

MAYORAL RECOMMENDATION



CITY
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M/13

Cabinet Member: Joe Anderson OBE Mayor of Liverpool	Director: Ged Fitzgerald Chief Executive Becky Hellard Director – Finance & Resources
Date of submission: 25 April 2014	Subject: Growing Places Fund Round 2
Report No./Background papers: EDR/29/14	Contact Officer: Darren Hardy Interim Divisional Manager Employment and Skills - Regeneration Darren.hardy@liverpool.gov.uk
Executive summary: <p>Liverpool City Region Local Enterprise Partnership (LEP) was awarded £19,529,710 (£18,049,178 capital and £1,480,532 revenue) Growing Places Fund (GPF) and these amounts were deposited in Liverpool City Council's bank account. The LEP was encouraged to establish a revolving fund for the GPF, making loans to fund the provision of local infrastructure, where it could be demonstrated that early provision of infrastructure would enable stalled economic schemes to progress and quickly generate jobs and / or homes.</p> <p>Cabinet report number EDR/50/12 in September 2012 secure agreement for Liverpool City Council to accept the GPF money, accept the role of accountable body and to disburse £10 million of the capital allocation in Round 1 of the fund.</p> <p>In Round 1, Liverpool City Council did not directly grant aid any applicants but rather the GPF money was loaned to the relevant local authority in the City region to manage the project and, at the relevant point in time, the local authority will pay the GPF money back to the City Council.</p> <p>In the current economic climate many otherwise viable development schemes are not able to proceed. Therefore for Round 2 of the GPF, the LEP have asked that Liverpool City Council directly invest the GPF monies in applicant organisations which are mainly from the private sector rather than the Local</p>	

Authorities.

This report –

- updates Cabinet on progress with Round 2;
- seeks agreement to undertake due diligence on the projects that the LEP has prioritised for funding; and then
- seeks approval to delegate authority to the Chief Executive and Director of Finance & Resources to disburse the funding to the applicants in line with LEP Board decisions.

Background:

For Round 2 of the GPF, following a LEP call for expressions of interest, the HCA undertook an initial evaluation of a long list of submitted projects which was further refined by the LEP using a scoring matrix which included:

- GPF objectives;
- LEP strategic priorities;
- City Region spatial priorities;
- Link to Chrysalis objectives; and
- The project's status in regard to being 'shovel ready'.

Following this initial evaluation, 16 projects were invited to give a presentation to the LEP and were ranked in order of their aggregated scores to provide a prioritised list for GPF loans.

Process:

Unlike Round 1 where GPF investment was direct to the Local Authority, in Round 2 the LEP intend to invest the GPF directly in the applicant organisation. Other than two of the Halton schemes which are from Halton Borough Council, this will therefore mean investment in private sector firms.

Liverpool City as the accountable body will be entering into the loan agreements with the private sector organisations and will need to ensure financial and legal compliance of the proposed loans.

The focus of Liverpool City Council's due diligence will include the ability of the private sector organisations to repay the loan. In addition, although the LEP are offering the GPF at 0% interest, State Aid requirements are likely to mean that few if any of the schemes will be able to proceed at 0% interest rate. The Council will therefore have to seek professional advice to determine an interest rate for the GPF investment on a scheme by scheme basis.

It has been suggested to the LEP that, to facilitate loan recycling for the future of GPF, a 2% arrangement fee and a maintenance fee of 1% per year is charged. This is still being discussed with the LEP and the LEP has been offered a share of this potential income.

As accountable body, the Council will have to determine –

- what other monies are involved in the scheme
- whether the development involves anything that could be considered tax relief
- the period the applicant is borrowing the GPF money over
- the security being offered against the GPF loan
- appropriate rates of interest
- the credit rating of company
- the strength of the business plan covering the period of the loan with cash flow forecasts demonstrating ability to repay and assumptions
- the size of organisation in relation to employment and balance sheet

The City Council's Programmes Team will remain responsible for monitoring progress towards targets for job creation and GPF repayment. The Capital Programme will need individual scheme codes to account for utilisation and repayment of the Growing Places Fund.

The following table shows the 9 projects that the LEP want the City Council to undertake due diligence on.

LOCAL AUTHORITY	PROJECT	LEP LOAN RANK	LOAN REQUEST (£)
Halton	G Park Logistics Warehouse – Former Bayer site remediation	1	1,000,000
Knowsley	Hornhouse Lane – Warehouse / Production facilities	2	1,500,000
Halton	Johnsons Lane – Spine Road to unlock land	3	500,000
Knowsley	Rail Freight Terminal	4	800,000
Liverpool	Stonebridge Cross – Mixed Use	5	1,000,000
Halton	Venture Fields – Mixed Use	6	510,000
Liverpool	Martins Bank – Hotel	7	1,500,000
Wirral	Ocean Plaza – managed workspace	8	365,000
Knowsley	Tratos – manufacturing premises	9	1,000,000
TOTAL			8,175,000
			109% over programme

Mayoral Recommendation:

That –

- (i) approval be granted for the City Council to continue its accountable body role as described in the report submitted for the Growing Places Fund on behalf of the Merseyside LEP;
- (ii) subject to appropriate due diligence, authority be given to the Chief Executive in consultation with the Director – Regeneration & Employment Services, the Director – Finance & Resources and the City Solicitor to provide the funding to applicants as set out in the report in line with LEP Board recommendations;
- (iii) the City Council Capital Programme be amended to reflect the commitment of the remaining GPF capital resource in 2013/14 although it is recognised that most spend is likely to slip into 2014/15;
- (iv) any changes to the programme profiled spend be reported in the monthly monitoring reports to Cabinet and subsequently to the Mayoral Investment Panel; and
- (v) Authority be granted to spend the resources as set out in the report submitted.

Mayor's Priorities

The GPF money will support the Mayor's pledge to

- Create 20,000 new jobs; and
- Build 5,000 new homes

Once a full work programme is agreed by the LEP more information on the schemes can be provided in a report. This report will include a target for the number of new homes to be built and / or a target for jobs created.

Corporate Aim(s):

The projects supported by the GPF in Round 2 will help to create jobs and build new homes meeting the Council's corporate aims as follows

We will make Liverpool the preferred choice for investment and job creation by...

- Enhancing the city's infrastructure, links and distinctive sense and quality of place.
- Encouraging business creation, growth and productivity.

We will build strong, attractive and accessible neighbourhoods by...

- Improving the quality, range and choice of housing.

Key Decision:

Yes.

28 Days' Notice:

Yes.

Implementation effective from:

2 May 2014

Timescale for action:

Immediate.

Reason(s) for Recommendation:

This decision allows the Council to fulfil its accountable body function on behalf of the Liverpool City Region LEP whilst approving the addition of this financing stream to the City Council's Capital Programme.

Alternative options considered:

The Council could refuse to continue in its role of accountable body for the GPF. This alternative has been rejected as the Council has been servicing the LEP and is one of the local authorities in the region likely to receive a large allocation of GPF funding.

Consultation including consultation with Ward Councillors and outcome:

This is a sub-regional scheme with the LEP deciding which schemes should be supported. The decision to act as accountable body was sub-region wide and therefore there were no proposals to consult Ward Councillors and / or Neighbourhood Committees.

Financial implications (Efficiency Savings):

Liverpool City Council received £19,529,710 (£18,049,178 capital and £1,480,532 revenue) in its bank account on behalf of the LEP.

Of this resource £263,857 of the revenue funding is available towards fund management and administration costs and this is being used to fund the work of the City Council's Programmes Team in managing the fund.

The Capital Programme will be amended to reflect the schemes approved and the profile of anticipated expenditure approved by the LEP.

The City Council will be responsible for undertaking Due Diligence on each

investment as outlined in the report to ensure companies in receipt of finances have the ability to repay contributions. External companies will assist to ensure a robust commercial appraisal is undertaken.

Legal implications:

Each loan proposal will be subject due diligence exercise and state aid analysis. Relevant loan agreements will need to be drafted and agreed between the Council as Accountable Body and successful applicants.

The Council's Legal team will be consulted on the proposed agreements to ensure the Council's interests are protected.

Risk Management:

The only strict condition attached to the GPF is that the capital funding received may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003. Each year, a letter from the Chief Executive and Chief Internal Auditor must be submitted to confirm this.

The City Council is the accountable body for this funding and is responding to the decisions made by the LEP in relation to allocation of GPF projects.

To mitigate legal and financial risks to the Council as accountable body, due diligence exercise and state aid analysis will be carried out on each loan. The City Council's Programmes Team will monitor the schemes and ensure recipients achieve relevant outputs, meet repayment targets and manage risk appropriately.

Equality implications/Equality Impact Assessment:

Rather than the Council, it was a sub-group of the LEP that was established to identify potential GPF schemes. It included one representative from each of the Local Authorities with representatives from the Homes and Communities Agency and Chrysalis providing an external perspective.

The Council's Equalities Officers have confirmed that an Equality Impact Assessment (EIA) is not required at this stage but have advised that EIAs should be carried out on GPF projects for which the council has direct responsibility for administering. The City Council's Programmes Team will monitor the schemes to ensure that this advice is followed.

Climate Change Strategic Framework and Climate Change Adaptation Framework:

Rather than the Council, it was a sub-group of the LEP that was established to identify potential GPF schemes. There are therefore no direct impacts on either Framework which the Council can control.

Budget and Policy Framework:

The recommendation is in accordance with the corporate policy to support regeneration and the creation of sustainable capital development to add significant value to the business offer in the area.

Report attached:

No