Lancashire
Enterprise Partnership

LEP – Sub Committee

LEP - Joint Scrutiny Committee

Private and Confidential: NO

Date: Friday, 18 November 2022

Growing Places Fund Process

(Appendix 'A' refers)

Report Author: Sue Roberts, Tel: 01772 536605, sue.roberts@lancashire.gov.uk

Executive Summary

The LEP's Growing Places Fund has been available to bring forward stalled sites in Lancashire since 2012. The process for assessing the suitability of applicants for a Growing Places loan, approval, draw down and repayment of the loans are the subject of this paper.

Recommendation

The Members of the LEP Joint Scrutiny Committee are asked to note the report and presentation and raise any questions of clarification or additional information required.

Background and Advice

1.1 The Growing Places Fund (GPF) was launched in 2011 as a joint initiative of Department for Communities and Local Government (DCLG) and Department of Transport (DfT) who sought assurance that local partnerships were committed to using GPF for the provision of infrastructure and would target projects which represent good value for money.

1.2 When the GPF was launched, it was strongly encouraged by Government, to be used as a revolving Fund to unlock stalled investment; this has been the approach to-date in Lancashire with 100% of allocations being made in this way.

1.3 In 2012 the Lancashire Enterprise Partnership (LEP) was allocated £19,378,944 million in two tranches.

1.4 GPF has three overriding objectives,

- To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing,
- To allow LEP's to prioritise the infrastructure they need, empowering them to deliver their economic strategies,
- To establish sustainable revolving funds so that funding can be reinvested to unlock further development and leverage private sector investment.

1.5 The purpose of GPF is to grow the economy of Lancashire by bringing forward development on marginal schemes which would not have come forward if left to market forces.

1.6 The Lancashire LEP uses the interest generated from the GPF to pay for salaries of officers and strategic initiatives to supplement the grant funding received from government and company members in the operational budget.

1.7 For every £100,000 of GPF loan, the LEP can expect to receive an average return of 4% plus the Bank of England base rate.

2. Growing Places Fund Process

2.1 The criteria for GPF is a stalled scheme based in Lancashire. The funding is for development sites which include housing, infrastructure, commercial or industrial buildings. This criteria was agreed by the LEP board prior to the application to government.

2.2 In order to provide evidence of need in Lancashire for the application process, the LEP approached Local Authority Chief Executives for schemes that would meet the fund's criteria.

2.3 The original application identified three schemes where GPF could be used with ownership, legal and planning consents in places with another three having been identified for the remaining GPF monies A further seven schemes were submitted by partners for subsequent phases of investment, subject to suitability.

2.4 The process for delivering the loans was set up in line with LCC Financial Controls and Quality Assurance processes. This ensured that there is an audit trail and all expenditure is in line with agreed authority standards.

2.5 The Local Assurance Framework states the process for Growing Places loans. The LEP is responsible for the strategic investment of its £19.3m GPF which was established in 2012. The fund is managed by the LEP in consultation with its, Accountable Body, via a stage process.

a) stage one assesses initial expressions of interest and market interest

b) stage two focuses on the management of successful funding applications and agreement of funding agreement
c) stage three concerned with on-going monitoring and performance of the investment

a) **Stage One** The purpose of stage one was to ensure that the proposed scheme is aligned with the LEP's Strategic Economic Plan and also that repayment terms can be met within an agreed timeframe of usually two/three years. Stage one was progressed through meetings with the project sponsor and concludes with the preparation of Heads of Terms for consideration by the LEP Board, and approval (if agreed by the LEP Board) to prepare loan and security documentation.

b) **Stage Two** Stage two involves the appointment of solicitors to negotiate and draft the detailed terms of the loan and security documentation.

c) **Stage Three** Stage three ensures that the project is monitored and that the GPIF investment is drawn down and repaid, in accordance with an agreed financial and development programme agreed by the County Council and the project sponsor. The LEP Board receives update reports on the management and performance of GPF.

2.6 The practicalities of delivering the fund follows the process detailed in the flowchart at Appendix A to ensure that the above Stages are adhered to.

2.7 The benefit of this approach has been to create an Evergreen Fund which contributes to the economic success of Lancashire. The outputs and impacts of the scheme are outlined in Section 3 below.

2.8 The nature of GPF in the alternative finance market is that schemes can take a long time to come forward. Many borrowers have not previously gone through a rigorous due diligence and monitoring process which has subsequently resulted in developers being much more robust in their approach going forward after a Growing Places scheme.

2.9 GPF has successfully brought forward development continuously since 2012 and has been fully recycled.

3. Outputs and Impact

3.1 As at 15 November 2022, the Growing Places Fund has delivered the following outputs.

Measure	Output
Number of completed schemes	10
Number of schemes on site	1
Value of loans	£39,328,361
Value of loans repaid	£37,745,982
Private sector investment	£107,301,465

Interest received on loans	£2,177,036
Square Foot/Square Metres developed	2,125,128 Sq Ft (201,563 sqm) buildings plus 215,278 sq ft (20,000 sqm) public realm
Jobs created	2,135
Housing units delivered	776

3.2 Types of schemes developed.

Type of scheme	Number
Commercial	2
Mixed Use	2
Housing	2
Land remediation	1
Infrastructure	1
Retail	1
Leisure	1
Total	**10**

3.3 The impact of GPF has been to support private sector development on the back of public sector investment in places such as in Burnley, Wyre and Pendle. GPF schemes have come forward as a result of public sector investment via the Growth Deal or Getting Building Fund programmes and has widened the impact of those schemes.

3.4 It has supported Local Authority strategic aims in West Lancashire and Preston with GPF schemes kick starting regeneration in those boroughs as developers had the confidence to realise their ambitions. In these instances, the banks were not prepared to lend to the borrowers. Again, further private sector development has ensued.

3.5 It has enabled new developers in Lancashire to start their development journey hereby growing capacity in the market.

4. Reporting

4.1 The LEP board approves in principle the loans and Heads of Terms and delegates the Facility Agreement and loan documentation to the LEP CEO in consultation with the Section 151 Officer and LCC's Director of Corporate Services.

4.2 Ongoing reporting is through the LEP Programme report which the board receive twice a year and includes the following information,

- Capital Loaned
- Capital Repaid
- Private Sector Investment

- Interest Received
- Capital Available to Invest
- Jobs Created
- Space Developed
- Housing Units delivered

A programme risk register is also provided along with the report