

Executive Decision Report

Agreement for Council act as accountable body for the Regional Growth Fund 4 Programme on behalf of the Leicester & Leicestershire Enterprise Partnership

Decision to be taken by: City Mayor

Decision to be taken on: 28 October 2013

Lead director: Frank Jordan



City Mayor

Useful information

- Ward(s) affected: All
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- Report version number: 1

1. Summary

Cabinet, on 6th September 2010, approved the submission to Government of a proposal to establish the Leicester and Leicestershire Local Enterprise Partnership (LLEP), and; the key features of its governance structure and operational arrangements, including the City Council acting as the accountable body for the LLEP.

In August 2013, the LLEP received a conditional scheme offer letter from Government under the Regional Growth Fund (RGF) awarding the LLEP £10m of RGF Round 4 funding to deliver a broad business support and grant programme.

The programme will include a £5m Fund to provide capital investment grants of up to £1m to businesses in Leicester and Leicestershire and £5m to establish a 'Business Growth Hub' service across the LLEP area.

It is a requirement of the Council's Constitution that where the Council is to act as an accountable body in relation to any project or funding programme in excess of £100,000 that the City Mayor approves this decision.

2. Recommendations

It is recommended that the City Mayor:

- (i) Approves for the City Council to act as accountable body for the Regional Growth Fund grant monies and
- (ii) Delegates authority to the Strategic Director for City Development and Neighbourhoods, in consultation with the Director of Finance, to formally approve the outgoing grants (as between the City Council and third parties), as recommended by the LLEP Board and thereafter to authorise the City Barrister/ Head of Standards to complete Agreements with the grant recipients.

3. Supporting information including options considered:

In establishing Local Enterprise Partnerships (LEPs) the Government required that a local authority would act as the accountable body for the administration of grant and other funding received on behalf of the LEP. The City Council has acted as such since April 2011.

The City Council is the accountable body for the LLEP's RGF 3 SME Growth Programme which provides capital grants of between £25k to £150k to manufacturing SMEs in Leicester and Leicestershire. The Executive Decision which approved the City Council to act as accountable body for this programme was made by the City Mayor on 1st March 2013 <http://cabinet.council.leicester.gov.uk/ieDecisionDetails.aspx?id=305>

The LLEP has successfully bid for £10m RGF 4 funding to extend the existing RGF 3 programme to provide larger grants of up to £1m to medium sized businesses in Leicester and Leicestershire. The grants will cover up to a maximum of 10% of total project costs. The existing RGF 3 programme management and appraisal systems will be applied to the RGF 4 grant programme.

Leicester and Leicestershire are currently in the process of bidding for a City Deal to secure greater devolution of powers and funding to the local area to support economic growth. The RGF 4 funding is predicated on Leicester & Leicestershire successfully agreeing a City Deal with Government.

The original application for RGF 4 was based on the extension the existing grant RGF 3 programme however the partnership has been advised by Government to consider using a proportion of the funds to develop its Growth Hub and wider business support programmes which are an integral part of the City Deal proposal. Agreement in principle has been reached with Government to use 50% (£5m) as capital grants and the remaining funds (£5m) for developing the Growth Hub and broader business support programmes.

4. Details of Scrutiny

None

5. Financial, legal and other implications

5.1 Financial implications

As the LLEP is not a legal entity, the City Mayor has previously agreed that the City Council should act as accountable body. This report seeks agreement for the Council to receive the RGF 4 funding as the LLEP accountable body, thus the Council becomes responsible for ensuring that the funding is deployed in accordance with the contract with Government and meets usual financial and governance standards. Allocations from the funding will be approved by the LLEP Board following a rigorous assessment process and a senior Finance officer will review the approvals on behalf of the Council as the accountable body.

Colin Sharpe, Head of Finance, City Development and Neighbourhoods, ext. 37 4081"

5.2 Legal implications

This report requests that the City Mayor formally approves and records his decision that the Council acts as accountable body for the RGF 4 funds. This is required under the Council's constitution and the City Mayor's scheme of delegation.

Government has issued a draft Conditional Grant Offer Letter to the City Council following an application made by the LLEP for RGF funding. The City Council has agreed the offer in principle subject to City Mayor approval. The Department for Business, Innovation & Skills (BIS) will issue the final Conditional Offer letter after the due diligence process to satisfy itself of the Council's procedures and the integrity of the process by which applications will be considered.

The City Council has legal powers to accept grant funds and act as accountable body for the purposes outlined in the RGF draft Conditional Offer Letter, in general terms, the general power of competence would enable the City Council to undertake this.

The other legal implications are in respect of the following:

Grant Conditions

The grant conditions from Government are contained in their "Conditional Grant Offer Letter". Client officers have been advised as to these and in particular the circumstances in which BIS may vary, withhold or demand repayment of any grant monies. The City Council is familiar with acting as accountable body for grant monies where applications made by third parties are considered by non-City Council bodies (the LLEP in this instance). In order to mitigate the risk of any withholding or clawing back of grant monies, the City Council must ensure that robust procedures are in place to ensure that the RGF grant conditions are not breached.

Onward Funding

The applications from organisations for RGF funding will be considered by a panel set up by LLEP. Those successful will enter into agreements between themselves and the City Council. The Agreements will need to step down appropriate obligations which are in the Grant Offer Letter.

State Aid

The City Council must be mindful of state aid rules in respect of funding private organisations. In general terms, BIS state that for the RGF, certain categories of aid are compatible and are covered under the General Block Exemption Regulation. However the GBER upon which this funding is compatible with state aid rules, expires on 31.12.13. Client officers are advised to ensure that no promises or commitment to funding is given for the period beyond this date, and to check what will be replacing the GBER. It is likely that some form of GBER will be made at EU level but as BIS have reserved their position about state aid funding beyond this date, the Council must do so as well. Again, clients should take appropriate legal advice at the relevant stage.

Grants for organisations outside the City's boundary

Client officers have been advised that as the City Council has no legal power in this respect, it should enter into appropriate agreements with the relevant local authority (in whose administrative area the organisation is) in order to delegate to the City Council the relevant function and enable the City Council to make the grant funding. Again, this

will be on-going legal advice.

Beena Adatia, Senior Solicitor ext. 29 6378

5.3 Climate Change and Carbon Reduction implications

No climate change implications.

5.4 Equality Impact Assessment

The Regional Growth fund programme is designed to ensure the provision of state funds to 'beneficiaries' in support of projects that meet the objectives of the Regional growth Fund in particular in support of the creation of new, sustainable, private sector jobs in areas vulnerable to public sector job losses.

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

No other implications

6. Background information and other papers:

None

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

It is a requirement of the Council's Constitution that where the Council is to act as an accountable body in relation to any project or funding programme in excess of £100,000 that the City Mayor approves this decision.