

Infrastructure Feasibility Study Fund for Surrey

Summary

There is a concern that Surrey is missing out on infrastructure funding through a lack of appropriate feasibility studies. Investment in project development is needed at an early stage to develop a pipeline of projects able to apply for full project funding when bidding rounds become available. A dedicated fund is needed to ensure that resources are available and ring-fenced to support project development. Each Borough and District Council and the County Council are asking for agreement to set up an infrastructure feasibility study fund for Surrey and for agreement for investment in the fund to support projects within or of benefit to Surrey Heath.

Portfolio Finance

Date Portfolio Holder consulted: 3 October 2019

Wards Affected
All

Recommendation

The Executive is advised to RESOLVE that

- (i) the Council participates in the Infrastructure Feasibility Study Fund for Surrey;
- (ii) £100,000 p.a. be committed to the Fund;
- (iii) the funding be ring-fenced for the Fund, but control be retained by the Council; and
- (iv) the contribution be made from the Community Infrastructure Levy fund, for up to five years and allocation to projects be subject to agreement at the Executive.

1. Resource Implications

- 1.1 The programme would be funded from the CIL contributions that the Council retains after SANGs, parish and ward payments have been allocated. Since 2014 that element of funding has grown at an average of £650,000 per year. Thus a contribution of £100,000 per year represents a significant proportion of the CIL collected for strategic projects. The ring fenced money will be held by the Borough Council.

2. Key Issues

- 2.1 Councils in Surrey collectively need to develop infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available. This fund will ensure there are dedicated resources to develop a robust pipeline of schemes. The fund will have a gearing ratio of 1:0.86. For every £1 which Surrey Heath Borough Council invests in the fund the Council will receive £1.86 for scheme development due to investment from Surrey County Council and the LEPs. The fund will also develop projects that cross boundaries both within and outside Surrey. The fund will help Surrey Heath Borough Council to continue to work with neighbouring local authorities, Surrey County Council and the LEP.
- 2.2 There is concern that Surrey is missing out on infrastructure funding through a lack of appropriate studies. The purpose of the fund is to:
- Develop a pipeline of infrastructure projects to support economic growth across Surrey;
 - Reduce the risk to scheme promoters which results in feasibility studies not being carried out;
 - Support investment in project development at an early stage to develop a pipeline of projects able to apply for full project funding when bidding rounds become available;
 - Provide a dedicated fund to ensure that resources are available and ringfenced to support project development;
 - Ensure that projects are in the best possible position to secure external funding due to good quality feasibility work being carried out;
 - Ensure that Surrey can apply for full project funding when bidding rounds become available. Other Counties have pipelines of well-developed schemes and hence are in a better position to apply for these competitive funds; and
 - Develop projects that cross boundaries both within and outside Surrey. The fund will help partnership working both between local authorities and between local authorities and the LEPs.
- 2.3 One future funding opportunity will be the UK Shared Prosperity Fund (UKSPF). The focus of the fund will be on tackling inequality by raising productivity. At this stage the amount of funding and its allocation across the UK has not been announced. If the LEPs are successful in being allocated funding from the UKSPF Surrey Districts and Boroughs will want to be in a position to apply for funding for projects.

3. Options

- 3.1 The options for the Executive are to agree the recommendation or to not agree the recommendation.

4. Proposals

- 4.1 The fund would comprise funding from the Districts and Boroughs, Surrey County Council and the LEPs. If a District Council would like to participate in the fund, they will be asked to commit an amount of funding which will be ring fenced for the fund but retained in the Districts control. A centralised pot of funding will be set up containing the County Council and LEP contributions. It is suggested that the fund has a gearing ratio of 1:0.86. For every £1 which a District invests it will receive £1.86 for feasibility studies.
- 4.2 The District will be asked to submit an annual return detailing the amount of funding which they are ring-fencing for the fund and which can be drawn on for infrastructure feasibility studies which they promote within their area. This commitment will allow the County Council to recruit resources for carrying out the studies either by consultants or a dedicated in-house team.
- 4.3 The Surrey Future Steering Board would issue an invitation for proposals. The Districts as scheme promoters would complete an expression of interest for their proposed project by filling in a standard form. The forms would be assessed to determine if the project is likely to be feasible.
- 4.4 Projects which are considered likely to be feasible would progress to the prefeasibility study stage which would be funded through the infrastructure feasibility study fund. If a District has a project which they would like to progress to this stage they will be asked to commit their funding for the prefeasibility study and this will also secure funding from the LEP and County Council with a gearing ratio of 1:0.86 as well as securing dedicated consultancy or in-house County Council staff to carry out the study. The project promoter will need to work jointly with the project team to carry out the work. It is anticipated that the pre-feasibility study will be between 5 and 10% of total project costs.
- 4.5 The pre-feasibility study will determine if the project is viable and feasible and whether it can progress to full feasibility study stage which is anticipated to be around an additional 5% of total project costs. This will result in a rolled-up total of 10-15% of project costs for the pre-feasibility and feasibility studies.
- 4.6 If the projects are taken forward and full funding secured any feasibility funding that can be reinvested would be recycled in the same proportions that it was invested in the fund i.e. 54% back to the District and 46% back into the centralised pot. It may not be possible to recycle all pre-feasibility and feasibility funding.

5. Supporting Information

- 5.1 An example of how the fund would work is given below:

1. Set up the Infrastructure Feasibility Study Fund	
	£m
In 2019/20 X Borough ring-fenced funding	0.54
In 2019/20 funding in centralised pot from SCC and LEPs	3.00
2. Issue invitation for proposals	
X Borough complete form for example project Project cost is £8.00 m. Form assessed, and project is determined as feasible	

3. Pre-feasibility study	
Pre-feasibility study is scoped and will cost £0.60 m	
X Borough releases ring-fenced funding	0.32
Funding from centralised pot released for example project	0.28
Pre-feasibility study assessed, and the project is still viable and feasible	
4. Full Feasibility study	
Full feasibility study will cost a further £0.40 m	
X Borough releases ring-fenced funding	0.22
Funding from centralised pot released for example project	0.18
5. Project successfully delivered	
X Borough uses feasibility study and successfully applies to a central Government infrastructure fund. Full funding secured, and project is taken forward and delivered	
6. Recycling of funds	
One third of the pre-feasibility and feasibility funding can be recycled	
Money repaid to X Borough	0.18
Money repaid to centralised pot	0.15

6. Corporate Objectives and Key Priorities

- 6.1 The project helps to deliver Corporate Objectives for Place to make Surrey heath an even better place where people are happy to live and Prosperity to support and promote our local economy so that people can work and do business across Surrey Heath.

7. Policy Framework

- 7.1 No matters arising.

8. Legal Issues

- 8.1 The Council's participation in this initiative, and the pooling of contributions with other Surrey authorities to attract greater investment in the County's infrastructure, is consistent with and authorised by the powers contained in the Planning Act 2008 (and the CIL Regulations made thereunder) and the powers to benefit, develop and improve the area set out in general legislation.
- 8.2 As from 1st September 2019 Councils will be required to publish Infrastructure Funding Statements and this will need to be included on that list, which must be published by December 2020.

Annexes	None
Background Papers	None
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Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	<u>28/08/2019</u>
Capital		
Human Resources	✓	<u>28/08/2019</u>
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	<u>28/08/2019</u>
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version: