

Executive Decision Report

Management of Funds as Accountable Body to the Leicester and Leicestershire Enterprise Partnership

Decision to be taken by: City Mayor

Decision to be taken on: 30th March 2016

Lead director: Frank Jordan



City Mayor

Useful information

- Ward(s) affected: All
- Report author: Colin Sharpe, Head of Finance
- Author contact details: 0116 454 4081
- Report version number: 16-03-2016

1. Summary

The City Council is the accountable body for the Leicester and Leicestershire Enterprise Partnership (LLEP), and hence is legally responsible for receiving, managing and accounting for LLEP funds. This report seeks Executive approval to receive and add the 2016/17 Local Growth Fund allocation to the capital programme, to receive other Government funding for the LLEP, to authorise a guarantee of future project funding, to add a further tranche of Growing Place Fund loan approvals to the capital programme and to accept new European funding.

2. Recommendations

- 2.1 That the 2016/17 Local Growth Fund capital grant of £31.84m be received by the Council acting as Accountable Body to the LLEP be accepted and added to the capital programme.
- 2.2 That £250k capacity funding, £250k core funding and £205k Growth Hub Core funding for 2016/17 be accepted.
- 2.3 That £205k Growth Hub Core funding for 2017/18 be accepted.
- 2.4 That the Director of Finance, in consultation with the Strategic Director, City Development and Neighbourhoods, be authorised to pay Local Growth Fund capital grants to the promoters of those schemes which the City Council is not undertaking itself.
- 2.5 To note that City Council LGF schemes can only commence once the City Mayor has given approval.
- 2.6 To approve the £1.7m balance of the 2016/17 LGF funding for the Leicester Waterside Strategic Regeneration Area (which is a City Council scheme) and add it to the capital programme.
- 2.7 To approve the addition of the £2.0m 2016/17 LGF allocation for Connecting Leicester Wave 2 to the capital programme.
- 2.8 That the Director of Finance, in consultation with the Strategic Director, City Development and Neighbourhoods, be authorised to guarantee up to £4.5m of the 2017/18 and future years' Local Growth Fund monies to the North Warwickshire and Hinckley College for the development of a skills training centre. This is subject the LLEP Board agreeing to underwrite the guarantee from LLEP funds.

- 2.9 That a further £0.68m of Growing Place Fund loans be added to the capital programme, to be financed from the repayment of an earlier loan.
- 2.10 That Leicester City Council will act as the Accountable Body for circa £750k of ERDF funding for the Business Gateway (Growth Hub), subject to a successful funding bid.
- 2.11 That Leicester City Council will act as the Accountable Body for circa £740k of ESIF funding for Technical Assistance to the delivery of the ERDF and ESIF programmes, subject to a successful funding bid.

3. Supporting information including options considered:

3.1 Local Growth Fund

The Local Growth Fund started in April 2015, with £23.73m received from the Government in 2015/16. The Government has recently confirmed the expected indicative annual Local Growth Fund funding profile to the LLEP through to 2020/21, to be applied to the following schemes:

Growth Deal - round 1

Leicester North West Major Transport Scheme (A50/A6)
Skills Training Centre at the HORIBA MIRA Enterprise Zone
Leicester Waterside Regeneration Area
Leicester College Skills & Innovation Village
Great Central Railway 'Bridging the Gap'
Local Sustainable Transport Fund Round 2 – Hinckley
North City Centre Access Improvement Programme
Leicester & Leicestershire Accelerated Broadband
Leicester Strategic Flood Risk Management Strategy
M1-J22 / A42-J13
M1-J21 and Lubbethorpe SES Access

Growth Deal - round 2

Connecting Leicester Wave 2
Melton Cattle Market & Food Enterprise Centre
Leicester & Leicestershire Workspace Programme
Midland Mainline Improvement, Market Harborough

In 2016/17, funding of £31.84m will be received. It will be paid under section 31 of the Local Government Act 2003, meaning that it must be spent for capital purposes.

Full Council on 24th February 2016 delegated authority to the City Mayor to accept the Government's funding offer each year and to add it to the capital programme; and to delegate to the Strategic Director, City Development and Neighbourhoods, in consultation with the Director of Finance, authority to allocate the funding to individual projects (in effect, implementing decisions of the LLEP). Authority was also delegated to the Director of Finance to reallocate LGF funding between projects to ensure the programme as a whole can be delivered.

The City Mayor has previously approved the addition to the Council's capital programme of some of the expected 2016/17 funding for the Waterside Regeneration Area (£2m) and Connecting Leicester Phase 2 (£0.676m). It is proposed that the £1.7m balance of the 2016/17 funding for the Waterside should also be approved. It is further proposed that the £2.0m 2016/17 LGF allocation for Connecting Leicester Wave 2 should be added to the capital programme. This will be used for improvement schemes within the central area, including those associated with the redevelopment of Leicester Market.

Although the LGF funding for each scheme is scheduled for up to six years, it is only formally confirmed by the Government annually in March, immediately preceding the new financial year starting in April. This can present difficulties to smaller scheme promoters who may not be able to enter 'at risk' into significant construction or other contracts extending into the following financial year. To enable such schemes to proceed, the Council on behalf of the LLEP may be asked to guarantee all or some of the future years' funding. Whilst the LLEP confidently expects future years' LGF to be received as expected, this cannot be guaranteed. Any such requests are therefore considered on a case by case basis, within an overarching perspective of the risks to which the LLEP is exposed and the future income streams that it expects to receive. The LLEP Board will be asked to formally agree to underwrite any such guarantee from current and future LLEP funds.

Hence it is proposed that officers should be authorised to agree the guarantee of up to £4.5m of future LGF funding for the anticipated funding in the financial year 17/18 for the skills training centre at the MIRA Enterprise Zone to be built by the North Warwickshire and Hinckley College. The sum of £4.5m is currently profiled for this scheme from the expected 2017/18 LGF overall allocation of some £18m from the Government. The total allocation for this scheme including 2015/16 and 2016/17 is expected to be £9.5m. This guarantee will be subject to the College providing the necessary assurances regarding successful delivery and to approval by the LLEP Board, together with the Board's confirmation that should the 2017/18 LGF not be received, the Council will be able to recover such future funding from other LLEP funding streams (such as the Enterprise Zones rates uplift, the business rates pool and Growing Places Fund repayments).

A third round of LGF funding is expected to be announced by the Government, which will be the subject of a further report in due course.

3.2 Other Government Funding for the LLEP

The Council on behalf of the LLEP will also in 2016/17 receive £250k capacity funding and £250k core funding as grants under section 31 of the Local Government Act 2003 (meaning that it must be spent for revenue purposes), together with £205k Growth Hub Core funding paid under s11 of the Industrial Development Act. A further £205k Growth

Hub Core funding is confirmed for 2017/18. These grants should also be formally accepted by the Executive.

3.3 Growing Places Fund

In 2012, the City Mayor approved the addition of £12.57m to the capital programme in respect of the Growing Places Fund grant from the Government. This has been used to establish a revolving loan fund to generate economic growth and employment. The fund lends money for significant infrastructure developments, which when repaid can be lent again to a fresh round of schemes.

Total loan commitments of £13.25m have been made to date, with the excess over the original approval to be financed by the repayment in 2014/15 of one of the earlier loans. Approval is therefore sought to add a further £0.68m to the capital programme.

The LLEP will at some time in the future invite expressions of interest for a further round of loans, funded by further repayments of current loans. Formal capital programme approval will be sought at the appropriate time.

3.4 Business Gateway (Growth Hub) ERDF Bid

The Business Gateway is the Growth Hub for the Leicester and Leicestershire area. It pulls together all the available business support together in one place to make it easier for business to access the most appropriate form of business support. A bid has been submitted for European Regional Development Fund (ERDF) revenue funding of circa £750k to enable the LLEP to expand the scope and longevity of the current Gateway service. Subject to the success of the bid, the project will run until December 2018.

The bid has been made in partnership with the East Midlands Chamber of Commerce and East Midlands Business, with the LLEP acting as the lead applicant. Each partner was identified through an openly advertised opportunity to collaborate and is contributing match funding. The grant conditions set out in the funding offer letter will be stepped down through a Partnering Agreement; this will ensure compliance. Claims will be submitted to the LLEP for processing before being sent to DCLG. Monies will be paid to delivery partners by the Council on behalf of the LLEP on receipt of funds from DCLG.

3.5 Technical Assistance ESIF Bids

Two joined revenue funding bids to the European Structural and Investment Funds (ESIF) seeking circa £740k of grant funding have been submitted, to enable the LLEP to provide technical assistance to ensure the smooth delivery of the European Social Fund (ESF) and ERDF programmes. Subject to the success of the bids, the programmes will run until September 2018.

Activities that will take place as part of these bids include: support to potential bidders; development of ESIF call specifications; ESIF strategy development; and development of an engagement and communications programme to promote the ESIF programme.

4. Details of Scrutiny

None specifically.

5. Financial, legal and other implications

5.1 Financial implications

This report is concerned with financial implications throughout, reflecting the Council's role as accountable body to the Leicester and Leicestershire Enterprise Partnership. As accountable body, the Council ultimately bears the financial and legal risks associated with the LLEP, including the risk of clawback of Government and European funding. This risk is mitigated through the LLEP being based within the Council, being subject to the Council's governance arrangements and the LLEP's expected future income streams.

Colin Sharpe, Head of Finance, ext. 37 4081.

5.2 Legal implications

This approval of the City Mayor that the Council on behalf of the LLEP acts as accountable body for new ERDF and LGF monies, is required under the Council's constitution and the City Mayor's scheme of delegation.

In relation to points 3.2, 3.3 and 3.4 above, the grant conditions from Government will be contained in their Funding Agreements. Only drafts have been seen to date and, though acceptable, they are subject to change by Government. The final funding agreements should be reviewed prior to signature however it should be noted that there is little scope for negotiation and change.

In relation to all types of funding/loan contained within the report the funding terms on which it is given to the LLEP/Council should be mirrored in the resulting agreements with recipients.

Overall the legal advice is that the proposals detailed within this report do not pose issues in relation to state aid however this will need to be reviewed in relation to each individual funding proposal.

In relation to the future funding, the Council is in the process of finalising the funding agreement with NWHC which covers the entirety of the funding for the skills centre scheme, including the 2017/18 funding. Under the terms of the agreement, the total scheme LGF funding of £9.5m will be guaranteed upon certain conditions, which includes £4.5m to be met from the expected 2017/18 LGF allocation. The exercise of delegation needs to be in accordance with the terms of the funding agreement. Any

guarantee will need to be covered in a formal, separate, guarantee agreement, which has already been a point for discussion with NWHC legal advisors.

Emma Horton
Head of Law (Contract, Property & Planning)
Ext. 37 1426

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None.

6. Background information and other papers:

Agreement for the Council to be the accountable body for the Growing Places Fund on behalf of the LLEP, City Mayor Individual Decision, 29th October 2012

Acceptance and Commitment of the Local Growth Fund, City Mayor Individual Decision, 27th March 2015

Connecting Leicester Programme, City Mayor Individual Decision, 7th August 2015

Waterside Supplementary Planning Document, City Mayor Individual Decision, 10th August 2015

Capital Programme 2016/17 to 2018/19, Council, 24th February 2016

7. Summary of appendices:

None.

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes.

10. If a key decision please explain reason

Capital expenditure of over £1m is proposed on schemes not specifically authorised by Council.

It should be noted that certain LGF schemes in this report are however not classed as key decisions, where they meet the following criteria: *The scheme is not a city council sponsored scheme, is not to take place within the City boundary (unless sponsored wholly by another public body) and constitutes city council expenditure solely by virtue of the council receiving and disbursing external grant (including accountable body arrangements).*

It should also be noted that the Executive can vary and add to the LGF and GPF capital programme allocations as they are classed as a service resource (having been granted by the Government for specific purposes), and therefore are not subject to the £10m threshold above which Full Council approval is required for corporate resources.