Standing Conference on New Community north of Fareham

Funding and delivery of infrastructure – Henry Cleary, Chair, Standing Conference

Funding and delivery of infrastructure- the main cost elements and who pays

- Site preparation and development construction – the landowner/developer/site buyers
- Additional capacity in services for people (eg education) and development (eg water) – Govt grant (eg health) and utilities via charges
- Linking the site to local transport and service networks – a mix of developer funding and Govt grant/other local investment

Funding and delivery of infrastructure – does it add up in today's world

- **Typical costs** for a group of 5,000 home developments (PwC study for CLG based on 2008 data and assumes house prices are level with inflation, and bank borrowing 70% of cost)
- Build costs - £560-640m
- Site preparation - £40-60m
- Accessing the site - £60-80m
- S106 developer contribution etc £50-70m
- Financing, landowner return, profit and other commercial £210-260m
- **Conclusion** – Some sites profitable over 30 years – risk too high without public support

Funding and delivery of infrastructure – some earlier models?

- Long term investment by the landowner eg abbeys, bishops, landed estates (250 medieval new towns eg Salisbury, Boston)
- Victorian philanthropic investment, including garden cities
- Post war new towns
- Poundbury, the Olympic Park, estate regeneration
- **Conclusion** – returns are long term – today’s private sector won’t invest alone

Funding and delivery of infrastructure – post 2008 changes in the model

- Pre 2008
- High bank borrowing
- Large s106 agreements, staged over time and including endowed revenue funding
- Govt grants for growth
- Expectation of rising house prices and rapid development

- Post 2008
- Borrowing cut back
- S106 concerns on viability
- Public benefit through land/assets – endowment not viable
- New Govt initiatives are based on borrowing , investment and charges
- Slower, staged build out

Funding and delivery of infrastructure – LA options to attract investment and maximise public benefit

- Can attract investment by reducing planning etc risk – much easier to secure Govt and partner funding support once planning secured
- Could invest via borrowing secured against future additional rate income (TIF) or against other assets (LABV)
- Contribute via standard charge on development (CIL)
- Could be a part developer (local housing co)
- Could take land/assets in lieu of s106 eg for public/community/amenity facilities
- An LA continuing stake (alongside landowner) is an assurance of quality

Funding and delivery of infrastructure – looking ahead

- FBC have commissioned full assessment of infrastructure costs, land values, and investment options – work underway
- Goes alongside decisions on area and layout
- Result will be a basis for negotiation but must allow for change (infrastructure options are never fixed)
- Look at staging and phasing - what is essential for years 1 to 5

Funding and delivery of infrastructure – What else can be done?

- **Profile** - Prepare to be competitive – business, other public bodies, housing providers will review other locations
- **USP** Work to develop features of the new community which will attract investors – what is provided and how
- Take forward **no regrets** measures – green infrastructure will be a benefit whatever happens - trees take time to grow