

Birmingham City Council Report to Cabinet

20 April 2021



Subject: **GREATER BIRMINGHAM & SOLIHULL LOCAL
ENTERPRISE PARTNERSHIP (LEP) ACCOUNTABLE
BODY ARRANGEMENTS**

Report of: **Rebecca Hellard
Interim Chief Finance Officer**

Relevant Cabinet Member: **Cllr Tristan Chatfield - Finance and Resources**

Relevant O & S Chair(s): **Cllr Sir Albert Bore - Resources**

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 008713/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 Greater Birmingham and Solihull Local Enterprise Partnership Limited (GBSLEP) was established in 2010 as a partnership of business, public sector and further and higher education leaders. The area covered spans nine local authorities: Birmingham, Solihull, East Staffordshire, Cannock Chase, Lichfield, Tamworth, Redditch, Bromsgrove and Wyre Forest.
- 1.2 Whilst operating as a private company limited by guarantee, GBSLEP is able to manage its own operational and revenue funding. Much of its capital funding however is received in

the form of grants awards from government and is applied with terms and conditions that require a local authority to act as Accountable Body. This report seeks to extend that role with respect to the Local Growth Fund which expired on the 31st March 2021 but for which an extension has been granted by BEIS, and to put in place delegation for accountable body approvals of GBSLEP fund receipts to the Chief Finance Officer (CFO) in consultation with the Cabinet Member for Finance and Resources.

2 Recommendations

- 2.1 Approves the extension of the Accountable Body (AB) role provided by Birmingham City Council to the GBSLEP for the remaining duration of the Local Growth Fund (LGF).
- 2.2 Delegates authority to the Chief Finance Officer in consultation with the Cabinet Member for Finance and Resources, to extend or vary the AB role over existing and future GBSLEP government funding awards.
- 2.3 Approves the retention of the AB status over revenue grant allocations received during 2020/21.
- 2.4 Notes that the City will recover its costs of AB role where the funding source allows for such a recovery through either a direct charge for services or through a service level agreement (SLA).
- 2.5 Authorises the City Solicitor to finalise, execute and complete all relevant legal documentation to give effect to the above recommendations.

3 Background

- 3.1 On 8th December 2014 Cabinet approved the decision for Birmingham City Council to act as the Accountable Body for funding received by the GBSLEP through the Growth Deal. Further to this, on 22 March 2016, Cabinet approved the decision for the City Council to continue acting as the Accountable Body on behalf of the GBSLEP for funding received as part of the Growth Deal and the Growth Deal Expansion for the delivery of projects between 2016/17 and 2020/21.
- 3.2 The Grant Offer Letter states that the funding will 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.
- 3.3 As Accountable Body, BCC is responsible for holding the funding received and for ensuring that funding is discharged in accordance with Government requirements, financial regulations and the decisions of the GBSLEP. The funds are accounted for separately to the funds of BCC. There is an Accountable Body Agreement between the GBSLEP and BCC and this sets out in detail the role of the both parties and certain designated officers, e.g. the s151 representative.
- 3.4 The profile of annual BEIS awards and actual project expenditure is summarised in Table 1.

LGF Award	15-16-17 £m	17-18 £m	18-19 £m	19-20 £m	20-21 £m	Total £m
	£96.489	£25.699	£19.303	£12.716	£31.847	£186.055
LGF Outturn	Financial Year					Total £m
	15-16-17 £m	17-18 £m	18-19 £m	19-20 £m	20-21 £m	
Actual /Forecast	£62.599	£23.229	£24.239	£22.671	£53.317	£186.055
Progress towards Award	65%	90%	126%	178%	167%	100%

- 3.5 Over the five years to March 2020, the programme achieved an outturn of £132.73m, with £53.32m remaining to be defrayed in 2020-21. Part of the pressure on the final year for the Growth Fund has been due to £21.85m of funds allocated to the A457 Dudley Road. The Department for Transport (DfT) was notified in July 2020 of the decision to accept £21.85m of Growth Deal funding previously allocated by DfT to the A457 Dudley Road scheme, back into the Local Growth Fund. The grant agreement to formally accept the funding by BCC as the LEP's Accountable Body was signed and the funding was paid to BCC on 3 September. The funding has the same conditions as the LGF programme and therefore had to be expended in full by 31 March 2021.
- 3.6 Within a very short time span these funds were reallocated in order to avoid the potential loss of resources for the region. Due to the tight timescales to approve, contract and expend the £21.851m grant in full by 31 March 2021, discussions took place with BEIS to request that up to £3.556m could be carried over to 30 June 2021 to mitigate any risks of projects not being able to draw down their grant claims in full by 31 March 2021. Until such approvals were in place, contingency plans were made to manage the grant claims past the 31st March LGF deadline using other GBSLEP funds held by BCC under the freedoms and flexibilities allowed within them.
- 3.7 Formal approval to a carry forward was received from BEIS on 24 February 2021. On 25th March, the GBSLEP Board approved a paper requesting the council to continue in its Accountable Body role over the LGF carry forward and to extend their AB role to all new funds for 2021/22. New funds received will follow standard BCC governance processes for approval of AB status.
- 3.8 On 14th May 2019, Cabinet agreed to the transfer of the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) to GBSLEP Limited (as a private limited company limited by guarantee) including existing staff and revenue assets. Within this report a distinction was drawn between the capital funds that would remain with the council and for which BCC would provide an AB role, and revenue funds which would be transferred to GBSLEP Ltd but which the council would no longer retain a direct AB role over. The council has retained a s151 AB relationship however with the GBSLEP overall in terms of public spending.
- 3.9 Three new revenue grants were received during 2020/21: Supplementary Growth Hub Funding for Covid-19 response, £187.5k; EU Transition Business Readiness Growth Hub Grant Funding £203.6k; and the Peer Network Grant, £270k. As revenue funds, these are passed through to the GBSLEP and not retained within the BCC account. These funds do however require s151 Officer approval for all claims with the originating government departments and carry conditions for audit at their close. In this regard it is considered prudent to formally reinstate the AB role of the council over revenue funds where such a

role is required by the awarding party, particularly where, as in these cases, the funds are responding quickly to wider unforeseen economic conditions.

4 Options considered and Recommended Proposal

- 4.1 BCC could refuse to act as AB for the GBSLEP. This would result in an alternative local authority within the LEP geography being sought to act in this role. This may delay funding and would appear contrary to the aims of a strategic partnership.

Recommended Proposal

- 4.2 BCC continues to act as AB for the LGF, existing capital funds and all revenue funds passed through the council to the GBSLEP. Having the flexibility to manage the role across year end deadlines, covering carry forwards and extensions will improve the efficiency of the process without removing from cabinet the transparency over the acceptance of new material funds. This is the recommended option.

5 Consultation

- 5.1 Key stakeholders, GBSLEP and MHCLG are aware of the need to have an AB role in place and support this continuing to be BCC.
- 5.2 The Leader and Deputy Leader are members of the LEP Board and will be party to the request to the City to remain as AB over the sums in question.

6 Risk Management

- 6.1 GBSLEP AB Funds are managed in line with the Accountable Body Agreement between the council and GBSLEP, and in line with any prevailing instruction received as part of the award from the relevant government department. The total sums held are audited annually, and all claims and returns are checked within finance, and/or audited in line with funding requirements.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 Providing the AB role in support of the GBSLEP's role in the region will support the delivery of the Council Plan 2018-2022 (as updated in 2019) specifically:
- Outcome 1, Birmingham is an entrepreneurial City to learn, work and invest in.
 - Priority 2- we will strive to maximise the investment in the City and engage local employers to create quality jobs and opportunities for citizens, especially for those in the most deprived circumstances.

7.2 Legal Implications

- 7.2.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

7.2.2 Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions.

7.3 **Financial Implications**

7.3.1 In holding sums as AB the council has a duty to implement robust governance processes and to ensure that any conditions of grant are applied to GBSLEP. This duty is discharged through the s151 role and the Accountable Body Agreement in place between GBSLEP and the council.

7.3.2 There are costs associated with being the AB, including accounting/auditing, managing, report clearance, document approval, attending meetings, s151 advisory etc. For the Finance service, these are met through an annual service level agreement charge with the GBSLEP. For 2020/21 this charge amounted to £95k. Other services, for example Legal Services invoice GBSLEP for services provided.

7.4 **Procurement Implications**

7.4.1 There are no direct procurement implications arising from this report.

7.5 **Human Resources Implications**

7.5.1 There are no direct HR implications arising from this report

7.6 **Public Sector Equality Duty**

7.6.1 There are no implications within this report pertaining to the Public Sector Equality Duty.

8 **List of Appendices**

None

9 **Background Documents**

None