



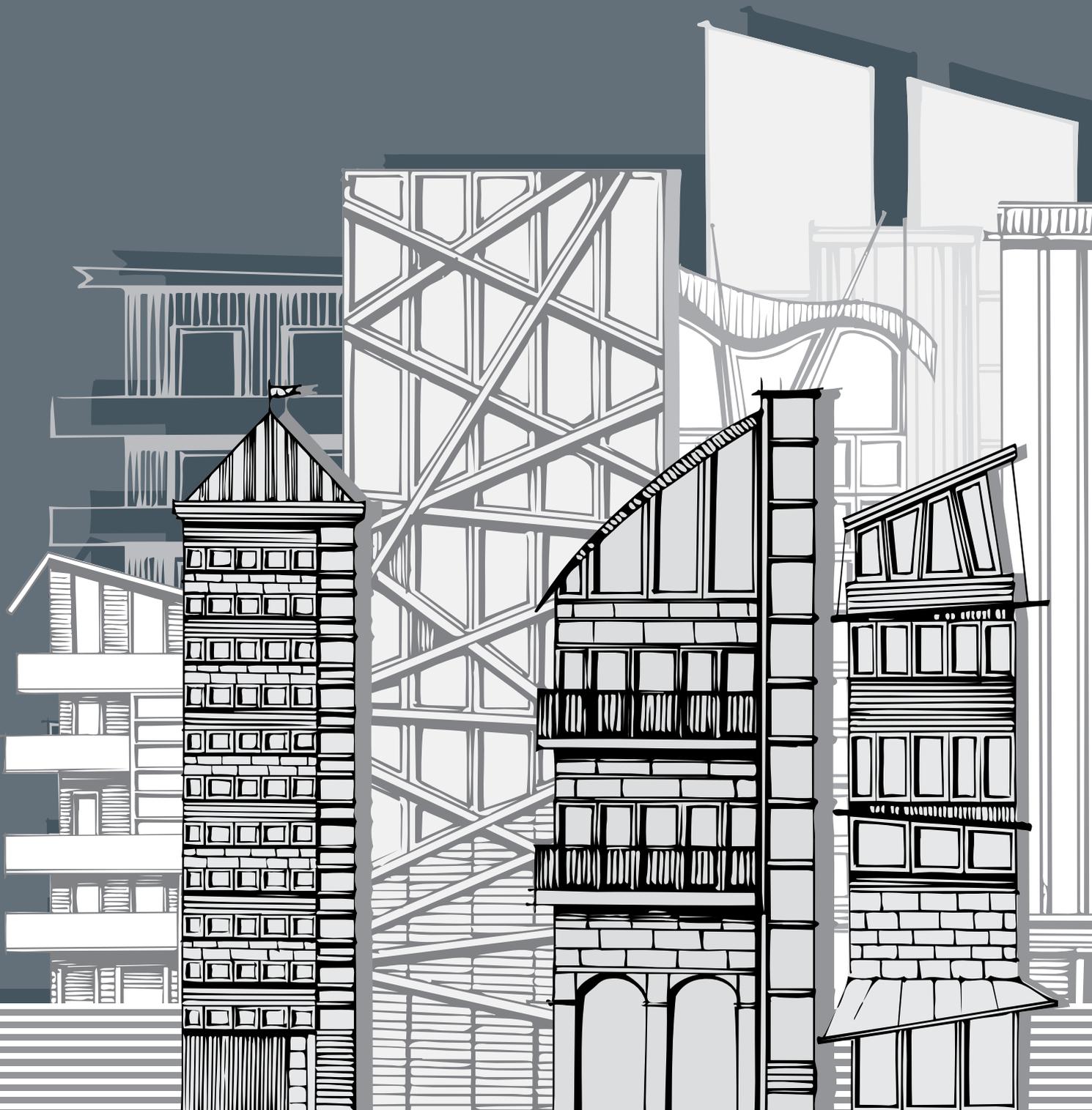
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# Delivery Strategies for Masterplans and Area Action Plans

RICS Planning and Development Faculty briefing paper – summary

July 2008



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# Foreword

## **Masterplanning and the planning and development surveyor**

Masterplanning, or rather understanding what masterplanning is for, and what must be done, is a core skill for planning and development surveyors. We are particularly pleased to be able to offer members two publications by regeneration practitioner, Michael Beaman, member of the RICS Regeneration Policy Panel.

The short version, *Delivery Strategies for Masterplans and Area Action Plans: RICS Planning and Development Faculty briefing paper - summary*, is our basic guide to the process of masterplanning. The extended version, *Delivery Strategies for Masterplans and Area Action Plans: RICS Planning and Development Faculty briefing paper*, provides more in-depth investigation of the issues mined from the rich veins of his experience.

**Michael Beaman** was commissioned by the Planning and Development Faculty board to write both masterplans papers. Further input and guidance was provided by the faculty project steering group of Simon Harrison, Faculty Chair, Honor Boyd, Diana Fitzsimmons and Stephen Hill.

These documents show how great the opportunities are for surveyors to play an important part in the masterplanning team, but also that these opportunities are not yet fully exploited. Planning and development requires high-level strategic thinking, and good integrating skills, ensuring that design is aligned with an understanding of the possible, what is practically deliverable and financially sound. In a masterplanning team, more than any other professional perhaps, the surveyor can either kill a project with caution and lack of imagination, or provide a well-informed and creative environment for the other members of the team, including the client, to explore new ideas and possibilities alongside a keen awareness of risk.

The role of the planning and development surveyor in masterplanning is a classic “close to client” role, requiring highly developed personal skills; the kind of “generic skills” described by Sir John Egan in his 2004 review for Government, “*Skills for Sustainable Communities*”, and which are now a priority for the Academy for Sustainable Communities:

<http://www.ascskills.org.uk/pages/learning-and-skills/generic-skills>

The Academy’s list of generic skills is long: project management, change management, visioning, financial appraisal, learning from mistakes, leadership, and many more - all personal and professional attributes that are critical in shaping a masterplanning process, and which Planning & Development surveyors need to display if they are to play a more influential role.

Masterplanning often delivers less than it promises, usually for the want of the strategic guidance and direction that comes from a good integrator.

### **Changing policy and practice**

Michael Beaman's seasoned insights give us a glimpse of the opportunities for surveyors now. As always, however, we are in the midst of change. Almost as the ink is dry, new policies are emerging which call on us to adapt the way we work now. As the post-2004 planning system matures, Government is at last rounding out the administrative arrangements to support the change from land use to spatial planning. The Local Government and Public Involvement in Health Act 2007, and the Local Government White Paper which preceded it, will soon bring about fundamental changes to the ways in which local authorities have to integrate physical change with the delivery of social, environmental and economic wellbeing outcomes through jointly prepared Local Development Frameworks and Sustainable Communities Strategies.

Later in 2008, Government will publish Statutory Guidance on "*Creating Strong, Safe and Prosperous Communities*". More commonly known as the 'Placeshaping Guidance', this will be new territory for surveyors. We should not underestimate the significance of the likely changes to everyday practice when working for local authorities as clients, or when engaging with the plan making process or making a planning application.

The Faculty Board will need to consider what further information it should provide to members once the Statutory Guidance is published. In the meantime, members should look out for an important set of seven specialist guidance notes on public asset management and the new policy environment. Prepared in conjunction with the RICS, they will be published later in the summer of 2008 for the Department of Communities and Local Government. These include a title on *Placeshaping* (CLG 2008 – creating strong, safe and prosperous communities: statutory guidance), and provide some early signposts about how practice will need to adapt to this new priority for local authorities, as they learn how to deliver wellbeing outcomes alongside physical change in particular places; activities that will have to be at the heart of masterplanning. Helping local authorities develop these skills is a new business opportunity for planning and development surveyors; and if this seems an unusual role for us, then we have only to ask "Who else?"

**Stephen Hill**  
**RICS P&D Faculty Board Member**  
**Chair of the Steering Group**

**Simon Harrison**  
**RICS P&D Faculty Board Chair**

# Author's preface

This Briefing Paper has been prepared for chartered surveyors involved in devising masterplans, planning frameworks and area action plans that are aimed at securing and shaping long-term regeneration across a neighbourhood or district. For brevity, these are hereby referred to as **masterplans**.

Masterplans encourage a focus on the location and form of development and a keen interest in design and social amenities. They tend to focus on issues of 'what' and 'where' rather than 'how' or 'when' and frequently fail to include robust mechanisms for dealing with the practical viability and management issues that inevitably arise. As a result, the record in translating objectives into reality has been poor in many cases.

As part of a multi-disciplinary masterplanning team, chartered surveyors can play a valuable role by focusing on the practical aspects of development, funding and risk with the object of improving the delivery of objectives. This paper seeks to highlight some of the knowledge and skills required, along with sources of further information. An accompanying and longer briefing paper can be downloaded from the RICS website which provides more detail in all respects. It can be found by searching under "Masterplans" on [rics.org](http://rics.org).

**Michael Beaman**

# Introduction

There are **two** typical uses for a masterplan. It can be either:

1. Used as part of the statutory planning framework, perhaps in an Area Action Plan within the Local Development Framework. In this case the client is usually a Local Authority
2. Used informally to guide change, perhaps by a local partnership body or non-statutory agency such as an Urban Regeneration Company.

The masterplan will often include:

1. A **baseline study** which gathers and analyses background as a precursor to formulating options to be used as a basis for consultation
2. The **masterplan** itself which will embody the environmental, social and economic objectives in physical and land use proposals
3. The **delivery strategy** which should underpin the preferred option and will usually take the form of a written statement of what needs to be done and when, in order to optimise achievement and minimise risk.

The role of the chartered surveyor is usually focused on (1) and (3) above. The delivery strategy is normally a high level document. Once the overall masterplan and the delivery strategy are completed, the client will often make more detailed arrangements for implementation, covering issues such as human resources, marketing tactics and initiating the plans to deliver projects. What follows this is referred to as the '**business plan**'; this too is an area in which the chartered surveyor can play a key role, because many of the projects will involve land, development or engineering works.

The process of preparing a masterplan usually comprises the following:

- Agreeing the brief: This usually forms part of the tender documents for the study but deserves refinement before commencement
- Preparing a baseline study: This focuses on the environmental, social and economic background, and identifies opportunities and constraints
- Generating options, agreeing these with the client, and in many cases consulting the public on preferences
- Drafting of the masterplan on the basis of the preferred option for further consideration by the client group and then finalising it.

The scope and detail of client's briefs for masterplanning projects varies considerably. In some cases, it is effectively extended by the methodology in the tender from the masterplanning consultants. A particular issue with delivery strategies is that clients often seek a level of definition and certainty that is not obtainable in practice or promised in the tender. It is wise to clarify these issues at an inception meeting at the commencement of the project if they are not clearly set out in the masterplanning proposal.

### **Existing Guidance**

English Partnerships and the Commission for Architecture and the Built Environment (CABE) have both published helpful guidance on masterplanning. (See *Creating Successful Masterplans* CABE 2004; and English Partnership's *Urban Design Compendium*. These can be downloaded from their respective websites). Both refer to the importance of testing options for viability and deliverability. The former is primarily focused on the means of achieving high quality design in major redevelopment schemes rather than the more common instance of stimulating faster but incremental change over a wider area. The latter shares the concern with design but majors on the management of the process of creating the masterplan itself. In reality, the encouragement of good design is usually one objective among others. Neither sets of guidance go into detail on how real issues of viability and deliverability should be dealt with.

English Partnerships also played a leading role in establishing and operating the *Advisory Team for Large Applications* (ATLAS). ATLAS is a guide which aims to help Local Authorities navigate complex projects through the statutory planning system. (See [www.atlasplanning.com](http://www.atlasplanning.com)).

However, these guides are worth studying as a precursor to involvement in a masterplanning study. They collectively offer a useful summary of the issues involved in achieving high quality design, some management tools and a route map through the masterplanning process and the statutory planning obstacles involved.

## **The Starting Point: Objectives**

In most cases, the formation of a stakeholder partnership precedes the agreement on the 'vision' or objectives that will guide the masterplan. The idea that regeneration is best led by a stakeholder partnership is now deeply rooted. Typically, the partners will have a disparate range of objectives, some of which reflect local priorities and others which are inherited from Government or Regional policy. However, they do often conflict and a particular issue here is the difficulty that can be experienced in reconciling aspirations with viability. It is useful if the agreed objectives are:

- Limited in number, clear and stretching but achievable
- Accompanied by clear priorities which can guide the inevitable trade off's and compromises.

Constructive Partnership working is good for securing wide support for a masterplan. However, one drawback is the tendency for widely drawn groups to define overly ambitious objectives. Results from public consultation exercises worsen this, as the focus is often limited to asking people what they would like to see happen. As a result, this creates a built-in 'bias' of the consultancy business towards giving the client 'good news'. The chartered surveyor involved in preparing a delivery strategy needs to be mindful of this and to provide the client and masterplanning team with reasoned advice on how to balance real aspirations with issues of practicality and viability at the stage at which options are being formulated.

## **The 'Baseline': Practical and Financial Constraints**

Information gathered during the baseline study will inform the selection of masterplanning options in the context of the client's ambition and appetite for risk. At this stage, full consideration of all the issues affecting viability and practicality is vital. Later, the baseline study will help to shape the delivery strategy. In addition to the menu of studies conventionally undertaken by the planners and engineers, information should be gathered on: current and future development viability, human resources and organisational issues, the availability of public funding and practical constraints such as land ownership. When the chartered surveyor identifies that these (or related issues) are critical to the delivery strategy but beyond his direct competence, the lead consultant on the masterplanning team, and if appropriate, the client should be alerted.

## **Physical Issues**

Masterplanners are skilled at finding physical planning solutions within environmental and policy constraints. The chartered surveyor on the masterplanning team can play a key role in ensuring that these are grounded in financial, commercial and managerial realities.

This applies to both the level of individual initiatives; the wider context of 'placeshaping'; as well as the competing need for investment in other priorities, such as affordable housing, public transport or community facilities.

The issue of how to approach development in areas prone to flooding offers a good example. Masterplans sometimes allocate flood prone sites for development when there are urban design advantages. The presumption is that buildings will be designed to minimise flood impact by, for instance, raising thresholds and avoiding use of ground floor areas for habitable rooms or usable work space. But this can have a major impact on scheme viability by raising construction costs and compromising functionality and thus marketability.

The impact of slopes and poor ground conditions on building costs are also often unrecognised. Clearly, it is not possible to assess the comparative costs of every potential site during a masterplanning exercise, but that does not preclude the possibility of making a general assessment of the potential impact of these issues on viability during the baseline phase.

A view also needs to be taken on the realities of any proposal to procure major public infrastructure in situations where the time taken in land assembly, funding and construction will impact on the realisation of the benefits that should arise from the implementation of the masterplan.

### **Ownership Issues**

Masterplanning clients and teams will need advice on the differing aspirations of landowners and developers who, more often than not, will bring land to the market in inconvenient quantities, at an inconvenient time and at an asking price which fails to reflect the aspirations of the masterplan. In practice, the identification of land ownership is a task often assigned to the masterplanning team, even though it but it can often be usefully and economically undertaken by the client prior to commissioning the study.

Once it is common knowledge that a masterplan will be commissioned with a view to triggering change, it is not uncommon for speculators to bid land prices up in anticipation of quick gains where development interest is expected. This is a real problem where site assembly is necessary. It can be risky to leave that entirely to the market. There is also the danger that public bodies buying land will have to overpay in order to speed up progress. Particular issues arise where substantial planning contributions are sought. For example, it does not help that the statutory town planning system strengthens the hand of the owners of zoned land in negotiations over planning

contribution by allocating a limited number of development rights primarily on the basis of physical and policy priorities.

A good delivery strategy for a masterplan should take account of these practical and commercial realities of land ownership and offers opportunities to address problems by:

- Focusing attention on the spatial planning requirements and sustainable development outcomes that are required to deliver the local Sustainable Community Strategy and Local Development Framework
- Promoting the allocation of an adequate number of development sites taking account of those which are more likely to be brought to the market at a reasonable price
- Being as clear as possible about the terms on which development will be permitted including the necessary planning conditions and Section 106 requirements
- Promoting land assembly by public bodies while avoiding contributing to and suffering from overheated land markets in the short-term
- Respecting existing ownership patterns when zoning land for development to avoid creating a need for large scale and lengthy site assembly programmes.

### **Organisation Issues**

The implementation of any masterplan requires adequate human resources deployed within an organisational framework geared up to manage rapid change. This aspect is frequently ignored by both masterplanning teams and their clients. The inability to find people suitably qualified to run a major implementation programme, based on positive intervention, is the most underestimated barrier to success. The delivery strategy needs to recognise any lack of development and project management skills. This needs to be discussed with the client at an early stage, with any constraints recognised in the scope of the masterplan and addressed in the delivery strategy.

## Public Funding for Physical Regeneration

A masterplan is normally delivered using a mixture of public and private funding. The latter is dealt with in the next section. The public funds available for regeneration fall into **three** general categories:

- **Mainstream public funding** comprising the resources available to the providers of statutory and public services. These are the largest source of public funds for regeneration programmes and the key to long-term social sustainability
- **Special purpose funding** programmes are a much smaller contributor to regeneration, but receive disproportionate attention because of their perceived potential to act as a catalyst for change. They are normally allocated following some form of competitive selection process. Classic examples include Lottery funding and, at present, Growth Point funding and special purpose programmes like the Housing Market Renewal programme
- Lastly, there is often scope to recycle the proceeds from **sales of public land or other assets** or to raise funds through loans when it is clear how these will be repaid.

Each of these is discussed below. The key questions are how funding opportunities should be maximised and how availability and constraints should shape the masterplanning options and the delivery of the preferred option.

Earlier versions of English Partnerships *Urban Design Compendium* suggest that resource requirements should be identified at the outset, together with funding sources. In practice, it is never as straightforward. A great deal of iteration is needed to optimise both the masterplan and the funding proposals that underpin it. These will need to be refined and constantly updated as the programme progresses and circumstances change.

### Mainstream Public Funding

There is an increasing emphasis on strategically 'joining up' public investment at a local level in order to achieve better results from integrated action. Local Authorities and other public agencies play a key role and Sustainable Community Strategies and Local Area Agreements should define shared strategic priorities. In the past, these strategies have served to highlight salient issues, but rarely provided any detailed guidance to masterplanners. This should change as the framework of legislation and guidance is strengthened, and they will increasingly determine priorities for public funding. A full description of the framework is outside the scope of this Paper. The Department Of

Communities and Local Government (DCLG) publication *Planning Together: Local Strategic Partnerships (LSP's) and Spatial Planning - A Practical Guide* does what it says on the tin. This emerging system is also well described in *Shaping and Delivering Tomorrow's Places: Effective Practice in Spatial Planning* published by the RTPI. Both can be downloaded from [www.communities.gov.uk](http://www.communities.gov.uk)

Many public service provider agencies have strategic priorities which partly overlap with regeneration objectives. For example, primary health care trusts are trying to refocus the geography of provision of health care around larger local health centres. Meanwhile, education authorities are renewing the existing stock of buildings through programmes such as 'Building Schools for the Future'; this is a PFI-backed programme aimed at replacing and extending schools. However, it is seldom used for entirely new provision. Funding for schools is often critical, simply because they are an expensive requirement.

The scope for simultaneously pursuing regeneration and other strategic goals varies from agency to agency or place to place, depending on the funds available and local demands. In the future, Sustainable Community Strategies, Local Area Agreements and other local investment framework documents should provide more guidance on local policy. Unless these documents are exceptionally detailed and clear, it will usually be necessary to contact the agencies responsible for key services to establish their requirements.

In practice, they usually have firm plans for (say) the three to five year period of their current strategy, some priorities for the subsequent few years, and little beyond that. They are open to planning how to use their own funding for longer-term provision. The mainstream funding received by most agencies is predicated on the need to fund some capital investment. In many cases, it is calculated on a capitation basis so that an increase in population will eventually lead to an increase in the funding available to them. However, many agencies regard these resources as inadequate, and are understandably keen to secure further contributions through town planning conditions and Section 106 Agreements. This is being facilitated by the increasing use by Local Authorities of tariff and standard charge mechanisms set out in Special Planning Documents as part of Local Development Frameworks. In the future, the proposed Community Infrastructure Levy might be used to fund more strategic requirements.

In aggregate, these public funding requirements can lead to difficulties in settling a funding strategy that provides the necessary infrastructure, on the basis of an overall contributions regime that does not compromise the viability of the development necessary to achieve the goals of the masterplan. In many cases, overly aggressive requirements can actually reduce the total sums obtainable for new public investment by

detering or delaying the contributing development. Even if the level of the charge is optimised, then it is possible that the common interest might be better served by prioritising Section 106 funding for investment in the infrastructure, as it can be difficult to fund using mainstream resources such as environmental and community infrastructure.

DCLG Guidance on Section 106 Agreements in Circular 05/2005 leaves it to “Local Authorities and other public sector agencies to decide what is to be the balance of contributions made by developers and public sector infrastructure providers in its area” but it is by no means clear that this gives them a carte blanche to recover costs through Section 106 Agreements for facilities that they are theoretically funded to provide in any event. The Guidance goes on to suggest that where Local Authorities wish to encourage development, and costs might threaten viability, there needs to be negotiation with developers.

During the Baseline Study stage the chartered surveyor can play a pivotal role in identifying potential conflicts over the use of the financial resources that might be available over the life of the masterplan. It is increasingly important that they gain some familiarity with relevant mainstream funding regimes. Details are provided on relevant Governmental department and agency websites. A good place to start is **[www.info4local.gov.uk](http://www.info4local.gov.uk)**

The client should be prepared to assist in resolving identified conflicts, having regard to the Sustainable Community Strategy and Local Area Agreements. Conflicts that remain unresolved should be treated as risks to the implementation of the masterplan and recorded in the schedule and analysis of risks in the delivery strategy (see page 21 of this Paper).

### **Special Funding Streams**

There have been a wide variety of special funding programmes over the past thirty years with constant change as the main characteristic. It is not possible to list them all here. Subscribers to the magazines *Regeneration and Renewal* or *Planning* can access a useful but incomplete list of current special funding programmes on **[www.regen.net](http://www.regen.net)** under 'resources'. A guide to what is available directly from Government can be found on **[www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)**

Usually, Local Authorities are very aware of public funding opportunities, especially those that are specific to their region or locality. In some cases, these include charitable sources of funds for specific types of project. Few Local Authorities seem to consolidate or focus this intelligence very effectively. Other partners involved in the client group commissioning a masterplan will sometimes have an entirely unrealistic expectation of

the sums that might be available. It is helpful if an active effort is made to pool wisdom about potential resources as part of the baseline studies.

In practice, the investment priorities projects for major strategic programmes are often agreed at an early stage; so, if funding is not already in the pipeline, it cannot be relied upon, at least in the short-term. In the longer term it is hard to predict what new funding opportunities might arise, especially in areas which usually benefit from these programmes. A common sense view is that; if there is a pressing need for investment in a facility to underpin delivery of a key service (and which could be cost-effective and which addresses a priority set by the Government), public funding will be found for it at some stage in the future. In contrast, projects which tend to have a lower government priority (typically cultural, environmental or sports facilities) can remain difficult to fund. The constantly changing array of programmes (and especially lottery funds) requiring competitive bids, cannot be relied as a means of supporting key projects at the conceptual stage, despite demonstrating potential to add value to specific initiatives.

Opportunities often lie in the programmes run by bodies such as the Regional Development Agency, English Partnerships or (in the future) the Homes and Communities Agency. The former are currently trying to source funds to pay for strategic infrastructure to facilitate growth. They will usually provide informal guidance on the prospects of funding for specific initiatives within the usual constraints of settled policy, any cash limit on funds, or restrictive rules such as those imposed by the EU which limit subsidies to private firms (i.e. the so called gap funding rules). If their response is equivocal, then the decision on whether or not to include the project in the programme needs to take account of the funding risks.

Generally speaking, the chances of attaining special purpose funding for almost any project will be enhanced if it can be shown that it is embedded in a local strategy that reflects the objectives of the funding agencies. (For example, for economic development, arts, sport or the natural environment). These local strategies can also help in providing a justification or basis for Section 106 'standard charges'. There is also merit in having some smaller schemes that are 'oven ready' to be delivered using public funding if new opportunities arise or if a key funder agency discovers that they in danger of under-spending. Again, this cannot be relied upon so the projects involved shouldn't be critical to the delivery of the masterplan.

## **Leveraging Public Assets**

The delivery strategy should consider practical opportunities for the Council or other agencies to assist with land assembly. This could perhaps use CPO powers in the context of a rolling programme, with costs met from sale proceeds. There are several ways of financing this:

- The Local Authority and other public bodies may be able to sell land they own to stimulate development. Legally they have limited scope to do this. In essence, they have the right to dispose of land for regeneration and associated purposes at less than the best value reasonably obtainable where the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000. In other cases they will need Government approval
- The Local Authority and other public bodies may borrow money if they can afford it
- Third party funding, perhaps from the Regional Development Agency, English Partnerships or, in the future, the Homes and Communities Agency
- Contractual arrangements and partnerships. For instance, there is increasing interest in special purpose vehicles such as Local Housing Companies currently being piloted on local authority land in 14 local authority areas, in conjunction with English Partnerships.

Given the critical role that land supply plays in delivering masterplans, active consideration needs to be given to all of these opportunities.

Some major projects, mainly those aimed at providing common facilities, such as schools or waste disposal, can be delivered using PFI procurement and finance. The main considerations are whether:

- The project qualifies for the PFI programme and the Government will effectively reimburse the cost through credit approvals for the public body commissioning the asset
- It is large enough in scale to make use of this complicated programme worthwhile. The rule of thumb is that the cost of PFI procurement is not justified for projects worth less than £20m.

A simple way of judging what is possible is to check the list of historic PFI contracts that can be downloaded from the section on 'Public Private Partnerships' on H.M.Treasury website at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

## **Future Maintenance and Management**

Planning for sustainability requires attention to the upkeep and management of the public realm. In many cases, this will be increased and improved through the implementation of the masterplan. This carries both capital and revenue funding implications. In theory, the capitation based funding that Local Authorities receive from the government and income from the Community Charge should cover the long-term revenue costs. In practice, there are usually competing and more immediately pressing priorities for their investment and identifying adequate funding for management and maintenance is a major problem that is frequently and unhelpfully left unresolved.

In areas where large scale housing development is planned, some Local Authorities have sought to impose substantial commuted sums towards future maintenance. Government guidance on this point is comparatively clear. Circular 05/2005 states that while commuted sums can be considered as a means of recouping the cost of maintaining facilities 'which are predominantly for the benefit of the users of the associated development', they should not be relied upon 'where an asset is intended for wider public use'.

Where appropriate alternative approaches to managing the public realm should be considered and Section 5 of the latest edition of English Partnerships *Urban Design Compendium* covers this in detail. Options in some places will include:

- The landowner or developer, where large schemes are concerned
- Business Improvement District programmes
- A trust or similar voluntary sector scheme.

Good long-term management stands alongside design as a way of ensuring continuing benefit from improvements to the public realm. The professional skills of the chartered surveyor provide a good basis for evaluating the practicality of the various options and making sure that future needs are properly addressed in the delivery strategy.

## **Development and Developers**

Chartered surveyors should understand the economics and practicalities of development and it is important that this intelligence is reflected in the baseline study. Delivery strategies for masterplans need to look forward to the very long-term and sometimes this means using methodologies that are not a common part of everyday practice. In particular, in order to inform the choice of options, there is a need to consider the following:

- How land values might change in the future, either as a result of the implementation of the masterplan proposals themselves or wider market change, for instance, environmental improvements or the tendency of house prices in the UK to rise in excess of the rate of inflation
- Not just the viability of development, but the demand, with quantified projections. Demand is often limited and not very elastic. Many masterplanners need guidance on this point and, in its absence, may allocate development according to spatial and policy criteria and without regard to likely take up
- How viability will be affected by planning requirements, including those arising from the implementation of the masterplan.

## **Estimating Land Values**

Chartered surveyors will be aware that methods for assessing the worth of development land are not as robust as the methods for valuing existing buildings. This is particularly evident when there is a limited amount of information on design and costs, or evidence of the price paid for comparable sites. Clients often have an unreasonable expectation of the degree of precision possible. This should be addressed as part of the risk analysis that underlies the consideration of options.

It needs to be understood that, what is required is not usually the valuation of specific sites in accordance with RICS Valuation Standards (The 'Red Book', which incorporates Valuation Information Paper no. 12 on the Valuation of Development Land), but rather a high-level assessment of the absolute viability of different types of development in accordance with the precepts envisaged by the masterplan. Exceptional costs should be taken into account where necessary.

A specific issue is the need to consider the approach that might be adopted by the type of developers who are likely to become involved, and to embody that in the analytical approach. For instance, with long-term schemes, major house builders often target the annual return on their investment rather than simply the margin of value over cost and, in comparison with commercial developers, use more equity in the funding mix. This has

implications for the feasibility of early and large contributions towards off-site infrastructure which can impact disproportionately on annual rate of return on capital. (There are numerous ways of calculating this, but it is probably easiest to use the internal rate of return as a proxy measure and the opportunity cost of the developer's capital as a discount rate.)

### **Estimating Demand**

The standard starting point, when estimating demand, is to review past trends. As far as residential demand is concerned, local agents will have an informed view on what the take up of new stock might be. Further evidence is provided by localised land registry data on transactional volumes, although this does not distinguish newly built stock.

For commercial property, subscription databases of historic transactions offer some guidance on historic levels of demand. But the data is usually incomplete. The major estate agents sometimes have superior data covering large and well established markets. Elsewhere, experienced local agents seldom have quantitative data, but can provide a valuable qualitative assessment of the type and levels of demand in their area. It is best to collect a variety of views and compare them rather than to rely on a single perspective.

Common sense also plays a part. For instance, if the masterplan for a medium-sized town requires a level of demand that exceeds the historic annual take in the nearby regional capital, it is unlikely to be realised. Benchmarking against comparable towns is an approach that can be readily understood by the client and colleagues on the masterplanning team. In contrast, economic modelling techniques, such as those sometime used for Employment Land studies, are limited in their use at anything below sub-regional level because it is difficult to predict how local property markets will react to economic and demographic change.

### **Forecasting the Future**

Masterplans frequently anticipate implementation programmes stretching for twenty years or more, so assumptions have to be made about what will be possible in the future. These should be explicit and supported by the best evidence available. Thus, they will be open to interrogation, now and in the future. Most practitioners will be familiar with projects on which even the most carefully considered projections look foolish, with the benefit of hindsight. However, someone has to make the necessary judgements; a client might reasonably ask of the chartered surveyor: 'If not you, then who?'. There are usually plenty of reports available that express an opinion on short-term trends in the property markets, for example, the research reports from the major estate agents.

The RICS website provides a guide on what is available at:

**[www.rics.org/Practiceareas/Property/Commercial/Market/hottopiccommercialmarket+reports.htm](http://www.rics.org/Practiceareas/Property/Commercial/Market/hottopiccommercialmarket+reports.htm)**

The RICS own *Housing Market Survey* and forecasts and *Commercial Property Market Survey* and forecasts offer a valuable additional perspective because they canvas agents' reports on current levels of interest and enquiries, rather than simply relying on information on recent transactions.

For the longer-term view, benchmarking one again provides a useful insight into what might be achievable in terms of improvements in the local property market. Although it cannot be regarded as a rigorous technique because of the wide range of variables involved when comparing property markets in different places.

In terms of macro-economic fluctuations, it is possible to make some useful predictions. The Valuation Office Agency produces medium term forecasts of changes in residential land values. These can be downloaded from **[www.voa.gov.uk/publications/index.htm](http://www.voa.gov.uk/publications/index.htm)**

However, the publication of these analyses can lag behind changes in the market by six months or more. Over the longer term, the fundamental imbalance between supply and demand has led to growth in house prices in real terms, with a disproportionate effect on the value of housing land before the cost of meeting planning requirements is taken into account.

It is quite easy to use a spreadsheet programme model to establish potential long-term changes in residential land prices, using an estimate of the value and cost of a notional and typical housing scheme. Using a spreadsheet these can each be inflated at a separate and appropriate rate with the difference representing the land value. There is a useful discussion of relative inflation rates in the Barker Report *Review of Housing Supply 2004* (Section A5 and elsewhere). Projecting these long-term trends can provide some encouragement to clients involved in masterplanning exercises since they often point to the likelihood of real increases in land values over the longer term. It is always necessary to add the caution that, especially in the short and medium term, values can fall as well as rise. This approach also allows for crude estimates to be made of the potential impact of Short-term fluctuations in house prices and costs.

Clearly, this is very imprecise. Nevertheless, it can provide useful insights into what might conceivably be feasible in the later stages of implementation of a masterplan - bearing in mind that there will be time to review assumptions made.

There is no similar long-term pattern discernible in the price of commercial and retail land, although the generally cyclical nature of the market as a result of macro-economic

factors is well known. In many areas, there are fairly long periods of low volumes of construction development followed by short peaks of intense activity. The result is that development which might be viable at a disadvantageous stage in the market cycle might become viable later on.

It should not be too difficult to make a simple assessment of the likelihood of this by observing the history of development in comparable locations. The trick is to ensure that the masterplan and delivery strategy can identify sites which can be easily and quickly developed when economic conditions permit.

### **Securing Development**

The delivery strategy will often need to address both real and perceived development risks. There are various approaches which can be adopted through the masterplanning process, the implementation of the delivery strategy, and the subsequent exercise of statutory planning powers, to reduce real and perceived development risks with the aim of increasing interest in the opportunities on offer. For example,

- A flexible approach towards land use can reduce market risks and create opportunities by attracting desirable but non-standard forms of development. In some cases, it should be possible to effectively state what types of uses are not acceptable rather than to proscribe those that are
- Good programming can clarify the timing of the supporting infrastructure
- Efforts can be made to collect and make information on sites held in the public sector or by utilities available to developers to assist in project planning
- Local Authorities can usefully address the difficulties faced by developers in assembling sites and financing land holdings by using CPO powers and funding the purchase of sites for onward sale to developers.

Issues of perception can be more difficult to address, but chartered surveyors who are actively involved in marketing property will have a unique insight into what is likely to work and what will not, based on frequent contact with occupiers and investors. They can play an especially useful role in targeted marketing, packaging particular opportunities and promoting them directly to selected developers and investors in an effort to reduce the perceived risk of incurring abortive costs when pursuing opportunities in completely open competition.

It is questionable whether the standard 'glossy brochure and branding' approach is effective in promoting an area in the absence of any concrete evidence of real improvement. In some cases, masterplanners will create an iconic concept or propose a

'flagship' project to trigger a change in perception, raise the profile of an area and act as a magnet for future development. Analysis suggests that this works best when the proposal is clearly embedded in a wider and deliverable regeneration or growth strategy; whereas 'one off' opportunistic statements have a more limited success rate, and are often expensive and high risk.

In any event neither approach directly addresses the key investor concerns highlighted above, i.e. high levels of perceived risk and lack of hard evidence of returns. If the objective is simply to secure mainstream private investment, more tangible benefits can sometimes be obtained at less cost and risk through demonstration projects. For example, public support for a commercial building; with the intention of providing a benchmark for the rents obtainable in the area; or a housing scheme to show that the inclusion of sought after environmental features can result in an increase in the sale price. This can be useful where developers are put off by the lack of any evidence of values.

### **More on Planning Gain**

Nearly every master plan and spatial plan now relies on Section 106 agreements to provide the infrastructure needed to support development. This can be provided through:

1. 'Tariff' payments representing a one-off contribution by developers to the costs incurred by the Local Authority and others in providing the totality of what is required
2. Standard charges covering contributions towards the provision of specific elements of infrastructure such as parks or schools
3. Individual arrangements covering the infrastructure need to support development on a specific site.

At the time that this paper was prepared, details of the Government's plans for a Community Infrastructure Levy remained unclear. However, it is thought that it is likely to take the form of a charge covering the cost of strategic infrastructure rather than local or site-specific requirements.

The scope of what is required is often contentious. In practice, guidance on policy is provided by the interpretations of the Courts and Government policy circulars; the last one being Circular 05/2005. Further information is provided in the ODPM publication *Reforming Planning Obligations: The Use of Standard Charges* 2004 and the DCLG publication *Planning Obligations Practice Guidance* 2006. Policy and long standing case law seem to conflict on key points with the Courts having taken a more liberal view

on the scope of charges that might be permissible. When preparing a delivery strategy that relies heavily on the newer aspects of tariff and standard charge arrangements, it is important to remember that these have so far not been tested in the courts. There is accordingly a risk that Section 106 arrangements that are adventurous in terms of the basis of the charges they wish to impose might be open to legal challenge. There is no scope to discuss the detail here but a close reading of Circular 05/2005 is recommended.

### **Putting it together – Managing the Delivery Process**

The adoption of formal programming and business planning techniques helps to clarify what needs to happen and when with particular attention to issues of priorities for action, resource allocation, 'cash flow' and timing. This can be a particular benefit when a partnership approach needs to be underpinned with a shared understanding of what is required, from whom, and by when.

In some cases, the delivery of a major renewal programme can appear to be a task of daunting complexity and uncertainty. It helps to break it down into its component parts i.e. what will need to be delivered and when. Consideration also needs to be given to:

- What will be covered by the delivery strategy and what will be dealt with by operational management later, perhaps through a subsequent business plan?
- Identifying key interdependencies, for instance, between strategic infrastructure and site development. A detailed delivery strategy will probably require a Gantt chart or process mapping software. (A good and simple programme is [ganttproject](http://ganttproject.biz), freely available from <http://ganttproject.biz>)
- What overall planning and management approach to adopt including appetite for risk and what compromises might be acceptable if there is a need for 'quick wins'.

This does not have to involve elaborate, detailed or exhaustive analysis; rather, it must be adequate to establish a prime facie case that the masterplan can be delivered without undue risk, and to show how and when it might be done. Detailed operational and tactical business planning should be left to the executive team following completion of the masterplanning study.

## **Project Selection**

One of the key issues facing masterplanners is how to choose and prioritise between the various strategic options, and how to involve the client in the process. Often, both of them will be used to dealing with the spatial layout and physical choices; but they may be less adept at explicit evaluation of the commercial and programme choices that need to be made. It can help to use a simple scoring and ranking system based on the contribution that potential projects might make to the overall strategy, the ease of funding and delivery, in both the short and long-term, and the risks involved.

This ranking can also be used to suggest the basis for a 'straw doll' programme using a simple filter such as:

- **Notional Phase One:** Projects which can be delivered in the short-term being viable development or with public funding allocated
- **Notional Phase Two:** Projects which can be planned on the basis that there is a means of overcoming obstacles to viability or public investment can be planned from existing funding streams
- **Notional Phase Three:** Projects that require a significant but realistic improvement in market conditions to be viable or a (not inconceivable) change in public funding streams, or that have to be lobbied for.

This is a useful approach because it discards the projects that are strategically irrelevant and/or difficult to fund, suggests a programme of activity and informs the risk assessment.

The 'final cut' of the programme will form part of the delivery strategy that will accompany the masterplan and provide a starting point for subsequent operational planning. Many project briefs will require a definitive programme. In practice, it is recognised that this may not be practical, i.e. because the necessary discussions between the various agencies involved will be incomplete, or crucial issues of detail will need further investigation and deliberation as part of the operational management process.

## **More on Risk Assessment**

Risk management is yet another aspect of delivery planning that seldom gets the attention it deserves. Masterplanning is an early stage activity in the process of change. The risk of making mistakes is heightened because the projects are undeveloped and usually lacking inadequate information. As things progress, change becomes both more costly and less effective, so the reward for 'getting it right' at this stage is greatest, both in terms of impact and cost. So the aim at this stage, to paraphrase John Maynard Keynes, is 'to get it roughly right rather than precisely wrong'.

There is a substantial literature dealing with risk management at project level but less at the level of strategic decision. The government takes the issue seriously in relation to procurement. The Office for Government Commerce (OGC) offers advice on risk management procedures which is attuned to the level of complexity of regeneration programmes. In contrast, their 'Prince 2' formal project management methodology is complex and best suited to situations where the role of the masterplan client is direct management rather than simply procurement. The Housing Corporation also offers advice on risk management for Registered Social Landlords (RSL's) which offers some useful basic methodology as well as guidance on more sophisticated techniques such as Monte Carlo simulation. The Treasury's *Green Book* brings formal measurement of both risks and benefits into the arena of project appraisal. Its approach reflects the RAMP (Risk Analysis and Management for Projects) approach developed by engineers and actuaries. The high level of contingencies it recommends where projects are at the conceptual stage typifies proposals in broad based masterplans; this can be off-putting, but the current experience with the costs of the London Olympics suggests that a cautious approach to budgeting has its merits.

Risk Management is an instance in which collaboration is usually an undisguised blessing, and best results can be obtained using a simple discursive approach that best harnesses a range of disparate insights.

Risk assessment is the starting point of the risk management process. Even in the 'final cut' of the delivery strategy, the analysis will remain high level. It should however involve, at the very least:

- An assessment of the risks to the realisation of the programme as a whole
- An assessment of the risk of projects that are both (a) at an early stage of the critical path and (b) vital to the realisation of the overall strategy

These need to be taken into account when choosing and programming projects. Unless the project brief requires otherwise, a detailed tactical response to the various risks identified is often better left to the subsequent business plan prepared by operational management.

## **The Business Plan**

This Paper is primarily concerned with the role that a chartered surveyor might play within a masterplanning team in creating a delivery strategy. At the outset, it was suggested that in many cases this would be followed by detailed implementation planning led by the client. A good delivery strategy will provide a foundation for subsequent operational management. It will also embody approaches and methodological tools that will continue to be useful. In practice, as in war, few plans survive the onset of battle intact. Constant reassessment is needed. This reappraisal is integral to business planning as an activity. The main constraint should be to retain the overall objectives until new ones are agreed with the stakeholders.

## **Conclusion**

Masterplans are valuable tools for planning and promoting sustainable development. Their value is underpinned by a well considered delivery strategy, grounded in the commercial and physical practicalities, and a full appreciation of the risks and opportunities involved. Chartered surveyors are ideally qualified to prepare these delivery strategies and to assist clients in their implementation thereafter. This Paper covers key issues that need to be considered and proposes the contribution that a structured and analytical approach can make when pursued by a skilled and knowledgeable chartered surveyor. But it cannot do justice to the variety of alternative approaches justified by the different circumstances encountered around the country and experience. In summary, sound analysis of local circumstances will always play a crucial role in success.

Looking forward, there are exciting opportunities for the profession to promote and improve the delivery of masterplans and planning frameworks. This will be achievable through the improved co-ordination and programming of public funding, and the rationalisation of the private sector contributions to infrastructure provision through planning agreements.

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