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Nathaniel Lichfield & Partners
Planning. Design. Economics.

Glenn Athey
Programme Manager
LSCC Growth Commission

glenn@lsccgrowthcommission.org.uk

14 Regent's Wharf
All Saints Street
London N1 9RL

020 7837 4477
london@nlpplanning.com

nlpplanning.com

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Dear Sir/Madam

London Stansted Cambridge Consortium Growth Commission: 'Potential Solutions'

This response has been prepared by Nathaniel Lichfield & Partners (NLP) on behalf of CEG to respond to the call for evidence from the London Stansted Cambridge Consortium (LSCC) Growth Commission for any potential solutions to the principal challenges facing the LSCC ('the Corridor').

CEG is an active investor in a broad spectrum of residential and commercial property assets across the UK, with a significant interest in the growth potential of the LSCC. This interest primarily relates to the company currently working alongside other public and private organisations to deliver a number of major strategic development schemes in the Corridor that will help support significant housing and employment growth.

CEG has an excellent track record of working in partnership with communities, landowners, local authorities, strategic bodies, and other developers to find viable solutions to complex development and planning issues that fundamentally help unlock growth. CEG has access to a large resource base that supports the delivery of major strategic development schemes in the UK including being backed by international capital funds (e.g. AP4 Swedish National Pension Fund).

This representation letter provides the views of CEG in response to the call for evidence from the Growth Commission for potential solutions to the key challenges to growth within the Corridor. The format of the letter follows the brief set out by the Growth Commission, with the response focusing on the main questions and issues relating to the 'Building Potential' theme.

It should be noted that this representation letter provides the views of CEG in relation to the growth issues facing the LSCC, although the response does draw upon advice from NLP to provide further evidence supporting the views stated in this letter.

Solutions for providing competitive business locations and vibrant communities for talent: place-making for tech and knowledge-based economies.

We substantially address this question in our response to the 'Quality of Place' question, in which we focus on the importance of:

- Quantity and Scale of Space – notably the success of Milton Keynes in successfully attracting, retaining and expanding its stock of businesses through a proactive planning strategy;
- Distribution of Space – the importance of recognising how many tech and knowledge-based businesses require locations that support agglomeration economies.
- Types of Space – providing employment destinations that meet modern specifications for space and types of work environment both internal and external to the businesses premises that will be attractive to millennial workers. For example, business/science parks should be modelled more around Chiswick Park (building clustered around a shared space where people meet and mingle) than Stockley Park (buildings set back, surrounded by car parking with limited communal space). CEG is actively promoting this newer model in its 'twentyfive25' development at Broxbourne.
- Supporting infrastructure and housing – aligning new employment locations with a sufficient supply of housing in close proximity by the predominant travel mode in that location. This means ensuring that new employment locations are a) situated in places that maximise agglomeration benefits; and b) collocated to sufficient supply of new housing; c) well linked to housing and other amenities and employment locations by good quality transport and digital connectivity.

We explore some of these issues in the recent NLP report – *Workspace Futures* – which we have appended to our other submissions to the Growth Commission.

Delivering Infrastructural Capacity: how new financial tools might provide new means to address and accelerate our transport needs

The prospect of new financial tools creates some powerful measures to support delivery of infrastructure, not just housing. There is no one-size fits all approach, and we invite the LSCC to consider new tools within the framework identified below, which identifies four types of tool/growth lever:

a harnessing local government finance to retain the proceeds of growth (e.g. through business rates);

b mechanisms to secure finance against future uplift in asset values and/or tax receipts (e.g. TIF);

c mechanisms for managing allocation of resources (such as rolling infrastructure funds); and

d direct funding and revenue (including rent and user charges).

Examples of the range of potential growth levers are set out in the table below. In many cases, they represent new powers and financial flexibilities available to local government, rather than readily available public funding streams. No one growth lever is likely to represent a single solution to delivery challenges. In combination however – and without underestimating the

associated practical and governance challenges – they do offer an opportunity to map out a framework for delivery across LSCC.

It should also be made clear that this does not represent a comprehensive list of potential funding sources for all infrastructure likely to be required across LSCC – there are clearly a number of additional, more scheme/sector specific sources of potential funding – some of which may exist now, some which might not in the future, and equally new ones that may emerge - that LSCC and its partners, developers and the local authorities, will rightly continue to monitor, investigate and pursue as appropriate.

Retaining the proceeds of growth	Securing finance against future uplifts/revenues	Mechanisms for managing allocation of resources	Direct funding sources
Community Infrastructure Levy	Tax Increment Financing	Rolling Infrastructure Funds	Transport
New Homes Bonus	Prudential Borrowing	Asset Backed Vehicles	Housing
Business Rate Retention	Local Government Bonds	Joint Venture/Local Authority development	Education
Scheme Specific S106			Health
Negotiated Contributions		Mayoral Development Corporations	Emergency Services
			Libraries, Community facilities, green spaces

Some of these initiatives are being taken forward through City Deals, and the government has sought to place more power in the hands of Local Authorities, and has recently announced in the Queen's Speech that there is a desire to legislate to devolve the full £26billion of local business rate income to councils. Under the new proposals, councils will be able to retain 100% of this business rate revenue (albeit with obvious nuances in its precise operation). This provides a powerful new incentive for local authorities to attract business activity and should be fully utilised. The ability to control business rates and the entirety of revenue generated will allow councils to use positively framed area action plans to attract inward investment, which could be combined with a simplification of planning measures to further increase the attractiveness of the area to private investment.

A further benefit of taking advantage of this increase in business rate retention is to increase the level of certainty of receipts that the council will have, allowing the formulation of transport and other infrastructure projects in advance, with the greater prospect of the business rate funding stream.

The retention of business rates supports the application of Tax Increment Financing (TIF), which is one of the innovative financing solutions that have been used to secure funding for the northern line extension to Nine Elms in London, albeit underwritten by HMT. There are other forms of value capture mechanisms that are available, with Crossrail raising £4.1bn through a business rate supplement, and other funding through targeted user fees, consumer bill surcharges and developer contributions. These forms of 'Value Capture' have the capacity to play a significant role in the LSCC as it is one of the areas of the country where it can be expected that land and infrastructure values are likely to rise. In particular, new property and business investment are likely to lead to a resultant increased site value and investment, generating increased tax

revenues. The continuing strength of the economy, land value and the scope to demonstrate genuine 'additionality' in the LSCC area should allow for significant investment on a TIF basis which will enable the delivery of transport, and other associated infrastructure projects.

There is variable degree of confidence in the take-up of such measures between local authorities in LSCC, so the partnership has a role to place in facilitating knowledge transfer and brokering the kinds of joint working across areas that will maximise the prospect of such tools being applied – particularly where individual local authorities may not be of sufficient size to apply within their area.

There is also, very importantly, a need to integrate the spatial strategy with identification of growth levers so the relationship between value uplift, value capture, infrastructure cost, and mechanisms for delivery are maximised. We recommend further consideration is given to a more integrated approach to such matters working across and between local authorities. We explore some of these issues in our research report - *Devolving Growth? Local Opportunities for Strategic Infrastructure Investment* – which we include at Appendix 1.

Delivering housing: fresh thinking and sustainable solutions for address housing demand

The housing crisis is a foremost concern within the LSCC area and is one that requires a number of co-ordinated steps, the first of which is to increase the release of suitable, available and achievable land for residential use. A recent report conducted by Savills highlights that the lack of sufficient transport infrastructure and housing is not keeping pace with the development of Cambridge's science parks which have seen significant investment in recent years.. House prices in Cambridge are now at an average of £491,000, and are something that must be addressed through the construction of new housing.

The Government is, quite rightly, placing an increased emphasis on larger-scale forms of development (Garden Villages, Towns and Cities) but it must be recognised that these types of proposal are inevitably characterised by longer lead in times, upfront infrastructure, and are generally phased developments. Therefore, insofar as such developments are part of the mix, spatial strategies should be cognisant of these longer lead-in times, and be realistic about the build rates they can achieve, and complement such proposals with other sites where lead-in times are quicker and they can ensure housing needs are met in the interim.

Skills Revolution: understand future skills needs and developing the local workforce

As defined by the LSCC, there are six priority economic sectors which have a strong presence in the Corridor and have high potential for growth. LSCC has a competitive advantage in terms of securing growth in the creative and technology sectors that are expected to drive growth across the UK due to the presence of Cambridge University, one of the pre-eminent educational institutions in the world. This has helped to attract high levels of technology and science based industries into the area but it is recognised that a shortage of infrastructure, housing in particular, has the potential to act as a significant detriment to the overall attractiveness of the area. Escalating house prices and a lack of transport infrastructure have the potential in the long run to create labour market shortages – including in high skill sectors - forcing jobs elsewhere.

There are tools available to model the future skills needs of different locations based on a view on growth sectors and change in employment skills needs over the lifetime of the LSCC strategy. An

example of how this can be done analytically can be found in work by NLP in Stevenage[1] and Tonbridge and Malling[2]. The solutions should then be guided by the outputs of the assessment.

Concluding Remarks

We trust that these comments have been helpful to the work being undertaken by the Growth Commission and look forward to being involved in the next stages of the project. If you would like to further discuss any of the issues we have raised in our representation letter, please contact me on the details below, or alternatively Jon Allen of CEG (E: jon.allen@ceg.co.uk | T: 020 7730 9090).

Yours faithfully

Matthew Spry
Senior Director

Copy

Jon Allen CEG (London)

[1] http://www.stevenage.gov.uk/content/committees/87812/88269/88273/executive-28-may-2013-item-6-bd15.pdf
[2] https://www.tmbc.gov.uk/__data/assets/pdf_file/0006/134565/Economic_Futures_Forecasting_Study_Final_160114.pdf

Appendix 1 - Devolving Growth? Local Opportunities for Strategic Infrastructure Investment

TRIP
Targeted Research
& Intelligence Programme

Nathaniel Lichfield
& Partners
Planning. Design. Economics.

Devolving Growth?

Local Opportunities for Strategic Infrastructure Investment

November 2015

Executive Summary

Infrastructure is a vital component to stimulating and sustaining economic growth. While there will always be a crucial role for central government to play in investing in nationally significant projects, localism and now devolution have provided an opportunity to transfer powers and budgets to local areas to drive economic growth. However, these new resources bring added responsibilities in terms of identifying and delivering the infrastructure needed to meet local priorities.

One of the key funding sources that epitomises the devolved infrastructure offer is Growth Deals. Within Growth Deals, every area within England – via Local Enterprise Partnerships (LEPs) – receives funding based on a formula approach and most have extended this through a process of making competitive bids to government.

This means that some LEPs have received a lot more public funding and identified greater private sector leverage than others (a key condition of this public grant), particularly in comparison to relative population size. As a result of the dual system of formula allocation and competitive bidding, there is no overall national pattern of investment to areas of relative economic strength or weakness.

If localities are to maximise the opportunity afforded by devolution to deliver the infrastructure they need to support new development, a number of factors will need to be considered:

Think 'Larger than Local'

To make the best case for funding or further devolved powers and budgets, places need to think strategically at a 'larger-than-local' level. This requires analysis and estimation of the potential impacts of projects at a larger geography than just a local authority or sub-region. Moreover, focusing on demonstrating the impact of potential investments on the key objectives of central government – delivery of housing and jobs – will further strengthen the case.

Focus on Implementation and Delivery

Investment is not just about making the case for funding it is also about implementation and delivery. Strong governance and leadership at that 'larger-than-local' level will provide central government with greater confidence to support proposed investments, and perhaps most importantly, the basis to attract and build strong partnerships with the private sector.

Engage with National Bodies and Agencies

Many of the national infrastructure bodies and agencies have traditionally applied a very narrow focus when appraising the potential benefits of infrastructure projects against funding plans and programme. However, there is evidence to suggest that some agencies have recognised the shift towards strategic economic growth and delivering local economic benefits and want to be involved early to help maximise the impact of the potential investment – this should be welcomed and encouraged.

Key Figures

1.5% public sector net investment in infrastructure as a proportion of GDP in 2013/14 (8% in the late 1960s)

59% new infrastructure construction orders that are made by the private sector today (4% in 1980)

£17bn public funding and matched private finance that will be invested into LEPs through Growth Deals (2015-2021)

£986m the total value of the extended Growth Deals funds announced by the Government in January 2015

£440m the average amount of public and private finance per LEP allocated through Growth Deals

£855 & £22 the highest and lowest Growth Deal investment per head, respectively to Dorset LEP and London LEP (London receives additional devolved funding through other mechanisms)

55% proportion of the Single Local Growth Fund that comes from existing transport budgets (20% from existing homes budgets)

Introduction

Infrastructure investment, particularly for transport, has always been organised across a range of administrative levels – central government would push forwards large, national projects while local authorities would facilitate locally significant smaller projects.

One of the biggest political changes recently has been the introduction of the localism and subsequent devolution agendas. Under the last Government in 2010 – and continued by the new Government in 2015 – there has been a desire to devolve powers and budgets to local areas through Local Enterprise Partnerships (LEPs), City Deals, Growth Deals and, most recently, inviting bids for combined authorities.

This paper explores how infrastructure investment and strategy is changing in a more devolved system and highlights ways in which local areas and central bodies can make best use of the funding available in order to achieve growth objectives.

Approach to Analysis

The analysis in this paper uses a range of sources to analyse infrastructure investment and explores the progress of the Government's Growth Deals since their announcement in 2014. It also draws on conversations and interviews with key central bodies such as Highways England and transport practitioners at a local level.

As Growth Deals are administered through LEPs, the analysis naturally focuses on areas within England only.

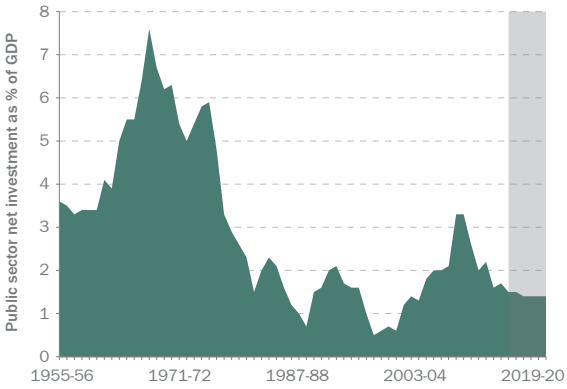
Context

Infrastructure in Numbers

Historically, public infrastructure funding has decreased as a proportion of Gross Domestic Product (GDP) (Figure 1). In the late 1960s public sector net investment was almost 8% of GDP - which coincided with a programme of investment into social housing - while in 2013/14 that figure had fallen to under 1.5%.

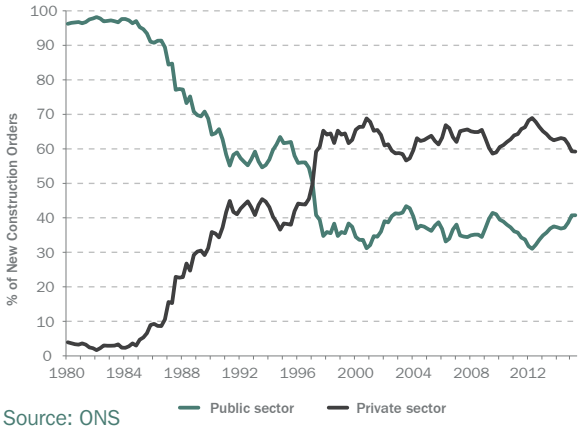
Moreover, investment in infrastructure has shifted towards the private sector over time. In 1980, 96% of new infrastructure orders were made by the public sector but this started to shift in the mid-1980s and crossed over in the late 1990s (Figure 2). In 2015, 59% of new orders are made by the private sector[2]. This highlights the important role private investment will continue to play in future years.

Figure 1: Public sector net investment as proportion of GDP



Source: House of Commons Library

Figure 2: The proportion of new construction orders made by the public and private sector



Source: ONS

The Devolution Agenda

The last Government set out its devolution agenda in 2010 that started with the Localism Act. The current Government has continued this trend and has expanded the role of some bodies while creating new vehicles for investment.

7-12 May 2010	General Election – Coalition Government
28 October 2010	First wave of LEPs announced
13 December 2010	First reading of the Localism Act
8 December 2011	City Deals (Core Cities)
3 May 2012	Mayoral Referenda
18 February 2013	City Deals (Second Wave announced)
3 November 2014	Greater Manchester Combined Authority Devolution Deal
7 May 2015	General Election – Conservative Government
11 September 2015	LEPs submit Devolution bids
2 October 2015	Sheffield City Region Devolution Deal
2020	*Business Rate retention for local authorities*

Source: NLP analysis

1: Rhodes, C. – Infrastructure Policy, House of Commons Briefing Paper Number 06594 (2015)
2: ONS - Output in the Construction Industry 2015 Q2

Bringing Infrastructure Investment and Devolution Together

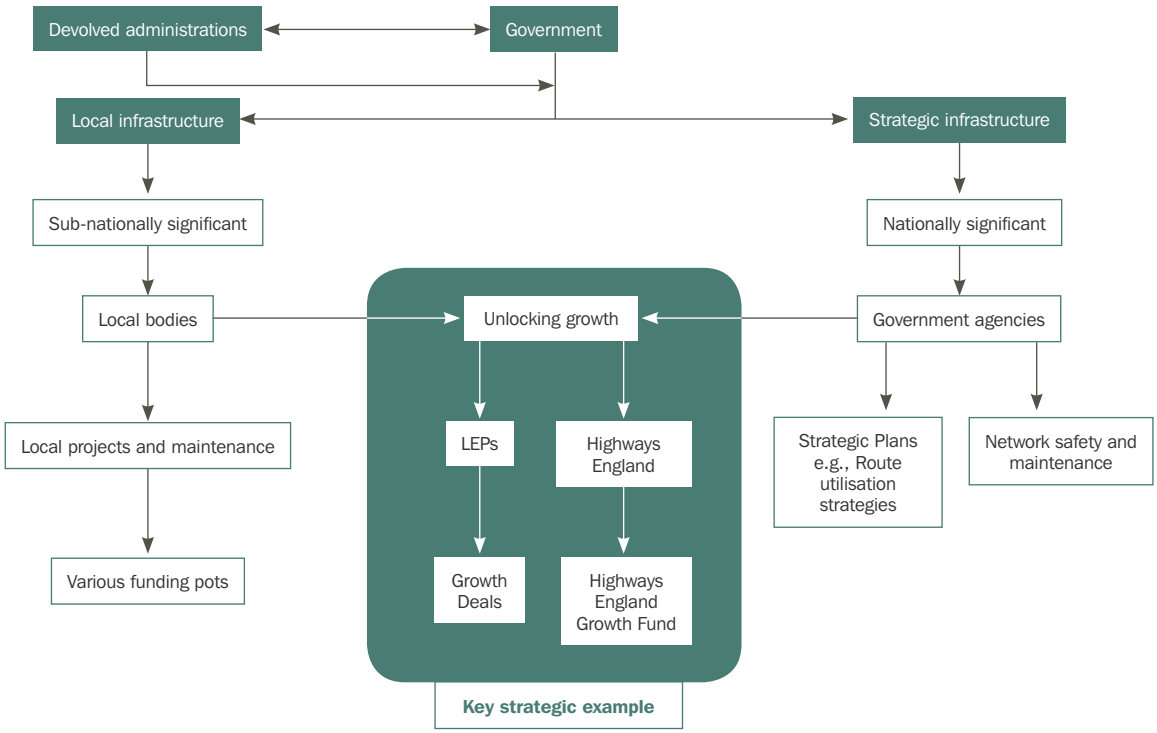
Although England is in the first stages of the devolution journey, there will always be some projects that are large and nationally significant that a central body will need to take a strategic decision on investment. This is currently the case on infrastructure projects ranging from nationally-significant transport projects such as High Speed Two or South East Airport expansion to energy projects such as Hinckley Point C, a nuclear power station in Somerset.

However, **the devolution agenda has concentrated attention on finding a strategic middle ground between local and national bodies**.

Alongside devolution – which was kick-started by Lord Heseltine's *No stone unturned: in pursuit of growth*[3] report – a focus on local economic growth is now paramount.

This means that local authorities now have to be more aware of the 'larger than local' potential for growth and that there is now an opportunity for central bodies (both departments and agencies) to think about unlocking growth through investment in sub-nationally significant projects. Of course, it is still early in the process and different bodies are at different stages in making the transition, but the shift has already been seen in some areas, departments and agencies (Figure 3).

Figure 3: Emerging funding and delivery structures for infrastructure projects



Source: NLP analysis

3: Rt Hon the Lord Heseltine – No stone unturned: in pursuit of growth (2013)

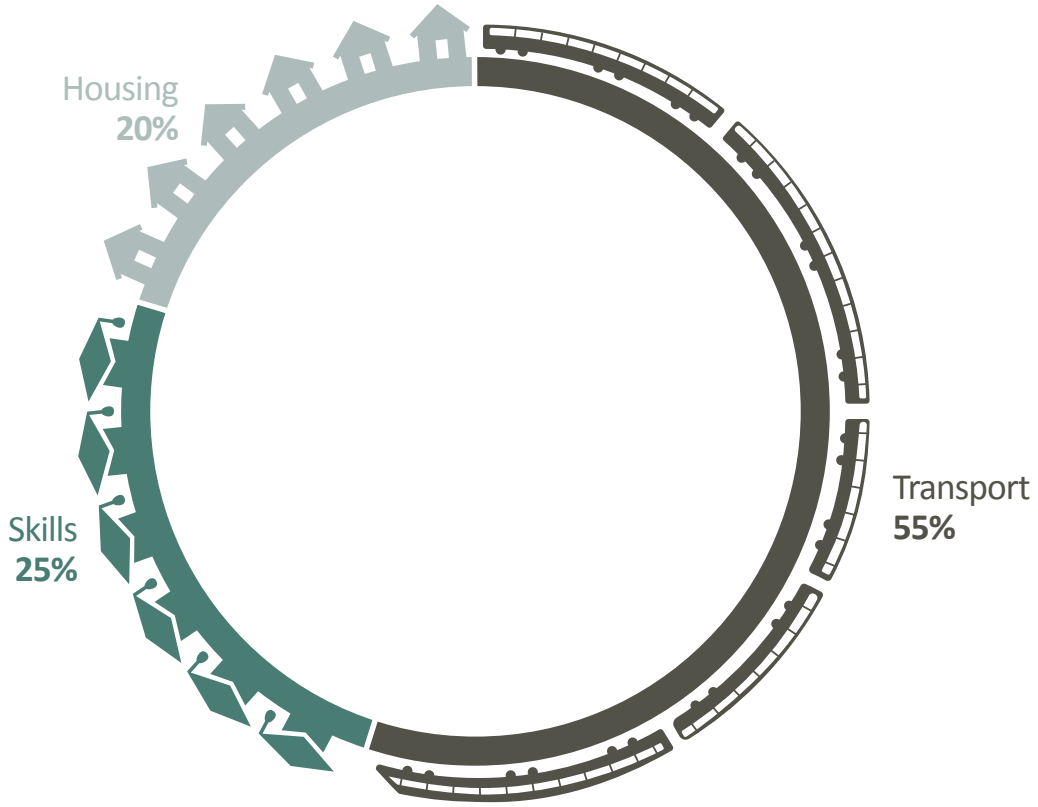
Devolving Funding to LEPs

The Government has devolved funding via the Growth Deals process through essentially two mechanisms – by formula and by a process of competitive bidding. Pooling resources from UK funding streams such as the Regional Growth Fund as well as European ones such as the European Regional Development Fund into a single pot, LEP areas have to be able to demonstrate public funds can leverage private investment before they receive any funding.

One key pot of public money designed to assist devolution is the Single Local Growth Fund. This fund is a pot of money that LEPs bid into partly based on a formula relating to population and partly through competitive bids. About 72% of this fund is allocated to capital investment, of which 55% comes from transport budgets, 25% from the skills budget and 20% from a housing budget (via the New Homes Bonus mechanism) (Figure 4).

This goes a long way to understanding why LEPs have allocated money to housing and transport projects - the Government has prioritised new homes and jobs and the Single Local Growth Fund is made up of predominantly of pre-existing transport and housing budgets.

Figure 4: Source of Capital Investment within Local Growth Fund by Sector



Source: HM Government

Growth Deals:
One Year On

Growth Deals are designed to provide devolved funding for LEPs for key, 'shovel-ready' projects that would unlock local economic growth. The Growth Deal allocation was announced for 2015-2021 and, in January 2015, an additional £1 billion was allocated to LEPs across the country for 2016-2021. Growth Deals represent a key direction of travel for government in terms of funding and devolution commitment.

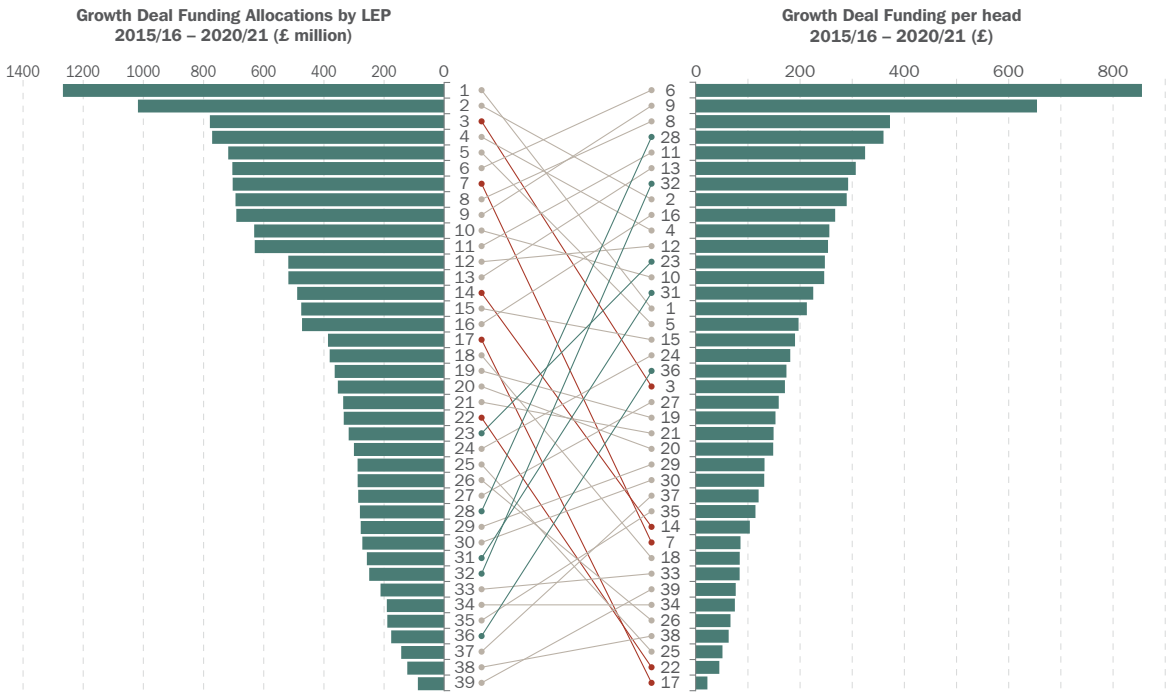
Geographical Distribution

Combining both Government and leveraged private sector investment, the Leeds City Region LEP has the largest total funding envelope (£1,268 million). Of the funds originally announced for Leeds City Region LEP in 2014, more than two thirds were allocated to transport projects – the 2015 expansion of the Deals did not specify the allocation of the additional funds. As part of the Growth Deals, Sheffield City Region LEP expects to receive a large amount of public and private funding (£1,018 million), as does South East LEP (£779 million) and Derby, Derbyshire, Nottingham and Nottinghamshire LEP (£772 million).

Analysing the level of funding compared to the number of residents in that area – the funding per capita – provides a more accurate understanding of how the funds are distributed. Here, Dorset LEP comes out on top (£855 per head) followed by Oxfordshire LEP (£654 per head) and Hertfordshire LEP (£372 per head).

When the additional funding was announced and distributed in January 2015, 29 of the 39 LEPs simply added more 'shovel-ready' projects to their list of commitments, while the other ten added new projects but also decided to expand on existing ones. This raises an important question about the extent to which LEPs have maximised their potential investment dividend by thoroughly appraising projects prior to making the case to central government for funding.

Figure 5: Analysis of Growth Deal Funding by LEP



1. Leeds City Region
2. Sheffield City Region
3. South East
4. Derby, Derbyshire, Nottingham, Nottinghamshire
5. Coast to Capital
6. Dorset
7. Greater Birmingham and Solihull
8. Hertfordshire
9. Oxfordshire
10. Enterprise M3
11. Humber
12. Solent
13. Cheshire and Warrington
14. Greater Lincolnshire
15. Lancashire
16. Black Country
17. London
18. South East Midlands
19. Heart of the South West
20. New Anglia
21. Greater Cambridge and Greater Peterborough
22. Thames Valley Berkshire
23. Coventry and Warwickshire
24. West of England
25. Greater Manchester
26. North Eastern
27. Leicester and Leicestershire
28. Gloucestershire
29. Liverpool City Region
30. York and North Yorkshire
31. Tees Valley
32. Cornwall and the Isle of Scilly
33. Northamptonshire
34. The Marches
35. Swindon and Wiltshire
36. Worcestershire
37. Cumbria
38. Stoke on Trent and Staffordshire
39. Buckinghamshire Thames Valley

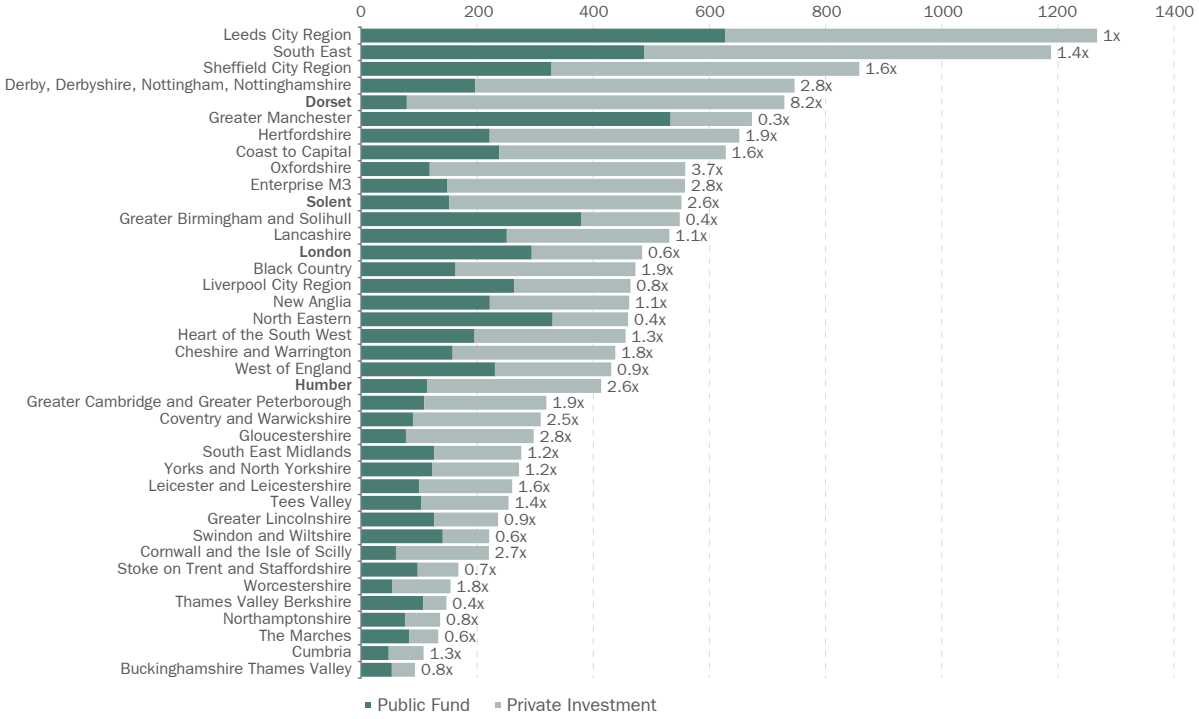
Source: DCLG, NLP analysis

Private Sector Leverage

As long term trends indicate, infrastructure investment will be increasingly reliant on private money. This is evident within the Growth Deals process within which LEPs have to state the level of private financial commitment that will be leveraged against public funds. Including the additional £1 billion of Growth Deals funding announced in January 2015, the level of private sector funding that LEPs are expecting to leverage varies (Figure 6). Consequently, the impacts of the new projects in terms of potential number of new jobs supported and new dwellings vary widely across different LEP areas. Specifically, the impact of every additional £1 million of funding from the extension of the Growth Deals ranges between 25 to 748 additional jobs supported and between 15 to 304 new dwellings.

With such a large variation in potential match funding and subsequent outputs, are all LEPs able to estimate and evaluate impacts with sufficient accuracy? Moving forwards, this will be crucial to any further devolution and investment opportunities.

Figure 6: Public Funding and Private Investment by LEP, 2015/16 – 2020/21 (£ million)



Source: DCLG, NLP analysis

Economic Performance

Our analysis indicates that **the public funding element of Growth Deals does not show any strong correlation with different levels of economic output or productivity across England**. From a public policy perspective, the Government could have taken one of two directions. It could have chosen to recognise that some areas are not as productive (in economic terms) as others and therefore invested proportionately more capital in these places to unlock and boost economic growth. Alternatively, the Government could have opted to direct funding to those existing high growth, high productivity areas in order for them to maintain their competitiveness and economic output. However, the analysis does not reveal any strong patterns in the distribution of public funds in the context of the relative economic performance of different LEP areas (Figure 7).

This pattern is likely to reflect the structure of allocations to include both formula and competitive elements to bidding for funding. It could also be a reflection of the variation of local projects at LEP level that were considered to be 'shovel-ready'. Moreover, it could also be a function of how far advanced on the devolution journey some places are. Perhaps those locations that have pre-existing or more advanced city-region, joint authority partnership or combined authority agreements may have been in a stronger position to compete for the additional funding above and beyond the formula allocation.

Figure 7: Growth Deal funds per head and GVA per head by region (dots represent LEPs; colour refers to region they are in)

Source: DCLG, NLP analysis

Opportunities for Infrastructure Investment and Devolution

The Role of National Agencies

The Government recognises that for devolution to be successful, its agencies need to build strong partnerships with local areas. For example, in the Department for Transport's Road Investment Strategy[4] it states that the "*Growth Deals committed the Highways Agency to develop a more proactive and collaborative approaches (sic) to promoting growth and to continue building strong relationships with Local Enterprise Partnerships, Local Authorities and Combined Authorities*" and sets out how they need to plan, deliver, invest and operate together.

However, within its Strategic Business Plan, Network Rail[5] sets out that it has "*moved from a functional organisation to a devolved organisation based around ten route[s]…mean[ing] that our plans are based much more on detailed bottom up analysis with greater ownership by the routes*" but it does not explicitly reference its role within political devolution or alignment to local growth priorities along its routes.

Centralised bodies and national agencies are responsible for different types of infrastructure and are at different stages of engaging with the devolution process and growth agenda. Indeed, these central bodies will still need to retain their central and national outlook but there is a huge opportunity in looking at the local dimension. The case studies below explore how Highways England and Network Rail are responding to the devolution agenda.

Case Study: Highways England

Highways England – formerly the Highways Agency – is a central agency that maintains and improves the major road network in England.

The change in name from the Highways Agency coincided with a change in strategic outlook. Today, central government has provided Highways England with long term funding over a five year period (previously it was allocated on an annual basis) in order to provide more strategically significant and impactful investment. It also has far more freedoms and flexibilities to manage the road network more efficiently.

Moreover, Highways England has also had a shift in focus. Now bolstered by greater long term certainty and freedom, one of its key strategic priorities is a focus on local economic growth – an area which has always existed in an indirect way, but is now much more explicit. This has meant that Highways England now focuses much more on local strategic development sites, understand much more about local economies and the flow of people and jobs and consider the economic growth potential of projects. This has led to greater engagement with local bodies: LEPs, local authorities, businesses within enterprise zones and developers.

Case Study: Network Rail

Network Rail is responsible for running, maintaining and improving the rail network in the UK. With a growing customer base, Network Rail is investing £25bn in the network over the coming four years to keep up with demand and improve safety.

The complexity of the governance structure and the rail system may indicate why Network Rail appears less directly involved with devolution compared with Highways England. For example, Network Rail is responsible for the physical infrastructure of the network while the Department for Transport is responsible for franchises that run services on the network (except the small number of urban rail services which are contracted out as a concession).

Furthermore, Network Rail is responsible for the entire network and not just the large, intercity routes. This means on any given route there could be a large number of competing factors needing very different solutions. For example, a small, local rural railway connecting a small town with another may then be connected to higher demand route which would provide a service to a large number of commuting passengers. The strategic decisions and investment priority need to be considered carefully and potentially at a large geographical area.

Network Rail is engaged with local development opportunities, but this tends to occur in a reactive way (e.g. Network Rail is approached by a site developer). Devolution may provide a nudge for this engagement, particularly if capital funding is available for network upgrades that would not have been considered previously.

4: Department for Transport – Road Investment Strategy for 2015/16 – 2019/20 (2015)
5: Network Rail – Strategic Business Plan (2013)

Adopting Strategic Thinking

Even within a greater devolved system, it is clear that central government will always have a key role in the provision of large scale infrastructure projects and decisions. However, **devolution offers the opportunity to make the strategic case for key investments**.

Making the case for further devolved investment means thinking strategically, across a larger geography than the immediate local area. This requires selecting the projects that are more likely to maximise the impact across a larger area and estimating the potential impacts in a rigorous way. Therefore, a larger-than-local economic strategy – such as through Strategic Economic Plans – and strong governance at a sub-regional level is the key to ensuring wider impact and providing confidence for both the public and private sector.

Moreover, the necessity for rigorous appraisal will also help local areas make the case for further devolved funding as it improves accountability – i.e. to counter wider concerns, local areas can help central government identify successes. For example, in a recent report, the Public Affairs Committee stated that while City Deals (a separate devolution mechanism focused on cities) show signs of success, a lack of monitoring and evaluation has made it difficult to assess their impact[6].

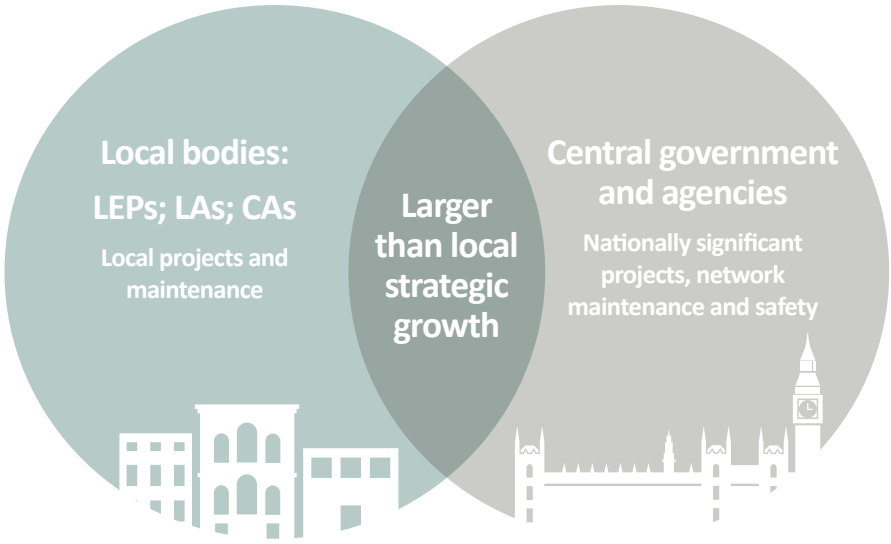
For the early stages of the Growth Deals process, the Government did not expect Benefit-Cost Ratios (BCR) for the entire Strategic Economic Plan but it did expect them for individual 'shovel-ready' projects. During the process, each LEP must provide a Monitoring and Evaluation Framework to Government which forms the basis for regular project progress reports and a final evaluation report.

This has meant that money that would not normally be available under a centralised evaluation method – i.e. the project(s) across the country with the highest BCR would be funded – is now available for investment in local priorities.

It is therefore clear that those areas that do think strategically, robustly appraise the potential impact of schemes across a wider area and engage early with the relevant partners – private investors, developers and central agencies such as Highways England – **will be better placed in future competitive bidding rounds**.

Currently, the focus is on economic growth with creating new jobs and housing as key priorities. As a result, estimating the impact of schemes on these two outputs is likely to carry greatest weight with the Government. However, this focus may shift towards other topics in the future so it is imperative that local areas continue to focus on the relevant objectives at a relevant geography in order to make the best case.

Figure 8: The 'larger-than-local' area of opportunity



Source: NLP analysis

6: House of Commons Committee of Public Accounts – Devolving responsibilities to cities in England: Wave 1 City Deals (4 November 2015)

Conclusions and Implications

Improving the delivery of new infrastructure to support economic growth, and devolution of decision-making and budgets, represent two of the major drivers in the economic policy landscape since 2010. These shifts should be broadly welcomed and provide a significant opportunity for LEPs, local authorities and sub-regional partnerships to define their local requirements and to think critically about the growth needs and opportunities of their areas.

Whilst these new arrangements are still emerging, key messages to date are:

1. Infrastructure plays a crucial role to boost and sustain economic growth and support delivery of new development
2. While central government will continue to play a key role in large projects, it is looking to devolve more infrastructure budgets
3. Growth Deals are a big part of this shift towards devolution but our analysis shows:
   i. This funding is currently focused on transport
   ii. While allocation is based on formula as well as competitive bidding, the level of public funding varies by LEP
   iii. The amount of leveraged private investment varies across the country
4. Devolution brings new opportunities and challenges for the delivery of infrastructure:
   i. The need to think 'larger-than-local'
   ii. Central agencies engaging with the devolution agenda and local areas in a more strategic way
   iii. Government needs to be clear about what it wants and what its offer is on devolution
   iv. Better connections between local areas, LEPs, and private developers and investors to identify and implement infrastructure with the greatest economic impact

Implications for Local Areas

- A need to think strategically at a 'larger-than-local' level
- To ensure they estimate the potential impacts of proposed projects at a sufficient geography and to a sufficient accuracy to provide confidence for central government and private investors
- Focus on key outputs that will drive economic growth and hit key criteria such as housing and jobs
- Engage early with all relevant central bodies, taking advantage of those who are thinking more strategically
- Engage with developers and private investors who are often directly involved in trying to unblock infrastructure barriers to growth

Implications for National Agencies

- Taking advantage of local areas that are thinking strategically to maximise the investment
- Engage with local areas to understand development opportunities that may impact on central plans and networks

Implications for the Private Sector

- Explore opportunities to work with LEPs to support delivery of Growth Deal commitments
- Assess role of infrastructure funds to unlock developments generating jobs and housing
- Articulate the strategic economic case for investments and development projects

Implications for Central Government

- Set out the 'rules of the game' for devolution, being clear about the priorities and the direction of strategy
- Where a framework for evaluating projects works well, share best practice
- Provide sufficient notice to ensure local areas can decide how best to allocate funds and make the best case to government

About NLP

Nathaniel Lichfield & Partners (NLP) is an independent planning, economics and urban design consultancy, with eight offices across the UK.

We are one of the largest independent planning consultancies in the UK and we offer the broadest range of skills of any specialist planning firm. This includes services in economics, spatial analytics, heritage, sustainability, urban design, graphics and sunlight and daylight, as well as a full range of planning skills. The quality of what we do is reflected in the fact that we are the only consultancy to have been three-time winners of the RTPI's Consultancy of the Year Award, in successive years 2011 – 2014.

Our clients include local authorities and government bodies, as well as developers, landowners and operators in the housing, retail, leisure, commercial, and infrastructure sectors.

We prepare accessible and clear reports, underpinned by robust analysis and stakeholder engagement, and provide expert witness evidence to public inquiries and examinations.

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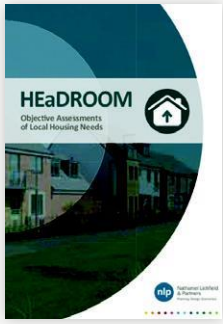

Assessing Housing Needs

Contacts

For more information, please contact us:

Bristol	Andy Cockett	0117 403 1980	acockett@nlpplanning.com
Cardiff	John Cottrell	0292 043 5880	jcottrell@nlpplanning.com
Edinburgh	Nicola Woodward	0131 285 0670	nwoodward@nlpplanning.com
Leeds	Justin Gartland	0113 397 1397	jgartland@nlpplanning.com
London	Ciaran Gunne-Jones	0207 837 4477	cgunne-jones@nlpplanning.com
Manchester	Michael Watts	0161 837 6130	mwatts@nlpplanning.com
Newcastle	Harvey Emms	0191 261 5685	hemms@nlpplanning.com
Thames Valley	Daniel Lampard	0118 334 1920	dlampard@nlpplanning.com

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