

**SOUTH EAST ENGLAND
REGIONAL HOUSING BOARD**

Date: 2 March 2007

Subject: **Regional Infrastructure Fund**

Report of: Planning Implementation Director
South East England Regional Assembly

Recommendation:

It is recommended that the Regional Housing Board note the contents of the report

Purpose of Report:

To advise the Board of the context within which the region's proposal for a Regional Infrastructure Fund have been developed.

Key Issue:

- The possibility of using some of the Board's funds to help establish the Regional Infrastructure Fund has been included within the RHS review document now out to consultation. This paper provides the Board with a briefing on background to the Regional Infrastructure Fund.

1. Background

- 1.1 The Regional Assemblies and Regional Development Agencies of South East England and South West England have proposed the establishment of a Regional Infrastructure Fund. The proposal is an integral part of the respective regional submissions to Government in relation to the Regional Funding Allocations (January 2006) and the Comprehensive Spending Review (October 2006). It is also one of eight transformational actions identified in the South East Regional Economic Strategy and is highlighted as a key delivery mechanism for ensuring the timely delivery of critical infrastructure to support housing growth in the draft South East Plan.

2 What is a Regional Infrastructure Fund?

- 2.1 A Regional Infrastructure Fund (RIF) is a rolling infrastructure fund operated at the regional level and for which regional partners are held accountable. Its primary purpose is to facilitate the timely provision of regionally or sub-regionally significant infrastructure that supports the delivery of planned growth as set out in the draft South East Plan and/or Regional Economic Strategy.
- 2.2 The RIF is a mechanism through which a region can pump prime or forward fund investment in infrastructure, in situations where the anticipated public or private funding for the scheme will not be available in full at the time when the infrastructure is needed to support delivery of planned growth. The cost of the capital investment will be recovered from pre-determined public and/or private funding streams as they become available.

3 Why Do We Need a Regional Infrastructure Fund?

- 3.1 There is an acknowledged need to improve the funding and delivery of strategic infrastructure. A forward funding mechanism operating at the regional level will provide an effective part of the solution for the following reasons:
 - Some infrastructure is regional in its scope; either in terms of its geographical coverage or the fact that it cannot be easily related to individual development proposals as it serves a wider strategic function
 - Some items of infrastructure will be too expensive to deliver through local funding mechanisms (including developer contributions)
 - Some large scale development site related infrastructure (e.g. flood defence, transport or green infrastructure) will need to be forward funded and the RIF allows for a greater spread of risk across a number of strategic investments when compared with similar local area based approaches
 - There is a need to lever in additional private sector contributions towards infrastructure, these can be maximised as the regional level.

4 How Will It Work?

4.1 The detail of the RIF will be designed to reflect the particular infrastructure needs and priorities of the region. The model established will need to have a number of prerequisites:

- A business planning approach to the identification of infrastructure need, including a thorough assessment of costs, timing, funding streams and responsibilities for delivery
- The existence of identified revenue streams through which the RIF would recoup its up front investment. This could be a combination of strategic planning contributions (S106, tariff or Planning Gain Supplement), user charges or other private sector investments
- The identification of appropriate 'banker' arrangements through an accountable body; the status of which (public or private) will be dependent upon the sources of finance employed and the nature of the contractual relationships with infrastructure providers
- Robust and transparent governance arrangements to ensure appropriate levels of public accountability and scrutiny
- Projects to be considered for the application of RIF monies would need to demonstrate a clear evidence of need and a direct contribution to the delivery of regional growth and development targets as set out in the draft South East Plan and/or RES
- To facilitate the process the function of 'ringmaster' would allow for the provision of a wider technical assistance or sub-regional brokerage role.

5 Adding Value

5.1 The added value of a Regional Infrastructure Fund is:

- It will provide a transparent and accountable process for the prioritisation, co-ordination and alignment of a wide range of public funding streams in line with regional objectives as expressed in the draft South East Plan and the RES to deliver accelerated rates of planned growth
- It addresses market failure in the delivery of critical infrastructure to facilitate the delivery of planned growth
- As a regional scheme it will have sufficient leverage to generate attractive rates and levels of borrowing and private sector investment
- It will enable the transfer of an element of risk from local authorities to the regional level.

6 Next Steps

- 6.1 The regional bodies have submitted a prospectus to the Government setting out in greater detail the principles that underpin the operation of a Regional Infrastructure Fund. Ongoing discussions with Government officials are allowing the practicalities of the proposal to be explored further. Initial indications from Government officials is that the proposal has considerable potential and is seen potentially as realising the objective of providing a way of securing the provision of infrastructure that then enables planned growth to take place.

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