

Bath & North East Somerset Council	
MEETING:	Council
MEETING DATE:	13 th September 2012
TITLE:	West of England LEP : Revolving Infrastructure Fund
WARD:	
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Appendix A : Strategic Flood Mitigation for Key Development Sites in Bath City Riverside Enterprise Area	

1 THE ISSUE

- 1.1 The West of England Local Enterprise Partnership (LEP) has been awarded a total of £56.7m from the Government's Regional Growth Fund (£39.8m) and Growing Places Fund (£16.9m). The LEP is utilising the funds to create a single Revolving Infrastructure Fund (RIF) to bring forward and promote, economic and employment growth in the sub-region
- 1.2 The intention is to utilise the Fund to facilitate a total investment of £130 - £150m across the West of England over the period to 2030. Earlier this year the LEP invited Expressions of Interest for the RIF and is now seeking to allocate funds to specific projects. As a revolving fund the expectation is that RIF allocations will be in the form of a repayable grant.
- 1.3 All the infrastructure funded through the RIF will be jointly procured between the Council and the private sector. There is a theoretical risk that the repayable grant may not be repaid by the project, either through Sec 106, Development Agreements or CIL, as a result of financial failure or other potential defaults. The Council therefore should be aware there is a risk to the Authority in acceptance of a RIF repayable grant.
- 1.4 RIF monies, when drawn down, will be acting as a source of cash flow against a capital scheme which will require appropriate approval from Council for inclusion in the Capital Programme.

2 RECOMMENDATION

2.1 Council is asked to agree that :

2.1.1 The aims and objectives of the West of England Revolving Infrastructure Fund as set out in the report are endorsed and that the Authority develop and submit bids to the Fund

2.2 Council is asked to note :

2.2.1 The agreed role of the RIF fund as a source of temporary cash flow funding to support development primarily within the agreed Bath City Riverside Enterprise Area and as a catalyst for growth

2.2.2 The requirement for the means for repaying this funding to be agreed in advance including the underwriting of the repayment by the relevant host West of England Unitary Authority

2.2.3 The need for each B&NES scheme to be approved through Council in accordance with normal practice for any new scheme appearing in the capital programme

2.2.4 That the relevant Strategic Director, in consultation with the Section 151 officer, the Leader of the Council and relevant Cabinet Members has the authority to submit bids for RIF funding but that final sign off for use of the funds will be subject to the approval process for capital schemes as set out above

2.3 The Director for Place in consultation with the Section 151 officer and the Leader of the Council is authorised to specifically enter into a contract with the LEP for RIF funds to support the delivery of phase 1 of a Strategic Flood Mitigation scheme to enable the development of key river corridor sites in the Bath City Riverside E.A.

2.4 That the scheme set out in 2.3 is included in the Capital Programme for Provisional Approval subject to the Council's capital governance approval process and subsequent consideration for Full Approval by the Cabinet.

3. FINANCIAL IMPLICATIONS

3.1 Before any RIF funding can be drawn down from the Accountable Body each approved scheme must have a Scheme Investment Schedule prepared by the Sponsoring Authority and agreed with the LEP. This must include a Draw Down timetable showing when funding from the RIF will be required (by Quarter) and a repayment timetable showing the period over which the funding will be repaid back to the RIF.

3.2 Failure to meet the repayment time table could result in the Authority being asked to fund the repayment from other sources, exclusion from the RIF programme and further programmed funding being withdrawn. Also if the RIF Strategic Investment Programme becomes seriously compromised then the Government Department of Business Innovation and Skills may require repayment of some or all of the funding drawn down from the RIF funding account. It is therefore important that the repayment methods and level of risk are carefully assessed for each bid.

3.3 It is important that the Council takes a proactive role in facilitating residential and commercial development as income from Business Rate Retention, New Homes Bonus and Community Infrastructure Levy will become an increasingly important element of the Council's finances in the future. The RIF funds are interest free and can be used to cash flow the associated capital projects to avoid the Council incurring revenue costs.

3.4 The tables below provides an overview of scheme costs and benefits, repayment methods and potential draw down and repayment schedule for the Flood Mitigation project. More detail on the project is set out in Appendix 1.

Scheme costs, benefits and repayment methods

BIDS	TOTAL	BENEFITS	RISK/REPAYMENT
Strategic Flood Mitigation (Phase 1)	£3m	Provides mitigation for 5 key Enterprise Area sites and enables £325m of development – in particular Bath Quays South and Bath Quays North – Council owned sites able to deliver 55,000sqm of development & up to 2,000 jobs	Level 1: S106 on development sites OR Level 2: CIL / NHB / Business Rate uplift OR Level 3: Repayment by Council

Proposed profile of RIF drawdown and payback

Key: Payback shown in brackets

Site	Bids (£M)	12/13 (£M)	13/14 (£M)	14/15 (£M)	15/16 (£M)	16/21 (£M)	21/26 (£M)
Strategic Flood Mitigation Phase 1	3.0		2.05	0.95		(3)	

4. CORPORATE OBJECTIVES

- *Building communities where people feel safe and secure*
 - *RIF funding will assist in creating new residential and commercially led mixed use quarters in and on the edge of the city centre, utilising vacant*

and under-used brownfield sites, improving pedestrian access into and out of the city centre and to the river

- *Sustainable growth*
 - *Bringing forward the Bath City Riverside E.A. is key to addressing the objectives in the Economic Strategy for B&NES and the policy objectives set out in the Core Strategy*
- *Improving the availability of Affordable Housing*
 - *Enabling the development of 3000+ residential units will facilitate the delivery of 750 – 1000 affordable homes*
- *Improving transport and the public realm*
 - *The developments which the bid is seeking to enable will bring back into use vacant and underused brownfield land and improve public links and access*
 - *Improving access across the city*

5. THE REPORT

BACKGROUND

- 5.1 The ability to bring forward economic regeneration projects in order to provide the required housing, leisure and educational facilities has been severely curtailed by the recent economic environment. The need for infrastructure investment and the restrictions on the availability of capital financing in the private sector has caused a market failure situation in most sectors of the development and regeneration industry and has impacted upon the ability to deliver housing and commercial space especially on challenging urban sites.
- 5.2 One of the Government's responses to this situation has been to provide cash flow funding via the Regional Growth Fund and the Growing Places funds which have been consolidated in a Regional Infrastructure Fund within the West of England LEP.
- 5.3 The Regional Growth Fund, (RGF) is a Government initiative launched in 2011 as a Challenge Fund to stimulate economic growth and employment. The RGF is now a £2.4 billion fund operating across England from 2011 to 2015. It supports projects and programmes with significant potential for economic growth that can create additional, sustainable private sector employment.
- 5.4 The West of England LEP secured £39.8m in Round 2 of RGF for a Revolving Infrastructure Fund programme. Also in 2011 the Government allocated £500m to a Growing Places Fund to enable the development of local funds to address infrastructure constraints, promoting economic growth and the delivery of jobs and houses. The LEP was again successful in securing a further £16.9m under this fund.
- 5.5 At its meeting in March this year the LEP Board agreed that these funds should be utilised to create a single Revolving Infrastructure Fund with a common governance arrangement and approved a provisional Strategic Investment Plan Programme.

- 5.6 The initial focus of the RIF Strategic Investment Plan is the Bristol Enterprise Zone and the four Enterprise Areas which have been agreed across the West of England including the Bath City Riverside Enterprise Area (EA).
- 5.7 The Council's Regeneration and Development agenda as set out in previous Cabinet & Council reports and the Economic Strategy 2010 responds to the need to deliver jobs and houses in accordance with the draft Core Strategy. Enabling the EA, which could provide over 3,000 new homes and in excess of 6,000 gross new jobs, is key to this.
- 5.8 The LEP are required to secure formal draw down of the initial round of RIF funding by 2016 and have indicated that submitted proposals should :
- Be included in the Authorities published Infrastructure Delivery Plan
 - Enable significant development potential
 - Have a clear delivery strategy and programme
 - Have a robust repayment mechanism
- 5.9 The work which has been undertaken on the EA has identified a number of specific infrastructure projects that will need to be brought forward to enable the delivery of key sites. In particular there is a need for strategic flood mitigation along the river corridor in the EA.

(i) Strategic Flood Mitigation

- 5.10 All the key river corridor sites within the EA fall, to varying degrees, within Flood Zone 3 where the Environment Agency will require flood mitigation measures to be put in place before development can be undertaken. Failure to address this requirement will result in development of the majority of sites in the Enterprise Area, including key Council owned sites, being seriously restricted or prevented (see Section 6 Risk Management).
- 5.11 The Council, in consultation with the Environment Agency, is preparing detailed proposals for an upstream flood storage facility on Council owned land adjoining the river east of the city.
- 5.12 The RIF bid (see Appendix A) seeks £3m funding to support the cost of implementing phase 1 of the flood storage facility to release key sites within the central area of Bath including Council owned sites at Manvers Street, Bath Quays North (Avon Street Car & Coach Park) and Bath Quays South (Newark Works)
- 5.13 Each development site has been assessed for the flood storage volumes. These have been agreed with the Environment Agency. It is anticipated that each site will contribute to the overall cost of the flood storage facility for every m3 of storage required to enable development. These funds will be repaid as Sec106 contribution as sites are brought forward for development. Additional contributions will be generated through Development Agreements on Council owned land and CIL.

6. RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. There are a range of risks emerging including:-

(i) Failure to participate in the RIF

- The RIF provides the opportunity to draw down significant finance to front fund essential infrastructure for the EA. Failure to secure RIF funding will potentially place greater liabilities on the Council, result in delays to development coming forward affecting future income streams

(ii) Strategic Flood Mitigation

- Unless flood mitigation is put in place the development of river corridor sites in the Enterprise Area, including the Council owned sites at BQS & BQN, will be compromised which will impact on the objectives in the Council's Economic Strategy, Core Strategy and Regeneration Delivery Plans and the Council's Capital Strategy

7. EQUALITIES

7.1 A separate EqIA has not been completed as the RIF scheme and the Flood Mitigation bid are seeking to address objectives contained in the Council's Economic Strategy, Core Strategy and Regeneration Delivery Plans each of which have been through the EqIA process.

8. CONSULTATION

8.1 The report has been prepared in consultation with : relevant Cabinet Members; Other B&NES Services; Stakeholders/Partners; Section 151 Finance Officer; Chief Executive; Monitoring Officer

8.2 The report has been the subject of formal internal consultation. The RIF bids have been developed in consultation, through meetings and discussion, with other Council Services, including Planning, Property and Resources and with the Local Enterprise Partnership

9. ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 The following issues should be considered in relation to the report recommendations: Social Inclusion; Sustainability; Property; Corporate; Other Legal Considerations.

10. ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<p>Jeremy Smalley : Divisional Director Regeneration, Employability & Skills</p> <p>John Cox : Business Support & Development Manager</p>
Background papers	<p>Cabinet 9th November 2011 : Delivering Sustainable Economic Growth in B&NES</p> <p>Report to LEP Board 7th March 2012</p> <p>Minutes of LEP Board 7th March 2012</p> <p>RIF – Operational Overview</p> <p>BIS Offer Letter</p> <p>Joint Agreement between WofE UA's</p>
<p>Please contact the report author if you need to access this report in an alternative format</p>	