
Cabinet
Job, Skills and Growth Scrutiny Board 3
Council

12 February 2013
13 February 2013
26 February 2013

Name of Cabinet Member:

Cabinet Member (City Development) – Councillor Lynnette Kelly

Director Approving Submission of the report:

Director of City Services & Development

Ward(s) affected:

All

Title:

Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body

Is this a key decision?

Yes as it has the potential to affect all wards within the City and expenditure is in excess of £500,000.

Executive Summary:

The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) has been successful in securing significant public funding for economic growth and development within the sub-region.

This report specifically looks at three funding streams:

- Regional Growth Fund (RGF) - £24.4million
- Growing Places Fund (GPF) - £12.8million
- LEP Core Funding - £0.625million

These funding streams have been awarded to the CW LEP to deliver against its defined priorities and stimulate the growth needed to revitalise the local economy by sustaining and creating new job opportunities.

A Local Authority is required to act as accountable body for these funds as it has both the financial and monitoring mechanisms in place to ensure spend takes place as appropriate. Initially the role of accountable body for Growing Places Fund has been undertaken by Warwickshire County Council.

Going forward, it is proposed that the Growing Places Fund (GPF) is combined with the Regional Growth Fund (RGF) to create a single fund, which will increase the flexibility and co-ordination available to the CWLEP to invest in projects that create jobs and economic growth. The aim would be to create a single scheme with a combined and streamlined governance structure that will enable funds from various sources to be awarded efficiently and effectively to applicant businesses and local authorities. The CWLEP Board and Warwickshire County Council has proposed that the City Council act as accountable body for the new combined scheme that includes both GPF and RGF. This would enable optimal alignment of the funding streams.

The aims of the two schemes are fully compatible; GPF must be allocated to capital projects that bring economic growth whereas RGF aims to make grants for infrastructure, which unlocks new employment sites, and will also make grants available directly to businesses looking to expand or take on new staff. The City Council has already had success in aligning European Regional Development Fund (ERDF) to other funding streams which is already paying dividends in growing the economic development grant available to the city and sub-region and building strong credibility with funders.

The LEP Core Funding has been issued by central government to support the running costs of LEPs nationally. Therefore by agreement of the CWLEP Board, the Core Funding will be transferred to the CWLEP to support the running costs of its Executive.

Recommendations:

Cabinet is requested to recommend that Council:

1. Recognise and endorse the funding opportunity from the Regional Growth Fund, Growing Places Fund and CWLEP Core Funding as a significant opportunity in delivering the priorities of the CWLEP and authorise the City Council to act as guarantor for this package; and
2. Receive an annual report on the progress of the Regional Growth Fund, Growing Places Fund and use of CWLEP Core Funding.

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2. Receive an annual report on the progress of the Regional Growth Fund, Growing Places Fund and use of CWLEP Core Funding.

List of Appendices included: *None*

Other useful background papers: *None*

Has it been or will it be considered by Scrutiny? *Yes - Jobs, Skills and Growth Scrutiny Board 3, 13 February 2013*

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body? *No*

Will this report go to Council? *Yes, 26 February 2013*

Report title: Strategic Alignment of Regional Growth Fund Round 3, Growing Places and CWLEP Core Funding with Coventry City Council as the Accountable Body

1. Context (or background)

1.1 Coventry and Warwickshire Local Enterprise Partnership (CWLEP) has been awarded £24.4m in Regional Growth Fund (RGF) money for a programme of economic development activity. The bid was prepared by Coventry City Council staff on behalf of the CWLEP. This is in addition to the £12.8million it received through Growing Places Fund (GPF) in November 2011.

1.2 Regional Growth Fund - £23.78m Capital, £0.575million Revenue

1.2.1 The RGF awards funds to projects that are either privately led, or are submitted by a public-private partnership. The CWLEP has been a key vehicle in the success of this bid; it has provided a focused forum for the area's businesses, universities and local authorities to work together and plan the area's economic growth. By successfully coming together as a partnership and collaborating on this bid to the Department of Business, Innovation and Skills (BIS), we have been able to secure a far greater level of funding than would have been possible if individual organisations developed their own bids.

1.2.2 A total of £24.4m has been awarded which will be available for:

- Grants to businesses for the purchase of assets leading to expansion / job creation: **£1m**
- Support for strategically important companies in the form of Relationship Managers: **£0.270m**
- A programme of investment in infrastructure which will lead to the creation of large numbers of new jobs: **£22.5m**
- Programme management and delivery costs **£0.575m**

1.2.3 The programme will run from early 2013 until March 2015, with all spend being defrayed by 30 June 2015. It is too early to say which businesses will benefit from the grant scheme, or where infrastructure investments will be made, but the examples that were included in the application included Friargate and Coventry Gateway.

1.3 Growing Places Fund - £11.8million Capital, £0.969m Revenue

1.3.1 In November 2011 the government announced a £500million Growing Places Fund (GPF) to promote delivery of the key infrastructure needed to unlock developments, helping to generate the jobs and homes communities need, supporting the government's growth ambitions.

1.3.2 The fund has three overriding objectives:

- to generate economic activity in the short-term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing;
- to allow Local Enterprise Partnerships (LEPs) to prioritise the infrastructure they need, empowering them to deliver their economic strategies; and
- to establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

- 1.3.3 The Coventry & Warwickshire LEP were allocated £12.8million Growing Places Funding. There are no official spend timescales imposed by central government since part of the aspiration is to set up a revolving fund.
- 1.3.4 The Funding is not ring-fenced, and the only condition is that capital allocations are spent on capital projects.
- 1.3.5 Warwickshire County Council were originally appointed as the accountable body for the funds in November 2011. With the recent success in securing the RGF the strategic alignment of both funding pots under one accountable body is being proposed as part of this paper.

1.4 LEP Core Funding - £0.625m

- 1.4.1 The government is providing LEPs with core revenue resources to provide capacity for them to drive forward their growth priorities, allowing them to do long-term resource planning and strengthen support and autonomy of the business-led boards.
- 1.4.2 The government is keen to get this funding out to all LEPs as soon as possible and in a way they can easily access. They are using a funding mechanism which has the benefits of speed and minimises the administrative burden locally and at central government. The funding will be paid to the local authority and they will act as accountable body.
- 1.4.3 It is up to the LEP to set out how the funding will be used. The case made by LEP Chairs nationally to government for core funding set out the need for independent support for Board activities, core development of LEP strategies and further stakeholder engagement. LEPs indicated that this additional resource was needed to pay for 3-4 high-quality, executive staff, and a minimum level of business engagement activity (events, stakeholder engagement activity, sub-board groupings etc.) per year. The government's expectation is that this funding will be used for these purposes but it will be for the LEP Board to decide.
- 1.4.4 For Coventry & Warwickshire LEP the core funding equates to £125,000 in 2012/13 and £250,000 in 2013/14 and again in 2014/15

2. Options considered and recommended proposal

2.1 Strategic Alignment of Regional Growth Fund and Growing Places

- 2.2 The CWLEP has approved the proposal that the remaining GPF is combined with new RGF award to create a single fund, which will increase the flexibility and co-ordination available to the CWLEP to invest in projects that create jobs and economic growth. The aim is to create a single scheme with a combined and streamlined governance structure that will enable funds from various sources to be awarded efficiently and effectively to applicant businesses. Warwickshire County Council has proposed to transfer the GPF to the City Council so that the latter can act as accountable body for the new combined scheme that includes both RGF and GPF. This would enable optimal alignment of the funding streams.
- 2.3 The aims of the two schemes are fully compatible; GPF must be allocated to capital projects that bring economic growth whereas the RGF programme aims to make grants for infrastructure, which unlocks new employment sites, and will also make grants available directly to businesses looking to expand or take on new staff.

2.4 Other Options Considered

- 2.5 Other options considered include keeping two separate funding streams, with both the City Council and County Council being accountable body for an individual fund. This would result in higher programme management costs and the opportunities of alignment would be a significant missed opportunity.
- 2.6 If we chose to proceed without RGF, GPF and CWLEP Core Funding we would be unable to unlock some of the major employment sites since funding for these major developments from the private sector remains uncertain in the current climate. In addition the resources through GPF to create jobs through large scale business investment would also be lost to the city. The recent Autumn Statement by the Treasury indicated that more financial resources would flow to LEPs through this same mechanism over the next two years.

2.7 Recommended Proposal

- 2.8 It is recommended that the Council recognise the significant opportunity to Coventry from the acquisition of these economic development funding streams and acts as guarantor for all three schemes.

3. Results of consultation undertaken

- 3.1 The Jobs Strategy is the Council's proposal for taking forward the economy of the city in the light of the changed circumstances experienced over the last couple of years. The RGF, GPF and CWLEP Core Funding are aligned to delivering the Jobs Strategy and the priorities of the CWLEP set out in their 5-year strategy based on the Local Economic Assessment and feedback from local businesses which include:

- Creating New Jobs
- Enterprise Entrepreneurship and Start-Ups
- Access to Finance, Innovation, Low Carbon

- 3.2 The development of the RGF Programme has been completed with LEP partners and reflects the priorities most in need of public investment.

4. Timetable for implementing this decision

- 4.1 GPF will start to be allocated to CWLEP projects from March 2013. By the end of April 2013 a contract will be agreed with the Department for Business, Innovation and Skills (BIS) for the delivery of the RGF and projects will start to be delivered in that programme from May/June 2013.
- 4.2 The CWLEP executive will start to use the core funding with immediate effect to fund costs already incurred and committed costs for the Executive going forward.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

- 5.2.1 The Council are proposing to be the accountable body for each of the three CWLEP grant funds as specified in the report, totalling £37.76m. Whilst there is some financial risk, there is no direct line implication of being accountable body, however, some of the capital resources maybe used to deliver schemes which have economic benefit to the city. Grant risk is discussed further in section 6.

5.2.2 It is also worth noting that the combined fund has the potential to grow business rates benefit to the Council and through pooling arrangements as significant employment sites are unlocked across the Coventry and Warwickshire sub-region.

5.2.3 As accountable body, Council Officers will ensure effective governance arrangements are in place to facilitate appropriate control over the allocation of resources and spend against the approved programme.

5.3 Legal implications

5.3.1 Although the Council will treat the various grants as one funding stream it will act as the accountable body in respect of each grant on the terms of the particular government department requirements. In respect of the RGF the Council will be issued with a grant offer containing BIS terms and conditions. These will be devolved across to successful applicants for RGF in Grant Aid Agreements. These will ensure appropriate conditions and obligations are passed to the applicants who receive the funding for delivering projects. The GPF has already been allocated to the CWLEP under determinations made by DCLG in 2012. Warwickshire County Council is currently the accountable body for these grants and a Deed of Transfer will be entered into between the City Council and Warwickshire County Council to transfer the capital sum of £11,846,957 and a revenue sum to be determined on the transfer date with the City Council assuming accountable body responsibility on that date. Letters will be obtained from the CWLEP confirming it will accept payments of GPF on the conditions contained in the grant determination. In respect of core funding, letters will be obtained from the CWLEP confirming the conditions on which funding will be paid. The City Council has power to act as guarantor under section 1 of the Localism Act 2011.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

6.1.1 The City Council's **Jobs Strategy** highlights the importance of creating jobs which the city needs. All these funding schemes will unlock major development sites and provide jobs across the city and sub-region. **Coventry's Sustainable Community Strategy** sets out the ambitions for "a prosperous Coventry with a good choice of jobs and business opportunities for all the city's residents".

6.2 How is risk being managed?

6.2.1 Coventry City Council will act as accountable body for all three funding streams. In order to ensure that the project achieves its aims, two formal groups will be established within the LEP with City Council representation on both:

- A **CWLEP Sub-group** will oversee the strategic direction of the aligned funds, ensuring the funds are used to maximum effect, that overall purpose of programme is met, optimise publicity and provide guidance to the Programme Management Group. This will include the Leader of the Council or Cabinet Member for City Development and Director of City Services and Development as CEO of the LEP.
- A **Programme Management Group** will be chaired by the Director of City Services and Development as CEO of the LEP and include Council officers for each strand of delivery and the Council's Programme Manager for the combined funding streams.

- An **Accountable Body Group** will be put in place to manage risk and ensure resources are effectively allocated and managed. The Council Officer Group will comprise of representatives from City Services and Development and Finance and Legal Services where spend proposals and risk will be signed off will be signed off by the Section 151 Officer or his/her nominee.

- 6.2.2 The financial risk associated with the LEP Core funding sits with the Council. However the risk of claw back by central government is minimal as the funding can be utilised to deliver the priorities of the LEP as it sees fit and will not be audited in the future. A grant spend statement will need to be signed by the Director of Finance and Legal Services on an annual basis, as is normal practice with most grants.
- 6.2.3 The financial risk associated with GPF sits with the Council as accountable body. Any ineligible spend or default within the fund could be clawed back by central government. A grant spend statement will need to be signed by the Director of Finance and Legal Services on an annual basis, as is normal practice with most grants. This risk will be mitigated by the implementation of strict procedures for the programme management of GPF-funded work and ensuring that funding contracts awarded by the Council for the delivery of investment and jobs places risk on the organisation(s) which deliver the projects.
- 6.2.4 The financial risk of the RGF sits with the Council. Claims will need to be made to central government in advance and reconciled thereafter. Claims will be made on a quarterly basis, in line with other grant-funded programmes such as ERDF. Government holds a “general power of variation” over our RGF funding. This gives them the right to reduce funding or cease a programme completely if external funding is not being managed to the correct standards, or it does not appear that the employment outcomes will be met. This risk will be mitigated by the implementation of strict procedures for the programme management of RGF-funded work, close liaison with our RGF monitoring officer, and ensuring that funding contracts awarded by the Council for the completion of infrastructure works place risk on the organisations which complete the works.
- 6.2.5 The Council has a good track record for maintaining and achieving significant financial controls and well established procedures for handling public funds and these will be applied to the RGF and GPF programmes in order to ensure that the best possible value is achieved for the government's investment in the scheme. External due diligence will be done on the projects and schemes funded by both RGF and GPF. Therefore the view of officers is that risk of clawback for each scheme is minimal.
- 6.2.6 Successful applicants for the new combined fund (RGF and GPF) will enter into a standard Grant Aid Agreement (GAA) with the City Council as accountable body. It is standard practice within GAA's to transfer as much risk as possible to the successful applicant and project deliverer.
- 6.2.7 Performance will be routinely monitored by the LEP and be brought back to Cabinet and Scrutiny as an annual report.

6.3 What is the impact on the organisation?

6.3.1 HR Implications

- 6.3.2 To ensure successful delivery of these large programmes and the Council's ability to provide an adequate accountable body function, under the programme management and delivery costs of the RGF, additional staff resources will be required. A recruitment exercise will be undertaken in line with the Council's recruitment procedure to recruit additional staff required to the City Centre and Development Services Division to deliver

the programme management, accountable body function and any direct delivery. Any new posts that are recruited to will be funded from the combined package of resources.

6.4 Equalities / EIA

6.4.1 Although the programmes mentioned focus on business, close attention has been paid to equality and diversity principles. The expectation is that those businesses assisted will generate significant employment opportunities. The crucial issue, therefore, is applying equality and diversity principles to these opportunities.

6.4.2 Each major infrastructure project will undertake an Equality Impact Assessment as part of project development and impact.

6.5 Implications for (or impact on) the environment

6.5.1 The investment in businesses and large scale infrastructure will have an impact on the environment as new road infrastructure is put in place. All business are now very conscious of energy costs. At the point of making investments in plant and machinery or indeed property the opportunity to reduce energy consumption per unit of output is invariably taken.

6.6 Implications for partner organisations?

6.6.1 The LEP is a partnership and is the strategic body with responsibility for the development and use of these funds. The key local partners of the LEP are the Chamber of Commerce and Warwickshire County Council who are delivery partners and are committed to the programmes.

6.6.2 This fund will also complement and support the Coventry & Warwickshire City Deal proposals, enabling it to capitalise on the infrastructure growth opportunities within the sub-region and support the growth of new and existing businesses within advanced manufacturing and engineering.

Report author:**Name and job title:**

Andy Williams, Resources & New Projects Manager

Directorate:

City Services and Development Directorate

Tel and email contact:

024 7683 3731

andy.williams@coventry.gov.uk

(All queries should be directed to the above person)

Contributor/ Approver name	Title	Directorate	Date doc sent out	Date response received or approved
Contributors:				
Helen Williamson	Business Partner	CSD	2/1/13	8/1/13
Graham Simpson	Business and Growth Sector Manager	CSD	2/1/13	2/1/13
Mike Waters	Planning, Transport & Highways	CSD	2/1/13	-
Jaz Bilen	HR Manager	CSD	2/1/13	2/1/13
Paula Deas	LEP Operations Director	CSD	2/1/13	-
Lara Knight	Governance Services	CWS	2/1/13	11/1/13
David Cockroft	Assistant Director, City Centre & Development Services	CSD	8/1/13	10/1/13
Names of approvers: (officers and members)				
Legal: Rosalyn Lilley	Commercial Team Manager	FLS	2/1/13	9/1/13
Finance: Phil Helm	Finance Manager, CSD	FLS	2/1/13	8/1/13
Director: Martin Yardley	Director, City Services & Development	CS&D	14/1/13	15/1/13
Members: Councillor Lynnette Kelly	Cabinet Member (City Development)	-	16/1/13	16/1/13

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