

Scrutiny Task and Finish Group Suggestion Form

Please refer to the Growth Board Task and Finish Group Guide for further guidance. When suggesting a topic for Task and Finish review, consideration needs to be given to the following issues:

- To what extent an issue is within the Growth Boards remit and influence
- To what extent there is public interest in the issue
- To what extent an issue is relevant to the whole of Oxfordshire
- What member and officer resources are available to support task and finish work (this will need to be discussed with the officers affected before work starts)

Suggested Work Programme Item

To assess what options are available among the Growth Board partners to establish means and ways of securing private investment in public infrastructure projects, which return a yield for investors whilst saving the expenditure of public taxes. Where options are available for such schemes, to consider recommending actions that could be taken up through the Growth Board, where it is within remit.

Background Information

The need for new and revitalised capital infrastructure projects has become urgent. Central government budgets and local administration initiatives are restricted by the requirements of social care and the political will to maintain growth by reducing taxation to energise trade.

Looking back in time, major trends were not financed by government investment for example in the 19thC the British and American railway networks were paid for by private investment. According to some estimates, private wealth in the UK held in collective investments, pension funds and deposits is in the region of 16 trillion pounds. These funds are characterised by an overwhelming trend away from utilities and infrastructure investments. They also show poor interest or yields and exhibit a trend towards illiquid tangible investment categories such as property.

This capital resource is not providing the returns designed to establish savings and income for the owners. Furthermore, it is not generally supporting public need and social value of major infrastructure projects.

Harnessing this wealth that is currently resting in a lazy vacuum would create a virtuous triad of public benefit, private return and the liberation of central government funding towards a better balance between social care, health and essential services.

Judging purely by the results, previous initiatives have been tried with limited success. Public Private initiatives were closed to public participation and have had scattered effect that has proved unpopular and diverted returns towards corporate revenues at the expense of national taxation revenues. Direct participation by market equity offerings such as the Channel Tunnel have burned investor confidence by unrealistic goals and the lack of asset backed security. *(An asset-*

backed security (ABS) is an investment security—a bond or note—which is collateralized by a pool of assets, such as loans, leases, credit card debt, royalties, or receivables.)

It is time to take a new look at the methods to engage the private wealth to bring the virtuous trio to life. The requirements are clearly to have a product available to all that is asset backed, related to and overseen by a local authority such as a county council project with a need for funding. These products would be be-spoke to a single project that includes the yield of the product at inception and would be governed by a tax concession that unlocks the source of funds by incentive. Inheritance tax exemption or taxation relief on dividends which are obvious targets that would excite the investment markets.

This financial product will need to be available over the counter, to be distributed by intermediaries, banks and the originating local authority. Investments are sold not purchased.

The products could take the form of Equities, Corporate Bonds, Open Ended Investment Companies (OEIC), Investment trusts, wrapped into a discrete category.

This will enable the Housing and Growth Deal related and other Infrastructure projects within the Growth Board's remit to attract additional source of funding while decreasing pressure on £218m Housing Infrastructure Fund.

The main models from London first (HS1) I have listed below. Further information is in links below in the evidence and information required section of this document under examples.

Private Sector funding

A variety of models have been used to promote private investment in infrastructure across UK. These include:

· ***The regulated asset base (RAB) model***, which has been used to promote investment in sectors such water, energy network and airport industries. Investors are typically offered stable returns, which are based on the regulators' calculations of their investment's capital value and weighted average cost of capital.

· ***The concession model***, which is a time-limited franchise whereby a private company enters into an agreement with the Government for the exclusive right to operate, maintain and carry out investment for a given number of years.

· ***Public Private Partnerships***, whereby a public sector provider procures a private sector provider to deliver outcomes normally associated with creating or building other assets.

Evidence and information required

Examples of Private Sector Funding for Public Infrastructure Projects

- London first (HS1) - Infrastructure Funding and Financing Working Group -The role of private capital in securing London's future infrastructure

<https://www.londonfirst.co.uk/sites/default/files/documents/2019->

- The Role of Private Investment in Transport Infrastructure
<https://www.itf-oecd.org/role-private-investment-transport-infrastructure>
- Bridging the infrastructure gap: engaging the private sector in critical national development - Benefits, risks and key success factors
<https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2017/sep/Report--on-Engaging-The-Private-Sector-In-Infrastructure-Development.PDF>

1. Are there any legal limitations to this type of investment being undertaken?
2. If not, are there any recent examples of this being done locally/nationally, and was it successful?
3. If there are legal limitations, and in understanding those limitations, are there opportunities to make representations to Central Government through the Growth Board to remove these limitations?
4. Access to officers who have expertise or experience in this area.

Desired outcome of the review

To have identified a way of obtaining capital funding through private wealth for public infrastructure projects, that are greatly needed but out of reach. For example, Railways, Roads, Museums, Hospitals Solar Power Generation and Flood Prevention Defences. Where this is not possible, the review should make the case for these instruments of investment to exist through the Growth Board's lobbying power, where possible.

It is expected that the Review should report its evidence base, findings and recommendations to the Scrutiny Panel meeting on 16 March 2021 for agreement to proceed to the Growth Board.

By completing this form, you agree to Chair/Lead the Task & Finish Group.

**Name: Councillor Alex Postan
Oxfordshire Growth Board Scrutiny Panel**

Date: 22/10/20