



Derby City Council

Council Cabinet
5 October 2016

Report of the Cabinet Member for Communities
and City Centre Regeneration

ITEM 11

Local Growth Funded Projects

SUMMARY

- 1.1 The Council has a number of high profile projects that require Local Growth Deal funding to enable them to be delivered.
- 1.2 To assist the delivery of these projects changes to the IIB, Local Assurance Framework were approved at a meeting on the 7 September 2016. This report has been provided to update Cabinet on the proposed alterations to the funding arrangements and to seek Cabinet approval to progress putting these arrangements in place. This change to the project assurance framework enables Becketwell and A52 Wyvern Junction Improvements schemes to progress, subject to IIB approval, by seeking a funding advance. The funding advance will enable the project to move to a fully compliant business case at a later date. The advance will be fully refundable by the Council should the project not progress
- 1.3 The original IIB approval for £12million funding towards OCOR linked release of funding to a series of work phases. Progress on the project has moved forward apace and across phases. IIB funding release will now be sought in line with the original profile and independent of the completion of particular phases. IIB agreed to vary the approval subject to the project reporting performance twice yearly to IIB and on the understanding that funding will be subject to clawback should any of the phases fail to complete or the project fail to deliver the stated outcomes.

RECOMMENDATION

- 2.1 To approve the proposed changes in the funding arrangements for Becketwell and A52 Wyvern Improvement Schemes and delegate the arrangement of the proposed changes to the Director of Finance working with the IIB
- 2.2 To approve the proposed change in grant funding conditions, on the basis set out in paragraph 1.3 of this report, for £12million to support the OCOR project and delegate the arrangement of this change to the Director of Finance

REASONS FOR RECOMMENDATION

- 3.1 To ensure that the delivery of both the Becketwell and A52 Wyvern Junction Improvement projects remain on track and to ensure that D2N2 Local Growth Funding can be accessed as necessary.
- 3.2 The change in grant funding conditions will enable the OCOR Project to deliver in accordance with the approved budget profile.



SUPPORTING INFORMATION

- 4.1 The Council has a number of high profile projects that have been awarded Local Growth Deal funding by D2N2 Local Enterprise Partnership. To access this funding the projects need to comply with a Local Assurance Framework (LAF) administered by D2N2 Infrastructure and Investment Board (IIB). For a project to meet the LAF requirements it must have secured planning consent, have control of all the necessary land and be ready to commence construction work. In order to progress the delivery of three of the Councils most complex projects in an efficient manner, Becketwell, Our City Our River (OCOR) and A52 Wyvern Junction Improvements a change to the funding arrangements has been proposed..
- 4.2 On 7 September IIB agreed an amendment to its LAF. The amendment recognised that some high value projects previously allocated Local Growth Deal Funding would benefit from pre compliance funding being made available to help the project work through to its full LAF compliance. This funding would need to be applied for and would be fully refundable including interest if the project fails to comply with the LAF by an agreed future date or should the project change significantly or fail to progress.
- 4.3 Access to pre compliance funding for both Becketwell and A52 Wyvern Junction Improvement would help the projects continue to progress and to meet previously agreed spend profiles. It is proposed therefore that a request be made to IIB to draw down funding for both projects in 2016/17.
- 4.4 In the case of Becketwell up to £4million funding will be sought. This will enable site assembly and enable progress to be made towards securing a development partner and planning approval for the site. The project would commit to being LAF compliant within 24 months . The A52 project would seek pre compliance funding of £3.5million to enable land purchases and advance site work to commence in 2016/17. This project is allocated a total of £6.72million of Local Growth Deal funding and the remaining £3.22million would be drawn down as a grant once the project has become LAF compliant in mid 2017.

- 4.5 OCOR has been awarded £12million Local Growth Deal funding and is compliant with the LAF for a first phase of works. The project has been progressing well and work is now expanding across several phases. The initial grant award from IIB linked the release of funding to the completion of individual phases of work. This has proved unworkable and we have now sought greater flexibility from the IIB. IIB have agreed to remove the link between release of funding and individual phases of work which will mean that the project can access funding in line with the approved project plan. IIB now require that the project reports twice yearly on progress and should they believe that the project is not making reasonable progress they have reserved the right to seek repayment of the full grant.
- 4.6 The proposed change to funding arrangements do not affect the overall funding allocations and commitments that have previously been given to each of the projects. Should projects fail to deliver, for whatever reason, then there would be a requirement for funding to be repaid to IIB. The above proposals will remove all three projects from the LEP's 'high risk' categorisation.

OTHER OPTIONS CONSIDERED

- 5.1 It is important that the three projects continue to deliver where possible in line with previous funding commitments and that we strive to ensure that they remain on track. The approach set out above is considered the only available option. Failure to secure the IIB changes to funding arrangements would potentially place the projects at risk of failing.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Martyn Marples, Director of Finance Tim Clegg, Director of Streetpride, Strategic Partnerships and Planning Greg Jennings, Director of Regeneration, Property and Housing Projects
For more information contact: Background papers: List of appendices:	David Gartside 01332 641821 david.gartside@derby.gov.uk None Appendix 1 – Implications

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IMPLICATIONS

Financial and Value for Money

- 1.1 The funding advance for Becketwell and the A52 projects is considered to be a grant with conditions. Initially, it will be in the form of a loan until all the grant conditions are met within the given timescales.

The changes to the OCOR grant funding conditions will be more suitable to the funding needs of the project.

- 1.2 With all 3 projects and funding arrangements there is a risk of clawback of the grant amount should the conditions and timescales not be met. In this instance, interest would also be payable on the Becketwell and A52 advances. A source of funding would have to be identified at that point if the claw back is ever invoked.

Legal

- 2.1 The agreements for each of the funding proposals give rise to legally binding and enforceable obligations which the Council will be subject to.

Personnel

- 3.1 None

IT

- 4.1 None

Equalities Impact

- 5.1 None

Health and Safety

- 6.1 None

Environmental Sustainability

- 7.1 None

Property and Asset Management

8.1 None.

Risk Management and Safeguarding

9.1 Failure to pursue the proposed approach will put the LGF funding for each of these projects at significant risk.

The following specific risks apply:

- Becketwell Regeneration – the scheme must be in a position to comply with the LEP's stage 2 requirements within 2 years of date that IIB approves the loan. This requires land assembly to be complete, planning consent for a deliverable scheme to be in place and a Developer/ Contractor appointed. Officers are confident that we can reach this stage within this timescale. If the scheme fails to reach this stage the loan funding will need to be repaid with interest. If the scheme achieves this stage the loan is converted into a grant.
- A52 Wyvern Junction – The key risk for this project is that failure to comply with the LEP funding commitments could place LGF funding at risk and result in the project not being taken forward.
- OCOR – Is a longer term project and naturally there are elements of funding that have yet to be confirmed. The approach set out in the report enables LGF funding to be drawn down at an earlier stage than may otherwise have been the case and maintains flexibility in cash flowing the project.

Corporate objectives and priorities for change

10.1 The proposals and the initiatives that they refer to supports the vision that Derby is a place where ... jobs and businesses are growing and we have the infrastructure to create a city for the future. It also supports the priority outcome:

- Improving housing, supporting job creation and regeneration.