

# Executive

## Eco Town Arrangements – Local Authority Funding Arrangements

5 July 2010

### Report of Project Manager, Eco Town Bicester

#### PURPOSE OF REPORT

To advise Members of the outcome of the Council's Eco Town Funding Bid. To agree the mechanism for determining, and authorisation for, the spend of the funding received.

This report is public

#### Recommendations

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The meeting is recommended:

- (1) To note the outcome of the funding bid and approve the Governance and decision making arrangements (Eco Bicester Strategic Delivery Board) shown in place to manage allocation and use of the monies received.
- (2) To delegate to the Chief Executive in consultation with the Leader of the Council, decisions on spend of the funding, (within the framework of priorities and a budget plan set by the Eco Bicester Strategic Delivery Board).

#### Executive Summary

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##### Introduction

- 1.1 Following the announcement by the Government of £60 million ring fenced allocation for eco towns in July 2009 the Council submitted a bid for growth funding from this allocation. The Bid was reported to the Executive on the 2 November 2009. The purpose of this funding is to pump prime and support private sector development.
- 1.2 Following the submission of the bid in November 2009 further information was requested by the Department for Communities and Local Government and this was supplied on the 30 November 2009. The Bid and subsequent information submitted dealt with not just the proposals for on and off site spending, but also the governance arrangements for joint working with the creation of The Strategic Delivery Board to steer the project.
- 1.3 The Council was notified of the outcome of the Bid in March and received

£7,886,620.75 capital funding and £1,834,065.75 of revenue funding to support the eco town. A further £0.46m was identified from the Department of Children Schools and Families to fund the zero carbon sixth form centre at Cooper School. This latter funding has not yet been received at the time of writing this report.

- 1.4 Further funding was anticipated for the 2010/11 year, with the indication that between £2-£6 million was available. The Council has agreed payment milestones in connection with this funding, but there is now considerable uncertainty about its availability given the new Government's plans to reduce public expenditure.

## **Proposals**

### **Governance Arrangements**

- 1.5 The Bid document identified the governance arrangements for the running of the project. This focused on the establishment of a Strategic Delivery Board (SDB) led by Cherwell District Council with representation from Oxfordshire County Council, Bicester Town Council, the Primary Care Trust, Homes & Communities Agency, Environment Agency, SEEDA and Bicester Vision. The SDB is to promote the project and steer effective partnership working. It works by consensus and has no formal powers. Planning applications will remain to be determined by this Council's Planning Committee and the Executive for ultimate responsibility for any policy and funding decisions. The SDB has now met and established its terms of reference and will continue to meet quarterly to guide the project.
- 1.6 The SDB will be supported by the Core Project Team which is now in place. The team comprises of a project manager, implementation officer, transport post, infrastructure officer (P/T), Bicester community liaison officer (temp 2yrs) and communications officer (P/T). The project team is also supported by a two day a week secondment to the project team by the Environment Agency. Details of the SDB and its terms of reference and Project Team are attached at Appendix A.
- 1.7 These formal arrangements are supplemented by an informal meeting of six leading Members of CDC and OCC meeting monthly to deal with matters arising, an internal project board that can be called if necessary and a weekly briefing of the Leader and Chief Executive.

### **Funding Bid**

- 1.8 The Bid submitted identified over £20m worth of spending in connection with the eco town proposals. This fell within a number of different categories including; an on site demonstration project, off site demonstration projects, measures for preparing the local community, community infrastructure and on site infrastructure. The funding received at £9.7m, in common with all other eco towns, was less than half the amount that was bid for. An indication of a further £2 - £6 million was identified as potentially available from the government for 2010/11.
- 1.9 Following the receipt of the initial funding allocation discussions commenced on access to the second round funding. The second round funding varies from the first round in that it is available either through a funding agreement

with milestones or as block grant. The Council has opted for a funding agreement with milestones as the method likely to provide greatest certainty over the funding. Milestones have now been agreed, although not the amount of funding available. A copy of the letter announcing the milestones is attached at Appendix B.

- 1.10 The second round funding has been caught up in the government's spending review and as such no further announcement as to the amount has been received at the time of writing this report. A verbal update will be given at the meeting.

### **Allocation of Funding**

- 1.11 Originally it had been intended to leave allocation of funding until the full amount was known from the two rounds of funding. However in the light of the current uncertainty over the timing of any second round funding the SDB has commenced work on identification of priorities for spending.
- 1.12 The original funding bid was made on the basis that spending would be spread over five years in recognition of the long term nature of the proposed large scale development. Second round funding is dependent on achieving milestones in 2010/11 and in year spending on projects. At the present time, given the uncertainty about the amount of funding available or the timing of its receipt, an indicative list of areas of spend has been identified and provided to the Housing and Communities Agency, who are to be responsible for monitoring the achievement of milestones and allocation of funding to projects. The focus of any spending is likely to be on facilitating the delivery of the on site demonstration project, the first phase of development on the site.
- 1.13 Of the first round funding received, money has been committed to the funding of the core project team over five years and an allowance for expenses and consultancy. The Funding Bid also included a commitment to deliver six off site demonstration projects as a priority. These are the temporary demonstration building at the Garth, redevelopment of Bryan House, Community Hall on Causway, new sixth form block to Cooper School, a travel demonstration project and construction skills training. Of these projects £110k has been committed to support the demonstration building and up to £600k for the sixth form at Cooper School (although it is anticipated that £460k will in due course be repaid from DCSF funding when it is received). A commitment of £75k has been given to funding of a survey to support the development of the travel demonstration project. These commitments are identified on the attached summary of the budget at appendix C.
- 1.14 The priorities for further spending have yet to be finalised. There are still a number of areas, such as the extent and cost of infrastructure, that are currently unknown, although work is underway to establish these costs. Without certainty over the infrastructure requirements for the site it is prudent to retain some of the funding for the time being whilst infrastructure planning and master planning are progressed. As these progress the need or otherwise for support from the eco town funding will become more evident.
- 1.15 A focus for initial spending would also be proposals to prepare the existing community and to facilitate the delivery of the development at North West Bicester. Such projects would include matters such as travel behaviour project in the town or early provision of infrastructure that might benefit the

whole town.

- 1.16 Priorities for funding over the five year period will be considered by the SDB when it next meets on 21 July 2010. The SDB will need to consider short term funding priorities and a five year strategy for dealing with the funding. As greater certainty is established around the development at North West Bicester and other projects identified in the bid the spending profile can be established and reviewed to ensure it is meeting requirements. However Cherwell District Council is the accountable body for the funding, rather than the SDB, and therefore a mechanism is required for formal authorisation of spending from the eco town funding.

#### **Authorisation of expenditure**

- 1.17 It is essential that clear and accountable monitoring of expenditure is carried out. The mechanism needs to be robust to ensure Cherwell as the accountable body deals with the funding in an effective manner. With the support of the Head of Finance a monitoring spreadsheet has been produced and is attached at appendix C illustrating the current commitments.

- 1.18 As many of the projects identified for spend are to be carried out by third parties it is also necessary to ensure that any payments made will be used to deliver the required outcome. The Head of Legal and Democratic Services advises that there are two potential methods of ensuring appropriate spend;

- Informal exchange of letters to give prior agreement of this Council to any intended expenditure, to ensure that the money is being spent for a proper purpose and that the amount is appropriate and reimbursement following presentation of evidence of the spend (invoices). The limit for this approach is £150,000 in accordance with CDC financial procedure rules.
- Alternatively a legal agreement will be needed to cover :
  1. prior agreement as above;
  2. agreement in writing that the money will only be used for the purpose agreed under 1 above;
  3. submission of paid invoices and reimbursement of any moneys not spent; and
  4. evidence that the money has been used for the agreed purpose

- 1.19 The method used will need to depend on the nature and the amount of funding involved. Large sums where funding is needed in advance of works taking place will be more appropriately dealt with through a funding agreement whereas the submission of invoices for agreed spending may well be appropriate for smaller sums or where forward funding is not required.

- 1.20 Whilst the above arrangements cover the monitoring of expenditure it may be necessary to require other monitoring. For example on Cooper School sixth form block DCSF and CLG have indicated they would wish to monitor carbon reduction from the proposed building. DCLG have currently commissioned work on monitoring in connection with the four eco towns identified in the PPS

and further details of the monitoring requirements are likely to emerge later this year. Funding may well need to be subject to such monitoring requirements.

- 1.21 The level of monitoring and control of expenditure needs to be proportionate to the amount of funding required. All major funding decisions will be the subject of consideration by the SDB but will still require a formal authorisation decision by Cherwell. The decision process needs to be efficient and speedy. It is therefore recommended that the Chief Executive, who has the delivery of the eco town as a priority for the current year, is given delegated authority, in consultation with the Leader of the Council, to authorise spend from the eco town growth fund. This will be done in the context of the SDB's guidance on its frame work of priorities and an associated budget plan.

### **Conclusion**

- 1.22 The eco town proposal and funding provide a significant opportunity to bring benefits to Bicester. However the reduced amount of funding received will require careful allocation to maximise the benefit for the town. The work of the SDB will ensure scrutiny with public sector partners and Bicester Vision of the priorities for spending and budget constraints.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 The progress on securing funding in connection with the eco town
- 3.2 Appropriate mechanisms for sanctioning spending of the eco town funding received.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

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|-------------------|---------------------------------------------------------------------------------------------|
| <b>Option One</b> | To delegate to the Chief Executive in consultation with the Leader to authorise spending    |
| <b>Option Two</b> | For the Executive to retain authorisation of expenditure from the eco town growth fund bid. |

### **Consultations**

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The funding and governance issues noted in this report have been subject to extensive consultation with all project partners agreeing to the funding bid process and establishment of the SDB.

### **Implications**

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- Financial:** The Council has been given responsibility for a significant sum of money which is ring fenced for the Eco Bicester project. The arrangements noted in this report will be

combined with normal Cherwell District Council accountancy and audit routines.

Comments checked by Karen Curtin, Head of Finance, 01295 221551

**Legal:**

The governance arrangements set out provide an appropriate balance for strategic overview on use of funding and ability to make necessary day to day decisions as well as ensuring binding legal arrangements where necessary to ensure delivery

Comments checked by Liz Howlett, Head of Legal and Democratic Services, 01295 221686

**Risk Management:**

The arrangements set out in the report are designed to manage risks around effective use of eco town funding and proper accountability for budgets and spend

Comments checked by Rosemary Watts, Risk Management and Insurance Officer, 01295 221566

**Wards Affected**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix A	Structure of SDB and Project Team
Appendix B	2010/11 Funding Letter from CLG
Appendix C	Summary of Funding Awarded to Date
<b>Background Papers</b>	
(1) North West Bicester Eco-Town Final Bid for Start Up Growth Funding, November 2009 ( <a href="http://www.cherwell.gov.uk/media.cfm?mediaid=7133">www.cherwell.gov.uk/media.cfm?mediaid=7133</a> ).	
(2) 2009/10 Funding letter from CLG ( <a href="http://www.cherwell.gov.uk/media.cfm?mediaid=6775">www.cherwell.gov.uk/media.cfm?mediaid=6775</a> )	
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