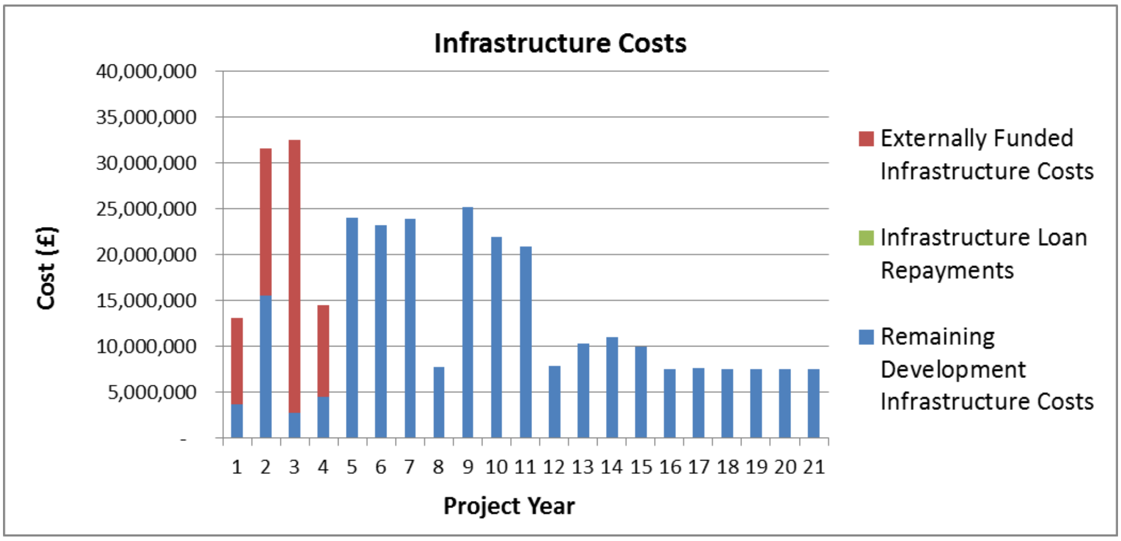
Figure 3.3 – Welborne Developer cashflow application to the Solent LEP

3.7

Total Capital Costs	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Undergrounding power lines	2,069,000	2,069,000	2,132,000				6,270,000
Primary substation		3,762,000	3,762,000				7,524,000
Diverting water mains	1,840,000	1,840,000	1,896,000				5,576,000
A32 Corridor	2,337,000	2,337,000					4,674,000
Total Capital Cost	**6,246,000**	**10,008,000**	**7,790,000**				**24,044,000**

3.8 The diagram below shows how infrastructure costs have been re-profiled as a result, reducing costs in the first 3/4 years which has a positive impact on the overall financial viability.

Figure 3.4 – Updated Phasing of Infrastructure



3.9 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) results in an increase in land value of £21m.

3.10 The Grant Funding application above and the developer application of funding from the Solent LEP will be subject initially to the allocation of funding from Government as a result of the Solent LEP Growth Plan. Each LEP is required to submit a Growth Plan which will be subject to Government scrutiny to determine how much each LEP will be allocated from the £2bn of funding to be allocated to LEPs. It is anticipated that a mixture of both grant and loan funding will be available to LEPs and each LEP has been required to submit its future funding aspirations/requirements. The funding provided by the Solent LEP, therefore, is subject to this application and may be reduced depending on the allocation of funding to the Solent LEP.

Local Infrastructure Fund (LIF)

3.11 The Local Infrastructure Fund is administered by the Homes and Communities Agency (HCA) and provides commercial loans or equity finance for infrastructure work on Enterprise Zone sites or developments for more than 1,500 homes.

3.12 Four projects have been allocated funding with 32 shortlisted and the Chancellor announced a £1bn extension to the fund in the Autumn Statement 2013.

3.13 The HCA is responsible for administering the fund and, through the Local Infrastructure Fund prospectus, sets out the criteria for bidding which include support for sites that:

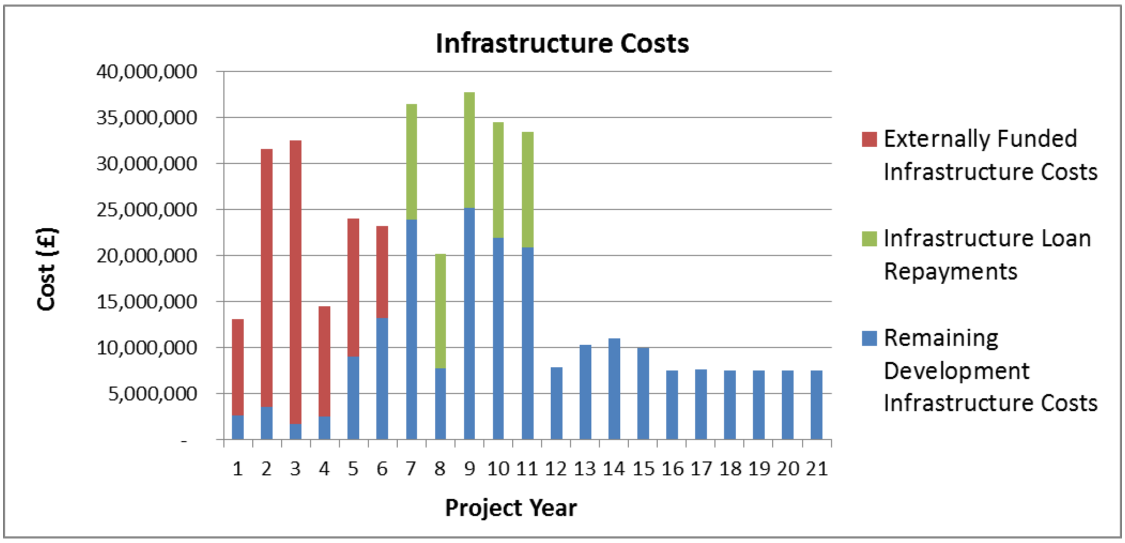
- Are at least 1,500 units in size.
- Have support from the relevant local authority (the Homes and Communities Agency will test this with the local authority).
- Demonstrate how the infrastructure investment will lead to housing starts.
- Have local support, demonstrated through having outline planning consent, or the site being designated for development in a Local Plan or via a Local Development Order.

3.14 The developers, with the support of the HCA have submitted an application for £45m to fund utilities infrastructure. This is based on loan funding and hence will need to be repaid to the Homes and Communities Agency (HCA).

The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) reflects an increase in land value of £8m.

Figure 3.5 below shows how, with the use of the LIF funding the up-front infrastructure impact is reduced, however peaks later when the loan is required to be repaid.

Figure 3.5 – Updated Phasing of Infrastructure



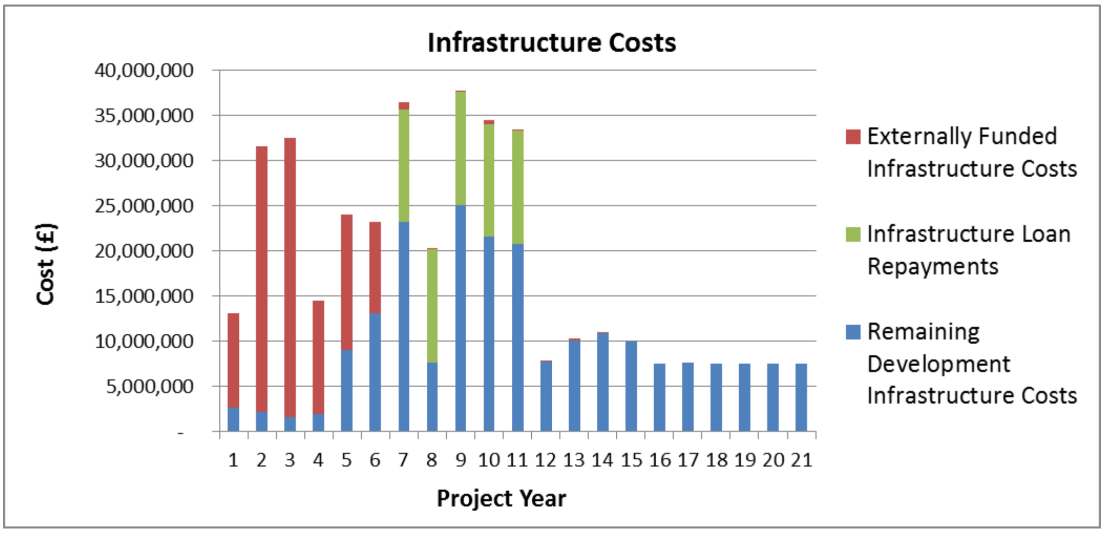
Other grant funding

3.15 In addition to the "live" funding applications analysed above, it is probable that other Government and non-Governmental sources of grant funding will be available for elements of infrastructure that further wider (Government) objectives. This is particularly likely to be the case for public transport (such as the proposed Bus Rapid Transit – BRT – connectivity to Welborne), Smarter Transport Choices and some green infrastructure requirements.

3.16 At this stage it is not possible to predict what quantum of funding might be available or the timing of such funding and therefore it has not been possible to model the impacts of such funding with any certainty. Nevertheless, to illustrate the possible impact of this type of grant funding we have selected a number of Welborne infrastructure requirements related to BRT and Smarter Choices totalling some £8m as an example and modelled the impact of grant funding being provided, on timescales consistent with the Infrastructure Delivery Plan) for 50% of the costs of these requirements. The impact of this funding on the project (expressed as an increase or decrease in land value – based on a 20% IRR) would result in an increase in land value of £2.5m.

Transport Project	Total estimated cost per IDP
On-site BRT network	1,000,000
Off-site BRT network	600,000
Bus Operational subsidy	2,850,000
Smarter choices	3,800,000
Total selected projects	8,250,000
50% thereof	4,125,000

Figure 3.6 – Updated Phasing of Infrastructure



New Homes Bonus

3.17 New Homes Bonus (NHB) is the government's flagship housing policy, aiming to start "… a local house building revolution where communities who go for growth by building new homes reap the benefits and at the same time deliver a much needed economic boost to their local area"[1]

3.18 The New Homes Bonus is a grant paid by central government to local authorities for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It is based on the net amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

3.19 New Homes Bonus is calculated using the average Council Tax in England, currently £1,456 (£8,736 per home), and an extra £350 (£10,836 per home) for affordable homes. The estimated NHB for Welborne is £56m, of which £45m is attributed to Fareham BC (the remainder to Hampshire County Council). This is shown below, and assumes the following:-

- The housing trajectory is realistic and delivered in full;

[1] http://www.communities.gov.uk/news/corporate/1846706

- The affordable housing element is delivered on a smooth 30% basis throughout the development;
- All units are rated "band D" for council tax purposes;
- Net housing provision across the rest of borough do not fall below zero at any point;
- The percentage shares between upper/lower tier councils remains unchanged;
- NHB remains payable in its current form over the delivery period;
- FBC do not withdraw the commitment in the light of any future financial constraints.

Figure 3.6 – Delivery of New Homes in Welborne

Approximate timing of new homes	In Period	Derived from period	Total Units
Phase 1 (2015 – 2019)	£1,148,896	£3,746,400	500
Phase 2 (2019 – 2022)	£4,345,824	£7,492,800	1,000
Phase 3 (2022 – 2026)	£9,565,808	£10,190,208	1,360
Phase 4 (2026 – 2030)	£10,190,208	£10,190,208	1,360
Phase 5 (2030 – 2036)	£14,511,056	£13,337,184	1,780
Residual (2036 – 2041)	£5,195,008		
Total Capital Cost	**£44,956,800**	**£44,956,800**	**6,000**

3.20 While the NHB will provide a significant impact to the development, it is only achieved once the homes are built, thus representing a significant risk to forward-funding any infrastructure.

3.21 It is therefore correct to allow one year after the homes are anticipated to be completed before calculating the receipt to the Council.

3.22 The Council cannot provide this funding directly to the developers of the scheme and therefore any benefit should be used for Council direct investment in the area, in order to promote the Council's broader objectives (for example, to better influence and improve the quality, scale or timing of infrastructure delivered). For this reason, the likely uses of NHB could be third party land acquisition, open space adoption, non-essential infrastructure, improving the quality of infrastructure, or on-going maintenance of infrastructure adopted by the Council such as open space or leisure facilities. The County Council could also consider investing its portion of the New Homes Bonus raised at Welborne (some £11m in total) in the new community.

3.23 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) is an increase in land value of £5m.

S106 Payments

3.24 Section 106 (S106) Planning Obligations are legally binding agreements entered into by persons with an interest in a piece of land (often a developer) secured by a legal agreement or deed.

3.25 Traditionally contributions to infrastructure requirements to mitigate the impact of a development have been sought through the S106 agreement; this includes the delivery of affordable housing units.

3.26 Significant resources will be realised through this route for the project. However, it is difficult to assess the level of this contribution until a detailed masterplan has been agreed and negotiations concluded with the developer.

3.27 The Council will continue to negotiate the level of s106 with the developer in the normal fashion, but as the detailed funding strategy is developed the Council must ensure any negotiations are made in light of the outcome of this Infrastructure Funding Strategy particularly in relation to New Homes Bonus funding and external grant funding through the LEP or other sources.

3.28 An alternative to s106 for securing funding from developer is the Community Infrastructure Levy (CIL). This option is not discussed further in this report because the recent published Welborne Planning Obligations SPD states that:

> "The Council has received advice from GVA that the best way to secure infrastructure at Welborne is to maximise the use of S106/S278 and reduce the role of CIL to a nominal or zero rate[2]. The Council intends to implement the advice received from GVA and maximise the use of s106/278 and reduce the role of CIL. Indications are that once the necessary s106/278 costs have been met, there will be insufficient headroom to support a CIL contribution on the Welborne site as well. This conclusion will be tested at the forthcoming CIL examination."

Council Loans, Grants and Guarantees

3.29 The prudential capital finance system allows local authorities relative freedom to make their own borrowing, investment and lending decisions, governed by the Code,

[2] GVA, Welborne Stage 2 Viability Testing – GVA Approach, Assumptions & Results January 2014

which aims to ensure that capital investment plans are affordable, prudent and sustainable.

3.30 The Market Economy Investor Principle states the "If the State acts in a way that a private investor would in a market economy, for example in providing loans or capital on similar terms to that of a private investor, the funding will not be classified as State Aid"

3.31 Any loan the council decides to make to support infrastructure development in Welborne must, therefore, be on commercial terms. This will include the interest rates and collateral/security provided together with other requirements that a private lender would ordinarily include in the loan agreement. In addition, the "State" must ensure that fees and charges generally included as part of a normal commercial transaction are included in any financial assistance.

3.32 There are currently various sources of Government supported debt funding available particularly through LEPs and LIF. However, should this funding be deemed inadequate, the Local Authority sector may consider providing debt funding to support the Welborne development. As this funding will need to be repaid to the relevant Council the development will only benefit from the lower cost of funds (in comparison to developer equity funding). The developers have not, to date, approached the Borough or County Council for debt or equity funding.

Local Authority (Revolving) Funds

3.33 The creation of a local revolving fund by the Council (or a third party such as the LEP) would require a significant capital resource against which developers could secure capital funding in a similar way to normal commercial borrowing.

3.34 The fund would operate as a rolling fund to allow infrastructure projects to be forward funded by the Council and the developer would repay the infrastructure fund within an agreed timescale or on the basis of completed development.

3.35 This would allow developers to commit to the development and allow the developer flexibility to meet repayments to the infrastructure fund from future cash flows; improving the developers return on capital.

3.36 The risk to the Council would be significant, particularly in the current market, but that risk would have to be balanced against the potential benefits in stimulating the local development industry and the resultant economic and wider social benefits in providing essential housing, commercial and infrastructure facilities.

Revolving Fund Approach

3.37 If required, the Council could look to establish a form of revolving fund approach, possibly in partnership with other bodies, whereby the Council utilises its borrowing powers, income base, assets and the strength of the local authority's covenant, to help provide the necessary financing for investment in the development, and the wider objectives of Fareham, either alone or through a fund, in return for contributions over time. The Council could also look at promoting a revolving fund mechanism with the developers to support the ongoing stewardship of the Welborne development.

3.38 As this Revolving Investment Fund is established, investments would then then made to finance infrastructure interventions which currently could be funded upfront by direct contributions from developers and the private sector. The interventions would be repaid from either future developer contributions unlocked or from loan repayments from developers.

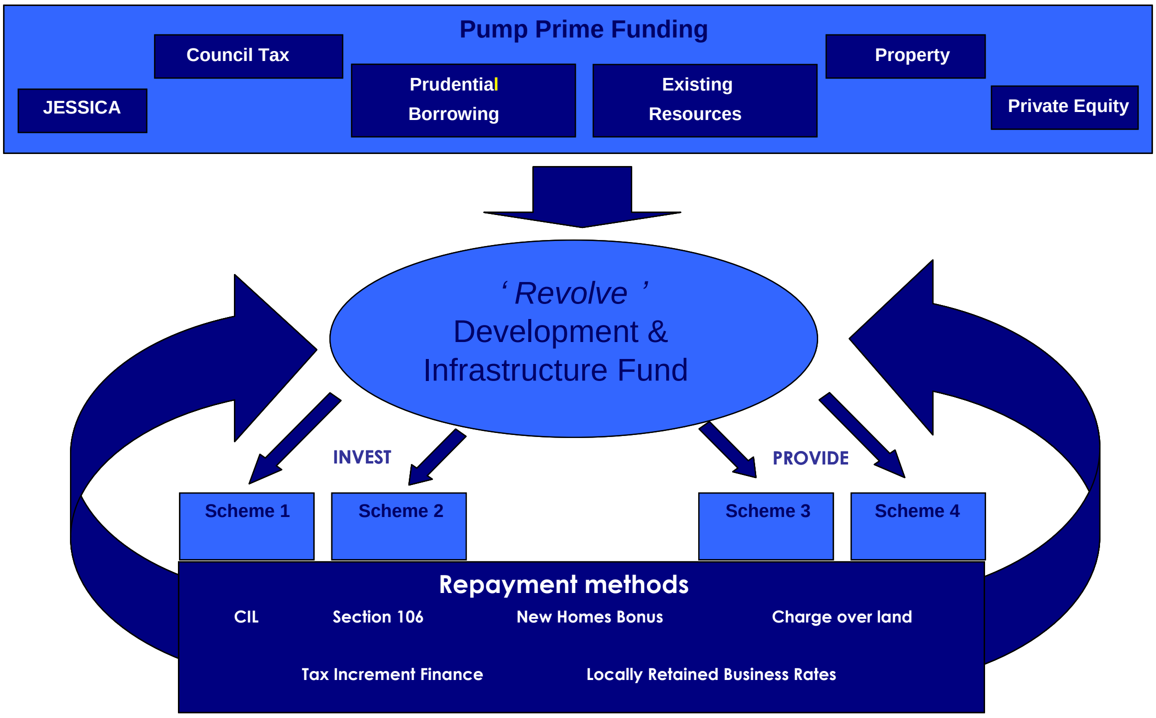
3.39 This fund could be financed from a combination of the approaches appraised in this report including available finance routes, capital receipts, use of reserves, direct revenue contribution, unlocking the value in its assets, prudential borrowing, utilising future developer contributions, hypothecating council tax and/or business rates.

3.40 The fund would make strategic interventions where strategic infrastructure could be funded by direct contributions from developers and the private sector. However, this intervention will be based on criteria set by the Council and it is anticipated that only a relatively limited amount of the total infrastructure would be provided in this way.

3.41 A number of criteria would need to be developed by the Council to define this preferred solution, but would be likely to include the elements summarised below:

- Ability to generate revolving returns that fund multiple schemes over time;
- Maximise the opportunity for investment from the private sector early in the establishment of any funding mechanism;
- Ability to utilise the Council's powers, income streams and borrowing capacity to facilitate the delivery of the Fund's objectives, provided a clear business case can be established;
- Ability to utilise the Council's assets to support a funding mechanism provided it is supported by a robust business case;
- Maximise the potential investment of other public sector bodies, such as the local LEP, the County Council, European Investment Bank (EIB), and other grant investment approaches from the UK Government; and
- Fast implementation of the chosen solution to ensure the funding mechanism can be put in place in the short term.

Revolving Fund Approach



3.42 At this stage, it does not appear necessary for the Council to pursue this approach but it should be kept under review in the light of changing circumstances, particularly if it becomes apparent that direct investment into Welborne by the Council will be necessary or desirable (e.g. to accelerate or increase affordable housing provision).

Charge over land mechanism

3.43 In this mechanism, the Council would enter into a funding agreement with the developers. A legal charge over the land would be taken by the Council on an agreed basis and at a level that promotes development. The Council would then lend into the vehicle the cash to pay for any enabling infrastructure that is agreed to be within scope. As this cash is loaned so the developers begin to accrue interest due to the Council.

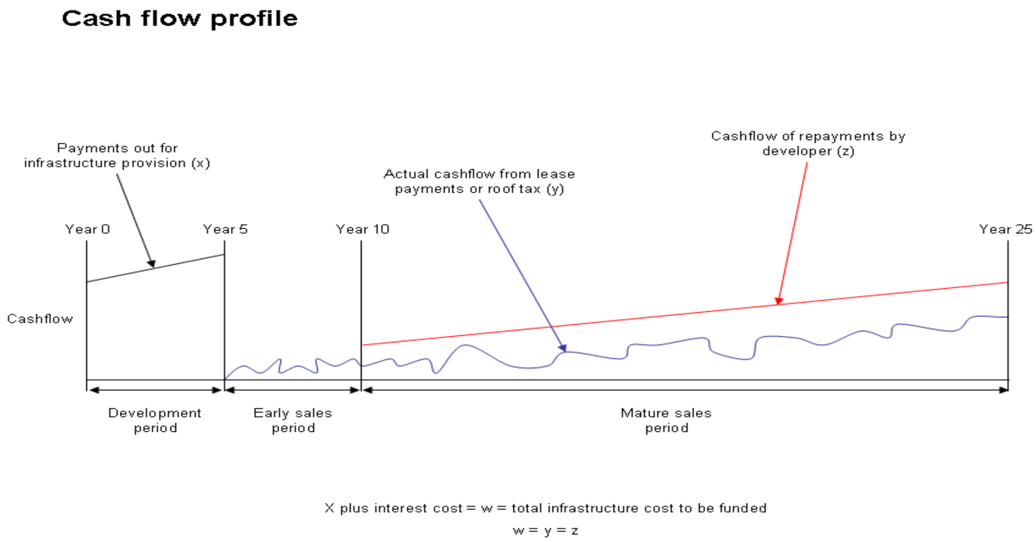
3.44 The enabling of the infrastructure increases the value of the land and encourages development. As development is delivered and land is sold, receipts are used by the developers to repay the loan to the Council. The Council then releases its charge over the land.

3.45 The charge would be set in a way that it mitigates some of the Council's risk in enabling the infrastructure and encourages the development of the land as the charge would be linked to inflation and increase over time. A payment break can be agreed from development sales in early years to ensure that payments back to the Council can be smoothed.

3.46 The Council should keep under review the appropriateness of this approach to supporting the development of infrastructure associated with Welborne and explore it further with the developers should it appear necessary to do so to achieve the Council's objectives for Welborne.

3.47 The Graph below gives an indicative payment profile of this scheme.

Charge of Land Model



Affordable Housing Delivery

3.48 The Welborne Development is expected to deliver approximately 6,000 new houses, with 30% of these units being affordable.

3.49 The affordable housing provision presents a significant cost burden on the delivery of Welborne, particularly in the earlier years of development where the project cash-flow is most sensitive. An alternative to delivering a continuous 30% affordable housing across the entire scheme is to permit a lower level of affordable housing to be undertaken in the initial phases of development with a higher proportion in the latter phases to provide an overall affordable housing proportion of 30%.

3.50 The Council and developers of Welborne can utilise a variety of mechanisms and vehicles to enable the delivery of affordable housing, which include:

Local Housing Company

3.51 To improve the delivery of housing in Fareham, the Council has formed a new company in partnership with Eastleigh Borough Council, First Wessex and Radian

Housing Association, for the purposes of facilitating housing development in a sustainable manner.

3.52 The parties have entered into the joint venture to enable them to:-

- Meet housing need in their core areas of operation in partnership with other organisations.
- Bring forward housing developments that may otherwise stall due to economic conditions.
- Increase housing supply in order to meet local housing needs.
- Increase the supply of market rented housing to overcome local shortages.
- Provide housing accessible to those in receipt of welfare benefits.
- Boost the local economy through development, creating work in construction and a range of other industries.
- Develop projects aimed at reducing carbon emissions and/ or increasing renewable energy usage.

3.53 The purpose of the joint venture is primarily to provide management, control and administration of the structure including high level risk management. The company will be undertaking a continuing business which will have project based Special Purchase Vehicles (SPVs) underneath the main structure.

3.54 The intention is that each SPV will attract separate funding and that there will be a number of development projects arising. Each SPV will have different economic participants but all SPVs will be managed by the Joint Venture.

3.55 The significance of this joint venture and the SPVs is that it can also be used to deliver affordable housing across the Welborne project in separate SPV on land purchased or allocated to affordable housing (i.e. the joint venture develops the affordable housing units) or purchase affordable housing units developed by the developers of Welborne.

Overage Provisions

3.56 Current land values may not support all the Council's policies and aspirations in terms of affordable housing and green infrastructure. However, as the development continues and Welborne becomes a success, land values will rise.

3.57 The Council may wish to forgo a portion of the affordable housing provision in the early years on the premise that they are delivered in full should land values rise above certain hurdle rates.

3.58 A number of Councils have agreed lower than policy levels of affordable units, with an overage payment to provide affordable housing in future years, subject to land values being met.

3.59 This option could have significant benefit in the earlier, less viable years of the development. This mechanism is based on a lower level of affordable housing initially but subject to an overage provision on the future land value. For example, should the land value exceed a specific value the developer will be required to either provide the remaining affordable housing on site to provide an average of 30% across the entire development, or to pay the Council an agreed percentage of the land value increase over the agreed threshold as a commuted sum (see below).

Commuted Sum – Off Site Provision

3.60 The Council could also investigate the possibility of taking a commuted sum in lieu of on-site affordable housing provision. By reducing the amount of affordable housing on the site the landowner would be able to increase the residual value of the land, thereby making the development more viable.

3.61 A number of Councils are looking at taking on the role of master developer on sites, both in the public and private ownership. Where Councils have land holdings, they are looking at opportunities to deliver the affordable element or a combination of the affordable and for sale units.

3.62 This commuted sum may be beneficial to the housing joint venture established by the Council as it could provide important capital to meet the objectives of the joint venture.

3.63 The benefits of the Council adopting this commuted sum approach could include:

- The delivery of more affordable housing units;
- The opportunity to increase the value of the remaining land holdings;
- The opportunity to secure an additional income stream (through housing rents); and
- The delivery of other social infrastructure.

School Provision

3.64 As the Local Education Authority (LEA), Hampshire County Council has a statutory duty to plan the provision of school places and to secure an appropriate balance locally between supply and demand. It is the role of the County Council to plan, organise and commission places for all maintained schools in Hampshire.

3.65 The need for school places changes in response to population movements and birth rate variations and the development of new housing; such as that proposed in Welborne. Increases in demand can lead to the creation of a new school or the expansion of existing schools by adding permanent or temporary accommodation.

3.66 Traditionally, education provision is provided through a S106 agreement. However, in reviewing new schools requirements the County Council could reduce the impact through a commuted provision or reduce the on-site provision should school requirements change in the future.

3.67 Currently, there is a requirement within the Council's Infrastructure Delivery Plan for provision of three primary schools and a single secondary school to deal with the impact of the additional impact from Welborne.

3.68 Other similar developments, in line with the Government's guidance on renegotiating s106 agreements, have sought to deliver all or part of the education provision in partnership with the LEA.

3.69 The Council and landowners should continue to consult the LEA on school provision and the different opportunities available to ensure the needs of the Welborne are met.

3.70 This funding strategy has discounted the future role of Free Schools as a method of funding the delivery of school assets because, although this method is generally popular in city centres where there is an established demand and reputation, large regeneration projects seldom have the initial demand or reputational benefit.

Residential Care Home/Supported Accommodation

3.71 A number of Councils in the UK are currently looking at self-financing models for the delivery of high specification residential care homes or care communities.

3.72 The increased demand caused by an ageing population and the lack of affordable residential care places in general has resulted in a need for Councils to look at in-house provision rather than through private sector routes.

3.73 Income streams associated with the delivery of this service could be used to support the provision of care homes. Furthermore, funding from private sector equity funds has increased particularly regarding care homes and we expect to see the emergence of new funding methods for care homes in the near future.

Utilities infrastructure

3.74 For the purposes of this strategy, we have assumed that the significant costs associated with off-site utilities reinforcement provision will be met by the utilities in line with their 5 year investment plans (following the relevant public law precedents). Nevertheless, it remains important for the Council and the landowners to work with utility providers to plan ahead for water and energy infrastructure to support growth and meet local needs, in particular to ensure these needs are included in utilities' 5 year investment plans.

Energy and Multi Utility Service Companies (ESCO and MUSCO)

3.75 New developments such as the Welborne are looking at new and innovative ways to involve the community in both the delivery of and decision making for the delivery services and energy. There is a need to take responsibility for local land values to make sure that the future development needs of the town or city can be met and this is all linked to innovative forms of ownership of energy generation and supply to serve new communities. This is particularly linked to the revival of the Garden City concept around stewardship of the assets. In addition, organisations that provide a variety of utility services and can ensure strongly joined-up service infrastructure and a highly efficient customer interface.

3.76 ESCOs and MUSCOs are bodies that focus on the delivery of service or energy to communities. No standard organisational structure for ESCOs and MUSCOs has been developed in the UK, but guidance produced by the London Energy Partnership provides information on successful schemes. Few organisations have been set up with a range of structures, however these have not been of sufficient scale or duration to determine their effectiveness of financial soundness. The Council should, therefore, continue to approach such investments with caution, but with an open mind, given its duty to safeguard public funds and the potential to generate additional income.

Business Rates Retention

3.77 The Government has implemented proposals radically reforming the way local authorities are funded, providing an incentive for local authorities to encourage growth whilst ensuring they have adequate resources to provide services to local people. Subject to an initial top-up and tariff system, local authorities are now able to retain a proportion of Business Rates, if they achieve local growth in business rates, to act as a financial incentive.

3.78 The Welborne development is set to generate substantial employment land that will be liable for business rates. However, initial modelling suggests that as the Council currently receives a "safety net" payment from the Business Rates system, it is unlikely that any notable benefit will be realised from rate retention at least until the next reset in 2020. As such, any contribution from business rates will be insufficient to enable the Council to use it to borrow and forward fund infrastructure with certainty of repayment.

3.79 Additionally, special provision has been by Government made whereby all business rates collected from renewable energy facilities will be retained locally. Unfortunately a solar farm planned by one of the developers of Welborne falls outside the Council's area and therefore cannot provide benefit to the Council on the business rates received.

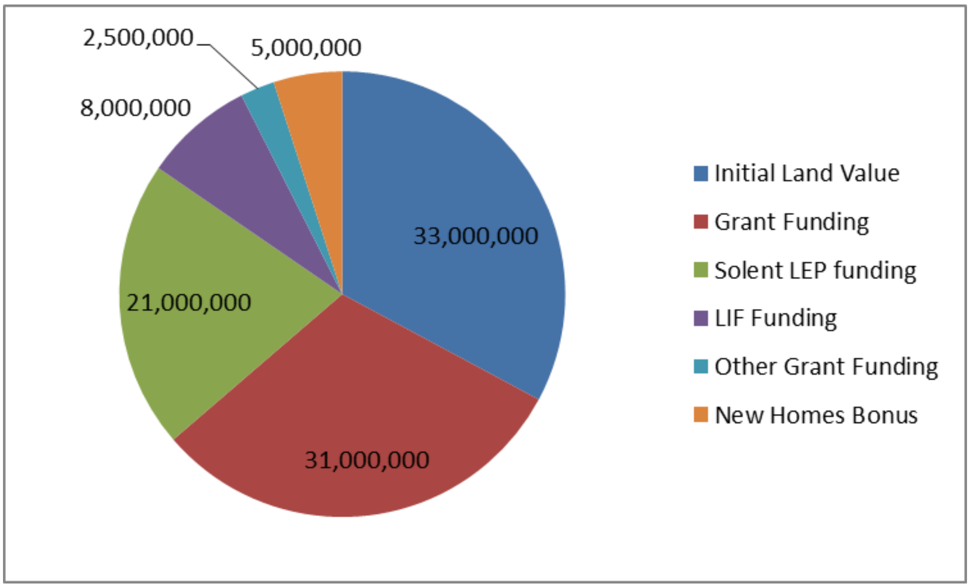
3.80 Given these two factors this report does not analyse further the potential impact of using retained business rates. This should be kept under review in the light of any future changes to Government policy in this regard.

4. Conclusions

4.1 This report has assessed in more detail a number of opportunities and structures that could be used to delivery significant investment in to the Welborne development. It has assessed both public and private sector intervention and draws on current best practice to ensure that delivery of the schemes is brought forward in a timely manner.

4.2 Figure 4.1 below shows the cumulative impact on the land value from the various mechanisms analysed in Section 3, where these impacts can now be quantified. As the table shows, the overall impact results in an increase in land value of £67m. As negotiations are ongoing with the developers it is premature to determine the ultimate financial impact these mechanism could have on the financial viability. However, the results show a significant shift if the financial viability when applied and confirm that a combination of Council and third party support for Welborne has significant potential to support viability and achievement of the Council's wider objectives for the development.

Figure 4.1 – Increase in Land Value



4.3 It is important to note from the financial scenarios and analysis undertaken that grant funding (i.e. not repaid back) has the greatest impact in increasing land value. Loan funding does provide a positive impact in the earlier years by reducing the initial impact however re-distributes the costs later in the cashflow. Grant and loan finance do however contribute to the overall financial viability as a result of a lower cost of funds in comparison to the developers funding cost.

4.4 Several funding initiatives have been identified and the Council should continue to support such funding applications for Welborne and explore other funding initiatives when these become available (likely as Government funding).

4.5 To support any future funding application or to progress the funding applications already submitted, the landowners/developers will need to provide the Council with its proposed development and feasibility study. This will also enable the Council to identify key costs which may benefit from financial intervention/funding.

4.6

Appendix A – Public Sector Sources of Finance

Table 8.1 – Assessment of opportunities for public support on the Welborne development taken from the March 2013 Outline Infrastructure Funding Strategy

	Advantages	Disadvantages	Next Steps
Grant Funding	• If any grant is available for the Development, the Council and its partners should ensure that the priorities of the scheme are flexible enough to meet its objectives. • There are currently grant allocations available for transport delivery. The Council and its partners should attempt to access this for development of the M27 Junction and delivery of any off-site road improvements. • EU funding can be in the form a grant where delivery of key pan-Europe objectives is achieved; however, this is less common. Previously, these have included job creation, renewable energy and areas affected by blight.	• Grants are often prescriptive inflexible and often require significant alignment to the grant giving body. • Grants can be quite small and are usually given to enable development work rather than delivery, the exception being transport.	The Council and its partners should: • Work with the Department for Transport and the Highways Agency to assess the availability of grant for transport infrastructure; • Assess EU Objectives where grant may be available e.g. Renewal and Green infrastructure; • Ensure that the funding strategy is continually updated to ensure that any grant available is accessed.
Locally led large scale housing	• Welborne meets the criteria of 1500+ and large scale commercial sites be outside of Enterprise Zone areas	• Advice from Homes and Communities Agency has been unclear as to whether the	The Council and its partners should: • Investigate if it is eligible

	Advantages	Disadvantages	Next Steps
delivery funding	• Welborne promotes economic activity; investing in large scale land and property projects, which have local support, to deliver the infrastructure required to unlock housing and commercial development • Any finance will be flexible in how it invests, enabling bespoke packages of support to be developed where needed • Finance can be used to fund land acquisitions from third parties where there is a need that relates to infrastructure delivery. • There is no upper limit to finance subject to it meeting the value for money criteria	Welborne development was sufficiently progressed to access funding in the first round • Any bid to be submitted is expected to be led by the organisation with majority control of the land • This is not grant funding, funding will be provided on a recoverable basis (with funds returned to the Homes and Communities Agency), with an appropriate rate of return applied • Appropriate security is required to access the investment.	to proceed with an expression of interest at this time. If so, the landowners will need to consider whether a loan or equity investment is sought; • Work with the HCA to assess the likelihood of bidding for Round 2 of this fund and ensure that it is positioned to bid; • Work with landowners, where appropriate to support any private sector bid.
Other LEP Funding including GPF	• Growth funds are aimed at unblocking stalled or difficult to deliver developments that will increase the economic activity within an area. Welborne should be seen as a key project in enabling these objectives; • Funding may be secured in the form of grant subject to the aims and objectives; • The GPF and GBB have aims and objectives that are directly met by this	• Schemes currently being funded in this manner are in a shovel ready state. If Government priorities change over the coming years then the Development may not meet the criteria. • Funding is focused on unblocking and creating an environment for growth. As such other sources of finance are expected to be investigated first. • Funding is channelled through	The Council and its partners should: • Assess the current funding streams and align, where applicable, its aims to meet their objectives. • Work closely with the LEP to ensure that the scheme is a high priority and considered for all funding that flows

	Advantages	Disadvantages	Next Steps
	development; • In the future JESSICA or JERIMIE funding may be available as they are specifically aimed at development. • Elements of the Development may align with funding sources currently being offered by the EU, e.g. employment or green infrastructure funding.	partnership agreements between the public and private sector; a suitable agreement would need to be in place.	through the LEP • Where possible lobby Government to support the project. • Be flexible enough to access any future funding streams that may be pushed through the LEP
New Homes Bonus	• Approximately 6,590 of homes will be created as a result of the Welborne development realising a significant income stream. • It is estimated that income will be approximately £60M for Fareham Council and a further £15M for Hampshire County Council will be delivered from this scheme. • The Council has ring-fenced any NHB received from the Welborne Development to support the scheme. • Under current guidelines NHB would be given to the Council in line with development. This could be accessed to support the development through borrowing or through a pay	• NHB is not ring-fenced to housing and the development would have to compete for funding with other services and priorities; • The Council may not be willing to take any funding risk on housing that has yet to be delivered, i.e. funding would only be received on the completion of houses • NHB is supplied in it current form as part of the latest CSR. This is due to run until 2015. There is no guarantee that NHB will be available for new units past this date.	The Council should: • Engage with the County Council to assess the likelihood of this funding stream being ring-fenced and made available to support WELBORNE Development. • Support this conversation by formulating a detailed financial benefits plan of the housing delivery, ensuring that this links to the wider aims of the Council's; • Work with land owners

	Advantages	Disadvantages	Next Steps
	as you earn mechanism.		to produce a detailed delivery plan to assess the quantum and timing of NHB that may be available to support infrastructure delivery; • Assess the opportunity to bring forward the delivery of affordable housing using this income stream to support delivery.
Community Infrastructure Levy (CIL)	• Specifically, for the delivery of key strategic infrastructure within the authority. • Strategic infrastructure is generally considered as items that benefit more than a single development e.g. transport, utilities etc. which matches some of the key Welborne requirements. • CIL can be used to support borrowing. Prudential borrowing can be sourced from PWLB at significantly lower rates than private finance. • Based on the Draft Charging Schedule the Council could expect to receive approximately £47M of CIL income as a result of the Welborne Development. This can be used to	• No Welborne infrastructure is currently included in the 25 year plan required for the CIL charging schedule; • Not all infrastructure will form part of the strategic needs of the authority. • The development will incur a CIL charge and as such any benefit would be offset by this payment. • Generally, capital expenditure incurred by a local authority must create a tangible asset for the authority, i.e. this approach can generally only be used for infrastructure to be adopted by the Council.	The Council and its partners should: • Assess whether elements of this project should be included on their strategic CIL infrastructure plan. • Subject to being included on the CIL Infrastructure Plan, assess the quantum and timing of income and the impact this could have on supporting the development.

	Advantages	Disadvantages	Next Steps
	support key strategic infrastructure.		
Utilities Re-enforcement	• Utility firms operate a 5 year investment strategy that allows the Welborne to fit in with this timeframe. • There is legal precedence for the delivery of this infrastructure by utility companies	• There is a risk that this approach will be resisted by the utility companies which could delay delivery.	• The Council and its partners should meet and lobby with utility providers to ensure that the key infrastructure requirements are included in their 5 year investment strategies.
School Provision	• The County Council is better positioned to meet the needs of the community if the provision is in their control. • The County Council is able to better manage the on-going costs of the school provision if it is in their control • There may be opportunities to access EU Funding to deliver schools.	• By looking for external support the delivery of the development could be delayed. • Any application for funding will have to be of sufficient size to attract EU funding. This is generally over £50M, which must be matched funded. • EU Funding could take additional time to secure.	• The Council should work with local public sector partners including the County Council and LEP to assess the appetite of a joined up approach to the delivery of educational assets. • The Council should review current EU funding, including discussion with the EIB, to assess the criteria to access EU Funding for the delivery of educational assets.
Residential Care Homes	• The delivery of the residential care homes could produce an income stream to support capital costs or	• By looking for external support the delivery of the development could be delayed.	• The Council, County Council and landowners should

	Advantages	Disadvantages	Next Steps
	other infrastructure priorities. • An ageing population means that the need for residential care will increase. Public ownership of these units could reduce the costs to the public sector. • The delivery of residential care could form part of a wider housing company structure, providing income into the structure.	• If the Public Sector took ownership of these assets any risks associated with occupation, income and M&M could impact on affordability.	assess the opportunity for third party delivery of these assets. • If considered an appropriate opportunity, the Council and its partners should undertake a high level feasibility study to assess the affordability of this opportunity.
Upgrade to the M27	• There is the opportunity to secure grant funding for the upgrade of transport works, this could be through the pinch-point funding programme or the wider devolved major projects programme. • Early delivery of this item of infrastructure could attract current LEP and HCA funding e.g. LIF. • Cost associated with design and studies relating to impact assessment on the T-ENT network may be able to be picked up through EU grant funding.	• By looking for external support the delivery of the development could be delayed.	The Council and its partners should: • Assess the opportunity for early funding bids to bring forward this item of infrastructure at the start of the development; • Work with the Highways Agency to look at the opportunity for grant funding to support delivery. • Consider the benefit of early delivery through the public sector and its statement of intent to the land owners

	Advantages	Disadvantages	Next Steps
Council Investment	• The Council can access debt at a cheaper rate than the private sector. In providing investment in to the scheme the Council could reduce the overall cost of funding. • The Council could provide a State Aid compliant loan to landowners. This would enable the Council to make a financing gain, which could be reinvested into the scheme. • The Council can secure any investment through a charge over the land model, which will protect the revenue account and provide suitable security for any investment; • The investment can be tailored and flexible to meet the needs of the developer.	• The Council is exposing itself to additional risk of the development not proceeding. • The Council will need to ensure that it is acting prudently in its assessment of any investment and supporting cashflows. • Any investment will need to be State Aid complaint, including the inclusion of charges and fees to mirror terms offered by a commercial organisation.	The Council and County Council should: • Work with the landowners to assess the opportunities that the provision of cheaper finance may give. • Assess whether there are any assets with an associated income that it could delivery and adopt. • Work with the landowners to assess the possible impact of any Council investment on the overall viability of the scheme.
Local Authority Guarantee Take Up	• The Council can increase its affordable housing supply by purchasing housing that is unsold. • The developer is exposed to a reduced sales risk and therefore can attract better rates of finance. • The Council can take the stock at a cost plus price, generally lower that the market value of the unit.	• The Council will have to manage an uncertain expenditure profile should the guarantee be called. • The Council is exposing itself to the risk that significant stock may revert to public ownership.	• The Council should investigate this as a potential opportunity with the landowners and assess whether this would bring forward development in a more timely manner.
Local Housing	• A LHC could command additional	• Council would lose an element of	The Council and its partners

	Advantages	Disadvantages	Next Steps
Company	financial capacity to fund affordable units. • The Council can use supported borrowing to lower costs. • Ability of the LHC to address other opportunities e.g. ESCO • The LHC can be wider than the Welborne development, thereby mitigating risk • The LHC can take a longer term view based on rental incomes. • The use of an LHC would allow the Council to deliver affordable housing outside the current constraints of the HRA debt cap.	control by entering a multi-party JV • LHC rely on the cross subsidy of affordable and private sales. By taking on additional sales risks the LHC's return and ability to deliver housing may be inhibited. • The objectives of a wide public sector LHC may not be aligned with the specific needs of the Welborne development, thereby inhibiting its ability to deliver affordable housing in a timely manner.	should: • Assess the benefits and risks of using an external company to delivery its affordable housing needs. • Ensure the objectives of any LHC are drawn wide enough to meet its needs and requirements in relation to the Welborne development. • Working with the landowners, assess the impact a vehicle could have on improving viability or timing. • Assess the opportunities of a wider more diverse company and the impact on the Welborne development.
MUSCO & ESCO	• The organisations have the potential to generate significant income streams that can be used to support Council priorities • They can be set up to more directly meet the needs of the local	• They are a relatively new and untested model • There is a risk that the income stream may not be sufficient to meet the organisations	The Council and its partners should: • Investigate the merits of such a ESCO/MUSCO vehicle and assess possible funding routes

	Advantages	Disadvantages	Next Steps
	community • They can be flexible and more responsive to local conditions including being able to access grant funding.	requirements. • Depending on the agreement, this could erode the authority's Council Tax base.	(including soft market testing); • Assess the appetite of the landowners to participate in a Joint Venture approach utilising this structure; • Look at whether the ESCO/MUSCO structure could form part of a wider vehicle delivering a range of services e.g. Local Housing Company.
Self Development of affordable housing	• Can create a profit rent for the Council which can be used to support other priorities. • The Council can increase rents at RPI +0.5 (subject to the constraints of the Local Housing Allowance) whereas the repayment increases at RPI. • The Council is in control of all management aspects of the units.	• Models require land in public ownership. • The local authority provide a rent guarantee that increases the risk to the Council	The Council and its partners should: • Model the impact of the self-delivery model using the expected rental values available; • Investigate the feasibility of a S106 receipt in the form of a land transfer; • Assess the appetite of funders to deliver schemes such as this in the Welborne Development;

	Advantages	Disadvantages	Next Steps
			Discuss with landowners the benefits of this type of deliver on enabling the Development as a whole.
Local Authority Revolving Infrastructure Funds	• The revolving fund allows the Council and its partners to spread risk around a number of developments therefore making investment more attractive through this route; • Any profit made from the investment will generally flow back to the Council (as part of the agreement). This can be used to support other Council priorities; • Funding can be flexibly structured to best meet the needs of the project. • Infrastructure funds can be expanded to include multiple partners, with a range of interests and income streams. In doing this the risk can be further defrayed from a single body.	• A significant amount of work may be required in order to set this up; • The Revolve fund will require a pay back at a State Aid compliant rate and therefore may not be as favourable as other routes; • The size of the Revolving Fund will be dependent on the size of the Authority and its appetite for risk. • By involving a number of partners the flexibility of the vehicle can be reduced.	The Council should: • Engage with its partners to determine the appetite for a similar development fund, as a single entity, in partnership or on a County/LEP wide basis
EU Funding	• Significant funding can be secured through this route. • Funding is cheaper than can be obtained through PWLB, with rates typically 20 bps above EU Gilts. • Funding is focussed on key priorities that are included in the WELBORNE development.	• A significant amount of EU funding is required to be repaid; there is limited scope for straight grant. • Match funding from the public/private sector is generally required under the majority of EU funding models. • Bids must be made and passed	The Council and its partners should: • Investigate the opportunity for a regional fund that could deliver infrastructure across Hampshire;

	Advantages	Disadvantages	Next Steps
	• Elements may be secured to deliver SMART Transport solutions. • Funding could be used to support County or sub-regional priorities as part of a wider funding strategy e.g. schools delivery.	through an accountable body, which are generally required to produce regular returns. • Bids are likely to be in excess of that required for the WELBORNE site and may require a regional approach.	• Ensure that the priorities of the development are flexible enough to be adapted to attract any EU Funding; • Discuss with the LEP how EU funding could benefit the region as a whole, whilst supporting the Welborne Development.
Local Government Resource Review (LGRR) – Renewable Energy	• 100% of the business rates from renewable energy are kept locally • The emerging Welborne infrastructure requirements include a £12.7M renewable energy plant that will attract business rates for the Council • Business rates will not be ring-fenced and can be used for any Council priority.	• There is the potential for the rates retention to be spilt across tiers meaning the total take is reduced.	The Council and its partners should assess: • The significant scope for the Council on its own, or through an ESCO JV to provide support through LGRR. This support could be used to support the capital costs of the energy units or as working capital for the on-going maintenance. • Retained Rates, which will not be ring-fenced and should be used to support any infrastructure provision on the Welborne

	Advantages	Disadvantages	Next Steps
			Development
Overage Agreements	• The Council can maintain a more policy compliant development. • The viability of the scheme is improved in the early years by helping to developer a faster delivery programme. • As land values increase, housing can be delivered through direct provision or a commuted sum. • Agreements can be written to secure above policy outcomes, subject to developer super profits	• There is a risk that upon completion the level of affordable housing will be below a policy compliant level. • The open book policy can be difficult manage and may require additional monitoring.	The Council and its partners should: • Assess the impact of such an agreement on the overall viability of the scheme; • Work with the landowners to assess how in practice this could be delivered; • Assess the minimum level of affordable provision that could be delivered on the site, using this as a base for negotiation.
Local Government Resource Review (LGRR) – Business Rates Retention	• Rates increase will be largely "additional" due to the unique nature of the Development and the suggested employment space. • The inclusion of Public Sector money and the covenant that money brings will often encourage private sector lenders to invest in schemes that they previously would have avoided. • The new powers will give the Council the ability to attract business by giving a reduced NNDR charge, thereby	• The Council is likely to find itself as a Top Up authority at least until the first rates reset. • There may be elements of displacement that could impact on the overall business rate take by the Council. • Generally, capital expenditure incurred by a local authority must create a tangible asset for the authority, i.e. this approach can generally only be used for	The Council and its partners should: • Assess the ability of the LGRR to support the development post the first rates reset in 2020. • Assess the flexibilities available to encourage business growth by providing rates relief.

	Advantages	Disadvantages	Next Steps
	encouraging business growth and pre-sales. • Under LGRR the local authority has the ability to set up a TIF type structure, ring-fencing all business rates to support the Development.	infrastructure to be adopted by the Council. • The Council must balance its borrowing requirement against other Council priorities in order to demonstrate value for money of any investment. • Based on the current rules regarding Business Rate Retention it is unlikely that a TIF would be advantageous for this development.	
Joint Ventures Development	• The Council could take an equity stake in a JV development vehicle thereby sharing the risk on those elements it is most able to add value to; • The PPP spreads the risk away from one party making it more attractive to both; • The deal would offer a potential upside for the Council in exchange for the additional risk.	• The Council will be mindful of the risks associated with the project and may require security over and above that which is normal in such a transaction; • The Council would have to look at which vehicle best allows them to invest in the project, this may differ from the most commercial advantageous. • The success of this vehicle will be dependent on the value of the assets placed in the vehicle as the public sector equity stake. If the vehicle is not large enough the set up fees become prohibitive;	• Discussion should be used to inform the likelihood of this approach succeeding, however, initial discussions suggest that the landowners do not look favourable on this approach.

	Advantages	Disadvantages	Next Steps
		• Development partnerships can be costly to set up	