



**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

**7 September 2016**

**Black Country Local Growth Deal**

### **APPROVAL OF RESOURCES FOR PROGRAMME MANAGEMENT, DEVELOPMENT & SUPPORT**

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**Key Decision:** Yes

**Forward Plan:** Yes

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#### **1. PURPOSE OF REPORT**

- 1.1 On the 9 March 2016 the Black Country Joint Committee approved the allocation of £5.267m of Local Growth Fund (LGF) funding to the Black Country Consortium and the four Black Country Local Authorities. It was approved to support the development of our Team Black Country capacity to develop the LGF programme pipeline through to the end of the 2017/18 financial year, as set out within table 3.1.1.
- 1.2 This report asks that the Joint Committee approves the widening of the scope of use for the approved LGF funding to include the development and submission of projects, programmes and bids to all available funding streams in addition to the LGF programme.
- 1.3 This approach aims to maximise our chances of success and our collective ability to access resources from new and emerging sources including: The Combined Authority, future Devolution Deals the European Programme and in-house capital and revenue programmes if secured, in addition to the LGF programme. This report received Working Group endorsement on 6<sup>th</sup> June 2016, LEP Board endorsement on the 8<sup>th</sup> August 2016 and was endorsed by Advisory Board on the 22<sup>nd</sup> August 2016.

#### **2. RECOMMENDATIONS**

That the Joint Committee:

- 2.1 Approves the widening of the use of LGF funding by the four Black Country Councils and the Black Country Consortium as approved by the Joint Committee on the 9 March 2016, within the limits set out in table 3.1.1, to include all costs associated with the development and submission of projects, programmes and bid submissions to all available funding sources, in addition to the current LGF programme.

- 2.2 Notes that each Local Authority and the Black Country Consortium will be required to identify revenue funding to under-write claimed costs for activity where a project has not achieved full approval status. If no asset results from the development work carried out, then these costs will become abortive revenue expenditure. These costs would then need to be funded by the employing entity.

### 3. REPORT DETAIL

- 3.1 The Joint Committee at its March 2016 meeting approved the allocation of £5.267m of LGF Capital funding to be granted to the Black Country Consortium and the four Black Country Local Authorities (as indicated in the report) to develop capacity within Team Black Country to support the effective programme development, delivery and programme/contract management through 2015/16, 2016/17 and 2017/18 financial years as set out within table 3.1.1 below

Table 3.1.1 – Capital Allocations approved by the Joint Committee

Details	Financial Years			Totals
	2015/16	2016/17	2017/18	
<b>Black Country Consortium - Programme Office Costs</b>	£268,000	£362,000	£362,000	£992,000
<b>Walsall Council - Accountable Body Costs</b>	£175,000	£175,000	£175,000	£525,000
<b>Wolverhampton Council - Transport Director / Team Costs</b>	£250,000	£250,000	£250,000	£750,000
<b>Dudley Council - Programme / Pipeline Development Costs</b>	£250,000	£250,000	£250,000	£750,000
<b>Sandwell Council - Programme / Pipeline Development Costs</b>	£250,000	£250,000	£250,000	£750,000
<b>Walsall Council - Programme / Pipeline Development Costs</b>	£250,000	£250,000	£250,000	£750,000
<b>Wolverhampton Council - Programme / Pipeline Development Costs</b>	£250,000	£250,000	£250,000	£750,000
<b>Totals</b>	<b>£1,693,000</b>	<b>£1,787,000</b>	<b>£1,787,000</b>	<b>£5,267,000</b>
				£5,267,000

- 3.2 To achieve this, the four Black Country local authorities have the opportunity to develop dedicated skilled staff teams to focus on this work, funded directly through LGF funding allocations. It was agreed that the work of these teams needs to be traceable to the Black Country 'Plan on a Page' associated with pipeline projects, with evidence of their involvement and costs provided through existing capital programme claim procedures, including the completion of timesheets and activity records.

- 3.3 Grant Agreements have now been issued to all partners that confirm the arrangements for the utilisation of 2015/16 funding, and forecasts for 2015/16 spend were reported to the Joint Committee on 22 June. Finance officers as part of the Collaborative Working Group are in the process of finalising a capitalisation protocol to guide each partner in the use of this fund. For 2016/17 and beyond more detailed but proportionate arrangements will be developed and set into place and will be included in subsequent Grant Agreements. This will include claim arrangements, evidence requirements and confirmation on the full pipeline of eligible priority projects. These details were presented in draft for consideration by the Heads of Regeneration at the 22<sup>nd</sup> July Working Group meeting.
- 3.4 Since the last report, the four councils and the Black Country Consortium, working with and through the Black Country Place Group have worked to develop an extensive project pipeline of Black Country projects, this approach will over coming weeks / months help to establish the priority projects and possible funding streams that could be successfully accessed.
- 3.5 With the introduction of the Combined Authority, Devolution Deal 1 and 2 and the new European programme, the extent of opportunity has now widened significantly. To ensure that Black Country officers are able to maximise our chances of success, its recommended to the Joint Committee that the scope of what the previous approved LGF funding allocated as set out within table 3.1.1 is widened to include any work completed by officers to access all and any available funding streams, many of which fall outside of the LGF programme.

#### **4 FINANCIAL IMPLICATIONS**

- 4.1 Broadening the scope of the capital allocations to include programme development work across the entire BC pipeline of priority projects will ensure the BC is ready to respond to all new funding opportunities emerging with the development of the Combined Authority and other accessible funding streams.
- 4.2 All organisations benefitting from these LGF capital allocations will be required to put into place the appropriate financial accounting arrangements that record, justify and claim the LGF funding from the Accountable Body (Walsall Council). This will include supporting sign off from the Section 151 Officers at the relevant Local Authority that work has been directly linked to the development and execution of defined priority projects that will, have or are planned to become part of the Combined Authority or LGF programme or develop into projects that fulfil capital funding rules.
- 4.3 As outlined in previous reports to the Joint Committee, each Local Authority and the Black Country Consortium will be required to identify revenue funding to under-write claimed costs for activity where a project has not achieved full approval status. If no asset results from the development work carried out, then these costs will become abortive revenue expenditure. These costs would then need to be funded by the employing entity.
- 4.4 At the point at which development expenditure is claimed, it might not be clear what the funding source of the project might be. There are four circumstances which might arise:

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- (1) Development costs that have been claimed do not result in an approved project or asset. These costs will become abortive hence will be revenue costs and funding must be switched to the revenue source that was under-writing the cost.
  - (2) The project does go ahead and is funded through Local Growth Fund. In this event, the requirement to underwrite will cease at the point that a project obtains full approval from the Joint Committee.
  - (3) The project does go ahead but is funded through an alternative source. In this circumstance, the project staff should ensure that their time is built into the project's capital budget, and the funding source should then be switched to the same source as the project. In this scenario, the LGF pipeline fund is in effect cash-flowing the staff costs until the point that the other funding is approved. This could still work for private sector funding if the company is invoiced for Local Authority officer time.
  - (4) The project does go ahead but is funded through an alternative source which has not got the capacity (or unwillingness to if private sector) to fund Local Authority project staff. In this scenario, the Accountable Body would need to assess on a project by project basis whether the staff costs could be funded through LGF with the underwriting released, or whether these would need to be funded by the revenue source which were underwriting these costs. The project that the staff were working on would be assessed against the definition criteria for an asset i.e. does that project result in the inflow of economic benefit to the relevant Local Authority.
- 4.5 All costs will 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.
- 4.6 Finance officers have begun to develop the processes and procedures required to guide utilisation of these capital allocation funds. These will be used to calculate any risks associated with supported projects that may not meet capital programme rules (produce a capital asset etc.) to calculate any underwriting requirements that can be requested of any revenue pot developed prior to proceeding etc.
- 4.7 The work of the Collaborative Working Group in this regard will now be extended to include consideration of protocols to guide the inclusion of development work for projects which may eventually be funded from non-LGF sources.

## 5. LEGAL IMPLICATIONS

- 5.1 There are legal implications associated with this proposal as formal agreements will be required to be set into place with all grantees. These are being developed by officers within Walsall Council including representatives from Finance, the Accountable Body and Legal Services for 2016/17, which will include any consideration of the change in scope for the funds.

## 6. RISK MANAGEMENT

- 6.1 The principle risks relates to our collective abilities to stimulate an effective LGF programme pipeline capable of meeting both the spend and outcome targets. This proposal will release LGF programme resources to the Black Country Consortium and the four Black Country Local Authorities enabling them to create and fund dedicated teams capable of meeting these responsibilities.
- 6.2 If we fail to expand the scope of the funding to cover all available funding sources we risk missing out on significant external funding opportunities, reducing our ability to deliver and meet our agreed priorities and the vision of the Black Country and indeed the Combined Authority.
- 6.3 There is a risk that additional staff are employed by Local Authorities and the Black Country Consortium that are initially funded from LGF, but the work carried out does not result in an approved project/capital asset. These costs would then become abortive and would become a revenue pressure to the employing entity.

## 7. EQUALITY IMPLICATIONS

- 7.1 None at the time of drafting.

## 8. CONSULTATION

- 8.1 Legal and financial services at the Accountable Body have been consulted as part of the development of this report.
- 8.2 Finance and legal representatives and the four Section 151 Officers at each partner organisation will continue to be engaged as this process develops through the Collaborative Working Group.

### Back Ground papers

- The Black Country Executive Joint Committee City Deal and Growth Deal Collaboration Agreement
- Approval for Resources for LGF Programme Management Support – *Joint Committee Report 9<sup>th</sup> March 2016*

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