

## CABINET MEETING – 10 OCTOBER 2012

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

North Eastern Local Enterprise Partnership – Accountable Body

**Author(s):**

Report of the Deputy Chief Executive and the Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To provide Cabinet with an update on the activities of the NELEP and to seek agreement to the Council acting as the Accountable Body for the NELEP

**Description of Decision:**

Cabinet be recommended to:

- (i) Note the progress made by the NELEP in respect of the delivery of its key activities;
- (ii) Confirm that the Council should act as the Accountable Body for the NELEP; and
- (iii) Authorise the Council to take all necessary actions and to exercise all powers and duties on behalf of the NE LEP as the Accountable Body, including without limitation the appointment of staff, the procurement and award of contracts, the provision of loans and grants and to otherwise incur obligations and liabilities on behalf of the NE LEP subject to appropriate indemnification arrangements with the other participating local authorities.

**Is the decision consistent with the Budget/Policy Framework?** **Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

The Council has undertaken preliminary Accountable Body work to support the NELEP to enable it to be established, commence delivery of the Growing Places Fund and submit other funding bids. Now that the NELEP has been operating for several months, and it is therefore possible to assess the full extent of the Accountable Body requirements, it is appropriate to confirm the Council's position.

The Council has considerable experience of acting as an Accountable Body, for instance, in support of the TyneWear Partnership and the Tyne and Wear City Regions. It is therefore well placed to take on this role for the NELEP provided.

The Accountable Body duties require a considerable degree of staff resource, across several disciplines, in providing the support to the NELEP. The role provides some strategic benefits resulting from the Council's central involvement in the work of the NELEP and economic development more generally.

**Alternative options to be considered and recommended to be rejected:**

The other options that are considered and recommended to be rejected are:

- That the role is shared with other local authorities. While some degree of partnership support is possible, for instance, in seconding staff to the NELEP, sharing of the Accountable Body role would be unrealistic because of the need for clear reporting and decision making arrangements. It also would be difficult to provide the range of support that is required, often at short notice.
- That another local authority undertakes the role. With the initial support having been provided by the Council, it would not be feasible to transfer responsibility at this stage. The council also would lose the strategic benefit of acting as Accountable Body.
- That a non local authority partner undertakes the role. This would not be possible because of the extent of professional and technical resources that are required. Also, government requires that a local authority acts as Accountable Body.

**Impacts analysed:****Equality****Privacy****Sustainability****Crime and Disorder**

**Is this a “Key Decision” as defined  
in the Constitution?**

**Yes**

**Is it included in the 28 day Notice of  
Decisions?**

**No**

**Scrutiny Committee:**

**NORTH EASTERN LOCAL ENTERPRISE PARTNERSHIP**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE AND THE EXECUTIVE DIRECTOR OF  
COMMERCIAL AND CORPORATE SERVICES**

**1 Purpose of the Report**

- 1.1 To provide Cabinet with an update on the activities of the North Eastern Local Enterprise Partnership (NELEP) and to seek endorsement to the Council acting as Accountable Body for the NELEP

**2 Description of Decision (Recommendations)**

- 2.1 Cabinet is recommended to:

- (i) Note the progress made by the NELEP in respect of the delivery of its key activities;
- (ii) Confirm that the Council should act as the Accountable Body for the NELEP subject to its costs being covered and appropriate agreements covering any potential additional liabilities being confirmed with the other partner local authorities; and
- (iii) Authorise the Council to take all necessary actions and to exercise all powers and duties on behalf of the NELEP as the Accountable Body, including without limitation the appointment of staff, the procurement and award of contracts, the provision of loans and grants and to otherwise incur obligations and liabilities on behalf of the NELEP subject to appropriate indemnification arrangements with the other participating local authorities.

**3 Background**

- 3.1 Local Enterprise Partnerships (LEPs) were formed by the Coalition Government as part of its localism agenda with an emphasis on involving the private sector in generating economic growth. The LEPs have succeeded the Regional Development Agencies which have been abolished.
- 3.2 The NELEP was established in 2011. It covers the 7 local authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland and South Tyneside and Sunderland.
- 3.3 The Board, which is supported by a small executive team led by the NELEP Director, is composed of:
- Private sector (including the chair): 8 members
  - Local authority leaders and elected mayor: 7 members
  - Higher and Further Education sectors: 2 members

#### **4. Funding Position**

- 4.1 The core costs of the NELEP during the current financial year are funded by a contribution of £50,000 from each local authority, supplemented by Central Government grant. The NELEP also benefits from a considerable amount of pro bono and in kind support from its private sector partners.

#### **5. Activities to Date**

- 5.1 In terms of delivering economic development activity, the main priorities of the NELEP to date have been:
- Co-ordination of the NELEP Enterprise Zone, which includes a number of sites within Sunderland, and liaison with Government
  - Implementation of the Growing Places Fund (GPF) which was introduced by the Government as a means of stimulating economic growth, particularly through loan financing of stalled development projects. £25.253m was awarded to the NELEP for this purpose. The council has 3 projects which are being supported through GPF, and in addition a further private sector led project within the City is also being supported.
  - Development of a Regional Growth Fund (RGF) bid for up to £45m to create a revolving fund for infrastructure investment. An announcement is expected shortly to confirm whether the bid has been successful
  - Development of a bid to Birmingham City Council ( acting on behalf of the Regional Growth fund) for funds of up to £22.4m to support an Advanced Manufacturing Supply Chain Initiative (AMSCI)
- 5.3 The volume and complexity of work being undertaken of behalf of the NELEP is therefore increasing rapidly. To date, the Council has undertaken preliminary Accountable Body work to enable progress in establishing the NELEP, and the delivery of the NELEP's priorities aligned to the Council's strategic priorities. A more formal relationship is necessary now that the scope of the likely responsibilities can be fully assessed.

#### **6. Accountable Body Role**

- 6.1 As the NELEP is an unincorporated partnership, it is not a legal entity and therefore does not have the capacity to enter into contracts or incur legal rights and obligations. Accordingly, in these circumstances it is necessary for one of the partners to act as the Accountable Body for the purposes of the partnership in order to carry out and implement the decisions of the NELEP, including the appointment of staff, entering into contracts and otherwise exercising and incurring rights and obligations.
- 6.2 In this case, it has been agreed that the Council will act as the Accountable Body for the NELEP as an early decision was required to draw down funding from the government, in particular the Growing Places Fund allocation, and to appoint staff to the executive team. In acting as Accountable Body for the NELEP, this will involve:
- the appointment of partnership staff;
  - applying for and securing third party funding on behalf of the partnership and complying with any funding conditions;

- entering into contracts on behalf of the partnership, including procurement activity and any property agreements;
- the provision of financial assistance to eligible third parties, including loans and the award of grants;
- to exercise the legal rights of the partnership and to discharge its legal obligations and liabilities;
- to provide legal advice in relation to constitutional and governance matters;
- to hold and manage the partnership's budget including funding resources; and
- to provide certain support services to the partnership where required.

- 6.3 The Council will exercise its role as Accountable Body in accordance with the instructions of the NELEP Board (including its sub-committees) and implement the decisions that are taken by those bodies. It will advise the NELEP on matters relating to its accountable duties, for instance, management of funding.
- 6.4 In line with the implementation plan for the NELEP Low Carbon Enterprise Zone, the Accountable Body role will include the monitoring of the overall receipt of business rates, re-imbursement to the host local authorities in respect of the financing costs of infrastructure required within the Zone, but only in so far as business rates are available to meet these costs, and the re-investment of any surplus business rates in accordance with the agreed strategic priorities of the NELEP Board. No additional financial responsibilities would be undertaken on other authorities' behalf.
- 6.5 The Council will incur financial obligations and liabilities on behalf of the NELEP. As a consequence, it is necessary for agreements to be entered into between the participating local authorities (as well as Government) so that any liabilities that cannot be met from the resources available to the NELEP are apportioned between the partners through indemnities in favour of the Council.
- 6.6 The financial and other risk related implications of each Accountable Body function, such as potential clawback of funding, will be assessed before any commitment is agreed with the NELEP. For example in relation to the GPF, the risk of loans not being repaid by the projects that are being supported lies with the NELEP. The role of Accountable Body does not preclude other partners providing support to the NELEP as long as no risk to the council is involved.
- 6.7 The costs to the Council of undertaking the Accountable Body duties will be met through programme management allocations and interest received through the Growing Places Fund and other funds for example, if successful, the RGF and AMSCI bids. This approach will be followed for any further Accountable Body roles that are undertaken by the Council on behalf of NELEP.
- 6.8 The primary responsibility for this role will rest with the Executive Director of Commercial and Corporate Services with input from the Deputy Chief Executive.

## **7. Reasons for Decision**

- 7.1 The Council has provided Accountable Body work for the NELEP to enable it to be established, commence delivery of the Growing Places Fund and submit other funding bids. Now that the NELEP has been operating for several months, and it is therefore possible to assess the full extent of the Accountable Body requirements, it is appropriate to confirm the Council's position.
- 7.2 The Council has considerable experience of acting as an Accountable Body, for instance, in support of the TyneWear Partnership and the Tyne and Wear City Regions. It is therefore well placed to take on this role for the NELEP provided.
- 7.3 The Accountable Body duties require a considerable degree of staff resource, across several disciplines, in providing the support to the NELEP. The role provides some strategic benefits resulting from the Council's central involvement in the work of the NELEP and economic development more generally as well as resource to support this activity.

## **8. Financial Implications**

- 8.1 The costs of undertaking the Accountable duties for the NELEP will be met from programme funds without additional budget implications for the council. If it is not possible to recover costs from programme funds, the Council's commitment will be reviewed.
- 8.2 In the event of unforeseen costs that cannot be met from programme funds and other resources available to the NELEP, the Council will negotiate settlement through the proposed legal agreement with other partner local authorities.

## **9. Alternative Options**

- 9.1 The other options that are considered and recommended to be rejected are:
- That the role is shared with other local authorities. While some degree of partnership support is possible, for instance, in seconding staff to the NELEP, sharing of the Accountable Body role would be unrealistic because of the need for clear reporting and decision making arrangements. It also would be difficult to provide the range of support that is required, often at short notice.
  - That another local authority undertakes the role. With the initial support having been provided by the Council, it would not be feasible to transfer responsibility at this stage. The Council also would lose the strategic benefit of acting as Accountable Body.
  - That a non local authority partner undertakes the role. This would not be possible because of the extent of professional and technical resources that are required. Also, government requires that a local authority acts as Accountable Body.

10. **Background Papers**

10.1 There were no background papers relied upon to complete this report.

