

City Deal Borrowing and the Establishment of the Strategic Investment Fund

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Summary

On 17th June 2021 the GNGB agreed, in principle to drawdown £20m City Deal borrowing in order to create a cyclable programme of funding to bring forward the delivery of major community infrastructure projects. This report proposes draft Terms of Reference and confirms the governance, legal and administrative arrangements that would be required to support such a fund, with a recommendation for the draft terms of reference to be agreed and for the model to be further developed and established.

Recommendations

- (i) The GNGB are recommended to agree the draft Terms of Reference for both the initial City Deal borrowing and the Strategic Investment Fund (SIF). As detailed below in 3. and attached in appendix A and B.
- (ii) The GNGB are to instruct the Infrastructure Delivery Board (IDB) to design and agree the processes that are required to support the delivery of strategic infrastructure projects through both the initial City Deal borrowing and the SIF.
- (iii) The GNGB are to recommend the establishment of the SIF to each District Authority's Cabinet and Full Council; Seeking agreement to draw down the initial £20m through the City Deal and for the interest and loan repayments to be made from the Infrastructure Investment Fund (IIF – pooled CIL).
- (iv) The GNGB to seek delegated authority from each District Authority's Cabinet and Full Council to oversee the allocation of the £20m City Deal borrowing and SIF on a scheme by scheme basis. This will be done in accordance with the fund's Terms of Reference, the GNGBs Joint Working Agreement and under the direction of Norfolk County Council as the GNGBs Accountable Body.

1. Introduction

1.1 As part of the Greater Norwich City Deal agreement¹ signed with MHCLG in 2013, the GNGB were afforded the opportunity to access lower-cost loan funding from the Public Works Loans Board (PWLB)

1.2 The total £80m borrowing was allocated in this way:

£60m for strategic infrastructure investment:

- £40m for the Broadland Northway (previously known as the NDR)
- £10m for the Long Stratton Bypass
- £10m for Central Norwich road network schemes

¹ <https://www.gov.uk/government/publications/city-deal-greater-norwich>

£20m to establish the Local Infrastructure Fund

- 1.3 To date, only the £40m for the Broadland Northway has been drawn down by the Board. This loan runs until June 2041 and is repaid in yearly instalments from the Infrastructure Investment Fund (IIF).
- 1.4 Details regarding the borrowing allocated to strategic investment projects were included within the draft Five Year Infrastructure Investment Plan 21-26 which was agreed by the GNGB on 18th March 2021; £10m continues to be designated to Long Stratton Bypass. The Plan also stated that the GNGB may need to draw down the £10m allocated to Central Norwich road schemes in order to ensure timely delivery of East Norwich. These amounts are not formerly committed but the full £20m continues to be ringfenced to these strategic projects.
- 1.5 The £20m allocated to the Local Infrastructure Fund (LIF) was a loan facility intended to provide upfront funding for onsite infrastructure delivery to small and medium sized local developers. The facility was available for four years but the rate and level of take up was lower than expected. All agreed loans were financed directly by Norfolk County Council without the need to draw down the £20m through the City Deal.
- 1.6 Following a review of the LIF facility, on 17th March 2020 the GNGB made the decision to bring it to a close and instructed the Infrastructure Delivery Board (IDB) to prepare an updated City Deal Borrowing schedule, proposing a reassignment of the £20m previously allocated to LIF. A number of options were reviewed for this reassignment and on 17th June 2021 the GNGB agreed
 - (i) to the 'in principle' draw down of £20m City Deal borrowing to create a cyclical programme of funding to bring forward the delivery of major community infrastructure projects.
 - (ii) that the Infrastructure Investment Fund (pooled CIL) should be used to repay the borrowing agreed in (i) and in accordance with legal guidance.
 - (iii) to instruct the Infrastructure Delivery Board to develop a model of borrowing to support Long Stratton Bypass, confirming the governance, legal and financial arrangements of the proposed loan and return to the GNGB to seek agreement to proceed on 30th September 2021

2. The proposed model of borrowing

- 2.1 The IDB have used the delivery of Long Stratton bypass to demonstrate how a proposed new model could be utilised which is explained below and also demonstrated by two supporting diagrams in appendix C and D. Please note that this is for demonstration purposes and is not a proposal for this funding to proceed.
- 2.2 Long Stratton Bypass funding is made up of three parts:
 1. A contribution from the Department for Transport (DfT). Government has now agreed the outline business case and £26.2 million has been allocated to LSBP.
 2. A local contribution from the Highways authority. The GNGB agreed to draw down City Deal borrowing on 18th March 2021 for this part of the funding. This is currently forecasted to be £6.7m.
 3. A developer contribution. This is to be agreed through the signing of a s106 agreement which will confirm the delivery related trigger points at which the payment is due. This is currently forecasted to be £4.5m.

2.3 The GNGB wish to explore the opportunity of utilising the borrowing allocated within their City Deal to fund the 'developer contribution' of the project budget, by way of facilitating a loan that bridges until the time that the developer has reached the trigger point and repays the loan. In doing so, LSBP will be delivered sooner.

3. Process

The proposed process of drawing down this loan:

- The amount required for the 'developer contribution' is drawn down from the Public Works Loan Board (PWLB) by Norfolk County Council, as the GNGB's Accountable body.
- The interest and loan repayments for the PWLB loan are made from the Infrastructure Investment Fund (pooled CIL) for the full term of the loan.
- Payments made by the developer to the planning authority (in this case South Norfolk Council) through the s106 agreement, will be transferred to a new GNGB Strategic Investment Fund.
- The SIF will be independent of the Infrastructure Investment Fund (pooled CIL). Amounts received into the SIF can be re-loaned to similar schemes in the future creating a 'cyclable pot'. It is forecasted to take 2-10 years before any funding will be available within the SIF.

4. Legal arrangements

4.1 This loan process will be supported by three legal agreements:

- South Norfolk Council will sign a legal agreement with Norfolk County Council to underwrite and therefore take the risk of the interest and loan repayments which will be made from the IIF for the loan drawn down from PWLB.
- South Norfolk Council will sign a s106 agreement with the developer.
- South Norfolk Council will sign a legal agreement with the developer to confirm the details of the repayments that are to be made. This is required because not all aspects can be secured through a s106 agreement.

5. Governance

5.1 Thorough administration is required to enable clear and transparent monitoring and reporting which will allow the GNGB to meet all government standards, legislative requirements and to support their decision making.

5.2 This proposed model leads to the establishment of the SIF following the draw down and repayment of the initial PWLB loan through the City Deal. Schemes that are supported directly by the initial borrowing drawn down from PWLB (as proposed for LSBP) will be repaid by the IIF, so are limited in scope because it is bound by CIL legislation. The establishment of the SIF will enable the GNGB to utilise available funds without the

restrictions that bind the IIF. The SIF project scope can be extended to the full extent of what was originally agreed within the City Deal Document for the LIF.

5.3 Two separate governance arrangements will need to be agreed and established. One for the initial City Deal borrowing and a second for the SIF. The IDB have prepared two draft Terms of Reference for these funds within appendix A and B. Subject to agreement, these Terms of Reference should be used as the foundation from which new processes are designed and developed to support the proposed model of borrowing.

6. Example of how this model is proposed to work for Long Stratton Bypass (LSBP):

6.1 GNGB to borrow in the region of £6.7m to fund the local contribution of LSBP. Norfolk County Council as the highway's authority will manage the project and bear the risk of any budget overspends. Each district partner will sign a legal borrowing agreement similar to that entered into in relation to the Broadland Northway. This will require both Cabinet and Full Council decisions. The borrowing will be repaid from the IIF over 25 years. (given current interest rates the forecasted repayment from the IIF will be £315,000 a year for 25 years)

6.2 GNGB also draw down £4.5m to fund the developer contribution of LSBP. This amount will be deducted from the borrowing originally allocated to the LIF. This borrowing will require a legal agreement signed by all district partners requiring Cabinet and Full Council decisions. Borrowing will also be paid from the IIF over 25 years (given current interest rates the forecasted repayment from the IIF will be £211,000 a year for 25 years).

6.3 The £4.5m developer contribution would be lent on to South Norfolk District Council (SNDC) and a legal borrowing agreement will be signed between SNDC and NCC (as the GNGBs Accountable Body). This will confirm the loan and interest repayments to be made back to the GNGB. A backstop date will be agreed to confirm the latest point at which the loan will be repaid. The repayments will go into the newly established SIF.

6.4 SNDC will sign a legal loan agreement with the developer of LSBP to cover the repayments of the £4.5m. Liability for the repayment's to be received from the developer will rest with SNDC. It is expected that repayment's will be made in stages over the next 2-10 years.

6.5 Once all legal agreements are established, SNDC will pay the £4.5m to NCC to allow them to deliver LSBP. This will be in advance of when the developer payment would otherwise have been available, therefore accelerating its delivery.

6.6 Delivering LSBP earlier should enable accelerated housing delivery which will in turn lead to increased CIL receipts being collected into the IIF and thus offsetting costs of the initial borrowing incurred.

6.7 Re allocation of funding from the SIF is proposed to be agreed by the GNGB, under the delegated powers granted to them from each CIL receiving District Council.

6.8 The £15.5m of borrowing remaining from the total £20m allocated through the City Deal is to be drawn down in subsequent years for onward lending to other projects supported by one or more of the GNGB partners. It is unclear what these other projects will be, but it is expected they may include those that support delivery of the North East Growth Triangle, East Norwich or Bowthorpe.

8. Agreement with Her Majesty's Treasury

8.1 The draw down schedule for the total £80m borrowing was initially agreed in 2013 when the City Deal was signed. Later in 2017, the schedule was reprofiled and re-agreed by Her Majesty's Treasury (HMT) as below:

8.2

Borrowing LA (£m)	16/17	17/18	18/19	19/20	20/21 to 25/26		Total
Strategic Infrastructure Investment	40		5	5	10		60
Local Infrastructure Growth Fund				10	10		20
Total							80

8.3 The City Deal document confirms that the partners will have access to the Public Works Loan Board for the £60 million strategic Infrastructure Investment borrowing at the project rate discount for the life of the programme. The programme is considered to be to the end of the Joint Core Strategy, which is March 2026.

The City Deal document is not explicit in confirming the timeframe for borrowing the £20m for the Local Infrastructure Fund but the above drawdown programme, which has been agreed, also continues until March 2026.

8.4 The SIF is proposed to be established using the £20m Local Infrastructure Growth Fund allocation above. Although the original governance arrangements for allocating this borrowing through the Local Infrastructure Fund has been closed. The new SIF continues to adhere to the terms of the original City Deal document which stated:

“Upfront funding for onsite infrastructure is seen as one of the biggest barriers to the creation of new jobs and homes. Across Greater Norwich there is planning consent for some 10,000 dwellings (July 2013). To establish a local infrastructure fund, City Deal partners will have the ability to borrow £20 million from the Public Works Loan Board at the project rate discount. This fund will provide loans to developers for site specific help to enable housing sites to be delivered quickly, managed on a rolling basis. The fund will be repaid over a 20-year period. This fund will be used to support infrastructure required to open up sites for housing or employment development.”

8.5 Following the announcement that DfT would fund the delivery of LSBP, an updated City Deal borrowing schedule was provided to Her Majesty's Treasury (HMT). On 17th August 2021 HMT confirmed that the below schedule provides sufficient information to enable the GNGB to draw down the borrowing at the reduced 'project rate' as agreed within the City Deal.

8.6

Borrowing LA (£m)	16/17	22/23	23/24	24/25	25/26		Total
Strategic Infrastructure Investment	40	6.7			13.3		60
Local Infrastructure Growth Fund		4.5		5.5	10		20

Total								80
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9. Next Steps

9.1 Subject to agreement today, the next steps in the establishment of the SIF will be:

1. Design and agreement of the processes required to administer and report the fund.
2. GNGB to recommend the establishment of the SIF to each District Authority's Cabinet and Full Council; Seeking agreement to draw down the full £20m through the City Deal and for the interest and loan repayments to be made from the IIF. Whilst also seeking delegated authority to make the decisions regarding the allocation of the initial City Deal borrowing and the SIF on a scheme by scheme basis.

10. Recommendations

- (i) The GNGB are recommended to agree the draft Terms of Reference for both the initial City Deal borrowing and the Strategic Investment Fund (SIF). As detailed in 3. and attached in appendix A and B.
- (ii) The GNGB are to instruct the Infrastructure Delivery Board (IDB) to design and agree the processes that are required to support the delivery of strategic infrastructure projects through both the initial City Deal borrowing and the SIF.
- (iii) The GNGB are to recommend the establishment of the SIF to each District Authority's Cabinet and Full Council; Seeking agreement to draw down the initial £20m through the City Deal and for the interest and loan repayments to be made from the Infrastructure Investment Fund (IIF – pooled CIL).
- (iv) The GNGB to seek delegated authority from each District Authority's Cabinet and Full Council to oversee the allocation of the £20m City Deal borrowing and SIF on a scheme by scheme basis. This will be done in accordance with the fund's Terms of Reference, the GNGBs Joint Working Agreement and under the direction of Norfolk County Council as the GNGBs Accountable Body.

11. Issues and Risks

Other resource implications (staff, property)

Staff resource will be as detailed within the roles & responsibility section of each Terms of Reference. No additional staff resource is proposed.

Legal implications

The £20m City Deal borrowing will be drawn from PWLB by NCC as the GNGBs Accountable Body.

The drawing down of £20m City Deal borrowing and ultimately the establishments of the SIF are dependent upon a legal borrowing agreement being signed by all four partner authorities to agree that the interest and loan repayments for the £20m City Deal borrowing will be made from the IIF for the full term of the loan. This will require each Cabinet and Full Council agreement.

The legal loan agreement between NCC as Accountable Body and the Lead Authority will require agreement with the Cabinet and Full Councils of the signing partners involved. (In the example of LSBP this would be NCC and SNDC)

The legal loan agreement between the Lead Authority and the developer will require agreement with the Cabinet and Full Council of the Lead Authority. (In the example of LSBP this would be SNDC)

Risks

The GNGBs membership consists of the Leaders of each partner authority together with the chair of the New Anglia LEP. The GNGBs joint working agreement requires a unanimous agreement from all five partners for all decisions. This ensures that project allocations from either the initial City Deal Borrowing or the SIF will not be able to proceed unless all partners agree.

The risk of project delivery delaying repayment to the SIF will be underwritten by a backstop date within the legal agreement between NCC and the Lead Authority.

The risk of not having enough CIL within the IIF to make the interest and loan repayments to PWLB (the initial £20m drawn down through the City Deal) is mitigated through the GNGB's administration and reporting arrangements that are already in place. Annual delivery and financial updates will continue to be provided to all partners by means of the joint Five-Year Infrastructure Investment Plan. As with previous City Deal loan drawdowns, a reserve equal to one year's interest and loan repayment will be secured to allow a cushion of time if any issues do arise.

Equality

It will be the responsibility of the Lead Authority to undertake an equality assessment of the individual project.

Environmental implications

It will be the responsibility of the Lead Authority to undertake an environmental impacts assessment of the individual project.

Appendices

- A- City Deal borrowing Draft Terms of Reference
- B- Strategic Investment Fund Draft Terms of Reference
- C- Flow diagram showing the different routes of borrowing and repayment for both the local and developer contributions for Long Stratton Bypass
- D- Required legal agreements diagram

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

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Appendix A - City Deal Borrowing Draft Terms of Reference

Fund Name

City Deal Borrowing

Vision

To enable and where possible to accelerate the delivery of growth within the Greater Norwich area, maximising the opportunities for job, homes and prosperity for local people.

Purpose

Upfront funding for infrastructure is seen as one of the biggest barriers to the creation of new jobs and homes. Borrowing as agreed through the Greater Norwich City Deal will be drawn down to support the delivery of infrastructure required to facilitate growth in the Greater Norwich area. It is intended that this borrowing will be used as capital funding for projects, with interest and repayments being made into the Strategic Investment Fund*, thereby creating a capital fund that can be recycled to provide for ongoing strategic investment within the Greater Norwich area.

Scope

Infrastructure projects funded from the initial borrowing as agreed within the Greater Norwich City Deal, will be required to provide a clear community benefit through the delivery of infrastructure as defined by legislation; Section 216(2) of the PA 2008 as originally enacted:

- Roads and other transport facilities (section 216(2)(a), PA 2008).
- Flood defences (section 216(2)(b), PA 2008).
- Schools and other educational facilities (section 216(2)(c), PA 2008).
- Medical facilities (section 216(2)(d), PA 2008).
- Sporting and recreational facilities (section 216(2)(e), PA 2008).
- Open spaces (section 216(2)(f), PA 2008).

Acceptance into the City Deal Borrowing programme will be determined on a case by case basis. Projects would need to demonstrate their strategic nature whilst adhering to the vision and purpose of the fund.

*Strategic Investment Fund – separate terms of reference support this fund

Governance

As set out in the Greater Norwich City Deal, a fund of up to £20 million will be established through borrowing from the Public Works Loan Board (PWLB) by Norfolk County Council on behalf of the Greater Norwich Growth Board. This borrowing will be undertaken to finance a programme of strategic projects. Individual projects will be assessed by the Greater Norwich Growth Board (GNGB) and unless otherwise agreed by all partners, the Lead Authority named in the Business Case will be required to enter into a legal contract with Norfolk County Council, as the Accountable Body for the borrowing.

Due to the strategic nature of the projects, the progress through the decision-making process is likely to be an iterative and collaborative process and therefore may be developed over an extended period of time.

The allocation of money to successful projects together with the ongoing oversight of the City Deal borrowing will be delegated to the GNGB in agreement with Norfolk County Council as their Accountable Body. However, the responsibility for securing repayments and enforcing the terms of the borrowing agreement will rest with the respective Lead Authority.

Process

A suite of fund management processes will be developed and agreed by all partners. This will include:

Fund rules

Project application form

Application guidance notes (for applicant)

Application appraisal guidance (for appraisee)

Agreement in Principle

Rejection Letter

Project Highlight Report

Roles & Responsibilities

Accountable Body- Norfolk County Council as the accountable body for the GNGB will action any loan drawn down from the PWLB. They will also direct the GNPT in the monitoring of the City Deal Borrowing.

Lead Authority- each project application will be sponsored by one of the Greater Norwich partners as the Lead Authority (LA). The LA is responsible for progressing the application through the agreed decision-making procedure and will adhere to the agreed fund reporting processes.

Greater Norwich Growth Board- will continue to work in accordance with [their Joint Working Agreement and Constitution](#) as signed by all parties in September 2014, and under the delegated powers as granted to them by each authorities Cabinet and Full Councils.

Infrastructure Delivery Board- will oversee the management of the City Deal Borrowing and the delivery of its project programme, providing annual updates to the GNGB.

Greater Norwich Project Team- will monitor the City Deal Borrowing and provide biannual updates to the IDB.

Appendix B - Strategic Investment Fund - Draft Terms of Reference

Fund Name

Strategic Investment Fund (SIF)

Vision

To enable and where possible to accelerate the delivery of growth within the Greater Norwich area, maximising the opportunities for job, homes and prosperity for local people.

Purpose

Upfront funding for onsite infrastructure is seen as one of the biggest barriers to the creation of new jobs and homes. The Strategic Investment Fund (SIF) will be used to support infrastructure required to open up sites for housing or employment growth. It is intended that this borrowing will be used as capital funding for projects, with interest and repayments being made back into the SIF, thereby creating a capital fund that can be recycled to provide for ongoing strategic investment within the Greater Norwich area.

Scope

Acceptance into the SIF programme will be determined on a case by case basis. Projects would need to demonstrate their strategic nature whilst adhering to the vision and purpose of the fund.

Governance

As set out in the Greater Norwich City Deal, a fund of up to £20 million will be established through borrowing from the Public Works Loan Board (PWLB) by Norfolk County Council on behalf of the Greater Norwich Growth Board. This borrowing will be undertaken to finance a programme of strategic projects. Individual projects will be assessed by the Greater Norwich Growth Board (GNGB) and unless otherwise agreed by all partners, the Lead Authority named in the Business Case will be required to enter into a legal contract with Norfolk County Council, as the Accountable Body for the borrowing.

Due to the strategic nature of the projects, the progress through the decision-making process is likely to be an iterative and collaborative process and therefore may be developed over an extended period of time.

The allocation of money to successful projects together with the ongoing oversight of the SIF will be delegated to the GNGB in agreement with Norfolk County Council as their Accountable Body. However, the responsibility for securing repayments and enforcing the terms of the borrowing agreement will rest with the respective Lead Authority.

Process

A suite of fund management processes will be developed and agreed by all partners.

This will include:

Fund rules

Project application form

Application guidance notes (for applicant)

Application appraisal guidance (for appraisee)

Agreement in Principle

Rejection Letter

Project Highlight Report

Roles & Responsibilities

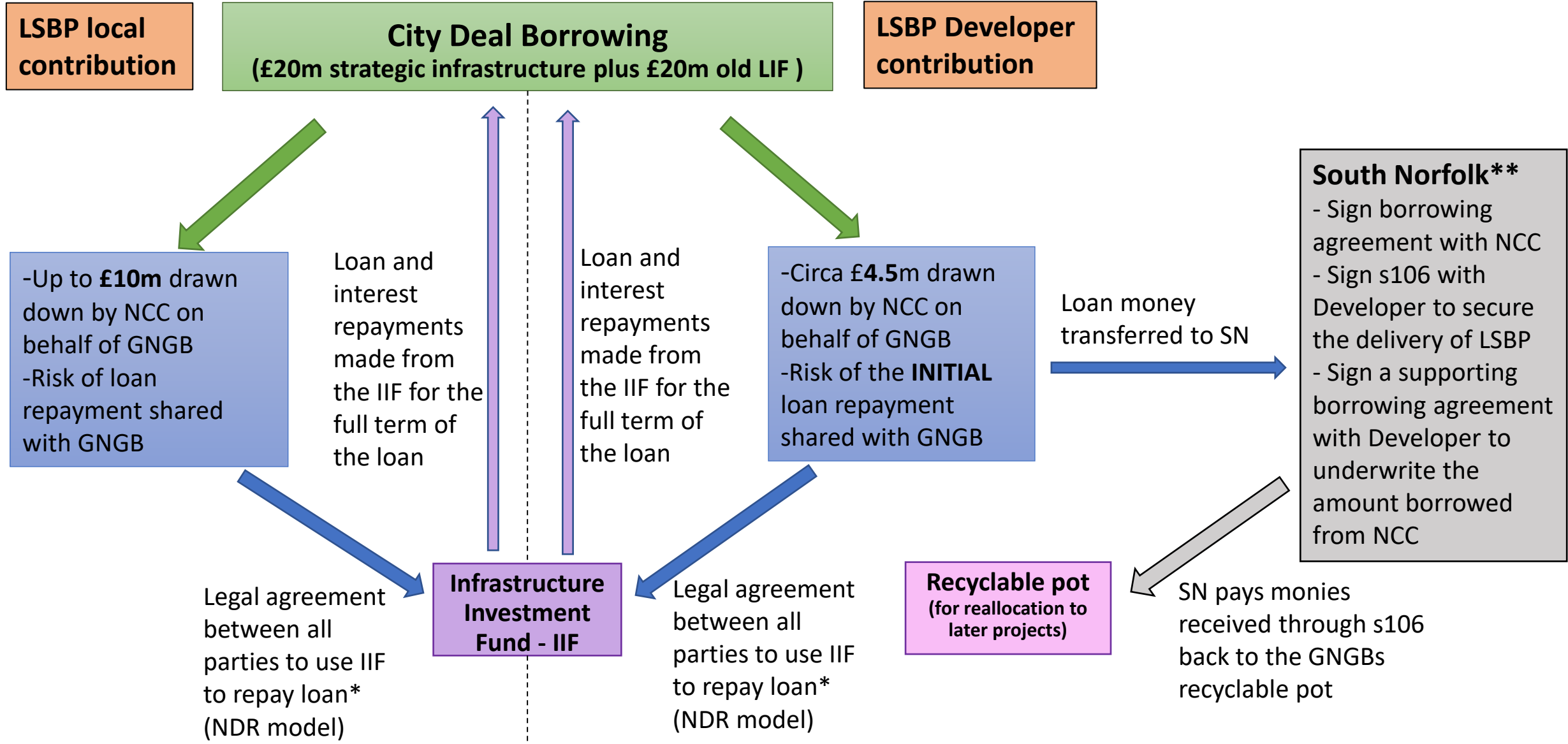
Accountable Body- Norfolk County Council as the accountable body for the GNGB will action any loan drawn down from the PWLB. They will also direct the GNPT in the monitoring of the SIF.

Lead Authority- each project application will be sponsored by one of the Greater Norwich partners as the Lead Authority (LA). The LA is responsible for progressing the application through the agreed decision-making procedure and will adhere to the agreed fund reporting processes.

Greater Norwich Growth Board- will continue to work in accordance with [their Joint Working Agreement and Constitution](#) as signed by all parties in September 2014, and under the delegated powers as granted to them by each authorities Cabinet and Full Councils.

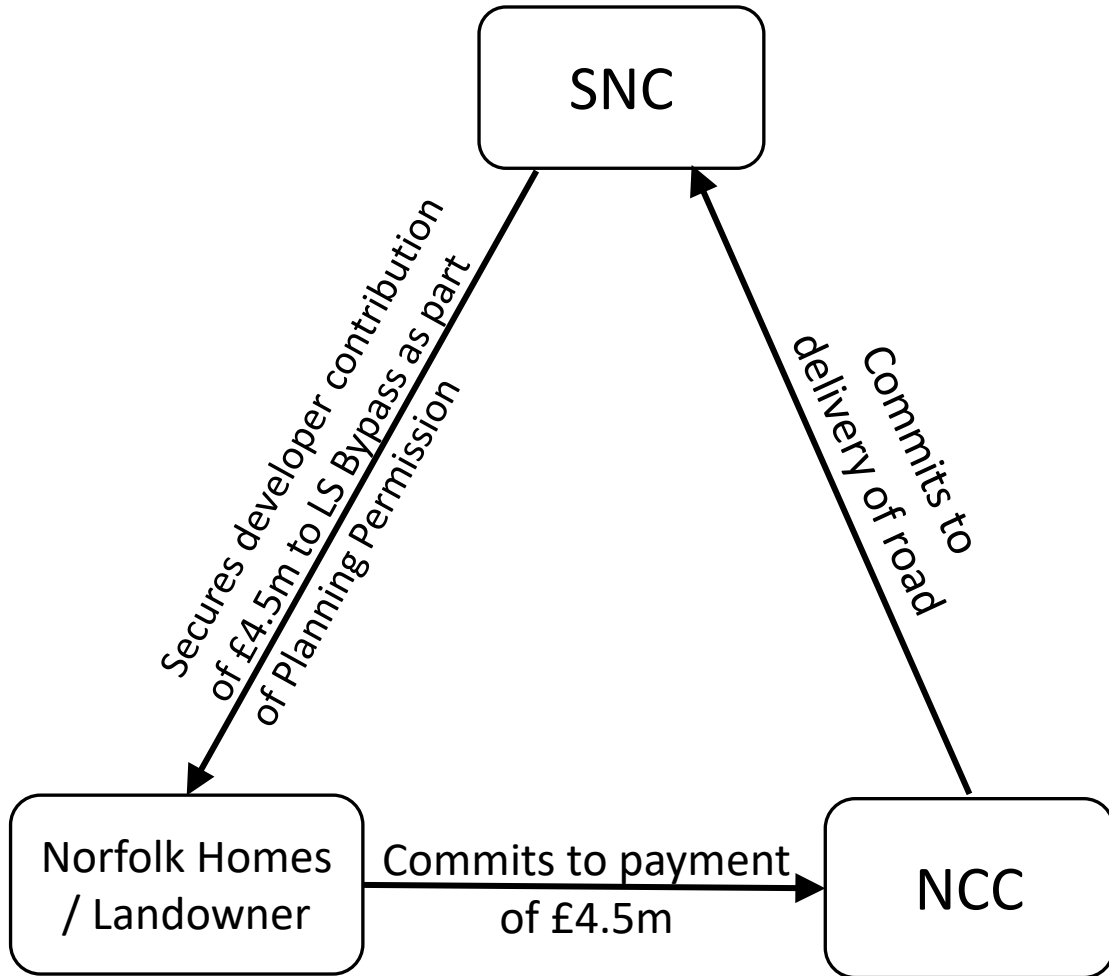
Infrastructure Delivery Board- will oversee the management of the SIF and the delivery of its project programme, providing annual updates to the GNGB.

Greater Norwich Project Team- will monitor the SIF and provide biannual updates to the IDB.



*Subject to decision making, the loan amount required for both the local and developer contribution could be agreed within the same legal agreement **See additional slides for more details

S106



Borrowing Agreement

