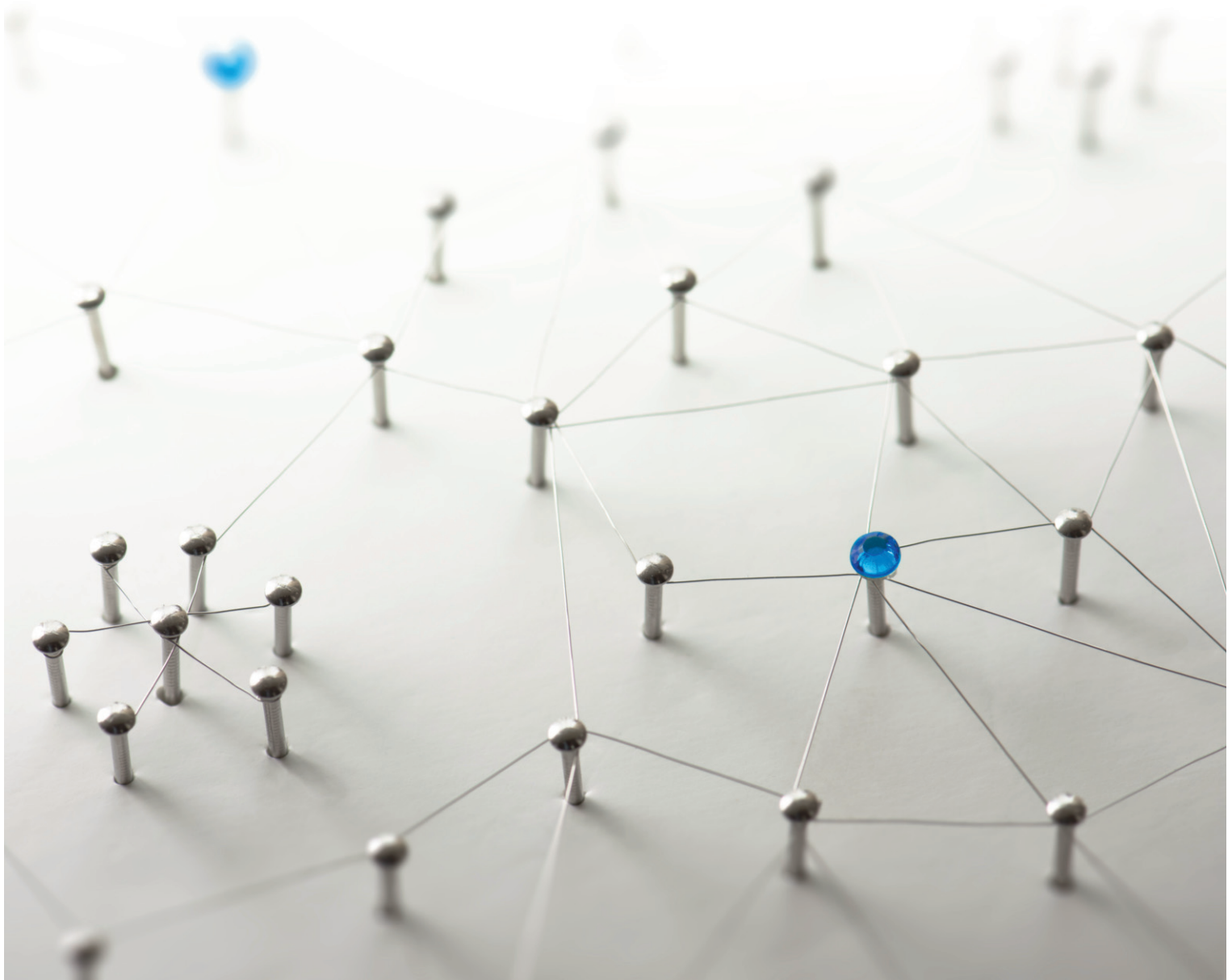




SCOTTISH LAND COMMISSION
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Enabling Infrastructure Interim Report A Discussion Document



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Executive Summary

Infrastructure is key to Scotland's economic prosperity, driving inclusive growth and enabling all of our daily activities. It is on this underlying tenet that the Scottish Land Commission (SLC) and Scottish Futures Trust (SFT) have worked in partnership to consider the importance of infrastructure, how such a need can be funded and the key challenges and issues faced in achieving delivery.

The paper itself develops further the Infrastructure First Approach (building upon the independent review of the planning system recommendation) and the core principles of prioritisation, funding and delivery of Infrastructure to enable development as they relate to both the current Scottish planning system and potential changes being considered through the current Planning (Scotland) Bill. Essentially, it considers what levers are available to the wider Scottish public sector to drive, support and deliver enabling infrastructure to further drive wider public and private sector activity.

A Place based approach (essentially reflecting Scottish Government's Place Principle) is identified as a fundamental consideration at the earliest stages of a plan led system to shape and direct sustainable growth in communities. Inherently linked to this is a need to develop alignment between development plans and infrastructure planning. There are signs that engagement between local authorities, infrastructure providers and the wider private sector is improving but there remains a lack of consistency across the country in formulating development plans which harness together the Place principle with infrastructure planning. This latter element means that a disjointed, reactive approach to delivering infrastructure for sites leads to a slowing in potential and actual activity.

The paper develops a more informed understanding of the challenges and barriers faced as regards the delivery of key asset classes to enable wider development and by Infrastructure Providers (IPs) in their respective industries. It identifies consistent themes around mis-alignment between infrastructure delivery plans and development plans set against a context of planning policy which is often interpreted in an inconsistent manner particularly in relation to S75 contributions. Some key actions are identified around structuring a better cross-party engagement process to bring IPs closer to local and strategic delivery plans, the public sector and developers and considering how the delivery of key asset classes, which underpin activity, can be enhanced.

Integral to the Infrastructure First Approach is building certainty around funding and recognising the distinction between the infrastructure delivery needed to offset the cumulative impact of new development with that of a more strategic scale which promotes wider growth and regeneration agendas.

A review of the current system has identified significant scope to improve the effectiveness of S75 agreements and move away from protracted negotiated based outcomes. At the core of these recommendations is an emphasis on building more cost and timing certainty into future interventions to enable improved market responsiveness, whilst looking to how local authorities can help upskill and resource teams to administer and engage S75 agreements in a more efficient manner.

The paper goes onto to consider the funding and delivery of the strategic level infrastructure which S75 cannot support through alternative mechanisms. Land Value capture is introduced at this stage to describe a range of mechanisms which seek to capture a share of value uplift arising from public led interventions. This has been supported by a financial modelling exercise and qualitative analysis was undertaken to assess comparatively, the emerging proposals in Scotland for an Infrastructure Levy (with previous research having focussed on the model of an Infrastructure Growth Contribution) and the established system in England through Community Infrastructure Levy (CIL). In conjunction with this, a further approach to wider infrastructure funding is considered through the concept of public led acquisition at Existing Use Value (EUV).

This analysis identified that from a levy perspective IGC could be demonstrably more effective than CIL in terms of its ability to capture land value but with some detailed questions to be answered around how it might be implemented. In the wider context of infrastructure funding, a new Scottish infrastructure levy has the potential to contribute to the suite of funding options which currently exist. Further work will be required to define a framework around how a model based upon the IGC option could be implemented, which reflects the findings of the original Peter Brett work.

The EUV approach as anticipated prevailed as the most effective tool for land value capture demonstrating a significantly higher proportion in comparison to the other mechanisms. The narrative around this approach focused on concern around how the market would respond to an EUV approach and considered the legal context to this. It was noted that a complex landscape of UK and European legislation would need to be navigated to bring about an EUV approach but that this was not insurmountable.

In parallel with the Planning Bill's consideration of Masterplan Consent Areas, a question is considered to explore further a compatible approach between MCAs and the value of land acquisition in circumstances where there is robust evidence of market failure.

Finally, the role of the public sector is examined in respect to the wider suite of funding and financing tools which exist and are often required to support infrastructure cost which cannot be supported through the current system. The public sector needs to continue to drive these tools in conjunction with private sector partners and help enable the right conditions for future growth.

Summary of Conclusions / Key Recommendations

This paper has set out to develop in an Infrastructure First context, the key areas of consideration in the funding and delivery of infrastructure; and provide a discussion platform for the Scottish Government and others to consider as they move forward to Stage 3 of the Planning (Scotland) Bill.

An Integrated and Robust Plan Led Approach

A fundamental stage of the Infrastructure First Approach is how the planning system identifies infrastructure requirements at different spatial levels early in the plan making stage and brings this closer to a set of wider growth objectives around Place.

The current plan led system needs to be consistently working towards a closer relationship between the Place Principle and infrastructure delivery focused development plans (including likely cost forecasts). It should be incumbent on plan makers and infrastructure providers alike to overcome perceived barriers around engagements to foster a more collaborative culture at the outset of the development plan process.

The current S75 system

The benefits of a more integrated plan can help improve how development contributions are captured. By having a clearer basis on which to understand timing and cost of infrastructure interventions, S75 negotiations can be led more robustly to enable a more efficient capture (through both timing and quantum) of funding contributions from developers. This enhanced integration can also consider more generally the impact of S75: essentially as a value uplift capture mechanism, it is applied in areas where the viability of development is tested and understood. Understanding this is key to the future deliverability of any site(s).

A further aspect of this should be a focus on the skills and resources available to authorities to administer and drive the right outcomes. Resourcing and upskilling of people can play a key role in realising the benefits of reform and support a more constructive culture with developers based on trust and transparency.

Land Value Capture and Strategic Infrastructure

In respect to funding wider strategic infrastructure requirements, different forms of land value capture have been explored. The key planning led value capture tool for infrastructure funding is an infrastructure levy, with an enabling power being included in the Planning Bill. The emerging model of an Infrastructure Growth Contribution Levy (IGC) has been considered and compared against Community Infrastructure Levy as the established form of infrastructure levy in England. As detailed, it has been concluded that IGC is a more effective tool for land value capture. The analysis highlighted that IGC 's non-linear formula provided a more effective calculation to capture land value uplift as compared to the approach of CIL. The indicative testing suggested that in viability terms the IGC can generally interact effectively with both S75 contributions and affordable housing obligations. It was identified however that sites of a certain scale e.g. 200 units and over may struggle to accommodate a full suite of S75 requirements with a levy contribution and maintain viability but it is very much understood that this will be dependent on local market conditions.

It was also noted through the financial analysis that value capture is sensitive to sales rates or 'price points' and from this it can be determined that stronger local economies will drive more output from the introduction of a levy as has been noted with CIL in England. Careful consideration is therefore needed around the shape and form of IGC in Scotland and how it overcomes regional disparities in values and how any IGC capture would be applied and utilised more broadly.

Overall, it is concluded that whilst there is still a level of detail to be developed, IGC could provide the basis for an important tool in the wider suite of strategic infrastructure funding tools and further consideration should be given to its potential form.

Existing Use Value

The paper has also explored another form of land value capture which is EUV based models of land acquisition. These are predicated on public led acquisition of land at market value but with the exclusion of any hope value or premium i.e. Existing Use Value.

It was concluded that there are a number of variant land pooling approaches which could have a basis in an EUV based approach. As would be expected, given differences in valuing land, the level of land value capture through EUV-type approaches significantly outweighs that of any levy approach. This is clearly driven by the land cost approach in each model. There are, however, complexities around how the market could perceive this approach and also the changes needed to the legal and planning system to enable such an approach to be implemented.

It was concluded that notwithstanding the above, there could be basis to support an EUV model which could be effectively utilised in areas where there is clear evidence of market failure and a need for the public sector to adopt a more interventionist approach. Essentially, there would need to be clear and robust justification for utilising such an approach.

A further area for consideration is how an EUV approach could work within Masterplan Consent Areas (MCAs). The current thinking behind MCAs, enables authorities to set planning designations around land and also to actively encourage land pooling. They are also intended to align consents and accelerate development. This could present an opportunity to consider special rules for MCAs and the use of EUV (linked to CPO powers) perhaps along the lines of the land re-adjustment model as has been evident in Germany. Such thought should also consider whether a similar outcome could be achieved under a robust application of current planning practice. It is recommended that this is explored further, including how and when such an approach could potentially be applied.

Public Sector Funding & Finance

A summary of wider public funding and finance is provided to complete the picture of the multi-faceted approaches required to deliver large scale strategic infrastructure and enable confidence in the market to then lead on wider growth.

The role of the public sector will continue to be vital in securing wider delivery and growth through the use of a number of innovative tools and deliver trust and confidence in the market. Robust terms of engagement with the private sector on their respective role in delivery will also be a key factor for success.

The Layering of Different Levers

Ultimately, the paper captures that there is no 'silver bullet' to solving the funding of infrastructure. Rather, that the different elements outlined throughout it: the infrastructure first approach, leadership, policy coordination and engagement, land value capture and utilisation of the public sector funding and financing toolbox, amongst others, can layer a system that can work collectively to drive wider investment and economic activity.

1.0 Introduction

The Importance of Infrastructure

Scottish Futures Trust (SFT) has a mandate to Scottish Ministers to support the delivery of infrastructure across Scotland, working with the public and private sectors to achieve this. On behalf of the Scottish Government, SFT seeks to essentially drive better value for money through infrastructure to deliver efficiencies, innovation and unlock economic growth.

The complexities of infrastructure delivery are wide ranging and relate to physical, economic, and political factors and sit within a planning framework of local, strategic and national policy. The emerging Planning (Scotland) Bill seeks to introduce new legislation which will enable and deliver a more robust planning framework to support growth, quality of place and infrastructure delivery.

To this end, SFT has been progressing a number of workstreams around what it defines as 'Empowered Planning'. One of the key workstreams is Funding and Finance of infrastructure and understanding how this could be better aligned to the emerging planning framework

Complementary to this has been the Scottish Land Commission's review of Land Value Uplift Capture (LVUC) and the concept of capturing value related to the uplift in land value attributable to wider public led interventions e.g. new infrastructure. LVUC has gained a lot of recent political momentum across both Scotland and England and could in some shape or form play a key role in the future of infrastructure funding. Furthermore, there has been the Scottish Government's consideration of a new Infrastructure Levy which is essentially a planning led form value capture tool.

This paper sees SLC and SFT working in partnership to consider the funding and delivery of infrastructure and review the value capture mechanisms which could be employed through the planning system to support further investment to infrastructure and ultimately Place. It looks to also consider this in the context of layering different levers to drive successful outcomes and address deficits and challenges in delivering infrastructure.

1.1 The Approach

Project Plan

As a joint project managing a number of complex issues, it was vital from the outset of the project to establish a clear understanding of the overarching aim of the project and definition around the key deliverables.

Literature Review

A literature review was identified as being a fundamental initial stage of the project to inform the paper. An extensive body of literature was evident particularly around historical and different approaches to land value capture.

There was also extensive research commissioned by the Scottish Government on Infrastructure Levy and the findings of this Peter Brett led study which would prove to be informative around the analysis of land value capture. Likewise, research by Ryden in 2015 around identifying and reviewing emerging practice in the delivery of infrastructure to enable development was considered.

Stakeholders

At the outset of the project, it was clearly identified that in the context of the emerging Planning Bill, it would be vital to ensure that Scottish Government understood and supported the aims and objectives of the report.

A stakeholder strategy was developed with SG at its core to consult early on project definition and understand scope to orientate towards emerging themes from the Planning Bill. It was also recognised that wider industry stakeholders should be consulted as part of the consultation strategy. Homes for Scotland and its representative group spanning the Scottish house building industry group provided an informative platform on which to test the approach and methodology to the paper.

Legal

It was identified at the inception stage of the project that legal input would be beneficial to provide some context around the current planning system's ability to capture land value and understand the limitations of the current approach for developers to make contributions to infrastructure.

Going forward, and given some of the international comparators, a legal review of these other land value mechanisms being practised in other countries would also provide a better understanding of the application and enforceability of these in Scotland and any associated legislation change. This would build upon the University of Sheffield work undertaken for SLC, looking at such countries as Germany.

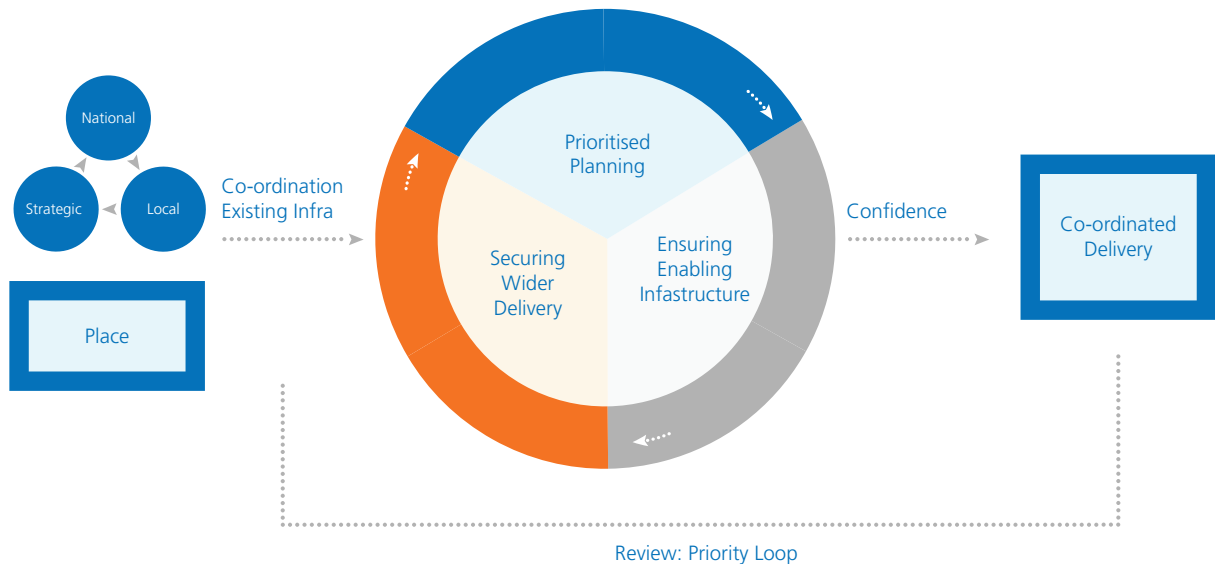
An Infrastructure First Context

The key principle underpinning our approach to the paper and the thread which runs through infrastructure delivery is the Infrastructure First (IF) approach.

An Infrastructure First approach means identifying and addressing the infrastructure capacity and requirements arising from a development(s), including their impacts and needs (on a combined basis) at a local, strategic and national basis.

Infrastructure and related activity may range from elements such as land remediation and preparation through to delivering schools and community facilities to roads and roundabouts and newer types of assets such as low carbon solutions and digital connectivity. There is essentially a broad definition of infrastructure and how these support wider activity. At the core of the Infrastructure First Approach is the concept of bringing together a collaborative culture which inherently understands the relationship between plan making, the principles of place, and the funding and financing commitments needed to bring forward coordinated delivery.

The flow diagram below captures the Infrastructure First Approach and what it seeks to achieve.



The approach identifies that infrastructure delivery sits across the National, Strategic (or regional) and Local level and these all impact on the shape and development of Place.

This paper seeks to further develop and refine this approach by reviewing each core stage of the approach in greater detail, consider the interaction of appropriate geographies and identify key actions and next steps to embed an Infrastructure First Approach deeper into the plan led system.

1.2 Outline of Report

As set out above, the basis of the paper will be to review and assess the funding and delivery of infrastructure in the context of the Infrastructure First Approach and this will be set out as follows:

Section 2 – Prioritised Planning & the Importance of Place

The paper will initially review the role of Prioritised Planning and consider the relationship between Place and Infrastructure delivery and how this can be translated to an integrated plan led approach.

This will be structured as follows:

- Define Prioritised Planning;
- An understanding of the Importance of Place as a key driver of prioritisation, the different approaches to Place and the impact of these; and
- Consideration of the relationship between Place and the funding/delivery of infrastructure in a plan led approach.

Section 3 – The role of Infrastructure Providers

A review of the Infrastructure Providers (IPs) will be undertaken to provide a deeper understanding of the respective challenges faced by IPs across key asset classes and explore how a better understanding of this could, through better coordination between the public sector / the land use plan system and developers including the approach to plans/policies, deliver better outcomes. This section captures current activity and work in progress which is showing positive outcomes. It is very much recommended that this work continues and that its findings be shared widely to develop and demonstrate best practice for all and communicate its lessons and key findings.

This will be structured as follows:

- Understand the role of IPs;
- Introduction to the main asset classes of Infrastructure;
- Review common themes and challenges experienced by the IPs;
- Consider focus areas for further thought; and
- Identify next steps and actions.

Section 4 to 7 – Enabling Infrastructure and Land Value Capture

Funding the enabling infrastructure to unlock Place and sustainable growth requires an assessment of a wide range of approaches some of which can be achieved through planning led tools and wider more innovative approaches to land value capture.

This section of the paper will explore land value capture as follows:

- Defining the concept of Land Value Capture and its role in Infrastructure Funding;
- Review of the current planning system and its approach to capturing planning led value uplift and identifying its perceived shortfalls and limitations;
- Identify and review different approaches to land value capture mechanisms; and
- Undertake indicative financial modelling and assess their effectiveness from a qualitative and legal perspective.

Section 8 – Securing Wider Delivery through the Public Sector Toolbox

It is widely recognised that in many instances there may be a shortfall between the cost of infrastructure and what can be supported through development contributions/land value capture. To enable and ultimately secure wider delivery, it is incumbent upon the public sector to consider how it can support and drive wider activity through prioritisation and public sector funding and / or access to finance.

This section will set out the following:

- Consideration of the roles and expectations required of the public and private sector in securing wider delivery;
- Differentiate the role of public funding and finance and their application in the delivery of infrastructure; and
- A summary of the wider 'toolbox' available to the public sector and consideration of the advantages and disadvantages of each tool.

Section 9 – Conclusions / Key Recommendations

The final section looks to set out the conclusions and findings of the report, including highlighting key next steps and actions.

2.0 Prioritised Planning & The Importance of Place

Defining Prioritised Planning

A prioritised approach to planning is one which identifies development priorities, understands the related requirements, including infrastructure, and brings them together with a level of certainty in a plan led system.

The Importance of Place

At the core of a successful plan led system is the importance of Place and how this should shape the direction of prioritisation. Place is a way of looking at the fuller picture (as captured in Scottish Government's Place Principle). Changes in physical, social and economic infrastructure become real and tangible in the context of places people live and the lives they lead.

Place is a core consideration at the centre of many development plans with a driving need to bring together design led sustainable environments which respond to a wide range of social, economic and physical needs including the requirement for infrastructure.

At its heart this involves plan makers embracing three activities within a place. Firstly, sitting down to share issues, demands and outcomes, what they have by way of assets and resources to deliver these, and their current plans. Secondly, pooling of resources, developing a common purpose and view of what needs to be done, agreeing criteria for success, and prioritising credible opportunities. And finally, applicable and appropriate capacity to implement ambitious programmes of change with pace. It essentially enables prioritisation, acceleration and collaboration for the benefit of a place and its overall performance. Enshrining this place based approach, results in better outcomes.

The Impact of Place

Place-based programmes for inclusive growth seek to transform the economy of a place, area or region by transforming the actual places within them. We need to think first and foremost about our outcomes for places – what real difference will we make – before we commit time, money and resources in any location.

Ultimately, place is more than just a location on a map. It is about how those places can be more successful, utilise the assets and resources available to it and build upon its strengths and opportunities to deliver change and inclusive growth.

The Link of Place to Infrastructure Funding and Delivery

Place, as highlighted above, is intrinsically linked to infrastructure. This includes initially understanding the physical infrastructure capacity and assets already in situ, coordinating future strategic and investment priorities and alignment of key partners. These themes are repeated throughout the report, but place and the recent announcement by Scottish Government of adoption of the Place Principle, should be enshrined within future thinking in the space.

A Plan Led Approach

The current planning system in Scotland responds to Place and Infrastructure primarily through the vision set out by local authorities in the form of local development plans. For larger areas of strategic importance, strategic development plans are currently formed to provide a wider spatial plan approach which often straddles a number of local authority boundaries. Collectively, the local and strategic development plans shape place through the allocation of land for development. In turn these sites require enabling infrastructure. The plans lead to the presentation of development sites, but where there is a lack of a coordinated approach to infrastructure, this does not result in the IF prioritisation of investment. This plan led system also shapes and directs growth and sustainable place agendas and is guided through national planning policy and the National Planning Framework (NPF). The Planning Bill includes proposals to improve development planning to make it more agile and delivery focus, including by replacing the strategic tier of development plans with a new, more flexible duty.

The importance of Place and the inherent relationship with infrastructure should as set out above be brought together in an integrated plan led approach as a fundamental requirement of the Infrastructure First approach. From SFT's engagement and activity, there is clear evidence that some local authorities work closer towards producing developments plans which harness Place principles and are cognisant of the infrastructure requirements but this does not appear to be consistent across Scotland. Furthermore, the level of meaningful consultation and joined up thinking with Infrastructure Providers does not seem readily apparent although is improving.

This drives a need to understand better how Infrastructure Providers operate and plan across all the main asset classes and look towards ways in which to promote better integration across geographies with the plan led system and enable an Infrastructure First Approach.

Continuing the Development of Place

As the above highlights, there is significant ongoing work and activity as regards Place: this is very much key to understanding the purpose and potential of Scotland's towns, cities and villages. The narrative above, however, should not be seen as the end of the story, but rather as an ongoing journey. SLC and SFT and others will continue to lead and support this thinking, sharing its findings to deliver better outcomes for Scotland and its places.

3.0 Infrastructure Providers, Policy, Coordination & Change

3.1 The role of Infrastructure Providers

A key function of the Infrastructure First approach is to understand the wider infrastructure requirements associated with the Place / local development plans. It has been highlighted above, that in the context of a plan led system, the collaboration between local authorities and Infrastructure Providers (IPs), alongside engagement with developers promoting sites and landowners, has not been consistent. This can cause delivery challenges and / or imperfect decision making.

For the paper, it should also be noted that the term IP can also apply to local authorities and the key public sector agencies. Again, their collaboration as IPs is key to understanding the wider infrastructure need to enable and support delivery.

Broadly, local planning authorities are required to consult with those IPs classed as statutory undertakers on proposed development plans which should in theory drive a more coordinated approach to linking prioritisation of Place and infrastructure delivery and thereby enabling better certainty to price and cost future growth propositions/interventions. There are of course other IPs who do not have this statutory undertaker classification.

Ultimately, if increased levels of development are to be achieved, it will also be incumbent upon IPs to support and accommodate the strategic expansion of infrastructure to accommodate housing and commercial growth. This raises the question as to the barriers and constraints which prevent a more integrated approach between IPs and local authorities.

A deeper understanding of how IPs manage their statutory obligations and their currently enshrined approaches to infrastructure, can help facilitate a shared understanding of the barriers and constraints they face, the regulatory environment they work within and a common set of themes to delivery which can be recognised across all infrastructure asset classes.

The resultant benefits of having a more proactive understanding of IPs is to use this to drive synergies in the direction of place and thus prioritisation which coordinates with those capital investment programmes of the IPs and is cognisant at an early stage of the funding and delivery profile of those works identified. This then allows a better understanding and certainty of resource.

The challenges faced by the IPs can be categorised into common themes which manifest across the different asset classes and those which are unique to one particular asset class. To understand this, an understanding of the main asset classes is needed.

3.2 Introduction to Asset Classes

Infrastructure across Scotland can be categorised across a number of different categories however this report focussed mainly on the asset classes of Utilities, Transport, Health and Education. The prime reason for this is the impact of these asset classes have on potential development.

The main asset classes have a number of sub sets as per below:

- Utilities comprise water, electricity, gas and telecommunications installations and networks;
- Transport includes active travel, rail, bus, roads and aviation infrastructure;
- Education can be summarised as early years, primary and secondary schools; and
- Health which covers primary, secondary and tertiary health care facilities.

The main asset classes and their sub sets interact across the national, strategic and local spatial levels. The funding responsibility varies at each spatial level. Large projects of national interest will often be funded from central government whereas strategic and local infrastructure will likely be funded by a combination of public funding, private finance and planning obligations from developers secured through S75 agreements. That said, the Ryden 2015 research found a key gap in funding for strategic infrastructure which is 'more than local' and therefore less readily linked to specific sites, development impacts and therefore less suited to S75 contributions.

The Infrastructure Providers across all the asset classes have a common statutory duty to manage, maintain and invest in their infrastructure. These commitments are often enshrined in their corporate plans which are typically framed over a 5 to 6 year period for regulated assets, monitored by independent regulators and overseen by Scottish Ministers.

3.3 Common Themes & Challenges faced by Infrastructure Providers

There are several themes and challenges which are encountered in relation to IPs. The below seeks to provide an overview of these and highlight where existing work is underway (and which needs to be concluded). Bringing these elements together will allow further thought and work to be undertaken to again enhance the approach to delivering infrastructure and how the public sector and IPs work together efficiently to focus resources.

Engagement

Engagement is a key requirement of successful collaboration with any Infrastructure Provider, whether externally or internally. It was recognised that having an identified contact within an organisation is an important first step in considering matters or initiating steps to unblock issues. Likewise, adopting 'open door' policies facilitates discussions. Within the public sector, this also manifests itself as greater collaboration between internal teams such as finance, planning and education.

Engagement also ensures that infrastructure and investment requirements for promoted and allocated sites are known. It also reduces uncertainty around the timing of funding and delivery for those elements that are prioritised.

Information Exchange

The way in which information is exchanged can enhance how parties can collaborate. This can extend to the sharing of plans or access to digital mapping databases which can bring a deeper understanding of the respective operational and non-operational assets held by IPs. Alignment of plans with a local authority's development plan would also enable a more informed approach to prioritisation.

Knowledge and Intelligence

In broad terms, a more cohesive relationship with IPs can be developed through exchange of knowledge and intelligence on matters ranging from corporate governance, capital investment priorities and approaches, asset mapping, operational constraints and regulatory restrictions.

Housing Targets driving Capacity Constraints

The wider policy context to drive up economic activity and house building numbers, coupled with the plan led system, provide a cumulative impact on the capacity and capability of existing infrastructure and identifies where new infrastructure would be required. As highlighted above, a clearer understanding of this and its potential prioritisation can allow enhanced planning and engagement and the focussing of resources.

Identifying Funding Shortfalls

In many instances, developer contributions don't fully cover the costs of required new infrastructure, and assistance is essentially required to resolve sites which are unviable, preventing delivery. This means that public sector resources may need to be called upon. This can be a further challenge where authorities do not have leverage to ensure that planning permissions lead to development delivery. Ultimately, a better understanding of this allows a greater capability to focus such resources (particularly in the currently constrained fiscal environment). It also allows, as detailed later, how different land value capture tools could be utilised to support the delivery of enabling infrastructure.

Consistency of Approaches

Having a consistent approach to establishing capacity need and appropriate solutions would be beneficial, particularly in relation to education provision, where provision is much more fragmented than for other asset classes (i.e. there being 32 local authorities). Negotiations and uncertainty ultimately will lead to delay and disputes. Consistency and considering how the key issues can be addressed and considered is paramount to achieving successful outcomes.

Timing & Phasing

Timing and phasing of development is also important for projecting and agreeing infrastructure need: this needs to be considered and understood, again with consistent approaches applied by the public sector. As discussed later, timing also affects s75 contributions as they are agreed at a certain point in time based on the information available.

Developer Contributions

Several local authorities do not seek developer contributions for certain types of infrastructure due to concerns over viability. The conversations with these local authorities differed from those authorities that do seek contributions. However, many of the same issues persist whether contributions are sought or not, as instead of negotiating with developers over contributions, they find themselves having to justify any spend to their finance colleagues. This is the same for those authorities who do seek contributions, but where these contributions do not cover the full costs of the infrastructure need.

Measuring the Outcomes of Infrastructure

Often when the public sector (and others) consider the impacts and benefits associated with infrastructure these are considered on differing bases. Whilst this allows a balance of focus between economic and social factors, it does mean that the alignment of different asset classes being considered in different ways can cause conflicts: for instance when looking at the justification for housing vs economic investment vs transport within a strategic site – the models which consider their impact can often be different and provide different outcomes to deliver an overarching strategic solution. Thought therefore needs to be given as to what are the overarching principles which should drive infrastructure investment, and indeed how are these influenced by Place.

The Benefits of Addressing Challenges

By considering and addressing the above, the following outcomes can be achieved:

- A greater collective understanding is achieved. This also allows a wider spatial understanding to be achieved;
- Greater clarity and understanding around specific development sites, whilst also allowing greater clarity around coordination and how efficiency could be achieved for IPs by potentially working together;
- Engagement can inform a plan led process – essentially the more information, knowledge and data available – this allows a more accurate, informed, deliverable plan (regardless of spatial level to be developed); and
- Engagement enables a greater understanding of the regulatory processes of the IPs for the public sector. This understanding should be further developed, alongside understanding whether the regulatory environment can be address investment phasing e.g. future-proofing of infrastructure and its capacity and / or timing of further upgrades.

3.4 Good Practice

To demonstrate the ways in which activity is looking to address the elements outlined above, there are several partnership groupings considering such matters (across the different asset classes), developing thinking and enshrining best practice. These have been included in the paper to highlight their progression and that findings and good practice will be shared in due course, which will further inform activity and thinking.

The Glasgow City Region Operational Infrastructure Group is considering how IPs and the public sector engage better and consider how delivery can be aligned to inform future development plans and activity.

Scottish Government created the Infrastructure Delivery Group to bring together key entities from the public sector (including its agencies) and IPs to consider how address key challenges and issues.

SFT working with Scottish Government, Local Authorities and Industry in considering best practice and consistency in planning for schools infrastructure.

There will of course be other arrangements in place that mirror and supplement the above. Thought should be given as to how this activity can be coordinated and integrated to focus resources. This coordination should identify and share any lessons and / or thinking to ensure consistency of understanding, further enhance plan led approaches and support the wider delivery of infrastructure.

4.0 Ensuring Enabling Infrastructure and current approaches to Land Value Capture

The Ensuring Enabling Infrastructure stage of the IF cycle primarily focuses on the tools needed to provide funding and / or finance and provide certainty and commitment to the delivery phase i.e. how do we provide certainty as regards the delivery of enabling infrastructure.

A major constraint around funding infrastructure across all asset classes is the capital costs and the availability of public funds associated with it, which places significant financial burdens on those parties whose responsibility it is to deliver this.

Typically, the public sector takes a major role in this at a national level and also at the strategic level but the constraints of public funding dictate that there is a continual need to explore existing and innovative approaches and look towards the planning system as a means of potentially delivering more through planning led land value capture (e.g. S75 contributions and alternative approaches such as the Infrastructure Levy) and as a means of leveraging and / or securing developer / private sector investment. Related to this there has been a recent focus on land value capture predicated on land being acquired at Existing Use Value (EUV).

This section will focus on the role that planning led value capture currently plays in the funding of infrastructure at the critical 'enabling infrastructure stage' of the Infrastructure First Approach.

4.1 Definition of Land Value Capture

Principles of Land Value Capture

The concept of Land Value Capture is one which seeks to share in the value uplift in land which can in part be attributable to factors outwith the influence of a landowner. This is commonly explored in the context of public led interventions such as the creation of new infrastructure or the granting of planning consent for a higher value use.

In its broadest context the principles of land value capture can be considered in three main areas as follows:

- 1) Planning:** Planning led value capture refers to value uplift directly attributable to a planning consent or the prospect of a planning consent which will result in the land in question increasing in value. The delivery of affordable housing and S75 contributions are often cited as a form of planning led value capture.
- 2) Commercial:** Commercial led value capture is derived from commercial agreements and activities where there are expected uplifts in value being projected as a result of those activities be undertaken. Tax Incremental Finance and Growth Accelerator backed schemes are examples of commercial agreements which are predicated on capturing a share of future value increases in order to fund and / or finance enabling infrastructure.
- 3) Fiscal:** Fiscal led value capture refers to a taxation based approach which seeks to capture rises in property values over time such as Capital Gains Tax or through Council Tax re-valuations.

This section focuses primarily on planning led value capture mechanisms but further develops the consideration of commercial tools as a means of supporting infrastructure delivery later in Section 8. Fiscal approaches have been excluded from the remit of this paper as they do not offer a direct link to up front funding needed for infrastructure. The Scottish Land Commission is however separately considering this area in more detail.

In the current land market economy, there is no express provisions for land value capture. Vendors of land are free to treat with potential purchasers on terms that incentivise a landowner to release their land usually by way of a premium over the land's current value.

Land value capture can therefore be identified at two key junctures, one being the point of land exchange whereby a higher value is crystallised between vendor and purchaser or at a point where a developable planning consent is granted for a higher value use which creates uplift in value.

Where a higher value use is being contemplated by the purchaser it is common practice to arrive at an appropriate price for land by projecting the completed value of the anticipated use and deducting the costs associated with building this including the provision of enabling infrastructure. In valuation terms this is referred to as the residual value method i.e. once all costs considered, what is the residual leftover amount to acquire land.

Where the value uplift is directly related to a planning consent then the purchaser will set aside from the land value, a retention of monies for planning obligations in the form of affordable housing and financial contributions under S75 of the Town & Country Planning (Scotland) Act 1997 which are required to fund enabling infrastructure. S75 obligations therefore act as a form of planning led value capture.

The Planning (Scotland) Bill is currently contemplating a new form of Infrastructure Levy which would be payable by the beneficiaries of a planning consent as set out in a clear calculation triggered at the point when a planning application is consented. The new approach is intended to support wider infrastructure funding and offer clarity to purchasers of land of the potential liabilities of a levy to enable this to be factored into land price. By doing so, the levy would in effect become a form of planning led value capture.

4.2 Current approaches to capturing land value through the planning system

The current planning system in Scotland secures developer contributions to infrastructure through planning obligations otherwise known as S75 obligations in reference to S75 of the Town & Country Planning (Scotland) Act 1997. As identified earlier these mechanisms are essentially only realised through the uplift in land value and thus form planning led value capture despite there being no direct link with the land sale process.

Development contributions are sought to negate the cumulative impact that a future development may bring to an area in terms of pressures on local infrastructure such as school places, road upgrades and/or further investment in local public transport.

Contributions need to be balanced against other planning obligations such as affordable housing which is often required to support new housing developments.

Policy Led Guidance

In a plan led system, it is the responsibility of the local authority as plan maker to guide and specify the nature and scale of contributions. This is often achieved through supplementary planning guidance (SPG) which forms part of the statutory development plan alongside the level of affordable housing requirement.

In some cases, special contribution zones can be defined which facilitate contributions to a particular single piece of infrastructure such as transport improvement. Developments within or near the sphere of influence of these schemes often trigger a prescribed rate of contribution. A number of these schemes have been implemented in Scotland such as the Edinburgh Tram scheme and Scottish Borders railway.

Negotiated Based Outcomes

Despite setting out contributions in supplementary planning guidance, S75 obligations are often negotiated based outcomes whereby local authorities and developers negotiate the level of contributions.

The process is often protracted due to concerns around the robustness of the evidence base supporting the policy approach. It is often challenged that the evidence set out to support particular infrastructure does not sufficiently demonstrate that need, or circumstances have changed, which has the resultant effect of drawn out periods of negotiation between the authority and the promoter.

This has been stated earlier in the report through inconsistencies in how education contributions are captured in the plan or SPG which only contributes to provide greater uncertainty from IPs and the market place.

Viability is a key factor when negotiating the scale and level of contributions. Local authorities typically engage with developers on the basis of viability appraisals which demonstrate from a developer's perspective a shortfall that prevents them from being able to commit to contributions required.

Land value often plays a role in this approach whereby developers point to the price that land has been acquired as a contributing factor to their inability to meet those obligations set out in the planning policy.

Legal Limitations

Local Authorities must meet certain legal and policy tests when agreeing planning obligations through S75. These are set out in Circular 3/2012: Planning Obligations and Good Neighbour Agreements. These tests identify that the use of planning obligations should meet the tests of necessity, reasonableness, directly related to the development and serve a planning purpose.

The recent case between Aberdeen and Aberdeenshire Strategic Development Authority (SDPA) and the Elsick Development Company (EDC) provided a crucial legal direction on the application of S75 obligations.

The 'Elsick' Case was a one where the authority (SDPA) sought to deliver major road infrastructure over a wide area through a pooled fund of development contributions from a number of developments in the surrounding area.

The Supreme Court directed that whilst the pooling approach was not illegal, it was illegal to seek contributions from EDC as there was no more than a 'trivial' geographical connection between EDC's land and the proposed infrastructure. Furthermore the Supreme Court held that because EDC's land was not restricted or regulated by way of a pre-condition to the infrastructure then the

obligation was neither seeking to restrict or regulate the land to give it planning purpose and as such was beyond the scope of S75.

Skills & Resources

With major reductions in local authorities' budgets, the skills and resources available to administer S75 agreements and secure the best outcomes for the public can be fettered. This leads to a loss of commercial capacity. This can also be exacerbated by the position that a small number of authorities account for the majority of S75 agreements, so expertise when required, may not be universal. The nature of negotiations often transcends a planner's expertise and creates a disconnect to the team of experts which a developer can call upon to negotiate on their behalf.

Summary

S75 obligations provide local authorities with an important mechanism to secure affordable housing and improvements to infrastructure. In its current form it continues to be heavily used within the confines of offsetting the individual and cumulative impact of development in areas where contributions can be made without affecting the overall viability of development(s). However, It is evident that in practice, the process of securing these obligation can become drawn out between the parties.

As was identified earlier, S75 obligations are often a negotiated based outcome. This appears to create uncertainty in the marketplace; and has a direct consequence on the dynamics of how a developer treats with landowners on price when they are unsighted on the final outcome of the S75 negotiation.

The example of developers pointing to the burden of land price as a means of negotiating down S75 obligations suggests that in such cases that the current system is not effectively capturing land value uplift in the way it should.

The 'Elsick case' also serves to remind local authorities of the limitations of S75 obligations particularly around strategic infrastructure and therefore other mechanisms need to be explored which can contribute to larger scale infrastructure which will often cross local authority boundaries and require close strategic partnerships

5.0 Alternative approach to Land Value Capture

There are a number of alternative approaches to planning led land value capture, some of which are already in practice in England and others being considered in Scotland to provide additional funding to infrastructure. This includes considering their application where development is less direct to the required infrastructure, as highlighted under legal limitations. There are also a more radical approach being considered across the UK around acquiring land for new development at existing use value.

5.1 Community Infrastructure Levy

In England the Community Infrastructure Levy (CIL) is a tariff that has been introduced which seeks to capture additional value from land to support wider infrastructure investment. The basis of CIL is that it is operated by local authorities who produce a charging schedule which applies a rate per square metre to certain uses most commonly residential. The rate is then applied to any new floor space at the point at which a planning application is granted.

CIL is currently optional to local authorities in England and a recent review has identified that take up has not been consistent across the country. It appears that CIL is more readily taken up in high value areas in the south east. Local authorities who adopt CIL charging schedules, operate these in conjunction with S106 agreements. It is noted that some local authorities with weaker local economies continue to operate S106 and chose not to adopt CIL.

CIL requires a clear link to infrastructure delivery plans and local authorities are required to produce and update these in accordance with Regulation 123 of the CIL Regulations.

5.2 Mayoral CIL / Strategic Infrastructure Tariff

A variant form of CIL has also been developed in London under the Mayoral CIL which carries through the principles of CIL to a wider geographical area to support the funding of Crossrail.

The Mayoral CIL levies a tariff at a reduced level to that of standard CIL charging schedules but given its wider geographical coverage it makes a considerable contribution. There is now an emerging Strategic Infrastructure Tariff which the UK government is seeking to introduce across England which is based on the Mayoral CIL model.

5.3 Infrastructure Growth Contributions

The Planning (Scotland) Bill is currently proposing a form of Infrastructure Levy which would seek to secure planning related land value capture contributions for wider infrastructure. A recent study commissioned by the Scottish Government has developed the concept of the Infrastructure Levy further with the proposal of the Infrastructure Growth Contribution (IGC).

The IGC seeks to capture contributions to strategic infrastructure in Scotland through a charge applied to most development types and triggered on the granting of planning consent. It is intended to operate alongside S75 obligations in a complementary way and help create additional funding to strategic infrastructure. In effect, a levy could reduce reliance on S75 obligations to support more strategic scale infrastructure projects arising from the cumulative impacts of development.

In its conceptual form, the IGC contemplates two variant options, one being a centrally coordinated model through central government and the other being coordinated locally through local authorities.

The key differentiator to CIL in respect to the mechanics of IGC is that the value capture is predicated on what the developer can generate in terms of sale revenue otherwise known as the Gross Development Value. CIL on the other hand seeks to capture value directly from increases in the development's net floor area and as such has a less direct relationship to land value.

The mechanics, shape and form of IGC and how it might be implemented will be discussed further in Section 7.

5.4 Existing Use Value

There has been significant interest and narrative across the UK to fully understand alternative land value capture models and consider European models, where zonal planning systems potentially extract more land value capture to support infrastructure delivery.

The driving interest in European models has been around the perception that land is more frequently acquired by local or municipal authorities at 'Existing Use Value' which in turn allows a greater element of land value to be captured once alternative development rights are secured.

The Scottish Land Commission instructed a separate study led by Professor Tony Crook to understand the specific models of practice in Germany and Netherlands. This study identified two different approaches to how municipal authorities acquired land, deliver infrastructure and recoup the cost of that from developers.

In Germany, the report identifies a strong political structure and zonal planning system with little discretion around land use planning in contrast to that in the UK. It also notes that municipal authorities can adopt a 'first movers' approach whereby they assemble land and infrastructure early which in turn creates land value uplift which they can capture with the onward disposal of land to developers etc.

A further development on this approach in Germany has been the use of 'Land re-adjustment'. This is a form of land pooling led by the municipal authorities to define a development consistent with the zonal 'preparatory' plan. This approach enables the authority to facilitate the development by delivering the necessary public infrastructure and selling back the re-adjusted land plots to landowners based on market value with the benefit of the infrastructure in place thereby recouping the costs associated with this.

The Dutch model has moved from having an emphasis on municipal authority led active land policy (acquisition) and infrastructure delivery to one which relies more on the private sector and public/private partnerships. This can be explained by a changing macro-economic climate around the risk profile of the municipals authorities whilst proving more commercially attractive to the private sector to take a more active role in delivery. This means that similar challenges to EUV exist in the Netherlands, as they do in the UK.

The potential revival of new towns in England, the proposed introduction of Masterplan Consent Areas Scotland and innovative land pooling models around transport infrastructure could all potentially have a basis of acquiring land at existing use value akin to some of the approaches observed in Europe. These will be further explored in the next section in conjunction with the outputs of the financial analysis.

6.0 Financial Modelling the different approaches to Land Value Capture

In assessing alternative forms of land value capture the fundamental metrics to benchmark are the effects on a sample group of sites with regards to viability and what that sample of sites could potentially generate in terms of a monetary output.

A mechanism which levels a charge that renders a large group of sites unviable is unlikely to be acceptable and will have a diminished impact on monetary output. Conversely a mechanism which charges less may be more effective in respect to maintaining the viability of a large group of sites can result in a weak output in financial terms, which ultimately reduces the contributions to planned infrastructure.

A further complication around setting the right level of levy is the need to deliver affordable housing and the burden of cost that this will have on a developer's viability appraisal.

These are all key issues in a plan led approach whereby authorities need to balance a number of development objectives around Place, Infrastructure and affordable housing.

6.1 Methodology

To understand the different approaches, a financial modelling exercise was undertaken based upon generally recognised methodologies.

The introduction of Community Infrastructure Levy in England led to guidance being produced to support local authorities in how authorities should approach viability testing in the context of levies and local plans.

The guidance as set out in the 'Viability Testing Local Plans, 2012 otherwise known as the 'Harman' Report provides a detailed approach for assessing viability in a local development context. The guidance informs the basis of the modelling approach.

The Residual Land Value Model

The modelling approach to undertaking the development viability exercise is based upon the Residual Land Value approach (RLV). This RLV approach has been used as a proxy to understand and inform the metrics and likely outcomes of the different approaches to land value capture, as well as allow the comparability of each. It is recognised that there is ongoing discussion as regards RLV and other development viability approaches.

The RLV approach is summarised as follows:

Gross Development Value <i>less</i>	(Sales values)
Construction Costs <i>less</i>	(Build Costs, External Works, Contingency etc)
Marketing Costs <i>less</i>	(Sales & Agency Fees)
Developer Profit & Finance Costs <i>equals</i>	(Priority Return on GDV or Cost)
Residual Land Value	

The key metrics of the RLV approach are the Gross Development Values, Development Costs, Developer's Profit and the Residual Land Value.

Gross Development Value is the calculation of the total receipts arising from all sales of residential units.

Development Costs comprise all those costs which are required to acquire the land, the construction costs, marketing and finance costs etc.

The Developer's Profit is the commercial return that is required by the developer and should be commensurate to the level of risk profile for the scheme.

The Residual Land Value is the amount calculated as being the sum left over that could be used to pay for the land.

Fundamental to the Residual Land Value is whether that amount leftover can incentivise the landowner to sell the land. The modelling recognises this as a key consideration and address this by setting a **Threshold Land Value** benchmark (TLV).

The TLV is derived from the existing use value of the site together with a 'premium' which the landowner attaches to the site in the belief that a future alternative value for the land can be achieved. This is often referred to as Hope Value.

An additional buffer of 20% has been added to the TLV to absorb additional costs or 'abnormals' which can often be present across development sites.

The Plan Wide Approach

The RLV model can then be developed to provide a testing platform for a number of different land value capture approaches.

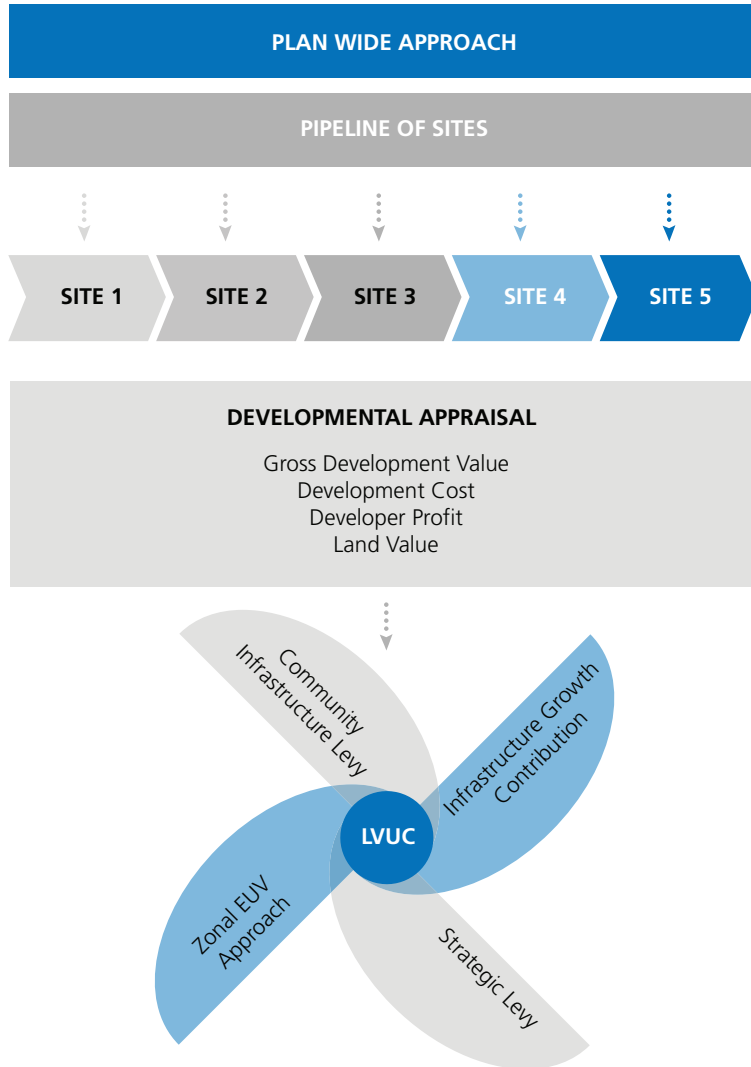
The fundamental approach to this type of exercise is to undertake a plan wide approach which captures five site scenarios which broadly reflect a pipeline of sites coming forward in a particular area. This approach can also be tailored to a group of sites with a more national, strategic or local context.

The site scenarios are then developed into single development appraisals which follow the RLV approach taking into account market analysis on values and costs and a core set of development assumptions to derive residual land values which either sit positive to the TLV, in which case they are viable, or negative to the TLV, meaning they are unviable.

Consistent across all appraisals for each scenario will be the need to reflect S75 contributions and affordable housing requirements which address the cumulative impact of development and the need for policy compliance.

Once this set of appraisals has been established across a suite of site scenarios, the iterative testing can commence to see how these sites respond in viability terms to land value capture mechanisms levied across different rates and what they would generate in monetary terms.

The flow diagram below illustrates the plan wide approach:



6.2 Sample Study Area & Site Scenario Characteristics

Based on the methodology set out, a sample study area was established which would provide the basis on which to test the different approaches.

The sample study area was derived to reflect a local authority area in Scotland which offered a mid-point representation of Scotland’s social, economic and physical profile. The sample study area therefore comprised a significant urban centre with evident interest on its green belt boundary to accommodate more housing. The study area also has wide rural catchment area typical of many authorities in Scotland.

From the study area, five site scenario types were identified which best reflected the typical nature and characteristics of residential sites coming forward, this was informed in part by a review of local authority Housing Land Audits in terms of sites and also the nature of land in respect to being either greenfield development or previously developed land (PDL). For Greenfield Sites, the TLV is defined as £100k per acre and for PDL site this is £225k per acre.

The site scenarios are set out below:

SITE	UNITS	SCALE	DENSITY	SIZE (HA)	GREENFIELD /PDL
1	10	Minor	Low	0.25	Greenfield
2	30	Medium	Medium	1	PDL
3	60	Medium	Medium	4.35	Greenfield
4	140	Medium	High	3.9	PDL
5	300	Large	Medium	24	Greenfield

In value terms, it was important to recognise in the study area that disparities can exist within the boundaries of local authorities and the sample area should reflect this. To address this in the analysis, each site scenario would be tested against three different values or 'Price Points'. These are derived from market evidence on residential sale transactions across the country. These have the desired effect of being able to assess the effectiveness of the mechanisms against developments with different value profiles i.e. low which is set at £2,000 per square metre (psm), medium (£2,500 psm) and high (3,000 psm).

A set of core development assumptions ranging from construction costs, development finance, level of developer profit, marketing and professional fees were all developed to reflect a mark norm situation, and these have been applied consistently to all appraisals. These are set out in full in Appendix A.

A key element of the site scenarios is the distinction between the delivery of local infrastructure and strategic infrastructure. Each site scenario is assumed to deliver a policy compliant level of affordable housing and meet the needs of local infrastructure through S75 obligations.

6.3 The Viability Matrix

As discussed, the methodology for testing each land value capture approach follows the plan wide approach of developing five individual appraisals which best reflect a sample study area of housing sites.

Each site scenario appraisal is then tested separately against each mechanism and a residual value generated.

The results are analysed in a way which compares whether the residual land value is greater or less than the TLV.

In respect to modelling the Existing Use Value approach, the assumption is made that the landowner would be required to dispose of land at a value reflective of current use e.g. agricultural or employment use. On this basis the TLVs will in theory be lower than with the other scenarios which build into them an element of premium or 'Hope Value'. For Greenfield Sites, the EUV is assessed at £7,500 per acre in line with agricultural land values. For PDL sites, EUV has been assessed at £100k per acre. This is a more subjective rate which has been adopted to provide indicative results.

The results are illustrated through the viability matrix (below) which shows how each of the five site scenario's RLVs performs against the TLVs at the three price points.

Table 0: Sample Viability Matrix

SITE VIABILITY MATRIX			
RANGE OF VALUES ACROSS THE HOUSING MARKET AREAS			
	PRICE POINT 1	PRICE POINT 2	PRICE POINT 3
Site 1	RLV	RLV	RLV
	TLV	TLV	TLV
Site 2	RLV	RLV	RLV
	TLV	TLV	TLV
Site 3	RLV	RLV	RLV
	TLV	TLV	TLV
Site 4	RLV	RLV	RLV
	TLV	TLV	TLV
Site 5	RLV	RLV	RLV
	TLV	TLV	TLV

The viability matrix will provide a holistic view on the overall impact of each mechanism on viability of the sites which in turn would indicate the impact on the wider sample study area.

The results are then developed further to assess at each Price Point what the resultant impact would be in terms of monies generated from those sites deemed to be viable.

The two metrics combined enable a comparative assessment on a like for like basis of each value capture mechanism.

6.4 Financial Modelling Outputs

The financial modelling tested and compared the following mechanisms:

- 1) Infrastructure Growth Contribution
- 2) Community Infrastructure Levy
- 3) Existing Use Value

The Local Infrastructure Tariff was initially considered for testing, but its conceptual stage development did not have sufficient detail to assess this further.

The results are summarised below by Price Point with a full analysis is Appendix B.

Price Point 1 (Low Value)

Across all mechanisms it was clear that under the low Price Point (Price Point 1), there was limited viability across each site scenario particularly site scenarios 4 & 5 i.e. the larger sites carrying proportionately more development costs. Sites 1 to 2 showed some value capture in respect to EUV but there was no uplift beyond that point. Following this, Price Point 1 was ruled out of further

analysis at this stage. It did however provide an indication towards the difficulty of applying land value capture mechanisms to areas in Scotland which reflect this lower price point, and this would need to be considered further in the development of any new levy based approach.

Price Point 2 (Medium Value)

At Price Point 2 improved viability was noted across the sites and there was a clear distinction identified between the IGC and CIL. Despite both achieving the same viability profile across the sites, it was apparent that IGC was capturing a greater share of land value capture. This was identified from the fact that in each site under Price Point 2, the residual land values generated for IGC were lower than those for CIL. With all other development costs being equal this concluded that IGC was the single contributing factor to the reduced land value and on that basis was capturing a greater share of land value whilst crucially maintaining viability.

This can be explained through the formula approach adopted by the IGC which applies a non-linear formula to respond proportionally to the gross development values of each site scenario. This differs from the approach to CIL which derives its rates from stress testing trial rates and determining the best fit 'flat rate' that results in the widest number of sites being viable. The weakness of this approach in comparison to IGC is that by seeking a flat rate best suited to the majority of sites, that rate is likely to be one which is challenging to low value sites but fails to capitalise at the higher end of the value spectrum and thus is not capturing proportionate level of value unlike IGC.

EUV performed well under Price Point 2, showing significant value uplift in comparison to the other approaches. The EUV approach generated almost £4m in potential land value capture. As with the other options, Site 5 remained unviable at this price point regardless of the different mechanisms. Site 5 formed that largest site within the sample and as such the Site 5 appraisal already carries a significant amount of cost attributed to on-site infrastructure capacity.

Site 3 failed to show any land value capture across the different mechanisms other than EUV. Site 3 is stepping up in terms of scale of housing (60 units) but does not appear to have the critical mass of unit numbers needed to absorb the corresponding increase in development costs and affordable housing to support contributions to a levy.

The level of monetary contribution derived from each approach for each site scenario is displayed below:

Table 1: Monetary Contribution of each approach under Price Point 2

PRICE POINT 2	POTENTIAL LAND VALUE CAPTURE			
	RANGE OF VALUES ACROSS THE HOUSING MARKET AREAS			
	S75	CIL	IGC	EUV
Site 1	10,000	46,800	81,900	623,369
Site 2	23,000	104,000	182,000	1,053,000
Site 3	0	0	0	851,425
Site 4	33,000	512,000	896,000	2,462,000
Site 5	0	0	0	
Totals	£363,000	£662,800	£1,159,900	£4,989,794

Price Point 3 (High Value)

In Price Point 3, a good spread of viability was noted across the mechanisms with the exception of Site 5 which struggled to absorb a combination of infrastructure cost, other S75 contributions, affordable housing and additional land value capture mechanisms.

The emerging difference between IGC continued to bear out in an even larger scale as IGC provided to be more effective.

As with Price Point 2, S75 costs remain static across the price points as there is no express relationship between the value of contributions and the value of the scheme.

At this price point it can be observed that the EUV approach potentially provides a step change in the level of contributions that could be captured. The indicative sum of £17m based on the aggregate of five sample sites is a significant number in the context of infrastructure delivery.

Table 2: Monetary Contribution of each approach under Price Point 3

PRICE POINT 3	POTENTIAL LAND VALUE CAPTURE			
	RANGE OF VALUES ACROSS THE HOUSING MARKET AREAS			
	S75	CIL	IGC	EUV
Site 1	10,000	46,800	105,300	915,369
Site 2	23,000	104,000	234,000	1,683,000
Site 3	135,000	206,500	464,600	1,674,425
Site 4	330,000	512,000	1,152,000	5,412,000
Site 5	0	0	0	7,238,400
Totals	£498,000	£869,300	£1,955,900	£16,923,194

General Observations

The output of the modelling identified some common themes as follows:

- S75 contributions can continue to be captured alongside an additional infrastructure levy.
- Affordable Housing at 25% is also sustainable at both PP2 and PP3.
- Major sites of scale and significant infrastructure cost (Site 5) will struggle to withstand further additional costs levelled by land value capture mechanisms.
- In levy terms IGC can be identified as being the most effective mechanism for capturing land value.
- The EUV approach demonstrates significant potential for land value capture but must be tempered with the realistic expectations of landowners operating in a free market environment who are unlikely to dispose of land at bare agricultural value, etc.

6.5 Summary

The financial analysis has been developed in a way which seeks to represent a typical group of sites in a typical Scottish local authority by identifying the indicative impact on viability and monetary contribution. This does not at this stage provide an overall indication of the quantum of value that could be derived at either local authority or at a national level. What it does do is provide an indicative and proportionate comparison between land value capture mechanisms based on a set of site scenarios and assumptions derived from a Scottish market context.

The results also provide some high level themes and trends to support and inform the direction of land value capture and how an optimal form of this could be developed to support the funding of infrastructure. To further inform this a qualitative analysis of the options was undertaken in the next section.

7.0 Qualitative Assessment of different approaches to Land Value Capture

To understand land value capture mechanisms in a Scottish context it is vital to understand the qualitative and legislative basis of the different mechanisms, alongside their 'fit' and applicability for Scotland.

7.1 S75 Agreements

S75 obligations are relatively well understood in the market place. In response to potential market change around a possible levy it may become evident, as in some parts of England, that local authorities and developers opt for the familiarity and continuity of S106 as opposed to a new charging regime.

Despite a relatively positive market perception to S75 in comparison to other potential new approaches, the process behind these appears to be sufficiently complex to warrant challenge particularly when there are high value contributions being sought.

In the current system timing is a major issue. Developer contributions under S75 have been identified to be potentially drawn out negotiated outcomes which appears to stem from a lack of understanding around how contributions are assessed and / or their perceived impact upon viability. This has the resultant impact of delaying infrastructure and the delivery of new homes.

The legal context to S75 highlighted earlier noted that whilst S75 obligations play an important role in funding infrastructure, they have certain limitations around their application as evidenced through the 'Elsick Case'.

ACTION

It is recommended that further thought should be given to how the S75 system can be improved to resolve limitations as evidenced through the Elswick case and also a more robust and consistent approach to setting out the relationship between contributions and the delivery of infrastructure at the earliest possible stage of plan making. Likewise, efforts to improving practice should be considered.

Building more transparency and cost certainty into the current system can help improve the way in which the market responds to development contributions. This will require a closer link between infrastructure planning and the formulation of development plans and upskilling people to engage with this approach to ensure that the system can be resourced effectively.

With greater market certainty around future obligations, developers can engage landowners with a clearer understanding of their downstream commitments and be able to price this into land acquisition cost and as such enable the S75 obligations to command a greater share of land value capture.

7.2 Existing Use Value

The current perception around Existing Use Value (EUV) is subject to confusion as terms such as existing use value, open market value and development value can often be conflated to give rise to different interpretations.

In the context of this paper, Existing Use Value refers to the value of land in its current state and without reflection of hope value; and acknowledges that the current system of compensation for land under the Land Compensation Act 1961 sets out open market value as the basis for acquisition.

The level of uplift in land value as compared to other mechanisms demonstrated that an EUV basis of acquisition could drive significant land value capture. This could make a significant impact in an authority's ability to recover necessary infrastructure cost and facilitate future growth.

In order to assess this further we have to consider the basis of what an EUV model could be.

There are multiple land pooling models which could form the basis of such an EUV approach. As identified earlier, there was the historical approach to New Towns under the New Towns Act 1946 which sought to pool contiguous areas of land together and acquire these at existing use value. Transport for London is exploring a Development Rights Auction Model (DRAM) which seeks to pool land around new transport infrastructure together and this is predicated on landowners accepting a 'reserve' price on their land akin to existing use value. There is the Land Re-adjustment approach discussed in S5.4 which outlines a German model where land is temporarily acquired by the state early prior to zoning and infrastructure is then put in place. The land with the benefit of the infrastructure is sold back to the previous landowners that reflects the uplift in value.

Regardless of approach, a consistent theme across these models is the need to compel landowners to part with their land on terms other than market value. This would suggest that its implicit in any EUV approach that a Compulsory Purchase Order (CPO) would need be either in the 'shadow' or confirmed to bring landowners to negotiate.

The main complication to an EUV based system of land acquisition under CPO is the Land Compensation Act 1961 which directs as per below:

'The value of land shall, subject as hereinafter provided, be taken to be the amount which the land if sold in the open market by a willing seller might be expected to realise'.

A change in legislation would therefore be needed to amend the current legislation, which would also need to consider such aspects as the European Convention on Human Rights. That said, on a case by case basis it is possible to justify EUV under certain circumstances. Again, the application of such thinking may be one for consideration.

In respect to the Land Re-adjustment model further legislative change would be needed to accommodate the temporary possession of land which is not expressly allowed under current CPO rules.

A land readjustment approach would also require local authorities to reform their approach to development plans by taking a more involved role in zoning land for development and the associated level of preparatory work required.

Masterplan Consent Areas

Masterplan Consent Areas (MCA) have been introduced into the Planning (Scotland) Bill as proposals to enable authorities to designate certain areas for specified development and as such, land within the MCA, planning and other permissions which would be consistent with the specified development. It is intended that authorities would have the power to acquire land in the MCAs under new regulations being considered as part of the Bill. In this regard, there has been recent narrative around how land compensation rules could be calculated and be more orientated to an EUV basis of acquisition. This would require further consideration to address initial queries around the efficacy of such an approach.

Notwithstanding this there are further market complexities of this approach around potential market distortions where disparities potentially emerge between land changing hands at existing use value within the MCA and other land in proximity being sold at market value.

The market perception for such an approach would need to be tested, however, it may be perceived as interference to free market principles. This could possibly be tempered if MCA was focussed in areas where there is clear evidence of market failure due to multiple reasons such as abnormal costs, enabling infrastructure, multiple land interests and no market interest.

In such instances it is conceivable that the public authority could treat with the landowners on the basis of EUV (or potentially a realistic market value in a 'no-scheme world') and 'equalisation' principles whereby landowners are guaranteed a future return in line with their share of land in the pool regardless of whether it is their land taken for necessary infrastructure or housing etc. The enabling costs would be deducted from the 'pot' prior to calculating the landowner's respective equalisation shares providing sufficient incentive to engage on the basis of an EUV price in the first instance. It is proposed that this is considered further. This would not be dissimilar to the land re-adjustment model outlined earlier.

As has been noted in previous radical changes to development taxation, markets can often recede to a position of stagnation as landowners anticipate future political change and await the abolishment of previous methods with regime change. This effectively stalls the land market and would need to be considered as part of any EUV potential approach.

ACTION

An approach to acquiring land at Existing Use Value whether it be through land re-adjustment or other approach has grounds for further development with particular focus around failed or derelict areas where public sector intervention is required. Such thought should also consider whether a similar outcome could be achieved under a robust application of current planning practice. Further consideration should be given to potential synergies in approach with the development of Masterplan Consent Areas.

7.3 Infrastructure Growth Contributions

The emerging IGC seeks to provide a complementary tool to the current system in Scotland to support strategic and regional infrastructure funding.

It is unclear as yet how the market would assess IGC given its conceptual stage but it is expected that clarification will be required around salient details such as at what point would the calculation be undertaken, when the levy would be payable, would it be collected locally or nationally, would threshold limits apply and how would it interact with affordable housing and existing S75 contributions.

A levy of any sort should in theory seek to provide a clear and transparent approach to provide certainty to all parties. As with S75 it will be incumbent upon a new levy to demonstrate a clear relationship to a particular set of infrastructure requirements. This will need to be supported with a coherent process to establish early in the process what the potential liability may be to respective developers and clarity around exclusions and exceptions.

The financial analysis provides a clear indication that as a means of calculating land value capture, IGC would be more effective than say CIL. The non-linear formula provides a level of complexity necessary to overcome deficiencies in the CIL approach but this could be perceived to be complex in a marketplace which typically favours a more simplistic approach.

The timing of when liabilities will be calculated will need to be carefully assessed. The temptation may be to crystallise liabilities early in the process and thus enabling developers to price this into land acquisition, but this poses questions around the robustness of a charge predicated on projected futures values particularly during times of market uncertainty.

It is expected that if the Planning (Scotland) Bill moves forward with the proposed Infrastructure Levy i.e. the Infrastructure Growth Contribution, the Bill will provide the necessary enabling powers for Scottish Ministers to introduce regulation as a pre-cursor to the delegated legislation required to implement the levy.

The approach to administration and collection will be a critical consideration in how the IGC may potentially be taken forward. It is widely recognised that one of the unique factors in a Scottish context is the economic and geographical disparities which can exist between respective parts of the country. This potentially gives rise to scenarios where some authorities will deem an Infrastructure Levy unviable and further polarise the differences between the rich and poor areas.

The IGC proposals have put forward two variant options, one of which is a centrally coordinated option and the other a locally coordinated option. The fundamental difference in the two approaches is that the centrally coordinated option proposes to collect contributions into a nationally governed central pot for redistribution as opposed to the local option where contributions are collected locally or through regional partnerships and distributed in accordance with planned infrastructure as directed by the development plan.

A key area of concern flagged by the Infrastructure Levy work previously commissioned by Scottish Government is that of resources and administration of a charge at local authority level should a locally managed option be preferred. This supports a common theme highlighted throughout this report that resource and capability of individuals in the planning system is a key area to address moving forward.

ACTION

In conclusion, the IGC appears to provide the basis of a new levy and one which could be an effective form of land value capture. Consequently, consideration should be given to the original questions posed by the Planning Bill and further thinking around the detailed design of IGC as part of defining the framework for any new regulations.

7.4 Community Infrastructure Levy

We can draw on the publications such as the British Property Federation led 'A New Approach To Development Contributions' which undertakes a critical review of how CIL has developed in England since its introduction in 2010. Conversely there is also the UK Government led 'Supporting housing delivery through developer contributions'.

The two publications take a different stance on CIL but common themes are apparent around market perception. Reducing complexity and increasing certainty will provide greater confidence to developers and local authorities.

There is a common perception that CIL has failed to deliver the level of contributions to infrastructure which were anticipated. It is commonly highlighted that as an optional mechanism, take up has been more evident in high value areas with low value areas choosing to maintain S106 (as the English equivalent to S75).

The introduction of CIL was heralded as being a straight forward approach which would provide a clear link to infrastructure and provide certainty to the market. This has not proved to be the case as recent government measures to reform CIL acknowledge the system has become complex and projected benefits have fallen short of previous expectations.

In a similar vein to the proliferation of viability consultants employed to negotiate S75/S106 agreements, an industry has grown up around challenging emerging CIL charging schedules as they progress through stages of consultation and calculating the finer nuances of CIL reliefs and liabilities on behalf of developers. This adds further complication to the process and draws out the timescales for implementing charging schedules.

The link to infrastructure delivery has also become unclear. The intention behind Regulation 123 lists was that authorities would produce clear lists of fundable infrastructure which CIL payments would contribute to. These however often become quickly outdated and inconsistent in their stewardship giving rise to confusion around how and where contributions are being channelled.

CIL has a firm basis in statutory legislation through the Community Infrastructure Levy Regulations 2010. The powers set out in this legislation look set to be varied under the reforms set out by the 'Supporting housing delivery through developer contributions' published by the Ministry of Housing, Community and Local Government. It is proposed within these changes that a new Strategic Infrastructure Tariff be introduced similar to that of the Mayoral CIL in London which would sit alongside a reformed version of CIL.

This provides a useful direction of travel in consideration of how Scotland develops its own approach to an Infrastructure Levy but potentially diverges in its methodology by supporting a reformed Community Infrastructure Levy as opposed to considering a potentially more progressive national formula based approach tailored to local values as promoted by the IGC which appears to be a more effective tool in land value capture as supported by the financial modelling exercise.

8.0 Securing Wider Delivery through the Public Sector Toolbox

The IF approach seeks to create the right conditions and environment for growth through the key stages of Prioritised Planning and Enabling Infrastructure. Inherent in this approach is a culture of coordination which is vital to support a successful infrastructure delivery plan.

As the IF approach develops through the cycle, coordination transitions to collaboration as the promoters and stakeholders develop trust and confidence in the respective capabilities to deliver the desired outcomes.

The IF approach secures wider delivery by being a catalyst for growth and engendering a culture of trust which enable a market led approach to take forward wider delivery. This in turn reaches a point which necessitates further infrastructure coordination and the cycles matures to its next rotation but with a clearer understanding of what is required.

Within this process it has been identified earlier that development contributions, land value capture and other forms of levy are unlikely to provide entirely the necessary funds to deliver all significant infrastructure and therefore the public sector has a key role in creating the conditions needed to secure wider market led delivery.

This is done so based on the following principles:

- The private sector should be expected to deliver activity where provision is viable. Essentially, a 'get on' and deliver approach driven by demand and need.
- Where public sector funding support may be required, this should again be against the backdrop of the private sector contributing as required, by any stated planning policy or obligation as far as possible;
- A full understanding of the cost for the proposed development(s) and associated infrastructure should be understood – this provides the context and transparency for both public and private support. This could also include understanding the financial viability and return on projects (i.e. full disclosure of the related development appraisal);
- Considering whether there are any policy and / or regulatory approaches which can deliver a positive outcome prior to utilisation of public sector funding: essentially what non-financial levers are open to the public sector to assist delivery;
- The application of planning obligation and / or land value capture tool(s) should be adhered to, again with reference to the development and the related infrastructure need; and
- A consideration of non-financial elements should be undertaken: such as phasing of infrastructure need and delivery and understanding how this can enable wider activity.

These elements, amongst those already highlighted, provide a stepped approach to considering the delivery of enabling infrastructure and accessing public funding and / or finance. This of course should be considered within the Infrastructure First framework, the importance of place and prioritisation and the availability of wider resource (both financial and non-financial).

8.1 Public Funding & Finance

To enable development and meet infrastructure need, there are a number of funding and financing tools which the public sector can employ to support the Infrastructure First approach. There is an important distinction between funding and finance in this context. This distinction can be captured as follows:

Funding is an amount of money provided by an organisation or government on the basis of an agreement for a certain output or outcome. It is usually free of charge to enable an activity which would otherwise have not been forthcoming. There may be certain contractual requirements in that agreement, but there are no requirements to pay back the capital.

Financing, on the other hand, is an amount of capital or a sum of money provided to an organisation with the expectation for it to repay, with organisations liable to pay back the capital amount along with a certain percentage of interest. It is usually provided by financial institutions like banks, or investors like venture capitalists or institutional investors, and for local authorities through the Public Works Loan Board. Finance can be critical when there are lags in funding.

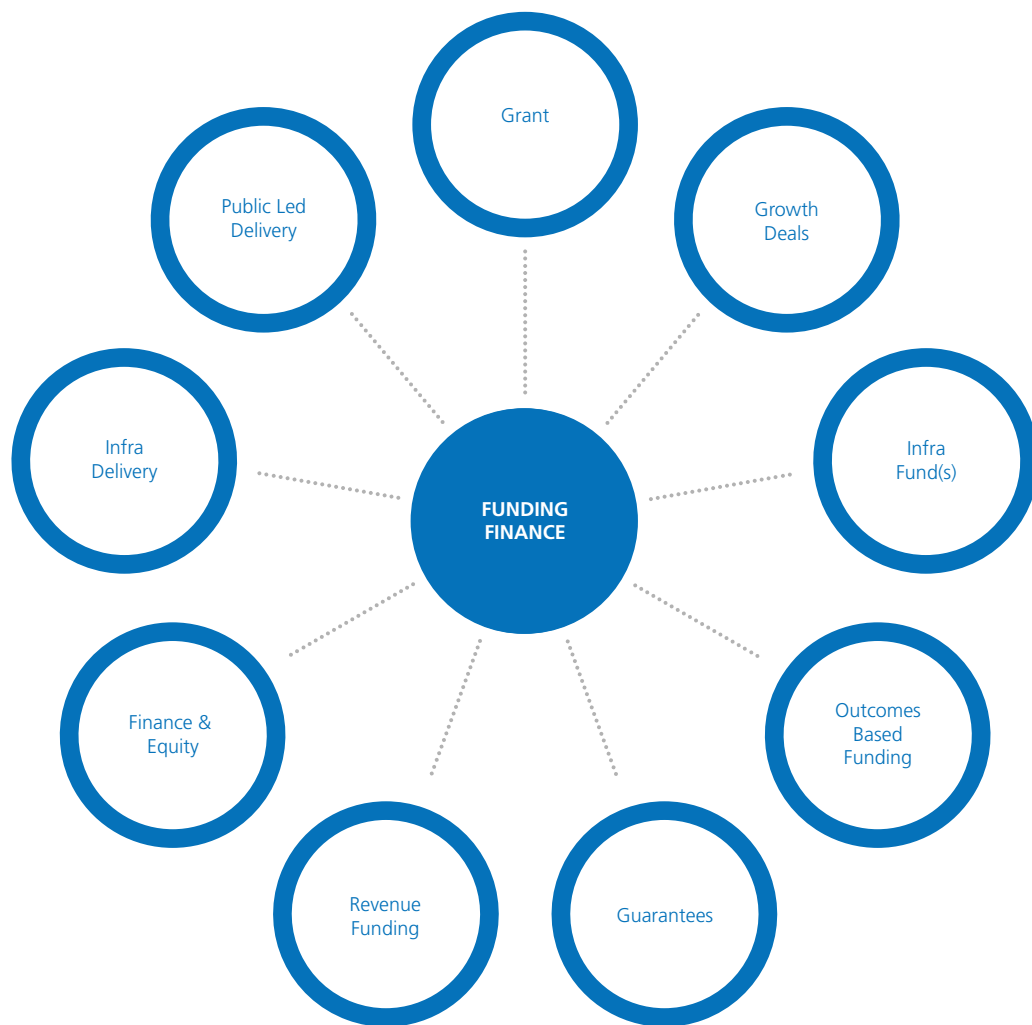
This distinction is key in that the application of a tool will have a different impact upon any beneficiary or recipient. It will also be that certain tools will work for different requirements / needs at different development sites based upon the prevailing development proposals, its likely success and attractiveness for development. This will also dictate the quantum of any funding and / or financing tool and how they may be combined, if relevant.

The paper does not seek to make a distinction between publicly and privately held land. Ultimately there is a key difference, in that publicly held land can be used to assist development. This can be achieved through the public sector undertaking initial investment in the land to allow its development (in some cases potentially recognising such investment as foregone) – this is more reflective of regeneration areas, where its inclusion may be seen as effective grant to enable initial development and meet economic viability requirements and deliver affordable housing.

Alternatively, there may be sites which can drive an economic and financial return for the public sector. To consider such land use, SFT working with Scottish Government and the wider public sector, are currently active in the space, and this activity should continue. Likewise, there has also been a similar focus by SLC on such a subject – Public Interest Led Delivery. This thinking considers more widely how the public sector can take a more active role in delivery and how the wider public sector can potentially use its capability, funding and assets to drive activity. This may incorporate different activities to underpin and enable delivery: from masterplanning to funding to a delivery role. This will ultimately depend upon a number of factors.

8.2 The Toolbox

The toolbox of public sector led funding and finance options is captured as follows:



It is not intended to explain the detail of each approach, but rather show the wide range of approaches that are open to the public sector. This is therefore very much an overview as to how any tool can be levered to support enabling infrastructure and deliver further development. Each tool has the capacity to unlock wider public and private sector activity and development. These tools offer significant opportunity; however, they also need to be considered from a risk perspective for the public sector. This is key to their use.

In terms of their use and mechanics, SFT can provide further detail and would therefore encourage interested parties to engage with them.

9.0 Summary of Conclusions / Key Recommendations

This paper has set out to develop in an Infrastructure First context, the key areas of consideration in the funding and delivery of infrastructure; and provide a discussion platform for the Scottish Government and others to consider as they move forward to Stage 3 of the Planning (Scotland) Bill.

An Integrated and Robust Plan Led Approach

A fundamental stage of the Infrastructure First Approach is how the planning system identifies infrastructure requirements early in the plan making stage and brings this closer to a set of wider growth objectives around Place.

The current plan led system needs to be consistently working towards a closer relationship between the Place Principle and infrastructure focused development plans. It should be incumbent on plan makers and infrastructure providers alike to overcome perceived barriers around engagement to foster more in-depth collaboration at the outset, and during the lifetime, of the development plan process.

The current S75 system

The benefits of a more integrated, detail and costed plan can help improve how development contributions are captured. By having a clearer basis on which to understand timing and cost of infrastructure interventions, S75 negotiations can be led more robustly to enable a more efficient capture of funding contributions from developers.

A further aspect of this should be a focus on the skills and resources available to authorities to administer and drive the right outcomes. Resourcing and upskilling of people can play a key role in realising the benefits of reform and support a more constructive culture with developers based on trust and transparency.

Land Value Capture and Strategic Infrastructure

In respect to funding wider strategic infrastructure requirements, different forms of land value capture have been explored. The key planning led value capture tool for infrastructure funding is an infrastructure levy. The emerging Infrastructure Growth Contribution Levy (IGC) has been considered and compared against Community Infrastructure Levy as the established form of infrastructure levy in England. It has been concluded that IGC is a more effective tool for land value capture. The analysis highlighted that IGC's non-linear formula provided a more effective calculation to capture land value uplift as compared to the approach of CIL. The indicative testing suggested that in viability terms the IGC can generally interact effectively with both S75 contributions and affordable housing obligations. It was identified however that sites of a certain scale e.g. 200 units and over may struggle to accommodate a full suite of S75 requirements with a levy contribution and maintain viability but this will be dependent on local market conditions. In this instance though, a joint S75 / IGC approach could allow contributions to be sued in a broader sense for enabling infrastructure beyond the current spatial dimension of S75.

It was also noted through the financial analysis that value capture is sensitive to sales rates or 'price points' and from this it can be determined that stronger local economies will drive more output from the introduction of a levy as has been noted with CIL in England. Careful consideration is therefore needed around the shape and form of IGC and how it overcomes regional disparities in values.

Overall it is concluded that whilst there still a level of detail to be developed, IGC provides the basis for an important tool in the wider suite of strategic infrastructure funding tools and should be developed further.

Existing Use Value

The paper has also explored another form of land value capture which is EUV based models of land acquisition. These are predicated on public led acquisition of land at market value but with the exclusion of any hope value or premium i.e. Existing Use Value.

It was concluded that there are a number of variant land pooling approaches which could have a basis in an EUV based approach and that the level of land value capture significantly exceeds any levy approach. There are, however, complexities around how the market could perceive this approach and also the changes needed to the legal and planning system to enable such an approach to be implemented.

It was concluded that notwithstanding the above, there could be basis to support an EUV model which could be effectively utilised in areas where there is clear evidence of market failure and a need for the public sector to adopt a more interventionist approach.

A further area for consideration is how an EUV approach could work within Masterplan Consent Areas (MCAs). The current thinking behind MCAs is that they will enable authorities to set planning designations around land and also to actively encourage land pooling. They are also intended to align consents and accelerate development. This could present an opportunity to consider special rules for MCAs and the use of EUV (linked to CPO powers) perhaps along the lines of the land re-adjustment model as has been evident in Germany. Such thought should also consider whether a similar outcome could be achieved under a robust application of current planning practice. It is recommended that this is explored further.

Public Sector Funding & Finance

A concluding summary of wider public finance and funding tools was provided to complete the picture of the multi-faceted approaches required to deliver large scale strategic infrastructure and enable confidence in the market to then lead on wider growth.

The role of the public sector will continue to be vital in securing wider delivery and growth through the use of a number of innovative tools and deliver trust and confidence in the market. Robust terms of engagement with the private sector on their respective role in delivery will also be a key factor for success.

The Layering of Different Levers

Ultimately, the paper captures that there is no 'silver bullet' to solving the funding of infrastructure. Rather, that the different elements outlined throughout it: the infrastructure first approach, policy coordination and engagement, land value capture and utilisation of the public sector funding and financing toolbox, amongst others, can layer a system that can work collectively to drive wider investment and economic activity.

Appendix A

Financial Modelling Assumptions Paper

Table 1 - Site Scenarios

	Site 1	Site 2	Site 3	Site 4	Site 5
Scale	Minor	Medium	Medium	Medium	Large
Density	Low	Medium	Medium	High	Medium
Area (ha)	0.25	1.4	3	4	24
Greenfield / PDL	Greenfield	PDL	Greenfield	PDL	Greenfield
No. of Units	10	30	60	140	300
Affordable %	25%	25%	25%	25%	25%

Table 2 - Site Typologies

	Site 1	Site 2	Site 3	Site 4	Site 5
1 Bed Apartment	2			14	30
2 Bed Apartment	5		6		
2 Bed House (detached)		13	21	49	105
3 Bed House (detached)	3	8	15	35	75
4 Bed House (detached)		5	9	21	45
5 Bed House (detached)		4	9	21	45

Appendix B Financial Modelling Appraisal Results

Community Infrastructure Levy Modelling Results

Table 1 – Trial Rate 1

Charge Rate £100.00 per square metre

Site Viability Matrix			
Ranges of Values across the Housing Market Area			
	Price Point 1	Price Point 2	Price Point 3
Site 1	14,127 74,400	528,500 74,400	820,000 74,400
Site 2	600,000 666,900	1,070,000 666,900	1,711,000 666,900
Site 3	Nil 889,200	478,500 889,200	1,300,000 889,200
Site 4	Nil 2,667,600	2,417,000 2,667,600	5,400,000 2,667,600
Site 5	Nil 7,113,600	-1,704,000 7,133,600	5,600,000 7,133,600

Table 2 – Trial Rate 2

Charge Rate £50.00 per square metre

Site Viability Matrix			
Ranges of Values across the Housing Market Area			
	Price Point 1	Price Point 2	Price Point 3
Site 1	339,000 74,400	585,000 74,400	877,000 74,400
Site 2	731,000 666,900	1,200,000 666,900	1,836,000 666,900
Site 3	Nil 889,200	722,000 889,200	1,550,000 889,200
Site 4	Nil 2,667,600	3,000,000 2,667,600	6,000,000 2,667,600
Site 5	Nil 7,113,600	-467,000 7,133,600	6,800,000 7,133,600

Infrastructure Growth Contributions Modelling Results

Table 3

	Site Viability Matrix		
	Ranges of Values across the Housing Market Area		
	Price Point 1	Price Point 2	Price Point 3
Site 1	334,760	553,000	823,400
	74,400	74,400	74,400
Site 2	712,000	1,126,000	1,718,000
	666,900	666,900	666,900
Site 3	Nil	585,000	1,318,000
	889,200	889,200	889,200
Site 4	Nil	2,672,000	5,423,000
	2,667,600	2,667,600	2,667,600
Site 5	Nil	-1,167,000	5,648,000
	7,113,600	7,133,600	7,133,600

Existing Use Value Modelling Results

Table 4

	Site Viability Matrix with Buffer (20%)		
	Ranges of Values across the Housing Market Area		
	Price Point 1	Price Point 2	Price Point 3
Site 1	384,000	628,000	920,000
	4,631	4,631	4,631
Site 2	830,000	1,300,000	1,930,000
	247,000	247,000	247,000
Site 3	Nil	907,000	1,730,000
	55,575	55,575	55,575
Site 4	Nil	3,450,000	6,400,000
	988,000	988,000	988,000
Site 5	Nil	Nil	7,683,000
	444,600	444,600	444,600

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