

# Delivering growth in urban South Hampshire: investment requirements

## Executive summary

1. The Partnership for Urban South Hampshire has established an ambitious strategy for growth which requires significant additional investment in infrastructure and public services.
2. While these investment requirements have been identified in broad (and sometimes detailed) terms, at this stage in the planning process it is not possible to identify all the details. Furthermore, with considerable uncertainty over the future sources and scale of Government funding it has not been possible to quantify the scale of the funding gap. Therefore this paper is, and will probably always remain, work in progress.
3. Nevertheless, some broad conclusions can be drawn from the discussion which follows and the underpinning evidence base. In particular:
  - a. it is clear that there is a significant qualitative funding gap of which the two dominant requirements are transport infrastructure and affordable housing;
  - b. there are also significant requirements for additional revenue funding – particularly for transport, FE/skills development and health and social care – and the current revenue funding formulae significantly disadvantage areas experiencing significant population growth. The proposals around Council Tax receipts advanced by Kate Barker should be examined further in this regard;
  - c. the Government’s current approach to Planning Gain Supplement appears complex and is unlikely to be able to bridge the funding gap (or indeed generate any additional funding, given the extent of the land banks currently held by major developers) ;
  - d. significant simplification of the existing (and proposed) funding arrangements – particularly for transport and community infrastructure – is essential and will deliver significant efficiency savings thereby enabling current funding to deliver more;
  - e. removing the requirement for complex bidding arrangements for often very small sums of money is particularly important both for efficiency and certainty;
  - f. longer term time horizons – e.g. 5 years “firm” and 5 years “soft” – will provide local authorities and developers with greater certainty which should make it easier to extract more from the planning gain system;
  - g. the policy frameworks within which Government Agency’s operate should be reviewed to enable each Agency to take a more rounded view of the context than is currently possible; and
  - h. regional and/or national infrastructure funds would be helpful that there is a balance between “loans” to be repaid from planning gain and grants recognising the limited availability of planning gain from sites with marginal viability.

## Introduction

The Partnership for Urban South Hampshire<sup>1</sup> (PUSH) has put forward a bold and ambitious strategy for economic growth in the South Hampshire sub-region<sup>2</sup> supported by accelerated housing growth. Substantial investment across a wide range of infrastructure and public services needs is essential both to enable this growth and to address historic under-investment. This investment will ensure that the strategy supports the development of genuinely sustainable communities with increased quality of life for all.

This paper seeks to summarise those investment needs and the barriers to their delivery. Where possible, attempts have been made to quantify the likely level of investment required (although this work is ongoing) together with possible funding sources. However, in many cases it is only possible to provide a qualitative assessment of need at this stage. Furthermore, given the considerable uncertainty surrounding likely funding sources (e.g. growth area/point funds, PGS, a Milton Keynes style “roof tax” etc) and the constantly shifting analysis of infrastructure requirements, it is, at this stage, impossible to quantify the funding gaps.

## Planning Gain Supplement

There remains uncertainty over whether and how PGS will be implemented and the level of additional funding it will deliver. We have difficulty, therefore, accounting for it in any assessment of available funding.

PUSH supports the recent SEERA commissioned report<sup>3</sup> on implementation of PGS. This report suggests that while valuation and assessment should be undertaken nationally, administration and collection should be undertaken locally and integrated with the planning system. It proposes a bottom up system for distribution with appropriate incentives to encourage sub-regional (rather than regional or national) mechanisms for distribution (including to ensure that Greenfield development is not incentivised above brownfield).

PUSH remains very concerned that the development site approach to section 106 contributions and PGS should not be prescribed in legislation but left to light touch guidance given the complexities and subtleties involved. In our view the only significant gap that PGS should bridge (other than generally providing additional funds) is that of strategic infrastructure that is required as a result of the cumulative impacts of numerous developments rather than being attributable to any specific development.

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<sup>1</sup> Portsmouth, Southampton and Winchester City Councils, Hampshire County Council, Fareham, Havant, Gosport and Eastleigh Borough Councils and Test Valley, New Forest and East Hampshire District Councils.

<sup>2</sup> Further details can be found in the South Hampshire Sub-Regional Strategy – final advice to SEERA, December 2005 and South Hampshire Sub-Regional Strategy – A Development Profile, April 2006.

<sup>3</sup> The Administration of Planning Gain Supplement, Hewdon Consulting – SEERA, June 2006 preceded by Delivery Mechanisms for Infrastructure, Hewdon Consulting – SEERA, June 2005 and The Financial Impact of the Proposed Planning Gain Supplement, Hewdon Consulting – SEERA, March 2006

It is essential that PGS is genuinely additional to existing infrastructure and PUSH supports the regional infrastructure fund and national infrastructure fund proposals advanced in the SEERA report providing that the emphasis remains bottom-up and focussed on local and sub-regional distribution.

Finally, it is important to appreciate the difference between developments that are viable overall but which have a considerable up-front investment need and developments which have marginal (or no) overall viability (e.g. due to remediation or associated infrastructure costs). For the former a “revolving-door” national or regional infrastructure fund arrangement would work well (noting that this arrangement may also be suitable for funding strategic infrastructure to which contributions are necessary from a number of developments). For the latter Government grant funding (which is not repayable from development gain) is essential.

### **General considerations**

A recent workshop for partners in South Hampshire in collaboration with SEERA and SQW consultants suggests that as well as specific barriers to delivery of infrastructure a number of common considerations apply. This work follows on from regionally focussed work undertaken by SQW<sup>4</sup> for SEERA which has been drawn on in preparing this paper. Issues arising from these research sources include:

I Timescales – while there is reasonable convergence in public sector investment timescales (driven by spending reviews), there is considerable divergence in private sector (e.g. utilities, transport operators, waste management operators etc) investment timescales. Greater coordination and strategic planning is required. Longer term funding allocations – e.g. 5 years “firm”, 5 years “soft” – would make a tremendous difference to strategic planning by providing greater certainty which in turn should enable more funding to be extracted from the planning system.

II Coordination – where strategic infrastructure need arises from the cumulative impact of numerous (large or small) developments either no-one picks up the responsibility or the entire cost falls to the first development that takes the demand over the threshold triggering investment. Again greater coordination and strategic planning is required. In particular a stronger and more continuous/frequent dialogue across the range of investment processes and between organisations is needed.

III Narrow objectives – many Government regulators/agencies (e.g. HA, EA, EN, EH etc) are tasked with single or a limited range of objectives and so tend to respond on planning/development matters with a very narrow and rigid application of the “rules” that apply to their objectives rather than taking account of wider economic, environmental or (as the case may be) social benefits and dis-benefits of the proposed plan/development. This needs to be addressed.

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<sup>4</sup> Infrastructure Investment in the South East, Phase I report to the South East of England Regional Assembly – SQW, May 2006.

IV Economic regulation – regulators decisions on pricing (especially for utilities) have a massive knock on effect for investment related to growth. A review of the objectives/criteria applied in these considerations is required.

V Geography – the lack of coterminosity (sometimes for good reasons) of administrative areas for public and private sector organisations creates complexity in the planning and implementation of growth which adds to costs and timescales.

VI Allocation/distribution of funding – there is a tendency for Government infrastructure investment (particularly that targeted towards growth) to be allocated on the basis of bids made by local authorities or other partners. This is both time consuming, costly and risky for the bidders and, therefore, inefficient. Recent experience in South Hampshire of these processes has been bad and confidence in bidding processes is low. A needs based allocation mechanism would be preferable, based on growth proposed and requirements for infrastructure (e.g. congestion or projected congestion levels).

VII Maintenance – investment in maintenance and management of existing assets (utilities, transport etc) is just as important as investment in new assets otherwise one set of problems will simply replace another.

VIII Revenue funding – many of the investment needs identified by PUSH require capital investment and of course those investments then have ongoing revenue funding requirements for maintenance and for running costs (e.g. a school or care home has staff and other running costs). In theory for local authority services, these revenue costs should be funded from increased council tax and business rate incomes (as well as charges in some cases). However, in practice council tax revenues are “equalised” out between authorities through the formula grant calculations and there is a time lag in the data used in the funding formulae that disadvantages areas with rapidly growing population. Furthermore, business rate incomes are distributed nationally. LABGI will help with this but will be by no means sufficient. Similar concerns apply to non-local authority services. PUSH is, therefore, concerned to ensure that revenue funding allocations keep pace with growth and investment. In particular, PUSH is supportive of the Barker recommendations regarding retention of council tax receipts.

## **Economic development**

The PUSH strategy is an economically led growth strategy and therefore significant investment is required to support the development of a high value added economy in South Hampshire. This will require bending of main programme resources and more focussed targeting of specific funding streams for economic development (such as SEEDA funding). The key areas requiring increased investment/funding are summarised below. Further details, including an action plan for economic growth,

can be found in appendices 5 and 6 of the Development Profile and research carried out on behalf of PUSH by DTZ Piedad Consulting<sup>5</sup>.

<b>Issue</b>	<b>Requirements for delivery</b>	<b>Increased funding requirement/source</b>	<b>Constraints on development</b>
Employment land	Policies to stimulate commercial development on brownfield and city centre sites including very difficult to develop sites. A total of 1.8m <sup>2</sup> of land is required over the 20 year plan period of which approximately 60% is in the pipeline.	Increased (largely capital) funding (e.g. from SEEDA, EP, DCLG) for site preparation including land assembly, remediation, clearance etc. Difficult to quantify until sites identified in LDFs.  Use of fiscal instruments to promote development in urban locations.	Excessive greenfield commercial development will increase the strain on transport infrastructure and have a detrimental effect on the quality of the local environment.
Increased economic activity rates	JCP funding focussed on areas/communities with higher economic inactivity rates and towards employment opportunities consistent with sub-regional and local economic development strategies.  This issue is a priority across the three Local Area Agreements.	Revenue and capital funding from the LSC and JCP	Failure to do so presents a substantial threat to community cohesion and could also result in greater in migration of skilled workers leading to increased housing demand and greater public/political resistance to growth.
Skills development	LSC, JCP, HEFCE, and SEEDA funding to be targeted more to growth areas/points and towards skills required to support the sub-regional and economic development strategies – particularly NVQ2 and 4 in S Hants.  This issue is a priority across the three Local Area Agreements.	HEFCE and LSC capital and revenue funding – growth in professional occupations will give rise to the highest absolute and proportional increase for skills at NVQ4 over the 20 year plan period (19,800 workers). 10,400 extra NVQ2s will also be needed.	Failure to do so will undermine growth of knowledge economy. Likely also to result in greater in migration of skilled workers with subsequent threat to community cohesion and increased housing demand and greater public/political resistance to further growth.
Innovation	HEFCE and SEEDA funding to be targeted more to growth areas/points and sectors highlighted in sub-regional and economic development strategies	SEEDA, HEFCE and Business Link revenue and capital funding	See above.

<sup>5</sup> PUSH Development Drivers and Growth – phase 3 final report, DTZ Piedad – August 2005

<b>Issue</b>	<b>Requirements for delivery</b>	<b>Increased funding requirement/source</b>	<b>Constraints on development</b>
Enterprise	SEEDA/Business Link funding to be targeted more to growth areas/points and sectors highlighted in sub-regional and economic development strategies. Enterprise education is important for children and young people.	SEEDA, HEFCE, Business Link and Schools revenue and capital funding	See above

### Urban capacity – land assembly/preparation

Around 62% of the housing development proposed in the South Hampshire Strategy is proposed to be on previously developed land in established urban areas. However, much of this land has substantial infrastructure costs associated with bringing it forward for development. Improved transport access is a common requirement and is discussed in more detail in the next section. De-contamination, site clearance/demolition and in some case land assembly are also significant up front costs. While these cannot be quantified accurately until all sites have been identified in LDFs, it is clear that it will not be economic to bring forward some of these sites without public sector intervention to address the market failure. Some key sites already anticipated or known to require such interventions are described briefly below.

<b>Site</b>	<b>Constraints</b>	<b>Possible public sector intervention</b>	<b>Estimated costs and funding sources</b>	<b>Consequences of failure</b>
Tipner – Portsmouth	Transport access, contamination, flooding	Funding for transport and flood defence infrastructure and land remediation	£60m capital, DCLG, SEEDA, DfT, EP, developers	Inability to deliver around 1500-2000 houses in Portsmouth and consequent need to find alternative (greenfield) sites in the sub-region
Port Solent – Portsmouth	Transport access, contamination, possible flooding	Funding for transport and flood defence infrastructure and land remediation	Unknown at this stage	Inability to deliver up to 2000 houses in Portsmouth and consequent need to find alternative sites in the sub-region
Woolston Riverside - Southampton	Poor highway access; flood risk; site contamination	Funding for flood defence infrastructure and highway works	£5 million from SEEDA	Non delivery of 1,500 houses and flats; pressure on alternative sites in the sub-region.
West Quay Phase III – Southampton	Flood risk; adjoining leisure related development; transport.	Possibly required for flood defence infrastructure and public transport linkage.	Unknown at this stage.	Loss of 300 flats; pressure on alternative sites in the sub-region.

Site	Constraints	Possible public sector intervention	Estimated costs and funding sources	Consequences of failure
Drivers Wharf – Itchen Waterfront – Southampton	Flood risk; poor highway access; site contamination	Possibly required for flood defence infrastructure, and highway linkage.	Unknown at this stage.	Loss of 400 flats; pressure on alternative sites in the sub-region.
Royal Pier – Town Quay – Southampton	Flood risk; lack of infrastructure, particularly highway access and public transport, re-claimed land needed.	Funding for infrastructure and flood defence system, and possibly re-claiming land.	Unknown at this stage but likely to be high.	Loss of 200 flats and pressure on alternative sites in the sub-region.
Eastleigh Strategic Employment Area	Transport access, contamination, drainage	Funding for transport, land remediation	Costs unknown at this stage, SEEDA, HCC, developers	Inability to deliver major brownfield employment site and consequent need to find alternative sites in the sub-region. Developers actively pursuing housing on part of site to help address viability of whole development

Currently the only significant public sector funding sources available for these types of needs are through SEEDA and English Partnerships. We consider that both these agencies should be explicitly tasked to prioritise sites in growth areas/points and there should be a clearer delineation of responsibility between these agencies, with an agreed “gate-keeper” or lead agency agreed for each area/growth point and active involvement in delivery arrangements.

Brownfield land is also expected to provide a substantial amount of employment floorspace. There will be a need for some intervention to address market failures and address specific site issues (e.g. land remediation, access etc.). Planning authorities will review longstanding employment allocations and work with SEEDA to improve their market attractiveness. It may be deemed more appropriate that some sites be re-allocated to other uses (including housing). This may not, however, remove the need for public sector intervention and could require higher levels of investment (e.g. the standards for remediation are higher for residential than employment land). A further consequence could be the need to identify further greenfield employment sites to replace those lost to other uses.

### **Greenfield sites – land assembly/preparation**

Almost 40% of the housing development proposed in the South Hampshire Strategy is proposed to be on greenfield sites, about two-thirds of which will be on the two SDAs and the remainder on smaller urban extensions.

Although the housing element of these developments will help fund necessary infrastructure and services there is a major issue regarding the timely provision of

infrastructure, especially regarding the two SDAs. If these are to become exemplary communities for sustainable living they require a radical approach to the provision of infrastructure in order to help facilitate behavioural change. New jobs need to be created on site in tandem with the completion of new homes to help promote a local live/work synergy. However, because not all new residents will want or be able to live and work locally, attractive public transport services need to be in place to discourage the creation of unsustainable travel patterns based on private car use. Creative funding mechanisms are required to ensure that critical infrastructure and supporting services are in place from the outset. This may require initial public sector funding that would be reclaimed from developers as they complete the development.

## Transport

### *Investment requirement*

The need for transport investment is clear. The sub-region suffers from severe congestion problems. Transport modelling by the PUSH authorities suggests that congestion could rise by an average of 26% by 2026. There is therefore little or no spare capacity to accommodate growth.

Effective transport links are essential for all areas of the United Kingdom, but especially for a sub-region like South Hampshire, because of:

- The PUSH objective for economic growth. A high proportion of local businesses cite poor transport as a fundamental problem for attracting new business to the area;
- The need for strategic links to the ports and airports, to enhance local and national productivity;
- The importance of ferry access to the Isle of Wight. This includes the need to tackle social exclusion on the Island caused by poor access to services which are available only on the mainland, such as some forms of healthcare, further education and employment;
- The physical barriers caused by the area's coastal location, the severance caused by rivers and estuaries and the poor accessibility to peninsula areas, such as Gosport and Portsmouth;
- The lack of a single dominant urban area to act as a transport hub, leading to poly-centric journey patterns;
- The generally poor public transport provision, leading to high levels of car ownership.

There is a need for urgent infrastructure to address existing transport problems. For example:

- Hindhead bypass (approved within the Regional Funding Allocation)
- Southampton-West Midlands rail freight upgrade is needed for 9'6" containers (subject of a TIF productivity bid);
- The decline in marine employment in the area has led to an imbalance of housing and employment. This is especially so on the Gosport peninsula, which now experiences 50% net out-commuting.

- High levels of congestion on motorway and trunk road network including the need for capacity enhancements to the M3/A34 corridor, in particular the A34/M3 junction (which is currently under development for a future bidding round of TIF/RFA)

The new growth proposed in the SE plan will add to existing transport problems. Modelling shows that existing and forecasted transport problems are more acute than the additional pressures caused by the additional dwellings.

#### *Timing of interventions/ trigger points*

The interventions fall into two types:

- Specific transport schemes be needed to link new dwellings and employment land, especially in Strategic Development Areas, into the transport networks. This would include new access roads, bus networks and rail stations.
- More general schemes to increase and manage the capacity of the overall network to accommodate the additional transport demand caused by both background growth and the additional growth.

The specific transport schemes are needed before the SDAs come on stream. It is particularly important to provide high quality public transport facilities before the housing comes on stream, to prevent residents becoming accustomed to car transport.

The timing of more general schemes depends on the available capacity of the existing networks and the predicted take-up of this capacity. In some areas of South Hampshire, interventions are needed immediately. For example, the Fareham-Gosport-Portsmouth area suffers from very high levels of congestion. This would have been addressed by the proposed light rail scheme recently rejected for funding by the Government. PUSH authorities are starting to work on an alternative scheme.

Urgent investment is also needed quickly to tackle acute congestion on some sections of the M3, M27 and A3. PUSH welcomes The Government's recent announcement of funding for the A3 Hindhead scheme and two capacity schemes on the M27.

Other transport schemes related to general network capacity can come on stream later in the development cycle.

#### *Variables influencing type and quantity of new infrastructure*

The sub-region's gateway function requires transport infrastructure that supports long-distance strategic movements, including the movement of freight from the ports and passengers to both ports and airports. This strategic infrastructure would include capacity improvements to the motorway and trunk road network, including:

- the M3 and A3 for links to London
- the M27 for East-West movements
- the A34 for movements from Southampton to the Midlands and North.

- the heavy rail network, which generally follows these strategic corridors.

The Solent Transport Strategy proposes management measures to discourage this longer distance network from being used by trips that could be made shorter, such as journeys to work, shopping and leisure. Measures proposed include:

- Park and ride
- The premium network of more local metro-style public transport systems, largely based on existing rail and bus rapid transit.
- Measures to encourage more home working and smarter working.
- Increased use of water transport

One lever that the Government has to promote the more local services and smarter working is the provision of more revenue funding for local transport.

The current ports policy review could affect the level of port traffic and therefore the need for strategic infrastructure.

### *Quantity versus quality*

Quantity and quality are both required. High quality public transport services are needed to encourage a shift away from the private car. Services need to be:

- Reliable and not affected by the congestion on the road network;
- Reasonably priced;
- Frequent
- Have a comprehensive network
- Be well publicised and marketed
- Be supported by good levels of information to the public.

The transport network also needs to have sufficient capacity to cope with existing and forecast increasing demand.

### *Demand management*

The Solent Transport Strategy includes a full suite of demand management measures. This includes parking policies, integrated transport/ land use policies, the emphasis on two cities rather than one and the use of capacity restraints to encourage shorter journeys.

The PUSH authorities are making a Transport Innovation Fund bid for resources to develop the transport strategy further, including assessing the impact of different demand management measures.

Road user charging is likely to be problematic in the South Hampshire area, because:

- The limited public transport network does not provide realistic alternatives to the car for a large proportion of the population;

- Charging could damage the area’s gateway function, including the impact on port traffic and access to the Isle of Wight;
- It may not be compatible with the need to encourage economic growth;
- The nature of employment in the area does not lend itself to home-working/ smarter working to the extent that may be possible in larger urban areas. In particular, the service and light industrial sectors are less appropriate for smarter working methods than office/ financial sectors.
- The lack of a single hub and the polycentric journey patterns make a charging zone difficult to identify.

A sub-regional transport strategy for South Hampshire has been developed by Solent Transport<sup>6</sup>. An overall strategy of reduce, manage, invest has been adopted to meet historic under-provision and the demands of the planned growth. An estimated £1.9bn of transport investment is required to address these needs as outlined in the table below.

Requirement	Estimated cost
<b>REDUCE</b>	
Smarter choices	£25m
<b>MANAGE</b>	
Strategic traffic management	£210m
Strategic transport interchanges	£65m
<b>INVEST</b>	
Local roads and by-passes	£485m
Motorway improvements	£492m
Park and ride	£60m
Premium network	£150m
Rapid transit	£120m
Rail improvements	£93m
Ferry improvements	£35m
Access to SDAs	£170m

Appendix 3 of the Development Profile provides more detail on the schemes currently envisaged as being required. Significant increased revenue funding is required to deliver a step change in public transport provision and to fund the smarter choices programme. Revenue funding is also required to develop the capital proposals. Precise estimates are not available, but are expected to exceed £50m. The proposed profile of these costs is given in the attached schedule.

It is clear that these requirements will expand and change as the growth is planned in more detail and that it cannot be met from existing funding allocations/expected developer contributions. Without this level of investment, transport will become a more significant constraint on development generally (especially on the strategic network and in City Centres) and particularly for sites that cannot come forward without improved access.

<sup>6</sup> A partnership of local authorities and transport providers in the Solent area.

In planning for new developments, such as the two Strategic Development Areas (SDAs), it is vital that support services are provided early on in the life of the development, if the opportunity is to be captured to influence sustainable patterns of living. Transport and access arrangements are clear examples of this where new bus services need to be available when the first houses become occupied, if reliance on the private car is to be avoided as an inevitable consequence. Similarly, other sustainable elements of green infrastructure, e.g. local power generation, community heating programmes and retail and community facilities, which should be provided from day one, to implant a self sufficient ethos. These need considerable investment before they would normally become viable and, in many cases must be expected to operate with excess capacity for a number of years, whilst the local population grows. This requires initial capital funding and pump priming support. Failure to provide this means lost opportunities, which may never be recovered.

### *Funding mechanisms and barriers*

Current funding mechanisms for transport infrastructure in growth areas/points also inhibit the planning and delivery of growth. While the Regional Transport Board has given weight to growth in its prioritisation framework (and helpfully it has indicated that any additional funding from DfT would be allocated to South Hampshire), it is already considering its funding recommendations for the period post-2011. This is in advance of the Examination in Public of the South East Plan and therefore there needs to be flexibility to adjust RTB proposals to take account of the outcomes of the EIP once known. This, coupled with the limited funding available to the RTB, leaves PUSH with little confidence that this mechanism can deliver sufficient funding for the transport investment needed to support growth. One potential solution to this would be for an allocation to be made to South Hampshire for Transport investment to support growth albeit that approval may still be required for significant schemes within that allocation. Such an allocation would be administered by Solent Transport and schemes would be subject to the same appraisal rigours as now. It would be important for such an allocation to be sufficient to meet the area's needs.

The narrow criteria applied in the consideration of Transport Infrastructure Fund similarly make it unlikely that this funding source will be able to support the transport investment needed for growth, except for some specialised schemes (such as the Southampton-Midlands rail gauge enhancement). The PUSH authorities are bidding for a congestion TIF allocation to help develop the transport strategy.

DCLG Growth Area/Point funds and the Community Infrastructure fund have more potential/flexibility but it is clear that the quantum of funding available is insufficient (this gap is unlikely to be bridged by PGS). The bidding approach adopted for these funds thus far introduces considerable uncertainty into the planning and delivery process. We propose that the funding available through these routes should be substantially increased and that the funding be allocated to qualifying areas on a formulaic (needs) basis rather than through a bidding process, thereby introducing greater certainty. In addition, long term allocations are required rather than the short term nature of these funds at present which makes them unsuitable for large schemes because of the long planning and implementation timescales. Furthermore the criteria for these funding streams need to enable their use for employment led as well as housing led developments.

In addition, the regulatory system for bus services is in desperate need of review. The current system whereby private sector operators have almost total freedom and as a result run only profitable routes leaving local authorities to subsidise unprofitable routes is increasingly untenable. A mechanism for cross-subsidy is essential if public transport provision is to be maintained, let alone expanded.

## **Affordable housing**

### *Investment requirements*

The housing market assessment for South Hampshire<sup>7</sup> shows a backlog of over 5,000 dwellings in the sub-region and that as much affordable housing as possible (i.e. without impact on the viability of developments) needs to be provided through the planning system. Even this level of provision will not clear the backlog or satisfy need arising from economic growth. Therefore considerable Government subsidy is required, through the Regional Housing and Planning arrangements.

An average of 30-40% affordable housing (of which 65% should be social rented accommodation) will be sought on new development sites through a common affordable housing policy framework for the South Hampshire. In many cases Government subsidy will be required to meet that target, particularly for those sites where viability is marginal (see above). In some cases Government support to bring the site to market (for remediation etc) will be sufficient but in most cases direct housing subsidies will be required.

### *Funding mechanisms and barriers*

We would suggest that the Regional Housing Board should agree a five year programme to clear the 5,000 dwelling backlog (estimated cost – £170m-£325m based on historic levels of subsidy in south Hampshire; this figure cannot be taken as definitive at this stage). Local authorities will then seek to secure as much affordable housing as possible through the planning system from new development to deal with newly arising need (anticipated to be for around a further 23,000 further affordable homes with 65% social rented).

The relatively short term nature of the funding mechanisms for affordable housing through the Housing Corporation and the Regional Housing Board introduces considerable uncertainty into the development process and makes it difficult to plan long term delivery of affordable housing. This is a particular problem for large sites where the build-out period will often be many years. We propose that funding allocations should be made on a longer term basis with funding commitments given for the total build period for any particular site rather than in annual blocks. This, together with greater clarity on the Regional Housing Board's/Housing Corporation's approach to developer contributions, would secure the long term delivery of affordable housing in large developments (including SDAs) where it is particularly important that mixed, balanced communities are delivered.

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<sup>7</sup> Sub-Regional Housing Market Assessment for South Hampshire, DTZ Pineda Consulting – March 2005

In addition, the current rate of losses of affordable housing to right to buy cancels out the existing new supply (there has been a net loss of 1,000 affordable dwellings between 1991 and 2001) and therefore we propose that the right to buy regime in the sub-region be re-examined to address this.

## Waste, flooding and utilities

### *Investment requirements*

Inevitably a growing population/number of households will require increased capacity for recycling and waste disposal, water and energy supply and waste water treatment. In addition, in some areas of the sub-region upgrading of flood defences will be necessary to enable development to take place and/or to protect existing communities/facilities. Achieving the required levels of development on waterfront sites is dependent on the standard of defence. The full extent of these needs has not yet been assessed but a summary of the available information to date is set out below. Without provision of these facilities (and those yet to be identified) these issues will become a severe constraint on development (indeed there are indications from some providers/regulators that this point will be reached very soon in some areas). Government funding is required in these circumstances either where the viability of brownfield developments is marginal and/or to ensure that provision of additional infrastructure is coordinated and integrated.

Utility/service	Requirements	Cost	Funding source
Water supply	New Havant Thicket Winter Storage Reservoir	£30m (Approx)	Portsmouth Water
Water supply	New/enlarged mains in both existing urban areas and for SDAs	Unknown	Portsmouth Water/Southern Water
Waste water treatment	Extensions to or new treatment works and increased urban drainage capacity	Unknown	Southern Water and developers
Energy	Increased generation and transmission capacity, particularly in renewables.	Unknown	Various (private sector)
Energy	Improved energy efficiency measures in new developments	Unknown	Developers
Coastal defences	Portsea Island Coastal Strategy Implementation  Portchester-Emsworth (emerging) Coastal Strategy Implementation  Upgrade/new defences for remaining coastline, particularly Southampton (Western Shore, several areas west of the Itchen frontage)	Likely to be over £250m in total	Environment Agency/DEFRA and developers
Waste disposal	Next phase of large scale infrastructure (HWRCs, MRFs, Energy from Waste facilities, Waste Recovery/Treatment facility)	Unknown	Local authorities (borrowing/contract financing) and PFI credits
Fluvial defences	Improving rivers and watercourses to cope with increasing flows and accommodate the impacts of climate change and growth (e.g. Monks Brook and Tanners Brook, Southampton)	Up to approx. £500k per scheme	Environment Agency, local authorities, developers and land owners.

### *Funding mechanisms and barriers*

The findings of the SQW research referred to above show that the funding mechanisms for these types of infrastructure do not lend themselves readily to supporting long term growth of the scale envisaged in the sub-regional strategy.

### Utilities

The role of the regulator in setting prices is critical as described under general considerations above. In addition, there is a need for more inter-developer coordination on utilities investment to ensure integration and coordination both between developments and with existing infrastructure.

As limits on effluent discharge consents are being approached (or would be exceeded with planned development) in many areas investment in advanced technologies will be needed if higher levels of consented discharges cannot be permitted – in any case this would usually be the more sustainable solution. Similar considerations apply to investment in renewable energy sources.

There are long lead in times for investment in power transmission (and generation) infrastructure and often this process is inefficient as the investment can often be triggered by small developments that breach thresholds/limits on existing capacity.

Maintenance, renewal and upgrading of existing assets (many of which are much older now than their accounting and/or design life) is particularly important in this area.

The sub-regional level is considered to be the most appropriate for decision making and coordination of utilities investments as greater coterminosity is evident than at regional or local level.

### Waste

Hampshire (including Portsmouth and Southampton) has a well developed strategy for resource consumption and waste management (a Materials Resource Strategy). If properly resourced and with appropriate incentives for both industry (e.g. the construction and packaging industries) and non-municipal waste producers, this strategy will make a substantial contribution to sustainability.

Other than PFI credits there are limited funding sources for large scale capital funding for recycling and waste disposal infrastructure. This very much leaves local authorities at the mercy of the market and introduces further uncertainty into the planning and delivery process. Furthermore the Landfill Allowances Trading Scheme does not take account of the likely increase in total waste arisings (and hence residual waste tonnages) in rapidly growing areas. The underlying and planned trend growth should be factored into each local authority's annual allocation of landfill allowances otherwise, particularly when allowances are reduced in 2010/11, authorities with increasing populations will be disproportionately affected. Given historic investment in large scale waste infrastructure in Hampshire and assuming

funding can be secured for a further phase of large scale infrastructure investment this latter point should not become a significant issue in South Hampshire until the latter part of the plan period.

### Coastal defences

For coastal defences the transfer of flood defence funding responsibilities from DEFRA to the Environment Agency has introduced considerable uncertainty at a critical time in the planning of growth for South Hampshire. There is now uncertainty over whether funding will be available for defence works identified in recently completed coastal strategies (where previously DEFRA were signalling that funding had been earmarked). In addition, this transfer of responsibilities will exacerbate the difficulties caused by having to determine whether any particular scheme is a flood defence or coastal protection scheme (the latter remains a DEFRA responsibility) thereby adding further uncertainty and delay into the planning and delivery process. Without certainty in the near future it is possible that large areas potentially earmarked for development will be, at least temporarily, sterilised thereby reducing the quantum of growth that can be delivered. In an area such as South Hampshire it is inevitable that a significant proportion of new development will need to be delivered in the defended flood plain unless economic growth is to be stifled.

In addition, the Environment Agency's position on development in the defended flood plain is unclear. The Agency's response to the SE Plan as a whole is helpful in recognising the need for development in existing coastal settlements providing appropriate flood mitigation measures are implemented. However, other communications from the Agency together with the stance some local Agency staff take at meetings in South Hampshire suggest a rigid dogmatic position of opposing all development behind flood defences regardless of the risk mitigation measures in place or the betterment provided for existing properties (for example). Some Agency officers even advocate a managed retreat policy for major settlements in South Hampshire based on current estimates of sea level rise in the next 1000 years.

We contend that for best use to be made of previously developed/derelict land and to support the economic growth ambitions of PUSH, that some development (around 10,000 homes) will be required in the defended flood plain. In practical terms there is no difference in risk exposure for a property built behind a 1:200 year flood defence than there is for an equivalent property built in an area of undefended flood plain where the flood risk has been assessed as 1:201. Yet the Agency's position would appear to be to oppose the former while allowing the latter. The policy framework for the Agency, therefore, in our view requires review to deal with the apparent conflict between the Agency's position on development in flood risk areas and planning policies that seek development within existing urban areas.

## **Community facilities and green infrastructure**

### *Investment requirements*

Sustainable development and achieving the goal of increased quality of life for all in the sub-region requires protection and expansion of our natural and built leisure and

recreational environments. PUSH is discussing key requirements with service providers and is also preparing Green Infrastructure strategy to complement the 'bricks and mortar' elements of the South Hampshire strategy

At this stage it is not possible to determine all the specific needs although some specific/emerging proposals are outlined below.

Site/proposal	Description	Cost	Potential funding sources
Former Paulsgrove landfill site, Portsmouth	A former (land-raised) landfill site that is currently being rehabilitated to create a country park. Further investment will enable enhanced facilities to be provided to maximise the benefit of this new asset.	Estimated £25m	Lottery, DCLG growth area/point (green spaces) fund, developer contributions
Havant Thicket Reservoir site	New recreational and educational facilities	Unknown at this stage – provisionally £2m	Lottery, DCLG growth area/point (green spaces) fund, developer contributions
Broadmarsh Coastal Park	Environmental enhancement and recreational facilities including ecological management and interpretation/visitor centre for Langstone Harbour SSSI	Estimated £3m	Lottery, DCLG growth area/point (green spaces) fund
Woodland area bounded by Rownhams Lane, M27, Hadrian Way and Test Valley/Southampton boundary	Aspirations to develop as a country park to serve Southampton and relieve pressure on the National Park	Estimated £5m	DCLG growth area/point (green spaces) fund, developer contributions
Forest of Bere	Small scale investment required to generate a useable informal recreational area.	Unknown at this stage.	DCLG growth area/point (green spaces) fund, developer contributions
Urban/suburban/rural open space networks. Enhance and extend Southampton 'Greenways' network.	Robust 'green' wedges linking urban centres to countryside to establish strong landscape and biodiversity corridors and structure	Estimated £3m	Lottery, ODPM growth area/point (green spaces) fund, developer contributions
Extension of Mayflower Park by reclamation.	Provide higher quality open space to serve the more intensive development of urban areas.	Estimated £17m	Via development of surrounding area i.e. Royal Pier, Town Quay.

As well as investment in environmental/open space assets it is clear that significant further investment will be needed in built leisure and community facilities, including extended school facilities. At this stage it is not possible to specify what facilities will be needed or what they are will cost (including associated running costs) but they are

likely to include: community and youth centres, voluntary sector facilities (resource/meeting/office spaces), leisure facilities (including to capitalise on the opportunities presented by the Olympics), cultural and arts facilities etc.

#### *Funding mechanisms and barriers*

In the main funding for these will come through developer contributions although for large scale (non-commercial) investments public sector funding through the Lottery, Sport England, English Heritage, the Arts Council, Environment Agency, Natural England and possibly DCLG growth area/point funds will be required. This in turn needs a realignment of the priorities of these organisations to support the growth agenda.

In part existing natural assets will be protected by ensuring maximum use is made of urban capacity and poorer quality sites (in environmental terms) but this is dependent on the investment in infrastructure described above. Furthermore LDF policies will ensure that land is reserved for community/recreational uses within developments and/or developer contributions will be sought to provide off site enhancement/maintenance of public facilities and open spaces (including upgrading of existing facilities). However, this is unlikely to prove sufficient and funding, most likely through DCLG growth area/point funds, will be required to enhance and expand the availability of public recreation and leisure land – often through rehabilitation of poor quality facilities or land that is not suitable for development.

The fragmented nature of the funding sources for both environmental and built recreational infrastructure is an inefficient use of limited local capacity for bidding for funds and some rationalisation and/or targeting of funding to growth areas/points would be helpful. Furthermore, the development site approach currently proposed for PGS could seriously undermine local authority's ability to secure developer contributions for this type of infrastructure.

### **Public services**

#### *Investment requirements*

Inevitably with an increasing population there will need to be the increased capacity in public services including children's services, health and social care, emergency services and criminal justice services. At this stage it is not possible to quantify specific capital investment needs although some general requirements are summarised in the table below.

Work in progress – August 2006

Service	Requirements	Costs	Funding sources
Health and adult social care	<p>Definitive needs not yet identified but likely to include:</p> <ul style="list-style-type: none"> <li>• Additional GP per 1,800-2,500 additional population. New premises for practices of at least 5 GPs.</li> <li>• Primary and Community Care centres, approximately one per 50,000-100,000 population</li> <li>• Additional rehabilitation bed per 1,000 additional over 65s</li> <li>• New care homes and residential homes/accommodation</li> </ul>	<p>Overall costs unknown</p> <p>£0.5m per GP</p> <p>£12-15m each</p> <p>£250,000 per bed</p> <p>Costs to be determined</p>	NHS, local government (formula grant and council tax), developer contributions, independent sector providers
Children's services	<p>Definitive needs not yet identified but likely to include:</p> <ul style="list-style-type: none"> <li>• New primary schools (4 per SDA) plus extensions elsewhere</li> <li>• New secondary schools (1 per SDA) plus extensions elsewhere</li> </ul> <p>• Children's homes</p>	<p>Overall costs unknown</p> <p>£79-81m in HCC area</p> <p>£81-84m in HCC area</p> <p>PCC and SCC needs to be determined</p> <p>Unknown</p>	DfES, developer contributions, local government (formula grant and specific grants and council tax)
FE/HE	New facilities, most likely in hub and satellite configuration to provide both for post-16 education (current capacity could not possible accommodate the Government's 90% participation target) and for up-skilling the adult population (see above).	Unknown	DfES., LSC, JCP, HEFCE, Colleges and Universities.
Emergency services	To be determined but likely to include police, fire and ambulance facilities and vehicles	Unknown	Fire and Police Authorities (formula grant and specific grants and council tax), NHS
Criminal justice system	To be determined but likely to include local court facilities, prisons etc	Unknown	Home Office, DCA

*Funding mechanisms and barriers*

In many cases these needs will be met from existing mainstream funding and/or developer contributions. However, it will be important to monitor carefully the delivery of this additional capacity to ensure that it does not lag behind population growth thereby creating unmanageable pressure in these key services. Failure to ensure this will discredit the growth proposals locally and lead to increased resistance and ultimately failure to deliver.

The same is true of the need for growth in revenue funding both to account for the maintenance and running costs associated with the capital investment and to keep pace with the rising demand arising from population growth. The current problems of time lag in the data used to calculate revenue funding allocations, together with the equalisation approach to council tax and business rate revenues will create increasing pressure on public services in areas experiencing significant population growth.

### Health and social care

Turbulence in the health service with frequent reorganisations and pressures on revenue and capital budgets limits the NHS's capacity to engage in the growth agenda and makes long term coordination of decision making difficult as relationships are difficult to maintain. The impacts on planning for growth of foundation status for all trusts and the "choice agenda" are difficult to predict. We will seek to learn from recent joint local authority/health sector work in Kent in this regard although with a moving organisational landscape the scope for application of that learning may be limited.

A further issue is that demographic modelling for new developments (including calculating yields of customers and loadings on existing services) generally only deals with the initial population influx. However, for significant greenfield developments research shows that there is a time lag effect, particularly on influx of an older population (i.e. young couples are the initial new inhabitants and then 5-10 years later after they have had children an older population – the grandparents – often move to the area). The net result is pressure on the healthcare system, particularly the social care system that would not have been taken account of in developer contributions/planning/infrastructure funding at the time of the development.

### Children's services

Development in existing urban areas, particularly the cumulative impact of numerous small developments, while not necessarily leading to lack of capacity at the conurbation level often creates pockets of under-provision for one or two school catchments (often balanced by over provision elsewhere in the conurbation) which can be costly to remedy. Greater recognition of this issue needs to be made in capital funding criteria/allocations.

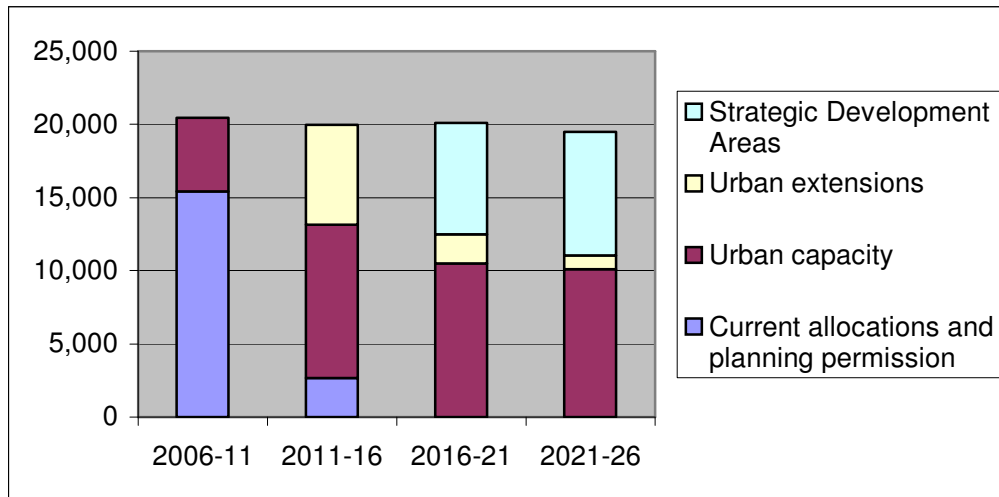
### Skills/FE/HE

Further improvement in coordination between SEEDA, the LSC, JCP and other funders of skills/FE is needed to ensure sufficient priority is given to meeting the demands of economically led growth. In addition, some flexibility in national priorities for skills development is necessary – for example the key skills gaps in South Hampshire are anticipated to be at NVQ level 2 and 4.

Coordination of investment in the HE sector is difficult due to the independence of the institutions. An enhanced role for HEFCE/SEEDA in directing funds towards meeting the demands of economically led growth would be welcome.

## Timescales and phasing

The PUSH 20-year growth strategy is broadly separated into four, 5-year phases as set out in the figure below.



The phasing of infrastructure investment has yet to be determined but will be based on the phasing shown above. So for example, in broad terms investment in urban public transport systems will be needed before investment in access to the SDAs and between the SDAs and the Cities. On economic growth the emphasis in the first 10 years will be on increasing economic activity rates and in the second 10 years the emphasis will shift towards productivity growth both of which need investment in the first 10 years.

Further work will be done on timescales and phases as Local Development Documents are progressed.

## Conclusion

There are significant infrastructure requirements to enable sustainable growth to be delivered in South Hampshire as with any other growth area/point. It is understood that funding commitments cannot be made for the whole plan period (and indeed it is as yet too early to have identified many specific requirements). However, it is clear that existing funding sources will be insufficient to meet these needs and there are severe doubts over whether proposed new sources of funding (PGS etc) can bridge this gap.

Furthermore there are considerable uncertainties and barriers inherent in many existing funding streams which will need to be addressed to ensure that there is genuine coherence in Government policies on growth and funding for infrastructure and public services. Ultimately either main stream funding needs to be bent to provide a greater share for growth areas/points (particularly for economic development to maintain buoyant demand) or specific (and substantial) additional

funding needs to be made available to growth areas/points (without using resource intensive bidding processes). In particular funding regimes need to be aligned so that there is coordination and timely decision making between decisions on growth (through the planning system), affordable housing and enabling infrastructure (particularly transport). Finally, growth in capacity for public services must keep pace with growth (and indeed catch up with historic growth) otherwise public confidence in the sub-regional strategy will be shattered, resistance will increase and it will be impossible to deliver the PUSH vision.