



**Black Country Executive Joint Committee**  
Dudley, Sandwell, Walsall and Wolverhampton

## REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

**BLACK COUNTRY EXECUTIVE JOINT COMMITTEE**

ON

16<sup>th</sup> September 2015

### BLACK COUNTRY LOCAL GROWTH DEAL PROGRAMME PIPELINE GENERATION FUND APPROVAL FOR THE OVERPROGRAMMING AND UNDERWRITING

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**Key Decision:** Yes

**Forward Plan:** Yes

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#### 1. PURPOSE OF REPORT

- 1.1 To request Joint Committee approval of up to £2m of over-programming of the LGF 2015/16 capital grant allocation, to support an investment in the development of an active LGF programme Pipeline of new projects capable of taking up future funding allocations. This will be achieved through a mix of a creative alliance of knowledge and skills together with site investigation and proposition development.
- 1.2 This builds on the LEP Board approval to allocate these resources and the ability of their Programme Management Office to move quickly through the assessment and delivery phases, so that funding can be allocated and awarded by the Accountable Body (Walsall Council) within this 2015/16 financial year, subject to the appropriate Risk Assessment process.

#### 2. RECOMMENDATIONS

That the Joint Committee approves:

- 2.1 Over-programming of up to £2m of the Local Growth Fund 2015/16 capital grant allocation to invest in dedicated resources alongside private sector secondment opportunities to facilitate and accelerate pipeline generation through a creative alliance of knowledge and skills.
- 2.2 It is recommended that £1m is allocated for Technical Feasibility Work and £1m is allocated (in reserve) for Technical Expertise. It is anticipated that the majority of private sector resource will be provided in-kind.

- 2.3 That the drawdown of funds against the £2m for Pipeline generation is to be exercised using the Delegated Authority awarded to the Executive Director for Economy and Environment within Walsall Council where necessary, and via the standard Joint Committee approval process where possible.
- 2.4 Application of the Black Country City Deal and Growth Deal Collaboration Agreement in the underwriting of this project. Any revenue work funded through the pipeline generation project which cannot be capitalised under Treasury Management rules, or has its capitalisation reversed by central government, be underwritten by the four Local Authorities on a geographical basis, as per the provision at clause 6.5.2 of the Collaboration Agreement;
- 2.5 That the process for managing the risks around utilising capital grant on revenue work outlined at section 3.11 is endorsed. Joint Committee members are asked to note the considerable risks associated with the use of capital resources on revenue functions as set out within the report and note that procedures are being put in place to mitigate these risks.

### **3. REPORT DETAIL**

- 3.1 The Programme Office is currently forecasting a £2.08m under utilisation of grant funding based on the current set of approved projects. This is best case. There is increased risk that the programme will experience further slippage as projects progress (this is typical of the level of risk involved in regeneration). This highlights the ever growing need to establish a robust pipeline of initiatives, for the current as well as future years.
- 3.2 A significant number of projects and opportunities have been identified within the Local Growth Fund Pipeline, though many of these remain under-developed. The objective of the LGF Pipeline Generation Fund is to bring forward a programme of projects for housing, employment and infrastructure projects for commencement of delivery within financial year 2016/17, as well as providing a programme for future years.
- 3.3 In addition to the Local Growth Deal Programme, other funding programmes have been identified that sit alongside such as; the Black Country Commercial Loan Fund, the Black Country Housing Fund and recycled investment within the Black Country Growing Places Fund. There is a total potential investment programme in excess of £65m (which includes the £30m not currently allocated within the LGF) to be invested within the next 4-5 years in the form of grant and loan funding or a combination of both.
- 3.4 It is proposed that the LGF Pipeline Generation Fund will help to develop a programme of deliverable projects capable of meeting the requirements of the Black Country for employment, housing and associated infrastructure and identify a funding strategy for each of the opportunities.
- 3.5 Due to capacity constraints within each Local Authority it has been encouraged to call on our Private Sector partners to provide dedicated teams of expertise to deliver a pipeline of projects by December 2015. This resource will be a bridge between the Programme Office and representatives from each of the four Local Authorities. The LEP Board has approved the allocation of LGF 2015/16 capital grant over programming by £2m to fund Private

Sector intervention in Pipeline generation. It was recommended and agreed that £1m is allocated for Technical Feasibility Work and £1m is allocated (in reserve) for Technical Expertise. It is anticipated that the majority of private sector resource will be provided in-kind.

- 3.6 This report sets out a number of propositions to be developed within four core workstreams; promotion/communications, site investigation/viability assessment, technical support and infrastructure development which will each support the development of sites across the Black Country for employment and housing uses.
- 3.7 The Joint Committee are asked to support the approval for the activity within each of the core workstreams to be funded by the Local Growth Fund, as outlined in Attachment 1.
- 3.8 The Accountable Body for the LGF programme is Walsall Council and it is assumed that as with all current LGF grants Walsall Council will be responsible for entering into the necessary Grant Agreements with all recipients of LGF Programme Pipeline Generation Funding.
- 3.9 As Treasury Rules apply the key risk is not the ability to spend and convert Capital (LGF funding) into Revenue funding, but to avoid this being reversed if an eligible end result (buildings/roads etc.) cannot be produced within the Growth Deal lifespan, e.g. by the end of March 2021. If this revenue expenditure cannot be capitalised without reversal, either the 4 Councils or the recipients will be required to cover these costs from within their collective revenue funds.
- 3.10 Two options for collective underwriting by the 4 Councils were explored by Working Group and Advisory Board:
- All four Councils split the underwriting liabilities equally, with the maximum exposure level for each therefore at £500k regardless of where geographically the applicants sit; or
  - As outlined within the Collaboration Agreement in section 6.5.2, “the Parties shall meet the costs of the claw-back in the same proportion to the programme funding that has been expended within their administrative area”.
- 3.11 The Working Group and Advisory Board agreed that the second option was most favourable to all stakeholders, and have subsequently consulted with legal and financial colleagues, including their respective Section 151 Officers. This effectively means that the 4 Councils will be liable for underwriting all project spend within their geographical areas, so as they become the biggest stakeholders in the consequences of decisions to fund or not. Working Group Members agree to take responsibility for assessing (against risk), deciding and then taking through the approval process all projects within their areas. They will of course be assisted in this by the Programme Office and the Accountable Body as required. This approach will ensure that each Council at a senior level will manage the risks (likelihood of an asset being developed etc.) associated with each projects and their geographical area overall, and be able to negotiate with their section 151 officers the arrangements for underwriting should this subsequently be required.

3.12 The sections from the Black Country Executive Joint Committee City Deal and Growth Deal Collaboration Agreement to be applied are as follows;

6.4 In the event of any irregularity of any expenditure declared by any the auditor of a Party or the Accountable Body's auditor that Party shall be liable in respect of such irregularity and shall be required to repay to the Accountable Body any amounts unduly paid.

6.5 Subject to Clause 6.4, and unless agreed otherwise by the Joint Committee, the Parties agree that in the event that any monies are clawed back from the Accountable Body by central Government as the Accountable Body pursuant to any Funding Agreement, then all of the Parties will:

6.5.1 take all reasonable steps to mitigate the amount of monies clawed back from the Accountable Body; and

6.5.2 save where there is an administrative irregularity by the Accountable Body or Lead Body declared by an auditor of a party and accepted by the Joint Committee the parties shall meet the costs of the claw-back in the same proportion to the programme funding that has been expended within their administrative area.

#### **4. FINANCIAL IMPLICATIONS**

4.1 There are clear financial implications for all four Councils in the administration of this Programme Pipeline Generation Fund. Each Council will have to agree how they intend to cover any financial exposure moving forward, and complete an appropriate consultation and sign off process, before any LGF funds can be released by the Accountable Body.

4.2 There are also corresponding financial implications for the Black Country should we not spend all of the LGF funding in this 2015/16 financial year, and also the additional £20m+ in future years if we fail to stimulate an effective and vibrant project pipeline.

4.3 All work will be procured either from existing tendered frameworks or where such expertise is not available then by way of competitive tender from suitably experienced consultants.

4.4 All costs would be monitored on an on-going basis by the Programme Office and the Accountable Body (Walsall Council) and regular updates provided to the Heads of Regeneration Working Group.

4.5 Any funding provided in relation to site investigation works shall be within the EU 'de minimus' funding threshold with the level of costs supported by tender or a full justification of the proposed level of costs.

## **5. LEGAL IMPLICATIONS**

- 5.1 There are clear legal implications associated with this proposal, these will need to be considered by both the Accountable Body and each Council prior to the signing of any agreements..

## **6. RISK MANAGEMENT**

- 6.1 There are clear risks associated with this proposal, each application will need to be robustly assessed against the risk of not delivering a capital asset and therefore claw back of all resources allocated. The consultation and approval process which will be undertaken to ensure Working Group member support and approval will mitigate against these risks.
- 6.2 The principle risk relates to property market conditions. Improving economic and property market conditions has resulted in increasing demand and values for both commercial and residential markets – resulting in improvements to the viability of schemes. This has seen increased demand from developers and occupiers for sites such that sites which have been previously identified as undeliverable now being considered as opportunities. The proposals set out above are proposed to maximise the impact on the improvements in market conditions on the acceleration of property development across the Black Country. Adverse changes in property market conditions are likely to have an adverse impact on property development across the area where the issues of viability would reduce demand – even with the benefit of the subject interventions. On this basis, it is considered that risk would be mitigated by bringing forward the subject programme as soon as possible to benefit as much as possible from an improving property market and to maximise investment opportunities from the various programmes.

## **7. EQUALITY IMPLICATIONS**

- 7.1 None at the time of drafting.

## **8. CONSULTATION**

- 8.1 Legal and financial services at each of the Black Country Local Authorities have been consulted as part of the development of this process and the associated report.

### **Back Ground papers**

The Black Country Executive Joint Committee City Deal and Growth Deal Collaboration Agreement

### **Attachments**

LGF Programme Pipeline Generation Project Workstreams

**Contact Officer & Author**

**Sarah Middleton**

Chief Executive

Black Country Consortium

The Deckhouse, Waterfront West

DY5 1LW

Email: [sarah\\_middleton@blackcountryconsortium.co.uk](mailto:sarah_middleton@blackcountryconsortium.co.uk)

Telephone: 01384 471102

**Mark Lavender**

Joint Committee Programme Manager

Walsall Council

Civic Centre, Darwall Street, Walsall

WS1 1TP

Email: [mark.lavender@walsall.gov.uk](mailto:mark.lavender@walsall.gov.uk)

Telephone: 01922 654772

## **Attachment 1 – LGF Pipeline Project Workstreams**

<b>1) PROMOTION/COMMUNICATION</b>	
<b>1.1) Comms Events / Engagement with Private Sector</b>	
	<ul style="list-style-type: none"> <li>➤ A Breakfast workshop session is scheduled for 13/07/2015 to engage with commercial agents and developers to raise awareness and promote market interest for the various funding opportunities.</li> <li>➤ Further Breakfast sessions are planned specifically targeted at the residential sectors.</li> </ul>
<b>1.2) Website Development</b>	
	<ul style="list-style-type: none"> <li>➤ To build a website specifically designed to showcase / promote the various funding programmes in the Black Country to potential developers/investors.</li> <li>➤ The website will also enable navigation of the portal of funding available for site investigations, reclamation and built development.</li> <li>➤ To provide access to relevant application forms and supporting guidance.</li> </ul>
<b>2) SITE INVESTIGATION AND VIABILITY ASSESSMENT</b>	
	<p>To provide grant funding to landowners/developers for the specific purposes of undertaking site investigation and assessment works in order to understand the development potential of sites. A maximum funding of £150,000 would be provided in relation to each scheme.</p> <p>Works may include desktop study, topographical survey together with intrusive site investigation works and the interpretation of this data. It is anticipated that a phased approach to site investigations would be undertaken to ensure they can demonstrate value for money.</p> <p>Parties will utilise such sums to commission site investigation works and assessment of remediation and contamination costs. The costs of works will require to be tendered or demonstrate good value for money and have a good potential to bring forward the development of the subject site.</p> <p>This information will be utilised to support the assessment of the development potential of the subject site and a funding strategy (where appropriate) to this area.</p> <p>As noted above, funding will be repayable if either the site is sold prior to development or a proportion of the funding will be repayable if development has not commenced within agreed timeframes.</p>

<b>3) TECHNICAL SUPPORT</b>	
<p>It is proposed the guidance will be given to applicants in terms of identifying the most appropriate sources of funding to support individual schemes such that the application process can be navigated by interested parties and where possible the appraisal process can be accelerated in order to identify the initial tranche of projects to be brought forward under the various programmes.</p> <p>The process will provide for the ranking of projects such that an identifiable criteria for selection of schemes may be demonstrated. It is noted in relation to the differing types of project as follows;</p>	
<b>3.1) Employment Sites</b>	
	<ul style="list-style-type: none"> <li>➤ Loan funding for site remediation works may be provided through the Black Country Loan Fund.</li> <li>➤ Loan funding or gap funding for site development works may be provided through recycled Growing Places Funding.</li> <li>➤ Gap funding may be provided through the Local Growth Fund for either site remediation or built development.</li> <li>➤ All gap funding will require to be supported by a gap funding assessment and to be within permitted state aid intervention levels.</li> </ul>
<b>3.2) Residential Sites</b>	
	<ul style="list-style-type: none"> <li>➤ Loan funding for site remediation may be provided through either the Housing Investment Fund or through the Local Growth Fund.</li> <li>➤ Gap funding for site remediation may be provided through the Local Growth Fund for residential uses.</li> </ul>
<p><b>Adopt the 'Garden City' concept to stimulate housing growth</b></p> <p><b>Objective:</b> Create distinct identities by applying Garden City principles to strategic areas</p> <p>Activities include:</p> <ul style="list-style-type: none"> <li>➤ Developing a Communications Strategy</li> <li>➤ Developing Garden Cities criteria</li> <li>➤ Participate in events to promote Housing Growth Charter &amp; Garden City</li> </ul>	



concept seeking national and local publicity.

Chris Handy of Accord Group has committed his deputy development director for 2 days a week for 3 or 4 months to support this work.

John Gainham (Regional Chairman) of Taylor Wimpey has also agreed in principle to make someone available.

#### 4) INFRASTRUCTURE DEVELOPMENT

**4.1)** A key issue which impacts on land quality – particularly for employment uses is accessibility to the Motorway and main road network. It is considered that a long term objective should be to increase the connectivity of key employment areas to the strategic highways network to increase land quality and the attractiveness of sites to inward investors and companies within the area for employment development purposes.

**4.2)** It is proposed that such a project would require to be undertaken upon a phased basis which would comprise of the following;

*Phase 1* – A review of the 17 identified strategic employment areas should be undertaken with a view to providing a high level assessment of the scope for undertaking infrastructure improvements to improving accessibility to the areas – and where this may be undertaken to undertake an assessment of costs compared to the benefits of such a scheme in terms of business supported, area of land where quality has been improved and employment opportunities assessed as being created. The assessment will also consider the deliverability of proposals, including programme and funding.

The Phase 1 study will rank the strategic employment sites in terms of the potential for benefitting from infrastructure improvements on the basis outlined above.

*Phase 2* – Based upon the outcome of the Phase 1 report – it is anticipated that the highest ranked employment areas based upon the criteria outlined in Phase 1 will have more detailed proposals for transport improvements to be developed. This is likely to be around 3 projects – where work will be progressed in relation to design development and the funding strategy for such works.

It is considered that the project should be led by a transport consultancy with a Brief prepared and the Stage 1 works tendered to suitably experienced consultancies. It is anticipated that the Stage 1 study would require a period of 12-16 weeks to be completed. The scope, budget and programme for Phase 2 would require to be developed upon the basis of the completed Phase 1 study.

#### **5) NEW METRO HOSPITAL**

This workstream will specifically involve a strategic assessment of the developments required for Housing units, Land and Road preparations to support delivery of this major infrastructure build.

Carilion PLC have committed to provide resource to assist in the evaluation of sites around Midland Met Hospital