



# 15. Overcoming the funding gap

## Interpreting the Schedule

- 15.1 Part B (the Schedule) of the IDP provides headline findings in terms of required infrastructure to support growth across the Plan Period and the remaining funding gap. As per the structure of the report these are ordered along the lines of physical, social and green infrastructure. The Schedule:
- a. presents the infrastructure need to ensure that all development is policy compliant, in relation to the level of infrastructure required to serve the needs of the additional population;
  - b. outlines how the Council could look to prioritise and facilitate the delivery of infrastructure; and
  - c. summarises potential funding sources that the Council could explore to deliver its infrastructure requirements.
- 15.2 Chapters 1 to 15 and the Schedule should be read in conjunction with one another. They should be reviewed periodically to incorporate new information including changes in adopted policies, new strategies, updated costs, and unexpected demographic changes.
- 15.3 The 'Interpreting the Schedule' section in this chapter has been structured to explain each column presented in the Schedule and how information should be interpreted.

### Priority ranking

- 15.4 The infrastructure interventions have been categorised on the scale of 1 to 3 based on their being critical, necessary or important.

Priority Ranking	Criteria
1	<p><b>critical</b> to the delivery of the emerging Local Plan, <i>without which development cannot commence</i>, e.g. certain transport and utility infrastructure.</p> <p>Usually triggered by the commencement of development.</p>
2	<p><b>necessary</b> to mitigate the impacts arising from development or to support wider strategic or site-specific objectives which are set out in planning policy or are subject to a statutory duty. It enables development to come forward in a way that is both sustainable and acceptable in planning terms.</p> <p>The precise timing and phasing is <i>less</i> critical and development may be able to commence ahead of its provision, e.g. health care and education</p>
3	<p><b>important</b> infrastructure that is required for sustainable growth, timing and phasing is not critical over the plan period, e.g. libraries, green infrastructure and youth provision).</p> <p>The precise timing and phasing is <i>not</i> critical and development may be able to commence ahead of its provision.</p>

Figure 15.1: Prioritisation Criteria

- 15.5 As can be observed from the Part B Schedule, a significant proportion of infrastructure has been categorised as ‘1’, which is deemed ‘critical’ but currently has no funding currently attached to them. However, many of these schemes are currently being worked up by their respective providers, stakeholders and developers and as such it would be anticipated that funding will be secured and attributed to them prior to commencement of development.
- 15.6 There are a number of transport and education schemes that fall within category ‘2’. The Council will work closely with Essex County Council (ECC) as well as other providers and stakeholders to secure sufficient monies to address the funding gap and enable delivery.
- 15.7 Several community facility, heritage and green infrastructure schemes fall with in category ‘3’; it should be noted that whilst these schemes may not represent barriers to development, their importance in terms of placemaking and place-shaping should not be overlooked, and the Council will work closely with partners to develop these schemes and secure the necessary funding for their delivery.

## Indicative costs

- 15.8 As explained in chapter 1, an Infrastructure Delivery Plan by its very nature is a ‘snapshot in time’, the information provided by infrastructure providers will naturally date and alter over time, reflecting changing needs. Therefore, the IDP should be viewed as a ‘live document’ with the information contained within the Schedule treated as indicative rather than prescriptive.
- 15.9 As such, the infrastructure requirements to support growth will naturally evolve throughout the plan-period. Subsequent iterations of this document may therefore remove items where more detailed data becomes available.

- 15.10 Whilst some schemes, highways interventions for example, have been subject to more detailed costing work, others have been derived from a combination of best estimates and best available forward projections and historical precedents. In the majority of circumstances, costs are therefore not based on a detailed design, therefore reinforcing the need to exercise caution in their interpretation.
- 15.11 All costs presented in the schedule exclude the price of the required land; this approach is considered appropriate as the estimated land values would still omit factors such as abnormal costs on a site-by-site basis and would therefore not necessarily provide any further robustness to the study.

### Demand forecast and cost estimation

- 15.12 The Schedule covers the infrastructure types shown below. For certain infrastructure sectors, it was possible to set infrastructure benchmark 'standards', which can be used to derive estimates of required infrastructure (e.g. sports facilities, etc.). For others, providers undertook their own modelling and calculation of future need, which was fed directly into the IDP Schedule (e.g. education, transport, etc.).

Category	Infrastructure	Standard Requirement	Unit	Source	Cost calculation	Chapter
<b>Transport</b>	Highways	n/a	n/a	n/a	Transport modelling work, and associated interventions, undertaken by ECC and Highways England	3
	Rail					3
	Public transport (buses)					3
	Walking and cycling					3
<b>Utilities</b>	Energy	n/a	n/a	n/a	Utilities companies	4
	Water & Drainage					5
	Wastewater					6
<b>Broadband and mobile</b>	Broadband and mobile	n/a	n/a	n/a		7
<b>Education and Learning</b>	Early Years & Child Care	0.09 children	per dwelling	Developers' Guide to Infrastructure Contribution, ECC	Modelling work undertaken by ECC	8
	Primary schools	0.15 - 0.3 pupils	per dwelling			8
	Secondary schools, including post 16 education or sixth form places	0.1 – 0.2 pupils	per dwelling			8
<b>Community Facilities</b>	Libraries	30 sqm	per 1,000 population	Developers' Guide to Infrastructure		9

				Contribution, ECC		
	Youth provision	Dedicated youth space (£700,000) and/or smaller provision	Per 1,200 dwellings	Developers' Guide to Infrastructure Contribution, ECC		9
	Village and Community Halls	n/a	n/a	n/a		9
<b>Health</b>	GPs	1 GP	per 1,750 patients	Indicative standard	Work undertaken by Mid & South Essex STP	10
<b>Sport</b>	Indoor Sports Facilities			Built Facilities Strategy 2018-2033, BBC	Modelling work undertaken as part of the Council's Built Facilities Strategy	11
	Outdoor Sports Facilities	3.15 ha	per 1,000 population	Playing Pitch Strategy 2018-2033, BBC	Modelling work undertaken as part of the Council's Play Pitch Strategy	11
<b>Heritage</b>	Heritage asset protection	n/a	n/a	n/a		12
<b>Emergency</b>	Police and fire and rescue services	n/a	n/a	n/a		13
<b>Green Infrastructure</b>	General open space provision	2.4 ha	per 1,000 population	National standards		14
	Allotments and community gardens	0.18 ha	per 1,000 population	Brentwood Open Space Strategy, BBC		14
	Children's playing space	0.13 – 0.17 ha	per 1,000 population	Fields in Trust minimum standards		14

**Figure 15.2: Infrastructure Standard**

15.13 ECC is consulting on a new edition of the Developers' Guide to Infrastructure Contributions, which was revised in light of changes made to the Community Infrastructure Levy (CIL) Regulations 2010, including the removal of 'pooling' restrictions. The revised Developers'

Guide introduces several new and updated requirements, which if and when formally assigned material weight to, will need to be considered in the IDP.

## Secured funding

15.14 The Schedule includes identified and secured funding at the time of writing as well as where information in relation to such funding can be found. Available funding secured via S106 agreements is detailed in the forthcoming Funding Statement which will be updated annually. The Funding Statement will also set out levels of funding anticipated in the future from developer contributions and CIL.

## Current funding gap vs remaining gap

15.15 Current funding gap reflects the situation at the time of writing. It should be noted that information on funding is not available in some projects. In some areas, it is expected that the total costs will be provided for by developers; in other areas however, further work is needed across parties to identify funding opportunities and to apportion costs appropriately to relevant site owners and stakeholders.

15.16 The remaining funding gap is current funding gap less estimated cost to be apportioned to site allocations.

## Apportioning costs

15.17 New developments should meet their own infrastructure needs as far as possible; this is often achieved through seeking Section 106 agreements (S106) to deliver the required infrastructure<sup>1</sup>. In addition, a Section 278 agreement may be relevant for specific transport schemes to be arranged through the local highway authority, Essex County Council or Highways England. Essex County Council's Developers' Guide to Infrastructure Contributions<sup>2</sup> details the scope and range of contributions towards infrastructure which Essex County Council may seek in order to make development acceptable in planning terms. Brentwood Council acknowledged the Developers' Guide to Infrastructure Contributions (revised edition 2016) as having material weight for planning applications. It should be noted that the Developers' Guide does not cover services provided by second tier local authorities (City, District and Borough Councils), such as affordable housing or open space, nor contributions that may be sought by other infrastructure providers, such as the NHS or the Police.

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<sup>1</sup> Section 106 obligations are also used for other purposes – for example, to provide affordable housing or deliver site specific measures to enable a development to proceed. However, the text above relates only to the use of Section 106 to secure infrastructure contributions.

<sup>2</sup> Essex County Council (ECC) is consulting on a new edition of the Developers' Guide to Infrastructure Contributions, which was revised in light of changes made to the Community Infrastructure Levy (CIL) Regulations 2010, including the removal of 'pooling' restrictions.

- 15.18 The 'Estimated Cost to be Apportioned to LDP Sites' and 'Relevant Sites' columns in the Schedule outline high-level figures to be apportioned between multiple developments.
- 15.19 In apportioning costs to developers, the below principles will be followed:
- a. Infrastructure interventions should be matched to relevant development(s) which result in that intervention being required. Where detailed modelling on the impact of site allocation does not exist, interventions have been matched to development allocations based on professional judgement as to where the impacts of development are likely to arise from;
  - b. The costs of will be apportioned based on the level of impact or generated demand (e.g. the resulting 'pupil product', the number of houses delivered, additional trips generated);
  - c. Contributions should be equable between developers, in proportion to their level of impact or generated demand; and
  - d. Contributions should be consistent with the Developers' Guide to Infrastructure Contributions and any other approach taken by Essex County Council.
- 15.20 The Council acknowledges that there may be a need to take into account instances where one developer has provided land and/or delivered infrastructure which will be used by a number of sites. In these cases, it is necessary to ensure that contributions provided by individual sites and developments will be proportionate and equitable, and to ensure that viability of individual schemes is not unduly affected. Detailed discussions with all relevant stakeholders will be required as and when detailed schemes / planning proposals are being put forward.

## Main funding sources

- 15.21 Main funding sources for each infrastructure scheme are set out in the Schedule. It can be observed that funding for the majority of schemes would be secured primarily through Section 106 agreements (S106) and the Community Infrastructure Levy (CIL). For major and complex infrastructure with wider or cross-boundary impacts, the Council is in discussion with relevant stakeholders to identify additional funding opportunities.

### Section 106 agreements

- 15.22 Planning obligations through Section 106 agreements (S106) are a mechanism to make a development proposal (that would not be acceptable otherwise) acceptable in planning terms. S106 are legal contracts linked to a planning application decision, relating to the land rather than the person or organisation developing the land. One of the main benefits of using S106 is that it draws a direct link between new development and the consequential need to invest in broader support infrastructure.
- 15.23 In Brentwood, S106 is principally used to deliver affordable housing, and to mitigate site specific issues relating to the acceptability of development in planning terms (e.g. means of highways access through junction remodelling). In this regard, whilst playing an important role, S106 in the majority of circumstances will mainly be used to deliver site-specific

infrastructure rather than to contribute towards the delivery of placemaking infrastructure at the borough wide scale.

### Community Infrastructure Levy

- 15.24 The Council intends to progress the introduction of the Community Infrastructure Levy (CIL) as soon as possible during and after the Local Plan Examination. CIL is a charge, used to fund borough wide and local infrastructure projects for the benefit of local communities. Charging authorities are obliged to produce a CIL Charging Schedule which sets out the levy rates and is subject to independent Examination. CIL is payable upon the granting of planning consent. This enables the Council to raise funds from developers and provide some certainty 'up front' about how much money developers will be expected to contribute.
- 15.25 Whilst CIL is an effective tool to generate income towards the provision of infrastructure, one notable issue with CIL is that revenue is contingent upon development being brought forward, and payments may be phased so as not to impact negatively upon development cash flow, and in turn, viability. CIL revenues are therefore volatile and uncertain as they are linked to new developments and the volume may change with the economic cycle. The incremental nature in which it is collected means that it cannot be solely be relied upon to fund the borough's necessary infrastructure in its entirety.

## Delivery partners

- 15.26 It should be recognised from the outset that the Council will not be able to deliver the full package of identified infrastructure interventions as a single party. Infrastructure provision is undertaken by a number of stakeholders, outlined below; please note that this list is not exhaustive. The Council will partner with relevant stakeholders to co-ordinate and manage its infrastructure projects.

**Figure 25.3: Stakeholders' remit**

Infrastructure Providers	Remit
Brentwood Borough Council	Community and Sports facilities Green Infrastructure & Open Space Waste Management
Essex County Council	Transport (highways) Education Libraries Public health Flood risk (fluvial and groundwater flooding) Adult social care
Environment Agency	Flood risk (rivers)
Highways England	Strategic highway network
National Grid	Gas Infrastructure

Mid and South Essex STP	Primary and Secondary Care Mental Health Ambulance service
UKPN	Electricity Provision
Telecommunications	BT Openreach; Virgin
Anglian Water Thames Water	Water provision, wastewater treatment and sewerage
Essex County Fire and Rescue Service	Fire risk and emergency service
Essex Police	Policing

## Overcoming the funding gap

15.27 There are a range of funding sources available to support infrastructure delivery over the Plan period, including from a range of governmental and non-departmental public bodies, partnerships and wider grant opportunities, for example funding from Central Government, Homes England, funding through the Association of South Essex Local Authorities (ASELA), funds available through Essex County Council and other grant sources<sup>3</sup>.

### Other funding options to consider

15.28 The main funding mechanisms currently employed by Brentwood Borough Council and outlined in the Schedule, whilst important to optimise to the fullest extent possible, are unlikely to fund all of the essential infrastructure required to support growth over the plan period. Nevertheless, new projects should still give consideration to these funding sources; however, there are other funding options, in particular third-party contributions which may be appropriate for specific projects where value to local businesses can be articulated.

15.29 Some of the funding options below have already been employed by the Council, others have been explored and are in progress. Further options are also outlined to inform a discussion with stakeholders as they will involve detailed business case work, and may need independent financial advice to critically analyse the suitability of potential options.

#### 1. Funding from central Government

15.1 Government backed housing funds provide a number of opportunities to channel funding into enabling infrastructure to ensure the delivery of housing and ensuring the Council's overarching spatial objectives are met.

15.2 In February 2017, the Housing White Paper "Fixing our broken housing market" sets out a number of potential funding mechanisms for housing delivery, amongst which is the role that

<sup>3</sup> See 'Other Funding Options to Consider' below

major institutional investment can play in realising new large-scale housing development, including:

- e. **The Housing Infrastructure Fund:** £2.3bn was made available to bidders in 2017 to target areas of greatest housing need. The funding was available to transport, utilities and other infrastructure projects to open up areas to the delivery of new homes;
- f. **Local Authority Land Release Fund:** £45m was made available for land remediation and small-scale infrastructure, with priority given to innovative delivery models as well as areas of high housing need.

15.3 Since the launch of Housing Infrastructure Fund (HIF) and other sources of funding related to the delivery of garden communities administered by Homes England, the Council has received over £750,000 of capacity funding to drive forward the Dunton Hills Garden Village project. These grants have been vital to help the Council fund a dedicated project team and key pieces of work that have informed collaborative efforts to deliver the site so far.

15.4 In addition to housing funds, there are other Local Authority funding streams from Government that are available to support delivery of statutory functions and duties or to tackle specific policy issue, e.g. Revenue Support Grant, Business Rate Retention, New Homes Bonus, DfT Integrated Transport Block, DfT Local Pinch Point Fund, DfT Better Bus Area, DfT Bus Service Operators Grant, DEFRA Lead Local Flood Authorities Grant, etc. There are also a number of grant funding opportunities available nationally for example Woodland Trust administered 'MOREwoods' fund, or Sport England's Inspired Facilities programme.

15.5 The Council operates a number of service functions and working groups that could play a role in accessing broader funding initiatives such as those contained within the February 2017 Housing White Paper. The Council's joint venture (Brentwood Development Partnership), the Council's project management team, and/or the Dunton Hills Garden Village project team could act as a vehicle to identify and coordinate funding streams relevant to the Council's delivery aspirations.

## 2. Developing Council owned assets

15.6 Local authorities' role in delivering new housing goes beyond using their planning powers. In the current constrained economic climate with reduced public sector funding, many local authorities are turning to their property assets to release capital for project funding and also maximise revenue generating opportunities. There are a number of examples of Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include new market housing for sale or private rent, as well as affordable housing. Across UK authorities, there has been a significant amount of variation in the governance, operation and funding mechanisms underpinning the structure of housing development companies. Some authorities, for example, have favoured wholly owning their housing companies, whilst others have created joint ventures with a range of partners including housing associations, private developers and institutional investors.

15.7 In July 2019, the Council approved the formation of a £1bn joint venture with Morgan Sindall Investments to create the Brentwood Development Partnership. The partnership will initially focus on three Council's owned sites located at William Hunter Way car park, Westbury Road car park and the Maple Close garages site. These will provide new homes together

with new leisure and community facilities, boosting the sustainable housing supply across the borough to meet the needs of a growing population.

- 15.8 The Council has also created a housing company to assist in achieving local housing objectives, including the provision of affordable housing. At the Council's Environment, Enforcement and Housing Committee in September 2019 (Item 213), the Council agreed to identify options for the potential redevelopment of Housing Revenue Account to provide immediate opportunities for new affordable housing. The creation of a Housing Development Programme will help implement tasks related to the creation of a company, and other objectives, both for short-term and long-term goals.
- 15.9 The revenue stream from these, once repatriated into the Council, could be used to provide either the capital to fund/finance infrastructure projects, or to account for the ongoing revenue implications that infrastructure provision may generate.
- 15.10 Another funding mechanism is the use of pension schemes, which are increasingly regarding housing as an appropriate investment. The pooling of local government pension funds will increase opportunities for their assets to be used to support infrastructure projects, including housing. This could generate promising returns for scheme members while maintaining value for money for national and local taxpayers. A number of authorities such as Manchester, Lancashire, Islington and the West Midlands have used this model. This model provides a secure and reliable funding stream, and help local authorities source equity for housing projects.

### 3. South East Local Enterprise Partnership (SELEP) funding opportunities

- 15.11 The SELEP administers the Growing Places Fund, which provides both loans and equity for a number of projects. The Growing Places Fund was established by the Ministry for Housing, Communities and Local Government and the Department for Transport in 2011 to unlock economic growth, create jobs and build houses and help 'kick start' development at stalled sites. The fund works as a recycled capital loan scheme regenerating funds based on the repayment schedules agreed for existing Growing Places Fund projects.
- 15.12 Subject to future expected repayments being made in 2019/20 and 2020/21, the total amount of Growing Places Fund currently available for reinvestment is £20.724m, of which £15.595m will be available in 2020/21 and a further £5.129m in 2021/22.

### 4. Independent Distribution Network Operators and Independent Connections Providers

- 15.13 Independent Distribution Network Operators (IDNOs) develop, operate and maintain local electricity distribution networks. Independent Connections Providers (ICP) are accredited company that is entitled to build electricity. IDNOs and ICPs are private companies who can offer cheaper forms of connection to the utility networks due to more versatile business models. IDNOs and ICPs provide an alternative model to the 'traditional approach' of utility provision which would see the developers apply to the incumbent utility providers in the area (i.e UK Power Networks, National Grid, water companies), who then provide a price to design, build and own the networks.
- 15.14 There may be opportunities for the local authority to act in partnership with IDNOs and ICPs to deliver a more commercial model of delivery and reduce the costs of connecting to the

utilities network. This could potentially unlock a development sites if prohibitive utilities connection costs were slowing or stalling the pace of delivery.

- 15.15 The costs associated with providing the networks (and potential off-site reinforcement) would usually be funded by the developer or housebuilder; however, there is potential for the Council to play an active role in the provision of these networks. Modern procurement methods could be explored, such as:
- a. IDNOs: Independent operators can offer more economic and flexible terms for the connections which can be more appealing on cost and programme grounds. IDNO's will install, own and operate exactly like an incumbent utility. Their financial models are different from the incumbents and IDNOs are able to offer more commercially attractive terms for the installation.
  - b. ICPs: ICPs design and install apparatus and then arrange for its sale to IDNOs or back to the incumbent. ICPs are leaner organisations and thus able to offer very competitive terms for installation of apparatus to agreed standards. Many ICPs are also multi-utility contractors and can install all the connections within the same scope which provides for opportunities for cost savings through economies of scale.

#### 5. Council tax precept

- 15.16 Council tax precept is an addition to council tax which could be levied for either a specific project or an infrastructure investment programme as a whole.
- 15.17 Although council tax is traditionally paid to support the provision of services within the local areas, there are examples of the introduction of a council tax precept to support infrastructure developments including in Greater Manchester to support Metrolink extensions and Greater London to support the London Olympics. Furthermore, an Adult Social Care Precept, which supports adult social care services has been introduced across England in recent years.
- 15.18 There is likely to be significant challenge in obtaining support to increase council tax since it affects most residents in the borough. Many residents may feel that they will not be able to benefit from service or facility provision if they do not regularly use it. Council taxes tend to disproportionately impact the most vulnerable in the community and therefore are likely to be unpopular. A referendum will be triggered if an authority proposes a council tax increase above the national threshold.
- 15.19 Implementing a precept would require working with major precepting authorities such as Essex County Council.

#### 6. Tax Increment Financing (TIF) Option 2 and bonds

- 15.20 In England, local authorities have normally borrowed from the Public Works Loan Board in recent decades, at favourable rates of interest. There has been recent exploration of alternative sources of borrowing. In 2013/14, the Government introduced Tax Increment Financing (TIF) schemes, founded on the Business Rates Retention Scheme. TIF is a funding mechanism by which local authorities borrow money to fund major development projects; this is repaid using business tax revenues generated by the new or improved infrastructure. It is also possible for a local authority to issue bonds as part of a TIF process.

- 15.21 Under schedule 1, paragraphs 39-41 of the Local Government Finance Act 2012, there are two options for the implementation of TIF: under the first TIF option, local authorities would borrow against their income within the Business Rate Retention Scheme (therefore not strictly TIF). Under the second option, local authorities would be able to borrow against the business rates revenue in specific geographical areas (such as Enterprise Zones) in which they would retain 100% of the growth in revenue. These areas would not be subject to the levy or reset for a defined period of time. The two options involve borrowing against different elements of retained business rate revenue. The second option was initially referred to as 'TIF2' and later rebranded as 'New Development Deals' in July 2012.
- 15.22 Use of TIF must satisfy two conditions; the project must demonstrate: 1- the need for regeneration and 2- that there is no suitable alternate funding source to replace the projected TIF income.
- 15.23 The implementation of TIFs, however, can be complex. TIFs revenue is contingent upon the economic environment of the project and the projected increase in business rates, which may lead to volatile and risky revenue flows exposing the local authorities to repayment risk in the event the business rates don't materialise. TIFs are therefore only likely to be suitable where substantial business rate growth is a realistic prospect. An appraisal of the tax base in Brentwood Borough would need to be undertaken. If this is likely to be relatively modest, the level of TIF proceeds may be limited.
- 15.24 In the UK, a number of authorities have benefited from TIFs including Manchester, Newcastle, Nottingham and Sheffield. Another example is Warrington Council, who in August 2015, issued £150 million in bonds, with a 40-year repayment period. The majority of the funding is to be used to redevelop Warrington town centre; the council seeks to repay the bonds via the proceeds from this redevelopment, whether in the form of business rates revenue, or the sale and rental of the properties in question.

## 7. Business Rate Supplement

- 15.25 The Business Rate Supplements Act 2009 enables levying authorities i.e. County Councils or Unitary District Councils, to levy a supplement (subject to a ballot) on the business rate to support additional projects aimed at economic development of the area. Business Rate Supplements (BRS) are not applicable to properties with a rateable value of £50,000 or below, and authorities have discretion to increase that threshold.
- 15.26 Since a BRS can only be implemented by County Councils or Unitary Authorities, it is not possible for Brentwood Borough Council to directly enact a BRS. However, given the strategic nature of several borough infrastructure requirements, there may be merit in engaging with Essex County Council to explore this option. This mechanism has been used by the Greater London Authority to invest in Crossrail, and it may be used by other authorities with levy business rates to investment growth enhancing projects.

## 8. User Fee / Toll Collection

- 15.27 User fee and toll collection are both a charge to the users of a facility, such as road, bridge, tunnel tolls or congestion charging; this could also include rentals under the Council owned housing stock.

15.28 On their own, user fee or toll collection may be insufficient to cover the cost of investment in the upfront infrastructure; however, they are suitable for certain provision, for example those that are traditionally revenue generating such as public transport fares or housing rental income. In those areas, this type of funding may be viewed as more efficient and fairer system when compared with public funding sources since the cost of a project is mostly borne by the beneficiaries and users. Specifically, in relation to housing, where applicable, the Housing Revenue Account (HRA) can be used to borrow against rental income in order to build new homes.

## 9. Crowdfunding

15.29 Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture. This may be received in the form of a donation, or of an investment upon which a return is expected. Crowdfunding makes use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together.

15.30 Compared to many more traditional funding avenues, crowdfunding is a relatively new way in which to finance Infrastructure. In recent years, crowdfunding has been used to seek investment in infrastructure, in particular social infrastructure. Websites such as Spacehive have gained notable ground in this area and funded a number of projects across Europe and the UK.

15.31 Crowdfunding is most suitable for projects where there is an obvious benefit for the donor/investor. This often means that those projects that are socially focussed (e.g. community facilities) elicit the best response rate. Other examples may be public art related. Whilst these routes may elicit the best response rates from donors/investors, that is not to say that other forms of infrastructure are not eligible for crowdfunding, however the relatively long lead-in times for many infrastructure items can frustrate donors/investors and result in a waning of interest, with corresponding dip in funds.

15.32 It is envisaged that eligible projects would primarily be socially focussed infrastructure where there is a community-based incentive to donate.

15.33 There are three main crowdfunding routes:

- a. Donation/Reward Crowdfunding: People invest simply because they believe in the cause. This may include some form of recognition or acknowledgement (such as a name being inscribed on the final product), however donors are principally motivated by either social or personal reasons.
- b. Debt-crowdfunding: This model, also known as peer-to-peer lending, provides a model to connect multiple investors with particular projects and has had some modest successes in disrupting the traditional lending model utilised by banks. Investors usually receive their money back with interest, and has the benefit of allowing investors to support projects they particularly believe in.
- c. Equity Funding: Similar to the debt-based crowdfunding, investors invest in the projects they believe in, however their financial contribution buys them equity in a project. In basic terms, if the project succeeds, the value of the equity purchased at investment stage increases.

15.34 The Council should work with stakeholders and/or community group to assist with the administration of donations raised.

## Next steps

### Further study

- 15.35 It is acknowledged that there are some gaps in information which, if addressed, would provide a more robust study, for example:
- a. Further work on the phasing of transport and highways infrastructure required to support growth;
  - b. Comprehensive Green Infrastructure strategy; and
  - c. More detailed option and cost analysis is required in relation to final healthcare infrastructure projects.

### Actions

- 15.36 For major and complex infrastructure, especially those with wider cross-boundary impacts, putting in place an effective funding package can only be achieved once a clear set of projects and programmes has been identified, which then allow the Council to go through a process of identifying which additional funding sources are most appropriate depending on:
- a. Project and programme specifics;
  - b. The role of the Council and service providers (Essex County Council, Highways England, etc) in terms of project management and programme delivery;
  - c. Potential economic impact from introducing those funding mechanisms; and
  - d. Extent to which statutory mechanisms are available and whether the Council has the vires to implement funding mechanisms.
- 15.37 The Council is in discussion with relevant stakeholders regarding the delivery of infrastructure and mitigation. Examples of this are shown through the South Brentwood Growth Corridor Sustainable Transport Vision work and discussions with developers and service providers. A range of sustainable transport measures are proposed in the corridor and discussions are taking place about how to apportion costs, as referenced above. The detail of this joint working is informing the viability of development and resolutions are to be provided through Statements of Common Ground.