

Rea Valley Urban Quarter SPD Delivery Plan

Appendix 1: Funding Options Advice Note

1. Introduction

The vision for RVUQ is for a holistic, sustainable community that integrates social, economic and environmental assets to provide a place where people want to live, work and visit.

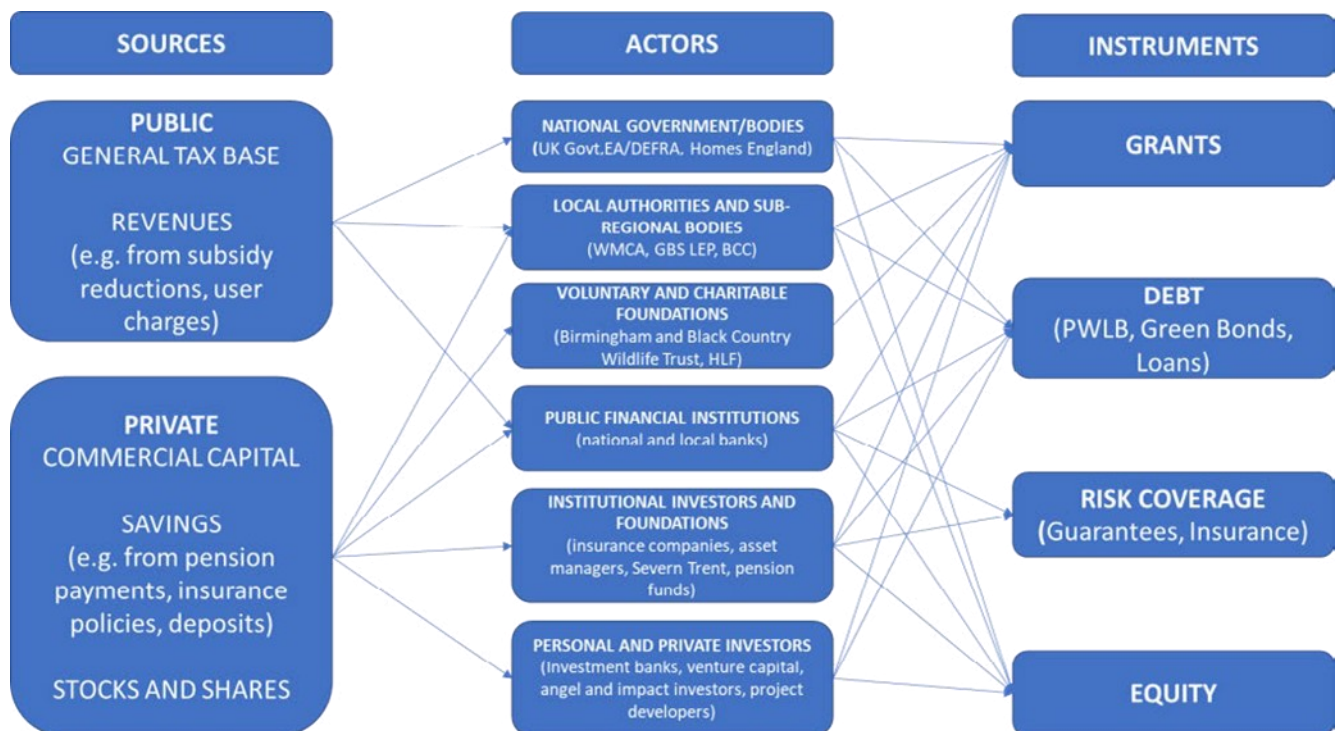
To deliver this vision, there will inevitably be substantial capital and operational investment requirements to support delivery and maintenance of a wide range of infrastructure assets across multiple sectors, including transport, land-use/property, social/community infrastructure and blue/green infrastructure.

Given the wide range and likely large scale of investment requirements to deliver RVUQ to its full extent, it is essential that BCC explore the full spectrum of funding and financing mechanisms that might be harnessed or deployed to support delivery of the RVUQ vision. Within this context, a full and comprehensive Funding and Financing Strategy is recommended to underpin key investments for RVUQ. At this stage, the following broad themes of opportunity are considered in terms of their relevance to RVUQ:

- Standard or established funding routes and programmes, comprising a mixture of public and private grant funding sources to fund all types of infrastructure assets required. Such opportunities represent conventional routes to unlocking project funding.
- Green financing mechanisms, comprising emerging instruments that are currently being deployed in other locations to deliver blue/green infrastructure. A selection of case study evidence and pilot projects linked to the successful delivery of green financing instruments elsewhere is provided.
- Alternative funding and financing mechanisms, comprising other emerging funding and financing opportunities that apply to all forms of infrastructure assets. Typically, this includes mechanisms that have not been greatly explored and have few use cases in a UK context, but are attracting greater attention as the need to innovate funding and financing mechanisms increases. In particular, the potential for land value capture instruments is explored.

Recognising the complex and interlinked nature of various funding and financing mechanisms required to deliver the range of infrastructure assets necessitated to unlock RVUQ's full potential, Figure 1-1 provides a holistic representation of the various funding and financing sources, actors and instruments that are considered in greater detail below. This blend of organisations and methods provides the foundations for ensuring the optimal collaboration of a range of partners to bring in a mix of funding and financing the deliver the high quality environments and communities that underpin the RVUQ vision.

Figure 1-1: Funding and Financing Mapping for RVUQ



Source: Adapted from CPI and CICERO, 2015

2. Conventional Funding Routes and Programmes

A range of public, private and other institutions provide grant and loan funding for infrastructure delivery, to meet a range of social, corporate and charitable objectives. These routes sometimes require competitive bidding against other projects, so whilst an established route to securing funding, they do not provide a guarantee of funding. Each broad conventional funding route is considered in more detail below.

2.1. Public Sector Grant Funding

Given the current local authority funding landscape, marked by significant budget constraints, limited capital or revenue funding availability at a local level and minimal scope to deviate from financial proposals set out in Medium Term Financial Plans, access to public sector grant funding has become increasingly challenging. Funding from Central Government and devolved bodies represents the primary source of investment in local and strategic infrastructure in the UK. A range of government departments and non-departmental bodies launch time-bound and ongoing funding programmes and strategies that local authorities can bid towards to secure capital and revenue grant to support projects.

However, the competitive nature of some funding programmes and the timeframes with which they operate mean that local authorities are not always well-placed to leverage such funding opportunities. Shifting application deadlines and changes in programme status do not provide sufficient certainty to develop projects in advance of programme launches either. Typically, the competitive bidding process for obtaining limited public sector resources requires development of a business case or other form of project proposal. Business case development is a resource-intensive activity in financial, staffing and capacity terms with significant risk attached, meaning local authorities are not normally able to prepare business cases for projects in advance of suitable funding programmes being launched. Conversely, this means the business case development process is typically constrained and intensified into sub-optimal timeframes to fit within programme bidding windows.

Some of these market failures may apply in an RVUQ context. For example, imperfect information relating to the timing and scale of investment into RVUQ may deter any single major landowner or developer from being the 'first mover'. Further, the disparate range of landowners and developers with interests in RVUQ mean that a holistic approach to development led by a single agency does not exist, resulting in coordination failure. Key infrastructure assets required to ensure an integrated and sustainable RVUQ (e.g. active mode routes, public realm and open space) represent non-market or public goods that the private sector cannot derive direct profit from and are therefore disincentivised from providing.

Infrastructure delivery to unlock RVUQ could also generate a range of positive externalities linked to stronger, more resilient communities, job creation and economic growth. The potential presence of such market failures imply that, subject to further assessment, there is a strong rationale for public intervention to support infrastructure investment in RVUQ.

Public sector funding programmes also require project promoters to demonstrate a strong value for money proposition for the project, measured in terms of scale of project benefits outweighing scale of project costs. This typically requires formal economic appraisal to compare project impacts against project expenditure. For specific programmes, key additional metrics are also required (e.g. job creation, increase in economic output), but it is not always possible to demonstrate that a project will unlock such metrics in the absence of detailed analysis.

In order to ensure the various infrastructure projects required to unlock development in RVUQ are 'ready-to-go' to meet the demands of current and future public sector grant funding programmes and opportunities, there is merit in developing a RVUQ-wide, programme-level Strategic Case for investment that formally establishes the market failures and potential scale of economic opportunity that applies in RVUQ across various infrastructure categories. This will provide sound foundations for developing full business cases to support future public sector funding applications.

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
DLUHC Levelling Up Fund (potential Round 3)	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Mobility and Connectivity • Placemaking and Social Infrastructure 	Investing in infrastructure that has the potential to improve lives by: giving people pride in their local communities; bringing more places across the UK closer to opportunity; and demonstrating that government can visibly deliver against the diverse needs of all places and all geographies	<p>Transport: including public transport and active travel</p> <p>Regeneration: upgrading eyesore buildings, securing community infrastructure, creating safe and accessible community spaces</p> <p>Cultural: creating or protecting assets that drive the visitor economy</p>	Scale: £20m per bid in most cases (£50m by exception)
DLUHC Levelling Up Parks Fund	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Placemaking and social infrastructure 	Attempt to 'level up' people's pride in the places they love	Create new or significantly refurbished green spaces in urban areas that need it most; including tree planting	Scale: Up to £85,000 for each place

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
West Midlands Combined Authority (WMCA)	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Mobility and Connectivity • Placemaking and Social Infrastructure 	<p>Aim to make the West Midlands a happy, healthy, place to live by:</p> <p>(a) making it easier and safer to travel in and around the Region (b) using derelict land to build homes (c) protecting our green spaces (d) working together to support our communities and build a fairer, healthier and more inclusive West Midlands (e) tackling climate change through our WM2041 pledge</p>	<p>Major transport interventions - e.g. metro extensions, HS2 connectivity schemes</p> <p>Devolved transport schemes Land reclamation Brownfield Land Regeneration</p>	<p>Scale: £8bn capital investment programme</p>

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Birmingham City Council	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Mobility and Connectivity • Placemaking and Social Infrastructure 	<p>Support projects that meet the objectives of the Council Plan, the following align with RVUQ Vision:</p> <ul style="list-style-type: none"> - a city that takes a leading role in tackling climate change; - a great city to live in; - an entrepreneurial city to learn, work and invest in 	Roads and transport, education and skills, parks and nature, neighbourhoods/community, property	<p>Scale: £204.5m in capital programme to 2024/25 for use on roads and transport; £65.8 million on education and skills; £12.1m parks and nature conservation; £6.9 million on neighbourhoods (incl. community sports and events, cultural development); £64.5m property strategy</p>

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Public Sector Decarbonisation Scheme (potential wave 3c)	<ul style="list-style-type: none"> Placemaking and Social Infrastructure 	Provides grants for public sector bodies to fund heat decarbonisation and energy efficiency measures, tying into sustainable vision for RVUQ	Interventions that contribute to carbon emission reductions, incl. property retrofits, air source heat pumps, solar panels, loft insulation etc	<p>Phase 3 of the Public Sector Decarbonisation Scheme will provide £1.425 billion of grant funding over the financial years 2022-2023 to 2024-2025, £635m funded in phase 3a, phase 3b closed on 31st Oct.</p> <p>Scale of investment in Birmingham - up to 50m Birmingham Women's and Children's NHS Foundation Trust, to c. £100k at individual schools</p>

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
<p>Environment Agency's Flood Defence Grant in Aid for The Bourn and Lower Rea Flood Risk Management Scheme DEFRA Green Recovery Challenge Fund</p>	<ul style="list-style-type: none"> Green and Blue Infrastructure 	<p>By providing upstream storage, the project could help reduce fluvial flood risk in the RVUQ and help facilitate urban regeneration and development.</p>	<p>Flood Storage in Public Open Space on the Bourn & Rea, Conveyance Improvements in Digbeth and Delivery of Nature Based Solutions</p>	<p>Scale: For the current leading option, the project would be eligible for £23 million of FCERM GiA funding (leaving a shortfall of c. £10-£16m to deliver)</p>
<p>DEFRA Green Recovery Challenge</p>	<ul style="list-style-type: none"> Green and Blue Infrastructure 	<p>Aims to contribute to the government's 25-year environment plan goal of thriving plants and wildlife.</p>	<p>Nature conservation and restoration, including ecosystem restoration and species recovery; Nature-based solutions, particularly for climate change mitigation and adaptation; and Connecting people with nature.</p>	<p>£40m per round, for project up to £2m</p>

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
<p>WMCA Community Green Grants</p>	<ul style="list-style-type: none"> Green and Blue Infrastructure 	<p>Supporting projects that connect people with nature and improve the local environment, enhance blue/green infrastructure. Projects in areas of deprivation and green deprivation will be prioritised.</p>	<p>Projects that increase access to green space and increase biodiversity.</p>	<p>Scale: up to £100,000</p>
<p>Forestry Commission: Urban Tree Challenge Fund (UTCf)</p>	<ul style="list-style-type: none"> Green and Blue Infrastructure 	<p>The Urban Tree Challenge Fund provides a contribution toward funding of standard costs for planting large trees and their establishment costs for 3 years following planting. The funding supports the cost of buying and planting a tree, the cost of basic protection and the labour required to plant it. The UTCf provides funding for anyone who wants to plant trees in urban or peri-urban areas,</p>	<p>Tree planting</p>	<p>Scale: up to £30k for individual applications, unlimited for block bids covering multiple projects.</p>
<p>Forestry Commission: Local Authority Treescapes Fund (LATF) (subset of Nature for Climate Fund)</p>	<ul style="list-style-type: none"> Green and Blue Infrastructure 	<p>The LATF provides funding for the establishment of trees in non-woodland settings. These may include parks, riparian zones, copses and shelterbelts, as well as green lanes, small linear woodlands alongside roads and footpaths, and vacant and disused community spaces</p>	<p>Tree planting and natural regeneration in non-woodland areas</p>	<p>Scale: £50,000 to £300,000</p>

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
CRSTS	<ul style="list-style-type: none"> Mobility and Connectivity 	Long-term funding certainty to design and deliver ambitious investments in local transport networks; schemes must drive growth through infrastructure investment, level up services towards the standards of the best, and promote modal shift from cars to public transport, walking and cycling	Bus Priority (£30m) Active mode (£27m) Metro (£285m) Healthy Streets and Healthy Spaces (£234m - cycleways, walking and cycling)	£1.05bn for WMCA, through to 2026/27
Transforming Cities Fund	<ul style="list-style-type: none"> Mobility and Connectivity 	Reduce congestion, improve active modes	Support a range of road, rail, tram, bus and cycling (£6m) projects.	£43m in latest tranche (additional to earlier £250m award for sustainable transport and £207m award for Midland Metro extension between Wednesbury and Brierley Hill)
Bus Service Improvement Partnership	<ul style="list-style-type: none"> Mobility and Connectivity 	Better buses, better journeys, better fares	Investment in local bus services ; SPRINT; zero emission buses;106km of additional bus priority	£88m

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Lead Local Flood Authority	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Prepare and maintain a strategy for local flood risk management, specifically responsible for reducing the risk of flooding from surface water, groundwater and ordinary watercourses	SuDS	<£200k in 2014/15
Green Social Prescribing	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Taking a holistic approach to people's health and wellbeing, by enhancing quality of life and emotional wellbeing.	Green Social Prescribing Pilots Programme to improve mental health outcomes, reduce health inequalities and alleviate demand on the health and social care system	£4.27 million project

2.1.1. Potential Funding Opportunities for RVUQ

Based on the 'horizon scan' of the available funding mechanisms, the following routes offer opportunities to support early and micro projects within the RVUQ:

- WMCA Community Green Grants – to support delivery of the transformed River Rea Corridor and Highgate Park, meeting the programme's objectives to increase accessibility to green space and increase biodiversity. This could help alleviate viability issues linked to restoration of the River Rea Corridor in particular.
- Forestry Commission Urban Trees Challenge Fund and Local Authorities Treescape Fund – to support tree planting along the River Rea Corridor and in Highgate Park. This could help alleviate viability issues linked to restoration of the River Rea Corridor in particular.
- NHS Green Social Prescribing Pilot Programme – building on the existing pilot programme (see case study below), extend the programme to the Rea Valley area to link local residents to green space (including Highgate Park) in order to improve mental and physical health outcomes.

For larger scale projects and the identified 'big moves', access to larger scale public funding opportunities will be critical. Early engagement with major funding bodies in the region is required immediately. Engagement needs to ensure that key sustainable transport and placemaking projects required to unlock the RVUQ vision, are included in existing and future funding programmes (e.g. CRSTS, LCWIP, Council Plan/Capital Programme) as soon as possible. Such programmes could provide the scale of funding required to unlock transformation of the River Rea, estate regeneration around Highgate Park and residential and commercial development in Cheapside and at St David's Place

Case Study: GreenSpace Green Social Prescribing Project in Nottingham



Funding: part of a c. £4m cross-government project, with additional contributions from NHS England, Sport England and others.

Aims: Recognising the importance of being outdoors for people's mental and physical health, as well as inequality of access to green space, the project sought to provide revenue funding to support link-workers and GPs in connecting people to nature-based interventions in order to:

- improve mental health outcomes
- reduce health inequalities
- reduce demand on the health and social care system
- develop best practice in making green social activities more resilient and accessible.

Relevance to RVUQ: demonstrates the importance of blended sources of funding to support projects, combining input from multiple stakeholders from different sectors. Highlights the importance of increasing access to green space in urban areas and the potential for obtaining revenue funding to support activities.

2.1.2. Public Sector Loans

Local authorities can undertake prudential borrowing to raise money for major infrastructure projects through recourse to the Public Works Loan Board (PWLB). This provides concessionary debt loans, sourced from the National Loans Fund, in order to fund project capital expenditure for housing, infrastructure and front-line services. The maximum net amount of PWLB loans that can be outstanding is subject to a statutory amount of £85 billion to £95 billion in a single financial year, across all Local Authorities. BCC currently have £2.5 billion of outstanding borrowing with the PWLB. However, due to increased interest rates, ongoing PWLB borrowing is subject to exceptional volatility and unpredictability in the PWLB rate, which may result in reduced use of PWLB from risk averse local authorities.

2.2. Third Sector Funding (Charities, Trusts and NGO's)

Third sector funding, in the form of contributions from charities, trusts and NGO's typically forms a significant part of capital and operational costs associated with delivering social infrastructure and green/blue infrastructure in particular.

The National Lottery, and its charitable arms The Heritage Lottery Fund and Climate Action Fund, could represent key stakeholders that have capacity to support the achievement of the overarching objective of RVUQ. In particular, these programmes seek to invest in projects linked to improving the quality of and access to landscapes, parks and nature as well as projects that support community-led climate change actions. The ultimate goal of these programmes is to support community cohesion, social inclusion and the creation of strong, resilient and healthy communities, as per the case study below. These objectives provides significant scope for projects in RVUQ to tap into to unlock the integrated, sustainable vision for the area, both in terms of early and micro projects and the larger-scale 'big moves'.



Case Study: Ouse Valley Climate Action

Funding: £2 million from National Lottery Climate Action Fund (a subset of National Lottery Community Fund)

Aims: empowering local people to help create one of the first communities in England to fully embrace climate action by:

- Capturing more carbon with natural solutions, such as tree planting and creating new wildlife habitats
- Making space for water in the Ouse catchment, such as creating water habitats, to reduce flood risk and increase resilience to drought
- Supporting more community green spaces
- Empowering and educate residents through inspiring events, engagement and training
- Encouraging behaviour change to help the environment
- Developing community-owned renewable energy projects.
- Supporting walking, cycling and e-bikes.

Relevance to RVUQ: the project seeks to foster community cohesion and resilience through a range of initiatives spanning the key intervention themes underpinning RVUQ's vision; i.e. blue/green infrastructure (via reducing flood risk, creating new wildlife habitats), placemaking and social infrastructure (via community green space creation and community engagement) and mobility and connectivity (via promotion of active modes).

Further detail on potential Third Sector Funding opportunities is provided in Table 2-1, alongside an overview of their relevance to the RVUQ vision, the types of projects they fund and the potential scale of funding available.

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Heritage Lottery Fund	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Mobility and Connectivity • Placemaking and Social Infrastructure 	The priorities of the heritage fund for 2022 – 2023 financial year include projects that promote inclusion, boost the local economy, create better places to live, work and visit and consider long term sustainability.	Landscapes, parks and nature: nature works to improve habitats or conserve species, as well as helping people to connect to nature in their daily lives; designed landscapes improving and conserving historic landscapes such as public parks, historic gardens and botanical gardens Community heritage	Scale: up to £5 million

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
National Lottery's Climate Action Fund	<ul style="list-style-type: none"> Green and Blue Infrastructure Mobility and Connectivity Placemaking and Social Infrastructure 	This funding aims to help communities across the UK to address climate change via projects that use nature to encourage more community-led climate action. These projects should bring other important social and economic benefits, like the creation of strong, resilient and healthy communities or the development of 'green' skills and jobs.	Any projects that use nature to encourage more community-led climate action.	Up to £1.5 million over 2 to 5 years, with most projects between £300,000 and £500,000. Development grants of £50,000 to £150,000 over 12 to 18 months.
Birmingham and Black Country Wildlife Trust	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Seeks to support a wilder Birmingham and Black Country with more green and wild spaces where nature thrives, and where everyone has an equal opportunity to access nature in their daily lives.	Development of nature reserves, operation of environmental education centres	Funding via HLF, donations, Esmee Fairburn Foundation (£40.5m in 2017 for environmental and social change initiatives) and People's Postcode Lottery (since 2016, players have raised £15m for The Wildlife Trust's nationally)

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Canal and River Trust.	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Make life better by water by enhancing green and blue spaces, delivering nature-based solutions, and promoting inclusion and wellbeing opportunities for all.	Projects that promote health and wellbeing, protect and restore nature and provide inclusive opportunities	£180.2m total expenditure in 2021/22, incl. £34.6m on major infra, £9m on vegetation, £11.5m on regen projects. Range of corporate partners, People's Postcode Lottery, Defra grant funding, revenue/income
Landfill Communities Fund	<ul style="list-style-type: none"> Green and Blue Infrastructure Placemaking and Social Infrastructure 	The Landfill Communities Fund (LCF) is an innovative tax credit scheme enabling operators of landfill sites in England and Northern Ireland to contribute money to Environmental Bodies (EBs) to deliver projects that undertake physical work at a single identified site in the vicinity of a landfill site for the benefit of the local community and environment	Provision, maintenance or improvement of a public park or another public amenity; Conservation or promotion of biodiversity	Unknown, but mostly small scale projects in region of <£50,000

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Sport England Strategic Facilities Fund	Placemaking and Social Infrastructure	The Strategic Facilities Fund aims to support projects that can encourage people to lead an active and healthy lifestyle. By helping to build the right facilities in the right places, the fund can help deliver local outcomes essential to those communities.	Sporting and related community infrastructure	Grants of between £500,000 and £2 million can be considered for a standalone project, or as a contribution to a strategic plan that includes more than one project.

2.3. Private Funding Sources

Private sector funding to support infrastructure investment across a range of themes could be leveraged from various sources, including:

- Landowners/Developers seeking to unlock sites in RVUQ;
- Water Companies/Asset managers operating in the region;
- Wider corporate institutions pursuing Environmental, Social and Governance(ESG)/Corporate Social Responsibility (CSR) goals;
- Insurance firms seeking to de-risk coverage

That said, whilst new opportunities are emerging on a regular basis (see Table 2-2 for more details), access to private sector funding and finance is likely to be a challenge where:

- large upfront costs for capital investment is required;
- relatively long payback times are likely; and
- where there is uncertainty related to climate impacts.

2.3.1. Developer Contributions

Given the scale of proposed development in RVUQ, there is an expectation that developer contributions in the form of Section 106 agreements could be used to help fund critical infrastructure requirements. However, for many of the major developments already engaged in the planning process or with planning permission, it is evident that developers have come forward and communicated substantial viability challenges to development. In particular, the affordability of high quality re-naturalisation of the River Rea and wider delivery of other blue/green and social infrastructure is a key contributory factor undermining development viability. In part, this explains the slowness in certain developments progressing. The likely direction of the economic climate in the short-term will only exacerbate this issue.

Within this context, the ability of the private sector to lead funding generation for big moves at RVUQ via developer contributions, appears to be somewhat limited in the absence of improved development viability or an alternative, independent forecast of development viability. However, there is merit in undertaking RVUQ-wide development viability analysis to test the potential for developers to make appropriate contributions towards critical infrastructure.

2.3.2. Water Companies/Asset Managers

As the water supply company covering the region, Severn Trent have various funding programmes in place that could be harnessed to unlock specific projects in RVUQ, mostly relating to blue/green infrastructure interventions. The strategic-level Capital Programme and Drainage and Wastewater Management Plan provide potential for large-scale intervention to improve water quality, enhance public amenities and provide visitor attractions, as well as funding for surface water management. In terms of smaller scale interventions, the Community Fund and Green Recovery Fund programmes provide funding for projects linked to provision of sustainable drainage and nature-based solutions to reduce flooding and creating a green environment (e.g. 'The Greening of Mansfield' case study, below).

Funding from such programmes could be geared towards resolving strategic surface water flood risk within key development areas of RVUQ, reducing the requirement for individual developers to implement interventions alone and supporting development viability in the process. Severn Trent's approach to focussing capital investment in areas of social deprivation and low social mobility, that could benefit from the increased wellbeing and

social cohesion provided by project intervention, also means RVUQ is well positioned to benefit from investment via these routes.

Case Study: The Greening of Mansfield



Funding: £76 million via Severn Trent's Green Recovery Fund

Aims: Reduce flood risk to 90,000 people via establishment of a network of 20,000 SuDS across Mansfield, in order to divert surface water away from sewers.

Relevance to RVUQ: wide-scale provision of SuDS could help reduce risk from the primary source of flood risk in RVUQ, i.e. surface water. This may ameliorate the need for more substantial, traditional flood defences elsewhere within the Rea catchment. Further, it could provide a route to delivering the River Rea naturalisation and 'Park Link' interventions highlighted in the RVUQ SPD, by creating a network of green routes and spaces underpinned by principles of SuDS.

From an asset management perspective, there is potential to adopt the design principle of 'stacking' to leverage private sector funding for major infrastructure works. The concept seeks to accommodate a range of different utility providers within new infrastructure, to ensure that multiple utility providers and asset managers are positioned to contribute to funding new infrastructure. In the context of RVUQ, landscaping around the River Rea could be designed to accommodate telecoms infrastructure (e.g. full fibre networks), gas and water supply infrastructure and other assets. This could leverage funding from such utility providers into the budget available for landscaping activities.

Many large scale and multi-national firms are now fully engaged with ESG investing and the concept of funding social and environmental projects as part of their CSR objectives. These routes can provide a useful source of match funding towards larger projects, as demonstrated in the 'Mayes Brook Climate Change Park Restoration Project' case study below:

Case Study: Mayes Brook Climate Change Park restoration project



Funding: c. £700k, including CSR funding of £300k from RSA Insurance

Aims: transform a rundown 45 hectare park into a showcase of how public greenspace can help a community to cope with the risks from climate change; such as increased flooding and higher summer temperatures. This was achieved via:

- Naturalising the route of the Mayes Brook, which formerly lay in a concrete channel
- Numerous sustainable SuDS
- New footpaths, entrance ways and signage to encourage public use and placemaking

Relevance to RVUQ: sought to leverage the waterway running through the heart of the community as a key asset to drive socioeconomic inclusion and growth in a relatively deprived urban community.

Further details on some of the established private sector funding opportunities is provided in Table 2-2

Table 2-2: Private Sector Funding Opportunities

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Severn Trent Community Fund	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Fund seeks to seek to fund new projects that link to three key elements of community wellbeing - People, Place Environment	Installing grey water recycling; Creating sustainable drainage systems (SuDS) Water efficient green spaces.	Scale: up to £200,000
Severn Trent Green Recovery Programme	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Programme seeks to develop support the decarbonisation agenda (e.g. through low carbon water resources), improve flood resiliency, enhance amenity and improve river water quality.	Nature-based solutions to reduce flooding and creating a green environment (e.g. at Mansfield) Creation of biodiversity-rich habitat Installing SuDS, including rain gardens, retention ponds and swales	Scale: £566m programme; £76m investment to deliver a widescale SuDS-led project across Mansfield could represent a benchmark for attracting funding to RVUQ.
Severn Trent Capital Programme: Asset Management Plan 7 (2020-25)	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Investment seeks to safeguard natural resources and improve the rivers and habitats that provide them, with a view to enhancing wellbeing for communities. Focus on areas of social deprivation and low social mobility.	Improvements to river quality within public amenity areas and visitor attractions; Enhancing biodiversity through habitat restoration and improvement work	Scale: £1.7bn of capital investment to support creation of thriving environments

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
Severn Trent Drainage and Wastewater Management Plan	<ul style="list-style-type: none"> Green and Blue Infrastructure 	Aspirations to lower the risk of flooding and pollution, protect and enhance the environment, support a circular economy (including carbon net zero), make a positive social difference	Surface water management Green, nature-based solutions such as SuDS	Scale: c. £11 billion of indicative costs attached to delivering the emerging preferred option listed in draft document
Developer Contributions: S106 Agreements	<ul style="list-style-type: none"> Green and Blue Infrastructure Mobility and Connectivity Placemaking and Social Infrastructure 	Developments sited in RVUQ area have an incentive to unlock wider externalities.	Any project required to make development acceptable in planning terms; in the context of development in RVUQ this could include unlocking/naturalising the River Rea corridor, placemaking and public realm, affordable housing provision	<p>Connaught Square c. £2.5m across public realm, riverbank wall remediation, riverbank terracing, public art, affordable Housing</p> <p>S&K Site - £116k to remove bridge structures, nothing relating to either River Rea or other works</p> <p>Warner's Field no S106 to date</p>

<p>Developer Contributions: Community Infrastructure Levy</p>		<p>Seeks to deliver community infrastructure to safeguard community cohesion</p>	<p>The CIL Regulation 123 list allows CIL charges to be put towards the following initiatives that provide scope to utilise CIL in delivery of RVUQ:</p> <ul style="list-style-type: none"> (a) Schemes to address flooding/SUDS schemes which are not required as a direct result of development. (b) Natural Health Improvement Zones – to tackle the growing evidential link between traffic emissions and poor health, particularly in relation to airborne particles. (c) City Wide Sport and Leisure Provision (including Active Parks Programme), to include walking and cycling improvements, which is not required as a direct result of a development. (d) Public Realm improvements which are not required as a direct result of a development. (e) Smart Network, Smarter Choices Growth Areas – Phase 2 – Corridor based integrated infrastructure package for small scale 	<p>Most recent Annual Report (2020/21) suggests £3m raised from CIL in the financial year across Birmingham; £2-3m anticipated in 2021/22</p>
---	--	--	--	---

Funding/Financing Opportunity	Theme	Alignment with RVUQ Vision	Types of Interventions Supported	Potential Scale and Likelihood
			junction improvements, public transport infrastructure and walking and cycling.	
UK Infrastructure Bank Funding/Financing Opportunity	<ul style="list-style-type: none"> • Green and Blue Infrastructure • Mobility and Connectivity • Placemaking and Social Infrastructure 	Offer private financing, local authority lending and local authority advice to finance infrastructure projects that tackle climate change and support regional and local economic growth	Clean energy, transport, digital, waste and water projects (incl. nature based solutions Types of Interventions Supported	Scale: £22bn fund; 7 deals currently funded worth c. £90m on average

2.4. Summary

There are a number of established programmes that provide an opportunity to leverage public, private and third sector funding to unlock RVUQ's 'Big Moves' as well as smaller scale interventions across the infrastructure themes of blue/green, mobility and connectivity and placemaking and social infrastructure. For example, key partnerships with the following funding bodies could be considered

- Homes England support to deliver affordable homes in St David's Place and Highgate Park Neighbourhood
- National Lottery support to transform the River Rea into a unique natural public space
- Severn Trent support to fund surface water management including the roll-out of SuDS

However, a number of critical challenges impede BCC's attempts to secure partnership funding to deliver infrastructure improvements in RVUQ, including:

- Scale of funding required: the full list of infrastructure requirements to deliver the RVUQ vision is likely to be beyond the ability of private developers to fund due to viability concerns. In fact the full scale of funding is likely to be too big for any single funder or single sector.
- Timing: funding programme windows are typically tight; this results in a focus on short term project development rather than strategic planning to meet infrastructure requirements
- Shifting national priorities: funding programmes are subject to shifting deadlines, premature or curtailed application windows, which places further pressure on developing funding bids.
- Limited resources on offer and high demand: funding programmes can become quickly oversubscribed (particularly national, public sector programmes and Heritage Lottery Fund), due to the range of competing projects seeking support from the same body

To counter these issues and place RVUQ on the best footing for securing funding via established public, private and third sector funding routes, the following actions are recommended:

- Development of a Strategic Business Case: to set the foundations for securing funding from diverse sources, an RVUQ-wide, multi-asset, multi-sector rationale for intervention could be undertaken. This could focus on establishing the market failures that apply across asset categories and sectors, as well as seeking to establish potential social (e.g. wellbeing and community cohesion), economic (job creation, GVA uplift) and environmental (biodiversity net gain, carbon reduction) benefits of specific intervention types. Such activities will further prepare BCC for future funding bids.
- Preparation of RVUQ-wide Viability Assessment: to provide a benchmark for engaging developers with negotiations around contributions towards critical infrastructure. Noting that major developers are currently providing limited contributions, there is a need to objectively establish what the appropriate contribution could be from future development.
- Comprehensive Stakeholder Mapping: recognising the need for funding from a range of diverse sources, it is critical that BCC develop a full understanding of all the potential stakeholders in the RVUQ context. This will help establish where interfaces exist between infrastructure requirements and potential funding opportunities.

- Early engagement with public sector funding bodies: organisations like WMCA, Homes England and GBSLEP are responsible for administering major funding programmes within the region. BCC should engage with these bodies to make sure key early moves and more strategic 'big moves' are adopted within funding programmes as soon as possible.
- Engage in a Formal Partnership Approach with Key Stakeholders: recognising the above issues, the focus is likely to be on the use of public funds to address investment risks and crowd in private sector finance. Hence, some form of public-private partnership may be vital to unlocking the necessary funding to deliver RVUQ.

3. Green Finance Mechanisms

3.1. Background and Context

Recognising the potential challenges relating to securing public and private sector funding through traditional routes and the likely scale of delivery costs associated with unlocking RVUQ, it is essential that wider funding and financing mechanisms are considered to leverage support for delivering the RVUQ vision.

The principle of Green Finance represents an emerging concept that could be considered for applicability in the RVUQ context. Green Finance comprises two main pillars in a UK Context:

- Greening finance – i.e. providing robust green financial products; and
- Financing green – i.e. ensuring finance is available for projects that contribute to net zero

Both pillars have potential applicability in an RVUQ context, particularly in relation to blue/green infrastructure delivery and the creation of low-carbon, sustainable communities. However, whilst the concept of Green Finance is long-established, the reality is that very few actual projects have been delivered and are in operation at present in the UK. This is partly because of the complex and multi-party nature of green finance instruments which require substantial effort and resource to establish, both in terms of governance framework and raising appropriate finance to support deployment of instruments.

Nevertheless, from a public sector perspective, the November 2022 Autumn Statement reasserted HM Government's commitment to supporting green financing and funding. A key outcome of the Autumn Statement involved placing the UK Infrastructure Bank (UKIB) on a statutory footing. This will cement UKIB's status as a key institution that will facilitate long term investment in infrastructure to tackle climate change and support regional and local growth.

Further, various departments and public bodies are seeking to increase their capacity for supporting green finance. In particular, the Environment Agency, through its Innovation Funding and Finance department is increasingly exploring opportunities for Green Finance and Innovation Finance. The Agency has capacity to support pilot projects and research to determine what types of projects and financial instruments work in the context of green finance. The Agency has the potential to act as an early mover in the green finance space, representing a key stakeholder and priority partner in the context of raising financial capital to deliver blue/green infrastructure. BCC should therefore engage with the Innovation Funding and Finance team as soon as possible to understand the potential for partnering on pilot projects in the area.

Nevertheless, at this point in the evolution of green financing, access to private sector finance is challenging due to the large upfront costs, relatively long payback times and

uncertainty related to climate impacts. This has deterred large scale commercial banking interest in the past. Whilst equity providers including venture capital investors, impact investors and angel investors, retail investors and institutional investors do exist, they face similar challenges to the larger commercial banks.

That said, Barclays has announced that it will align all its financing activities with the Paris Agreement and target at least £100 billion of green financing by 2030. Further, local government pension funds have been identified as a potential route to supporting green finance, not least due to their relative flexibility and alignment with ESG outcomes linked to place and socioeconomic development, which would tie-in with the vision that RVUQ seeks to achieve. The potential for local government pension funds to be leveraged into supporting investment in green infrastructure should be considered in further detail.

In most cases, Green Finance will need to be leveraged using some form of public sector match funding. Indeed, some of the best examples of Green Financing initiatives internationally have been underpinned by the principle of public-private partnerships, with initial public investment acting as the catalyst for private finance, as per the Shandong Green Climate Fund project documented below, which sought to crowd-in private finance by offering adequate returns thanks to the blending of public finance, concessional donor finance, and private finance.

Within this context, major regeneration at the scale of RVUQ that requires a blended mix of funding and financing is often best delivered through commitment to a strong and formal governance framework, underpinned by a bespoke delivery body or special purpose vehicle with representation from public and private sector interests. In an RVUQ context, this could require BCC and other landowners to pool assets within a development corporation or similar, to ensure a joined-up, holistic and commercially-focussed approach to development. This approach to development was successfully adopted to unlock transformational change of the waterways around the Olympic Park in London:

Case Study: Olympic Legacy Waterways Framework, delivered by London Legacy Development Corporation, a Mayoral Development Corporation.

Funding:

Aims: Queen Elizabeth Olympic Park straddles a previously hidden and derelict network of waterways known as the Bow Back Rivers. As part of the London 2012 Olympics preparation, the network was uncovered and unlocked such that acted as a focal point at the heart of one of the biggest regeneration projects in Europe. The framework sought to ensure the rivers' full potential was harnessed, such that it acted as both a visual backdrop to the surrounding developments, but a leisure and commercial resource in their own right. This was achieved by:

- Promoting use of the waterspace and associated public realm
- Creating a strong "sense of place" and focus for the waterways, bringing life and vitality to the waterfront and encouraging high quality, integrated and sustainable development
- Recommending an appropriate balance between commercial and public benefit to ensure sustainable long term maintenance and stewardship of these waterways
- Securing stakeholder commitment to the continued renaissance of these waterways

Relevance to RVUQ: highlights the importance of establishing a single entity (e.g. an SPV/MDC) to drive regeneration of a major brownfield site. Also demonstrates the potential

for previously hidden or obscured waterways to act as the focal point for transformational change.

Other potential mechanisms that could be explored in the RVUQ context include:

- **Green/Environmental Impact Bonds:** Issued by local authorities, such bonds can be used to fund projects with positive environmental benefits. Private investors pay for the project and are repaid an amount based on the success of the project. However, this landscape can be challenging and requires in-depth expertise. Green bond investors are becoming more demanding and increasingly want independent assurance that bond proceeds have been monitored and managed appropriately.
- **Biodiversity Credits:** linked to the requirement to demonstrate biodiversity net gain (BNG) as a result of new development as established in The Environment Act 2021, developers can purchase “biodiversity credits” from government, with revenue being recycled into projects that deliver blue/green infrastructure. Whilst the concept is still in development, it is anticipated that developers could purchase ‘biodiversity credits’ in lieu of directly delivering Biodiversity Net Gain onsite. In an RVUQ context, this principle could be adopted to make development adjacent to the River Rea purchase biodiversity credits to establish a pool of funds for use in naturalising the River Rea in a holistic fashion, rather than each individual landowner pursuing their own activities with the River. Similar principles apply to carbon credits and offsetting.

3.2. Implications for RVUQ

Whilst Green Finance is still a nascent area in terms of implementation and delivery, there are emerging opportunities and existing case studies that can be explored to support delivery of sustainable infrastructure, and blue/green infrastructure in particular, within the RVUQ context. Nevertheless, the emerging opportunities and case studies demonstrate a number of key activities that may expedite the use of Green Finance mechanisms in RVUQ:

- The need to establish an appropriate governance structure for supporting green financing mechanisms. All case studies and models reviewed have a very clear and formal structure underpinned by the principles of public/private partnership and the creation of special purpose vehicles or other delivery bodies to drive investment and delivery. A formal governance structure and delivery body is a critical requirement for leveraging the right blend of public, philanthropic and private finance; with public and philanthropic funding providing the right conditions to leverage private finance.
- To support the establishment of these formal governance structures and delivery bodies required to oversee delivery of RVUQ, it is essential that the right stakeholders are introduced to the vision and aspirations. Stakeholder mapping at the outset is vital to prioritising a joined up approach to Green Finance.
- Engagement with the Environment Agency, and the Innovation Funding and Finance department in particular, who are a critical actor to unlocking access to Green Financing for blue and green infrastructure.

4. Alternative Funding Mechanisms

Other nascent funding and financing mechanisms are beginning to emerge that should be considered in the RVUQ context, including:

- **Bond issuance:** utilising the bonds market to leverage capital funding for regeneration schemes.
- **Land value capture:** to ensure that landowners, homeowners and developers contribute appropriately towards infrastructure delivery that has a positive impact on asset value.

- Meanwhile use: recognising the widespread adoption of meanwhile uses in RVUQ and nearby brownfield site locations already, generating revenue and awareness of an area prior to full regeneration activities.
- Long-term maintenance and service charges: considering established and novel ways to ensure that operational costs associated with ongoing use of infrastructure is not wholly subsidised by the public sector.

4.1. Bond Issuance

In addition to the Green/Environmental Impact Bonds outlined above, other bond issuance mechanisms could be explored, including:

- UK Municipal Bonds Agency (UKMBA): Local authorities have the power to issue municipal bonds to the capital market to fund capital expenditure such as the construction of infrastructure. The bonds effectively act as a loan by the investor (e.g. pension funds, insurance companies) to the local authority, who would need to provide a return on investment of at least 6%. In the context of RVUQ, returns could be generated through a BCC-backed SPV generating revenue through sale of land for development.
- Social Impact Bonds (SIBs) or Social Outcomes Contracts: SIBs are outcome-based contracts that use private funding from social investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (the outcome payer) and the investor is repaid only if these outcomes are achieved. The social investor is typically a social investment fund seeking social as well as financial returns. It provides upfront funding to finance a service designed to achieve the commissioner's outcomes. The investment is repaid by the commissioner on the achievement of specified outcomes.

4.2. Land Value Capture

Land Value Capture reflects the principle that developers, landowners and other asset holders who derive benefit in the form of land value uplift as a result of infrastructure investment, purely by chance of location, should contribute to funding that major infrastructure 'big moves' that confers land value uplift benefits.

Land value capture has been applied in a range of infrastructure settings, including rail and highway delivery. It has been less often applied in blue/green infrastructure context. Nevertheless, the overriding principle, that infrastructure delivery drives increased value of land and property assets, applies across infrastructure categories

As a result, the following financial and funding mechanisms linked to land value capture are worthy of more detailed consideration:

- Tax incremental financing (TIF) – leveraging forecast council tax, Community Infrastructure Levy (CIL), Stamp Duty Land Tax (SDLT) and business rates growth to raise finance to cover capital costs to deliver major schemes. These taxes could be ringfenced from new and existing development as follows:
 - New residential units and commercial space at unlocked 'dependent development sites gives rise to increase council tax and business rates
 - Increased residential and commercial values due to reduced flood risk could change council tax banding and rateable values, resulting in increased council tax and business rate tax from existing properties.
 - Where 'dependent development' falls within CIL charging areas and land uses, flood defence infrastructure could increase the scale of CIL recoverable by local authorities. A potential change to the structure of CIL, such that it is based on

value of development rather than scale, could also raise CIL payments, particularly where flood defence infrastructure makes development more valuable by de-risking sites and providing more certainty.

- Where flood defence infrastructure increases existing property prices, SDLT will increase. This increase could be ringfenced for use in repaying borrowing associated with flood defence infrastructure delivery and maintenance.
- Infrastructure Premium Charge: where infrastructure increase the value of new development sites and the overall viability of development, a per unit roof tax could be prescribed to development to help recover up front expenditure in flood schemes. The roof tax would apply where a development's profit margin exceeds a developer's reasonable expectation of profit (c. 15-20% profit on costs is typical for residential development). This additional profit is effectively an infrastructure premium which should be recycled back into area-wide infrastructure costs.
- Development Rights Auction Model: where fragmented land ownership exists in proximity to major infrastructure investment, the combination of landowners (including public sector bodies) could pool development land and release to the developer market periodically via an SPV or other delivery body. With reference to a set reserve price (based on forecast 'no intervention' land values), any transaction value greater than the reserve value would effectively represent the premium associated with the major infrastructure being put in place. The premium could be shared between landowners and the public sector, ensuring some land value growth is recycled into the cost of infrastructure delivery and maintenance.
- Business Improvement District designation: RVUQ could be designated as a Business Improvement District, allowing a business rate levy to be applied to qualifying businesses over a defined area. A levy rate of between 1% and 4% of rateable value could be imposed to support funding of area-wide infrastructure.

4.3. Meanwhile Uses

Given the scale of brownfield land and greenspace within RVUQ, there is potential to build on Birmingham's extensive experience of adopting meanwhile uses to generate short-term revenue streams that can be recycled into funding 'big moves'. This has the added benefit of raising awareness/profile of RVUQ, improving footfall, visitation and bringing derelict land back into productive use, thereby improving the image, investor interest and commercial appetite for development in the area.

4.4. Service Charges

The cost of operating and maintaining infrastructure provided at RVUQ could in part be met by service charges levied on occupiers of development in the Quarter. The service charge model for maintenance is long-established in the context of site-specific infrastructure (e.g. communal gardens, play areas) and assumes that tenants and occupiers pays a service charge for upkeep of assets. However, its application to wider, strategic infrastructure is more complex. In particular, there is a risk that communities and businesses feel like they're paying twice for the same service (e.g. through council tax/business rates and through an additional service charge)

Alternative models for funding operational and maintenance costs are increasingly commonplace for new residential development. For example, Green Spaces Management Companies exist that take responsibility for operations and maintenance. Planning green space within a development to be communal and owned by a Green Spaces Management Company can be an alternative sustainable solution to satisfying a developer's Section 106

obligations. There could also be a potential cost saving on local authority adoption and commuted sums

The Land Trust apply such an approach in dealing with the operations and maintenance of 'Suitable Alternative Natural Greenspace' (SANG) assets. Traditionally SANG were owned and managed by local authorities, however it is becoming increasingly common for developers to set up their own SANG and for these to be managed by organisations such as the Land Trust. The motivations underpinning the growth in Green Spaces Management Companies include:

- Local authorities do not have the required green space assets for developers to contribute towards
- Local authorities are not in a position to acquire or manage further green space assets due to budgetary constraints;
- Developers wish to retain control over strategic capacity;
- It can offer a more cost-effective funding mode.

4.5. Application to RVUQ

Acknowledging the substantial development potential of various sites within RVUQ, there is significant scope to explore land value capture mechanisms in particular. It is noted that major developments are currently constrained in terms of contributions towards strategic infrastructure due to viability concerns.

Nevertheless, there is merit in establishing a baseline, RVUQ-wide viability position to act as a starting point to discussion with landowners and developers into establishing appropriate contribution levels as well as alternative forms of land value capture. For example, imposition of an infrastructure premium charge or roof tax on development expected to generate revenue over-and-above a developer's reasonable expectations, would require a formal view on financial viability from the outset.

Land value capture mechanisms also lend themselves to retrospective application in the event that occupiers of homes and employment space gain benefit from increasing residential and commercial values due to proximity to strategic infrastructure.

