

EAST OF ENGLAND DEVELOPMENT AGENCY
DEVELOPMENT OF A REGIONAL INFRASTRUCTURE FUND

[SECOND DRAFT : POST-WORKSHOP]

You are invited to tender for a consultancy assignment for the East of England Development Agency (EEDA). **The assignment is to develop a workable proposition for establishing a Regional Infrastructure Fund for the East of England and assist EEDA with its implementation.** The remainder of this document sets out the context and terms of reference for this assignment.

CONTEXT

What is a RIF?

A RIF is a mechanism through which a region can pump-prime or forward-fund major infrastructure schemes. It can be used in situations where the anticipated public or private funding for the scheme will not be available in full at the time the infrastructure is needed to support planned growth or development. The costs of the capital investment are then recovered from pre-determined public and/or private funding streams as they become available.

In addition to bringing forward the availability of funds for infrastructure schemes, a RIF would also ideally be used to lever in additional funds from private and private sources.

Given the levels of growth proposed for the East of England there is considerable interest in establishing a RIF for the Region. As well as transport, this could potentially be used to assist delivery of a range of infrastructure types including health and education facilities, social and green infrastructure, utilities and waste facilities, and public services.

The need for a RIF

Although a RIF could be used to help with delivery of a range of infrastructure types, the need is perhaps greatest for transport so this is used as an example here.

Over the period from 2008/09 to 2015/16 the transport element of the Region's indicative Regional Funding Allocation (RFA) was £850m. If this is extrapolated to 2021 for consistency with the East of England Plan time horizons, the potential transport RFA for this period is approximately £1,380m.

However, the region has identified around £2,400 million of committed and Priority 1a/1b transport schemes that ideally would be RFA-funded and implemented over this period. In addition, there are further 'priority 2' and 'longer term schemes' with an additional combined cost of £2,200m. There is also a range of transport interventions that fall outside the scope of the RFA which also require funding.

There is therefore a substantial shortfall in the funding available for transport schemes, many of which are needed to accommodate planned growth in the region.

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The region has consistently made the case that much of the proposed growth identified in the emerging East of England Plan cannot be accommodated without associated investment in infrastructure. A RIF could assist with bridging this gap by potentially bringing forward schemes on an accelerated timetable and hence contribute to delivery of proposed growth. It also assists by potentially leveraging in additional funds so that more projects can be funded.

Establishing the fund

A RIF requires the establishment of up-front capital which would be recouped and added to through future revenue streams. There are various potential ways to develop the up-front fund which we expect this assignment to consider and provide advice on.

These might include a RFA top-slice, through additional Government funding or grant, RDA capital grant, through local authority borrowing, new forms of Local Authority charges and through the private sector.

How might the fund be repaid and replenished?

There are various potential revenue streams available to replenish the fund which we expect this assignment to consider and provide advice on.

These might include through community infrastructure levies, local tariffs or 'roof taxes', congestion charge revenues, supplementary business rates and through council tax, although there may be others. A repayment system based on some form of regional tariff (a tariff levied on a per dwelling and per unit-area of non-residential development for regional infrastructure) is one potential option for the East of England.

PURPOSE OF THE ASSIGNMENT

This is an invitation to tender (ITT) for a consultancy assignment to develop a workable proposition for establishing a Regional Infrastructure Fund (RIF) for the East of England, and to assist EEDA with its implementation. The client for the work will be EEDA but the project will be overseen by a Steering Group composed of Government representatives together with various regional and local partners.

Project outputs

The project has two key outputs; the first is to develop a workable proposition with business case for a RIF for the East of England by end-July 2008. The second is to assist EEDA with its implementation such that the RIF is operational by April 2009.

The stages we envisage to deliver these outputs are as follows although we would welcome the views of consultants on other aspects they believe require further development for the RIF to be launched in April 2009.

1. Identify mechanisms and models for implementation

Alternative models and mechanisms for a RIF in the East of England should be considered and evaluated. This should include consideration of different levels of geographic working. For example, a RIF might operate at the regional level. Alternatively sub-regional mechanisms could potentially be established which sit within an overarching RIF framework. We are particularly interested in exploring this

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possibility, including the scope for a RIF to address both regional and sub-regional priorities.

In addition, the advantages/disadvantages of an East of England RIF being a part of a RIF covering more regions, possibly all of the English RDAs, should be explored. Consultants should be aware that English Partnerships are considering innovative approaches to infrastructure funding at a national level and links to this work will need to be established.

Consultants should also consider carefully the objectives of a RIF along with the different roles a RIF might play. These might include using the RIF to lobby on behalf of schemes, promote schemes, facilitate schemes and/or develop schemes.

For each alternative approach identified, the consultants should set out:

- In detail how the model/mechanism would work in practice;
- the objectives of the RIF
- what projects would be progressed through the RIF and how projects might be prioritised and assessed/approved;
- the pros/cons and costs/benefits, including a high level assessment of financial viability, the potential for public and private sector investment and an analysis of the potential size of the fund. The consultants should consider the potential for generating funds from sources currently being applied or considered by Government (eg: Transport Innovation Fund; Community Infrastructure Levy; Supplementary Business Rate; Congestion Charge) but should also be innovative and consider the potential offered by other sources beyond these;
- how the RIF would be managed. Programme and project management will be complex and these issues must be addressed;
- the potential constraints and barriers to implementation of that approach in the region (timing, political, institutional, financial, technical, legal etc, including any showstoppers). This should also address potential tensions between regional and sub-regional revenue raising and spend priorities and come forward with initial proposals for management and governance of the RIF.

Based on this analysis, the consultants should recommend a deliverable approach to a RIF that should be taken forward for detailed business case development.

Consultants are invited to set out their initial thinking on what form of RIF might best be adopted in the East of England in their submissions in response to this Invitation to Tender.

Consultants should note that the recommended, deliverable, RIF model developed in this assignment will sit alongside future RFA submissions to Government including the anticipated review during 2008.

It is essential that this initial review of options is complete by 31 March 2008 to feed into proposed discussions with Treasury which will follow during April 2008.

2. Development of full business case

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A full business case will be required, building upon the work undertaken under (1) above. This is likely to include consideration of factors such as:

- objectives of the RIF;
- detailed scheme operation;
- appraisal and demonstration of value for money;
- deliverability;
- management, governance and implementation;
- programme and timing, including staging of RIF development and identification of 'quick wins' that would allow some elements of a RIF to be implemented earlier than others (possibly as pilots);
- funding and finance issues including how and from which sources the RIF can secure finance/funding; and
- interfaces with other funding mechanisms.

We would welcome the views of consultants on how the business case should be structured. We envisage this would be a substantial document for discussion with public and private sector funding bodies, regional and sub-regional partners, and the development sector.

The business case will need to contain at least three case studies showing how the RIF would work in relation to real schemes in the East of England, to be agreed with the Steering Group. These should include schemes already identified/programmed to demonstrate how a RIF could accelerate their delivery and bring in additional funding, together with examples of how a RIF could help with development/delivery of new infrastructure not yet programmed.

The business case should demonstrate how the RIF would address any potential tensions between national, regional and sub-regional proposals for innovative funding of infrastructure including how/where revenues are raised and how RIF funds are spent. Management and governance of the RIF are therefore a key consideration and consultants will be required to develop a workable proposition for this including responsibilities and lines of accountability, scheme approval processes as noted below, and links to Multi Area/Local Area Agreements. This could draw upon work undertaken in other regions where innovative funding mechanisms are being considered. The scope for commercial management of the RIF should be explored.

Consideration should also be given to the role of private sector investment including issues around levels of return, certainty and risk and whether additional funding from the private sector could be attracted.

The business case must set out a protocol for how eligible projects will be identified, prioritised, assessed, and approved for RIF support. This might include working up from a sub-regional level, with funding approved via a bidding process. Projects will include those already programmed for which a RIF will accelerate delivery, others not yet in the programme, and potentially packages of measures.

The business case document should be accompanied by an Executive Summary that could be circulated as a free-standing document that acts as a RIF 'prospectus' for the region.

3. Acquiring agreement to the RIF from Government, regional and local partners, and the development industry

Successful implementation of a RIF will require buy-in from central Government, regional partners, and the development industry throughout the process. This will require the objectives, concept and principles of the RIF to be set out clearly and in some detail, but will also need to show how the RIF would work in practice in the real world, building on the case studies referred to above. The processes for implementing the RIF will also need to be set out clearly and in detail, including demonstrating the benefits of implementation and incentives for participation. This will need to be accompanied by a major PR/advocacy exercise.

We anticipate that this will be a significant task and invite consultants to indicate in their submissions how they propose to develop the necessary support for the RIF. This **communications strategy** should include identification of the key partners who would need to participate, or be consulted with at each stage, and how they would propose to engage with these partners **across the public and private sectors, including the development industry.**

In particular, Treasury support for the RIF will be vital. Consultants should therefore indicate how they propose to engage with Treasury and secure this support. This might include setting the RIF in a Greater South East context to demonstrate its wider contribution to UK plc.

4. Delivering an operational RIF

Having established a detailed proposition for the RIF and achieved Government and stakeholder support we will require further support to manage its delivery. Until the detailed proposal is established it is difficult to be specific on our exact requirements.

However, it is clear that a roadmap for implementing the recommended RIF should be developed. This should set out key stages and milestones and their timing, the likely processes and approvals required for implementing the RIF, **key consultation events**, and the proposed governance structures. **Other key tasks/milestones that the consultants consider will need to be addressed should also be identified.** An accompanying risk register should also be prepared so that risks to delivering a RIF, and mitigating actions, are identified. The East of England RIF should be operational by April 2009 so the programme should be developed on this basis.

In responding to this ITT, consultants are invited to submit an indicative programme with key tasks and milestones for delivering the operational RIF; we recognise that there will be some uncertainty around this until the option identification/business work is complete.

In addition to the roadmap/programme, consultants are also invited to set out their further thoughts on the approach/ methodology that they consider will need to be adopted to ensure delivery within the required timeframe.

We recognise that costing this element of the brief is difficult to cost at this stage. Consultants should therefore put forward a nominated project manager to oversee implementation of the RIF and indicate their proposed day rate.

Outputs

The outputs required from this commission are:

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- (i) Report on options review and high level RIF proposition – by 31 March 2008 (with
- (ii) Report on business case for RIF – **end July 2008**
- (iii) RIF operational – April 2009

Project timescale <*to be developed*>

Task	Date
Invitation to tender released	11 January 2008
Tenders returned (by 12.00 hours)	20 February 2008
Short-listing of tenders	22 February 2008
Interviews	25 February 2008
Contract Let	3 March 2008
Inception Report and Initial Proposition for discussion with Treasury	28 March 2008
Presentation/ discussion of initial ideas	Around 20 March 2008 (tbc)
Further Steering Group Meetings	To be established on a monthly basis
Final report on RIF proposition (business case) submitted	End July 2008
RIF operational	April 2009