

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE ITEM 12

DATE: 17 December 2021

**REPORT TITLE: LOCAL GROWTH/GETTING BUILDING FUNDS,
ECONOMIC DEVELOPMENT FUND AND REVOLVING
INFRASTRUCTURE FUND CHANGE REQUESTS**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND
CORPORATE SERVICES**

AUTHOR: MALCOLM COE

Purpose of Report

- 1 To seek the approval of the latest scheme change requests in relation to the above funds. The report will also seek approval of the updated West of England Local Growth Assurance Framework.

Impact of Covid-19 pandemic

- 2 The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:
 - The Local Growth, Getting Building, Economic Development and Revolving Infrastructure Funds are focused on supporting economic growth and the delivery of the schemes within these programmes will positively contribute to the economic recovery.

RECOMMENDATIONS:

Members of the Joint Committee are asked to:

- 1) **Approve the updated Local Growth Assurance Framework.**
- 2) **Approve the treatment of the schemes within the RIF programme as set out in paragraph 4.2 and the RIF principles detailed in Appendix 1.**
- 3) **Approve the change requests for schemes within the Local Growth and Getting Building Fund programmes as set out in Appendix 2.**
- 4) **Approve the change requests for schemes within the Economic Development Fund programme as set out in Appendix 3.**

Local Growth Assurance Framework

- 3.1 A consistent approach has been developed for the identification, development, approval and change management for schemes seeking funding through the LEP Local Growth Fund (LGF), Getting Building Fund (GBF), Economic Development Fund (EDF) and Revolving Infrastructure Fund (RIF). This involves recommendations being made by the West of England Chief Executives, oversight by the LEP Board and formal decision making by the West of England Joint Committee. For schemes within the EDF advice is provided by the four Council S151 officers as part of the business case approval decision.
- 3.2 It is recognised that transparency, accountability and ensuring value for money must be central to these arrangements, and Government have set out their expectations in this regard in the 'National Local Growth Assurance Framework' guidance. The way that these requirements are met is set out in the [West of England Local Growth Assurance Framework](#) which has been updated to reflect updated guidance and the inclusion of the City Region Sustainable Transport Settlement.

Revolving Infrastructure Fund

Weston Business Quarter (WBQ)

- 4.1 An [Outline Business Case](#) was submitted by North Somerset Council for the Weston Business Quarter (WBQ) seeking funding through the RIF. The project will deliver the infrastructure and utilities required to service the remaining 30 acres of land which is yet to be developed and in the ownership of North Somerset Council in the WBQ, which is part of the J21 Enterprise Area. The project seeks to de-risk the site making it attractive for commercial development, enabling jobs and business rates growth and helping to facilitate future phases of The Food Works which was supported through the Local Growth Fund. In line with the delegation granted at the Committee meeting in June, the Outline Business Case was approved by the Combined Authority Chief Executive in consultation with the West of England Chief Executives in July. Funding of £674k was awarded to progress the project to Full Business Case. There are RIF funds available to fund this initial award, and subject to the other repayments expected in 21/22 being made, full funding of an additional £10.4m could be accommodated within the RIF programme, (to be confirmed at Full Business Case). The RIF is a repayable fund and it is planned that funds would be returned from the land receipts over the period 24/25 to 28/29. The Assessment Summary Table is shown in Appendix 4.

RIF Principles

- 4.2 A set of principles for the operation of the RIF have been produced, (in consultation with the region's Section 151 Officers), to maximise the opportunity to utilise funding on projects such as WBQ going forward. These principles are shown in Appendix 1. Three schemes have previously granted outline or conditional approval for RIF funding over recent years, namely the J21 Northbound Merge, J21 Queensway Junctions and Watershed Redevelopment. Given that these historic schemes have not been confirmed for funding, it is proposed that, if appropriate, they will need to re-enter the programme at some point in the future via the submission of a Business Case, should funding be available. Alternatively, these schemes may also progress through other funding opportunities.

Changes to Schemes within the LEP One Front Door Programme

5. The Joint Committee in October 2019 agreed to delegate approval of changes within stated tolerances for schemes within the approved programme to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils. The changes to the LGF, GBF, EDF and RIF programmes which fall outside of these tolerances and require a Committee decision are set out in Appendix 3 and 4 respectively.

Consultation

6. Consultation has been undertaken with the Chief Executive Officers and four Section 151 Officers across the West of England alongside the Combined Authority's Statutory Finance Officer and Monitoring Officer

Other Options Considered

7. All Business Case and Change Requests are required to set out in detail the full range of options considered and the reason the preferred option has been identified

Risk Management/Assessment

8. Business cases are required to identify key risks to delivery and set out the way that risks will be managed. All projects underway will maintain a specific risk register as part of the project management and monitoring arrangements

Public Sector Equality Duties

- 9.1 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 9.2 The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 9.3 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 9.4 For projects seeking funding through the One Front Door programme scheme promoters are required to include as part of their Full Business Case, an equality and

diversity assessment and plan. These assessments are published as part of the Business Case on the Combined Authority website.

Climate Change Implications

- 10.1 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 10.2 Each business case coming forward for decision on inclusion in the One Front Door funding programme includes consideration of environmental sustainability which sets out how sustainability is being considered in the development of the project as well as during its operational stage.

Finance Implications, including economic impact assessment where appropriate:

- 11.1 The specific financial implications are set out in the body of this report.
- 11.2 Supporting economic growth is central to the One Front Door funding streams, and promoters are required to include an economic case within the Outline or Full Business Case for each scheme which sets out how the project will create jobs and GVA growth as well as delivering wider benefits. In line with agreed processes, these business cases are [published](#) on the Combined Authority website at the point of decision making

Advice given by: Malcolm Coe, Director of Investment & Corporate Services

Legal Implications:

- 12 There are no additional legal implications arising from this report.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

- 13 There are no direct human resource implications arising from this report.

Appendices

Appendix 1: Principles for the operation of the Revolving Infrastructure Fund

Appendix 2: Change Requests Recommended for Approval – LGF and GBF

Appendix 3: Change Requests Recommended for Approval – EDF and RIF

Appendix 4: Business Case Assessment Summary Table - Weston Business Quarter

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird on 07436 600313; email:

democratic.services@westofengland-ca.gov.uk

Principles for the operation of the Revolving Infrastructure Fund

- 1) The general presumption is that funding awarded through the RIF is:
 - a) For capital projects (including any repayable revenue associated with developing or promoting such projects)
 - b) Repayable in order to replenish the pot available to support future projects and retain this as a funding mechanism going forward.
- 2) Business Cases submitted seeking to access the RIF should clearly commit to repayment and set out the profile of this repayment which will be embodied in the grant offer letter. Such repayments should be made within 5 years of the completion of the project to maximise the opportunity for the fund to revolve, or exceptionally within 10 years. Such repayments will be underwritten by the relevant Council.
- 3) Funding for new projects will be:
 - a) Indicatively allocated to the programme at Outline Business Case stage as notional commitments, including expected payments and repayments. These will remain as commitments with funds held in abeyance unless the project is withdrawn, or the project does not progress to Full Business Case within a year of Outline Business Case approval.
 - b) Only be confirmed at Full Business Case where funds already held by the Combined Authority can accommodate this, without relying on future repayments, unless the risk is accepted by the Combined Authority and this is acknowledged as part of the decision at the Joint Committee.
- 4) All RIF applications need to be made by one of the constituent Councils or the Combined Authority, aside from where an application by another party is underwritten by one of the authorities.
- 5) Projects may exceptionally be considered for funding which is not repayable where there is West of England scale impact. These exceptional projects will be limited to £1m in any financial year. Such proposals will first be considered and agreed by the West of England Section 151 Officer group prior to any Committee decision.
- 6) Any wholly revenue proposals exceptionally submitted will have regard to the amount of RIF funding held which can be considered as revenue within the overall RIF balance. To date this has been considered that part of the RIF which is repaid from the Economic Development Fund
- 7) Aside from the circumstances in 8) below, all RIF repayments will be made in line with the profile agreed as part of the business case, and included in the offer letter, and these need to be underwritten by the Councils. Any exceptional request for reprofiling will need to be agreed by the Joint Committee in line with the terms of the grant offer letter.
- 8) Should the balance of EDF funding and commitments impact on the ability of the EDF to repay the RIF as profiled, the Business Rates Pooling Board may exceptionally request deferral of these repayments. The impact on the RIF and a refreshed summary table will be reported to the next Section 151 Officer meeting to provide transparency on the impact of the decision.
- 9) The Combined Authority will submit a request for the repayment for the given financial year in April, unless a request has been received to delay this to later in the year.
- 10) A six-monthly update on the RIF summary table including recent payments, repayments and balances, progress against milestones and outputs, and any issues or risks will be presented to the S151 Officer group. This will provide a regular forum to discuss headroom, emerging Business Cases and the opportunity for new propositions to be brought forward.

Change Requests Recommended for Approval

Local Growth Fund and Getting Building Fund

- **Weston-Super-Mare Town Centre Transport Enhancement Scheme**
Cost: Increase to total project cost of £215k due to ground conditions to be met from other sources. Change to cost categories for Design and Supervision fees from £440k to £1.061m and Risk from £600k to £193k.
- **Umbrella**
Milestones: Delays of 3 – 5 months including completion of fibre build and network promotion.
Cost: Increase in cost of £400k due to delays and additional costs associated with power and fibre connectivity, restrictions from safe working and future proofing connectivity. Increase to be met from GBF to be spent in 21/22. £340k swop of EDF for GBF to be spent in 21/22. [Revised LGF/GBF profile £771k 19/20, £2.749m 20/21 and £552k 21/22, total £4.072m. Revised EDF profile £13k 21/22]
- **Emersons Green Local Transport Enhancements**
Milestones: Delays of 3 – 15 months for completion of various works including bridge refurbishments and sustainable transport.
Costs: Reprofile £1.729m from 21/22 to 22/23. £592k of GBF swapped with EDF with £142k additional EDF [Revised GBF profile £1.378 to 20/21 and £1.022m 21/22, total £2.4m and revised EDF profile £767m 21/22 and £1.883m 22/23, total £2.65m]
- **South Gloucestershire Sustainable Transport Package**
Milestones: Delays of 5-8 months to delivery of transport and improvements schemes
Cost: Spend reprofile of £316k EDF from 21/22 to 22/23 [revised profile £235k 21/22, £316k 22/23, total £551k]
- **Institute for Advanced Automotive Propulsion Systems (IAAPS)**
Milestones: Delays of up to 12 months to advisory board, construction completion and operation.
- **Keynsham Town Centre** - £252k of EDF to be swapped for GBF [revised GBF profile £170k 19/20, £230k 20/21, £1.1m 21/22, total £1.5m]

Change Requests Recommended for Approval

Economic Development Fund

- **Avonmouth Severnside Ecology Mitigation & Flood Defences** – changes to profile including reprofiling £5.066m of EDF from 21/22 to 22/23 [revised EDF profile £11.776m pre 20/21, £7.869m 21/22, £22.139m, 22/23, £4.955m 23/24 and £17.162m 24/25+, total £63.9m]
- **Temple Quarter Enabling Works**
Scope: Significant changes to the project including descoping of Southern access improvement and new scope of £1.26m allowance for a construction haul road and river wall repairs.
Milestones: Delays of 6 months for project completion due to rework and changing scope of the project.
Cost: Change of cost categories and spend reprofile of £23m from 19/20, 20/21 and 21/22 into 22/23 [revised EDF profile £413k 19/20, £593k 20/21, £5.473m 21/22, £18.46m 22/23, £7.06m 23/24, total £32m]

Revolving Infrastructure Fund

No changes to report

Appendix 4 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
Project Name	Weston Business Quarter	Strategic Case	<p>The Weston Business Quarter (WBQ), and is an established commercial location, with most plots on neighbouring land built out and occupied and the recent opening of The Food Works, food and drink innovation centre, generating a spike in investor interest.</p> <p>The site is part of the J21 Enterprise Area, one of six Enterprise Zones and Areas agreed as priority locations for commercial growth across the West of England.</p> <p>Funding is sought to fund infrastructure and utilities to service the remaining some 30 acres of land which is yet undeveloped and in the ownership of North Somerset Council.</p> <p>The plots benefit from the previous public funded RIF flood protection scheme, but ground raising will still be required in line with the adopted flood protection strategy for the area.</p>	Funding Source(s)	Revolving Infrastructure Fund
Scheme Promoter	North Somerset Council	Subsidy Control	Advice has been provided which concludes that the Council will not be an economic actor when delivering the enabling scheme on the basis that it will be doing so in its capacity as a public authority discharging a statutory function. In addition, a significant proportion of the funding will be used to fund the construction or improvement of roads which will be adopted by the Council as highway authority as open access infrastructure. This is accepted by the Combined Authority, noting that the risk sits with the Council.	Approval Requested	Outline Business Case

Date of Submission	26/4/21	Economic Case and Value for Money	The City Deal monitoring and forecasting refresh (2019) modelled that by 2036 the totality of WBQ would see the creation of 914,000 ft ² of commercial floor space, creating 1,700 direct jobs and GVA of £140m.	Grant Award	£674k to develop the Full Business Case
Funding Requested	£674k		The Council's development land enabled by this proposal, comprises some 40% of the developable land within WBQ, proportionately equating to 760 jobs and £62.6m GVA across some 408,500 ft ² of floor space. This equates to GVA per £ of investment of £5.65. A more detailed economic appraisal should be provided with the Full Business Case including the acceleration delivered by this proposal and the attribution of benefits between this and the previously funded flood relief proposal. Confirmation has been provided by NSC's s151 officer that the business case has been approved and endorsing the value for money statement.		
Total Scheme Cost	£11.078m (£674k FBC Development; £10.404m Works, Fees and Risk; £150k Site Management, Marketing and Disposal)	Risk	An allowance of £1.326m has been made for risk and contingency being some 13% of the capital cost. A risk register has been provided which identifies 12 key risks. RIF funding is repayable (including the funding to develop the Full Business Case) and repayment will need to be underwritten by the Council. The proposed profile of repayment is £1.88m 24/25, £2.924m 25/26, £1.796m 26/27, £1.284m 27/28 and £3.194m 28/29.	Grant Recipient	NSC
Match Funding %	0% (but revolving)	Delivery	All land for this project is in the freehold ownership of the Council. Planning consent for infrastructure and services will be required, anticipated to be secured in Dec 2021, with start on site in Apr 2022 and completion in Sep 2023. The procurement strategy for the works is to be developed further as part of the Full Business Case. On completion of roads and utilities, it is expected that the infrastructure will be adopted and maintained as a standard part of the Council's estate. Revenue	Payment Basis	Quarterly in arrears on defrayed expenditure

			funding is sought to cover the marketing and management costs until all plots are occupied.		
--	--	--	---------------------------------------------------------------------------------------------	--	--

<i>Scheme Description</i>	<i>Recommendation to Chief Executives</i>	Approval of the Outline Business Case
<p>The project will provide the infrastructure and utilities to service the remaining as yet undeveloped land, enabling this to be split into smaller, more desirable plots through provision of the following:</p> <ul style="list-style-type: none"> • Utility servicing, • Upgrading the existing access road, • A new road to connect the access road to the existing access to other plots, • Road spurs to each plot, • Opening of existing rhyne (drainage channel), and relocation of a rhyne that subdivides one of the largest plots, • Realignment of services into combined utilities corridor (subject to feasibility studies), • Improve site security and management, • Surcharge ground level to mitigate future flood level. 	<i>Conditions of Approval</i>	None

Record of Approval

WECA S73 Officer		Chief Executives	
Name	Malcolm Coe	Date of Meeting	28 July 2021
Date	23 July 2021	Decision	Approval of the Outline Business Case
Signature			