1 Corporate planning

1.1 Introduction

In this section we start to develop the framework through which the Corporate Plan will be developed as part of the final masterplan. The section sets out our views on:

- priority actions;
- funding routes and sources;
- delivery arrangements; and exploration of the key metrics which would be used to judge the effectiveness of the actions proposed.

1.2 Priority actions

The following table sets out the timeframe for delivering the vision. The delivery of this plan will require the commitment of the local community, as well as coordinated action from key bodies including local authorities (Copeland and Allerdale), regeneration, business and community organisations, the County Council, the Northwest Regional Development Agency and the Government Office North West.

The following table sets out the potential phasing of investments included in the plan.

Table 1-1: Phasing of Projects to Deliver a Transformation for West Cumbria

Phase 1	Lobbying activity around the BNG sale
	University for Cumbria
	Support programme to maximise benefits from decommissioning
	Branding and marketing of West Cumbria
	Schools: Support for teachers at schools most in need, deliver the Academy
	Planning of upgrades to health facilities
	Environmental programme of town centre and coastal improvements
	Delivery of leisure and cultural facilities
	Planned transport improvements within West Cumbria
	Lobby for road improvements around Carlisle in advance of new air services commencing
	Develop an airfield within West Cumbria for private air services
	Improve rolling stock on trains, review timetabling to improve connectivity
	Commence redeployment/retraining programme, delivery through enterprise centres
	Expand existing commercialisation support
	Commence investment in strategic commercial sites - starting with top 2 priorities:
	Investment in housing
	Development of first hotel in town centre location
	Improve attractions, signing and promotion of tourism
	Identify required reorganisation of delivery agencies to achieve plan
Phase 2	Actively expand the National Nuclear Laboratory to other energy, environment and technology (National Energy Laboratory) potentially through private sector partnership
	Expand the University of Cumbria within West Cumbria
	Encourage research collaboration
	Expand on enterprise network facilities
	Release the diversification fund
	Develop further key sites for investment
	Continue investment in housing
	Continue investment in environmental programme
	Plan for BSF
	Commence development of a new hospital

	Undertake selective improvements to strategic road linkages
	Continue the delivery of the leisure and cultural asset programme
	Undertake rail track improvements and gauge improvements, increase rolling stock
	Develop a conference facility and further hotel facility
	Deliver Derwent Forest and Dent attractions
	Achieve National Coastal Park status and commence a programme of works to remediate coast
	Implement reorganisation of agencies to streamline delivery agencies
Phase 3	Deliver BSF
	Deliver a new teaching hospital
	Develop a multiversity within West Cumbria to increase research and academic capability linked with the NEL
	Develop the technology centre within the NEL to support the development and commercialisation of new products
	Further improvements to road linkages, south of Millom and north to Carlisle
	Develop further commercial sites
	Continue investment in housing
	Investment in coast and develop a coastal visitor facility
	Investment in marinas
Phase 4	Develop a health campus
	Expand research facilities and public/private collaboration
	Expand a multiversity
	Private sector led commercial and housing development
	Individual communities developing projects to secure new residents and investment
	Deliver cruise and ferry facility at Workington Port
Phase 5	Consider opportunities to develop bridges from south Copeland to the M6
	Consider opportunities for upgrading the airfield in West Cumbria to an air port
	Review requirements for the release of land for commercial premises

The table above highlights how we see the masterplan evolving over time and the eventual outcomes that should be achieved through such concerted effort. As with economic masterplanning activities, there is a range of potential projects which need to be developed and worked through. In developing an initial prioritisation of those projects which are important we identified the following guiding principles:

- in the short term, securing the future of the nuclear sector and the development of an energy, environment and technology cluster must remain the highest priority. The influence on the economy within the sub region is so significant that without intervention the economic future of the sub region will be in jeopardy;

- the improvement of skills and knowledge within the sub region are central to the development of any economy. All business require a well trained and adaptable workforce. In these terms the establishment of the University for Cumbria; combined with higher education linkages with existing providers at a higher research level (with international brand recognition) will be central;

- connections to and from the region by road, rail and air will be essential if the sub regional economy is to capture and retain economic activity, people and visitation;

- the quality of the lifestyle offer within the sub region needs to be radically addressed through the encouragement of a better quality environment, access to first class health and education, the provision of improved housing and the continued improvements to the retail and leisure offering.

- Employment creation must benefit communities affected by decommissioning

As a guide, we identify in the table overleaf the actions which we believe need to start to be developed in the short term to address these priorities (in addition to those currently proposed).

In planning for the projects identified above, the Strategic Environmental Assessment (SEA) Directive and Cumbria sustainability framework will need to be considered. Cumbria County Council, as the responsible authority, is required to carry out or commission an environmental assessment during the plan preparation stage of plans which are likely to have significant environmental effects. It will be essential to integrate environmental consideration into the preparation and adoption of plans and promote sustainable development.

The environmental report produced should be used to mitigate any negative effects of the project or plan. Any impacts must then be monitored.

Table 1-1: Major Projects and Illustrative Costings

Project	Cost
Cluster, Technology and Diversification	**£163-£263m**
Expand the National Nuclear Laboratory	£100m-£200m
Lobby on the sale process for BNG	£100k
Support programme to capture benefits of decommissioning	£3m
Diversification Fund and Commercialisation support	£10m
Development of a technology centre	£20m (within NNL)
Development of enterprise hub network (six centres within sub region)	£30m
Skills	**£125m**
Sellafield re-training, re-deployment service	£20m
Delivering the University for Cumbria	£100m
Development of a multiversity partnership approach with leading academic institutes in the UK and beyond	£2-5m
Transport	**£1,062m**
Inter sub regional transport improvements	£47m
Improve strategic road linkages from West Cumbria	£350m
Improve rail infrastructure and connections to West Coast mainline via Carlisle and to the south	£135m
Support development of Carlisle airport services and related road improvements	£50m
Develop bridges to connect south Copeland directly to the M6	£450m
Port and marina infrastructure at Workington, Whitehaven, others	£30m
Quality Services	**£407.5m**
Undertake project to attract, reward and retain the best teachers	£2.5m (5 years)
Development of new hospital and health campus concept	£300m
Investment in new schools through BSF and Academy	£100m
Strong communities	£5m
Property	**£225m**
Increase quantity and range of residential accommodation being developed within key conurbations and market towns within the sub region	£100m
Focus on the development of strategic commercial sites	£125m
Tourism	**£120m**
Conference destination	£15m
Development of a leisure product at Dent	£15m
Development of a coastal visitor facility	£15m
Develop cultural and leisure facilities including: rugby facilities, swimming pools, cultural and civic centres, cycle paths	£50m
Derwent Forest	£25m
Total	**£2.2-£2.3 bn**

Clearly this in itself would represent a significant investment within the sub region. Assuming that these would need to be delivered over the next 7 -10 years it would represent an additional commitment of some £150 - 200m per annum (or a 15% increase on total defrayed expenditure within the sub region).

There is an important consideration for the sub regional partners. The ability to secure such a programme based on the economic and social well being of the current population and relative economic circumstances is unlikely. West Cumbria will need to develop a case which brings it firmly into the national context though its ability to generate significant additional economic benefits for the country through its skills and expertise in the energy sector.

Even with this level of commitment, such a programme could not be funded by the public sector alone and private finance would be required to be levered into the overall investment package by direct investment, cross subsidy through other forms of development (for example housing) and using longer term debt and equity type investment models (for example PFI).

However, given the state of the current market there is a requirement for a significant pump priming investment by the public sector. In part this will come from the alignment of existing resources around this agenda. Equally, some of the aspects of the plan would need to be additional to the these resources for new facilities which form part of a contribution to the national nuclear agenda (notably the national Nuclear laboratory).

However, inevitably new money will be required to deliver public good services. These would include: the proposed University; health and education facilities and crucially the proposed transport improvements.

1.3 Funding

The current West Cumbria economy is effectively led by the public sector. Little in the way of private sector investment takes place. If the delivery proposals are to be delivered there needs to be a more active engagement with private funding sources over the delivery of the masterplan.

In this section, we look at the role of the public and private sector around three core delivery areas:

- land and property (major development schemes in the sub region);
- public sector major capital projects (NNL, University for Cumbria, education and health facilities); and
- major transport improvements.

1.3.1 Land and property

From our initial assessment, we envisage that a 'cocktail' of funding and investment will need to be drawn together to finance any major proposals. This will include: public grant, the use of public sector assets; private finance potentially alongside tax driven incentives. It is this balanced form of investment which will in our view deliver. And investment must be driven through a area wide corporate planning approach coupling mainstream funding and investment to the aspirations of the masterplan.

The level of private sector investment secured will depend both on the scale and nature of the proposal. However the attitude and approach of the public sector will equally have a significant bearing on the willingness of the private sector to engage.

However such investment is only coming forward in the right circumstances. Developers and investors are looking for the right conditions to get involved in regeneration opportunities. From our experience these conditions include:

- defining the investment horizon and minimising uncertainty within known time limits,
- appropriate and manageable risk transfer together with flexibility/ breakpoints,
- marketable packages of development being brought forward in a co-ordinated, phased and scaleable basis;
- the willingness of the public sector to bring forward necessary infrastructure;
- acceptable returns;
- control/influence over key drivers;
- clearly defined exit strategy/routes;
- proven or provable market conditions; and
- clarity over how funders will get their initial investment back.

Crucially we are seeing a greater focus by investors on an assessment of the quality of the local decision making process, community engagement and the apparent consensus around key priorities. Where public agencies can demonstrate a real commitment to deliver, applying the necessary resource to do so and show an unwavering political willingness to engage with the private investment markets then the market is responding positively.

Engaging the market

Encouraging private sector development interest in an area is not in itself a difficult task. Property developers are, by and large, speculative in their outlook and are always in the market to buy and develop product in areas where they believe external factors will increase demand and lead to an uplift in values.

Encouraging serious investors to an area is much more difficult. Whilst they also speculate, at times, they tend to be more reserved and measured in there approach to investing. The lack of an active liquid market in many urban regeneration areas tends to make them nervous of investing . In addition, they also have the benefit of ready made alternatives to investing in urban regeneration projects either in more established property markets or in alternative asset classes. Institutions' rationale for investing is to secure long term secure income streams to meet long term liabilities. Higher risk investments, that could conceivably undermine this, will only be considered if they offer substantially higher returns. This in turn increases the cost of development and investment in areas of economic decline.

To mitigate this, the public sector needs to create an environment that will encourage developers and investors to consider investment. The approaches to achieving this will include:

- Creating certainty and clarity in terms of the nature and timing of public sector investment – roads, infrastructure and public buildings
- Devising a clear strategy for land development and ownership/control. Some control over the ownership or use of land and buildings is essential to create the environment for

investment – in many cases this will require the public sector to use its compulsory purchase or planning powers to create opportunities of a scale necessary to change perceptions and attract investors

- A single point of control/contact where the private sector can gain information/comfort and can negotiate land ownership and uses. This organisation needs clear policies and guidelines that investors can understand and buy into. One of the reasons for the success of Urban Development Corporations was their ability to designate regeneration areas, fund infrastructure, determine planning consents and where necessary undertake speculative development. This gave confidence to the private sector that there was the power to create the correct environment to allow development to take place

- Sufficient confidence in the areas long term regeneration strategy to know that an active property market will be created and maintained over time. This gives confidence that exit routes will be available to institutions should they decided to sell or trade investment

- Clear planning and land use guidelines linked to sensible and sustainable section 106 agreements

- A clear and sustainable position on betterment and uplift in values through clawback, equity participation and policies on affordable housing

- Active promotion of the area to the external market, potential employers, investors and residents

- Clear guidelines on the extent and long term management of the public realm.

1.3.2 Public sector led projects

The development of major public sector projects will need to be led by the public sector through the work of the regional and sub regional partners. In reality, there is little prospect of early investment by the private sector in the development of the University, and NNL.

In reality the University will need to be taken forward utilising HEFCE and NWDA funding. The National Nuclear Laboratory will need to secure funding from NDA, NWDA as well as any central funding being secured. However, dependent on the operational model proposed it may be possible to leverage private sector investment as part of any research agenda it may want to take forward.

The programme of schools development proposed within the masterplan will need to be guided through the Building Schools for the Future programme operated by Partnership for Schools (PfS). This £45bn programme over the next 15 years is designed to rebuild or renew every secondary school within England. Such a programme will be led by Cumbria County Council and West Cumbria Partners will need to work closely with it to support the development of the overall investment plan.

The provision of renewed health facilities is currently under review with West Cumbria. These views are expressed elsewhere in the report and the availability and access to health facilities will have a significant role to play in the economic transformation of the sub region. In funding terms, and supposing a significant level of new investment, PFI/PPP funding routes will be the most likely mechanism through which a major investment can take place. In the event that a wider medical teaching facility can be incorporated or indeed the health park campus taken forward may well include an element of private finance.

1.4 Major transport improvements

Inevitably, major transport improvements will be driven in delivery terms through the public sector. Initial discussions with DfT have not been encouraging in additional funding being made available beyond those funds already committed. However, this is an area where without investment there are few other routes that could be used to secure significant benefits.

However, it may be possible to consider some form of strategic investment tariff focusing on the provision of strategic infrastructure. Elsewhere, a model is being developed which looks to private sector developers and in the case of West Cumbria major industries to make a contribution to strategic infrastructure above and beyond normal S106 contributions.

In looking at the interrelationship between housing, development and the wider infrastructure provision, the traditional S106 mechanism has proved ineffective (the negotiated route has left it open to wide interpretation and different outcomes on similar schemes).

The realism that transport infrastructure would be key to unlocking development potential going forward, led to the development of tariff based pilot approaches in both Ashford and Milton Keynes. These led to the establishment of infrastructure investment plans funded, at least in part by additional developer contributions.

From our previous experience in developing the Milton Keynes model, what developers liked about the concept of tariffs was the proposed certainty that the tariff brought that infrastructure would be brought forward. However issues of equity between all developers (it is easier to identify and negotiate with larger schemes), understanding linkages between the tariff and the S106 arrangements (double dipping) and the impact on land value were all major issues.

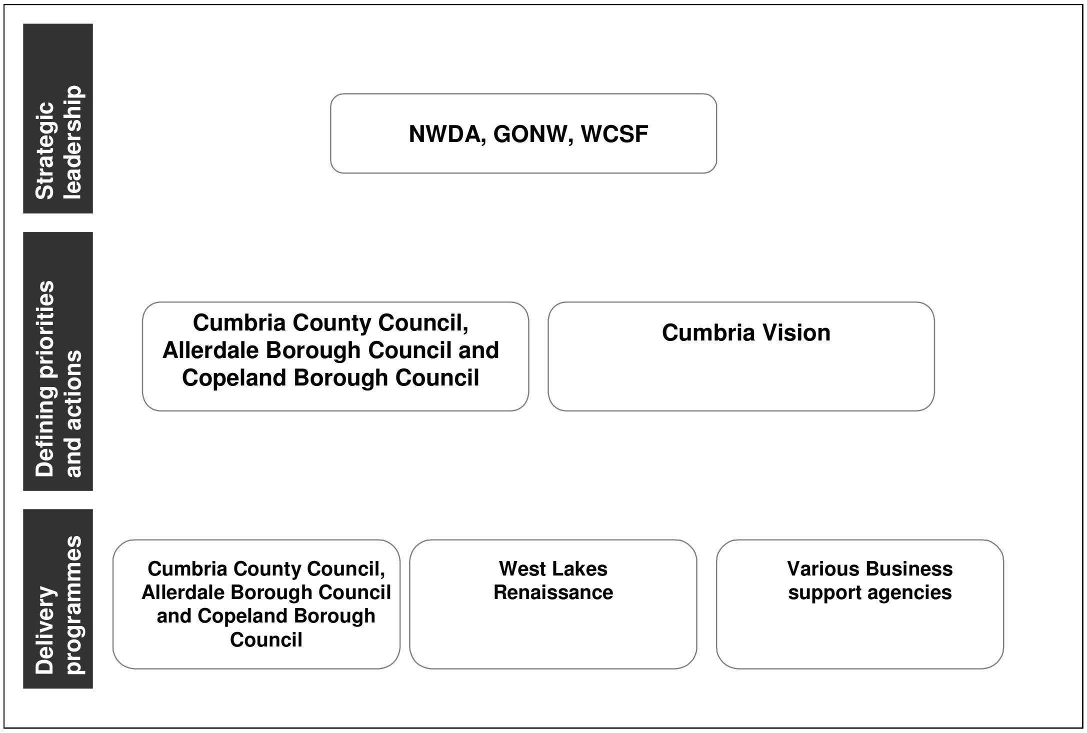
In West Cumbria the case would need to be made based on the future demand for road and rail transport. In delivering the required infrastructure. However, unlike other areas the property market in West Cumbria is far more fragile and may need to be introduced for specific forms of development (notably residential development or those forms of development or operation which generate potentially negative environmental impacts). However, such an infrastructure tariff may go some way to closing any infrastructure gap in funding.

1.5 Delivery arrangements

The scale of the investment proposed within the sub region suggests a significant ramping up of the delivery capacity and capability within the sub region. These issues need to be discussed with the partners as part of the ongoing development of the masterplan.

However, the simple schematic below we set out the current organisational arrangements.

Figure 1-2: Organisational arrangements



Under this model, there are a series of inter-relationships which whilst vital appear to slow the speed of transition from vision, strategy to delivery. In particular, there appears to be a lack of capacity to delivery projects on the ground. In looking at possible models we would suggest that the partners consider:

- greater levels of joint working and a joint team approach around major projects and programmes within the sub region. To some extent this already happens but it may be that the prioritisation should be around a smaller number of high impact projects;

- the co-joining of the various business support agencies into a single business focused entity;

- greater focus on the land, property and infrastructure agenda through WLR with potential support from the private sector through an investment fund or joint development vehicle.

At this stage we wanted to give consideration to the last of these factors to consider if a specific land and property fund could have relevance to the West Cumbria market.

1.6 Development vehicle options

We do not start from the premise that a vehicle is required. However, our experience suggests that where widespread change is identified and a significant call for investment the use of vehicles can have application. From our experience the use of vehicles can:

- Providing an additional delivery tool to strengthen the public sectors own track record of delivering complex regeneration schemes;

- Bringing focus and critical mass and creating market certainty that investment; will flow, thereby catalysing key projects that may otherwise take much longer to bring forward;

- Leveraging additional funding from the public and private sectors around a set of agreed strategic investment priorities;

- Having greater influence over the nature and quality of regeneration projects;

- Guide the workings of the market to allow investment returns to be shared between relatively easy and more challenging development opportunities; and

- Limit exposure to financial and other risks around complex development schemes.

In addition to using existing mechanisms, there are several options for a potential delivery model including: public sector led development, private development supported with gap funding or a joint venture development with the private sector.

Before we review the main delivery options it is worthwhile considering the motivations of the public and private sectors. The public sector's objectives from a funding structure for this development would include:

- economic and social benefit
- accessing private sector capital
- capturing land value uplift
- optimising the risk transfer to the private sector
- accessing private sector expertise
- leveraging infrastructure investment, and
- mitigating loss of control

Private sector objectives would include:

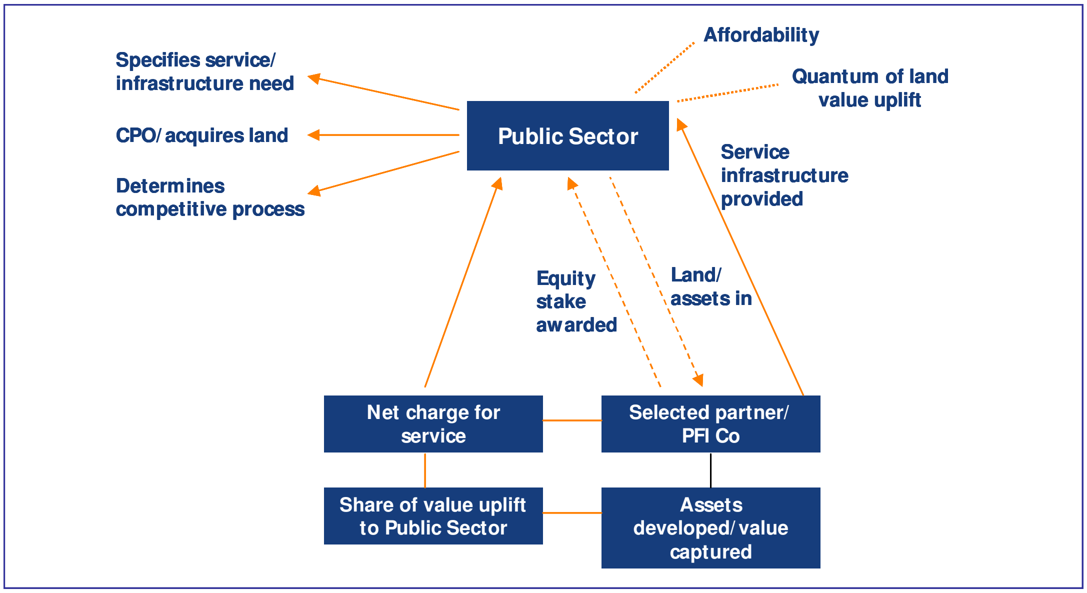
- spreading the risk
- achieving and acceptable return
- achieving certainty, or at least, clarity over timescales for the development
- incorporating deliverable projects, and
- exploiting public sector facilitation

The three main structural options open to the West Cumbria Partners in accessing private sector finance and partnership involvement with the private sector include:

- a private financed transaction solution
- implementation of a corporate structure and
- a structure utilising existing land and assets

PPP type financed transactions would typically be used for delivery of public sector facilities and infrastructure and could be considered for the construction and operation of new transport connections and the stadium facility. A typical structure would often involve the public sector in assembling the necessary land (including any off site access required) and, through a competitive tender process, selecting a private sector partner to undertake the necessary development. It is potentially possible for the public sector to participate in the equity/ownership of the delivery vehicle and capture an element of the value uplift of the redeveloped land. The latter could be netted against the charge made by the private sector. PPPs usually involve a net cost payable by the public sector and affordability is a key issue to manage - they are often suited to the provision of both social & hard infrastructure. A simple structure is set out below.

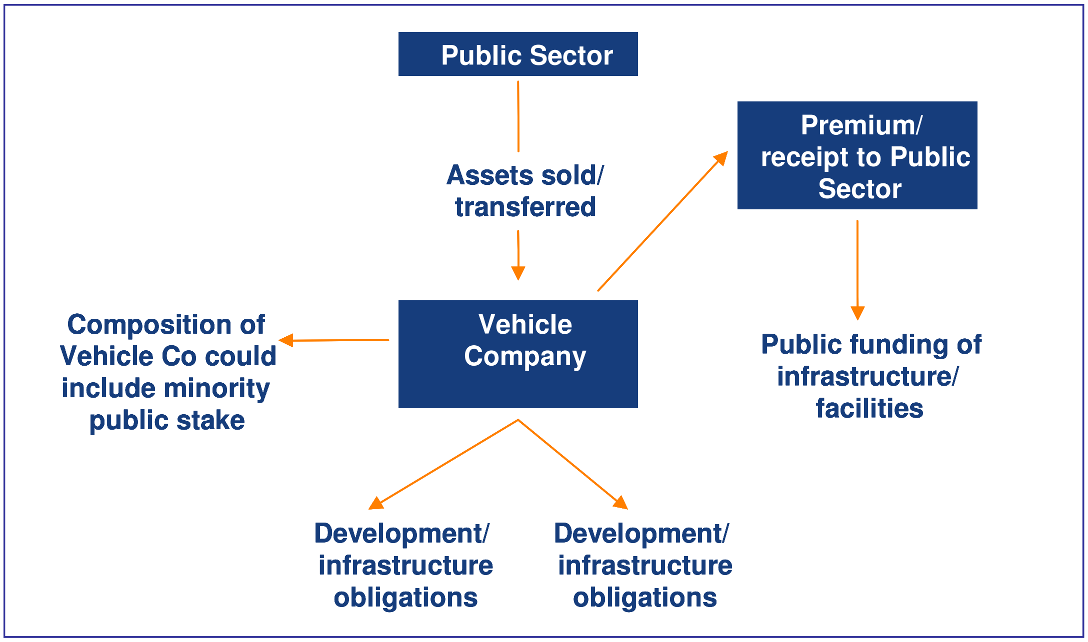
Figure 1-3: Typical Public Private Partnership structure



Corporate structures are a regular feature of partnership transactions between the public and private sectors and often involve the creation of a new special purpose company which is often a joint venture. This type of structure may offer an opportunity to finance the redevelopment off balance sheet if the public sector's effective stake in the joint venture is less than 20%. The remaining stake could be assigned to the private sector which would undertake the redevelopment. The financing structure of the vehicle would need to be determined and would be subject to the commerciality of the projects or infrastructure involved.

The public sector may wish to build a stake in a vehicle company by using its **existing asset base**. Those assets could be either transferred or sold to a vehicle structure and the proceeds used to build an equity stake. The private sector could also provide funding into the vehicle and would be tasked with delivering development/infrastructure as part of the deal. Capital from the vehicle could fund the initial infrastructure works which might otherwise be unattractive to the private sector. A basis for such a structure is set out below (the numbers used are at this stage indicative).

Figure 1-4: Shared equity model



It is far too early to say where the precise options are for this project. In doing so a range of evaluation criteria will need to be agreed with the stakeholders. Below we set out our suggested evaluation criteria for this exercise:

- the ability of the vehicle to deliver on behalf of the partners;
- an increased ability to deliver a programme of activity above and beyond existing mechanisms;
- the transparency and accountability of the vehicle to local political processes and the wider community;
- the ability to leverage and enable public private sector investment;
- the access to planning and CPO powers;
- to maintain public sector probity of funding;
- prompt decision making;
- tax efficiency; and
- ability to recycle receipts.

1.7 Economic indicators and metrics

In finalising the masterplan, we will want to consider the development of a list of key indicators to show that improvements will be made and to establish some targetary against which the partners can review the progress made. There are clearly a huge rage of indicators that could be used but we set out below some initial thoughts on what ten key indicators would be:

1) levels of Gross Value Added relative to the regional and national average;

2) average earnings relative to the regional and national average;

3) numbers of business start up and levels of inward investment;

4) economic activity and unemployment rates;

5) net migration figures;

6) skills and qualification attainment;

7) economic diversification based on current SIC codes as against regional average economic composition;

8) research and development expenditure growth;

9) improvements in the index of multiple deprivation in target areas; and

10) land value increases relative to regional and national indicators.

These indicators would clearly need to be developed and refined over the rest of the study period. However, they represent a starting point for discussion purposes.