ADEPT
ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY PLANNING AND TRANSPORT

Unlocking Economic Prosperity Together

Case Study

Northamptonshire Revolving Infrastructure Fund

Authority: Northamptonshire County Council
Contact: Ian Achurch, Head of Development, Infrastructure and Funding
Email: IAchurch@northamtonshire.gov.uk
Telephone: 01604 366057

Project Description

The Northamptonshire Revolving Infrastructure Fund (NRIF) recognises that infrastructure investment is crucial to stimulate growth and needs to be provided ahead of development. By utilising a joined-up approach to existing and new funding sources (including Section 106 funding, Community Infrastructure Levy, New Homes Bonus and Local Business Rate Retention), a funding bridge has been established to bring infrastructure to an affordable level. The NRIF board establishes the gross capital cost of a scheme, identifies dedicated funding streams over the life of the asset, identifies 'front-funding' available from external sources and calculates county council borrowings to build the funding bridge and calculate the interest costs to the council, before calculating the interest payments by the council over the life of the asset. The outcome is accelerated local infrastructure delivery through a locally led approach. This enables work to progress on a pipeline of schemes as part of a wider comprehensive programme or investment portfolio, meaning that more areas will be able to benefit by economic growth being stimulated.

Partnerships

There is a collaborative partnership between developer/contractor/highway authority (the county council) and the local planning authority to reduce costs and to pool or combine funds and resources as necessary. A vital ingredient is a shared approach between the county council and the respective district councils. This is important as each body will be the recipient of New Homes Bonus funding and business rates uplift. Moreover, the district councils are the local planning authorities and therefore responsible for determining development proposals, including Section 106 agreements. They will also be the CIL Charging Authority and responsible for the setting, collection and distribution of CIL funds.

A further important part of this innovative approach is looking at ways to reduce costs and speed up delivery. This involves a new collaboration involving developers and contractors whereby, in some circumstances, the private sector takes responsibility for scheme promotion and delivery. Discussions suggest that this could reduce the non-construction cost of schemes by up to 40%, with savings for all the parties involved. This would also avoid the need to spend public money on potentially abortive work.

Budget

Funded through establishment of a £100m plus, long-term Revolving Infrastructure Fund

Project Aims and Key Benefits

The NRIF looks to stimulate infrastructure investment through collaborative working and strong local leadership. The prime aim is to identify best practice which can be shared more widely, so that schemes bidding for funding are more successful. The current approach to infrastructure funding and financing is problematic, making it costly and time consuming to deliver infrastructure and release growth. One of the main issues is the amount of bidding processes which are often lengthy and very resource intensive. Because of this it can often take years to progress a scheme, even if successful through the current approach. Another problem is that these processes and funding streams often appear to act in 'silos', with different approaches with each having different drivers, and managed separately. This means that 'joining-up' funding is difficult, especially in a two-tier system of local government, and this creates additional overheads and avoidable delays. Another challenge is the current client/contractor relationship between the public and private sector, and the approach to procurement, which also adds additional costs.

The prize for success is significant for all parties and would enable infrastructure delivery to be accelerated through a locally led approach. This would avoid having to rely on ad-hoc bidding for central government funding and the uncertainties, additional costs (for all parties) and time delays this involves. It would also enable work to progress on a pipeline of schemes as part of a wider comprehensive programme or investment 'portfolio', meaning that more areas will be able to benefit by economic growth being stimulated.

Further advantages would accrue from this approach as local communities and businesses would be able to benefit from the infrastructure from an early stage and New Homes Bonus and business rate receipts would be released for investment. Landowners and developers would also benefit from uplifts in values therefore making investment and development far more attractive. This in turn would release funds for repaying 'front funding' investment and the 'funding bridge' needed to deliver infrastructure more rapidly.

A unique aspect of the Northamptonshire approach is the county council 'front-funding' the design, planning and implementation costs. This involves supplementing external 'front-funding'. It is willing to do this, and take a long-term view of investment, where there is a sufficiently sound business case and the necessary commitment from other partners, including district and borough councils. Without the county council, or another organisation, assuming this pivotal role it will be very difficult to progress significant infrastructure schemes, especially in the current economic climate.

Highlights and Achievements

Through the Local Growth Deal, the county council was successful in attracting £67.3m from the government's Local Growth Fund to support economic growth in the area. This is despite the fund being massively oversubscribed and fierce competition from other areas. Northamptonshire County Council infrastructure projects have been particularly successful. This is because the county council took a conscious decision to develop these projects to an advanced state of readiness. The announcement sees a further government cash injection of more than £20 million over the next two years from April 2015. Schemes that will benefit from the funding made available include the A45 Daventry Development Link, improvements to the A43 north of Northampton and Stanton Cross in Wellingborough involving the housing developer Bovis Homes. These schemes are successful due to the role of the county council in developing the Revolving Infrastructure Fund – without this support, these schemes would not be able to proceed in the near future. The county council is taking the lead role in front-funding these infrastructure schemes, where a strong business case has been made to establish a 'funding bridge' through its long-term capital strategy and borrowing. The LGD will help reduce this 'bridge' through further front-funding. Government funding will contribute around 36% of the costs, with the balance of £100 million to be raised locally

Key Areas of Learning

The chief challenges are quite general and relevant nationally. They include the numerous and growing funding streams which need to be co-ordinated, all of which have different timescales, processes, rules and gatekeepers, securing the necessary commitment from the respective district councils to help repay associated borrowing through the development related income which is accrued, and moving away from a short-term and very risk adverse culture to infrastructure delivery and funding.

Before establishing the NRIF, the benefits of collaborative working and sharing of best practice was not unknown. However, being involved in the process has reinforced the advantages of these working principles, especially to stakeholders and potential partners in the future. By having a portfolio of working examples, this increases confidence in the process, which leads to greater opportunities for cross-partnership working.

The process has reinforced the need to encourage and reward local initiatives such as the NRIF and recognise the importance of infrastructure and local government as an enabler. It has also recognised the need to significantly streamline and reduce the number of funding streams and make it much easier for bodies, such as county councils, which are responsible for infrastructure delivery, to directly secure and pool the incomes which are derived from the growth which is enabled. This will help to repay borrowing and reduce risk to bodies such as Northamptonshire County Council, encourage locally designed and led initiatives such as NRIF to be expanded and replicated elsewhere, and importantly boost economic growth.