Manchester City Finance Lab Report

Financing and managing new green spaces in the Northern Gateway

March 2021 - V1.2

Image credit: Provided by MCC

Climate-KIC is supported by the EIT, a body of the European Union

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Contents

Executive Summary	4
Introduction	10
Governance and Delivery	13
Revenue streams	30
Next steps	38
Transferable tool	40
References	42

Executive Summary

Image credit: Provided by MCC

Background

Manchester City Council (MCC) is driving forward proposals for the Lower City River Park as majority landowner and member of the Northern Gateway Joint Venture, established in partnership with Far East Consortium.

MCC has recently received notification that it has been successful in a Housing Infrastructure Fund (HIF) bid to Homes England that includes plans to enhance the existing landscape. LCRP will have c.£10million of capital works undertaken to transform the existing green space. MCC is now progressing with the early stage of proposals.

The newly designed landscape and community infrastructure will require additional resources to cover management and maintenance. This additional cost will be essential to protect the HIF investment, and to ensure that the newly designed landscape meets its full potential for people and wildlife over the development phase and beyond. This project, supported by the City Finance Lab, looks at appropriate revenue streams and governance arrangements that can ensure the long term viability of these new assets.

Governance options

MCC is exploring options for the management of its greenspace to find the best solution to maximise opportunities for communities, and that minimises its exposure to any increase in costs attributed to a new and enhanced landscape at Northern Gateway.

MCC has confirmed that it will retain freehold interest of all land it currently owns being brought forward for development under the JV with Far East Consortium.

All other management options are to be considered when assessing how best to secure long-term management and maintenance. These have been broken down as

Manchester City Council In-house

MCC to include LCRP within its portfolio of sites and manage directly via parks department and/or externally appointed contractors.

Management Agreement

MCC to enter into a management agreement with an external organisation/s to deliver management and maintenance of the LCRP site. This could include MCC appointing more than one body and still retaining some management duties itself.

Leasehold Transfer

MCC to transfer the leasehold to an external organisation/s for part, or, all of the LCRP site. This is likely to be for a term sufficient for an external body to be able to commit its own resources to secure long-term benefit.

Wider Opportunities

In addition to LCRP there is a significant amount of green space to be created within Northern Gateway. The City Finance Lab working group/partnership is keen to explore how these additional areas could be included within a governance structure used at LCRP and potentially expanded across the region.

Delivery Structures

Since the last significant economic downturn, local authorities have been under increasing pressure to look at ways to reduce budgets in response to cuts to public sector resources. This includes outsourcing services, to reduce the cost of managing and maintaining greenspaces, to the more extreme measure of transferring assets.

One option that has become increasingly popular over recent years is the formation of a 'Foundation' or 'Trust' to reduce the financial burden on local authorities in maintaining their open spaces. Foundations bring added value and work alongside, rather than replace, existing active groups, such as 'friends of' and other community led initiatives. Whilst some foundations charitable objectives reference the ability to manage land the primary purpose of foundations is to work collaboratively with landowners and partners to realise the true benefit of greenspaces.

The establishment of trusts enables the transfer of obligations of land ownership with the disposal of sites via freehold or a long-term lease. The establishment of trusts have become increasingly popular as traditional routes of land disposal under a local authority transfer are not always possible.
A trust would be established as a registered charity and private limited company.

Management partnerships can deliver added value, as well as directly manage and maintain sites. Examples given within the case studies include partnerships established and hosted by local authorities and financially supported in part via contributions from the public sector. The direct management of sites often focus on land that requires specific needs, such as a specialist management regime that falls outside of a local authority experience/contract.

Revenue Streams

Endowments - Recommended

An endowment is a protected capital sum invested to generate returns for in perpetuity funding. Income from the endowment, which increases at least in line with inflation, pays for the cost of maintenance of the LCRP, including capital replacements.

Land Trust works on a stable annual return of about 4%. They shared three case studies with us of sites that are managed with income from endowments, namely Port Sunlight, North West, Countess of Chester and Avenue washlands, Midlands.

Further examples that are valuable for the LCRP case is the Milton Keynes Parks Trust and the Nene Park Trust in Peterborough.

The Parks Trust Milton Keynes (most recent annual accounts) - most recently reported holding a £112m endowment fund which yields ~ £0.8-1.8 annually (0.75 - 1.5%). They also hold a £143m investment fund.

Leaseholds / service charge - Recommended

This topic is covered with case studies below, however to reiterate the dimensions for LCRP and the Northern Gateway development the following may apply.

Estate service charge levied on residents is accepted as a means to pay for the management and maintenance of the public realm. The level of service charge has to be fair and reasonable and not impact on marketability of homes.

Land Trust also shared three case studies of recent sites that are funded in part by leasehold fees, Beaulieu, Chelmsford, Waverley, North East and Upton, Northampton.

Income generation - Supplementary

The Manchester Business School report estimates that £75k pa could be achieved through this source of revenue from year 7 (after completion) onwards. The PlanIT vision for the LCRP identifies a range of income generating options across the 7 parks and estimates an annual income of £700k might be achievable.

Whilst it is certainly viable to generate a level of funding through businesses operating and activity licences for example for cafe, food stall and fitness trainer businesses based within LCRP it is not clear there is a capacity or demand that would lead to a high level of revenue.

Grants and donations - Supplementary

Some of the above case studies include an element of grant income, although this source tends to support additional social and environmental outcomes in line with foundation and charitable aims. This source could be considered for added value activities including forest schools, ranger/warden programmes for environmental education.

This revenue source links most closely with a trust, foundation or other 3rd party arrangement with the Local Authority that allows access to grant funds.

We are still awaiting information on grant sources from several of the above case studies and will complete a comprehensive list of those sources of grant funding that could be the most appropriate for LCRP.

- Denise Coates Foundation
- Heritage Lottery Fund
- The Coalfields regeneration Trust
- Comic Relief
- The People’s Health Trust

Case Studies

Eight case studies have been reviewed to support the research and help to arrive at the following recommendations and conclusions. The case studies are listed here and more details can be found in the full report:

Management Agreement - Partnership

1) Blackwater Valley Countryside Partnership and Trust
2) Kent Countryside Management Partnership

Foundation

3) Bournemouth Parks Foundation

Leasehold transfer - Service charge and commuted sum

4) Kidbrooke Village
5) Prince Philip Park

Endowment

6) Nene Park Trust
7) Land Trust
8) Urban Green

Recommendations

An assessment of LCRP and other Northern Gateway greenspaces, set against the red lines identified by MCC, indicate a significant liability in the form of shortfall in funding to meet the annual costs identified by Planit.

The two forms of funding that can plug this potential gap are endowment and estate service charge contributions. Set against the type of landscape being proposed and the annual cost identified by Planit, it is recommended that MCC take forward a hybrid funding solution for the Northern Gateway greenspaces that include both endowment and service charge contributions.

It is recommended that any 'strategic' greenspaces that potentially serve to benefit a larger population beyond service charge contributing residents is considered as endowment funded land. These spaces are not the high cost and high maintenance areas of formal public realm and amenity space but the type of landscape typology currently managed by MCC and environmental bodies. These areas can be explored under management in-house, or through a management agreement or lease arrangement to third party.

The level of endowment should be sufficient to enable the responsible body to manage risk and liabilities although kept to a level that does not impact on viability of the development scheme. If an endowment is not an option for such areas, and it is deemed fair and reasonable for residents to contribute towards costs, then it is recommended that these areas be considered under direct management by MCC and/or partners with an annual service charge contribution. The amount of contribution would be set out within estate service deeds with the appointed Management Company required to collect and transfer these funds. If other forms of revenue funding are secured to manage strategic land then the cost to residents will be removed from the annual budget although the legal ability to secure a contribution is retained.

It is proposed that areas of formal public realm, amenity space and community infrastructure that directly benefit residents at Northern Gateway should be considered for inclusion under an estate service charge regime. These spaces are often more costly to manage with higher specification of infrastructure and greater frequency of maintenance.

The establishment of a structure to enable a Management Company to collect and administer estate service charges should be fully considered at the outset of the development to ensure that the key design and management principles are secured across the Northern Gateway site. There should be a coherent and joined up approach to each development platform to ensure consistency with management and maintenance so that the site functions and performs as a whole, and not as individual developments.

Whilst revenue generated from other on site uses and activities is not likely to provide any significant levels of secure funding it should still be explored to capture added value that cannot be funded under a service charge regime, and to reduce the financial burden on residents.

What to do next

MCC and FEC now need to review and confirm which of the delivery structures and revenue funding options identified are most suitable for LCRP and other Northern Gateway greenspaces.

Once a preferred way forward is confirmed the structure of a delivery vehicle/s can be set out in more detail based on the case studies provided. This should be developed alongside any viability assessment and legals for the Northern Gateway site to ensure they form part of the overall consideration for the scheme.

Specific attention should be paid to the land and commercial assets available to MCC and FEC that could be allocated towards the necessary endowments to part fund operations and maintenance. Indeed a contribution into an endowment pot that serves to reduce the levels of leaseholder charges making units more marketable could be a commercially attractive option.

It is recommended that modelling of an indicative endowment and service charge model, using current greenspace estimates, is undertaken to identify costs of management and maintenance over the development phase and on completion. Various options can be considered for long-term funding that include allocating certain greenspaces and community assets to a funding type, along with specific activities, such as sinking funds for capital replacement, to be isolated from service charge budgets.

The modelling will identify voids for management and maintenance of greenspace coming forward over the development phase. This will identify a strategy for transfer based on developer contributions and when numbers of built and sold homes is sufficient to fund the costs of management and maintenance of greenspace allocated to a development platform.

The preferred governance and funding model can then be explored for its suitability as a 'transferable tool' for capturing new greenspace opportunities, as these come forward across the region.

Summary Of Issues To Consider Pre Legal Negotiation

- Endowment level
- Leaseholder charge
- Phasing

Introduction

Image credit: Provided by MCC

Background

Proposals for Northern Gateway include an exciting opportunity to enhance a significant area of open space directly to the north of Manchester City Centre. The vision held for the 155 hectare development site has high quality green and blue space along with significant community facilities supported by over £1 billion of investment to provide 15,000 new homes over the next 20 years.

Proposals include a new strategic enhancement of greenspace located alongside the River Irk, as part of a network of new and improved parks and open spaces running through the heart of the development site.

Image - GrowGreen park at West Gorton

The Northern Gateway Joint Venture has now committed to bring forward a significant enhancement of existing parkland on land owned by Manchester City Council. Lower City River Park (LCRP) will provide residents at Collyhurst, Smedley and Monsall with a new landscape that is designed to provide clear benefit to people and wildlife as part of a network of connected open spaces along the River Irk.

The newly designed landscape at LCRP will create an environment that is rich in wildlife, protects businesses and lives by affording greater flood protection, and is a safe space to be used by all.

LCRP will provide new and improved habitats for wildlife, increased flood storage and a space for people to use and enjoy. Specifically, these proposals will include riverside enhancements to the River Irk, 46ha of green spaces including habitat for biodiversity gain, a resilient landscape that can adapt to climate change, and a functional space for people to use and enjoy.

LCRP and the wider greenspace network will link together development platforms across the Northern Gateway site, supporting the principles of placemaking that are fundamental to development proposals for the 7 new neighbourhoods.

Housing Infrastructure Funding (Hif)

Manchester City Council (MCC) is driving forward proposals for LCRP as majority landowner and member of the Northern Gateway Joint Venture, established in partnership with Far East Consortium.

MCC has recently received notification that it has been successful in a Housing Infrastructure Fund (HIF) bid to Homes England that includes plans to enhance the existing landscape. LCRP will have c.£10million of capital works undertaken to transform the existing green space. MCC is now progressing with the early stage of proposals.

The newly designed landscape and community infrastructure will require additional resources to cover management and maintenance. This additional cost will be essential to protect the HIF investment, and to ensure that the newly designed landscape meets its full potential for people and wildlife over the development phase and beyond.

The challenge set by MCC is to capture revenue generating capacity of the newly enhanced LCRP to ensure that, as landowner, it is not left with a significant increase in cost of management and maintenance of an enhanced asset.

Management & Maintenance

MCC is fully supportive of the proposed improvements to its open space at LCRP although officers have made clear that any capital works must be supported by a sustainability assessment as regards to viability of long-term management and maintenance.

MCC appointed Manchester Business School to undertake a high-level review of the predicted costs of managing the new landscape at LCRP. These costs have been used to set a baseline for annual expenditure from which a potential shortfall in finances has been identified.

To help bridge this funding gap, MCC has started to consider opportunities for generating revenue from the land, as a contribution towards costs of maintaining the asset, and, identifying potential funding mechanisms and governance structures that could best support ongoing management.

City Finance Lab

MCC and partners successfully submitted a bid to City Finance Lab for funding to provide consultancy support to assist with identifying options for the management and maintenance of LCRP and scoping out delivery structures that could be expanded across the region.

The project title is “A Place-based investment approach to financing the creation, management and maintenance of new green infrastructure within city regeneration and development projects for climate adaptation”

The study area is the ‘Northern Gateway’ development in Manchester, but all findings should be replicable to other European city regeneration projects.

City Finance Lab is funding a review of potential revenue generating opportunities for green space at LCRP, along with options for governance structures. This scoping exercise is intended to be used by MCC to assess options for landscape design, site use and long-term delivery structures.

The revenue and governance assessments for LCRP will also be explored as regards to green space management across the region, with a structure that could be used as a model to secure more sites in the future as opportunities present themselves.

Governance and Delivery

Image credit: Provided by MCC

Governance

MCC is exploring options for the management of its greenspace to find the best solution to maximise opportunities for communities, and that minimises its exposure to any increase in costs attributed to a new and enhanced landscape at Northern Gateway.

Land at Angel Meadow and Queens Park has also been identified for potential inclusion within the management structures to be considered.

MCC has confirmed that it will retain freehold interest of all land it currently owns being brought forward for development under the JV with Far East Consortium and at Angel Meadow and Queens Park.

All other delivery structure options are to be considered when assessing how best to secure long-term management and maintenance. These have been broken down as

Manchester City Council In-house

MCC to include LCRP within its portfolio of sites and manage directly via parks department and/or externally appointed contractors.

Management Agreement

MCC to enter into a management agreement with an external organisation/s to deliver management and maintenance of the LCRP site. This could include MCC appointing more than one body and still retaining some management duties itself.

Leasehold Transfer

MCC to transfer the leasehold to an external organisation/s for part, or, all of the LCRP site. This is likely to be for a term sufficient for an external body to be able to commit its own resources to secure long-term benefit.

Wider Opportunities

In addition to LCRP there is a significant amount of green space to be created within Northern Gateway. The City Finance Lab working group/partnership is keen to explore how these additional areas could be included within a governance structure used at LCRP and potentially expanded across the region.

For the purposes of this review and assessment of governance structures for LCRP, the additional land at Northern Gateway will not be subject to a detailed analysis of costs and revenue generating potential. It will though be considered as part of governance and funding options.

Delivery Structures

Since the last significant economic downturn, local authorities have been under increasing pressure to look at ways to reduce budgets in response to cuts to public sector resources. This includes outsourcing services, to reduce the cost of managing and maintaining greenspaces, to the more extreme measure of transferring assets.

One option that has become increasingly popular over recent years is the formation of a 'Foundation' or 'Trust' to reduce the financial burden on local authorities in maintaining their open spaces.

Foundations bring added value and work alongside, rather than replace, existing active groups, such as 'friends of' and other community led initiatives. Whilst some foundations charitable objectives reference the ability to manage land the primary purpose of foundations is to work collaboratively with landowners and partners to realise the true benefit of greenspaces.

The establishment of trusts can enable a transfer of obligations of land ownership with the disposal of sites via freehold or a long-term lease. The establishment of trusts have become increasingly popular as traditional routes of land disposal under a local authority transfer are not always possible.

A trust would be established as a registered charity and private limited company.

Management partnerships can deliver added value, as well as directly manage and maintain sites. Examples given within the case studies include partnerships established and hosted by local authorities and financially supported in part via contributions from the public sector. The direct management of sites often focus on land that requires specific needs, such as a specialist management regime that falls outside of a local authority experience/contract.

There are a range of management and delivery options for MCC to consider that fall under the three main governance headings set out earlier in this paper.

Examples of delivery structures that fall under each governance heading are set out below. These include an assessment of the positives and negatives of each approach followed by a selection of case studies. Recommendations and next steps are then set out at the end of this section.

Manchester City Council In-house

MCC is currently undertaking an internal review of the costs of managing LCRP. Planit-IE has provided expected costs of managing and maintaining all Northern Gateway greenspace and community infrastructure as part of a landscape design and assessment exercise.

The internal MCC costing exercise will be based on a per hectare comparison of similar land currently managed by the parks department.

Once this costing exercise has been completed it will feed into an assessment of revenue generating opportunities and viability assessment of the proposed enhancements compared against each governance structure.

Feedback from internal discussions has confirmed that MCC will retain freehold ownership of land held under the Northern Gateway JV.

MCC has confirmed that it does not intend to take on the management and maintenance of the enhanced landscape and resource works from the existing parks budget.

There will need to be some agreement in place to meet the long-term funding of the proposed landscape.

Pros -

- Retain complete control over all land
- In-house departmental expertise to assist with all aspects of land ownership
- Economies of scale provided by existing portfolio of land and resources to manage and maintain
- Costs exclusive of VAT
- All funding can be directed to the site without loss of third party management fees
- Existing networks of partners and volunteers
- Opportunity to create significant benefit for new and existing communities providing improvements to health and environment

Cons -

- Costs of management and maintenance to transfer to MCC
- Outstanding obligations and liabilities attached to land to transfer to MCC
- Land and infrastructure to transfer will include formal public realm and an enhanced landscape that will be more costly to manage and maintain
- Level of use and associated levels of wear and tear will significantly increase with footfall as the development phases are completed

Management Agreement

MCC could enter into a Management Agreement (MA) for land under its freehold ownership. There are different options relating to the organisation/s that it could appoint under such an agreement and some of these are set out below.

Existing Organisation

The most straightforward route for such a transfer would be to secure an agreement with an established body operating in the locality.

Pros –

- Proven track record in the locality with existing networks established across communities and public, private and third sector

- Economies of scale through an existing set-up with staff and technical land management experience

- Transfer of management responsibilities whilst retaining freehold interest

Cons –

- The terms of MA might include full cost recovery without any external contributions factored in

- The body entering into the MA might prioritise sites within their existing land portfolio

- Potential for conflict of submitting bids to funders for multiple sites under management

- MCC will lose some control of site and how it is to be managed and developed

- Likely that MA only a short-term arrangement with a break clause leaving transfer back to MCC with potential funding gap

- Is there an existing organisation that meets all the objectives proposed for the City River Park? Any organisation would prioritise activities set out within its memorandum and articles of association

- Would an organisation seeking to manage River City Park also be suitable for wider green space opportunities that would benefit from economies of scale of managing multiple sites.

Management Agreement - Existing organisations

The following list provides examples of some of the organisations operating across the region that could take a direct role, or assist with management and maintenance of the greenspaces at Northern Gateway via a management agreement.

The organisations are not an exhaustive list and only serve to provide examples of some of the bodies that could play a role with greenspace delivery and management.

If MCC decides to outsource some of the management to a third party then a full and comprehensive list can be provided once the proposed landscape type and proposed end use is confirmed.

City of Trees - https://www.cityoftrees.org.uk/

Groundwork Greater Manchester

- https://www.groundwork.org.uk/hubs/greatermanchester/

The Wildlife Trust for Lancashire, Manchester and North Merseyside - https://www.lancswt.org.uk/

TCV - https://www.tcv.org.uk/north/

Management partnership/foundation

Each of the management partnership case studies illustrate varying levels of public sector devolvement instigated by the lead local authority in response to a particular issue. LA's will often retain a role as a member of the partnership that can also include other local authorities, county/combined authority, district and town/parish and independent separate private.

Management Partnership

Pros -

- Much easier to employ staff through a local authority due to back-office functions e.g. HR

- Access to other services from host such as auditing, legal if required

- Partnership owns the main practical equipment. Able to share equipment with host and other partner, volunteers, thereby reducing costs
- Strong links to each partner authority allows access to and exchange of expertise & knowledge
- Purchases by local authority partnership exempt from VAT. Spend and projects directed through partnership can reduce costs
- The trust able to access funds not available to a local authority, e.g. lottery funds, or easier to obtain e.g. from local businesses, can support partnership projects
- Partnership allows any excess income raised each year to be held as dedicated reserve, local authority units e.g. countryside ranger teams often don't have this facility
- Trustees provide extra expertise and dedicated volunteer time (unpaid staff)
- Trust has membership, shows support for work helps spread works, getting messages out to community
- As many partners contribute financially it prevents one organisation pulling funding overnight
- Trust can support other bodies e.g. individual partners, volunteer groups etc

Cons -

- Extra organisation for 2 bodies AGM's, reports etc. can be considerable burden as partnership itself requires more admin than a local authority ranger service answering to a single authority
- Despite signing up to a vision and regional approach each partner often wants to see action in its own area each year
- Potential confusion between two groups, more an issue for staff and trustees than public
- Needs fair amount of active co-ordination between the two bodies to keep to agreed priorities – who does what
- Partnership suffers from lack of capital investment from partners as each concerned other may pull out in future
- Trust is independent organisation so does not have to support partnership priority projects, may have other priorities even if these are in line with broader partnership aims
- Trustees often have individual interests and priorities so can be pulled in different ways, take on too many at once

Case Studies - Management Partnership

A lead local authority often acts as host, employs staff, provides accommodation, line management, and backup services.

Case Study 1 - Blackwater Valley Countryside Partnership and Trust

Structure - Blackwater Valley Countryside Partnership and Blackwater Valley Countryside Trust

Host organisation - Hampshire County Council

Members of Partnership - No maximum number and the minimum number of members of the Council shall be seven. The Council shall include no more than one representative from one of the local authorities located in the defined project area.

Trustees of Trust - Chair, treasurer and 5 further trustees

Established - 2006

Website - BVCT - https://www.bvct.org.uk/

In practice the BVCP partnership manages sites on behalf of some partners and other bodies, and carries out projects. The trust has the main public engagement role, organising walks and talks, social media etc.

Local site-based volunteer groups help manage sites supported practically e.g. staff on site, equipment loans by the partnership and financially by the trust.

Case Study 2 - Kent Countryside Management Partnership

Structure – Originally nine unincorporated not for profit organisations with a Memorandum of Agreement and a Steering Group. Geographical area covering Kent and London Borough Bexley. Number of partnerships since reduced with merging of areas.

Host organisation - Kent County Council led on the establishment of the KCMP with each partnership hosted or based with a local authority or charity within their geographical area (to check).

Members of Partnership - Kent High Weald Countryside Partnership, Kentish Stour Countryside Partnership, Medway Swale Estuary Partnership, Mid Kent Downs Countryside Partnership, Medway Valley Countryside Partnership, North West Kent Countryside Partnership, Romney Marsh Countryside Partnership, Thanet Coast Project, White Cliffs Countryside Partnership

Established - Partnerships formed from 1980s

Website - https://kentcountrysidepartnerships.org/

9 local management partnerships established under the Kent Countryside Partnership umbrella.

Each partnership is an unincorporated not for profit organisation with a Memorandum of Agreement and a Steering Group made up of main funding partners.

CMPs have a strategic co-ordinating group which includes the Chairs of each CMP and key strategic partner organisations.

Countryside Management Partnerships help manage habitats and landscapes, and link communities to those areas. Their work includes:

- Helping communities conserve landscape features and wildlife habitats
- Managing special habitats in Kent, such as chalk grassland and lowland meadows
- Providing volunteering opportunities for people of all ages
- Working with landowners and local communities to raise funds for projects
- Working with local communities and Kent's public rights of way department to improve access and recreation
- Encouraging landowners to play a positive role in enhancing the Kent countryside
- Site visits, talks and presentations
- Working with schools and youth groups

Foundation

The structure of a foundation is not restricted to one form and the pros and cons listed against management partnership might also apply. The following list is specific to the establishment of a foundation.

Pros –

- Not for profit body that focuses investment and funds in supporting the enhancement of greenspaces
- Able to apply to funders that might not be directly accessible to MCC
- Flexible in size and area of focus
- Bring added value to parks and greenspaces that builds on MCC investment securing financial and voluntary investment as an alternative to traditional management regimes

Cons –

- MCC would retain its obligations as landowner requiring commitment to management and maintenance of LCRP
- Any funding attracted likely to be focused on generating added value only
- MCC will likely see an increase in costs required to manage and maintain the enhanced site
- The foundation would likely require financial contribution across early years until it becomes financially sustainable

Case Study - Foundation

Case Study 3 - Bournemouth Parks Foundation

Bournemouth Parks Foundation has been established to bring added value to open spaces, working alongside the local authority that maintains a lead role in landscape management and maintenance.

The creation of this foundation is not to take on the obligations and liabilities of the local authority that retains its role with managing its greenspaces.

Structure – Independent Charity

Host organisation –

Trustees – 7 trustees with membership including 2 from the LA

Staff – 5 members of staff including a foundation manager and fundraiser manager with 3x project based employment

Website – https://www.bournemouthparksfoundation.org.uk/

Leasehold transfer

The transfer of assets via a leasehold arrangement can enable landowners to be released from their obligations. This can be of particular interest to bodies bringing forward residential led development where ongoing management and maintenance is something that they do not want to retain.

In most cases, the transfer of land under a long-term lease is accompanied by a contribution and/or mechanism to access funds to pay for the upkeep of land and buildings that are required to be maintained under an agreement.

For land linked to residential development, as at Northern Gateway, contributions to deliver specific activities could include an endowment, in the form of cash or property (commercial and residential), and/or service charge levied on residential and/or commercial property.

The funding mechanism and level of contributions will be dictated by a number of issues that include, risk attached to the land and viability of the scheme.

Some of the issues that need to be understood early on when considering delivery structures and funding solutions include:

Landscape typology

- Use – does it provide clear benefits to contributing residents and not open to service charge dispute
- Habitats and species – low cost high value e.g. wildflower meadow v. amenity grass
- Maintenance – simple solutions minimising over-engineered features

Landscape design

- Specification – functionality v. cost
- Features – appropriate to ongoing use
- Location – minimise anti-social activities and H&S risk
- Frequency – increased footfall and longevity of items over development phase

Viability

- Marketability - service charge at a level that does not impact on unit sales
- Modelling – returns based on long-term investment strategy English Partnerships best practice note 3.5% returns and growth in line with inflation

Legal

- Suitability – does all land, buildings and activities fit within allowed expenditure
- Funds – unrestricted and restricted
- Review – changing position on service charge regimes

As previously discussed in this paper, the approach that all land surplus to development is adopted by local authorities and paid for by council tax is not an option for housebuilders. Some parish councils actively seek to acquire more land and infrastructure although this is often limited to their capabilities and funds collected under a parish precept, rather than a complete disposal of all land and infrastructure.

The most common approach for residential led development is to transfer the management and maintenance of the land to a management company (ManCo). How this transfer is structured is fundamental to the success and sustainability of those new communities that the ManCo serves.

The law relating to leasehold properties and service charge is bound by the Landlord and Tenant Act 1985 that sets out a framework within which management companies must operate. This provides some level of security for homeowners as regards to conduct of the appointed ManCo. The same legal provisions do not apply to freehold properties that are required to contribute towards a service charge regime.

The land allocated as greenspace that comes forward under development is often subject to a phased transfer over the life of the development. The triggers for transfer can relate to bought and sold numbers, or, as each parcel is signed off post defects. In the event that the land transfers before sufficient units are contributing service charge, the developer will usually be required to pick up the voids until the number of contributing units are sufficient to pay for ongoing management and maintenance.

How the greenspace is to be dealt with needs careful consideration with a clear and agreed strategy set out well in advance of appointment of a preferred development partner. If this is not effectively dealt with at the outset, it is unlikely that a suitable structure can be fitted retrospectively.

The phasing of land transfer over the lifetime of the development will be a balance of greater developer contributions set against an established and mature environment leading to improved sales and higher land values of future phases. Schemes that have benefited from bringing forward greenspace establishment prior to first occupation have been included in the leasehold case studies.

Other means of lease hold transfers linked to large residential developments include the formation of trusts with the gifting of assets to generate funding to maintain land and infrastructure.

Examples of trusts that have been created for this specific purpose include Nene Park Trust and Milton Keynes Trust, both established by a development corporation to ensure the long term security and quality of open spaces created for the benefit of new communities created. The formation of both these trusts were a key part of development proposals and were accompanied by a gifting of endowments (cash and property) to ensure adequate resources were provided to support long term management and maintenance.

The National Trust and Land Trust are two examples of trusts that operate nationally with the Land Trust having established itself within the residential development sector as a body that can own land and administer service charge.

If the establishment of a trust is the preferred option it is essential that the legal structure and financial resources are identified as part of the development decision making process and not dealt with separately, or delayed until the final stages of proposed extrication.

The charitable aims of the trust would be written to be in line with development partnership aims and set out clear areas of work and activities to ensure that the scope and remit of the charity fits with the vision.

Pros –

- Transfer of obligations and liabilities attached to land
- Terms of lease can include covenants and clawback/breaks that enable a mechanism to enforce obligations and standards
- Retain some level of control at arms length to avoid getting drawn into day to day issues of management and customer relations

Cons –

- Terms of leasehold transfer to an existing organisation will need to be consistent with their mem & arts
- Creating a trust to take a leasehold transfer of greenspace will require significant resources out the outset to establish the organisation
- A break in the lease could result in MCC having reduced financial resources to manage the greenspaces

Case Studies - Leasehold

Case Study 4 - Service charge and commuted sum (Kidbrooke Village)

Site **Kidbrooke Village** Developer **Berkeley Group** Location **Greenwich, SE London**

Kidbrooke Village is a residential led regeneration scheme on Local Authority owned land.

The site, decommissioned as an RAF base after WWII, was developed as the Ferrier Estate in 1968 by the LCC and was deemed the height of post modern brutalist architecture. The site fell into disrepair in the 1980s and became a sink estate.

Royal Borough of Greenwich appointed Berkeley Group under OJEU in 2004 to work in partnership to bring forward four new distinct neighbourhoods that form a single community.

Housing gap funding of c.£40 million was provided by Greater London Authority with state aid funding directed to private and affordable homes.

To date, c.2,000 homes have been delivered of which 773 homes are affordable. Current permissions will see up to 5,000 homes built. Proposed numbers have increased with extended applications seeking higher density of housing to that identified within the original consent.

High quality public realm is seen as a critical part of the success of the development with landscaping running through the heart of the development, connecting key infrastructure e.g. Kidbrooke train station to the wider scheme.

Grant funding was secured to enhance Sutcliffe Park along with improvements to leisure facilities on neighbouring land. This investment was separate to the housing scheme and contributions provided by Berkeley Group and has provided significant added value to the area and stimulus to creating a better place.

A decision was made early within the development to knock down all areas of the former Ferrier Estate, rather than a phased approach to demolition. Bringing forward demolition was due to mortgage lenders refusing to lend on new properties and partners decided that a new image, distanced from previous estate, was required to stimulate the market and remove issues of borrowing.

It was also decided to bring forward the establishment of green space with an enhanced and mature landscape in place during the first initial phases of the development.

Berkeley Group is required to cover the capital outlay of establishment of open space and community assets and to pay for voids in costs of management and maintenance. The higher initial outlay in costs to bring forward the establishment of quality greenspace is seen to be offset by the positive impact that this has had on land value and marketing of the development.

Land owned by Royal Borough Greenwich is transferred to Berkeley to undertake the development and on completion the open space will be transferred back to Royal Borough Greenwich. The transfer back of land is likely to be accompanied by an endowment although this has still to be agreed between parties.

Service charge is collected for the costs of upkeep of open space and communal areas and is administered against all properties, including affordable homes. There is no cap applied to the service charge levels.

The management of strategic green space and wildlife areas is undertaken by the London Wildlife Trust (LWT). It is understood that Royal Borough Greenwich will retain the services of the LWT when taking back a transfer of this land. It is assumed that the appointment will be in the form of a lease or management agreement accompanied by funding secured under the commuted sum arrangement.

Southern Housing was appointed as registered provider for the development although it is now understood that at least one other is now operating on site.

GLA and Royal Borough Greenwich retain a monitoring role to ensure that design and compliance is maintained to agreed levels.

The current marketing of units include the following prices for reference

1 bed £377-470k

2 bed £545-612k

3 bed £660k+

Case Study 5 - Service charge and commuted sum (Prince Philip Park)

Site **Prince Philip Park** Development Lead **Taylor Wimpey and Dorchester Regeneration** Location **Whitehill & Bordon, Hampshire**

The Ministry of Defence appointed Taylor Wimpey and Dorchester Regeneration to lead on the delivery of a new community that will deliver 2,400 new homes as part of a larger residential development of c.9,000 homes.

Taylor Wimpey is the lead housebuilder that commands the largest share of the total homes being proposed under the Prince Philip Park scheme. To ensure delivery is maintained to an agreed design standard a governance and delivery structure has been created that imposes positive covenants on each development platform's ManCo to ensure that there is a joined up approach to greenspace and community assets across the whole scheme.

MoD, as freehold owner of the land, retains step in rights to enforce any non-compliance over the development phase. A Strategic Management Organisation (SMO) has been established that will take on the long-term management of strategic land that each household, via the appointed ManCo, is required to contribute towards.

Endowment

Case Study 6 - Nene Park Trust

Peterborough was expanded as part of the New Towns project in 1967. Over 10 years from 1970, the population of Peterborough grew from 85,000 to 150,000. The Peterborough Development Corporation planned in great detail the new housing areas, business parks and an elaborate network of parkways joining the new areas of the city together.

Ferry Meadows Country Park was planned as part of this expansion to give this growing population a green space for leisure and recreation. The area was used for gravel extraction to build the new roads and then the gravel pits were later flooded to create the lakes of Ferry Meadows.

In 1988 the Peterborough Development Corporation (PDC) was disbanded. During its period of direct management, the PDC had acquired 660 hectares of land in the river valley and put in place access agreements with the owners of half as much again. The Park was now attracting three quarters of a million visitors a year; making it one of the top ten in Britain.

An independent charitable trust was set up to manage the Park solely to carry out PDC's original aim:

To provide for the public benefit a park and recreation ground for the inhabitants of Peterborough and visitors with the object of improving the conditions of life for such persons.

In September 1988 stewardship of the Park passed to the newly formed Nene Park Trust. The Trust is a registered charity with all income spent on the operation and development of the Park.

The original transfer of open space was accompanied by endowments comprising commercial property and cash to provide annual returns to pay for the ongoing costs of management and maintenance of assets that it took a long-term lease (999 years) from Peterborough Council.

As an independent charitable trust, Nene Park Trust receives no funding from central or local government and is totally reliant on any income they generate.

Case Study 7 - Land Trust

The Land Trust is a charity that is committed to the long term sustainable management of open space for community benefit.

The vision is to improve the quality of people's lives by creating sustainable, high quality green spaces that deliver real and lasting environmental, social and economic benefits.

Land Trust takes land into freehold or long leasehold ownership, removing liability for the exiting landowner, and delivering social value, corporate social responsibility and charitable outcomes.

The Land Trust has dedicated, regionally based estates teams who are responsible for their sites, and for liaising with the local residents and community.

Working with managing partners and contractors, (all procured to deliver best value) they ensure that the land is maintained according to the agreed specification and that the community becomes engaged with, and benefits from, the green space.

Land Trust provide a secure and lasting exit strategy for organisations who want to pass on their non-operational land to someone that can manage the long term risks of the land whilst delivering significant social value and corporate social responsibility.

Using the endowment model the freehold of the public open space transfers to the Land Trust with an endowment, thus removing ongoing liabilities and delivering benefit to communities.

The Land Trust uses income from that endowment to pay for the cost of management of the public open space, including capital replacements, delivering significant charitable benefit to the local community and with enhanced corporate social responsibility benefits for the original landowner.

The Land Trust currently has an endowment portfolio of circa £140 million in order to fund the maintenance of existing endowed sites.

Land Trust endowments grow in line with inflation and they only spend the income, keeping some back for capital replacements and ensuring

that the capital is protected in perpetuity. Each endowment is calculated for a specific site and the expenditure is appropriately accounted for, monitored and audited.

In the early years of the Land Trust, endowment funding was the primary source of income for site management and they have over 14 years' experience of utilising invested endowments to fund public open space.

The endowment model has diversified since 2010, and Land Trust now also take sites funded by service charges, S106 payments or a hybrid of funding.

The Land Trust is regulated by the Charity Commission with accounts produced in accordance with the Companies Act and Charity SORP.

Case Study 8 - Urban Green

Urban Green Newcastle has been created following an extensive review of open space assets held by Newcastle City Council. This was prompted by a 90% reduction in the council's budget over a seven-year period that led to the formation of the Trust that has now taken on full responsibility of management and maintenance of all open spaces owned by the council.

Structure – Charitable Company Limited By Guarantee

Host organisation - Established by Newcastle City Council with support from National Trust and National Lottery Heritage Fund.

Membership - Board of 13 Trustees, which includes representatives from Newcastle City Council; and a Membership, appointed by the Trustees, which includes representatives from seven organisations including Newcastle City Council, University of Newcastle, National Trust, Newcastle Council for Voluntary Service, Newcastle upon Tyne Hospitals NHS Foundation Trust, Northumbria University and the Natural History Society of Northumbria.

Established – April 2019

Website - https://urbangreennewcastle.org

Urban Green Newcastle, formally Newcastle Parks and Allotments Trust, is an independent charity responsible for the management, maintenance, restoration, development and protection of 33 parks and 61 allotment sites in Newcastle upon Tyne.

One of the first organisations of its kind in the country taking on full responsibility for local authority owned open spaces and community assets.

Newcastle City Council, working in partnership with National Trust and National Lottery Heritage Fund, carried out an extensive consultation exercise and developed an outline business plan for a new independent charity to manage, maintain, restore, develop and protect the city's parks and allotments.

Urban Green Newcastle receives funding from a variety of sources. They generate their own revenue to pay for operations via fundraising, grants and commercial activities. All funds are reinvested back into the parks and allotments and they aim to be meeting their annual running costs by generating c.£2m each year by 2027.

Company Members act as the gatekeepers and custodians of Urban Green Newcastle. The Members are entirely separate from the Board and therefore can hold it to account for its actions. Their role is to appoint the first Auditors, and they are able to remove Trustees from the Board where necessary.

Urban Green Newcastle's Board will establish a community representation group, which will advise the Trustees on how to ensure its activities can support all areas of the city, its residents and relevant interests.

If members of the public are unhappy with anything Urban Green Newcastle has or has not done, they can raise issues through a complaints process. It is expected that Ward Councillors will engage with Urban Green Newcastle to share any ideas, concerns or raise questions on behalf of residents.

Conclusions

The red lines identified by MCC are that it will retain freehold of its greenspaces within Northern Gateway and that it must not incur a net increase in cost in management and maintenance of this land.

Planit-IE has estimated annual costs for management and maintenance of greenspaces at Northern Gateway to be c.£1.8 million. This annual cost is significantly higher per hectare than what MCC currently spends on its sites and is a similar level to the total annual budget for maintaining all open spaces.

The level of spend identified by Planit-IE reflects the type of landscape and infrastructure to be created to serve a large residential led development. The Northern Gateway sites are clearly designed to a much higher specification and subject to a more intense maintenance regime when compared with land that MCC holds under its greenspace portfolio.

In keeping to MCC redlines, the assessment of revenue generation activities has indicated a substantial shortfall in funding if the Planit-IE estimates are the baseline against which no net increase in budget is to be assessed.

To ensure the Northern Gateway sites wash their face as regards to costs, the two main options for generating the levels of revenue identified will be endowment and estate service charge contributions.

It is unlikely that the level of cash endowment required to generate c.£1.8 million per annum is viable to the scheme when applying annual returns of 3.5% + inflation growth of capital fund that is in accordance with English Partnerships best practice note on endowments.

Endowed commercial property could generate better returns on investment than cash endowments. Examples of leases on commercial property providing returns for greenspace management can be seen at Nene Park Trust and Milton Keynes Trust. This might be something to consider, if such opportunities exist at Northern Gateway.

Estate service charge levied on residents is accepted as a means to pay for the management and maintenance of the public realm. The level of service charge has to be fair and reasonable and not impact on marketability of homes.

Recommendations

An assessment of LCRP and other Northern Gateway greenspaces, set against the red lines identified by MCC, indicate a significant liability in the form of shortfall in funding to meet the annual costs identified by Planit-IE.

The two forms of funding that can plug this potential gap are endowment and estate service charge contributions. Set against the type of landscape being proposed and the annual cost identified by Planit-IE, it is recommended that MCC take forward a hybrid funding solution for the Northern Gateway greenspaces that include both endowment and service charge contributions.

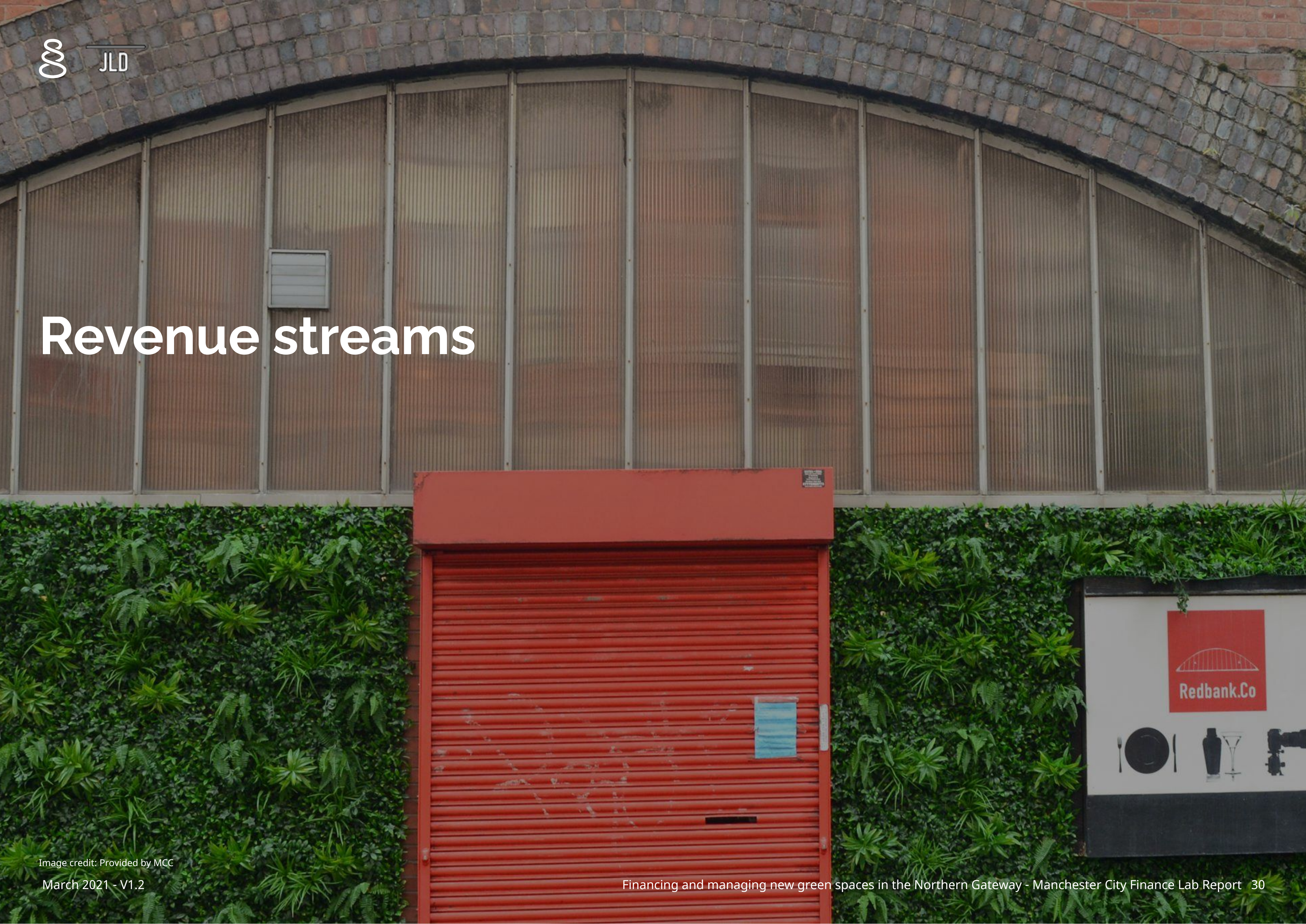
It is recommended that any ‘strategic’ greenspaces that potentially serve to benefit a larger population beyond service charge contributing residents is considered as endowment funded land. These spaces are not the high cost and high maintenance areas of formal public realm and amenity space but the type of landscape typology currently managed by MCC and environmental bodies. These areas can be explored under management in-house, or through a management agreement or lease arrangement to third party.

The level of endowment should be sufficient to enable the responsible body to manage risk and liabilities although kept to a level that does not impact on viability of the development scheme. If an endowment is not an option for such areas, and it is deemed fair and reasonable for residents to contribute towards costs, then it is recommended that these areas be considered under direct management by MCC and/or partners with an annual service charge contribution. The amount of contribution would be set out within estate service deeds with the appointed Management Company required to collect and transfer these funds. If other forms of revenue funding are secured to manage strategic land then the cost to residents will be removed from the annual budget although the legal ability to secure a contribution is retained.

It is proposed that areas of formal public realm, amenity space and community infrastructure that directly benefit residents at Northern Gateway should be considered for inclusion under an estate service charge regime. These spaces are often more costly to manage with higher specification of infrastructure and greater frequency of maintenance.

The establishment of a structure to enable a Management Company to collect and administer estate service charges should be fully considered at the outset of the development to ensure that the key design and management principles are secured across the Northern Gateway site. There should be a coherent and joined up approach to each development platform to ensure consistency with management and maintenance so that the site functions and performs as a whole, and not as individual developments.

Whilst revenue generated from other on site uses and activities is not likely to provide any significant levels of secure funding it should still be explored to capture added value that cannot be funded under a service charge regime, and to reduce the financial burden on residents.



Revenue streams

Image credit: Provided by MCC

Following the considerations of governance structures this section looks at the range of revenue sources to cover the long term operations and maintenance for the LCRP.

Assembling A Portfolio Of Green Infrastructure Assets

The Manchester Business School have already identified various funding options as: general taxation, residential and business leaseholder charges, business profit sharing, Business Improvement Districts (BIDs), community and commercial events, other public sector contributions (e.g. NHS or Police), parking fees, private grants, and endowments.

They also recommend further research into various funding options including business profit sharing, large and major community and or commercial events and public and private grants.

They offer the following recommendations:

- Between Year 1 and Year 6, account for costs undistributed only over the 6 years, to minimise the deficit on the scheme, and use a £470K loan to sustainably fund the M&M of NG green and blue infrastructure. A practical way of doing this might be to account for M&M within the plot appraisals for building out the plots. Because the Northern Gateway green and blue infrastructure will be cash positive after Year 6, we estimate that you will be able to repay this loan (with interest, if required) by Year 13.

- Between years 7 – 20, after reaching the breakeven point, the outstanding M&M cost for years 7-20 should be evenly distributed across the remaining 14 years and can be covered (460K p.a.) solely through secured income sources.

- Between years 12 and 20 you can generate up to £75K p.a. through a diversified income stream to potentially lower the income generated through general taxation and estate leaseholder charges (residential and business). This may give scope to reduce the leaseholder charge, or divert some of the income in the later years of the scheme.

Lower City River Park Revenue Analysis

The following sets out a rapid analysis of what works and what doesn’t elsewhere, drawing on the similarities and differences that can be contextualized to Manchester.

Exploration Of Potential Innovative / Additional Revenue Sources

Identify examples of revenue generating activities that complements proposed uses of River Park. Provide setup, replacement and management costs where possible to assess returns on investment and ongoing income generation.

Rethinking parks - Exploring new business models for parks in the 21st Century (https://media.nesta.org.uk/documents/rethinking_parks.pdf) includes 8 models (revenue sources) to pay for parks which we have used to categorise income opportunities, as follows:

- Traditional local authority funding.
- Multi–agency public sector funding.
- Taxation initiatives.
- Planning and development opportunities.
- Bonds and commercial finance.
- Income–generating opportunities.
- Endowments.
- Voluntary sector involvement.

It is not considered feasible for MCC to fund the LCRP from traditional local authority funding as parks don't form part of statutory service provision.

Water utility business charge reductions for using SUDs and disconnecting from waste water treatment, pilot in Manchester (BITC 2018)

Business Improvement District p17 - requires a number of businesses in the area to agree to a compulsory levy to go to area enhancements, such as the park maintenance - Paying for Parks - CABE

Parks focussed Business Improvement District (BID) eg Bloomsbury Squared, 1.5% levy's on certain sized businesses - https://media.nesta.org.uk/documents/rethinkingparks_bloomsbury_0.pdf

Betterment levies, on surrounding residents (p10) in addition to council tax (putney, Wimbledon) (Drayson 2014) - Grow Green - approaches to financing Nature Based Solutions

Direct Taxation eg a levy on council tax for neighboring residents in Wimbledon Common and Putney - https://www.wpcc.org.uk/about-us/about-us

Planning and development opportunities e.g. with Biodiversity Net Gain and section 106 funds (see P18 Making Parks Count - June 2020 https://www.theparksalliance.org/making-parks-count-the-case-for-parks/)

Green Bonds and other financial instruments - eg Paris issued a bond for €300m paying investors 1.75%, €60m is earmarked for climate adaptation measures (Climate-Adapt2016) Natural Capital Investment Plan - securing investment where there is a return for the investor and positive impact on a place's natural capital.

Income generating from sponsorship models such as explored in Walsall https://www.nesta.org.uk/feature/rethinking-parks-business-partnerships/

Potters fields, entirely funded through events, functions and activities (p13) NESTA Rethinking parks

Other cities, such as London, have targeted individuals who use the parks for business purposes, like dog walkers or fitness trainers. - https://www.citylab.com/equity/2011/10/paying-public-parks/355/

The Endowment example of the Nene Park Trust in Peterborough was discussed previously in case study 6.

Voluntary and charitable sources include national and heritage lottery funds for example as part funding for the Newcastle Parks Trust - https://www.newcastle.gov.uk/services/environment-and-waste/green-spaces/creating-trust-newcastles-parks-allotments

High-level Ranking Of Revenue Sources

Drawing on these diverse examples table 1 below considers the applicability of each potential revenue stream for the Lower City River Park:

Greenspace revenue streams - Manchester City Council (Table 1)

Category	Details	Case Studies	Comments
Local Authority funding	Include O&M in existing council (parks) budgets		Parks are non-statutory provision, **Need to explore all other options.**
Multi-agency funding	Pooling funding from multiple public agencies eg health, youth, education, crime.	Newcastle Parks Trust (NHS)	***Could consider at city-wide level but not within the scope of this exercise.***
Taxation (direct/indirect)	Levy on Council Tax for certain band payers within proximity of the park Business / Community Improvement district	Wimbledon Common London Bloomsbury Squared (tbc)	Overcomes any perception of divide between new and existing residents. ***Not considered appropriate for MCC. Very few businesses on NG footprint so BID are unlikely to be considered.***
Planning & development opportunities	Community Infrastructure Levy / S106 / Biodiversity Net Gain **Leaseholder Charges (residential/business)**	Mayfield Park Manchester	Competes with other local priorities like schools, social housing. **Should not be part of the core proposition. Leaseholder charges to be discussed at political level.**
Income generating opportunities	**Licences / profit share for local businesses eg food, fitness. Licencing events,** car parking Renewable energy generation, electric vehicle charging Commercial sponsorship User charges for property owners using SUDs and disconnected from Utility rain water sewerage	Mile End park London (50%) Hackney & Scotland Walsall Manchester BITC/United Utilities	MBS & Planit-IE assume between £66k and £700k per annum - dependent on event/business capacity and therefore **uncertainty over inclusion in core revenue plan** ***SUDS is a valuable option to explore?***
Bonds and Commercial finance / municipal investment	Green Bonds Municipal insurance / pension fund	Paris Climate Adaptation bond Gothenburg Green Bond	More suited to capital investment for green infrastructure projects with predictable revenue. ***Consider at city-wide level, not in scope of this exercise.***
Endowments	An income generating portfolio is held in trust (usually property)	Milton Keynes Parks Trust Peterborough	***Recommended revenue stream as part funding for LCRP O & M.***
Voluntary sector grants and donations	Lottery funds, private grants, philanthropic grants, crowd fundraising	Red Cross Garden (Southwark) Newcastle	Dependent on Gov. model.

Further discussion on revenue sources

Endowments

An endowment is a protected capital sum invested to generate returns for in perpetuity funding. Income from the endowment, which increases at least in line with inflation, pays for the cost of maintenance of the LCRP, including capital replacements.

Land Trust works on a stable annual return of about 4%. They shared three case studies with us of sites that are managed with income from endowments, namely Port Sunlight, North West, Countess of Chester and Avenue washlands, Midlands.

Further examples that are valuable for the LCRP case is the Milton Keynes Parks Trust and the Peterborough

The Parks Trust Milton Keynes (most recent annual accounts) - most recently reported holding a £112m endowment fund which yields ~ £0.8-1.8 annually (0.75 - 1.5%). They also hold a £143m investment fund.

Leaseholds / service charge

This topic is covered with case studies above, however to reiterate the dimensions for LCRP and the Northern Gateway development the following may apply.

Estate service charge levied on residents is accepted as a means to pay for the management and maintenance of the public realm. The level of service charge has to be fair and reasonable and not impact on marketability of homes.

Land Trust also shared three case studies of recent sites that are funded in part by leasehold fees, Beaulieu, Chelmsford, Waverley, North East and Upton, Northampton.

Biodiversity Net Gain (BNG)

Not suitable for revenue generation for LCRP. The land identified already has good biodiversity and in order to be able to achieve any income from BNG the site would have to both achieve the mandated 10% improvement and then register additional improvement as part of a national scheme of habitat creation of enhancement to attract income from developments of other unrelated sites.

The BNG scheme works with the developer ';having to demonstrate Biodiversity Net Gain based on achieving enough biodiversity units, i.e demonstrable enhancements of biodiversity value above the original baseline for the site. If not, they can create or enhance nearby habitats to gain enough units. And if this is not possible, and as a last resort, the developer can pay for local or national habitat creation or enhancement.

Much of the LCRP site already has good biodiversity and the park creation is not expected to be able to bring

Income generation

The Manchester Business School report estimates that £75k pa could be achieved through this source of revenue from year 7 (after completion) onwards. The Planit-IE vision for the LCRP identifies a range of income generating options across the 7 parks and estimates an annual income of £700k might be achievable.

Whilst it is certainly viable to generate a level of funding through businesses operating and activity licences for example for cafe, food stall and fitness trainer businesses based within LCRP it is not clear there is a capacity or demand that would lead to a high level of revenue.

Green Bond

The several available case studies of green bonds as used for municipal green/blue infrastructure tend to demonstrate capital investment at a larger scale than LCRP. For example the Green Bond issues in Paris for €300m paying investors 1.75% with €60m earmarked for climate adaptation measures is a model that could be adopted at the Municipal scale.

This option is likely to be more suited to a strategic, municipal-wide scheme, to bring together assets and for example climate adaptation measures into a single bond. This could be done with public sites such as school grounds.

In the UK the legislative environment is still evolving London Green Fund a useful case study at municipal level.

Grants and donations

Some of the above case studies include an element of grant income, although this source tends to support additional social and environmental outcomes in line with foundation and charitable aims. This source could be considered for added value activities including forest schools, ranger/warden programmes for environmental education.

This revenue source links most closely with a trust, foundation or other 3rd party arrangement with the Local Authority that allows access to grant funds.

We are still awaiting information on grant sources from several of the above case studies and will complete a comprehensive list of those sources of grant funding that could be the most appropriate for LCRP.

- Denise Coates Foundation
- Heritage Lottery Fund
- The Coalfields regeneration Trust
- Comic Relief
- The People's Health Trust

Initial Proposals - Revenue & Governance

1. Leaseholder charge - calculated to cover specific spaces and budget items that directly benefit residents (to reduce risk of future reductions to this revenue source)
    - Leaseholder estate charge at a flat rate for designated redline areas which directly benefit residents in developments adjacent to each space. These red line areas would likely be:

    - St Catherine's Wood; New Collyhurst Park; Red Bank viaduct park; Angel Meadow.
2. Endowment - Calculated to cover the rest of the operational expenses not covered in leaseholder charges and to include a schedule of capital replacements. This source will need to be an in-perpetuity funding mechanism and be arranged as the LA sells land, and or include this as part of the Joint Venture arrangement. (smaller endowment to replace assets)
    - An endowment of circa £12m to cover maintenance of areas where development not expected to come forward until long term (e.g. Sandhills/Sand Street, Village Park, Smedley Dip, Queens Park) and to top up maintenance where there are leaseholder shortfalls (ie until there is a sufficient quantum of completed development eg in early years of Collyhurst & Red Bank).
    - Endowment sum would be raised through matched contributions from MCC and FEC (Capital Receipt/Guaranteed Sum) + seek contributions from Health (MFT?); EA; UU; Philanthropic donations. Expected to pay 4% and generate ~£400k per annum.
3. The above to be topped up with a conservative modelling of income generating opportunities from cafe, fitness concessions, events, commercial sponsorship etc.
4. Again, the above to be topped up as the governance model allows with philanthropic grants and donations - which could be ringfenced for added value activities / volunteer programmes, one off art, cultural and environmental installations.

Next steps

Image credit: Provided by MCC

What to do next

MCC and FEC now need to review and confirm which of the delivery structures and revenue funding options identified are most suitable for LCRP and other Northern Gateway greenspaces.

Once a preferred way forward is confirmed the structure of a delivery vehicle/s can be set out in more detail based on the case studies provided. This should be developed alongside any viability assessment and legals for the Northern Gateway site to ensure they form part of the overall consideration for the scheme.

Specific attention should be paid to the land and commercial assets available to MCC and FEC that could be allocated towards the necessary endowments to part fund operations and maintenance. Indeed a contribution into an endowment pot that serves to reduce the levels of leaseholder charges making units more marketable could be a commercially attractive option.

It is recommended that modelling of an indicative endowment and service charge model, using current greenspace estimates, is undertaken to identify costs of management and maintenance over the development phase and on completion. Various options can be considered for long-term funding that include allocating certain greenspaces and community assets to a funding type, along with specific activities, such as sinking funds for capital replacement, to be isolated from service charge budgets.

The modelling will identify voids for management and maintenance of greenspace coming forward over the development phase. This will identify a strategy for transfer based on developer contributions and when numbers of built and sold homes is sufficient to fund the costs of management and maintenance of greenspace allocated to a development platform.

The preferred governance and funding model can then be explored for its suitability as a 'transferable tool' for capturing new greenspace opportunities, as these come forward across the region.

Summary Of Issues To Consider Pre Legal Negotiation

- Endowment level
- Leaseholder charge
- Phasing
- Financial modelling

Transferable tool

Image credit: Provided by MCC

An additional part of the work of the City Finance Lab is the development of a transferable tool that can help local authorities to quickly identify and implement suitable arrangements to ensure the sustainability of their planned parks and green infrastructure.

This section outlines the initial 'wireframe' structure for this tool which will then be consulted on in more detail with Manchester stakeholders at a workshop planned for February 2021.

Tool structure

The tool will initially take the form of a decision tree. Following appropriate introductions and framing, a series of questions will be presented for the user to complete. Their answers to these questions will 'select' guidance on specific governance and revenue interventions as relevant to their unique needs and local contexts. Each piece of guidance will be accompanied by full references to case studies and further resources to help the user quickly use the tool to move from inquiry to implementation. The tool will also be able to be used to 'test scenarios' so local authorities can understand the implications of different criteria and use this to support decision making.

The tool structure will consist of:

1) Introduction - to financing and managing new green spaces
2) Questionnaire - which helps the user navigate a logical decision tree
3) Guidance - to recommended interventions and further reading

Initial questions

a) What area of land is being considered for new green spaces?
b) What is the total land area currently dedicated to green spaces?
c) What is the ownership structure for the land that holds existing green spaces?
d) What existing management structure is in place for this? (identify proportions against categories)
e) What existing annual budget is spent on green space maintenance?
f) What is the desired ownership structure for the land for new green spaces?
g) How much control does the local authority wish to retain over the green spaces?
h) Please rate the desirability of each of the following revenue streams for your local authority? (refer to list in table 1)
i) What greenspace falls within or close to the red line of a proposed development?

Basic revenue modelling

The tool may also be able to provide some basic revenue modelling, such as on income from endowments, leasehold charges and events and commercial facilities.

References

Image credit: Provided by MCC

Biodiversity Net Gain

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