

**Principles applicable to the award of grant funding allocated by Lancashire County Council (the "Council"), as accountable body for the LEP, to project sponsors for grants related to transport initiatives**

**Compliance with law, procurement and State aid**

1. The award of the grant is subject to compliance with all applicable laws and conditions or rules set by any regulatory bodies; in particular, EU law, including State aid law and where applicable, public procurement law.
2. The grant is also subject to compliance with all terms of grant and any guidance issues by any relevant authority as communicated to the project sponsor.

**Delivery of project<sup>1</sup> in accordance with business case<sup>2</sup> and other standards**

3. (a) The project sponsor must deliver the project in accordance with its business case (which will be independently assessed and approved by the LEP) and any amendments thereto and deliver all scheme objectives and outcomes within the milestones/dates set out in the business case, or specified by the LEP. In the event of any inconsistency or conflict between the business case and the law or any applicable guidance, the law or guidance will prevail.  
  
(b) The project sponsor must deliver the project in accordance with the Lancashire Growth Deal project assessment criteria: strategic relevance, economic impact, employment creation, housing growth, benefit cost ratio, private leverage, deliverability and scalability (as applicable and as communicated to the project sponsor by the LEP).  
  
(c) The project sponsor must also deliver the project to professional standards and good industry practice.  
  
(d) The project sponsor must deliver the project for the purposes specified in the business case or notified by the LEP to the project sponsor.  
  
(e) The project sponsor accepts that it is responsible for completing the project (as detailed in the business case) and any failure to do so is not the responsibility of the LEP.  
  
(f) The project sponsor must not make any (material) alterations or variations to the project without prior written consent of the LEP.  
  
(g) The LEP reserves the right to conduct a verification exercise to determine the veracity of representations or statements made in the project sponsor's business case or at any stage during the project business case development; and on the project sponsor itself to determine the financial standing and viability of the project sponsor in delivering the project as set out in the business case.  
  
(h) The project sponsor must adhere to any reasonable requirements of the LEP. For example, project sponsors must adhere to Department for Transport requirements as set out in WebTAG, the Department for Transport's web based guidance on the conduct of transport studies.

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<sup>1</sup> The project is described in detail in the business plan submitted to the LEP and approved by the LEP.

<sup>2</sup> For the purposes of this document, 'business case' includes all documents submitted to the LEP including the approved (strategic outline or outline/full) business case related to the project, any subsequent information or clarification provided to the LEP and any representations made in any meetings with project delivery team(s) of the applicant.

(i) Where there are any issues of cost increase and/or delays to delivery during completion of a project, the LEP will determine whether to continue to support a scheme by considering the following matters: whether cost increases or delays were unforeseen and unavoidable; whether the project sponsor can fund any cost increase; whether additional funding has been sought from other sources; whether the scale of the scheme can be reduced to fit the available budget; the impact of any cost increase on a project's value for money; whether any delay can be accommodated within the programme for delivery of the project; and any other relevant factors. Ultimately, the LEP reserves the right to withdraw its support for a project.

### **Repayment of grant**

4. The grant is being provided to the project sponsor due to the LEP's independent assessment of information provided in the project sponsor's business case. The LEP shall, therefore, reserve the right to require repayment of some, or all, of the grant funding if the project sponsor has made any misrepresentations in its business case, or it transpires that any statement in the business case is misleading or untrue, or that the project sponsor has withheld information.
5. The LEP may also require repayment of the grant in the event of non-delivery of the project, mismanagement of project funds or breach of the grant funding agreement.

### **Securing separate funding to grant**

6. Before provision of any grant funding, the project sponsor must have secured separate funding to contribute towards the total project costs (in addition to the grant) as set out in the business case within agreed timescales and warrant/provide evidence of the same.
7. Each project sponsor must provide an absolute minimum 10% contribution towards total scheme cost (the "**Local Funding Contribution**"). The project sponsor's Chief Financial Officer (or equivalent) shall certify the project sponsor's ability to fund the amount of costs which are not covered by the grant, as necessary. (This includes the Local Funding Contribution.)

### **Expenditure of grant**

8. Grant monies shall be spent only on eligible expenditure related to the carrying out and completion of the project, as:
  - a. set out in an business case; and
  - b. approved by the LEP.
9. Funding must only be used for capital expenditure. Funding must contribute only towards the capital cost of a scheme: construction costs, land acquisition costs and Part 1 claims under the Land Compensation Act 1973. The grant must not be used for scheme development and preparation costs nor any post scheme monitoring and evaluation.

### **Payment of grant claims**

10. Claims for payment of the grant must be made in the form prescribed by the LEP which shall include certifications from the Project Lead Officer and Chief Finance Officer that:
  - a. qualified expenditure has been incurred or due and paid by the project sponsor (with supporting evidence that the monies have been spent including, but not limited to, certified invoices);
  - b. that the project will be delivered and the outcomes and milestones will be achieved within the budget and project delivery timescale set out in the project plan;

- c. the terms and conditions of the grant funding agreement have been satisfied;
- d. only public sector financial assistance which has been declared on the business case has been received by the company in relation to the project; and
- e. any other information as reasonably requested by the LEP.

### **Monitoring, evaluation and audit information**

11. (a) The project sponsor will be required to provide (and keep updated), on a basis determined by the LEP, information and evidence related to the project, milestones and outcomes, including invoices, certificates, vouchers, payslips and records as reasonably requested by the LEP for monitoring and audit purposes.

(b) Formative evaluation is an established principle for all projects and project sponsors are aware of the implications of any additional requirements.

(c) Project sponsors are required to prepare quarterly monitoring returns for consideration by the Growth Deal Management Board, which will detail progress and delivery on a project. These will include quantified risk assessments, as applicable.

(d) The project sponsor shall nominate a Project Manager/Project Lead Officer, with sufficient decision-making authority to act or make decisions on behalf of the project sponsor, who shall be the LEP's principal point of contact for all matters related to the project and grant.

(e) In particular, the project sponsor must notify the LEP as soon as it is aware of any problems or issues which may affect the successful completion of the project.

(f) The LEP will also be entitled to inspect the site on which a project takes place for monitoring and audit purposes; and explicitly reserves the right to attend site meetings with the Project Lead Officer / contractor.

(g) The project sponsor will engage with the LEP's wider Growth Deal Assurance Framework (as required), including attendance and participation in the development of the Growth Deal Evaluation Framework.

(h) The project sponsor will provide quarterly (or more frequently if required by the LEP) progress and risk management reports to the LEP.

### **Conditionality of grant**

12. (a) The LEP is receiving the grant from the Government's Local Growth Fund by virtue of a section 31 of the Local Government Act 2003 discretionary grant on an annual basis and the project sponsor accepts that it must comply with any conditions attached to the grant by the Government such as provision as to the use of the grant; and provision as to circumstances in which the whole or part of the grant must be repaid.

(b) The Council, acting on behalf of the LEP, will not be liable for any grant monies which are cancelled or not paid by Government to the LEP at any point during delivery of the project sponsor's project.

(c) The project sponsor accepts that receipt of grant from the LEP is conditional on the LEP receiving grant monies from Government and so if the LEP does not receive grant monies from Government, or such funding is cancelled, the LEP will have no liability to provide these funds to the project sponsor.

(d) Grant funds may only be drawn-down once the grant has been provided to the LEP from Government.

(e) Payment will also be dependent on final LEP approvals which confirm that the project constitutes value for money.

(f) Payment will also be dependent on the LEP receiving appropriate financial and other information and evidence related to the project, its milestones and outcomes.

(g) The LEP/the Council is merely the accountable body for the grant monies and by making its offer of grant to the project sponsor is not underwriting the project or providing any representation, commitment or guarantee as to the provision of funding.

(h) In the event that the LEP is required to repay any of the grant to Government either during or after delivery of the project, the LEP shall reserve the right, at its absolute discretion, to vary, suspend, withhold or require repayment of the grant payable to the project sponsor.

(i) To ensure that there is not a significant delay in commencement of the project, the grant funding agreement will contain an availability period during which drawdown of the grant must have commenced. If drawdown of the grant has not commenced before the expiration of the availability period, the LEP, at its absolute discretion, reserves the right to withhold the grant.

#### **Maximum amount of grant**

13. The LEP shall be under no obligation to pay the project sponsor for any claim which exceeds the maximum amount of grant which the LEP agrees to pay to the project sponsor; or which has been incurred but not yet paid for by the project sponsor. Any cost over-runs must, therefore, be met completely by the project sponsor.
14. Similarly, in the event that the total project cost is expected to be lower than the sum specified at the outset of the project in the project sponsor's business case, the maximum amount of grant shall be reduced in proportion to the reduction in the total project cost.

#### **Compliance with grant funding agreement (once entered into)**

15. The project sponsor shall comply with the terms and conditions set out in the grant funding agreement, which it will be required to enter into with the LEP

#### **Publicity**

16. The project sponsor shall follow the LEP's instructions regarding any publicity and branding of the project and include any references to the grant funding provided by the LEP as necessary. In particular, this may include use of the LEP's logo and acknowledging grant funding received in any promotion of the project or at the site of the project itself.

#### **Other public funding**

17. The project sponsor must inform the LEP if it receives any other grant funding in relation to the project from another public body and provide evidence of such grant funding. The LEP reserves the right to vary the grant in light of such additional public funding.

### **Subcontractors**

18. The project sponsor shall be liable for the acts, omissions and negligence of its sub-contractors and should ensure that terms equivalent to those contained in the grant funding agreement are passed on to sub-contractors.
19. To the extent that it is compatible with public procurement law, the project sponsor (and its sub-contractors) shall ensure that the Social Value Act 2012 is observed in any procurement processes.

### **No partnership, joint venture or agency**

20. Award of the grant to the project sponsor and approval of the project by the LEP does not constitute a partnership, joint venture or agency between the project sponsor and the LEP.

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