Northern Ireland Assembly

Research and Information Service
Briefing Paper

Paper 32/25 | 2 April 2025 | NIAR 29-2025

Private financing & capital redevelopment projects in government

Public Finance Scrutiny Unit

This Briefing Paper provides an overview of various financial tools to support public sector capital redevelopment, that could provide an alternative to Financial Transactions Capital (FTC) in Northern Ireland. It should be read in conjunction with Briefing Paper NIAR 26-2025, which sets out the level of FTC activity in Northern Ireland and the challenges associated with it.

Introduction

This Briefing Paper was commissioned by the Committee for Finance (the Committee), to learn about the experience of private financing and capital regeneration projects in government within the United Kingdom and elsewhere. Such financing includes Financial Transactions Capital (FTC), along with a number of others, which have been used on their own or in a blended manner, in a number of countries.

To help inform the Committee's considerations, this Paper uses five sections to set out the following:

1. "Regeneration" defined by government
2. Alternate private financing for government use
3. Case studies – United Kingdom and international countries
4. Considerations arising from case studies and other
5. Key takeaways

When considering this Paper, the Committee also should rely on RaISe Briefing Paper NIAR 26-2025 (dated 2 April 2025); wherein Northern Ireland Executive/Departments' use of FTC is examined.

1 "Regeneration" defined by government

In Northern Ireland, it seems there is not a universally shared definition across the Executive/Departments, for the term "regeneration". However, at central level, the United Kingdom Government (UKG) defines "regeneration" as:

> *…a long term, comprehensive process which aims to tackle social, economic, physical and environmental issues in places where the market has failed*[1]*.*

Nonetheless, the Northern Ireland Department for Communities (DfC) defines its regeneration programmes as:

[1] House of Commons Regeneration report

> *…those that target social need through social, economic and physical regeneration of cities, towns and villages*[2].

Those programmes concern the following, for example, which include capital projects[3]:

- Improving Places – concerning, for example, the public realm and urban regeneration programmes in Bangor and Portrush
- Neighbourhood Renewal Scheme – supporting the physical, social and economic development of the 36 most deprived areas in Northern Ireland
- Urban Regeneration and Community Development Policy Framework - an overarching structure to the department's urban regeneration and community development activity

The Committee also may wish to note that The Executive Office (TEO) is responsible for major, strategic investment and regeneration projects through the Strategic Investment Board (SIB). SIB is a company established and owned by TEO, and is responsible for the delivery of the Investment Strategy for Northern Ireland (ISNI) and for the delivery of major capital programmes and projects. Additionally, the SIB provides strategic support to Executive departments, facilitating their capital project implementation[4].

2. Alternate private financing for government use

In 2021, a report published by the Organisation for Economic Cooperation and Development (OECD) found many of its member state countries/regions had experienced large infrastructure investment gaps and explored potential private finance options to address such gaps[5].

The following table provide a high-level overview of the range of finance options that are available.

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[2] https://www.communities-ni.gov.uk/topics/regeneration
[3] Regeneration | Department for Communities
[4] Homepage for The Strategic Investment Board | Strategic Investment Board
[5] OECD (2021), *Unlocking infrastructure investment: Innovative funding and financing in regions and cities*, OECD Publishing, Paris, https://doi.org/10.1787/9152902b-en.

Financial Models	Key Feature	Advantages	Disadvantages / Limitations
Financial Transactions Capital	FTC is designed to support private sector-led capital projects through loans or equity investments. FTC can be used to support or kick-start other financial tools. In these cases, it is intended to stimulate additional private sector investment. For instance, a development bank might leverage FTC funding to attract further investment from private investors, amplifying the overall impact.	• FTC allocation is provided to the NI Executive is addition to its core capital allocation. • **Flexible**: FTC can be applied to a wide range of projects, as long as they aligned with overall policy goals and objectives. • While a portion of the funding must be repaid to HM Treasury, the Executive can retain some of the returns, incentivizing effective use of the funds. • By using FTC as a base, the Executive can attract further investment from private and public sources, amplifying the overall impact.	• Policy Alignment: Projects funded through FTC must align with government policy goals, such as economic development, job creation, or infrastructure improvement. • **Uncertainty**: as the level of FTC available is based on the Barnett formula it is not clear how much funding will be made available each year. • **Legal restrictions:** not all Executive Departments can access FTC due to legal restrictions
Public Private Partnerships (PPP)	PPP is broad term that refers to any collaboration between the public and private sectors to deliver public services or infrastructure. It covers any arrangement where the public and private sectors collaborate to deliver public services or infrastructure. PPPs often involve the private	PPPs enable governments to undertake large-scale projects without immediate full funding, as private partners contribute financially	• PPP arrangements often involve highly detailed and complex contracts that can take significant time and

	sector financing, building, and operating facilities, while the public sector ensures service delivery to the public.	PPPs allow government to leverage private sector expertise, innovation, and efficiency. PPP projects are often brought in, within time and to budget, maximising the value for money achieved. Risks such as project over-runs and delays are shared with the private sector, minimising the impact on the public purse	resources to negotiate and manage. • While PPPs may provide upfront financial relief, they can be more expensive in the long term due to private sector profit margins, financing costs, and contractual obligations. Therefore, reducing overall value for money • As private entities are involved, there can be reduced transparency and accountability in how public funds are used compared to purely public projects.
Private Finance Initiative (PFI)	PFI is a specific type of PPP where the private sector designs, builds, finances, and operates public infrastructure projects[6]. PFI projects utilise debt and equity finance provided by the private sector to cover upfront capital costs. PFI projects typically involve a special purpose vehicle (SPV)	• improved operation and efficiency of public services by accessing private sector processes, technology and innovation	• Long-term repayments can make PFI projects very costly to the public purse

[6] https://www.gov.uk/government/publications/public-private-partnerships/public-private-partnerships?form=MG0AV3&form=MG0AV3#definition-of-ppp-and-pfi

	that enters into contractual arrangements with the public sector and financing agreements with shareholders and external financiers. Although many countries including Canada, Ireland, Australia and Sweden have used PPP model to finance public sector projects the United Kingdom is regarded as the pioneer of this approach.	• long term value-for-money created through appropriate risk sharing throughout the whole life of the project • projects delivered on time and budget through incentivisation of private sector partners • an alternative source of funding for public infrastructure and services[7]	• As time and cost over-runs risks are transferred to the private sector, typically PPP/PFI contracts are very inflexible. • The large-scale nature of the projects may 'freeze out' (smaller) local companies[8].
Land Value Capture (LVC) Financing	LVC refers to a set of mechanisms used to monetise the increase in land values that arise in the catchment area of public infrastructure projects[9]. The increase of land value following a redevelopment programme increases the value of property and therefore the amount of business and domestic rates that can be collected as well as other taxes such as stamp duty land tax and infrastructure levies. Once planning permission is granted for a redevelopment project (whether that is for a change of use or, permission for increased	LVC policies can distribute both the costs and benefits of urbanisation and land development, because value capture allows a community as a whole to reap the benefits of development more fully.	If land value increments due to public action are not recovered, those increments will remain with private property owners, therefore the financial benefits fall to the private sector[12.] A number of studies have noted that LVC is complex and can face many obstacles such as

[7] https://www.gov.uk/government/publications/public-private-partnerships/public-private-partnerships?form=MG0AV3&form=MG0AV3

[8] https://www.allysonpollock.com/wp-content/uploads/2013/04/NIPSA_2009_Hellowell_PFIPPPNIreland.pdf?form=MG0AV3&form=MG0AV3

[9] https://www.london.gov.uk/sites/default/files/land_value_capture_report_transport_for_london.pdf?form=MG0AV3&form=MG0AV3

[12] Global Compendium of Land Value Captures Policies. OECD, 2022

	density), this can also increase the value of the land. The OECD summarised the number of different instruments that can be used to capture revenue associated with increases in the value of land[10]: • ***Developer obligations****: A charge to developers (either in-cash or in-kind, where the developer directly funds complimentary infrastructure) linked to obtaining approval to develop or build on a land parcel.* • ***Infrastructure levies****: A tax or a fee on land charged to landowners, where that land has already gained in value because of public infrastructure investments.* • ***Charges for development rights****: Developers pay for additional development rights above a defined land-use, density and/or height baseline, but within the maximum density permitted by the zoning plan.* • ***Affordable housing requirements****: Some projects require developers of residential properties to set aside a fixed percentage of units that are affordably priced.* • ***Land readjustment****: Land parcels are pooled into different shapes and sizes to make space for public improvements such as roads, parks*		a lack of legal frameworks, insecure property rights and high initial costs[13].

[10] Unlocking infrastructure investment

[13] Land Value Capture

	or public utilities. The infrastructure investments undertaken on the pooled land increase the value of the properties in the redeveloped area. Each landowner then receives a smaller parcel of land that has higher value than the original parcel due to the improvements made. • ***Direct development (Integrated rail and property development):*** *A public authority jointly develops new transit infrastructure and housing, with the proceeds from the development being used to pay for the new transit infrastructure*[11]*.* • ***Privately-owned public spaces****: Urban spaces that result from a negotiated trade-off between local governments, private landowners and developers. Developers are allowed to build outside planning limits, would receive a tax-cut or are exempt from other regulations, in return for providing a publicly usable space. Multiple examples exist in Japan, the United States and Australia*.		
Land Venture Capital (LVeC	Land Venture Capital (LVeC) refers to the investment in land and real estate projects with the aim of generating high returns. This type of venture capital focuses on funding the acquisition,		

[11] LVC has been used to finance many development projects that have involved transport links and the creation or uplift of transport infrastructure has increased the value of land in its vicinity for example: Nationwide (2014) noted - London homebuyers willing to pay a substantial premium to live near a Tube or train station. House Price Index Special Report. Nationwide Building Society, Swindon. (2014).

	development, and improvement of land and property. Investors in LVeC typically seek opportunities in areas with potential for significant value appreciation, such as urban regeneration projects, commercial developments, and residential housing. LVeC can involve various financing structures, including equity investments, debt financing, and joint ventures. The goal is to leverage the increase in land and property values to achieve substantial returns on investment.		
Tax Increment Financing (TIF) / Community Infrastructure **Levy (CILs)**	TIFs and CILS are similar models of financing for infrastructure and regeneration projects. Both models support community development and infrastructure projects, the former relies on capturing tax increments in the future and the later places and direct charge on new developments at the start of the development[14]. TIFs are a public financing model that has been used as a subsidy for regeneration and infrastructure projects in many countries including the United States and Canada. The aim of TIF is to stimulate private investment into areas that	TIFs capture locally generated, incremental public sector revenues (e.g. non-domestic rates) that would not have arisen without the regeneration. The key principle is that the public sector would raise finance for such enabling projects by pledging to meet debt repayments from such future incremental revenues and other income created by	Over reliance on one tax stream, can result in the need to ensure sufficient commercial property was built to generate enough business rates[20]. Access to other revenue streams, for example VAT could enable authorities to run schemes over a shorter period of time, spread risk and, arguably,

[14] https://icma.org/blog-posts/understanding-tax-increment-financing?form=MG0AV3&form=MG0AV3

[20] Tax-Increment-Financing.pdf

	require regeneration and to increase the value of these areas[15]. The key principle is that the public sector would raise finance for such enabling projects by pledging to meet debt repayments from such future incremental revenues and other income created by resultant development by the public and private sectors [16]. There are a number of different ways that funding could be provided, including: • the local authority borrowing against its anticipated income, to assist cash flow; • a developer borrowing against its anticipated income, which is then reimbursed by the local authority; • local people investing in the scheme through a local authority bond issue serviced by the anticipated uplift in business rates, potentially	resultant development by the public and private sectors [18]. TIF arrangements are regarded as a useful way to kickstart regeneration in a specific area when no alternative source of funding is available[19]. TIFs Increase the tax base, making public regeneration projects more viable and regenerating derelict areas	reduce the risk of skewing development towards commercial and very high density. • TIFs rely on anticipated cash flow (i.e. business rates that will have been ringfenced for the project, so there must be certainty that the development will be both completed and occupied[21] [22]. • The development may result in rising property values and gentrification (which in turn could make residential aspects of the development

[15] Tax-Increment-Financing.pdf

[16] Tax Incremental

[18] Tax Incremental

[19] An introduction to tax incremental financing

[21] An introduction to tax incremental financing

[22] The Hidden Costs of TIF - Lincoln Institute of Land Policy

	with tax relief if specific laws are passed in this area. CILs are very similar except a levy is placed on developers or, landowners by local authorities to fund infrastructure, and community amenities such as schools and parks[17]. CILs are currently only applicable in England and Wales.		unaffordable to low income households). • If the TIF is poorly written, increased property values may have generated additional funds anyway, which would have paid for other public services rather than being channeled back into the TIF. Funding is therefore taken out of the public purse (i.e. displacement). • If TIF zones are too large they may capture revenue from areas that would have appreciated in value regardless of the TIF (i.e. deadweight) • Projects can overlook the fact that incremental rises in property values may require an increase in the provision of public services, which also require funding.

[17] https://www.gov.uk/guidance/community-infrastructure-levy?form=MG0AV3&form=MG0AV3

Section 106 arrangements/ planning obligations	Section 106 agreements (often referred to as Planning Obligations) are similar to CILs and are legally enforceable obligations under the Planning Act (Northern Ireland) 2011. They are agreements made between a developer and the Local Planning Authority (LPA) designed to meet the concerns an LPA may have about meeting the cost of providing new infrastructure made necessary by the development. The obligations that form the agreement are discretionary while contributions are negotiable and can relate to a wide range of infrastructure including: roads, public transport, education, community facilities, environmental mitigation, and affordable housing. LPA's policies for planning obligations should be published and included in Local Plans. The National Planning Policy Framework (NPPF) requires that a planning obligation must only be sought where: it is necessary to make the development acceptable in planning terms; it is directly related to the development; and it is fairly and reasonably related in scale and kind to the development. Section 106 was not specifically designed to capture uplifts in land values. Rather, it was seen as a tool to raise revenues for infrastructure and services that would make a development acceptable to a local community.	Agreements can be tailored to the specific needs of the area. Can help to overcome potential planning challenges Ensures that developers contribute to infrastructure that is required for a successful development[24].	Drafting and agreeing contracts with developers can be complex and resource intensive, leading to project delays Ensuring compliance with the agreements can be difficult Associate financial burdens on developers can be significant and deter investment[25].

[24] https://www.landmarkchambers.co.uk/news-and-cases/varying-a-s106-obligation?form=MG0AV3&form=MG0AV3

[25] https://www.landmarkchambers.co.uk/news-and-cases/varying-a-s106-obligation?form=MG0AV3&form=MG0AV3

	Nevertheless, Section 106 inherently has the effect of capturing land value, with requirements for the provision of affordable housing having the effect of depressing the value of the site and, in so doing, sharing value with the community. In Northern Ireland Section 76 of the Planning Act (Northern Ireland) 2011 allows local councils to enter into legally binding agreements with landowners as part of the planning permission process. These agreements, known as Section 76 agreements, are used to mitigate the impacts of development and ensure that necessary infrastructure and services are provided[23].		
Special Purpose Vehicles (SPVs)	A Special Purpose Vehicle (SPV)**,** is a separate legal entity created for a specific business purpose or project. SPVs are often used to isolate financial risks and manage specific assets independently from the parent company. They have their own legal status, assets, liabilities, and financial operations, distinct from the parent company. SPVs are commonly used in real estate and venture capital settings, enabling structured investment strategies while protecting the parent company's financial integrity[26].	Protects the developer / public sector from financial risks. Establishing a distinct entity can attract further private sector investment having an SPV for a specific project ensures that resources remain focused on the project goals/aims	Establishing an SPV can be complex and resource intensive. It may create additional administrative and operational costs Depending on how an SPV is established, it could be inflexible /

[23] https://www.legislation.gov.uk/nia/2011/25/section/76?form=MG0AV3&form=MG0AV3

[26] https://osome.com/uk/guides/special-purpose-vehicle-spv/?form=MG0AV3&form=MG0AV3

			unable to adapt as a project develops.
Placemaking partnerships. English Cities Fund	The English Cities Fund (ECF) is a private sector/ public sector collaboration to create successful, sustainable communities where people thrive economically and socially. It was established in 2001 as a partnership between Muse Developments, Legal & General, local authorities and Homes England27. The ECF focuses on large-scale, area-wide regeneration projects, transforming urban areas and delivering new homes, workspaces, and public spaces.	Can identify specific areas / communities in need of regeneration. Can plan regeneration activities over large scale areas. Local stakeholders are involved to ensure that the redevelopment reflects the aspirations of the community. Fostering collaboration between public and private sectors, placemaking partnerships can attract additional funding and resources[28]	Placemaking partnerships can be complex and resource intensive to manage With many parties involved accountability can be an issue Gentrification may lead to rising costs and residents unable to benefit[29].

[27] https://www.gov.uk/government/news/homes-england-muse-and-legal-general-recommit-to-the-english-cities-fund-to-develop-6600-more-homes-and-deliver-against-levelling-up-agenda?form=MG0AV3&form=MG0AV3

[28] https://www.placemanagement.org/news/posts/2025/march/the-importance-of-effective-place-partnerships/?form=MG0AV3&form=MG0AV3

[29] https://www.lse.ac.uk/research/research-for-the-world/politics/government-urban-regeneration-initiative-failed-to-improve-britains-most-deprived-areas?form=MG0AV3&form=MG0AV3

Government-back infrastructure banks	HM Treasury defines government-backed infrastructure banks as financial institutions established to support infrastructure projects. They provide funding and investment for projects that align with government priorities, such as tackling climate change and promoting regional economic growth.	• Provides a reliable, pre-defined source of funding for large scale projects, • The banks are already established to attractive private sector investments and can therefore amplify the impact of government funding • The bank's established resources and expertise can mitigate financial and operational risk.	• Establishing an infrastructure bank requires significant upfront investment. • Managing these banks involves navigating complex regulatory and operational frameworks. • The success of infrastructure banks relies on favourable market conditions and investor confidence.
Government-backed Guarantee Schemes	Government or, State guarantee schemes are financial mechanisms where the government provides guarantees to lenders (such as banks) for loans made to businesses or individuals.	• These guarantees reduce the risk for lenders, encouraging them to provide loans that they might otherwise consider too risky. • Businesses and developers involved in redevelopment can access loans and funding more easily, thanks to the government's backing.	• Government is potentially liable to cover losses if the project fails. • They rely on favourable market conditions and investor confidence. • Ensuring that funds are used effectively

		• Improved access to finance may allow schemes to develop more quickly.	and transparently can be difficult[30].
Government Bonds	Government Bonds (or gilts) are debt securities issued by the UK government to raise funds for various public projects and expenditures. Investors who purchase these bonds are essentially lending money to the government in exchange for regular interest payments (coupons) and the return of the principal amount at maturity[31]. It should be noted that the Northern Ireland Executive does not typically issue its own government bonds, this is the role of HM Treasury and are likely to be part of an overall borrowing strategy[32]. OECD noted that the use of bonds is under-utilised by subnational governments and the use of bonds should go hand in hand with a "robust fiscal framework". The use of bonds to support infrastructure investment is more common in the United States, where a large variety of bonds are available. Municipal bonds are issued by municipal, regional or state governments to	Gilts are considered low risk as they are backed by the government's ability to repay. They provide a stable source of funding for long-term projects	They are sensitive to increases in rates and inflation which can make them less attractive and erode returns, and making the finance more expensive for government.

[30] https://www.british-business-bank.co.uk/finance-options/debt-finance/growth-guarantee-scheme?form=MG0AV3&form=MG0AV3

[31] https://www.dmo.gov.uk/responsibilities/gilt-market/about-gilts/?form=MG0AV3&form=MG0AV3

[32] https://www.dmo.gov.uk/responsibilities/gilt-market/

	support general government finances or, specific investment projects[33].		
Earmarked Bonds	Earmarked bonds are those that are harnessed for infrastructure projects with a defined public policy objective – also known as sustainability-linked bonds, they include Green Bonds, Social Bonds or Climate Bonds[34]. Proceeds from earmarked bonds should be used to finance or re-finance eligible projects. Social Bond projects aim to "address or mitigate a specific social issue and/or seek to achieve positive social outcomes" [35]. Social Bonds would support projects such as those providing affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy), access to essential services (e.g. health, education), affordable housing, employment generation, or, socioeconomic advancement and empowerment36. Green Bonds seek to finance environmentally sound and sustainable projects that foster a net-	Earmarking bonds can reduce the risk of misallocation. They can gain public support as they are linked to specific projects and the public can see tangible outputs As with other models they can stimulate investment and economic growth[38].	They are inflexible as they can only be used for designated projects. They may involve additional / higher administration costs to ensure compliance with their specific terms[39].

33 Unlocking infrastructure investment

34 social-bond-principles-june-2021-140621.pdf

35 social-bond-principles-june-2021-140621.pdf

36 Sustainability-Linked Bond Principles (SLBP) » ICMA

38 https://www.ftadviser.com/2013/03/14/training/adviser-guides/the-pros-and-cons-of-government-bonds-WzY4zOjJRmMfsOHUekvN7I/article.htm

https://www.ftadviser.com/2013/03/14/training/adviser-guides/the-pros-and-cons-of-government-bonds-WzY4zOjJRmMfsOHUekvN7I/article.htm

	zero emissions economy and protect the environment. Bonds that are used to finance or re-finance projects that are both green and social are referred to as Sustainability Bonds[37].		
Blended Finance	blended or mixed approach to financing public sector capital projects has a number of benefits. Blended finance typically involves combining public and private sector funding to de-risk investments and attract private capital to projects with significant social or environmental benefits A blended finance approach should be tailored to the specific needs of the project and for the expectations of investors (both public and private). Blended finance is now widely tested in the UK and recognised as a credible model.,	• Government can ensure value for money is achieved by establishing outcome contracts, whereby payments are issued on the achievement of agreed outcomes. • . It may also increase private sector investment into projects that otherwise would have been perceived as high risk[40].	• A level of skill and capacity is required to structure and effectively manage blended finance funds. • should the use of blended finance approaches be scaled up in the UK, "*A new HM Treasury oversight and expertise unit* [should be established to] *ensure efficient coordination and necessary skill-building*[41]".

[37] Sustainability Bond Guidelines (SBG) » ICMA

[40] Investing-in-our-future-Practical-solutions-for-the-UK-government-to-mobilise-private-investment.pdf

[41] Investing-in-our-future-Practical-solutions-for-the-UK-government-to-mobilise-private-investment.pdf

3 Case studies – United Kingdom and international countries

3.1 PPPs

Case Study: St Bartholomew's and Royal London PPP project – to extend and refurbish hospital

The largest PPP project in the UK was St Bartholomew's and Royal London project (£1.1 billion), which extended and refurbished St Bartholomew's Hospital. The project received £250 million from the European Investment Bank (EIB).

The project involved the demolition of 13 buildings at the Royal London Hospital and construction of a new 17 storey building, making it the UK's largest hospital and the transformation of the 900-year-old St Bartholomew's Hospital (Barts) into a state-of-the-art cancer and cardiac centre, demolishing a 1930s building and using the site for a new build[42].

The investment significantly enhanced the operational effectiveness of the hospital by eliminating unsuitable and poor-quality estate and the provision of both general and specialist acute hospital services improved.

The redevelopment supported the hospital's research and teaching functions and contributed to the regeneration of East London as a whole, and Tower Hamlets in particular[43].

The project was completed in 2016 and the private sector partner (Skanska) now provides comprehensive facilities management services until 2048.

[42] Barts Health NHS Trust | www.skanska.co.uk

[43] https://www.eib.org/en/projects/pipelines/all/20030038

3.2 LVC

Case Study: Kings Cross Area London LVC Project – to redevelop London Underground station

The regeneration of the Kings Cross Area in London is regarded a good example of successful LVC, to fund a mixed-use development project. The project was estimated to cost in the region of £3 billion[44] and the UK government invested around £500 million, which included the redevelopment of Kings Cross station[45]. The project involved the redevelopment of a 67 acre, derelict industrial site to provide parks, housing and commercial units[46].

3.3 Tax Increment Financing (TIF) / Community Infrastructure Levy (CILs)

Case Study: Battersea and Nine Elms Development and Royal Docks TIFs and CILs Project – to redevelop land

The Greater London Authority used both TIFs and CILs to fund regeneration in the Battersea and Nine Elms Development and the Royal Docks. This involved the redevelopment of 1,600 acres of land.

In 2011, the Chancellor confirmed the UKG's support for the Northern Line Extension (NLE), and a new Enterprise Zone at Battersea, subject to a commitment from a developer to develop the Power Station site and make agreed Section 106 contributions[47]. Then, in 2012, the UKG confirmed that borrowing of up to £1bn from the Public Works Loan Board would be available to the GLA, which would be serviced by:

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44 King's Cross | Urban Plan

45 https://www.gov.uk/government/news/kings-cross-completion-shows-us-britain-knows-how-to-deliver-says-infrastructure-minister#:~:text=Thursday%2026%20September%20sees%20the,and%20disused%2067%20acre%20site

46 About the redevelopment of the King's Cross area of London

47 Section 106 Agreement (also referred to as Planning Gain). Developers applying for planning permission can be asked to contribute financially, and in other ways such as providing green space or play facilities, to the infrastructure needed to support the new development, and to mitigate any negative impacts arising from it. In this way local authorities can secure additional public benefits from developers.

• Incremental business rates retained by the GLA in the new Enterprise Zone (EZ), for at least 25 years.

• Contributions from local developers, and CIL. Any surplus income could be used to fund other economic priorities.

His Majesty's Treasury agreed that each borough would be statutorily required to pass 100% of the business rate uplift to the GLA and the GLA would pass back 30% of the uplift to the boroughs[48].

Although well advanced the project is not yet completed, but it will provide a range of commercial and residential properties and community facilities[49].

Case Study: St Louis City Multiple TIF Projects

In 2016, the city of St. Louis, in the state of Missouri, had over one hundred TIF projects in place, with around $2b of public tax dollars redirected to developers via TIF schemes, the majority of which were retail-orientated, with most of the remainder residential.

In Missouri, a TIF district freezes property taxes within the district and then requires property owners to make payments in lieu of taxes (PILOTS) to a special fund. The state also allows for up to half of local income and sales tax revenue generated by new economic activity to be captured and placed in the fund which is then used to reimburse the developer or to clear debt from bonds used to finance the development up front.

In 2012, Missouri approved the Cortex Redevelopment Plan, a 200-acre site on the edge of the city for mixed-use development with new offices, research facilities, retail, healthcare, recreational open space, and a new public-transit station, most of which was built on vacant land[50].

Although the overall scheme was due for completion in 2024 at an estimated cost of $2 billion (bn), including $158.2 million (m) TIF funds, further plans have been announced for the development of additional, affordable housing on the site[51].

In 2019, an impact report found that Cortex was a powerful, and growing, economic engine for the region, with 5,780 employees currently working in the Cortex Innovation Community, and the economic activity of the development generating $2.1 bn in economic output impacts for the St. Louis region in 2018.

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[48] Tax-Increment-Financing.pdf

[49] Nine Elms Battersea Development Infrastructure Requirements Refresh Study

[50] Cortex: Innovation's New Frontier - HOK

[51] St. Louis Board of Aldermen approved major Cortex development with affordable housing units

Cortex is also expanding the regional tax base, with reported state and local tax revenues of $69.6m, and $185.4m in federal taxes (primarily payroll taxes) in 2018. Over the 30-year life of the TIF, it is projected that over $775 bn in revenues will be generated [52].

3.4 SPV

Case Study: Croydon Council Urban Regeneration SPV

In 2008 Croydon Council established the Croydon Council Urban Regeneration Vehicle (CCURV) with John Laing Equity, as a 28-year joint venture aimed at regenerating a portfolio of real estate worth around £450 million[53].

The SPV functions essentially as a commercial land developer – investing in and revitalising properties not only for the economic and social benefits but also to generate sufficient income from the improved properties to make the investments sustainable and profitable.

At the same time, the Council retains its role in public oversight and planning, which it exercises both as a separate entity and as a fifty-percent shareholder in the joint venture. The private partner, in return for its capital and development expertise contributions, receives privileged access to development opportunities in the borough.

The projects completed by the SPV included the construction of over 500 homes as well as retail and office accommodation and provided new facilities for local residents as well as creating local employment and training opportunities in the local area.

Case Study: Birmingham New Street Station

A SPV was also created for the Birmingham New Street Station Redevelopment project. This project was managed through an SPV which involved a partnership between Birmingham City Council, Network Rail and private sector partners. The total project cost approximately £750 million and involved the expansion of the station concourse and the development of a shopping centre. The project acted as a catalyst for further inner-city regeneration[54].

[52] Tax-Increment-Financing.pdf

[53] Croydon Council Urban Regeneration Vehicle London Borough of Croydon United Kingdom (1).pdf

[54] Mace Group | Birmingham New Street station refurbishment

3.5 Placemaking partnerships, e.g. English Cities Fund (ECF)

Case Study: ECF Projects

Notable ECF projects include the regeneration of **Salford Central, Canning Town (London), and Millbay in Plymouth**. ECF worked with partners to transform derelicts docks into a waterfront community and destination. The regeneration included the development of residential properties, commercial space, public space and improved infrastructure. It took 15 years and cost around £215 million[55].

3.6 Government-back infrastructure banks

Case Study: Northern Ireland Investment Fund

The Northern Ireland Investment Fund (NIIF) was established in 2018 with a £150 million allocation from the Department of Finance. It provides loans ranging from £3 million to £30 million to private sector developers for eligible redevelopment or, infrastructure projects that contribute to the local economy. The fund is constantly recycled and is used to provide debt financing for projects that support economic growth, regeneration, and low-carbon initiatives in Northern Ireland. The Fund provides debt for development projects, and is flexible in providing mezzanine, senior or whole loan solutions. The Fund provides capital to projects which meet the NIIF regeneration targets covering; employment, regeneration, floor space and carbon savings outputs. The NIIF's target sectors include:

- Office space

- Hotel, Leisure and Residential as part of a mixed-use regeneration development

- Development of employment sites, site assembly, remediation, site access and other site related infrastructure

- Other capital investment in physical development and infrastructure that directly supports economic growth, for example, tourism or leisure led projects and the provision of digital infrastructure

- Non-domestic and domestic energy efficiency projects

- Energy generation projects, including photovoltaic, wind, hydro and waste to energy

[55] Millbay - ECF

- Heat network projects
- Energy Storage projects
- Circular economy projects with a focus on resource efficiency and / or re-use; and
- Purpose-Built Student Accommodation (PBSA).

By the end of 2024 the NIIF had invested £169 million in projects which have supported over 5,000 jobs, created 1,160 hotel beds and redeveloped eight hectares of brownfield sites[56].

Case Study: Examples of other Infrastructure / Development Banks

Development Bank of Wales: Acts as a gap funder to address market failure and support the implementation of the infrastructure investment strategy[57].

Canada Infrastructure Bank: partners with private capital to accelerate infrastructure projects. It has been involved in over 70 infrastructure projects including public transit, power and waste water.[58]

Scottish National Investment Bank: acts as a development investment bank for Scotland, delivering patient, mission impact investment to the Scottish economy. The Bank provides patient (long term) capital to businesses and projects throughout Scotland to support the development of a fairer, more sustainable economy. It has invested almost £713 million since 2020[59].

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56 Home - Northern Ireland Investment Fund

57 Wales Infrastructure Investment Strategy

58 Investing in Canadian communities | Canada Infrastructure Bank (CIB)

59 Delivering patient, mission-impact investment to the Scottish economy I Scottish National Investment Bank

3.7 Government-backed Guarantee Schemes (GBGS)

Case Study: Norwegian GBGS

Norway established state guarantee schemes to encourage private sector investment in regeneration projects. For example, in 2024 the Norwegian government announced a guarantee scheme for renewable energy projects in developing countries, with a financial framework of around £350 million.

Case Study: English GBGS

Government Backed guarantee schemes have been used in England to support housing developments, for example - the **ENABLE Build Scheme** supports small and medium-sized housebuilders by providing government-backed guarantees for loans. It helps increase the supply of credit for housebuilders, encouraging more housebuilding and regeneration projects.

3.8 Strategic Investment Fund[60]

Case Study: Ireland Strategic Investment Fund (ISIF).

ISIF's wider housing investment programme is targeting the delivery of 25,000 new homes by 2030 through a range of equity and debt investments, of which over 14,200 were delivered by the end of 2023.

The four investment commitments comprise:

€100m committed to Avenue Capital Group that will support the construction of new homes in Ireland through Avenue's partnership with Castlehaven Finance. This investment by ISIF, will support the construction of new mass market homes nationwide.

€75m committed to the Ardstone Residential Income Fund (ARIF), an Irish-based investment fund focused on the mid-market rental and social sectors in

[60] How ISIF Invests | ISIF

the Greater Dublin Area. ISIF's investment will help to unlock the construction of new homes for rent. ARIF aims to operate to high Environmental, Social & Governance (ESG) standards and is an Article 9 Fund under SFDR. ISIF previously invested €30m in Ardstone Residential Partners Fund which supported the delivery of over 2,500 new homes in Ireland.

€29m committed to Summix, one of the UK and Ireland's leading master developers and regeneration specialists, delivering 5,700 new homes since inception, with a further 15,000 homes in various stages of planning. The firm seeks to work collaboratively with communities and sustainably deliver places to live, work and play where they are most needed. Summix has helped to unlock over 1,000 new residential units in Ireland. ISIF's investment will help crowd in third-party capital to scale the firm's Irish activities and provide equity risk capital to unlock sites for Irish homebuilders.

€25m committed to the Irish Homebuilding Equity Fund (IHEF) – set up to provide housebuilders with equity investment to unlock construction finance for sites with planning permission and sites zoned for residential use. It will support projects of 50-500 homes in urban areas across the country.

3.9 Government Bonds

Case Study: Build America Bond

In the United States the Build America Bond (BABs) was promoted as a way to support increased infrastructure investment. These taxable bonds were issued by State and local governments between 2009 and 2010 and issuers received an interest rate subsidy from the United States Treasury. During the period that they operated, USD 181 billion were issued, which represented 21% of total municipal bond debt. The different treatment of tax broadened the number of investors who could access these bonds. During the period that they existed, analysis has indicated that BABs saved USD 20 billion in interest for municipal governments and lowered interest rates. In 2021, the United States government proposed reviving BABs to support school building through new Qualified School Infrastructure Bonds.

3.10 Blended Finance

Case Study: Resonance National Homelessness Property Funds

The Resonance National Homelessness Property Funds is an example of a blended finance approach to address a shortage in affordable housing. Resonance is a social impact investment company, it invests in properties which it refurbishes and are leased back to housing experts as safe and affordable homes. The National Homelessness Property Fund blends private capital and public funding, including local authorities and government pension funds. So far more than 3,000 people have been housed through the fund[61].

4 Considerations arising from case studies and other

As highlighted at sections 2 and 3 of this Paper, alternate funding models are available for consideration by both devolved and local government in Northern Ireland when considering potential financing arrangements for regeneration projects. Each has associated advantages, risks and limitations, as briefly highlighted in sections 2 and 3 of this Paper. Choosing the right finance model depends on:

- Political, economic, budgetary and social considerations relating to the size, nature and intended objectives of the project to be funded
- Regulatory, legal and governance considerations.

This section focuses on the latter, as outlined in the following three sub-sections:

1. Regulatory compliance
2. Legal compliance
3. Governance and accountability.

4.1 Regulatory Compliance

- **Public Procurement Rules**: Procurement processes must comply with prevailing national and European Union (EU) regulations in Northern Ireland, post-UK exit from the EU arrangements. Those regulations aim to guarantee fairness and transparency in selecting contractors.

[61] National Homelessness Property Fund - Resonance

- **Environmental Regulations**: Environmental Impact Assessments (EIAs) should be completed and comply with specified sustainability requirements, including those relating to climate change and biodiversity.

4.2 Legal compliance

- **State Aid and Subsidy Control:** Must align with the UK's post-Brexit subsidy control regime and the Northern Ireland Protocol; ensuring that subsidies for regeneration projects do not distort competition**.**
- **Planning Laws:** Must align projects with zoning and land use regulations, securing the necessary planning permissions and adhering to local development frameworks.
- **Special Purpose Vehicles (SPV):** Must ensure they have the statutory authority to establish an SPV under Northern Ireland's local government legislation. This includes ensuring the SPV serves a legitimate public purpose, such as economic development or community benefit. Furthermore, robust governance structures should be established to ensure that the SPV remains accountable and aligned to overall strategy and objectives. The UK Government Investments (UKGI) can provide advice and guidance to United Kingdom departments on establishing companies, public corporation or Arm's Length Bodies (ALBs)[62].

4.3 Governance and Accountability

- **Oversight Mechanisms:** All projects should ensure proper governance structures are in place to provide oversight for public-private partnerships (PPPs) or joint ventures. Therefore, there is a need to ensure that the lead government agency has sufficient resources in place to fulfill this oversight role. It is pertinent to note that a recent NAO report highlighted that both the UK Infrastructure Bank and HMT struggled to recruit suitably qualified staff, this report notes that lack of qualified staff can

[62] https://www.ukgi.org.uk

lead to poor scrutiny and oversight, with potential impact on decision-making[63].

- **Transparency Requirements**: Financial tools and models must comply with legislation on financial transparency, such as open-book accounting.
- **Government Borrowing Laws**: Ensure that any loans or bonds issued comply with legal borrowing limits.
- **Taxation Policies**: Evaluate the tax implications of financial tools, such as tax increment financing (TIF), and ensure they adhere to HMRC requirements.

4.3.1 Community Engagement:

- **Legal Consultation Requirements**: Any regeneration project should ensure that stakeholder engagement meets statutory consultation requirements to avoid legal challenges.
- **Social Value Frameworks**: Regeneration projects should also incorporate legal obligations to maximize social benefits and minimize potential disputes with local communities.

4. Post-Brexit Agreements:

- **Trade and Cooperation Agreements**: projects should also consider the implications of the Northern Ireland Protocol on cross-border trade, subsidies and regulatory alignment.

5 Key points

A number of commentators have noted a range of actions that governments can take to encourage private sector investment in public sector capital projects, including those aimed at regeneration. Furthermore, given the increasingly constrained budgetary and economic outlook for the United Kingdom for the

[63] https://www.nao.org.uk/wp-content/uploads/2025/03/lessons-learned-private-finance-for-infrastructure.pdf

foreseeable, alongside what appears to be ever-increasing global uncertainties, it seems government reliance on private sector investment heightens, if government is to achieve its policy objectives[64]. Most recently, that was highlighted by the Chancellor's Spring Statement on 26 March 2025 and forthcoming American tariffs announced since that time.

Sections 2-4 of this Paper summarise existing private financing options that governments employ to support capital regeneration projects. Each presents its own advantages and disadvantages; necessitating careful consideration by government to choose the optimal option and subsequently to implement it, and requiring a specific set of skills and expertise to do so efficiently and effectively. Numerous reports note that the successful delivery of complex capital projects, particularly those involving private sector finance, requires a range of specialist skills in order ensure effectiveness and to achieve value for money[65]. For example, the National Audit Office recently has noted that public bodies need to access the appropriate skills and resources to support investment as well as the resource, in order to actively manage contracts and projects across their whole lifecycles[66].

Moreover, there is a body of evidence from the across the world demonstrating that a mixed or blended finance approach that includes both public and private investment "*can deliver positive economic, environmental and social outcomes, whilst delivering a financial return*"[67]. Many successful large-scale mixed redevelopment programmes have used multiple financing models - for example, the Battersea redevelopment project,) which have involved the use of zones with the most appropriate financing model was applied to each zone depending on the intended final output for each zone. The OECD noted that blended

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[64] Investing-in-our-future-Practical-solutions-for-the-UK-government-to-mobilise-private-investment.pdf

[65] For example see: National Audit Office Report (HC 962 2008-09): Commercial skills for complex government projects (full report)

[66] https://www.nao.org.uk/wp-content/uploads/2025/03/lessons-learned-private-finance-for-infrastructure.pdf

[67] Estimating and describing the UK impact investing market | Impact Investing Institute

finance models can spread risk and allow funding models to be matched to the policy intent[68].

Potential scrutiny points:

1. What private financing models – such as those discussed in this Paper - have the Executive/SIB/individual Departments, including DoF, considered using when designing regeneration capital projects? Please detail.

2. Has the Executive/SIB/individual Departments, including DoF, considered using FTC blended with another form of private financing on a single capital regeneration project? If so, please detail.

3. Is there any written guidance available to the Executive/Departments on alternate public financing when designing and implementing capital regeneration projects?

4. What learning and development is available to the Northern Ireland Civil Service, to increase its knowledge, understanding and awareness of viable private financing options for capital regeneration projects?

5. Given that the 2025 NAO report highlighted the need for "*a stable and predictable pipeline" of infrastructure* projects to create a competitive market and long-term planning by investors. The Committee may wish to ask DoF and/or TEO if there is a single, collated list of capital projects that Departments would wish take forward, but have not done so due to funding constraints.

[68] Unlocking infrastructure investment