

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member – Policy and Resources
Date:	13 June 2012
Title:	Governance Arrangements for Enterprise M3 Growing Places Fund
Reference:	3909
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

- 1.1. Hampshire County Council is closely involved with the work of the Enterprise M3 Local Enterprise Partnership (LEP) and, as a key partner, is represented on the LEP Board, the main Officer co-ordination and steering group, and a number of the theme action groups. The engagement with the LEP is co-ordinated and managed through the Director of Economy, Transport and Environment, and supported in particular through the Economic Development service. Hampshire County Council has also been asked to take on the role of Accountable Body for the LEP's principal capital funding resources.
- 1.2. This report outlines a way forward and seeks approval for Hampshire County Council to take on the role of Accountable Body for the Enterprise M3 Growing Places Fund, and in general for the proposed terms of the reference. The report also seeks approval for negotiations to take place on the detailed governance arrangements and agreement between the Enterprise M3 LEP (Enterprise M3) and Hampshire County Council, as the Accountable Body, in order that the arrangements can be finalised.

2. Contextual Information

- 2.1. LEPs are partnerships of businesses and local authorities across economic areas and replace the Regional Development Agencies. The Government's overarching aim for LEPs is that they provide the vision, knowledge and strategic leadership to drive sustainable private sector growth and job creation in their area.

- 2.2. Growing Places is a £770 million scheme that is jointly run by the Department for Communities and Local Government (DCLG) and the Department for Transport (DfT). There are three main objectives:
- (i) to generate economic activity in the short term by addressing immediate infrastructure and site constraints and promoting the delivery of jobs and housing;
 - (ii) to allow local enterprise partnerships to prioritise the infrastructure they need, empowering them to deliver their economic strategies; and
 - (iii) to establish sustainable revolving funds so that funding can be reinvested to unlock further development and leverage private investment.
- 2.3. Following submission of a Pre Qualification Questionnaire, Enterprise M3 was allocated a Growing Places Fund of £21.7 million (“the fund”). LEPs were the only eligible organisation to apply for this funding. The fund is intended to establish a Revolving Infrastructure Fund. In simple terms this means investments made should be re-paid to the fund and the money recycled into further infrastructure investments (see Appendix 1).
- 2.4. The fund is un-ring fenced and is predominantly capital (£20.1 million) with a smaller amount of £1.6 million allocated to support revenue costs associated with managing the fund. The £20.1 million has been provided as capital grant and must be spent on capital projects.
- 2.5. The fund has been awarded to Enterprise M3 and all decisions about its allocation will be taken by the Enterprise M3 Board. However, all Growing Places funds were transferred to Local Authorities regardless of whether or not individual LEPs were legal bodies. Hampshire County Council is therefore the Accountable Body for the fund. Enterprise M3 is not a legal entity and therefore, as the Accountable Body for the Growing Places Fund, Hampshire County Council must have robust governance arrangements in place.
- 2.6. There are a number of issues that need to be considered in relation to governance of the fund. The Economic Development team has been working with colleagues in finance and other departments to define the Accountable Body role for the fund. A number of reports from other local authorities have been reviewed and have been helpful in formulating a view on the way forward.
- 2.7. The Interim Assistant Director for Economic Development has been leading work to clarify all the governance issues including accounting treatments, financial delegations, procurement, the decision making process, due diligence, monitoring and reporting, equality and diversity, legal and contracts.

- 2.8. Comparisons with how other local authorities, including Warwickshire County Council and Luton Borough Council, have undertaken this responsibility on behalf of LEPs have been investigated and officers are continuing to pursue contacts via finance and other networks.
- 2.9. Having had an opportunity to review a number of approaches it is felt that a “light touch approach” best suits Hampshire County Council’s needs. This will allow for flexibility while also clearly setting out the responsibilities of Hampshire County Council and the LEP.

The structure

- 2.10. The decision making role is held by the Enterprise M3 Board, supported by its Fund Management Group. The Accountable Body role will be undertaken by Hampshire County Council.
- 2.11. The Enterprise M3 Board wishes to take a strategic, clear and transparent approach to the allocation of the Growing Enterprise Fund. In order to reflect this, a Growing Places Fund Management Group (“the Fund Management Group”) has been established that will consider the proposed projects and make recommendations to the Enterprise M3 Board. The Fund Management Group will also oversee the due diligence process and will review budget, monitoring and evaluation reports.
- 2.12. The Fund Management Group is chaired by a representative of the Enterprise M3 Board and includes Chief Executive level representation from district councils in both Hampshire and Surrey (Karen Whelan, Surrey Heath Borough Council and Andrew Lloyd, Rushmoor Borough Council) and the Directors of Environment from both counties (Stuart Jarvis, Hampshire County Council and Trevor Pugh, Surrey County Council).
- 2.13. In general terms an organisation acting as Accountable Body would:
 - (i) ensure the partnership has robust governance arrangements in place and provide critical challenge to decisions and the decision making process;
 - (ii) ensure proper and effective use of public money;
 - (iii) minimise the risk of grant claw back e.g. by ensuring any conditions attached to the grant are clear and understood and appropriate steps are taken to comply with these conditions; and
 - (iv) account for the fund, maintain adequate financial records to provide an audit trail, prepare monitoring reports and liaise with Government Departments and other bodies as required in connection with the proper management of the fund.

3. Future Direction

- 3.1. The establishment of an agreement between the Accountable Body and the Enterprise M3 Partnership will clarify the respective roles and

responsibilities. As part of setting up this agreement officers will seek to minimise or eliminate risks to Hampshire County Council in taking on this role and ensure it forms part of the overall governance of Enterprise M3. It should be clear at all times that Hampshire County Council, as the Accountable Body, is acting independently so, for example, it should not have a role in partnership decision making.

Roles and Responsibilities

- 3.2. In terms of the allocation of grants from the Growing Places Fund, the role and responsibilities of the Enterprise M3 will be expected to include, although not exclusive, the following:
- (i) the LEP Director will be the principal contact to the Accountable Body and will oversee the administration of the Growing Places Fund, the authorisation of funding allocations and certification of claims for payment in respect of grants or funding disbursements against the Fund;
 - (ii) provide support and facilitation to applicants to help develop their grant application;
 - (iii) to be the main point of contact for the applicant in terms of their grant application;
 - (iv) receive and carry out the initial assessment of grant applications;
 - (v) administer the Fund Management Group;
 - (vi) approve projects “in principle” subject to contract and on satisfactory completion of due diligence assessment;
 - (vii) undertake a due diligence assessment of the project after the “in principle” approval;
 - (viii) prepare and enter into a grant agreement with the grant recipient following project approval from the Enterprise M3 Board;
 - (ix) authorise project claims submitted by grant recipients and ensure that they are in line with the terms of the grant agreement;
 - (x) receive regular financial reports from the applicants and produce programme level summaries for the Enterprise M3 Board;
 - (xi) undertake necessary monitoring visits to ensure that the project is progressing in line with the agreed contract and that appropriate records are being held;
 - (xii) work in partnership with the Accountable Body to seek recovery of the fund should projects default from the agreed contract;
 - (xiii) provide confirmation from projects to the Accountable Body that all funding has been used as per the Funding Agreement with DCLG;
 - (xiv) to undertake all the marketing and promotion of the fund;
 - (xv) to ensure that all successful projects align to the Enterprise M3 Business Plan Priorities;
 - (xvi) to provide a Senior Programme/Project Manager to manage the fund; and
 - (xvii) to deal with any complaints and/or appeals in relation to the grant application and the decision and approval making process.

- 3.3. In terms of the allocation of grants from the fund the role and responsibilities of Hampshire County Council as the Accountable Body will be expected to include, although not exclusive, the following:
- (i) nominate a lead officer to work with the Board and liaise with the senior programme/project manager;
 - (ii) supply Enterprise M3 Board with up to date financial data to ensure that it is able to reach a full and proper decision and approve grant applications;
 - (iii) process project claims authorised by Enterprise M3 Board and to make payments within authorised budgets to grant recipients;
 - (iv) maintain accurate financial records;
 - (v) produce all the required reports as per the Funding Agreement with DCLG;
 - (vi) receive repayment of funding and produce an annual statement of expenditure and receipts to the Enterprise M3 Board;
 - (vii) to work in partnership with the Enterprise M3 Board to deal with any claw back issues and/or deviations from the agreed contract;
 - (viii) ensure that the Enterprise M3 Board is aware of the importance of State Aid issues in taking decisions on funding allocations;
 - (ix) comply with any accountancy and audit requirements; and
 - (x) deal with any appeals or complaints relating to the discharge of the Accountable Body role. Any complaints will be dealt with through the Council's complaints procedure.
- 3.4. Hampshire County Council, as the Accountable Body, will enter into a governance arrangement/agreement with the Enterprise M3 LEP which will set out the terms and responsibilities of the Accountable Body and Enterprise M3 LEP with regards to the management of the fund.

4. Recommendations

- 4.1 That approval be given for Hampshire County Council to act as the Accountable Body for the Enterprise M3 Local Enterprise Partnership in relation to the Growing Places Fund.
- 4.2 That approval be given for negotiations to finalise the detailed governance arrangements and agreement with the Enterprise M3 Local Enterprise Partnership in relation to the Growing Places Fund, on the basis of the arrangements set out in section 3 of the report.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	
<p>This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:</p> <p>Enterprise M3 Local Enterprise Partnership is not a legal entity and therefore, as Hampshire County Council is the Accountable Body for the Growing Places Fund, it must have robust governance arrangements in place to minimise any potential risks and liabilities.</p>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1 It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

2. Impact on Crime and Disorder:

- 2.1. It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint/energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.