



# Northumberland

## County Council

CABINET

13TH OCTOBER 2020

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### BORDERLANDS INCLUSIVE GROWTH DEAL INVESTMENT PROGRAMME

**Report of:** Juliemma McLoughlin, Executive Director of Regeneration, Commercial & Economy and Chris Hand, Executive Director of Finance

**Cabinet Member:** Councillor Glen Sanderson, Leader of the Council

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#### **Purpose of report**

This report seeks approval for the inclusion of the first phase of the Borderlands Inclusive Growth Deal Investment Fund, for the Alnwick Garden Lillidorei; Ad Gefrin Distillery; and Energy Masterplan projects, in accordance with the Council's role as accountable body for the Growth Deal Investment Fund awarded by the UK Government in England, within the Council's capital and revenue budgets.

#### **Recommendations**

Cabinet are asked to note the contents of the report and;

1. Approve the addition of the Alnwick Garden Lillidorei and Ad Gefrin Distillery schemes to the Council's capital programme, and note that these projects will be fully funded from Section 31 Government Growth Deal Investment Fund Grant, awarded by the UK Government, and
2. Recommend Council approve a revenue budget of £1.100 million for the Energy Masterplan project, and subsequent virement of £1.100 million of revenue budget in 2020-21 from an existing revenue budget, for the cost of borrowing, to fund the project. This proposal has a net nil cost to the Council, as detailed in the report.

**[Link to Corporate Plan](#)**

This report is relevant to the “thriving” priority included in the NCC Corporate Plan 2018-2021

### **Key issues**

The Borderlands Partnership submitted the proposal for the Borderlands Inclusive Growth Deal to both UK and Scottish Governments in September 2018. In March 2019, both Governments confirmed their funding commitment to the Deal. The Heads of Terms Agreement for the Growth Deal was subsequently announced on 1 July 2019.

This Agreement confirms a commitment to a financial package of £350 million of capital investment, with £200 million to be invested on the English side of the Border of projects over a ten year period.

The Governance for the Partnership is enshrined in a formal Collaboration Agreement between the five participating local authorities. This Agreement sets out the role of the two Accountable Bodies for the Growth Deal, with Dumfries and Galloway Council providing that function for the Scottish Government funding, and Northumberland County Council for the UK Government funding to be invested in England.

As the accountable body, the County Council is responsible for administering the effective speed of the £200 million capital investment allocation assigned to England. In accordance with our financial procedures, this means that each of the proposed programmes and projects need to be added to our capital programme and accounted for as part of the Medium Term Financial Plan.

This being the case, three initiatives within the Growth Deal are now at this stage of development and need to be added to the Council’s capital programme. These are Alnwick Garden Lillidorei; Ad Gefrin Distillery; and Carlisle Station Gateway. The Borderlands Strategic Low Carbon Energy Master Plan (BSLCEMP) project, also requires approval for inclusion within the Council’s revenue budget.

Further details on each are set out in this report.

## BACKGROUND

1. The Borderlands Partnership ('the Partnership') comprises five participating local authorities: Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council. Since 2014, the Partnership has been working to develop a joint strategy to secure investment for priority projects that will accelerate economic growth for the benefit of individuals, businesses and communities across the region.
2. The Partnership submitted the proposal for the Borderlands Inclusive Growth Deal to both UK and Scottish Governments in September 2018. In March 2019, both Governments confirmed their funding commitment to the Deal. The Heads of Terms Agreement for the Growth Deal was subsequently announced on 1 July 2019.
3. This Agreement confirms a commitment to a financial package of £350 million of capital investment, with £200 million to be invested on the English side of the Border of projects over a ten year period. It also defines the broad activities that the Governments hope to support, subject to business cases that confirm these activities are viable, value for money, sustainable and State Aid compliant.

### Deal Content

4. These broad activities included in the Growth Deal relate to the following programmes and projects:
  - *Place* - Recognising the importance of our smaller rural market and coastal towns to the local economy, this programme will provide funding to support the revitalisation of smaller towns across the Borderlands region.
  - *Destination Borderlands* - Raising the profile and appeal of the Borderlands as a place to visit and support the delivery of new visitor attractions.
  - *Digital* - Digital and mobile connectivity is critical to future business performance and even more so for dispersed rural communities. As such, the Borderlands partners will progress the development of a business case for further investment in digital and mobile infrastructure - with an initial phase introducing a voucher scheme in Cumbria and Northumberland to facilitate delivery of gigabit connectivity in not-spot locations.
  - *Energy Investment* - An energy masterplan will be prepared for the Borderlands that will seek to identify the energy investment opportunities for the capital funding, including trials for new energy generation and energy reduction

schemes as well as off-grid renewable energy schemes that will support inclusive growth through reducing energy costs for local communities.

- *Natural Capital Innovation Zone* - This designation will present opportunities to introduce new ways of working that will fuse together the best practice from both environmental stewardship initiatives and economic and social growth initiatives to maximise the full benefit from our countryside within the context of responding to climate change.
- *Business Infrastructure Programme* - The aim of this programme is to raise productivity through investment in sites and premises across the Borderlands region. Business Infrastructure.
- *Rural Innovation* - This will boost rural productivity and support rural sectors. The projects within the programme include a Dairy Innovation Centre (creating a state-of-the-art centre for education and innovation at the Scottish Rural University College) and a Forestry Innovation Centre (developing with the forestry sector a centre of excellence to showcase innovation that would improve productivity across the whole supply chain).
- *Berwick Theatre and Conference Centre* - Investment into a new theatre and conference centre as the catalyst for cultural regeneration of the town.
- *Carlisle Station Gateway and Citadels* - The proposal is to create, in two phases, a new high-profile gateway development for Carlisle centred around the Railway Station, the Citadel buildings and Caldew Riverside that will boost economic prosperity by attracting people to live, study and work in the area.
- *Chapelcross* - Bring the site forward as a strategic inward investment opportunity for employment and energy uses.
- *Mountain Bike Innovation Centre* - Establish Innerleithen as a world class location for mountain bike tourism, investment and innovation.
- *Borders Railway Extension Feasibility Study* - Funding is being provided that will allow for feasibility work to be undertaken to progress the development of proposals for a new rail line connecting Carlisle to Edinburgh linking with the existing Tweedbank line.

5. The Heads of Terms does not form a legally binding document. This status is secured with the formal signing of a Full Deal that is based on the submission of a suite of Outline Business Cases (OBCs) for specific programmes and projects. This work is in hand and it is expected that negotiating the full Deal will commence before the end of 2020. The full Deal represents a contractually binding document.

## **Deal Governance**

6. The Governance for the Partnership is enshrined in a formal Collaboration Agreement between the five participating local authorities. This Agreement commits the five participating local authorities to work together in setting the strategy and exercising oversight and overall control in relation to delivery of the Growth Deal and in doing so, to give effect to decisions taken at each of the various levels within the governance structure.

7. It essentially puts in place a similar legal entity to that of a statutory joint committee. Such an approach is not possible as the Partnership spans the England/Scotland Border with different Local Government Acts applying on either side.

8. The core of the Agreement details the Governance Framework for the Partnership. An explanation as to the remit of each of elements within the Framework is reproduced at Appendix 1.

9. In addition, the Collaboration Agreement sets out the role of the two Accountable Bodies for the Growth Deal, with Dumfries and Galloway Council providing that function for the Scottish Government funding, and Northumberland County Council for the UK Government funding to be invested in England. The relevant section of the Collaboration Agreement is reproduced at Appendix 2.

### **Administering the Capital Investment in England**

10. As the accountable body, the County Council is responsible for administering the effective spend of the £200 million capital investment allocation assigned to England. In accordance with our financial procedures, this means that each of the proposed programmes and projects need to be added to our capital programme and accounted for as part of the Medium Term Financial Plan.

11. This being the case, two initiatives within the Growth Deal are now at this stage of development and need to be added to the Council's capital programme. These are Alnwick Garden Lillidorei and Ad Gefrin Distillery. The Borderlands Strategic Low Carbon Energy Master Plan (BSLCEMP) project, also requires approval for inclusion within the Council's revenue budget. Further details on each are set out in subsequent sections.

*Alnwick Garden Lillidorei*

12. The Alnwick Garden has ambitious plans to develop a spectacular play village (Lilidorei), which will incorporate the largest play structure of its type in the world. The development of Lilidorei will transform The Alnwick Garden and the wider area into a multi-day, all-year visitor destination, which will significantly boost the local economy in the area around Alnwick and North Northumberland.
13. The creation of the Lilidorei magical play village will incorporate adventure pathways throughout the structure offering options for all age groups to explore, be challenged by, and enjoy. The village, which will be in character with the existing treehouse and forest environment at The Garden, will include a settlement of 30 small, earthy wooden houses located in a clearing, together with an enormous play structure. This will consist of 27 separately roofed structures stretched across a three-tower climbing construct. The village will have its own backstory, mythology and characters that will form the basis of a range of imagination-prompting activity.
14. The £15.45m capital development is expected to start on site in early 2021 and opening to visitors from Spring 2022. From then on, it will provide a significant boost to the visitor economy in Northumberland:
  - Attracting a total of 253,000 visitors per annum to Alnwick and the surrounding area. This includes 169,000 additional visitors per annum, plus 84,000 existing members of The Alnwick Garden.
  - Generating additional visitor spend of £12.1m per annum in the local economy.
  - Supporting 224 gross additional FTE jobs, including 57 new FTEs directly created at The Alnwick Garden and 167 in the wider visitor economy (87 net FTE jobs).
  - Safeguarding 20 FTE jobs.
  - Supporting a total of 55 construction job years.
  - Generating approximately £7.2m gross GVA per annum for the Borderlands economy from 2022/23 onwards (£2.8m net additional GVA per annum).

#### *Ad Gefrin Distillery*

15. The Ad Gefrin whisky distillery and visitor attraction is a major new, high value, business opportunity that will accelerate growth and boost productivity in an important part of North Northumberland's rural economy.
16. It will be a significant new export business for Northumberland, creating the first legal whisky distillery in the area for 200 years, reviving a long tradition of whisky

making in Northumberland, and capitalising on the resurgence of the whisky market domestically and globally. This new manufacturing business will bring a prominent derelict strategic site, located at the gateway to the rural market town of Wooler, North Northumberland, back into productive economic use.

17. A new cultural centre will also be established as an integral part of the business, offering tours of the distillery, alongside exhibitions and displays showcasing the Anglo-Saxon golden age of Northumbrian heritage, and the best of local Northumbrian produce. It will provide a high-quality visitor experience in the heart of this rural community, capitalising on the growth of Northumberland's visitor economy.
18. The development of this new business opportunity will revitalise the rural economy of Wooler, and the wider Glendale and North Northumberland area. It will create new jobs for local people, raise the profile of the area in national and international markets, establish the town as a destination on the Anglo-Scottish Whisky Trail, attract more visitors and spending year round, and reduce the productivity gap with the rest of the UK.
19. This £10.359m private sector led capital development is planned to start on site in Autumn 2020, opening for business 12 months later. From then on, it will provide a significant boost to the economy in North Northumberland and the Borderlands:
  - Supporting 107.6 gross new FTE jobs, including 50 new FTEs directly created at the distillery and visitor attraction, and 57.6 FTEs in the wider economy.
  - Bringing 0.867m<sup>2</sup> of derelict land back into productive use at a key gateway site.
  - Attracting 49,320 visitors per annum, from 2024.
  - Generating visitor spend in the local economy of £5,055,300 per annum from 2024.
  - Generating £3.91m gross GVA per annum for the Borderlands economy from 2024 onwards (£2.23m net additional GVA per annum).

*Borderlands Strategic Low Carbon Energy Master Plan (BSLCEMP)*

20. With an ever increasing and urgent need to tackle climate change the 'energy element' contained in green growth of the Deal is crucial, not only from an environmental perspective but from an economic and social perspective as the transition to economic clean growth continues.
21. Borderlands has to lead on that transition and be the exemplar of a region wide approach. On this basis, the BSLCEMP will be focused on our major spatial

geographic area requiring it to drive change in our energy systems, going beyond the current opportunities for local energy provision to have a updatable and interactive facilitation of a Borderlands energy transition to net zero.

22. It will facilitate a Borderlands energy transition, rethinking energy, providing risk-managed, financially viable, renewable, secure, affordable clean energy which allows for a fairer, smarter and inclusive approach to electricity, heat and transport. This change will be the enabler to creating a stronger Borderlands that can be sustained.
23. The development of the BSLCEMP is currently subject to an open invitation to tender, which is split into four distinctive lots:
  - Lot 1 - A consistent, transparent methodology and structure for the development of the BSLCEMP for data collection and modelling of current and future energy statuses to facilitate Lot 2, this will include both demand side and supply side, as well as infrastructure. To support and facilitate individual Local Area Energy Plans.
  - Lot 2 - Strategic financial investment priorities aligned to the strategic objectives to drive change and deliver our vision of low cost, low carbon localised energy and transport to support both the UK and Scottish Government's ambitions for inward investment, economic clean growth and decarbonisation. To support and facilitate individual Local Area Energy Plans.
  - Lot 3 - A Methodology for the Engagement needed to both deliver the BSLCEMP and Foster a Shared Value and Acceptance/Adoption of the BSLCEMP. To support and facilitate individual Local Area Energy Plans.
  - Lot 4A - Provide a methodology and context to support the justification of strategic investment decisions made in the BSLCEMP in relation to social and economic equalities improvements.
  - Lot 4B - Methodology to measure the potential social, economic impacts from the investment choices once they have been set to a project level and follow up measurement with 'as delivered' once the projects are completed.



## Funding Profile

24. The Growth Deal investment funding profile for these 3 initiatives is set out below:

<b>Initiative</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
Alnwick Garden Lillidorei	£1,000,000	£4,000,000	£5,000,000
Ad Gefrin Distillery		£3,000,000	£3,000,000
Energy Master Plan		£1,100,000	£1,100,000
<b>Total</b>	<b>£1,000,000</b>	<b>£8,100,000</b>	<b>£9,100,000</b>

25. *Alnwick Garden Lillidorei*. This is a capital project due to the nature of the expenditure to be incurred. Retrospective approval is sought for the 2019-20 spend of £1.000 million, which was funded from Government Section 31 Growth Deal Grant; and Cabinet approval is sought to include £4.000 million within the Council's 2020-21 capital programme, which again will be funded from Government Section 31 Growth Deal Grant.

26. *Ad Gefrin Distillery*. This is a capital project due to the nature of the expenditure to be incurred. Cabinet approval is sought to include £3.000 million within the Council's 2021-22 capital programme, which will be funded from Government Section 31 Growth Deal Grant.

27. *Borderlands Strategic Low Carbon Energy Master Plan (BSLCEMP)*. This is a revenue project due to the nature of the expenditure to be incurred. The Borderlands Inclusive Growth Deal Investment fund does not provide funding for revenue expenditure type projects.

28. Officers from the Council, along with partners, have therefore agreed with Government that for this particular project the capital funding of £1.100 million from the Borderlands Inclusive Growth Deal Grant, can be used by the Council to fund an existing non Borderlands capital project (s). This will allow the Council to save on associated revenue borrowing costs to the value of £1.100 million. In essence, a swap in funding.

29. Cabinet is asked to recommend that Council approve £1.100 million revenue budget for the BSLCEMP project, and vire the £1.100 million revenue budget saving from

the Council cost of borrowing budget to the project. Note there will be a net nil cost to the Council as a result of this proposal.

## **IMPLICATIONS**

<b>Policy</b>	The successful negotiation and delivery of the Borderlands Inclusive Growth Deal is an identified corporate priority that significantly contributes to the Council's Economic Strategy and associated Economic Recovery Plan.
<b>Finance and value for money</b>	Cabinet approve a capital budget of £8.000 million for the Alnwick Garden Lillidorei and Ad Gefrin Distillery projects which will be funded from Government Section 31 Growth Deal Capital Grant. Cabinet recommend Council approve a revenue budget of £1.100 million for the <i>Borderlands Strategic Low Carbon Energy Master Plan (BSLCEMP) project</i> , which will be funded indirectly from Government Section 31 Growth Deal Capital Grant. This budget will be created from an underspend on revenue borrowing costs, through the flexible use of the Government Section 31 Growth Deal Capital Grant. Approval to vire £1.100 million of revenue related savings from the borrowing costs budget to the project, is sought. This proposal has a net nil cost to the Council.
<b>Legal</b>	The County Council's role as Accountable Body for the Growth Deal is specified in the agreed Borderlands Collaboration Agreement as previously agreed by Cabinet.
<b>Procurement</b>	n/a
<b>Human Resources</b>	n/a
<b>Property</b>	n/a
<b>Equalities</b>	<p>The promotion of inclusive growth is a core aspiration and expectation of the delivery of the Growth Deal with specific metrics to be included in the monitoring and evaluation framework to monitor performance.</p> <p>(Impact Assessment attached)</p> <p>Yes <input type="checkbox"/> No X N/A <input type="checkbox"/></p>

<b>Risk Assessment</b>	A comprehensive risk register is in place for the Growth Deal and is reviewed at each Borderlands Partnership Board meeting.
<b>Crime &amp; Disorder</b>	n/a
<b>Customer Consideration</b>	n/a
<b>Carbon reduction</b>	The principle of low carbon and clean growth is a core aspiration and expectation of the delivery of the Growth Deal with specific metrics to be included in the monitoring and evaluation framework to monitor performance.
<b>Health &amp; Wellbeing</b>	n/a
<b>Wards</b>	All

**Background papers:**

- Borderlands Inclusive Growth Deal Heads of Terms, July 2019
- Borderlands Partnership Collaboration Agreement, December 2019

**Report sign off.**

***Authors must ensure that officers and members have agreed the content of the report:***

	Name
Monitoring Officer/Legal	L Henry
Section 151 Officer	A Elsdon
Relevant Service Director	J McLoughlin
Acting Chief Executive	
Portfolio Holder(s)	

## **Author and Contact Details**

Janice Rose  
Head of Economy and Regeneration  
01670 624747  
[janice.rose@northumberland.gov.uk](mailto:janice.rose@northumberland.gov.uk)

Andy Stewart  
Finance Manager  
01670 622161  
[andy.stewart@northumberland.gov.uk](mailto:andy.stewart@northumberland.gov.uk)

## **Appendix 1**

### **Borderlands Governance Framework - remit of the component elements**

#### ***Partnership Board***

To provide strategic direction and exercise high level oversight and overall control, serving as the forum for joint decision-making at the highest level within the governance framework set by this Collaboration Agreement in relation to the delivery of the Growth Deal.

#### ***Economic Forum***

To provide an opportunity for wider stakeholders – with a particular focus on economic development agencies and the business community (including social enterprises) – to contribute towards maximising the impact of the Growth Deal in stimulating inclusive economic growth within the area served by the Growth Deal.

#### ***Programme Boards***

To provide strategic direction and leadership (in line with the policies and directions issued by the Partnership Board and Chief Executives' Group from time to time) for the programme assigned to it, with the purpose of ensuring effective management and development of that programme, including the delivery of the overall masterplan for that programme. The Programme Boards will cover the themes of Digital; Energy; Place; and Business, Skills and Innovation.

#### ***Project Delivery Boards***

To oversee the delivery of discrete Growth Deal Project or Projects assigned to it. Examples will include the Mountain Bike Innovation Centre; Carlisle Station Gateway and Citadels; Chapelcross; and the Berwick Theatre and Conference Centre.

#### ***Chief Executives' Group***

To support the Partnership Board in overseeing the delivery of the Growth Deal, by:

- providing leadership in key themes and priorities of the Growth Deal as directed by the Partnership Board
- highlighting to the Partnership Board key issues arising from the delivery of the Growth Deal, and provide appropriate guidance and recommendations to address those issues
- exercising oversight and direction in relation to the work of the PMO

#### ***Finance Directors Group***

To ensure financial probity, and address issues of risk and assurance, in relation to the delivery of the Growth Deal.

#### ***Economic Development Chief Officers Group***

To support the Chief Executive's Group and Partnership Board in the delivery of the Borderlands Inclusive Deal and ensuring that it is aligned towards achieving its sustainable and inclusive growth ambitions. This will include providing advisory support to the PMO and establishing a strong relationship with the Economic Forum.

## Appendix 2

### Extract from the Collaboration Agreement relating to Accountable Bodies

11.1 Dumfries and Galloway Council will have the role of accountable body as regards (a) the Scottish Government funding for the Growth Deal and (b) that part of the UK Government funding which relates to Growth Deal Projects physically located in Scotland.

11.2 Northumberland County Council will have the role of accountable body as regards that part of the UK Government funding which relates to Growth Deal projects physically located in England.

11.3 The role of the Accountable Bodies shall include:

11.3.1 entering into legal agreements with the UK and Scottish Governments in respect of the Growth Deal;

11.3.2 reporting to the UK and Scottish Governments in accordance with the Monitoring and Reporting Framework.

11.4 The Participating Authorities acknowledge and agree that the following key principles shall apply as regards the two Accountable Bodies:

11.4.1 the Accountable Body in each case will require to have confidence in the overall governance structure, to ensure that decision-making can be approached in a balanced and equitable way while respecting the responsibilities attaching to certain of the Participating Authorities as Accountable Bodies;

11.4.2 the risks associated with the role of Accountable Body (vis-à-vis the Scottish and UK Governments) should be shared by all five Participating Authorities in accordance with clause 11.20;

11.4.3 the transfer of Growth Deal funding from an Accountable Body through to the Participating Authority or Participating Authorities (or a Delivery Partner which is not one of the five Participating Authorities, if the funding is not routed through a Participating Authority) who is/are delivering a given Growth Deal Project will be dealt with via a grant mechanism or such other arrangements as may be agreed in writing among the Participating Authorities from time to time; and on the basis that the terms and conditions of the grant (or other arrangements) will be set out in a funding agreement between the relevant Accountable Body and the relevant Delivery Partner.

11.5 The Participating Authorities acknowledge and agree that a key part of the role of the Chief Executives Group, the PMO and the Finance Directors' Group shall be to support the Accountable Bodies in fulfilling their responsibilities as the accountable bodies in respect of the Growth Deal Programme Budget, including their responsibilities relating to monitoring, reporting and evaluation.

11.6 For the avoidance of doubt, the grant conditions associated with the provision of funding out of the Growth Deal Programme Budget to a Project Delivery Partner shall include:

- 11.6.1 all relevant conditions attaching to the provision of the relevant funds by the UK Government and/or (as the case may be) the Scottish Government to enable the Accountable Bodies to comply with those conditions; and
- 11.6.2 such other conditions as may be approved by the Chief Executives' Group from time to time.
- 11.7 In any case where a single Growth Deal Project receives funding from both Accountable Bodies, the grant arrangements in respect of that Growth Deal Project shall be structured in such a way as to ensure that the relevant checks and balances take account of any differences which may apply under each strand of funding; subject to that, however, there should be commonality in the grant arrangements so far as possible.
- 11.8 Each Accountable Body shall maintain a separate account within its financial ledger to which all grant funding and other income relating to the Growth Deal shall be credited, and out of which all grant funding advanced to Delivery Partners for the purpose of delivery of Growth Deal Projects shall be debited.
- 11.9 Claims for payment out of the Growth Deal Programme Budget shall be submitted by the RElevant Participating Authority to the PMO in the form of the Borderlands Growth Deal Grant Claim Form for review, assessment and processing by the PMO prior to forwarding to the Accountable Body for authorisation and payment; and (subject to clause 11.10) providing in each case the Accountable Body is satisfied, acting reasonably, that the Borderlands Growth Deal Grant Claim Form has been validly completed and includes all of the information required under the Monitoring and Reporting Framework and the claim is valid (by reference to the provisions of this Agreement, the provisions of the relevant funding agreement between the Accountable Body and the relevant Delivery Partner and such recommendations as the Chief Executives' Group may issue from time to time), the claim shall be paid by the Accountable Body to the relevant Delivery Partner in accordance with such timetable as may be approved from time to time by the Chief Executives' Group.
- 11.10 In the event of any dispute between the Delivery Partner which has submitted the claim and the Accountable Body in relation to the validity of a claim under clause 11.9, the matter will be determined by the Chief Executives' Group; the Accountable Body shall be bound to give effect to any such determination by the Chief Executives' Group accordingly (but on the basis, for the avoidance of doubt, that clause 11.20 shall apply).
- 11.11 The Accountable Bodies will draw down funds from the Scottish Government and UK Government on the following basis:
- 11.11.1 for Growth Deal Projects approved by the UK Government and/or Scottish Government prior to the signing of the Growth Deal, the grant will be paid via a section 31 Grant Determination by the UK Government to Northumberland

County Council, as the Accountable Body for England and/or via grant-in-aid by the Scottish Government to Dumfries and Galloway Council, as the Accountable Body for Scotland; and on the basis that the profile of payments will reflect when grant is required by the Project Delivery Partner as indicated in the full business case (for the avoidance of doubt, no grant will be paid to Accountable Bodies in advance of need);

- 11.11.2 upon finalisation of the Growth Deal, grant monies will be paid to Accountable Bodies under the conditions of an Annual Grant Offer Letter, and on the basis that the profile of grant payments will reflect the multi year profile agreed for the Growth Deal
- 11.12 The Chief Executives' Group, supported by the PMO and the Finance Directors' Group, will be responsible for monitoring the financial expenditure associated with the delivery of Growth Deal Projects, and in particular determining whether the expenditure in respect of any budget head exceeds the level for that budget head set in the financial projections for the relevant period set out in the relevant business case (including any adjusted version adopted from time to time where such adjusted version has the approval of the Chief Executives' Group) and as more particularly set out in the Growth Deal Programme Budget.
- 11.13 In the event of the PMO becoming aware of any actual or prospective expenditure which causes or is likely to cause the level for any such budget head to be exceeded or underspent, the PMO shall notify the Chief Executives' Group, the Accountable Bodies and the Finance Directors' Group, who will review options for addressing the situation and thereafter issue appropriate directions to the relevant Delivery Partner.
- 1.14 Without prejudice to the provisions of para 11.12, each Accountable Body shall maintain accurate and complete accounting records in respect of the Growth Deal Programme Budget and shall prepare and submit to the Chief Executives' Group (through the PMO) monthly financial reports in such form as the Chief Executives' Group may reasonably require; such financial reports will include up to date information on income and expenditure budgets and financial projections in respect of the Growth Deal Projects.
- 11.15 Each Accountable Body shall seek to manage cash flow in respect of the Growth Deal so as to minimise the amount of any cash shortfall and/or the period for which any such cash shortfall subsists; if particular cash flow difficulties emerge which cannot be fully managed on that basis, the Accountable Body will escalate the matter to the Chief Executives' Group as soon as reasonably practicable.
- 11.16 In order to minimise any cash shortfalls within the Accountable Bodies, as a principle, grant will be paid in arrears, based on defrayed expenditure, to Delivery Partners; on an exceptional basis, however, and where need can be justified, grant may be paid in advance to Delivery Partners which are not Participating Authorities.



- 11.17 If Accountable Bodies are required to borrow to facilitate cashflow in accordance with para 11.16, the borrowing shall be undertaken at Public Works Loan Board rates, and the cost of borrowing shall form part of the Growth Deal Operating Costs.
- 11.18 Each Participating Authority located in Scotland (a “Scottish Participating Authority”) agrees that, in respect of any loss or liability incurred by the Accountable Body located in Scotland or any claim against that Accountable Body (including the costs of defending any such claim, and any award of expenses) it shall, to the extent that that loss, liability or claim arises out of, or in connection with, any breach by that Scottish Participating Authority of its obligations under this Agreement or its obligations under any funding agreement (in respect of sums advanced from the Growth Deal Programme Budget) between that Accountable Body and that Scottish Participating Authority, be liable for that loss, liability or claim;
- 11.19 Each Participating Authority located in England (an “English Participating Authority”) agrees that, in respect of any loss or liability incurred by the Accountable Body located in England, or any claim against that Accountable Body (including the costs of defending any such claim, and any award of expenses) it shall, to the extent that that loss, liability or claim arises out of, or in connection with, any breach by that English Participating Authority of its obligations under this Agreement or its obligations under any funding agreement (in respect of sums advanced from the Growth Deal Programme Budget) between that Accountable Body and that English Participating Authority, be liable for that loss, liability or claim; and
- 11.20 The Participating Authorities acknowledge and agree (without prejudice to the provisions of para 11.18 and 11.19) that any loss, liability or claim arising out of, or in connection with, the Accountable Bodies complying with their obligations under this Agreement in giving effect to joint decisions made within the governance framework set by this Collaboration Agreement should be shared among all Participating Authorities in the proportions set out in para 12.1; and each of the Participating Authorities undertakes to each Accountable Body that it will be liable in respect of any such loss, liability or claim (including the costs of defending any such claim, and any award of expenses) to the extent required to give effect to that principle.