



Lancashire Enterprise Partnership Limited

Private and Confidential: NO

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**Growth Deal Funding Agreement Principles
(Appendix 'A' refers)**

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Executive Summary

The Board of the Lancashire Enterprise Partnership (LEP) has recently considered and approved an Assurance Framework, which has been agreed by Lancashire County Council, as the LEP's accountable body. This Framework has been submitted to Government.

As part of this Framework, each LEP is required to provide assurance to Government that there is adequate provision in place for the protection of the Local Growth Funds (LGF) allocated through Growth Deals.

This report sets out the key principles which will underpin the legally binding LGF Agreements which all Growth Deal project sponsors will be required to sign up to.

Recommendations

The Board is asked to:

- (i) Note the requirement for the accountable body, on behalf of the LEP, to ensure there are adequate provisions in place for the protection of the LGF resources;
- (ii) Approve the Key Principles documents for incorporation into legally binding LGF agreements for Growth Deal projects;
- (iii) Delegate to the Director of Governance Finance and Public Services of the County Council and Director of Economic Development of the County Council responsibility for the preparation of the individual LGF agreements based on the Key Principles;
- (iv) Require individual LGF agreements be brought back to the LEP Board, if project sponsors are unable to meet the key principles;



- (iv) Agree that the proposed Growth Deal Management Board be tasked with ensuring that any conditions set out in the LGF Agreements are discharged appropriately prior to final draw down by the project sponsors; and
- (v) Request that draft Terms of Reference for the proposed Growth Deal Management Board be brought to the LEP's Board meeting in June for detailed consideration.

Background and Advice

- 1.1 All LEPs are required to provide assurance to Government that there is adequate provision in place for the protection of the Local Growth Funds (LGF) allocated through Growth Deals. Government guidance states that:

"When the LEP awards funding for a project there should be a clear written agreement between the accountable body and the delivery agent clearly setting out the split of responsibilities and include adequate provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement)"

- 1.2 In response to national guidance the LEP's recently approved Assurance Framework states that:

"All sponsors seeking Growth Deal funding will need to agree and sign a Growth Deal Grant Funding Agreement, prior to draw down of funds. The agreements will set conditions including; project sponsors commitment to monitoring and evaluation requirements; agreement to the communications protocol and delivery of milestones. The agreements will include provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement)"

- 1.3 LGF Agreements will need to be in place for all Growth Deal projects, prior to draw down of LGF resources, and will be signed by the County Council, as the accountable body for the LEP, and individual project sponsors / project delivery agent.

2. Key Principles

- 2.1 The Key Principles attached to this report at Appendix 'A' set out the main terms upon which it is proposed that the LEP will make funding allocations to project sponsors following submission, independent scrutiny and LEP approval, of the relevant business case. Project sponsors will be required to enter into an Agreement which will be based on the relevant key principles.
- 2.2 To reflect the complex and varied nature of projects within the Lancashire Growth Deal three sets of Key Principles have been drawn up: for Skills Capital



schemes; for Transport schemes; and for Economic Development schemes. In practical terms the Key Principles are the same for the Skills Capital and Economic Development schemes with only one variation between the two documents. Annex '1' therefore provides two sets of Key Principles: Transport schemes; and Economic Development schemes, with the latter also setting out a specific principle (set out in square brackets) which relates only to Skills Capital schemes.

- 2.3 The Key Principles have been drawn up by the County Council's legal team with support from external solicitors. The principles have been tested with sample project sponsors and considered by the Shadow Growth Deal Implementation Board.
- 2.4 The Agreements will be made conditional upon certain factors which will include but will not be limited to any conditions placed on the project sponsor by the LEP Board when approving the business case.
- 2.5 The Agreements will include a financial appraisal and development programme which will detail the development programme and milestones, identify funding streams and cash flow forecasts. Monitoring and evaluation requirements will also be incorporated.

3. Implementation of LGF Agreements

- 3.1 Following the Board's consideration and agreement of the Key Principles individual LGF Agreements will be drawn up by the accountable body. It is proposed that individual agreements will only be brought back to the Board if project sponsors are unable to meet any of the Key Principles agreed by the LEP Board.
- 3.2 The LEP will require assurance that all conditions set out in the LGF Agreements have been discharged prior to draw down of resources and it is proposed that the Growth Deal Management Board be tasked with undertaking this role and that drafts Terms of Reference are brought to the Board for consideration at its June meeting.
- 3.3 In the event that it is considered appropriate by the Growth Deal Management Board to make a material variation to the Key Principles in respect of a particular project (or indeed across all allocations) then approval for such variation(s) will be sought from the LEP Board. Where the Key Principles are to be implemented without such variation it is proposed that the Growth Deal Management Board will provide approval on behalf of the LEP.



4. Conclusion and Recommendations

- 4.1 The approach set out in this report represents a robust and effective process for ensuring that the LEP and the accountable body can demonstrate that they have put in place adequate provision for the protection of public funds, whilst at the same time ensuring that project sponsors are able to draw down funds in a timely and commercial manner. The Board are requested to approve the recommendations set out at the front of this report.