

Executive Decision Report

Acceptance and Commitment of the Local Growth Fund

Decision to be taken by: City Mayor
Decision to be taken on: 27 March 2015
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: 1

1. Summary

The Leicester and Leicestershire Enterprise Partnership has secured £100m of Government Local Growth Fund grant monies over the next six years to support specified regeneration and infrastructure schemes across the City and County. The 2015/16 confirmed grant allocation is £23.73m. The City Council is the accountable body for the LLEP, and hence is legally responsible for receiving, managing and accounting for the funding. This report seeks Executive approval to add the 2015/16 funding to the capital programme and to determine the required spending approval processes.

2. Recommendations

- 2.1 That the 2015/16 Local Growth Fund grant funding of £23.73m be received by the City Council as accountable body to the Leicester and Leicestershire Enterprise Partnership and added to the capital programme, as set out in Table 1 in the report.
- 2.2 That the Director of Finance, in consultation with the Strategic Director, City Development and Neighbourhoods, be authorised to pay capital grants to the promoters of those schemes which the City Council is not undertaking itself.
- 2.3 To note that the Leicester North West major transport scheme (A50/A6) and the North City Centre Access Scheme are already approved as 'immediate starts' in the Council's 2015/16 Capital Programme (within the £2.5m of Council funding for Transport Improvement Schemes); to add the 2015/16 Local Growth Fund of £5.46m to make a revised Transport Improvement Schemes immediate starts provision of £7.96m; and to note that subsequent reports will be brought, setting out the proposed scheme details.
- 2.4 To note that scheme specific reports will be brought forward for the Waterside Regeneration Area, Accelerated Broadband and Strategic Flood Risk Management Strategy. The City Council will be responsible, in full or part, for delivery of specific capital projects for these schemes funded by the Local Growth Fund and match funding contributions from the Council's capital funds which are not yet formally approved.

3. Supporting information including options considered:

The Leicester and Leicestershire Enterprise Partnership (LLEP) has secured £100m of Government Local Growth Fund (LGF) grant monies over the next five years to support specified regeneration and infrastructure schemes across the City and County. This

comprises £79.87m in Growth Deal 1 (announced in July 2014) and £20.30m in Growth Deal 2 (announced in late January 2015).

The LGF includes funding that would previously have been received by the Council directly via the Integrated Transport block, from which £200m has been top-sliced nationally and added to the LGF.

The funding is a crucial addition to the development of the local economy. The Growth Deal 1 will help to fund 11 strategic economic projects across the city and county, which are expected to bring forward at least £70m of additional investment from the private sector and other partners, delivering at least 1,000 jobs and 1,000 new homes. The Growth Deal 2 will enable an additional four projects to be kick-started, generating up to £80m of private sector leverage and over 200 new jobs.

The Growth Deal 1 funding has been profiled across the next five years and the 2015/16 grant allocation as confirmed by the Government is £23.73m. The Deal 2 funding profile has not yet been received from Government and is expected to be paid from 2016/17 onwards.

The funding allocated is set out in the two tables below, with the Growth Deal 1 profiled by year and the Growth Deal 2 shown only in total at this stage. Only the 2015/16 funding has been formally confirmed by the Government, although the risk of changes to future years' profiled allocations by a future government is considered to be small.

Table 1 - Growth Deal 1	2015/16 (£m)	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	LGF Total (£m)
Leicester NW Major Transport Scheme (A50/A6)	3.50	5.00	7.60	0.00	0.00	0.00	16.10
National Skills Training Centre (MIRA / NWHC)	5.00	4.50	0.00	0.00	0.00	0.00	9.50
Leicester Waterside Regeneration Area Programme	5.50	3.70	4.10	3.20	3.50	0.00	20.00
Leicester College – Skills & Innovation Village	0.64	1.54	0.00	0.00	0.00	0.00	2.18
Great Central Railway 'Bridging the Gap'	0.50	0.50	0.00	0.00	0.00	0.00	1.00
Local Sustainable Transport Fund Round 2 – Hinckley	1.54	1.40	0.70	0.00	0.00	0.00	3.64
North City Centre Access, Investment Programme	1.96	3.00	2.00	2.00	0.00	0.00	8.96
Leicester & Leicestershire Accelerated Broadband	1.05	2.05	0.00	0.00	0.00	0.00	3.10
Leicester Strategic Flood Risk Management Strategy	1.50	1.50	1.50	1.50	1.50	0.00	7.50
M1-J22 / A42-J13	2.54	2.10	0.00	0.00	0.00	0.00	4.64
M1-J21 & Lubbethorpe SES Access	0.00	3.25	0.00	0.00	0.00	0.00	3.25
Total Growth Deal 1	23.73	28.54	15.90	6.70	5.00	0.00	79.87

Table 2 - Growth Deal 2	LGF Total 2015/21 £m
Connecting Leicester Wave 2	7.20
Melton Cattle Market & Food Enterprise Centre	3.50
Leicester & Leicestershire Workspace Programme	6.60
Midland Mainline Improvement, Market Harborough	3.00
Total Growth Deal 2	20.30

The City Council is the accountable body for the LLEP, and hence is legally responsible for receiving, managing and accounting for the funding. Therefore the LGF must be added to the Council's capital programme, as follows:

- The Leicester North West major transport scheme (A50/A6) and the North City Centre Access Scheme will be delivered at least in part by the City Council. They are already approved as 'immediate starts' in the Council's 2015/16 Capital Programme, to which £2.5m of Council funding is allocated for Transport Improvement Schemes (of which £1.38m relates to these two schemes). It is therefore necessary to add the 2015/16 LGF of £5.46m, to make a revised Transport Improvement Schemes immediate starts provision of £7.96m. Subsequent reports will be brought setting out the proposed scheme details.
- The Waterside Regeneration Area, Accelerated Broadband and Strategic Flood Risk Management Strategy schemes are also to be delivered in full or part by the City Council, with City Council match funding contributions envisaged but not yet formally approved. This report therefore serves to confirm the availability of LGF for these schemes. Executive approval will then be sought for each scheme in the usual way, setting out the total planned expenditure and funding sources (including the LGF, City Council and other partner funding).
- For those schemes which will not be undertaken by the City Council (including schemes in the County), the addition to the programme will be the amount of the LGF in 2015/16 as set out above. The City Council will pay this to the scheme's promoter by way of capital grants as the scheme is delivered, subject to satisfactory progress being made. It is proposed that the authorisation of such payments should be delegated to officers, in the usual manner.

It should be noted that the LGF is paid to the Council as a non-ringfenced capital grant, and hence is not subject to clawback by Government. However, the Government expects it to be spent on the specified schemes under the direction of the LLEP Board, and will be keeping a close eye on progress in terms of spending, reporting and outputs/outcomes. The Government can adjust future years' LGF allocations should insufficient progress be made.

The LGF will be managed through the Local Assurance Framework (LAF) of the LLEP, as requested by Government; this LAF will become live on, or shortly after, the 1st April 2015. Within this scheme, all relevant major transport projects will be subject to the Local Transport Board Assurance Framework, which will operate in tandem to the LAF.

All other projects will be passed through the LAF, which defines the principles regarding resource allocation.

The LLEP is developing a scheme monitoring system, which will be validated by the Council as accountable body and referred to before grant payments are released.

4. Details of Scrutiny

The Local Growth Fund Programme and specific reports concerning the Waterside and Leicester North West Transport schemes have been considered by the Economic Development, Transport and Tourism Scrutiny Commission. Other projects related to broadband, workspace, connecting Leicester and flooding schemes have also been considered as part of the current Economic Action Plan.

5. Financial, legal and other implications

5.1 Financial implications

This report is concerned with financial implications throughout.

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

5.2 Legal implications

The Council is the accountable body for the LLEP and is therefore legally responsible for receiving, managing and accounting for any funding received by the LLEP.

Under the terms of the Council's Constitution, and the scheme of delegation, the City Mayor's approval is required in order for funds in excess of £100k to be accepted by the Council as accountable body on behalf of the LLEP.

The general power of competence contained within section 1 Localism Act 2011 would enable the Council to receive and make grant payments.

Subject to approval as outlined above, and any further Executive approvals that may be required in respect of individual projects as appropriate, Legal Services would recommend the need for agreements to be drawn up and agreed with scheme promoters and grant recipients which would regulate terms under which grant funding is released and to be managed. Legal services can provide on-going advice in relation to these agreements.

Reference is made in the report that the LGF is not subject to clawback by the government. Nevertheless, it is recommended that officers ask Legal Services to

review in advance any specific terms and conditions of the LGF grant, and that relevant conditions are as appropriate, transposed into any onward grant agreements that the Council may enter into.

There could also be possible state aid implications that could arise as a consequence of the Council entering into the grant agreements referred to within this report. Early legal advice should be sought in respect of the state aid implications that could arise in this matter and the manner in which such risks can be mitigated from the Council's perspective.

Nilesh Tanna, Solicitor, Extension 371434

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:

2015/16 Capital Programme report to Full Council, January 2015

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 - The Executive can add the LGF to the capital programme as it is classed as a service resource (having been granted by the Government for specific purposes), and therefore is not subject to the £10m threshold above which Full Council approval is required for corporate resources.

10. If a key decision please explain reason

n/a