

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Strategic Director of Economy
Date of Decision:	21 st March 2017
SUBJECT:	A Greater Birmingham for a Greater Britain – Agreement for BCC to accept Growth Deal 3 capital grant funds on behalf of GBSLEP
Key Decision: Yes / No	Relevant Forward Plan Ref: 003167/2017
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s) or Relevant Executive Member:	Councillor Ian Ward, Deputy Leader
Relevant O&S Chairman:	Councillor Mohammed Aikhlaq, Corporate Resources and Governance
Wards affected:	All

1. Purpose of report:
<p>1.1 To seek Cabinet approval to the City Council continuing in its role as Accountable Body, on behalf of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), for the Local Growth Fund;</p> <p>1.2 To seek Cabinet approval to accept the Local Growth Fund capital grant allocation of £54,200,000 of Section 31 grant allocations over the financial years 2017/18 - 2020/21, as awarded to GBSLEP through the recent Growth Deal Round 3 competitive bidding process with Government. Growth Deal 3 is the continuation of Growth Deal 1 (2014) and the Growth Deal 2 (2015), all of which run until 2020/21;</p> <p>1.3 To seek Cabinet approval to accept and act as Accountable Body for the £16,000,000 of Section 31 grant allocations from HM Treasury to support specific projects and to accept similar funding that supports the ambitions of the Strategic Economic Plan as future opportunities arise; and</p> <p>1.4 To seek Cabinet approval to delegate responsibility for the defrayal of funds relating to the Growth Deal to the Strategic Director of Economy, in accordance with the GBSLEP Assurance Framework.</p>

2. Decisions recommended:
<p>That the Cabinet:</p> <p>2.1 Approves the City Council continuing to act as the Accountable Body on behalf of GBSLEP for funding received as part of the Growth Deal process (Growth Deal 1, 2, and 3) and for additional Section 31 Grants received from HM Treasury to support specific projects. This will include receiving and administering funding over 2017/18 to 2020/21 financial years to support the delivery of projects that are accepted onto the Local Growth Fund programme, in accordance with the GBSLEP Assurance Framework;</p>

- 2.2 Authorises the Strategic Director of Economy, in conjunction with the Strategic Director of Finance and Legal and the City Solicitor, to review the final Grant Offer Letter and to accept it if terms and conditions are acceptable;
- 2.3 Subject to the terms and conditions of the final Grant Offer Letter being accepted, to receive the Local Growth Fund capital grant allocation of £54,200,000 over the financial years 2017/18 - 2020/21 and £16,000,000 of Section 31 grant allocations from HM Treasury to support specific projects;
- 2.4 Delegates to the Strategic Director of Economy responsibility for the defrayal of funds in accordance with the GBSLEP Accountability Framework; and
- 2.5 Authorises the City Solicitor to negotiate and enter into agreements necessary to give effect to the above recommendations.

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3. Consultation

3.1 Internal

- 3.1.1 Cabinet agreed for the City Council to act as the Accountable Body for the Growth Deal funding on 8th December 2014 and delegated authority for the defrayal of Local Growth Funding was awarded to the Strategic Director of Corporate Resources.
- 3.1.2 The Leader, the Cabinet Member for Transport and Roads; and Jobs and Skills have been consulted on the report and are supportive of the proposal.
- 3.1.3 City Finance and Legal and Democratic Services have advised on the development of the management arrangements for the Local Growth Fund. The proposals contained in this report seek to continue with the arrangements which have previously been approved by Cabinet. Officers from City Finance and Legal and Democratic Services have been involved in the preparation of this report.

3.2 External

- 3.2.1 The GBSLEP Strategic Economic Plan 2016-2030 (SEP) was developed following an extensive consultation exercise with partners across the LEP. The SEP, an update of the 2014 version, was publicly consulted on in August - September 2016 and the final version was approved by the LEP Board on 9th December 2016. The SEP informs the Local Growth Fund decision making in accordance with the GBSLEP Assurance Framework.

4. Compliance Issues:

- 4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?
- 4.1.1 This proposal supports the City Council's priorities, most notably the key outcome 'A strong economy'.
- 4.2 Financial Implications
- 4.2.1 The Growth Deal 3 agreement with GBSLEP will result in capital funding being paid in advance as a single annual instalment as a Section 31 Grant. Based on initial discussions between GBSLEP and Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Communities and Local Government (DCLG) (henceforth *Government*), the Growth Deal 3 instalments are expected to be £12,959,133 (2017/18), £10,637,835 (2018/19), £ 5,315,655 (2019/20), and £25,287,377 (2020/21), amounting to a confirmed total of £54,200,000 capital funding over the four year period. This funding must be used to secure the outcomes specified in Growth Deal 1, 2 and 3. The funding will be required to be deployed solely in accordance with the decisions made through the locally agreed Assurance Framework agreed between GBSLEP and BCC in its Accountable Body role. The Grant Offer Letter for the GBSLEP Growth Deal 3 will be received by GBSLEP following the Growth Deal 3 announcement made on 9th March 2017.
- 4.2.2 In addition to the Growth Deal 3 allocation, HM Treasury have allocated funding for the Birmingham City University's STEAMhouse (£14m capital) and Birmingham City Council's Snow Hill Growth Strategy (£2m revenue) projects. This grant funding is in addition to the Local Growth Fund allocation and will be made available to GBSLEP as a separate Section 31 Grant. Government will provide Grant Letters of Determination for both of these projects which will be reviewed by the Strategic Director of Economy, in conjunction with the Strategic Director of Finance and Legal and the City Solicitor.
- 4.2.3 The Growth Deal 3 grant paid may be used only for capital purposes in accordance with Section 11 of the Local Government Act 2003. This does not extend to the revenue grant allocated for the Snow Hill Growth Strategy.
- 4.2.4 As Section 31 grants, there is no potential for clawback, however the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Communities and Local Government (DCLG) (henceforth *Government*) has stated that any future allocation of Local Growth Fund will be dependent on the delivery of this Growth Deal. Failure to adhere to the spending guidelines may limit future funding.
- 4.2.5 As the Accountable Body, the City Council will continue to be responsible for holding the funding received through the Growth Deal process and for ensuring that funding is discharged in accordance with Government requirements, financial regulations and the decisions of GBSLEP. The funds will be accounted for separately to the funds of the City Council. The Assurance Framework sets out in detail the role of the Accountable Body.
- 4.2.6 Responsibility for managing project delivery within Growth Deal conditions (e.g. completion within approved timescales, cost management and meeting specified outputs) will continue to rest with those organisations that receive funding. Each project will provide detailed project resource plans at the individual business case approval stage and each organisation will be liable for spend incurred in excess of GBSLEP approved Local Growth Fund grants. Grant award conditions to promoting authorities will specify their responsibilities. In addition, funds will be paid out retrospectively on the basis of

certified invoices confirming that expenditure has been incurred. The GBSLEP will continue to manage the overall Growth Deal programme of projects, as detailed in the Assurance Framework.

- 4.2.7 The GBSLEP Assurance Framework has recently been updated following a number of gaps being identified by an internal audit of Local Growth Fund management arrangements by the BCC Audit Department. This update also addressed a number of changes made to the LEP National Assurance Framework, which reflected Government's current policy and expectations of LEPs in relation to accountability, transparency and value for money.

4.3 Legal Implications

- 4.3.1 Legal agreements will be put in place between BCC and funding recipients to mitigate BCC's liability by setting out the terms and conditions for the use and application of Local Growth Fund monies. This will include a requirement to repay monies if conditions are not met. The GBSLEP Assurance Framework has been developed and recently updated to ensure that there are robust and transparent local systems in place to make sure that resources are spent with regularity, propriety and value for money. The Assurance Framework will also safeguard the position of the City Council in its Accountable Body role by requiring stringent risk management requirements, transparency of decision making and independent evaluation of the allocation of resources. The arrangements set out in this report are in compliance with the powers of general competence as set out in Section 1 of the Localism Act 2011.

4.4 Public Sector Equality Duty

- 4.4.1 Beneficiaries (individual projects that receive funding) must comply with the Equality Act 2010 which will be passed down in any beneficiary funding agreements that are drawn up.
- 4.4.2 An initial Equality Assessment has been completed (Ref. No. EA001465) and a full equality assessment is not required. This is included as Appendix 1. Any beneficiaries within local authorities will be subject to separate equality impact assessments.

5. Relevant background/chronology of key events:

- 5.1 Government announced its Growth Deal 1 with GBSLEP on 7th July 2014 as part of an overall £12bn Local Growth Fund investment across England. This Growth Deal included £357m of Local Growth Fund capital funding over the period to 2020/21 to support a series of pre-agreed projects that would support the objective of creating jobs and growing the economy. This funding was supplemented with Growth Deal 2, which was agreed with Government on 29th January 2015 and saw an additional £21.4m allocated to GBSLEP.
- 5.2 The City Council Cabinet agreed to act as the Accountable Body on behalf of GBSLEP for these resources on 8th December 2014, when the Strategic Director of Corporate Resources and Director of Finance were authorised to put in place appropriate governance and financial management arrangements.
- 5.3 All 38 LEPs in the country were invited by Government to submit bids for a share of the remaining £1.8bn of Local Growth Fund available through Growth Deal 3 on 12th April

2016. The deadline for submission of bids was 28th July 2016 with announcements of the outcome originally expected around the Autumn Statement 2016. As it currently stands, Growth Deal 3 is the final round of £12bn of Local Growth Fund money.

- 5.4 As GBSLEP is part of a mayoral combined authority area, Government has given greater flexibility by allocating on a programme-level, rather than project-level. In practice, this means that GBSLEP can determine its own project funding priorities based on a prioritised list of projects, without this needing to be agreed in advance with Government. Project funding decisions are still subject to the processes detailed in the Assurance Framework.
- 5.5 Government announced that the GBSLEP had been allocated £54.2m of Growth Deal 3 funding allocation on 9th March 2017. This allocation will be profiled across 2017/18 to 2020/21. The profile of the new Local Growth Fund capital funding through Growth Deal 3, alongside the existing Growth Deal 1 and 2 funding, is expected to be as follows:

	2015-16 (£000s)	2016-17 (£000s)	2017-18 (£000s)	2018-19 (£000s)	2019-20 (£000s)	2020-21 (£000s)	TOTAL (£000s)
Growth Deal 3	0	0	12,959	10,638	5,316	25,287	54,200
Growth Deal 1 & 2	47,314	49,175	13,073	9,073	7,483	5,737	131,855
Total Growth Deal (1,2,3)	47,314	49,175	26,032	19,711	12,799	31,024	186,055

- 5.6 This funding profile will be confirmed with Strategic Director of Economy and the Strategic Director of Finance and Legal Services once the Grant Offer Letter is received from Government.
- 5.7 Following full approval by GBSLEP, funding will be defrayed to scheme promoters where it is expected that all local governance and procurement arrangements are complied with.
- 5.8 On 16th March 2016, the HM Treasury announced in the Budget 2016 that £14m and £2m had been allocated for the delivery of the STEAMhouse (Birmingham City University) and Snow Hill Growth Strategy (BCC) projects, respectively. This grant funding is in addition to the Local Growth Fund allocation and will be made available to GBSLEP as a separate Section 31 Grant. The GBSLEP will continue to work with partners and Government to identify potential discrete funding opportunities for projects in the future.

6. Evaluation of alternative option(s):

- 6.1 It is not possible for GBSLEP to be the Accountable Body as it does not have the necessary financial management history or legal status.
- 6.2 Another local authority within the LEP could be the Accountable Body, but given Birmingham City Council's existing role as Accountable Body for GBSLEP funds, the LEP Board on 21st March 2014, endorsed by the Supervisory Board on 30th July 2014, has invited BCC to take on this responsibility. Birmingham City Council's Cabinet originally agreed to take on this role on 8th December 2014.

7. Reasons for Decision(s):

- 7.1 To enable BCC to make the necessary arrangements to become the Accountable Body for GBSLEP Growth Deal 3 and the separate HM Treasury Section 31 Grant, and to ensure the funding is defrayed and administered in accordance with the funding conditions and output requirements stipulated by Government.

Signatures

Date

Councillor Ian Ward
Deputy Leader of the Council		
Waheed Nazir
Strategic Director of Economy		

List of Background Documents used to compile this Report:

GBSLEP Assurance Framework

BCC Cabinet Report (8th December 2014) - *Birmingham City Council acting as the Accountable Body for funding received by the GBSLEP through the Growth Deal*

BCC Cabinet Report (22nd March 2016) - *BCC acting as the Accountable Body for the Local Growth Fund and Growth Hub in 2016/17*

BCC Cabinet Report (20th September 2016) – Local Growth Fund Round 3 – Update and Next Steps

List of Appendices accompanying this Report (if any):

1. Growth Deal 3 Equality Impact Assessment (EA001465)

PROTOCOL PUBLIC SECTOR EQUALITY DUTY

- 1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.
- 2 If there is no adverse impact then that fact should be stated within the Report at section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in the standard section (4.4) of executive reports for decision and then attached in an appendix; the term 'adverse impact' refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.
- 3 A full assessment should be prepared where necessary and consultation should then take place.
- 4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.
- 5 Responses to the consultation should be analysed in order to identify:
 - (a) whether there is adverse impact upon persons within the protected categories
 - (b) what is the nature of this adverse impact
 - (c) whether the adverse impact can be avoided and at what cost – and if not –
 - (d) what mitigating actions can be taken and at what cost
- 6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.
- 7 Where there is adverse impact the final Report should contain:
 - a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
 - the full equality impact assessment (as an appendix)
 - the equality duty – see page 9 (as an appendix).

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	<p>The Council must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none">(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none">(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
3	<p>The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.</p>
4	<p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none">(a) tackle prejudice, and(b) promote understanding.
5	<p>The relevant protected characteristics are:</p> <ul style="list-style-type: none">(a) Marriage & civil partnership(b) Age(c) Disability(d) Gender reassignment(e) Pregnancy and maternity(f) Race(g) Religion or belief(h) Sex(i) Sexual orientation