

NUCLEAR NEW BUILD IN WEST CUMBRIA NOMINATION CASE REQUEST TO SUPPORT PROJECT FINANCIAL MANAGEMENT

EXECUTIVE MEMBER: Leader, Councillor Elaine Woodburn

LEAD OFFICER: Julie Crellin, Head of Finance and Information
Management and Julie Betteridge, Head of Development Strategy

REPORT AUTHOR: Julie Betteridge, Head of Development Strategy

SUMMARY: This report outlines the request from West Lakes Renaissance for Copeland Borough Council to provide cashflow support to enable payment against invoices to be made in accordance with the NWDA grant offer.

Members are recommended to agree to setting up the financial arrangement proposed in section 3.

1. INTRODUCTION

- 1.1 West Lakes Renaissance (WLR), working with West Cumbria partners including Copeland Borough Council, is leading on a project to provide the nomination case for NDA non-designated land to the north of the Sellafield site to be nominated by the NDA as a site for nuclear new build by the end of March 2009.
- 1.2 NWDA funding have approved a budget of £220,000 for Nuclear New Build: Nomination Pack. West Lakes Renaissance have approached Copeland Borough Council with a number of options as to how we may be able to assist them financially deliver the project in accordance with grant offer contractual terms.
- 1.3 The project started in October 2008 and will complete by the end of October 2009.

2. ARGUMENT

- 2.1 West Lakes Renaissance has been spending other resources received in advance for this project to date but are now faced with a cashflow situation to deliver this NWDA grant element. The NWDA grant offer requires the project lead, WLR, to defray expenditure before claiming and receiving the £220k project budget. Appendix A provides a cashflow breakdown for the NWDA grant element.

- 2.2 As a key partner in the New Build Nomination for West Cumbria, Copeland Borough Council is the key stakeholder both committed to the project and able to undertake this bankrolling role for the project. In future it would be easier to approach Copeland Borough Council to consider being project applicant but in this instance it is accepted that this approach was unsuccessfully made to the County Council and hence this request of Copeland Borough Council is now urgent to ensure effective completion of the case for Nuclear New Build in West Cumbria.

3. OPTION TO BE CONSIDERED

- 3.1 Only one option is presented here, following discussions between the Head of Finance and Management Information Management and the Director of Finance (WLR) to ensure that the accounting for VAT arrangements is clear. The invoices for works procured, contracted and managed by WLR will be paid by WLR and WLR will seek monthly reimbursement from NWDA.
- 3.2 This option is referred to as the 'cashflow management' option. In essence this will be delivered as follows:
- a. WLR are the project applicant with NWDA and will deliver the project;
 - b. WLR will be responsible for the grant and the expenditure;
 - c. Rosie Mathieson will lead on the project, including responsibility for monthly grant claims to the NWDA;
 - d. WLR will set up a separate bank account and all project invoices will be paid from this account to enable clarity of defrayment and cashflow management;
 - e. Copeland Borough Council will provide an initial advance to a maximum of £150k to pay February 2009 invoices. This is supported by the current projected cashflow provided in Appendix A;
 - f. WLR will provide Copeland Borough Council with copies of monthly claims including details of payments and monthly updates of cashflow requirements;
 - g. WLR will use monthly grant claims received to repay advances made or pay further project invoices as agreed with Copeland Borough Council in line with the monthly cashflow updates;
 - h. WLR will submit a GSE (annual return) in Quarter 3, 2009/10, for the financial year 2009/10 expenditure and if the project makes expenditure before 31 March, 2008, a return for 2008/9 financial year to its accountable body, Cumbria County Council;
 - i. As soon as the final NWDA claim is received by WLR for this project, WLR will reimburse the cash advance outstanding plus any agreed management costs for this cashflow management arrangement;
- 3.3 Copeland Borough Council in line with its agreed best practice is looking to negotiate a management cost percentage for the arrangement. This will be a maximum of 5%

4. CONCLUSIONS

- 4.1 WLR is the project applicant and will be contracting with suppliers for work and therefore will authorise and make payments. Copeland Borough Council as a key stakeholder in the project will be providing a key resource through cashflow management support to enable the project to reach a successful completion.

5. FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 5.1 Copeland Borough Council is being requested to provide advance revenue cash resources to a maximum of £150k. The arrangement detailed in 3.2 provides for monthly monitoring and management of the cashflow support for the project to minimise the Council's exposure to loss of interest and risk. A copy of the grant offer letter will be examined and filed before any cash advance will be released.
- 5.2 Negotiation on a management arrangement fee has yet to be finalised but under best practice we are looking for up to a 5% project total amount.
- 5.3 The advance is for revenue purposes and the accounting treatment will involve making the payment from the Economic Development Revenue budget, against which a contra (debtor) journal will be placed as we expect full and final settlement in 2009/10. Disclosure of the transaction will be required in the Financial Statements 2008/09.

6. PROJECT AND RISK MANAGEMENT

- 6.1 The project has been running for three months to date and current expenditure and project management reassures that the project is being managed in line with the timescale and nomination bid deadline.
- 6.2 Close monthly monitoring will be undertaken in line with the process at 3.2 by Development Strategy and Finance Managers.

7. IMPACT ON CORPORATE PLAN

- 7.1 This initiative delivers to all three of our aims through setting out the case for a potential new employment site and activity.

List of Appendices

Appendix 1 Project cashflow – NWDA Element

Background Papers

Request paper from WLR

List of Consultees

Leader – Cllr Elaine Woodburn.

Deputy Leader – Cllr Allan Holliday.
Corporate Team, David Davies

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	None
Impact on Sustainability	Supports
Impact on Rural Proofing	None
Health and Safety Implications	None
Impact on Equality and Diversity Issues	None
Children and Young Persons Implications	None
Human Rights Act Implications	None
Section 151 Officer Comments	This approach aims to minimise CBC's cashflow exposure to no more than £150k. The pressure upon CBC's treasury management is significant at the moment and therefore monthly cashflow updates and monitoring are a core demand of any arrangement.
Monitoring Officer Comments	Nothing further to add to the s.151 Officer Comments.

Please say if this report will require the making of a Key Decision YES

APPENDIX 1**Project Cashflow – NWDA Element**

<i>Item</i>	<i>Q4 2008/9</i> £	<i>Q1 2009/10</i> £	<i>Q2 2009/10</i> £	<i>Q3 2009/10</i> £
Project Expenditure	151,000	31,725	37,195	
Grant Received		151,000	31,725	37,195