

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

Wednesday 30 September 2020, 10am

To be held via a Teams Virtual Meeting

DRAFT MINUTES

VOTING MEMBERS

Councillor Maria Crompton, Sandwell MBC
Councillor Adrian Andrew, Walsall MBC (Sub)
Councillor Ian Brookfield, City of Wolverhampton
(Chair)

NON VOTING MEMBERS

Tom Westley, Black Country LEP

IN ATTENDANCE

Helen Martin, Dudley MBC (sub)
David Stevens, Sandwell MBC
Simon Neilson, Walsall MBC (sub)
Tim Johnson, City of Wolverhampton
Sarah Middleton, The Black Country Consortium Ltd

INVITED GUESTS

Richard Lawrence, City of Wolverhampton
Stuart Everton, Black Country Director for Transport
Lara Smith, Black Country Consortium Ltd

Councillor Brookfield welcomed everyone to the virtual meeting which was being held in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Councillor Brookfield advised that the requirement for meetings to be quorate still applied and should the meeting become inquorate (less than 3) due to technological issues, then the meeting would be adjourned for a defined period to allow for reconnection.

Councillor Brookfield then asked each participant to confirm that they could see and hear proceedings.

1. **Apologies**
Councillor Mike Bird, Walsall MBC
Councillor Patrick Harley, Dudley MBC
Dr Helen Paterson, Walsall MBC
Kevin O'Keefe, Dudley MBC
Alison Knight

2. 20/0058 **Notes of Meeting held on 29 July 2020**
Councillor Brookfield moved the recommendations which were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was

Resolved (unanimously)
that the notes of the meeting held on 29 July 2020 be confirmed as a true record.

3. **Matters Arising from the notes of the previous meeting**
None.

4. **Declarations of Interest**

Tom Westley declared that he is currently a Governor of Dudley College Institute of Technology and therefore would not participate in any discussion on that item.

5. 20/0059 **Local Government (Access to Information) Act, 1985 (as amended):**

It was resolved:

The public be excluded from the private session during consideration of items 14 to 17.

Not for publication by virtue of paragraph 3 of Schedule 12(A) of the Local Government Act 1972 (as amended)

6. **Constitution and Timetable of Meetings 2020/21**

Simon Neilson referred to the report previously circulated and explained that the report sets out the amendments made to the Constitution and Protocols of the Black Country Executive Joint Committee to reflect the changes agreed at its meetings on 12 February 2020 and 24 June 2020. The report also includes the Forward Plan publication dates and the timetable of meetings to be adopted for the municipal year 2020/21.

20/0060 Councillor Brookfield moved the recommendations which were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously): that the Joint Committee:

- 2.1 Note the Black Country Executive Joint Committee Constitution (**Appendix A**) has now been updated (highlighted in yellow) to reflect the changes agreed at its meeting on 12 February 2020 and 24 June 2020 regarding:
- i. widening of the scope of the Black Country Executive Joint Committee In particular with regard to making decisions in relation to the approval of all Black Country Local Enterprise Partnership funding applications, together with submissions for all external funding on behalf of the Black Country Local Enterprise Partnership and Collaboration Agreement partners.
 - ii. that the Head of the Programme Management Office at the Black Country Consortium Ltd will author and present all of the reports regarding funding at meetings of the Black Country Executive Joint Committee supported by the relevant Head of Regeneration/Senior Responsible Officer from the Local Authority.
 - iii. that information on the Benefit Cost Ratio (Value for Money) will be included in all future funding reports to the Black Country Executive Joint Committee.
 - iv. that the report Consultation process is undertaken by the Senior Responsible Officer (SRO) / Sponsoring Senior Responsible Officer (SSRO).
 - v. the Chair of the Heads of Regeneration Working Group job title has changed to Executive Director for Economy, Environment and Communities and the delegation referred to in the Constitution has been updated and also now includes authority to Approve an immaterial change.

ITEM 2

- 2.2 Note the Protocols have now been updated and include updated templates for Reports and Consultation Sheets. (**Appendix B**).
- 2.3 Approve the Forward Plan publication dates for 2020/21 as set out in **Appendix C** of the report.
- 2.4 Approve the Timetable of meetings for 2020/21 as set out in **Appendix D** of the report.
- 2.5 Note that due to Government Regulations the AGM has been postponed until after the Local Elections take place in 2021 and therefore the current Chair, Cllr Mike Bird and Vice-Chair, Cllr Ian Brookfield remain until the AGM is convened.
- 2.6 Approve that the Black Country Executive Joint Committee meeting should continue to meet virtually until such time that it is considered that physical meetings can convene safely in line with Government guidance or that existing Regulations cease to apply.
- 2.7 Approve deleting from YouTube the Live Stream recordings of the meetings after a 6 month period.

7. Get Britain Building Fund - GET BRITAIN BUILDING PROGRAMME APPROVAL

Lara Smith (supported by Simon Neilson) referred to the report previously circulated and explained that the report request that Walsall Council as Accountable Body administer all elements of the Get Britain Building Fund (GBBF) on behalf of the Black Country Local Enterprise Partnership (BC LEP).

- 20/0061 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously):
That Subject to confirmation from West Midlands Combined Authority that the funding has been achieved from BEIS, the Joint Committee **approves the Accountable Body (Walsall Council) to manage the Get Britain Building Fund** and all associated elements of this fund, on behalf of the Black Country Local Enterprise Partnership.

8. Black Country Local Growth Deal – HUB TO HOME TRANSPORT INNOVATIONS CENTRE AND TEST TRACK PROJECT: VERY LIGHT RAIL AND AUTONOMOUS TECHNOLOGIES – TEST TRACK PROJECT

- 20/0062 **This report was presented in private session and a decision was made following consideration of the confidential information.**

9. Black Country Local Growth Deal – ADVANCED SCIENCE, ENGINEERING AND TECHNOLOGY CENTRE

Lara Smith (supported by Helen Martin) referred to the report previously circulated and explained that the Advanced Science, Engineering and Technology Centre project was approved in 2015 and is the creation of a centre based at the Coombs Wood Business

Park, offering a variety of learning pathways. The applicant, Halesowen College provided the premises as the basis for refurbishment with assistance from the BC LEP to complete the facility. The funding has been spent and claimed but following the recent Monitoring, Compliance and Audit Visit, the output of 'Follow on Investment' was discussed. It was agreed that it would be very difficult to evidence it and it should be removed from the project and the grant agreement however the project is still good Value for Money.

20/0063 Councillor Brookfield moved the recommendations which were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) that the Joint Committee:

2.1 approves the Accountable Body for the Local Growth Deal (Walsall Council) to **proceed to amending the Grant Agreement with Halesowen College** to deliver the Local Growth Fund (LGF) funded elements of the Advanced Science, Engineering & Technology Centre project with delivery to continue in the 2020/21 financial year.

2.2 Notes that this change request relates to the removal of the Follow-on Investment output.

10. Black Country Local Growth Deal – **WOLVERHAMPTON INTERCHANGE PROJECT - CHANGE REQUEST**

Lara Smith (supported by Richard Lawrence) referred to the report previously circulated and explained that Since the original bid was approved by the LEP Board, a number of challenges to the programme and its costs have arisen, which is expected for a project of this scale. This has affected the ability to deliver the outputs as anticipated and agreed in 2014. Lara confirmed that this is a very successful project that will be completed early next year however some of the commercial outputs associated with the site need to be removed.

20/0064 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) that the Joint Committee:

2.1 approves the Accountable Body for the Local Growth Deal (Walsall Council) to **proceed to amending the Grant Agreement with Wolverhampton City Council** to deliver the Local Growth Fund (LGF) funded elements of the Wolverhampton Interchange Project with delivery to commence in the 2020/21 financial year.

2.2 Note that this change request relates to the changes in outputs.

11. Black Country Growth Hub – **GROWTH HUB ADDITIONAL FUNDING**

Lara Smith (supported by Simon Neilson) referred to the report previously circulated and explained that the request was to amend the Growth Hub Grant Agreement with the Black Country Consortium Ltd to deliver the Black Country Growth Hub Programme to include the additional award of £134,000 from the Department of Business, Energy and Industrial Strategy. A breakdown setting out what the additional funding will be spent on is contained within the report.

20/0065 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) that the Joint Committee:

approves the Accountable Body for the Black Country Growth Hub (Walsall Council) to **proceed to amend the existing grant agreement with the Black Country Consortium Ltd for the additional award of £134,000** from Department of Business, Energy and Industrial Strategy to fund the Black Country Growth Hub from 1 April 2020 to 31 March 2021.

12. **Delegated Authority Decision - Black Country Local Growth Deal - NATIONAL BROWNFIELD INSTITUTE SEED FUNDING – PROJECT NAME CHANGE REQUEST**

Simon Neilson referred to the report previously circulated for noting and explained that the change request was for an immaterial change to the name of the project.

20/0066 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) that the Joint Committee:
note that the Executive Director for Economy, Environment and Communities within Walsall Council in his role of the Chair of the Working Group has used his Delegated Authority to approve an immaterial change to the project name from National Brownfield Institute SEED Funding to National Brownfield Institute Phase 1 – Development Project.

13. **Black Country Transport Team – Governance Arrangements**

Stuart Everton referred to the report previously circulated and advised that this was an update regarding the creation of a Black Country Transport Team. The report explains the discussions that have taken place with the four Local Authorities and the Black Country LEP

20/0067 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) that the Joint Committee:

2.1 note that the Black Country Director for Transport will co-ordinate the work for a new Collaboration Agreement between the four Local Authorities, to create a Black Country Transport Team hosted by City of Wolverhampton Council. Approval of the Collaboration Agreement will be sought from each of the four Local Authority Cabinets by the end of December 2020.

2.2 note that the Black Country Director for Transport will continue to work with key officers across the four Black Country Local Authorities on governance proposals for schemes that will be developed by the Black Country Transport Team. These Governance proposals will be reported to the Joint Committee in December for approval.

- 2.3 approves in principle, (subject to the Governance being approved by the Joint Committee in December 2020) the proposal for the Black Country Executive Joint Committee to be the decision maker on selected Transport Strategy and Policy issues alongside development of future major transport schemes.

PRIVATE SESSION

(Not for publication by virtue of paragraph 3 of Schedule 12(A) of the Local Government Act 1972 (as amended))

Councillor Brookfield asked each person in attendance to ensure and verbally declare that there were no other persons present who were not entitled to either hear or see the proceedings.

14. **Notes of Previous Meeting held on 29 July 2020 – Private Session**

- 20/0068 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously):
That the Private Session notes of the meeting held on 29 July 2020 be confirmed as a true record

15. **Get Britain Building Fund – NATIONAL BROWNFIELD INSTITUTE PHASE 2 – CONSTRUCTION AND DELIVERY PROJECT**

Lara Smith (supported by Richard Lawrence) referred to the report previously circulated.

- 20/0069 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) **following consideration of the confidential information in the Private Session report, that :**

Subject to confirmation from West Midlands Combined Authority that the funding has been achieved from BEIS, the Joint Committee approves the Accountable Body for the Get Britain Building Fund (Walsall Council) to **proceed to entering a Grant Agreement with the University of Wolverhampton for a sum detailed in the Private report** to deliver the Get Britain Building Fund (GBBF) funded elements of the National Brownfield Institute Phase 2 - Construction and Delivery project, with delivery to commence in the 2020/21 financial year.

16. **Get Britain Building Fund – HUB TO HOME TRANSPORT INNOVATION CENTRE AND TEST TRACK PROJECT: VERY LIGHT RAIL AND AUTONOMOUS TECHNOLOGIES – NATIONAL INNOVATION CENTRE PROJECT**

Lara Smith (supported by Helen Martin) referred to the report previously circulated.

- 20/0070 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) **following consideration of the confidential information in the Private Session report, that :**

Subject to confirmation from West Midlands Combined Authority that the funding has been achieved from BEIS, the Joint Committee approves the Accountable Body for the Get Britain Building Fund (Walsall Council) to **proceed to enter into a Grant Agreement with Dudley Council for a sum detailed in the Private report** to deliver the Get Britain Building Fund (GBBF) funded elements of the Hub to Home Transport Innovation Centre and Test Track Project: Very Light Rail and Autonomous Technologies – Innovation Centre project. Delivery to commence in the 2020/21 financial year.

17. **Black Country Local Growth Deal – HUB TO HOME TRANSPORT INNOVATIONS CENTRE AND TEST TRACK PROJECT: VERY LIGHT RAIL AND AUTONOMOUS TECHNOLOGIES – TEST TRACK PROJECT**

Lara Smith (supported by Helen Martin) referred to the report previously circulated.

- 20/0071 Councillor Brookfield moved the recommendations that were put to the vote by way of a roll-call of BCJC members. The motion was subsequently declared carried and it was **Resolved** (unanimously) **following consideration of the confidential information in the Private Session report, that :**

the Joint Committee approves the Accountable Body for the Local Growth Deal (Walsall Council) to **proceed to amending the Grant Agreement with Dudley Council for a sum detailed in the Private report** to deliver the Local Growth Fund (LGF) funded elements of the Hub to Home Transport Innovation Centre and Test Track Project: Very Light Rail and Autonomous Technologies – Test Track project with delivery to continue in the 2020/21 financial year.

REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

Local Growth Deal

**PROJECT APPROVAL RECOMMENDATION – BIRCHLEY ISLAND SITE ASSEMBLY
(DEVELOPMENT FUNDING)**

Grant Agreement Approval

Key Decision: Yes
Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 To request that the Black Country Executive Joint Committee approves the Birchley Island Site Assembly project from within the Growth Deal Programme.
- 1.2 This project was endorsed by the LEP Funding Sub Group on 7 October 2020 and was approved by the LEP Board on 19 October 2020 (Dec. No. 177/20). The Working Group via email endorsed the request on 6 November 2020 and the Advisory Board endorsed it via email on 19 November 2020.

2. RECOMMENDATIONS

Following consideration of the confidential information in the Private Session of the agenda:

That the Joint Committee approves the Accountable Body (Walsall Council) to enter into a grant agreement with Sandwell Council to deliver the Local Growth Fund (LGF) funded elements of the Birchley Island Site Assembly project with delivery to commence and be fully spent in the 2020/21 financial year.

3. REPORT DETAIL

- 3.1 Birchley Island provides a link from several locations in the Black Country to the national motorway network (M5), making it a vital asset for many local and national businesses in the surrounding area. It is also part of two major arterial commuter routes passing

through the Black Country and Birmingham. The junction suffers from considerable congestion, particularly during peak periods and offers limited or no provision for pedestrians and cyclists. This lack of provision also results in severance and a low level of service for bus users interchanging between services.

3.2 Given the above circumstances it is proposed to carry out a major at-grade improvement, which will increase the capacity of all approaches to Birchley Island, provide controlled pedestrian/cycle crossings and dedicated pedestrian/cycle routes. This would achieve the following aims:

- Reduce delays and congestion;
- Improve bus service reliability;
- Reduce severance and improve pedestrian and cycle links;
- Improve road safety.

3.3 The BC LEP have been supportive of the Birchley Island scheme prior to the launch of the Growth Deal programme. Various development packages have been made available to Sandwell Council over the past 5 years, to ensure the project can continue to progress and secure the funding required, to deliver the capital scheme in full.

3.4 The LEP Funding Sub Group board have endorsed support of the project, to allow the works to progress. Any funding not claimed by March 2021, cannot be extended beyond the deadline of the funding programme.

3.5 The following conditions will apply as a result of the Growth Deal programme ending on 31 March 2021:

- (1) Sandwell Council must enter into a grant agreement with the Accountable Body within 3 months of a Black Country Joint Committee approval.
- (2) Costs must be expended by 31 March 2021, and claims submitted for expenditure incurred up to March 2021 submitted no later than June 2021.

4. FINANCIAL IMPLICATIONS

Benefit-cost ratios (BCRs) are utilised in capital budgeting to analyse the overall value for money of undertaking a new project. It is an indicator showing the relationship between the relative costs and benefits of a proposed project, expressed in monetary or qualitative terms. For the purposes of BC LEP funding, the Economic Intelligence Unit has developed the formula, deployed by the Programme Management Office, to identify the BCR for a project requiring public sector funding. The threshold for any project that has been assessed, is 1.5 and would be considered 'good value for money' should this threshold be exceeded. The BCR calculation however does not take into consideration the Strategic fit and proposition of a project.

BCR/Value for Money

4.40 > 1.5

**1.5 or higher is considered a good value for money scheme.*

The wider Birchley Island Capital scheme is considered very good value for money, based on the BCR metric utilised for transport projects.

5. FINANCIAL IMPLICATIONS

All the costs associated with this proposal form part of the LGF Programme and will be covered by allocations from the government with this programme. This includes use of any interest accrued by the Accountable Body to cover costs associated with the delivery of Accountable Body functions, as approved by its (Walsall Council) Cabinet on 29th October 2014.

6. LEGAL IMPLICATIONS

The appropriate grant agreement will be drawn up and will include all necessary conditions passed onto the LEP by Government, together with all terms, conditions, performance measures and sanctions as required by the conditions received from Government.

7. RISK MANAGEMENT

Risk is being managed through the on-going assessment of individual projects and their ability to deliver the required spending profiles and outcomes for the programme as required or agreed with Government and set into place by the LEP Board or the Joint Committee.

8. EQUALITY IMPLICATIONS

None at time of drafting.

9. CONSULTATION

Legal and Finance Officers at Sandwell Council have been consulted as part of the development of this report.

Background papers

- None

Attachments

- None

Report Author

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REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

**Black Country Local Growth Deal
PROGRAMME MANAGEMENT AND SINGLE ACCOUNTABLE BODY (SAB)
ADMINISTRATION COSTS**

Key Decision: Yes
Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 To request that the Black Country Joint Committee approves the funding to support the Accountable Body, Programme Management Office (PMO), legal and technical fees to carry out the future requirements for the management and reporting of the Growth Deal programme and other LEP funded programmes.
- 1.2 This will include the monitoring of outputs and ensuring individual project compliance and closures, which in turn will enable the closure and evaluation of the Growth Deal programme, to be completed successfully.
- 1.3 This request was endorsed by the LEP Funding Sub Group on 2 September 2020 and was approved by the LEP Board on 21 September 2020 (Dec. No. 159/20). The Working Group endorsed the request on 8 October 2020 and the Advisory Board endorsed it via email on 19 November 2020.

2. RECOMMENDATIONS

- 2.1 That the Joint Committee approves the capital allocations from the identified Growth Deal over programming (formerly the Growing Places Fund) of:
 - £550,000 to Walsall Council to carry out its role as Single Accountable Body to the Growth Deal and other LEP programmes;
 - £204,000 to the Black Country Consortium Ltd. for the Management and Administration functions of the Black Country Local Growth Deal, and;

- £80,000 to Walsall Council to cover the costs of the external legal and technical fees in support of managing the programme.

2.2 Endorse that the administrative costs of supporting effective programme delivery and ongoing monitoring of schemes continue and are funded through the Growth Deal over programming (as set out in **Table 3** below).

3. REPORT DETAIL

3.1 On the 25 January 2016, the LEP Board agreed to top slice Growth Deal Grant funding to fund the programme management and administration, and on the 16 October 2017, the LEP Board agreed to extend the funding further (see **Table 1** below showing approved funding and agreed change requests):

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
APPROVED / SPEND TO DATE							
LEP Programme Management	263,049	300,572	362,000	135,239	153,202	181,000	1,395,062
Walsall Council Accountable Body	126,223	195,661	175,000	230,372	175,000	275,000	1,177,256
Total M&A*	389,272	496,233	537,000	365,611	328,202	456,000	2,572,318

Table 1 - Summary of Accountable Body and LEP Programme Mgt costs

** note excludes WMBC revenue interest funding*

3.2 On 24 July 2017 the LEP Board approved an additional amount up to £616,000 toward professional services to be top sliced against the Growth Deal. Walsall Council in its role as Single Accountable Body (SAB) will procure the required professional services detailed below using a competitive tendering process to ensure value for money. These services include technical advice services (formerly undertaken by Thomas Lister) and legal advice to support the contracting elements of the Growth Deal programme. **Table 2** below shows approved and actual spend to date:

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
APPROVED/SPEND TO DATE						
Legal Support		14,388	7,765	5,793	35,000	62,946
Technical Assistance	42,955	21,303	40,216	80,806	120,000	305,280
Total Technical/Legal	42,955	138,000	155,000	168,000	155,000	368,226

Table 2 – Summary of Technical and Legal Support costs

3.3 At present there is no funding in place to support the management and administration (M&A) costs or profession fees of the programme beyond 20/21. The Programme Management Office at the BCC Ltd (PMO) are therefore recommending a proposal to fund the M&A costs from 21/22 – 22/23, as set out in **Table 3** below.

		2021/22	2022/23	2023/24	2024/25	Total
ADDITIONAL FUNDING						
LEP Programme Management	Capital	78,000	126,000			204,000
Walsall Accountable Body	Capital	275,000	275,000			550,000
Legal Support	Capital	15,000	15,000			30,000
Technical Assistance	Capital	25,000	25,000			50,000
Total M&A, Technical/ Legal - Capital		393,000	441,000	TBC	TBC	834,000

Table 3 – Summary of future Accountable Body, LEP Programme management, Technical and Legal costs

- 3.4 It is proposed that this grant will pay for LEP Programme Management costs, for both Walsall Council as the SAB and PMO, to carry out monitoring and compliance of Growth Deal after the programme ends in March 2021 and that any underspends in the **Table 3** above can be slipped into 2023/24. This is to keep the budget flexible so that if projects slip, then so will SAB/PMO costs. In addition, it can be used to fund the management functions where programme management budgets are not available for new grants awarded to the BC LEP, for example the Get Britain Building Fund. This was presented to the Funding Sub Group (FSG) board in August 2020 whereby the 2021/22 financial year was approved, future years were subject to further information detailed in **Appendix 1**. Following receipt of this information the FSG board approved all funding for both financial years and any potential slippage at its September 2020 meeting.
- 3.5 It is noted that the only other approved funding available for activities carried out on the Growth Deal available to the Single Accountable Body costs is the revenue interest. Reducing the call on this funding will create a reserve that can be called upon by the BC LEP to cover future programme management costs. This approach is recommended, as revenue funding available to the BC LEP is limited.
- 3.6 As per the detailed table in **Appendix 1**, the SAB are already assuming £102,522 interest will be used to cover costs, as funding approved to date (including the approvals in this report) are insufficient. Assuming the SAB utilised £102k, £428k interest is left to carry forward. It is proposed that this interest is held as a reserve in the event:
- Uncertain funding / income assumed doesn't materialise. i.e. EZs;
 - SAB is unable to top slice for future bids for our management costs;
 - SAB is unable to capitalise costs to budgets that are Capital grants.

Given this £428k left represents less than one year's worth of the SAB and PMO management teams, it is prudent to hold the funding as a reserve as proposed to safeguard the management, monitoring and compliance costs of current and future funds, to ensure they comply with Government frameworks and keep the risk of claw backs / inability to evidence outputs as "low" risk.

4. BENEFITS COST RATIO (VALUE FOR MONEY)

Not applicable.

5. FINANCIAL IMPLICATIONS

- 5.1 All the costs associated with this proposal can be funded through unallocated funding from the Growth Deal over programming funds, formerly the Growing Places funding
- 5.2 Whilst the Single Accountable Body will look to capitalise costs, calls may be made against the interest where this is not possible, accrued against the Growth Deal, to fund costs incurred. These are costs that are unable to be capitalised, for example, professional services fees incurred appraising a project that does not receive approval to proceed by the Joint Committee, the revenue interest will provide a mechanism for any abortive costs etc to be recovered.
- 5.3 All costs will be monitored on an on-going basis by the PMO and Walsall Council as SAB who will provide regular updates to the Funding Sub Group.

6. LEGAL IMPLICATIONS

- 6.1 The appropriate grant agreements will be drawn up, which will include all necessary conditions passed onto the LEP by Government, together with all terms, conditions, performance measures and sanctions as required by the conditions received from Government.
- 6.2 Formal agreement will be required to be set into place with BCC Ltd. for the Management and Administration functions of the Black Country Local Growth Deal.

7. RISK MANAGEMENT

The principle risks relate to our collective abilities to effectively manage the Growth Deal programme to ensure successful delivery of targeted outputs and match funding. This proposal will release programme resources to the Black Country Consortium PMO and Walsall Council Accountable Body enabling them to continue to fund dedicated teams capable of meeting these responsibilities.

8. EQUALITY IMPLICATIONS

None at time of drafting

Background papers

- Working Group report 16th March 2016 – *Black Country Local Growth Deal - Approval of Resources for Programme Management, Development & Support*;
- Working Group report 17th October 2017 – *Black Country Local Growth Deal – Funding Proposal for Management and Administration Functions*.

Attachments

None.

Report Author & Contact Officer

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Single Accountable Body and PMO Programme Management costs and funding

SAB COSTS AND INCOME		20/21	2021/22	2022/23	TOTAL	Ref
Accountable Body Management Responsibilities						
Programme Manager - (HoS)						
Finance Officer						
Programme Management Team Leader						
TOTAL AB Management responsibilities		£ 138,172.22	£ 145,132.35	£ 158,785.35	£ 442,089.91	# 1
Accountable Body Functioning Responsibilities						
3 x Programme Management Officer						
1 x Contracts & Governance Officer						
2 x Finance & Compliance Monitoring Officer						
Senior Business Support Officer						
Business Support Officer						
Meetings, travel, ICT and mobile phones etc						
EZ Other (Cushman & Legal)						
TOTAL AB functioning responsibilities		£ 368,055.77	£ 387,377.27	£ 227,347.16	£ 982,780.20	1,2
TOTAL SAB COSTS		£ 506,227.98	£ 532,509.62	£ 386,132.51	£ 1,424,870.11	C
INCOME						
Growth Deal Capital		£ 275,000.00	£ -	£ -	£ 275,000.00	3
Growing Places Funding - requested at previous FSG - (2022/23 tbc)		£ -	£ 275,000.00	£ 275,000.00	£ 550,000.00	3
LPIF - Capital		£ 80,000.00	£ 80,000.00		£ 160,000.00	3
Enterprise Zone		£ 100,000.00	£ 100,000.00	£ 100,000.00	£ 300,000.00	
Growing Places Fund revenue		£ 2,348.00	£ 10,000.00	£ 10,000.00	£ 22,348.00	6, 7
BEIS Review SAB funding		£ 15,000.00			£ 15,000.00	
TOTAL Income		£ 472,348.00	£ 465,000.00	£ 385,000.00	£ 1,322,348.00	
Variance Shortfall - supported by interest		-£ 33,879.98	-£ 67,509.62	-£ 1,132.51	-£ 102,522.11	
PMO COSTS AND INCOME						
		20/21	2021/22	2022/23	TOTAL	
PMO Team Structure						
PMO Manager						
PMO Analyst						
PMO Analyst						
PMO Analyst						
Powerbi Specialist						
TOTAL PMO functioning responsibilities		£ 160,000.00	£ 160,000.00	£ 160,000.00	£ 480,000.00	1
INCOME						
Growth Deal Capital		£ 112,000.00	£ -	£ -	£ 112,000.00	3
LPIF Capital * to be reprofiled and verified		£ 48,000.00	£ 48,000.00	£ -	£ 96,000.00	3, 7
Growing Places Funding - requested at previous FSG - (2022/23 tbc)			£ 78,000.00	£ 126,000.00	£ 204,000.00	3
Enterprise Zone		£ -	£ 34,000.00	£ 34,000.00	£ 68,000.00	
TOTAL Income		£ 160,000.00	£ 160,000.00	£ 160,000.00	£ 480,000.00	
Variance Shortfall - supported by interest		£ -	£ -	£ -	£ -	
OTHER FUNDING AVAILABLE						
	Opening Balance					
Interest balance as at 1 April 2020	£ 530,870.00	-£ 33,879.98	-£ 67,509.62	-£ 1,132.51	£ 428,347.89	4
Underwriting fund - revenue trf from SMBC	£ 335,039.00	£ -			£ 335,039.00	5
Growing Places Revenue	£ 76,565.00	-£ 2,348.00	-£ 10,000.00	-£ 10,000.00	£ 54,217.00	
	£ 942,474.00	-£ 36,227.98	-£ 77,509.62	-£ 11,132.51	£ 817,603.89	

KEY AND COMMENTS

Funding requested in this report

- Individual salary breakdown not provided in line with GDPR
- Staff reduction in 2022/23 as funds reduce if additional funding awards secured this will need to be re-assessed
- Capital funds can only be claimed if supported by timesheets (note above is calculated on maximum claims and may not be claimable)
- Forecast interest not included as treasury advised us that unless funding is deposited for more than 12 months no interest will be received due to low rates (to be updated annually)
- SAB/pmo have not assumed that this can be used to cover any of the costs above
- SAB assumed use of GPF for Programme Management costs (ie WM 5G) in line with SMBC use agreed with BEIS
- Assumes LPIF cannot be claimed beyond March 2022 - to be discussed further with WMCA



REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

**Black Country Growth Hub
GROWTH HUB PEER NETWORKS**

Programme Approval

Key Decision: Yes
Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 To request that the Black Country Executive Joint Committee approve for Walsall Council to enter into an agreement with the Black Country Consortium Ltd to spend and claim the grant on its behalf.
- 1.2 This project was endorsed by the LEP Funding Sub Group on 2 September 2020 and approved by the LEP Board on 21 September 2020 (Dec. No. 148/20). The Working Group endorsed the request on 8 October 2020 and the Advisory Board endorsed it via email on 19 November 2020.

2. RECOMMENDATIONS

That the Joint Committee approves for the Accountable Body (Walsall Council) to enter into a grant agreement with the Black Country Consortium Ltd to deliver the Growth Hub Peer Networks programme.

3. REPORT DETAIL

- 3.1 A total of £20m was made available in 2020/21 following the Productivity Review carried out by the Department for Business, Energy and Industrial Strategy (BEIS) for peer networks. These are to be based on a successful peer-led model developed in Ireland called PLATO plus.

- 3.2 Evaluation of PLATO plus and other research suggests that small business owners are far more likely to trust advice and guidance from their peers (i.e. other small business owners) than others.
- 3.3 The Black Country LEP has been compiling sector action plans as part of the West Midlands Local Industrial Strategy (WM LIS) in conjunction with Greater Birmingham and Solihull LEP and Coventry and Warwickshire LEP. More recently, through the Local Industrial Recovery Strategy as a recently of COVID-19, these have been expanded. The sector action plans are based on consultation with industry bodies and include lists of interventions to grow and support the sector.
- 3.4 The Black Country LEP is responsible for the following sector action plans:
- Rail;
 - Aerospace;
 - Construction;
 - Metals and Materials;
 - Health and Social Care.
- 3.5 In order to create a strong link between the peer networks and the interventions contained in the WM LIS and its sector action plans, it is intended to create one peer network for each of the sectors. Providers will need to demonstrate a sound understanding on the WM LIS sector action plans, plus knowledge of the sector both nationally and locally, and have strong links to SMEs in the Black Country in the sectors.

4. BENEFIT COST RATIO (VALUE FOR MONEY)

Not applicable.

5. FINANCIAL IMPLICATIONS

- 5.1 BEIS is offering a maximum of £15,000 per cohort over 2020/21. Its guidance lays out the criteria for each cohort as well as guidance on commissioning providers to manage each network. The grant offered to Walsall Council is based on $5 \times £15,000 = £75,000$.
- 5.2 The sum must include VAT. Quotes will be sought from five different providers to deliver individual peer networking sessions for up to 15 SMEs registered in the Black Country, ending in March 2021, up to a maximum value of £15,000 including VAT.
- 5.3 Arrangements for managing the Growth Hub are already in place at BCC Ltd. The BCC Ltd took on the responsibility of managing the project and funds as principal grant recipient from the City of Wolverhampton Council in 2018/2019. There are no financial implications as BCC Ltd will continue to hold the responsibility for the management of the funds.

6. LEGAL IMPLICATIONS

The appropriate grant agreement will be drawn up, which will include all necessary conditions passed onto the LEP by Government, together with all terms, conditions, performance measures and sanctions as required by the conditions received from Government.

7. RISK MANAGEMENT

- 7.1 The principal risk is a requirement to repay the grant funding to BEIS if there is noncompliance with the requirements of its terms of funding, as set out in its letter to Walsall Council.
- 7.2 Since the 2019/20 contract, BCC has taken the responsibility of the single delivery agent role, following an approval of a new Growth Hub Delivery Plan at the Growth Hub Strategic Board which took place on 18 December 2018. This new delivery plan has been in effect since 1 April 2019 and has significantly improved the effectiveness and reach of the Black Country Growth Hub, which now employs 5 advisors, all with prior business and commercial experience.

8. EQUALITY IMPLICATIONS

- 8.1 The Black Country Growth Hub's mission is to provide guidance and support to all individuals seeking to start a new business; micro and SMEs looking for growth support as well as employees of any existing business, free of charge.
- 8.2 Business-facing officers operating across Black Country Growth Hub partners are from a variety of ethnic backgrounds.
- 8.3 The separate partners of the Black Country Growth Hub each have their own equality policies in place, covering officers' conduct and approach to inclusive engagement.

Background Papers

None.

Attachments

None.

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REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

**Black Country Enterprise Zone
SUPPLEMENTAL DEED OF VARIATION TO BCJC COLLABORATION AGREEMENT
APPROVAL (ENTERPRISE ZONES)**

Approval of the Supplemental Deed of Variation

Key Decision: Yes
Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 To request that the Black Country Executive Joint Committee approve a Supplemental Deed of Variation (the 'Supplemental Deed') at **Appendix A** to the Collaboration Agreement in Relation to the Black Country Executive Joint Committee City Deal and Growth Deal dated the 7 May 2014 (the 'Collaboration Agreement') which requires each party to observe, perform and act in accordance with the principles set out in the 'Governance Principles: Enterprise Zones' ('BCEZ Governance Principles') at **Appendix B**. This sets out the principles and framework for managing the Black Country Enterprise Zone ('BCEZ'), and so will allow Walsall Council to fulfil its role as the Single Accountable Body ('SAB') for the Black Country Local Enterprise Partnership ('BCLEP').
- 1.2 The Supplemental Deed was approved by the LEP Board on 19 October 2020 (Dec. No. 166/20) and endorsed by the Working Group via email on 9 November 2020 and the Advisory Board endorsed it via email on 19 November 2020.

2. RECOMMENDATIONS

That the Joint Committee approves the *Supplemental Deed of Variation relating to the Collaboration Agreement in relation to the Black Country Executive Joint Committee City Deal and Growth Deal dated the 7 May 2014*, at **Appendix A** to this report and in doing so, approves the *Governance Principles: Enterprise Zones* (at **Appendix B** to this report).

This recommendation was approved at the following meetings:

- Dudley Council Cabinet on 29 October 2020.
- Sandwell Council Cabinet on 18 November 2020.
- City of Wolverhampton Council Cabinet on 11 November 2020.
- BC LEP Board on 19 October 2020.
- Walsall Council is due at Cabinet 9 December 2020

3. REPORT DETAIL

- 3.1 The Black Country Joint Executive Committee ('BCJC') approved the Collaboration Agreement in May 2014, which was entered into by the four Black Country local authorities ('BC Councils') and the Black Country Consortium Ltd. ('BCC' - acting as secretariat to the BCLEP). The original remit of the BCJC was limited to City Deal and Growth Deal programmes of funding from the Government. As part of the terms of that agreement, Walsall Council was appointed the Accountable Body for the purposes of managing the funding allocation given under City Deal and Growth Deal.
- 3.2 The Collaboration Agreement set out the governance and operational arrangements for the City Deal and Growth Deal programmes, including the collaboration, governance, project approval, management and audit, and claw back arrangements.
- 3.3 Further amendments to the Collaboration Agreement were approved by the BC Council Cabinets and the BCJC as follows:
- (i) 7 September 2016 (BCJC): This widened the scope of the BCJC to include decisions in relation to funding applications into and funding received from the West Midlands Combined Authority (WMCA), for example the Land & Property Investment Fund (LPIF).
 - (ii) 12 February 2020 (BCJC): This widened the scope of the BCJC to include all funds secured by the BCLEP, including Growing Places and Enterprise Zone funding, together with any future funding or funding programmes approved, such as the Shared Prosperity Fund. These changes allow the BCJC to make decisions on all LEP funding secured, including future funds, meaning that Walsall Council can fulfil its role as the BCLEP's SAB for all funds. It also means that the BC Councils do not need to each seek Cabinet approvals to widen the scope of the BCJC each time that new funding is awarded to the BCLEP.
- 3.4 National Local Growth Assurance Framework guidance released in January 2019 included the requirement that all LEPs must have a single Accountable Body ('SAB') in place by the 28 February 2020. In response to these requirements, the BCLEP (on 22 October 2018) and the BCJC (on 23 January 2019) both confirmed acceptance of Walsall Council as the SAB for all funds secured by the BCLEP. The role was accepted by Walsall Cabinet on 24 April 2019.

- 3.5 Therefore, since its appointment as the BCLEP's SAB, Walsall Council has prepared proposals with the Programme Management Office ('PMO') to bring the governance of all BCLEP Funds, including BCEZ, in line with the Black Country's Single Assurance Framework. This means that any funding awards within the BCEZ must follow the same process for all other LEP funds, including approvals at the BCLEP and its Funding Sub Group, and the BCJC.
- 3.6 The BCEZ programme is unique due to the nature of the funding mechanism (i.e. borrowing to fund capital works which is recovered from future business rates), so further consideration was required for the claims, monitoring and borrowing policies. A paper (BCEZ Governance Principles – **Appendix B**) setting out the BCEZ specific policies and principles has been prepared by the Single Accountable Body (SAB) in consultation with all parties to the Collaboration Agreement. This sets out the principles and framework for managing and monitoring the BCEZ programme, including:
- the process for the collection, distribution and monitoring of the business rates and business rates surpluses;
 - Collaborative working between the BC Councils, including joint working on the Financial Model and roles and responsibilities;
 - Prioritisation of costs to be funded from business rates;
 - Principles of borrowing and payback.
- 3.7 The prioritisation of costs to be funded from business includes borrowing costs associated with capital schemes, and revenue costs. Revenue costs include programme management costs, BC Councils' historic and future revenue costs for developing the BCEZ and Black Country Transport Director costs.
- 3.8 The SAB also created a single consolidated financial model for the BCEZ. This brought together two separate models from the Wolverhampton and Walsall Enterprise Zone (WWEZ) and the Dudley Enterprise Zone (DY5) and consolidated them into a single model, with consistent principles and assumptions.
- 3.9 To enable the SAB to carry out its roles and responsibilities, the BCEZ Governance Principles has been agreed by all BC Councils and the BCC and now need formalising to ensure they are legally binding as a variation to the Collaboration Agreement. This will be more efficient than creating individual funding agreements for each BCEZ scheme between BC Councils.

4. BENEFITS COST RATIO (VALUE FOR MONEY)

Benefit-Cost Ratios (BCRs) are used in capital budgeting to analyse the overall value for money of undertaking a new project. BCRs are therefore not applicable to this paper because it is seeking approval of EZ principles and the Supplemental Deed.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications as a result of the recommendation in this report, although the BCEZ has various financial implications for the BCLEP and BC Councils.
- 5.2 As a result of the BCEZ consolidated financial model, the SAB is able to forecast a prudent financial position of the BCEZ across the whole of the Black Country, with the ability to complete a range of sensitivity analysis such as changes to inflation rates (particularly important in the current economic environment), and separate forecasts by individual sites and collective sites. The consolidation of the model has allowed consistent assumptions to be applied, to provide more accurate, relevant and timely information to the BCLEP.
- 5.3 BCEZ surpluses under the live consolidated model at the date of this report are forecast to be between £47m and £58m by the end of the EZ in March 2042, depending on the inflation and borrowing assumptions applied. These surplus are only forecasting income from certain sites in the BCEZ, i.e. those projects that have been approved by the BCLEP, are in delivery or are delivered. Examples of these certain sites are i54, Phoenix 10 and Boxpool, and surpluses forecast are also net of the costs of borrowing for these projects. The surpluses are also net of forecast revenue costs set out below.
- 5.4 The BCLEP will make decisions about what the surplus will be used to fund, in line with their strategic priorities, although forecast surpluses are modest in the next 5 years so it is highly probable that BC Councils will need to borrow against these surpluses for future projects. This could be to fund projects both within and outside of the BCEZ; as such the BCEZ is a flexible fund with a much longer end date (March 2042) than existing LEP funds, such as Growth Deal, which ends March 2021.
- 5.5 The BCEZ Governance Principles (at paragraph 6.4) sets out the priority order of costs to be funded from BCEZ business rates. This gives first priority to borrowing costs for capital schemes already approved by the BCLEP.
- 5.6 The financial model also assumes costs for the SAB and BCC programme management functions.
- 5.7 Allocations are provided for the BC Transport Director. These costs are currently funded from Growth Deal, which ends March 2021 and there is no other confirmed funding for this post. Therefore, the cost would otherwise need to be shared by all BC Councils under existing arrangements. There is potential for costs to be charged to external transport grants, but an allocation has been made within the BCEZ model as a prudent measure so that a funding source is identified in a worst case scenario.
- 5.8 Historic revenue costs incurred by BC Councils since the start of the Enterprise Zones up to March 2020 are recoverable and have been audited up to March 2020.
- 5.9 Future revenue costs of £250,000 per annum for 5 years commencing 2020/21 are proposed for BC Councils to develop their BC Pipeline priority scheme. The budget is for development of named projects in the BC Pipeline and/or development of BCEZ sites, but must also cover BCEZ monitoring and compliance costs. After the 5 year period, BC Councils can claim up to £10,000 for BCEZ monitoring and compliance costs.

- 5.10 The BCLEP approved the recovery of historic and future revenue costs by BC Councils at its meeting on 24 August 2020.

6. LEGAL IMPLICATIONS

- 6.1 By all parties to the Collaboration Agreement approving the Supplemental Deed they will be confirming the intention to give the principles and procedures set out in the BCEZ Governance Principles a legally binding status, which will support Walsall Council in carrying out its roles and responsibilities as the BCLEP's SAB. In order to bring these changes into effect, the original signatories to the Collaboration Agreement will need to enter into the Supplemental Deed.
- 6.2 The proposals in the BCEZ Governance Principles have been prepared by Walsall Council acting in its roles as the BCLEP's SAB, in consultation with finance and regeneration officers across the BC Councils, complemented by external legal advice to ensure that the contents are appropriate and enforceable.

7. RISK MANAGEMENT

- 7.1 Risks associated with the management of funds received will be mitigated by building on and adapting the existing and successful SAB arrangements established within Walsall Council, who have successfully passed all audits of the administration of the Growth Deal programme through our internal audit process for the last 4 years and have received good ratings from the Department for Business, Energy & Industrial Strategy (BEIS) as part of the annual review process.
- 7.2 Tools to support this include the BCLEP's Assurance Framework and the Government's National Assurance Framework that clearly set out how the funds are to be administered and the roles of officers in doing so; including the responsibilities of SAB's Section 151 Officer and the BCLEP.
- 7.3 The BCEZ funding model is based on the premise that local authorities will borrow to fund project costs, and borrowing costs will be recovered from future business rates generated from the sites. The financial model is the tool that assesses whether those costs can be fully recovered. There is a risk that BCEZ funding decisions are made based on outputs from the model, then the forecast from the model does not materialise.
- 7.4 Actual business rate surpluses may differ to modelled surpluses meaning that BC Councils may not recover their borrowing costs in line with the model forecast at the time of the funding decision. Therefore, borrowing costs being recovered over a longer period than forecast and potentially not completely is a risk that will sit with each BC Council borrowing for investment in their geographical area. There is also a risk that revenue costs as set out in the Financial Implications section of this report and the BCEZ Governance Principles may not be recovered. BC Councils and the BCC will also be required to cash-flow these revenue costs until there are sufficient business rates collected to pay for them.

- 7.5 The risk of non-recovery of borrowing costs and revenue costs should be considered in the context of the current Covid-19 and economic environment, although as the model is a live model it has been updated recently by all BC Councils which takes into account current economic conditions. Also, the risk of Jaguar Land Rover choosing to relocate, partially shut down factories or even cease trading, given that it contributes a significant proportion of business rates, should also be considered by each BC Council and/or the BCC when deciding whether to utilise the BCEZ future revenue cost allocation or borrow for capital schemes.
- 7.6 This risk is mitigated by each BC Council borrowing (and taking these risks) for projects in their own geographical area. The SAB will not undertake any borrowing on behalf of other BC Councils. In addition: (i), the financial model is robust, with prudent assumptions for borrowing and inflation, plus provisions included for bad debts, business rate relief and appeals, with project cost contingencies where considered appropriate; and (ii) sensitivity analysis can easily be completed to assess risk and support decision making on future projects.
- 7.7 The BCEZ Governance Principles also sets out the principles of funding non-BCEZ sites. The principles for the prioritisation of BCLEP funding means that the reinvestment of EZ business rates may no longer being prioritised for EZ sites ahead of non-EZ sites. Thus an EZ site will be competing with other projects in the overall BC pipeline of development and capital investment projects. However, the BCEZ Governance Principles seeks to apply the following conditions to any projects funded from the BCEZ, and will seek to recover income for sites funded through the BCEZ funding mechanism but are outside BCEZ geographical areas and for which the BCLEP cannot ring-fence business rates:
- Projects must be in BC pipeline as a named key project, prior to seeking LEP approval;
 - EZ should be funding of 'last resort'. It must be demonstrated that all reasonable efforts have been made to secure external funding prior to utilising EZ funding. This is to ensure the funding available to the BCLEP is maximised;
 - Profits, income and overage on funded projects must be recycled back to the BCEZ or LEP funds.
- 7.8 The Collaboration Agreement and the BCEZ Governance Principles help manage the above risks as they set out the priority order in which costs are applied to business rates, together with the procedure and ordering in the event of a shortfall. In the event of a shortfall, the SAB, in consultation with the PMO, will reassess the financial model to confirm if this is a temporary in-year issue that will correct the following financial year, or if the costs are becoming unaffordable or need re-phasing. If it is the latter, then this issue will be raised at the earliest opportunity through the key groups in the BC Assurance Framework, to consider collectively if cost allocations need to be re-assessed, either short term or long term. However, with regular (minimum quarterly) updates to the financial model by BC Councils and review on a consolidated basis by the SAB, forecast deficits should be flagged and early warnings triggered in advance.
- 7.9 In terms of private sector grants i.e. grantees that are not a party to the Collaboration Agreement, grant agreements will need to be put in place between the borrowing BC Council

and applicant. Each BC Council will use their own due diligence procedures to assess applicants, including considering any security for grant requirements.

8 EQUALITY IMPLICATIONS

There are currently no direct equality implications arising from this report. Supplementary projects and/or proposals arising from the Supplemental Deed and its distribution of funds will be subject to equality considerations

9. CONSULTATION

Regeneration, Legal and Finance officers from all signatory organisations of the original Collaboration Agreement have been consulted on the Governance Principles: Enterprise Zones. External consultation was not required as the recommendation in this report does not have a direct impact on individuals or organisations.

Background papers

LEP Board papers 24 August 2020:

- a) Enterprise Zone overview paper;
- b) Revenue Funding - approval of historic costs;
- c) Revenue Funding – approval of future costs.

Attachments

- Appendix A Supplemental Deed of Variation.
- Appendix B Governance Principles Enterprise Zones.

Report Author

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DATED 2020

(1) WALSALL METROPOLITAN BOROUGH COUNCIL

(2) THE BOROUGH COUNCIL OF DUDLEY

(3) THE BOROUGH COUNCIL OF SANDWELL

(4) WOLVERHAMPTON CITY COUNCIL

and

(5) BLACK COUNTRY CONSORTIUM LIMITED

**SUPPLEMENTAL DEED RELATING TO THE COLLABORATION AGREEMENT
IN RELATION TO THE BLACK COUNTRY EXECUTIVE JOINT COMMITTEE
CITY DEAL AND GROWTH DEAL DATED THE 7 MAY 2014**

DATE

2020

PARTIES

- (1) **WALSALL METROPOLITAN BOROUGH COUNCIL** of Civic Centre, Darwall Street, Walsall, WS1 UP ('WMBC');
- (2) **THE BOROUGH COUNCIL OF DUDLEY** of The Council House, Priory Road, Dudley, West Midlands, DY1 1HF ('Dudley');
- (3) **THE BOROUGH COUNCIL OF SANDWELL** of Freeth Street, PO Box 2374, Oldbury, B69 3DE ('Sandwell');
- (4) **WOLVERHAMPTON CITY COUNCIL** of Civic Centre, St Peter's Square, Wolverhampton, WV1 1RG ('Wolverhampton'); and
- (5) **BLACK COUNTRY CONSORTIUM LIMITED** (Company Registration number 05159791) whose registered office is at The Deckhouse, Waterfront West, Dudley Road, Brierley Hill, DY5 1LW ('BCC').

BACKGROUND

- (A) The Parties are parties to a Collaboration Agreement dated 7 May 2014 (the 'Agreement') in relation to the Black Country Executive Joint Committee City Deal and Growth Deal for the collaboration, administration and the allocation by central government of funding across the Black Country area which comprises the administrative boundaries of Walsall, Dudley, Sandwell and Wolverhampton and is known as 'City Deal' and 'Growth Deal'.
- (B) The Agreement amended in accordance with the content of a report approved by the Black Country Executive Joint Committee on 7 September 2016 delegated further powers to the Joint Committee from each Council's Cabinet to enable it to make decisions relating to funding applications into and funding received through or from the West Midlands Combined Authority.
- (C) The Agreement was amended in accordance with the content of a report approved by the Black Country Executive Joint Committee on 12 February 2020, including to: (i) incorporate all current and future funding opportunities secured or operated by or through the Black Country Local Enterprise Partnership (BC LEP); and (ii) widen the scope of the Agreement and a Deed of Variation dated 28 February 2020 to effect such changes.
- (D) The Parties have agreed certain principles and a framework which are to apply in managing the programme, funding and monitoring of the Black Country Enterprise Zone ('BCEZ') and have entered into this Deed to record such principles and framework and

to agree to follow and act in accordance with the same.

(E) This deed shall take effect on and from the date of this document (the 'Variation Date')

IT IS AGREED:

1. TERMS DEFINED IN THIS DEED

In this Deed:

- 1.1 Expressions defined in the Agreement and used in this Deed have the meaning set out in the Agreement:
- 1.2 The rules of interpretation set out in the Agreement shall apply to this Deed;
- 1.3 Headings are for convenience only and shall not affect the construction of this Deed.

2. SUPPLEMENTAL

- 2.1. This Deed is supplemental to the Agreement and sets out how the Parties shall act in relation to the Black Country Enterprise Zone which forms a further area for collaboration between the Parties.
- 2.2 In consideration of the Parties entering into this Deed, the Parties each agree that with effect from the Variation Date they shall, in relation to the Black Country Enterprise Zone, each act in accordance with the general principles of collaboration set out in the Agreement and shall further observe and perform and act in accordance with the principles set out the BCEZ Governance Principles as referred to in Clause 2.3 below.
- 2.3 The BCEZ Governance Principles as agreed between the Parties at the date hereof are set out in the Schedule to this deed but may be revised by written agreement between the parties from time to time, once approved by the Black Country Joint Committee.
- 2.4 The Parties further agree that the terms of the Agreement, except as supplemented by this Deed, are confirmed as if they were set out in this Deed in full and that such terms as so supplemented are for all purposes incorporated into this Deed.

3. GOVERNING LAW

This Deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.

4. JURISDICTION

The Parties irrevocably agree that the courts of England and Wales shall have exclusive

jurisdiction to settle any dispute or claim arising out of or in connection with this Deed or its subject matter or formation (including non-contractual disputes or claims).

5. THIRD PARTY RIGHTS

A person who is not a party to this deed has no rights under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this deed and of the Deed, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

THIS AGREEMENT has been executed and delivered as a deed by or on behalf of each of the Parties on the date stated at the beginning of this Agreement.

THE COMMON SEAL of

WALSALL METROPOLITAN BOROUGH COUNCIL

was affixed to this deed which

was delivered when dated in the presence of:

Authorised Signatory

**THE COMMON SEAL of THE
BOROUGH COUNCIL OF DUDLEY**
was affixed
to this deed
which was delivered when dated in the
presence of:

**THE COMMON SEAL of THE
BOROUGH COUNCIL OF
SANDWELL** was affixed to this
deed which was delivered when
dated in the presence of:

Authorised Signatory

THE COMMON SEAL of
WOLVERHAMPTON CITY
COUNCIL was affixed to this deed
which was delivered when dated in
the presence of:

Authorised Signatory

EXECUTED as a deed by **BLACK
COUNTRY CONSORTIUM
LIMITED** acting by a two Directors
or a Director and the Company
Secretary:

SCHEDULE

BCEZ Governance Principles

Governance Principles: Enterprise Zones

(Principles to form basis of a Collaboration Agreement across 4 Local Authorities and the PMO)

1. Background

- 1.1 This paper sets out the principles and framework for managing the programme, funding, and monitoring of the Black Country Enterprise Zone (BCEZ), including:
- The process for the collection and distribution of the Business Rates Uplift
 - The process for monitoring the Business Rate Uplift and transfer of Business Rates Surplus to the Single Accountable Body (SAB).
 - Collaborative working between Local Authorities (LA), including joint working on the Financial Model
 - Prioritisation of costs to be funded from business rates
 - Principles of borrowing, payback and the collection of surpluses or non-business rate income generation.
- 1.2 This paper must be considered in conjunction with the Black Country LEP Assurance Framework (BCAF), as BCEZ funding must be compliant with this framework. The BCAF defines the officer and member groups referred to as part of its governance processes.

2. Definitions

- 2.1 **Business Rates** means the tax or taxes levied on non-domestic premises based on a local valuation of premises in accordance with The Local Government Finance Acts 1988 or such other act or regulation, statutory instrument as is currently in force.
- 2.2 **Business Rates Baseline Assessment** means the Business Rates assessment in respect of the Sites as at 31 December 2011 and 31 December 2016 for WWEZ and DY5 respectively, as approved by DCLG.
- 2.3 **Business Rates Uplift** means the Business Rates collected by Local Authorities at the end of each financial year above the Business Rates Baseline Assessment in respect of the Sites, net of bad debts and reliefs that are not recoverable from Government.
- 2.4 **Business Rates Surplus** means the net Business Rates Uplift remaining after deducting costs approved by the LEP, including but not limited to the repayment of Borrowing costs (capital repayment and interest) and revenue costs.

- 2.5 **Financial Model** means the excel based financial model developed and designed by Cushman and Wakefield, and used by each Local Authority and the SAB to forecast business rate uplift projections, costs, borrowing costs and Business Rates Surpluses within the BCEZ.
- 2.6 **Grant** means funds approved by the BC LEP and offered to either (i) a third party that is not subject to the Black Country Joint Committee Collaboration Agreement or (ii) a local authority where there are specific terms and conditions that fall outside of the BCEZ Collaboration Agreement,
- 2.7 **Income generation** means the surplus or a profit generated as a result of EZ funding or borrowing supported by EZ funding, identified by the SAB's professional technical advisors as part of the project's due diligence assessment.
- 2.8 **NNDR1 Forecast** means the National Non-Domestic Rates Provisional Return form designed to calculate and report the LA's estimated amount of non-domestic rates it will collect each financial year.
- 2.9 **NNDR3 Outturn** means the National Non-Domestic Rates Outturns form designed to reconcile and report the LA's actual non-domestic rates collected.
- 2.10 **Surplus Sites** mean BCEZ sites that are forecast to create a net Business Rates Surplus on a stand alone basis. These sites create excess business rates by the end of the relevant enterprise zone, after taking into account borrowing costs. These sites therefore self-fund over the BCEZ lifetime, and create additional funding that can be re-invested into BC LEP priorities.
- 2.11 **Deficit Sites** mean BCEZ sites where the borrowing costs are forecast to exceed the business rates generated by the end of the relevant enterprise zone. These sites would require cross-subsidy from other surplus generating sites in the BCEZ, or alternative funding in order to be delivered/fully funded.

3. **Governance**

- 3.1 Projects/sites seeking investment via the BCEZ will be required to submit an Initial Proposal (IP) to PMO for review, in line with the existing Black Country Assurance Framework (BCAF).
- 3.2 The IP financial information must be as recorded in the BCEZ Financial Model, so that the Programme Management Office (PMO) at BCC and the SAB can understand the funding ask in the context of the wider model outputs. If in drafting the IP the LA or PMO

consider that the Financial Model needs updating, the relevant LA must update the template data tabs and submit these to the SAB prior to submission to the PMO.

- 3.3 If the IP is supported and the Financial Model is forecasting that funding is available to support the investment (or any other BCLEP funding is available), the project will follow the BCAF process (section 4.16 Project Lifecycle).
- 3.4 All Assurance Framework report templates will be updated for risks and financial implications specific to the Enterprise Zones funding mechanism.

4. Roles and Responsibilities

- 4.1 **BC LEP:** In accordance with BCEZ bid submissions and memorandums of understandings with the Cities and Local Growth Unit (CLGU), the BCLEP Board will make strategic investment decisions in relation to the BCEZ, including reinvestment of retained business rates and prioritisation of BCLEP funds to ensure BCEZ delivery.
- 4.2 **BC Pipeline:** The list of priority Black Country pipeline projects initially developed by the Black Country Pipeline Group, a time limited task and finish group set up by The Association of Black Country Authority (ABCA) Leaders. ABCA tasked the LEP and four Black Country Local Authorities to review Delivering the Black Country Priorities with a view to refreshing the pipelines. Although the group is time-limited, the BC Pipeline will be an ongoing and live set of pipeline projects, refreshed on an ongoing basis by the Local Authorities and the BCC.
- 4.3 **Local Authorities** are responsible for:
 - The day to day running and management of sites within the BCEZ within their own geographical area, including engagement with land owners, project management (including obtaining specialist consultancy and legal support where required), financial modelling and marketing.
 - Producing business cases as landowner/project lead, or supporting private land owners/developers in preparing business cases, for investment falling in their geographical area. Financial modelling completed as part of the business case must be shared with the SAB at the earliest opportunity so that the master Financial Model can be updated.
 - Borrowing for projects that have been approved by the BCLEP that fall within their geographical area. For the avoidance of doubt each Local Authority will remain

responsible for repayment of its own borrowings and meeting associated interest and loan servicing costs.

- Collecting the Business Rates for those Sites within their own Borough in accordance with the Local Government Finance Acts (Local Authorities are empowered under The Local Government Finance Act 2012 to retain and distribute business rates revenues from April 2013 and the Programme is in accordance with the Local Government Act 2000, The Localism Act 2011 and the Non-Domestic Rating Contributions (England) (Amendments) Regulations 2012).
- Prepare and submit financial returns/claims, with supporting evidence as required in Section 8.
- Transferring the Business Rate Surplus to the SAB in accordance with Section 8.
- Providing quarterly information to the PMO as required for reporting to Business Energy and Industrial Strategy (BEIS). This information must reflect information as reported in the Financial Model, and must be submitted at least 10 working days in advance of any reporting deadlines as set by the department for BEIS.
- Updating the input tabs to the Financial Model and reporting changes to the SAB as changes become known (i.e. as per 3.2) but as a minimum on a quarterly basis, at the same time as information is submitted to the PMO for BEIS returns.

4.4 The **Programme Management Office** at the Black Country Consortium are responsible for:

- Supporting the Local Authorities with consolidated and individual site marketing of the BCEZ.
- Co-ordinating quarterly returns to BEIS, for the SAB to review and sign off prior to submission by the PMO.
- The production and publication of the monthly BCEZ dashboard, working in collaboration with the LAs, with information to be provided by the LA EZ lead officers.
- The assessment and review of any full business cases for any BCEZ sites that come forward for development and investment. This may include and is not limited to independent appraisals by Thomas Lister and direct liaison with any applicants.

- Should any BCEZ sites be put forward for funding approval to the Funding sub group and subsequent boards, this will require the PMO to prepare any reports required to ensure that the approval process is adhered to and compliant with the Assurance Framework. In accordance with the Assurance Framework, the full business case shall include a named Senior Responsible Officer for that site.

4.5 The **SAB** is responsible for:

- Ensuring that decisions made by the BCLEP are carried out in line with the Assurance Framework and any other BCLEP approved governance arrangements
- Carrying out the secretariat function to the Joint Committee for BCEZ matters.
- Reviewing and signing off quarterly BEIS returns prepared by the PMO.
- Ownership and updating of the Financial Model. SAB will hold and maintain the Master version.
- Maintaining a consolidated running balance of the total Business Rate Uplift collected and transferred by and between the Parties and the total Borrowing position. Ensuring that costs across the BCEZ are claimed in line with the agreed priority order (Table 1).
- Reporting to the BC Implementation Group (as defined in the Assurance Framework), and any group within the Assurance Framework as considered necessary, on the latest consolidated BCEZ financial position, including business rate uplift, expenditure, risk, borrowing and business rate surplus position when there are significant changes.
- Undertaking monitoring and compliance procedures on projects within the BCEZ in accordance with the Assurance Framework, or any other BCLEP approved governance processes.
- Providing legal and financial and other professional assistance specific to BCEZs to the Black Country Implementation Group if required
- For the avoidance of doubt the SAB will be a formal consultee on reports submitted into the process, up to and including the LEP's Funding Sub Group and LEP Board, together with the BC Joint Committee as set out within the Assurance Framework, and be able to suggest amendments. All amendment will be agreed with the report

author or other appropriate officer on their behalf. If there are disagreements about suggested amendments, this will be escalated to the Chief Executive of BCC Ltd to resolve.

5. Financial Model

- 5.1 The Financial Model is based on a set of financial assumptions, including level of provisions for business rates income and capital expenditure, borrowing assumptions and interest rates. The SAB will review the assumptions on a timely basis to consider if they are still appropriate as the BCEZ evolves over time. Other Local Authorities within the EZ will be consulted on proposed changes and model assumptions will only be updated if mutually agreed by all parties.
- 5.2 If changes to assumptions have a material impact on the outputs of the Financial Model, including the Business Rate Surplus, these changes will be reported to the next available BCEZ Implementation Group, and BC Funding Sub-Group that timescales allow before any further funding decisions are made.
- 5.3 Each Local Authority is responsible for updating the model input tabs when (a) actual spend replaces forecasts and (b) forecast change, and returning these amended tabs to the SAB quarterly, at the same time information is submitted to the PMO for BEIS returns. This includes ensuring Business Rates income data is updated to reflect NNDRs
- 5.4 As a result of Local Authorities owning and updating their own input tabs, each Local Authority will have their own version of the Financial Model for their own geographical area although the consolidated model will be shared regularly or on request.

6. Eligibility and priority order of costs

- 6.1 The Financial model assumes that prudential borrowing will be utilised to fund otherwise unfunded capital costs approved by the BCLEP, which will be repaid using the future business rates uplifts generated within the BCEZ. Borrowing must only be undertaken for costs which meet International Financial Reporting Standards for capitalisation. All other costs will be considered to be Revenue Costs.
- 6.2 Such capital infrastructure may include, but is not limited to: Remediation; Site access (including third party acquisitions); Utilities; Land Assembly; Site preparation; On or off-site works that may be required by a Planning Permission; the Highways Agency; the Environment Agency; Canal and River Trust; and other utilities and statutory bodies or any other works reasonably required.

6.3 Revenue costs may still be recovered from future business rates but not via borrowing and are also subject to BCLEP and BCJC approval. Such costs may include those incurred by LAs, the PMO and the SAB to carry out their responsibilities in accordance with Section 3. This includes the LA five year development funding allocation of up to £250,000 per annum included in the financial model. Any revenue costs incurred by LAs or the BCC will need to be cash-flowed by the entity in which they are incurred until there is sufficient Business Rates generated to repay them, in the priority order as set out in Table 1 (6.4).

6.4 The priority order of costs to be allocated to business rates is set out in Table 1 below:

#1	Borrowing costs surplus sites approved by the BC LEP before 30 April 2020. (CAPITAL)	LAs are already taking the risk on these sites and without these being delivered, EZ surpluses would not be generated. This category includes i54, Phoenix 10, Boxpool. Borrowing costs will be recovered over the life of the BCEZ, as set out in section 7. Note that these sites would not receive cross subsidy if they became deficit sites unless cross subsidy is approved by the BC LEP. See point 8.9 below.
#2	Historic revenue costs up to 2019/20 where previous agreements are in place (REVENUE)	This is specifically Dudley historic revenue costs, which were included in the DY5 submission. Posts were appointed on this basis, hence basis for higher rank than other historic revenue costs. These costs are covered by DY5 business rates by 2020/21.
#3	Programme Management costs from 19/20 onwards (REVENUE)	SAB and PMO programme management costs, as there are no existing budgets to fund these costs. Also covered by recent MHCLG guidance on Assurance Framework.
#4	Black Country Transport Director costs	Transport Director costs for 4 years from 2021/22, where no alternative funding has been identified.
#5	Historic revenue costs to March 2020 (REVENUE)	Covers Wolverhampton Council and Walsall Council audited historic costs.. Historic costs are to be recovered over 10 years from 2020/21.

#6	Future revenue costs from April 20 onwards (REVENUE)	<p>This includes the following based on the Financial Model's rolling forecast:</p> <ul style="list-style-type: none"> • Up to £250,000pa development funding per Local Authority for 5 years from 2020/21. • Up to £10,000pa compliance and monitoring costs per LA after the 5 year period ends. <p>This is for development of named projects in the BC Pipeline and/or development of BCEZ sites including marketing. It must also cover EZ monitoring and compliance costs. If unused, it may be permitted to roll these budgets forward but only if it is considered critical to bringing key BC schemes forward. Allocations, variations and slippage will be approved by the BC LEP.</p>
#7	Borrowing costs on future LEP approved priority projects (CAPITAL)	<p>Investment could be in EZ deficit sites or non-EZ sites, but must be integral named sites mapped as part of the BC pipeline.</p> <p>Parameters of prioritisation of #7 projects will be approved by the BCLEP and the Local Authorities prior to the first #7 project being approved.</p>

6.5 BCEZ Surplus Sites yet to be approved can proceed outside of the prioritisation process, as these are forecast to be self-funding, plus will add a Business Rates Surplus to the BCEZ. Borrowing costs would only be recovered by the relevant LA in line with modelling of that site on a stand alone basis. There would be no further cross subsidies from the BCEZ and the risk of delayed recovery would sit with the sponsoring LA. These projects would also need oversight through the BC Pipeline group until that group ceases.

6.6 This means that surpluses generated across the BCLEP will be available to support BCEZ Deficit Sites or non-BCEZ sites, rather than being utilised to accelerate borrowing payments for surplus generating sites. For the avoidance of doubt, the implication of this is that LAs will only recover modelled and approved borrowing costs on an Equal Instalment of Principal (EIP) basis rather than a priority basis, meaning that there will be debt outstanding as surplus is accumulating and reinvested by the BCLEP.

6.7 The following conditions apply to any projects funded from the BCEZ:

- Projects must be in BC pipeline as a named key project, prior to seeking LEP approval.
- EZ should be funding of last resort. It must be demonstrated that all reasonable effort has been made to secure external funding prior to utilising EZ funding. This is to ensure the funding available to the BC LEP is maximised.
- Income generation on funded projects must be recycled back to the BCEZ or LEP funds. This will be agreed on a project by project basis, as advised by the SAB's professional technical advisors as part of the project's due diligence assessment

6.8 Applicants seeking funding support for projects that sit outside of the BCEZ boundaries, resulting in the BC LEP not receiving any Business Rate income from their investment, will be asked to set out what Income Generation is expected, together with proposals for sharing this Income Generation with the BC LEP.

7. Borrowing Principles

7.1 The model has fixed borrowing assumptions which at the date of this report are as follows:

- Borrowing is repaid on an EIP basis
- Interest rate forecast set at 4% rate
- Loan period commences in the year of investment and repayments are equally spread in half year instalments until the end date of either the WWEZ or DY5, depending on which location the investment is incurred.

The SAB may review the above assumptions in consultation with other LA as set out per 5.1. All site capital investments will be modelled based on the fixed borrowing assumptions for the purpose of seeking BCLEP approval.

7.2 Reports to the BCLEP seeking approval for capital investment should set out the borrowing profile as extracted from the Financial Model.

7.3 Local Authorities will follow their own Treasury Management rules and processes to take the most efficient loan or other method of financing the capital costs. It is therefore understood that actual borrowing undertaken by a Local Authority may not necessarily match the modelled assumptions, but claimed amounts will be based on the financial

model.

- 7.4 The interest rate in the financial model will be updated annually to a blended average interest rate for that financial year agreed by all LAs, which is supported by published rates. This will be the rate used for claiming borrowing costs (section 8), so that modelled and claimed interest will match actual interest costs as closely as possible.
- 7.5 Claiming borrowing costs on a blended average rate is the simplest approach for Local Authorities recovering their borrowing costs.
- 7.6 In the event that interest rates significantly change which results in a material variance between actual interest rates and claimed interest rates, then the approach and policy as stated in 7.4 will be reviewed by all 4 LA finance representatives and the policy will be amended so that the gap becomes immaterial.
- 7.7 For the avoidance of doubt, due to
- (i) the complexities of identifying actual borrowing costs incurred at Local Authorities due to their Treasury departments using a blend of resources depending on their cash-flow at a particular point in time;
 - (ii) the complexities in managing and updating a financial model using different types of borrowing (i.e. EIP, priority repayment and annuity loans) for each individual item of capital expenditure
 - (iii) seeking to match the actual surplus being generated as close as possible to the forecast surplus

the borrowing costs will be claimed back on the EIP basis and set interest rate as modelled.

- 7.8 The Local Authorities will be responsible for updating the Capital input template for actual capital costs, and this will be reviewed by the SAB.
- 7.9 Borrowing costs of each LA may be claimed from Business Rates Uplift collected by each LA on the agreed priority order from Table 1, on the basis that the investment is within the same geographical area. This is set out in the Claims process (section 8).
- 7.10 Repayment of borrowing costs are based on the financial model but Local Authorities must understand and accept that this is only a forecasting tool. Actual Business Rate Surpluses may differ to modelled surpluses meaning that Local Authorities may not recover their borrowing costs in line with the model forecast at the time of the funding

decision. Therefore, borrowing costs being recovered over a longer period than forecast and potentially not completely is a risk that will sit with each Local Authority borrowing for investment in their geographical area.

7.11 On this basis:

- Local Authorities will carry the risk on borrowing being repaid over a longer period than forecast for surplus sites within their geographical area. This will be somewhat mitigated by robust modelling and prudent assumptions being included for investment decisions, meaning LAs will be fully aware of the risks at the point of investment.
- Non EZ sites and EZ deficit sites will be reliant on surpluses forecast on other sites being realised, after minimum borrowing costs being recovered for approved surplus sites. Options include waiting until surplus is sufficient to fund the next priority investment before incurring spend, or a LA would be required to borrow at risk against a future forecast surplus.

8. Claims process

- 8.1 Each LA will be required to submit a Claim form to the SAB every 6 month by 28 February and 31 August. This return will set out capital and revenue expenditure charged to the BCEZ, Borrowing costs claimed, Business rates Uplift and Business Rates Surplus.
- 8.2 The first return shall include historic information as required per 8.1 from the start of the Enterprise Zone up to the date of the first claim.
- 8.3 The audited NNDR 3 should be submitted with the August claim and agree or reconcile to the August claim. Local Authorities will be responsible for setting their own provisions per their NNDRs although details on provision assumptions included against Enterprise Zone business rates in the NNDR will need to be provided as part of this return.
- 8.4 The SAB will then complete a consolidated summary of income and costs to date, based on LA bi-annual returns, and will allocate income to costs in the agreed priority order (Table 1). Any shortfall falling in a cost category will be prorated across the 5 entities (shortfall as % of total requirement), and will be recouped on the next claim if there is sufficient funds.

- 8.5 If a shortfall is identified on the consolidated summary, the business rates on the next claim (“new period”) will first be applied to Category #1 in Table 1 (Borrowing costs surplus sites approved by the BC LEP as at 30 April 2020), in that same new period. The next priority will be backdating shortfalls for cost categories on the previous claim/period in the same priority order. Once shortfalls have been met from the previous period, the rates income will then be applied to cost categories #2 to #7 in the usual way. In the event of a shortfall, the SAB, in consultation with the PMO, will reassess the financial model to confirm if this is a temporary in-year issue that will correct the following financial year, or if the costs are becoming unaffordable or need rephasing. If it is the latter, then this issue will be raised at the earliest opportunity through the BC Pipeline Group (until this group exists or its equivalent), and Heads of Regeneration, to consider collectively if revenue cost allocations need to be re-assessed, either short term or long term. However, with regular (minimum quarterly) updates to the financial model by LAs and review on a consolidated basis by the SAB, forecast deficits should be flagged and early warnings triggered in advance.
- 8.6 For Category 7, when there are multiple projects within this category, shortfalls will be applied to projects within this Category on a prorated basis, in proportion to the amount of gross capital investment (borrowing requirement), unless agreed otherwise through the BC Pipeline Group, and Heads of Regeneration. This will then require approval by the BCLEP.
- 8.7 The consolidated summary and reconciliation will be completed prior to any surplus being paid to the SAB. The SAB will then confirm cash transactions between LAs required to settle the order.
- 8.8 Where there is cross-subsidy of projects across different geographical areas (i.e. for sites that generate a net Business Rate deficit), the SAB can only pay across a surplus it holds where there is actual business rate surplus collected in real cash terms, and only in accordance with the priority order. The SAB will not be using its own Council revenue resources to pay for another Local Authority borrowing costs. This surplus will be paid across to Local Authorities in the priority order as set out in Table 1.
- 8.9 For sites that were forecast to generate a surplus at the time of an investment decision that turn into a deficit generating site, the non-recoverable costs will be borne by the Local Authority until the BCLEP approve the additional costs should funding be available. These additional costs will need to be assessed and prioritised against other projects in the BC Pipeline.

- 8.10 The Local Authority will provide transaction lists supporting the Capital and Revenue Expenditure lines in the Claim form. A sample of charged expenditure will be selected by the SAB, for which the relevant LA will be required to submit supporting evidence. The sample size will increase if errors are identified or there is insufficient evidence supporting the costs.
- 8.11 Each Local Authority or the PMO shall be liable for any cost implications or irregularities or errors attributable primarily to it and identified. Any changes required will need to be processed through the Change Control process within the Assurance Framework.
- 8.12 The SAB will maintain a running balance of the total Business Rate Uplift collected and transferred by and between the Parties and the total Borrowing position.
- 8.13 Evidence for Capital Expenditure should be third party evidence where available i.e. invoices, contractor certificates. No evidence for defrayal is required unless only internally generated evidence can be provided for capital expenditure. Internal staff costs charged to capital should be on the basis that the staff time is clearly attributable to the site and meets Capital rules. Therefore, time recorded should be supported to timesheets.
- 8.14 Third party evidence will also be required to support revenue costs. For internal management costs, evidence to support staff time claimed as a true and fair assessment of time spent on the Enterprise Zone will be required. Although time sheets would be the most desired form of evidence it is understood that this is not always a practical, time efficient method of claiming staff time. Therefore, staff should be able to demonstrate through other evidence over a fixed period of time (i.e. calendar invites or outputs) that the proportion claimed is a reasonable assessment of time attributed to the Enterprise Zone or eligible BC Pipeline projects. Once sampled and evidence is satisfactory, such staff apportionment evidence relating to a particular post will not be selected in further samples or require evidence for a period of no less than one year, unless the SAB becomes aware of a change in role of the sampled officer.

9. Grant Agreements

- 9.1 Local Authorities will be required to borrow for projects in their Geographical area.
- 9.2 Local Authority projects: Once the Collaboration Agreement is in place, there will be no requirement for additional funding agreements between LAs to cover revenue costs or borrowing undertaken for a project. Funds will be managed through the claims process in section 8, although if there are project specific terms and conditions that fall outside of this BCEZ Collaboration Agreement, including but not limited to such overage or profit share then individual legal agreements and undertakings will be put into place.
- 9.3 Non - Local Authority projects: Individual LAs will enter into grant agreements with third party applicants in their geographical area where borrowing is required to fund the grant. Because LAs will be taking the risk on the non-recovery of the borrowing which funded the grant, they will need to control some of this risk through their own grant agreements with applicants. This will enable them to set their own grant conditions in addition to those set out in 9.5 below.
- 9.4 The grant agreements must:
- (a) comply with the BCAF, including all monitoring and compliance arrangements that will be carried out by the SAB
 - (b) comply with the BCEZ legal agreement / collaboration agreement that will be based on this report.
 - (c) capture any conditions as set out in the Technical Appraisal and LEP Board approvals
 - (d) where possible, and where LAs consider necessary to manage their risk of non-recovery of borrowing costs, specifically ensure that there is onus on the applicants to deliver on the business rates payable, which is ultimately funding the scheme
 - (e) ensure that the necessary security arrangements are in place to manage local authority and BCLEP risk, proportionate to the value of the grant
- 9.5 Prior to entering into a grant agreement the Local Authorities must carry out the appropriate due diligence and obtain evidence of any other match funding.
- 9.6 Although the Local Authorities will be responsible for issuing the grant to third parties in their geographical area, the SAB would be able to support the drafting and development of the grant agreements should Local Authorities wish to purchase this service.

- 9.7 If however a project (either Local Authority or non Local Authority) is awarded a grant from the business rates surplus and borrowing is not required, then a grant agreement will be put in place by the SAB.



REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

**Black Country Enterprise Zone
HISTORIC REVENUE COSTS**

Approval of Actual Historic Revenue Costs and Recovery Proposal

Key Decision: Yes
Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval from members for the value of historic revenue costs incurred by each Local Authority that can be recovered from business rates generated from within the Black Country Enterprise Zone (BCEZ).
- 1.2 This report details the outcomes from the audit carried out on the historic costs, and sets out proposed phasing of the recovery of these costs. For the purpose of this report, “historic revenue costs” means revenue costs from the start of each Enterprise Zone up until 31 March 2020.
- 1.3 This request was endorsed by the LEP Funding Sub Group on 5 August 2020 and was approved by the LEP Board on 24 August 2020 (Decision Ref. 142/20), the Working Group endorsed the request on 3 September 2020 and the Advisory Board endorsed on 14 September 2020.

2. RECOMMENDATIONS

That the Joint Committee approves the following recommendations:

- 2.1 Approve that Dudley Council actual historic revenue costs of £571,207 are recovered in the year that they were incurred.
- 2.2 Approve that Single Accountable Body (SAB) actual revenue costs of £41,665 are recovered in the year that they were incurred.

- 2.3 Approve that historic revenue costs of Walsall Council (£1,470,316) and Wolverhampton Council (£967,694) are recovered over a 10-year period, from 2020/21 to 2029/30.

3. REPORT DETAIL

History

- 3.1 The DY5 Memorandum of Understanding (MOU) submitted to government included the assumption that certain revenue costs would be covered from future DY5 business rates. Dudley have appointed staff on the basis that these costs will be recovered from future DY5 business rates. The DY5 Memorandum of Understanding (MOU) submitted to government included the assumption that certain revenue costs would be covered from future DY5 business rates. Dudley have appointed staff on the basis that these costs will be recovered from future DY5 business rates.
- 3.2 On 6 November 2017 the BCLEP approved in principle the request of Wolverhampton & Walsall Enterprise Zone (WWEZ) revenue costs to be funded through business rate income subject to future ratification by the LEP Board, although there has not been further approval and no claimed costs to date.

Assumptions in Financial Model (pre-audit)

- 3.3 In Autumn 2019, Local Authorities were asked to provide an estimation of historic revenue costs incurred in developing the Black Country Enterprise Zone for inclusion in the financial model, with "historic costs" being those costs incurred from the start of each zone, until 31 March 2020.
- 3.4 DY5 historic costs were accurate representations of costs charged, since posts were specifically created and charged to DY5 in line with the submitted MOU. As WWEZ have not historically charged revenue costs, some costs (mainly staff time) were estimates. For WWEZ historic costs where it was not practical or possible to obtain actual costs, an estimate of current costs / staff time in financial year 2019/20 was calculated, and this was deflated each year by 5% to the start of the zone. Where possible, actual costs have been obtained (for example, consultant fees were taken from Walsall Council financial records).
- 3.5 Historic costs are in relation to work carried out solely and specifically on activity within the BCEZ. Although the future scope of the BCEZ is under review, which includes the potential to use the EZ funding model more flexibility to support Black Country priority projects which may be outside of the BCEZ, the scope of historic costs is BCEZ activity only. The scope of future revenue costs is being undertaken alongside the wider review of the scope of EZs and a separate paper which addresses this. This paper seeks approval for Local Authorities to claim historic revenue costs in line with the original EZ submissions to government.

Key reasons for differentials in costs

- 3.6 As part of the BCEZ financial model consultation exercise with Local Authorities, it was fed back that there were concerns around revenue costs being fair and equitable across all entities. It is difficult to have a consistent approach to charging of staff time, as there are not uniform structures and pay scales across all entities. An example is that Dudley have fewer numbers of staff charged but most of those are full time, whereas Wolverhampton and Walsall are a smaller % of a larger group of staff. Each Local Authority provided a breakdown of costs by individual staff members.
- 3.7 In addition, each enterprise zone area is different. Wolverhampton sites, particularly i54, are largely developed or require limited pre-development work hence more recently there has been less need for further EZ specific development costs. Walsall's strategic EZ sites are all still in the pre-development stage meaning that ongoing work is required to progress them to delivery. In addition, Walsall commissioned Cushman and Wakefield as external advisors to provide property consultancy support and design the EZ financial model, the basis of which we still use now, so they have incurred a higher level of professional fees. Dudley's EZ sites portfolio are largely existing premises at Brierley Hill, with no LEP funded capital / remediation costs to date. Therefore, it needs to be understood there are expected differences to historic revenue costs across each Local Authority.
- 3.8 Walsall historic costs are higher than Wolverhampton despite Wolverhampton being the Accountable body up until 2019. This is because, as noted above, Walsall appointed Cushman and Wakefield to design the financial model and have continued to provide specialist EZ consultancy support since 2013/14. Historical staff costs are more comparable, although Walsall's are slightly higher (c£40k) as sites were still in pre-development stage at 2019/20 hence are more staff intensive in respect of the work required to support delivery.
- 3.9 Dudley historic costs are high considering that the DY5 EZ is more recent (commenced 2017) than the WWEZ (commenced 2012). This is driven by costs which were included in their MOU for example skills budgets.
- 3.10 Costs might be expected to differ across Local Authorities as each EZ within each local authority area has a different site and risk profile. This also depends on the number of sites requiring development and the level of intensity of local authority intervention. This can be influenced by a number of factors i.e. land ownership, levels of engagement with private sector owners, complexity of site issues.

Audit of historic costs

- 3.11 All BCEZ costs will be subject to review and scrutiny by the SAB as part of the claims process. However, it was agreed that all historic review costs should be audited in advance of claims, with the aim to fix costs so that more accurate business rate surpluses could be forecast.

- 3.12 A sample of expenditure was selected for each entity, where evidence had to be provided to confirm that the spend and activity was eligible (i.e. in line with original EZ MOU and submission documents), and true and fair.
- 3.13 External costs were verified to invoices. Staff costs were agreed to job descriptions and payroll records, and rationale and evidence for % claimed was provided. Supporting evidence included attendance at meetings and outputs such as reports produced, meeting minutes, emails, correspondence, etc. Evidence was obtained for a typical month rather than the full year, although further review was undertaken to confirm that the month selected was a typical one.
- 3.14 Due to Wolverhampton and Walsall not historically claiming revenue costs, costs in the financial model could not always be based on actual costs and so therefore, high level estimates of historic costs were completed instead. These estimates were focused on an estimate of 2019/20 time and costs, which was deflated back at 5% to the start of the EZ in 2012. This had two implications for the audit:
- (a) The focus of the audit and collection of evidence was on the 2019/20 cost. For years preceding this the SAB completed a higher-level review to confirm that the activity used to evidence 2019/20 was also being incurred in the previous 2 years but a full review of evidence was not obtained. However, if a reduced level of activity was identified an audit adjustment would have been made.
 - (b) Due to the higher levels of estimation for Wolverhampton and Walsall costs, it was anticipated that the audit would result in audit adjustments and updates to the estimates. The audit was not intended to be a “pass” or “fail”, but to justify historic costs to a point where all stakeholders were comfortable with the level of costs being claimed. However, all evidence obtained was satisfactory, and the only adjustment related to costs identified that had previously been claimed from the Growth Deal £250,000 development grants.
- 3.15 Historic costs of the Programme Management Office have been excluded as the majority of their historic EZ costs related to staff costs, and it was identified that these were funded from previous LEP grants, such as Growth Deal and LPIF. As pre-Growth Deal costs were difficult to evidence due to activities being carried out by staff no longer employed by Black Country Consortium, it was agreed to exclude these. Non –staff costs were insignificant.

Recovery period and priority order

- 3.16 As Dudley historic costs were included in the MOU, it is proposed that these costs are included in the financial model in the year in which they were incurred.
- 3.17 As Wolverhampton and Walsall have been accruing with no approvals to recover since 2012 (nor existing approvals), there is a combined cost of £2,348,010. There are three options for how we could deal with these costs once approved:

3.18 Option 1 (preferred) – Costs recovered over 10 years.

Costs have been re-modelled over a 10-year repayment period, as opposed to when they were incurred.

3.19 Option 2 – Costs recovered to the end of the EZ. This is up to March 2038 for the Wolverhampton-Walsall EZ. This option would allow surpluses to arise sooner than Option 1 but not increase surpluses overall

3.20 Option 3: Costs modelled as when they were incurred (original December ABCA model) Business rates would be first used as a priority to clear backdated historic costs, in the same way as DY5 per 7.1.

3.21 Options 1 is the preferred option. Options 1 and 2 elongate the period over which the historic costs are recovered, and make the historic revenue costs that have built since 2012 more manageable to repay. In turn, this then allows surpluses to arise sooner to support capital investment. Option 1 is preferred over option 2 as this offers a compromise to Local Authorities recovering costs much later than when they were incurred.

The governance and priority order in which business rates shall be allocated to costs is set out in the BCEZ Presentation, presented to FSG at the same time as this report.

4. BENEFIT COST RATIO (VALUE FOR MONEY)

A Benefits Cost Ratio (BCR) calculation is required for capital projects seeking investment. As this funding is to be allocated for revenue costs/development funding, a BCR calculation or Value for Money statement is not required

5. FINANCIAL IMPLICATIONS

The financial implications are set out in section 3 of this report.

6. LEGAL IMPLICATIONS

None at time of drafting. Walsall Council has appointed Cushman and Wakefield to design the financial model and have continued to provide specialist EZ consultancy support since 2013/14.

7. RISK MANAGEMENT

7.1 Each entity claiming revenue costs will be required to cash flow the costs until business rates surpluses are available to reimburse the costs, and would not be permitted to claim interest costs in relation to these.

- 7.2. Actual business rates received may differ from the financial model. Provisions for bad debt, appeals and relief have been included in the financial model but this is no guarantee that surpluses will be as modelled. Therefore, there is a risk that entities may not recover the costs as they expect, and potentially not completely. There is also likely to be a timing difference between when costs are incurred and when business rates will be paid to the SAB, in line with NNDR returns.
- 7.3. This risk should be considered in the context of the current Covid and economic environment. Although the financial model has been updated to reflect the latest forecast post Covid, which shows that revenue costs can be repaid as profiled, in the next 4-5 years the business rates surpluses that are forecast are modest and there is a risk that these could change to a deficit depending on numerous factors including demand, economic environment etc. Also, the risk of JLR choosing to relocate, partially shut down factories or even cease trading given that 80% of current i54 rates are from JLR should also be considered by each entity when deciding whether to utilise the BCEZ future revenue cost allocation.

8. EQUALITY IMPLICATIONS

None at the time of drafting.

9. CONSULTATION

Legal and Finance officers at Walsall Council were consulted as part of the development of this report.

Background papers

Copies of the following supporting documents can be provided on request:

- August EZ Funding Sub Group Paper 2020.

Attachments

None.

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REPORT OF THE JOINT COMMITTEE ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

9 DECEMBER 2020

**Black Country Enterprise Zone
FUTURE REVENUE COSTS**

Approval of Future Revenue Costs

Key Decision:	Yes
Forward Plan:	Yes

1. PURPOSE OF REPORT

This report (and its appendices) should be read in conjunction with the associated Private report and its recommendations.

- 1.1 To request that the Black Country Executive Joint Committee (BCJC) approves the Black Country Enterprise Zone (BC EZ) future revenue costs, from within the Black Country Enterprise Zone Programme.
- 1.2 The purpose of this report is to seek approval for the value of future revenue costs incurred by each Local Authority (LA) and the Programme Management Office (PMO) at the Black Country Consortium that can be recovered from business rates generated from within the Black Country Enterprise Zone (BCEZ).
- 1.3 This report sets out the options available for future revenue costs, and proposes a preferred option for setting these costs. For the purpose of this report, “future revenue costs” means revenue costs from 1 April 2020 onwards.
- 1.4 This request was endorsed by the LEP Funding Sub Group on 5 August 2020, approved by the LEP Board on 24 August 2020 (Decision Ref. 143/20), the Working Group endorsed the request on 3 September 2020 and the Advisory Board endorsed on 14 September 2020.

2. RECOMMENDATIONS

Following consideration of the confidential information in the Private Session of the agenda:

That the Joint Committee approves the following recommendations:

- 2.1 Approve that each Local Authority may claim up to a maximum of £250,000 per annum from 2020/21 to 2024/25 for development funding. This is a maximum of £1,250,000 per local authority over the five years and £5,000,000 in total.
- 2.2 Approve that the SAB may claim up to a maximum of £100,000 per annum from 2020/21 to 2024/25 for programme management costs. This is a maximum of £500,000 over the five years.
- 2.3 Approve that the PMO may claim up to a maximum of £34,000 per annum from 2020/21 to 2024/25 for programme management costs. This is maximum of £170,000 over the five years.
- 2.4 Approve that from 2025/26 onwards each Local Authority, the SAB and the PMO (the “entities”) may claim a reduced maximum of £10,000 per annum to the end of the relevant EZs to cover monitoring and compliance costs. This will end at 31 March 2038 for Walsall Council, Wolverhampton Council and Sandwell Council, and end at 31 March 2042 for Dudley Council, the SAB and the PMO.
- 2.5 Approve that from 2021/22 to 2024/25, Wolverhampton Council can claim towards the Transport Director costs, on behalf of all Local Authorities.

3. REPORT DETAIL

- 3.1 The DY5 Memorandum of Understanding (MOU) submitted to government included the assumption that certain revenue costs would be covered from future DY5 business rates. Dudley have appointed staff on the basis that these costs will be recovered from future DY5 business rates.
- 3.2 On 6 November 2017 the BCLEP approved in principle the request of Wolverhampton & Walsall Enterprise Zone (WWEZ) revenue costs to be funded through business rate income for future ratification by the LEP Board, although there has not been further approval and no claimed costs to date.
- 3.3 Revenue costs are costs incurred in developing and delivering capital schemes, plus monitoring and compliance. Certain costs could be capitalised if it could be determined that they were directly attributable to a capital scheme. However, categorising these

costs as revenue would allow maximum flexibility, as evidence requirements for revenue spend would be significantly less than if they were capitalised. This means that no interest costs are built into the BCEZ Financial Model for revenue costs as borrowing cannot be used for revenue spend. Therefore, if entities are required to cash flow these costs then no interest costs could be claimed in relation to these.

- 3.4 Initially, each local authority with an Enterprise Zone and the PMO were asked to submit a forecast of their future revenue costs to the end of their respective zones, which was incorporated into financial modelling presented to ABCA in December. This was subsequently refined by the SAB, with more detailed modelling completed which included tail off of forecast cost as EZ hereditaments arose, and correction to the underestimation of SAB costs, which were included in the model at the time of the January ABCA although no values were presented. The forecasts assumed that the BCEZ was ring-fenced to BCEZ sites, therefore the costings were based on revenue costs required to develop and deliver only EZ sites. The forecasts are as set out below:

	DECEMBER ABCA £	JANUARY ABCA £
SAB	188,057	616,000
PMO	955,414	383,000
Walsall	1,494,975	1,018,000
Dudley	3,084,668	3,324,000
Wolverhampton	223,174	364,000
Total	5,946,289	5,605,000

- 3.5 Costs were calculated on a staff by staff basis, with estimated proportions of time, consultants' fees, marketing, monitoring and compliance, but because each entity has a different staff structure it was difficult to compare staff on a like for like basis. WWEZ costs included greater numbers of staff but a lower proportion of time, but DY5 have fewer staff but at a much greater proportion (including full time staff). DY5 costs were high mainly due to skills funding.
- 3.6 At the January ABCA meeting, it was agreed that the BCEZ should be utilised in a more flexible way to support the Black Country pipeline, rather than ringfencing EZ surpluses to enterprise zones. As a result of this, assumptions used in the financial model were reassessed, and a number of options have been considered.

Options

- 3.7 Option 1: The scope of future revenue costs to be restricted to EZ sites only and in line with original MOUs, so that costs incurred in developing, delivering and monitoring EZ sites will be eligible regardless of how the full project is funded. This would equate to the forecast as presented in the model to ABCA in January. These costs were tailed off as hereditaments were delivered in the financial model, although is now flawed because

there is no longer certainty that all BCEZ sites would be delivered. Further work would be required to the forecasts per 3.4 to confirm that forecasts are equitable and fair across all Local Authorities, particularly around the skills budgets.

- 3.8 Option 2: The scope is restricted to what the BCEZ funds (whether than be a site within the EZ or outside the EZ). This option would require significant further estimates, and there would need to be a high level of certainty as to what the EZ would fund, which would mean that the EZ may become more restrictive which opposes the view from ABCA that it should be a flexible fund.
- 3.9 Option 3: The scope is extended to cover both EZ and non-EZ sites, which would mean that cost estimates that would be required in option 2 would be added to those in option 1. This option would also require a high level of certainty as to what the EZ would fund before revenue forecasts could be calculated. In addition, this would significantly increase the value of future revenue costs. This would limit the amount of business rate surpluses that could be reinvested in capital schemes.
- 3.10 Option 4: Each entity would be able to claim up to a maximum capped sum for a fixed number of years. It would for the Local Authority to confirm where the money is spent, but it must be evidenced that it was incurred in developing and delivering sites on the BC Pipeline list.

Option 4 is the preferred option because it is the most simple and equitable solution.

This option would fix the future revenue costs, which will enable more accurate and unchanging forecast business rate surpluses for reinvestment.

It is also the least resource intensive as detailed forecasts of cost are not required.

- 3.11 The proposal for Option 4 is for each Local Authority (including Sandwell Council) to be allocated £250,000 per annum for five years commencing in 2020/21. The SAB and PMO would be allocated £100,000 and £34,000 for the same period respectively for programme management costs (using data from post audit historic costs as a guide to requirements). From 2025/26 onwards each Local Authority, the SAB and the PMO may claim a reduced maximum of £10,000 to cover monitoring and compliance costs. This will end at 31 March 2038 for Walsall Council, Wolverhampton Council and Sandwell Council, and end at 31 March 2042 for Dudley Council, the SAB and the PMO.
- 3.12 In addition, it is proposed that for 4 years from 2021/22 the costs towards the Black Country Transport Director, an employee of Wolverhampton Council, are allocated. This has been previously funded from Growth Deal, which expires in March 2021, with Local Authorities equally funding the balance. The proposal is that Transport Director costs should be allocated to projects and external funding wherever possible to minimise the costs to the LEP and Local Authorities (i.e. MRN, Transforming Cities etc.).

3.13 The total revenue costs under this preferred proposal is £7,070,000.

3.14 Under each option the financial model applies inflation. Although option 4 is a flat fee, inflation has been applied for simplicity and as a provision for any unforeseen costs.

Eligibility

3.15 The preferred option is for a generic budget of £250,000 per annum to be allocated for Local Authorities to use on development of priority projects. While it will not be specific how this fund is used (i.e. internal staff time, external consultants, legal advice etc.), the costs incurred must be in relation to developing the named projects within the Black Country Pipeline list.

3.16 Where development of projects within the BC pipeline secures external funding, Local Authorities should seek to include development costs within their funding bids, so that where possible parts of the £250,000 development could be recycled back to the BCEZ to maximise BC LEP funding available.

3.17 Costs incurred by the PMO and SAB must be used for EZ programme management purposes only. Transport Director costs are solely to support the costs of the post.

3.18 Following the 5-year period of development funding, the £10,000 allocation for each entity to the end of the BCEZ must be used for monitoring and compliance in relation specifically to EZ funding.

Governance

3.19 The priority order in which future revenue costs will be recovered through business rate surplus (i.e. compared to recovery of borrowing on investments) has been proposed and is set out in the BCEZ presentation to FSG (same meeting as this report). Further detail is set out in a separate Governance paper, of which their key principles have already been agreed between the Local Authorities.

3.20 This governance paper will also set out the proposals for how and when payments will be made to each entity for these costs, including what happens in the event of a shortfall of business rates income to pay for these costs – an extract from the draft governance paper is set out below:

“In the event of a shortfall, the SAB, in consultation with the PMO, will reassess the financial model to confirm if this is a temporary in-year issue that will correct the following financial year, or if the costs are becoming unaffordable or need re-phasing. If it is the latter, then this issue will be raised at the earliest opportunity through the BC Pipeline Group (until this group exists or its equivalent), and Heads of Regeneration, to consider collectively if revenue cost allocations need to be re-assessed, either short term or long term. However, with regular (minimum quarterly) updates to the financial model by LAs and review on a consolidated basis by the SAB, forecast deficits should be flagged and early warnings triggered in advance.”

- 3.21 All revenue costs claimed from the BCEZ model will be subject to review and scrutiny by the SAB as part of the standard claims process, regardless of the option selected. A sample of expenditure for claimed spend will require supporting evidence, as is the process for all claims against LEP funding and samples would be extended if issues were identified.

4. BENEFITS COST RATIO (VALUE FOR MONEY)

A Benefits Cost Ratio (BCR) calculation is required for capital projects seeking investment. As this funding is to be allocated for revenue costs/development funding, a BCR calculation or Value for Money statement is not required.

5. FINANCIAL IMPLICATIONS

The financial implications are set out in section 3 of this report.

6. LEGAL IMPLICATIONS

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7. RISK MANAGEMENT

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8. EQUALITY IMPLICATIONS

None at the time of drafting.

9. CONSULTATION

Legal and Finance officers at Walsall Council were consulted as part of the development of this report.

Background papers

Copies of the following supporting documents can be provided on request:

- August EZ Funding Sub Group Paper 2020.

Attachments

None.

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