

Executive Decision Report

Management of Funds as Accountable Body to the Leicester and Leicestershire Enterprise Partnership (2017/18 funding streams)

Decision to be taken by: City Mayor
Decision to be taken on: 9 May 2017
Lead director: Phil Coyne



City Mayor

Useful information

- Ward(s) affected: All
- Report author: Colin Sharpe, Head of Finance
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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 2017/18 Local Growth Fund allocation to the capital programme, to receive other Government funding for the LLEP, to authorise a guarantee of future project funding, and to add a further tranche of Growing Place Fund loan approvals to the capital programme.

2. Recommendations

- 2.1 That the 2017/18 Local Growth Fund capital grant of £23.97m received by the Council acting as Accountable Body to the LLEP be accepted and added to the capital programme.
- 2.2 That £500k LLEP core funding be accepted.
- 2.3 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.
- 2.4 To approve the £4.1m 2017/18 LGF funding for the Leicester Waterside Strategic Regeneration Area (which is a City Council scheme) and add it to the capital programme.
- 2.5 To approve the £2.19m 2017/18 LGF funding for the Leicester Strategic Flood Risk Management Strategy (which is a City Council scheme) and add it to the capital programme, and delegate individual project approvals to the Director of Planning, Development & Transportation in consultation with the Assistant City Mayor.
- 2.6 To approve £500k from the National Space Park / Pioneer Park infrastructure 2017/18 LGF allocation to progress the infrastructure design works (which is a City Council scheme) and add it to the capital programme.
- 2.7 That the Director of Finance, in consultation with the Strategic Director, City Development and Neighbourhoods, be authorised to guarantee up to £3.0m of the 2018/19 LGF to the North Warwickshire and Hinckley College for the completion of the skills training centre.
- 2.8 That a further £11.12m be added to the Growing Places Fund capital

programme approval, to enable new loan offers to be made, financed from repayments of earlier loans.

- 2.9 That it be noted that the LLEP has recently agreed that the Council should advance a further £150k to the HORIBA MIRA Enterprise Zone, to assist with development and marketing.

3. Supporting information including options considered:

3.1 Local Growth Fund

The Local Growth Fund started in April 2015, with a second round starting in 2016/17 and a third round recently announced which commences in 2017/18. The Government has recently confirmed the expected indicative annual Local Growth Fund funding profile for all three rounds 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

Growth Deal – round 3

Building Extension: National Space Academy
National Space Park/Pioneer Park Infrastructure
The National Space Park
M1/J23 and A512 Improvements

In 2017/18, funding of £23.97m will be received. It is again be paid under section 31 of the Local Government Act 2003, meaning that it must be spent for capital purposes.

The future years' LGF allocations are expected to be £15.69m in 2018/19, £12.93m in 2019/20 and £17.90m in 2020/21.

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 Executive is required to take specific decisions to add schemes promoted by the City Council to the Council's own capital programme. Approval is sought in this report for:

- £4.10m for the Leicester Waterside Regeneration Area Programme, the scheme having already been approved by Full Council;
- £2.19m for the Leicester Strategic Flood Risk Management Strategy. The programme will include the continuation of existing projects as set out in previous Executive Decisions, together with new projects to be developed and delivered during 2017/18. These include environmental and landscape improvements associated with the new Memory Lane moorings; landscape, ecology and flood mitigation works at Aylestone Meadows; signage and access improvements at Watermead Country Park; together with the Loughborough Road / Melton Brook cycleway/path implementation; and
- £500k of the round 3 National Space Park / Pioneer Park infrastructure allocation to progress the infrastructure design works. Further specific reports will be required to approve the balance of the allocation in due course.

In addition, the whole scheme funding including the LGF for the Leicester NW Major Transport Scheme and the North City Centre Access Improvement Programme have previously been approved. No LGF funding for the Connecting Leicester programme is proposed in 2017/18.

Although the LGF funding for each scheme is scheduled for up to 2020/21, 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.

The City Mayor and LLEP Board have previously agreed to guarantee part of future years' Local Growth Fund monies to the North Warwickshire and Hinckley College for

the development of a skills training centre. Construction is expected to start in 2017/18 and continue into 2018/19. Hence it is proposed that officers should be authorised to agree to guarantee up to £3.0m of the LGF funding that may be required to complete the scheme in 2018/19.

3.2 Other Government Funding for the LLEP

The Council on behalf of the LLEP will also in 2017/18 receive £500k of LLEP core funding, to contribute towards the LLEP's running costs. This grant should be formally accepted by the Executive.

In addition, £205k Growth Hub Core funding is confirmed for 2017/18. This has been previously notified and formally accepted by the City Mayor.

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. A further £0.68m was subsequently added to the capital programme, financed by the first of the loan repayments. Loans to the value of £12.76m have been made to date. i.e. £0.2m over the original fund value.

The LLEP has recently invited expressions of interest for a further round of loans, which will be funded by repayments of current loans. Repayments of £7.3m have been received to date, and a further £4.5m is expected in 2017/18, a total of £11.8m. As stated above, £0.68m has already been added back; hence it is proposed to add a further £11.12m to the capital programme. These additions will enable further loans of up to £11.6m to be offered. However firm commitments will only be entered into up to the value of loans actually repaid.

3.4 MIRA Enterprise Zone

The Council on behalf of the LLEP has previously made £1.1m available to the HORIBA MIRA Enterprise Zone, to assist with development and marketing. The LLEP has recently agreed that a further £150k towards project development costs should be advanced, making a total of £1.25m. This will be recovered over time through the Business Rates uplift generated by the Enterprise Zone, underwritten by other LLEP funds.

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 grant from Central Government, the grant conditions from Government will be contained in their Funding Agreements. These have not been seen by Legal to date. 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 NWHC funding guarantee advice will need to be sought to deal with any required changes to the grant agreement and guarantee agreement in relation to that project and funding.

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

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

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

Management of Funds as Accountable Body to the Leicester and Leicestershire Enterprise Partnership, City Mayor Individual Decision, 30th March 2016

Leicester Waterside Phase 1, Council, 14th July 2016

Leicester Strategic Flood Risk Management and River Soar / Grand Union Canal Access Programme, City Mayor Individual Decision, 10th October 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.