

Cabinet

17 July 2019



Title	Surrey Infrastructure Feasibility Study Fund		
Purpose of the report	To make a decision		
Report Author	Keith McGroary, Economic Development Manager		
Cabinet Member	Councillor Olivia Rybinski	Confidential	No
Corporate Priority	Economic Development		
Recommendations	<p>Cabinet agrees that:</p> <ul style="list-style-type: none">a) Spelthorne Borough Council participate in the Infrastructure Feasibility Study Fund for Surreyb) A one off sum of £210,000 for 2019/20 is committed to the Fund		
Reason for Recommendation	<p>Councils across Surrey need to develop infrastructure feasibility studies so that effective bids can be made for full project funding from central government and the LEP. This fund will ensure there are dedicated resources to develop a robust pipeline of schemes to kick start infrastructure and regeneration within Spelthorne. Monies will be ring-fenced to the Fund, but full control will be retained by the Council in terms of spend.</p>		

1. Key issues

- 1.1 There is widespread concern that Surrey Boroughs and Districts are missing out on central government and LEP infrastructure funding due to a lack of appropriate feasibility studies (which are crucial in underpinning an effective funding bid). This means we are 'behind the curve' compared to other Councils. The issue has been recognised, and the Fund is being suggested as the most effective response. Investment in project development is needed at an early stage to develop a pipeline of 'on the shelf' projects able to apply for full project funding when bidding rounds become available. A dedicated fund within each borough is needed to ensure that resources are available and ring-fenced to support project development.
- 1.2 Each Borough and District plus the County Council are asking for agreement to set up an Infrastructure Feasibility Study Fund (IFSF) for Surrey and to invest sufficient funds to support progressing pre-feasibility / feasibility studies within each individual Borough.

2. Options analysis and proposal

- 2.1 There is concern that Councils are missing out on infrastructure funding through a lack of appropriate studies. The purpose of the IFSF is to:
- (a) Develop a pipeline of infrastructure projects to support economic growth within individual Councils across Surrey;
 - (b) Reduce the risk to scheme promoters which results in feasibility studies not being carried out;
 - (c) 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;
 - (d) Provide a dedicated fund to ensure that resources are available and ring-fenced to support project development;
 - (e) Ensure that projects are in the best possible position to secure external funding due to good quality feasibility work being carried out, and having worked up proposals ready when funding opportunities come along;
 - (f) Ensure that Boroughs and Districts 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
 - (g) Develop projects that cross boundaries both within and outside Surrey, where it is appropriate and beneficial for Spelthorne to do so.
- 2.2 It is recommended that we put funding into the scheme for the reasons set out above. If we do not there is a real risk that we would fall further behind, especially if we do not take up the opportunity of funding and other Councils in Surrey do.

3. Financial implications

- 3.1 The fund would comprise monies from the Districts and Boroughs, Surrey County Council and EM3 LEP. If Spelthorne Council joins the fund we will be asked to commit an amount of money which will be ring fenced for the fund, but retained in our 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 Spelthorne invest, we will receive to total of £1.86 from the IFSF pot for feasibility studies. Therefore, the suggested Council contribution of £210,000 would be increased to a value of £390,600 via the 'top up' from County and the LEP.
- 3.2 Spelthorne Council will be asked to submit an annual return detailing the amount of funding which we are ring-fencing for the fund, and which can be drawn on for infrastructure feasibility studies which we promote. This commitment will allow the County Council to recruit resources for carrying out the studies either by consultants or a dedicated in-house team. There will need to be an annual report to Cabinet setting out the sum of money we wish to put into the fund in future years (which will depend on our budgetary position).
- 3.3 The intention is that the Surrey Futures Steering Board will issue an invitation for proposals. Spelthorne Council, as project promotor, would complete an

Expression of Interest form for our proposed project(s). The forms would be assessed by the Board to determine if the project is likely to be feasible.

- 3.4 Projects which are considered likely to be feasible would progress to the pre-feasibility study stage, which would be funded through the IFSF. At this stage, we would be asked to commit our funding for the pre-feasibility study. The LEP and County Council will also put in funds with a gearing ratio of 1:0.86, and secure dedicated consultancy or in-house County Council staff to carry out the study. Spelthorne (as project promotor) will need to work jointly with the project team to carry out the work, and will be an active participant in the process. It is anticipated that the pre-feasibility study will cost between 5 and 10% of total project costs.
- 3.5 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.
- 3.6 If projects are taken forward and full funding secured (e.g. from central government or the LEP) 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 Spelthorne and 46% back into the centralised pot. Cabinet should note that it may not be possible to recycle all pre-feasibility and feasibility funding; the IFSF model is currently assuming that approximately a third of the funding could be recycled.
- 3.7 The £210,000 funding which is being suggested to support this proposal would be taken from the underspend which occurred in the 2018-19 financial year. It is understood that there is no requirement for the monies to be spent in one financial year so unspent monies can be rolled forwards.
- 3.8 An example of how the fund would work is given below:

1. Set up the Infrastructure Feasibility Study Fund	
In 2019/20 SBC ring-fenced funding	£0.21m
In 2019/20 funding in centralised pot from SCC and LEPs	£3.00m
2. Issue invitation for proposals	
SBC complete form for example project Project cost is £3.10m. Form assessed and project is determined as feasible	
3. Pre-feasibility study	
Pre-feasibility study is scoped and will cost £0.234m	
SBC releases ring-fenced funding	£0.126m
Funding from centralised pot released for example project	£0.108m
Pre-feasibility study assessed and the project is still viable and feasible	
4. Full Feasibility study	
Full feasibility study will cost a further £0.156m	
SBC releases ring-fenced funding	£0.084m
Funding from centralised pot released for example project	£0.072m

5. Project successfully delivered	
SBC 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 SBC	£0.07m
Money repaid to centralised pot	£0.06m

4. Other considerations

- 4.1 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.
- 4.2 A Master Plan will shortly be developed for Staines-upon-Thames to sit alongside the revised Local Plan. This is likely identify of a number of high value projects in the town that could clearly benefit from the infrastructure fund, as the completed feasibility studies may open opportunities to access funding from EM3 or central government. There may also be other emerging opportunities elsewhere in the borough.

5. Timetable for implementation

- 5.1 Subject to Cabinet approval £210,000 will be set aside in a ring-fenced account in within one week of the date of the meeting.

Background papers: None

Appendices: None