

## Strategic Funds Management Review (March 2023)

To: Business Board

Meeting Date: 13 March 2023

Public report: Yes

Lead Member: Chair of the Business Board, Alex Plant

From: Interim Associate Director of Business, Steve Clarke

Key decision: No

Recommendations: The Business Board is invited to:

Note the programme updates outlined in this paper.

# 1. Purpose

- 1.1 This report provides the Business Board with its regular update on the strategic funding programmes that it is responsible for. This covers progress to 21 February 2023, and includes the following:
- Spend performance of strategic funds
  - Performance and monitoring of strategic funds and projects
  - Update on strategic funds

# 2. Background

- 2.1 The Local Growth Fund (LGF) £146.7m programme was closed and all spent by 31 March 2021, but programme outcomes from its invested projects are still being delivered until 2030. Also, recycled LGF is being returned from projects over the medium term for a variety of reasons, and the Business Board awarded £4.7m of those recycled Local Growth Funds in 2022. The recycled funds were re-awarded using the same criteria as original LGF and in the form of grants, loans or other forms of funding such as equity capital investment.
- 2.2 The £14.6m Getting Building Funding (GBF) was awarded to the Cambridgeshire and Peterborough Combined Authority in July 2020, and the Business Board awarded the funding to the Net Zero Manufacturing Research and Development Innovation Centre, University phase 2 project. The UK Community Renewal Fund (CRF) awarded a grant of £3,393,851 to the Combined Authority in November 2021, to deliver two projects by 31 December 2022. Both projects have been successfully completed through the Growth Works contractor.
- 2.3 In round 1 of the Levelling Up Fund (LUF), Peterborough City Council were awarded £20m of capital grant for the ARU Peterborough Living Lab and University Cultural Quarter project. In round 2, the Combined Authority secured £48m for the Peterborough Station Quarter project. Fenland District Council and East Cambridgeshire District Council were unsuccessful with their applications for round 2.
- 2.4 A Memorandum of Understanding for the Combined Authority UK Shared Prosperity Fund (SPF) has been signed off with Department for Levelling Up, Homes and Communities (DLUHC).
- 2.5 The Create Growth Programme, for which the Combined Authority has partnered together with the New Anglia LEP and University partners, has commenced delivery of the £1.275m programme across the three counties.

# 3. Programme Spend

- 3.1 The £146.7m LGF programme closed on 31 March 2021, with all funding awarded to a portfolio of 51 projects, including the grant schemes and the allocated Combined Authority fund management costs. The project expenditure of the original LGF programme to date was £142.5m as of 21 February 2023.
- 3.2 The £14.6m GBF awarded was invested before March 2022, and delivery of the Manufacturing & Materials Research and Development Centre building is completed. Fit-out

and occupation is now a priority for the rest of 2023. The project has received a boost of £3m capital from DLUHC national underspend, which was notified to the Combined Authority in January 2023.

- 3.3 The Peterborough University phase 3 second teaching building has now received the construction quotes from its procured contractor, but it is quoting £4m above the available budget. A change request to DLUHC is being prepared to ask for additional time to complete value engineering and potential re-design, plus potentially obtaining any new planning determinations. The funding package includes £2m from Business Board recycled funds, alongside £24m from Peterborough City Council (£20m LUF award) and Anglia Ruskin University (£4m).
- 3.4 The Community Renewal Fund £3,393,851, plus the £800,000 Additional Restrictions Grant (ARG) match funding from council partners, completed the delivery of grants and services in the Turning Point and Start and Grow programmes by 31 December 2022 closure date.
- 3.5 The spend on recently awarded projects with recycled LGF to end of January 2023 is shown in Table 1 below.

Project Title	Project Description	Strategic Growth Ambition Fit	Grant Funding Amount	Spend to Date	Leverage Funding	End of Project Monitoring
Illumina Genomics Accelerator	Investment in start-up life science companies	Economic & Growth	£2,000,000	£900,000	£29,000,000	2030
Start Codon Life Science Accelerator	Provides support and seed-funding to High Potential Companies	Reducing Inequality	£3,342,250	£1,820,090	£12,000,000	2030
Business Growth Service - Inward Investment expansion	Investment in the inward investment element of the Growth Works programme	Economic & Growth	£400,000	£27,850	£0	2030
Barn4 specialist growing facilities	Containerised growing systems on NIAB's Park Farm	Innovation	£400,000	£192,864	£332,785	2025
Fenland Hi-Tech Futures	An investment in equipment for the North Cambs Training Centre	Economic & Growth	£400,000	£0	£237,000	2025
COWA Net Zero Project	Develop a centre for green skills specialisms and coordinate skills across Fenland	Health and Skills	£2,000,000	£0	£8,262,471	2030
Ramsey Produce Hub	project will deliver improvements to the Great Whyte, commercial heart of Ramsey	Infrastructure	£1,158,525	£0	£295,000	2027
Centre for Green Technology	Building design at Peterborough College	Infrastructure	£397,093	£291,777	£39,709	2027
University of Peterborough Phase 3	Phase 3 teaching building on ARU Peterborough site	Infrastructure	£2,000,000	£0	£24,000,00	2032
Total Funding			£12,097,868	£3,232,581	£50,166,965	

Table 1 - Spend on LGF projects

## 4. Programme Delivery and Monitoring

4.1 Current live projects approved by the Business Board which are in delivery phase are listed in Table 2 below, with an indication of their output progress.

Project Title	Job Creation (Forecast)	Actual	Apprenticeships (Forecast)	Actual	Area New or Improved Learning/ Training Floorspace (m2)(Forecast)	Actual	Commercial Floorspace Created (m2) (Forecast)	Actual	Commercial Floorspace Refurbished (m2) (Forecast)	Actual	Commercial Floorspace Occupied (m2) (Forecast)	Actual	Enterprises Receiving Grant Support (Forecast)	Actual	Businesses Receiving Other Grant Support (Forecast)	Actual	Businesses Receiving Non-Financial Support (Forecast)	Actual
Illumina Accelerator	1,033	85	2					730	437	730	437		10			0	6	
Startcodon Accelerator	5,190	238												48	14	48	14	
Growth Works Inward Invest	280														10			
Barn4 facilities	34						118		300				1				10	
Fenland Hi-Tech Futures	32		150		350													
COWA Net Zero Project	37		300		226													
Ramsey Produce Hub	13		5						860		260							
Centre for Green Tech	8		60															
University of Peterborough		964	37		4,500	4,500												

Table 2 – Output progress of live projects

- 4.2 The Monitoring of all projects is now being conducted and gathered on a quarterly basis. Officers have worked with Business Board members to determine the preferred option to share the data analysis. The revised monitoring data analysis and new presentation of data can be found in Appendix 1 of this report.
- 4.3 The total number of jobs and apprenticeships recorded through monitoring is 10,270.5, as of 21 February 2023.
- 4.4 The South Fenland Enterprise Park project is returning £941,043.24, as per the percentage of funding set out in the Grant Funding Agreement, proportion of unspent funding after the Project Change Request was declined and once the final account is agreed by officers.
- 4.5 Evaluation work has been completed on the tranche of LGF projects that were awarded funding in 2020 and which have completed their project delivery and are in a monitoring stage. The final report from this evaluation work, attached at Appendix 2 of this report, provides analysis and commentary on the impact of this tranche of projects, plus the impact of the LGF Programme to date.
- 4.6 The headline findings in this report include:
- The evidence so far suggests that assets developed by LGF will be important assets to support the delivery of the 2022 Economic Growth Strategy, with planned investments in the business and innovation ecosystem potentially providing the wraparound support to maximise the longer-term impact of LGF investments and help businesses tackle the legacy of the Covid-19 pandemic and the UK's withdrawal from the EU, as well new challenges of high levels of inflation and rising costs.
  - All evaluated projects successfully defrayed allocated funding by the March 2021 deadline, and consultation findings suggest that due to rising development costs being met by the private sector, the investments have leveraged more private match funding than the anticipated £14.8m.
  - The projects evaluated have delivered strongly against the immediate outputs linked to capital developments.
  - If longer-term outcomes continue to materialise, thereby strengthening efficiency and effectiveness measures, it is expected that a significant number of these projects will in the future demonstrate a 'good' or 'very good' Value for Money position.
- 4.7 In terms of management of the fund, several positive factors have supported early delivery:
- Leveraging of business networks by Business Board members and the LGF officer team to engage potential applicants with deliverable propositions;
  - A clear and quick applicant journey;
  - Effective due diligence processes;
  - Diverse sector and industry expertise on the Entrepreneur Panel;
  - High quality assessment packs and provision of robust recommendations to facilitate strategic decision-making; and,
  - Frequent communication from the LGF team to project applicants.

- 4.8 It also highlighted the fact that there were weaknesses in areas, suggesting that more robust data collection and monitoring processes (including the production and promotion of investment impact and good news stories) would enable the Combined Authority to articulate the wider impact and value of public spending more clearly, and would be a useful evidence base to lobby for additional funding from the government.
- 4.9 The Business Growth Service is being independently evaluated over the next two months. Officers have identified and contracted an independent external contractor to conduct the evaluation on the Growth Works programme covering the impact, outputs/outcomes, value for money and learning from the delivery model. Officers have consulted the Business Board, Skills Committee, Growth company Performance Committee, and local authorities on the terms of reference for this evaluation. They have also sought and received nominations from the Business Board for two members, who are not currently involved with the oversight of Growth Works performance reviews or investment panel, to support the evaluation and review its findings. The evaluation report will be presented back to the Business Board and local authorities once completed.

## 5. Recycled Local Growth Fund

- 5.1 The Business Board has c.£4m in the combined revenue/capital recycled LGF budget in the medium term, as current planned expenditure from this budget winds down to zero and nominal income is forecast to be received.
- 5.2 The Economic Growth Strategy (EGS) Implementation Plan will be presented to the Business Board at its meeting on 13 March 2023, and it is proposed that the investment strategy for the remaining recycled LGF is aligned to the delivery of the EGS Implementation Plan. The Combined Authority Board will be asked to approve the EGS Implementation Plan at its meeting on 22 March 2023, so the strategy for investing the recycled LGF will be discussed at the Business Board's activity update meeting in April and considered for approval at the Business Board meeting on 15 May 2023.

## 6. Strategic Funds Update

### Community Renewal Fund

- 6.1 The Community Renewal Fund (CRF) programme has closed nationally, and locally in the Combined Authority area the programme has completed all spend and delivery of the two projects through the Growth Works contractor. The final claim from the Combined Authority to DLUHC has been submitted. The CRF was a national pilot programme and a summary of what was delivered from the two projects managed by the Combined Authority is provided in Tables 3-5 below:

Project Name	Main Investment Priority	Output Name	Contracted Output target	Total Output Delivered
Start and Grow	Investment for local business	People – Unemployed	34	56
		People – Employed	190	188
		Businesses – Small	293	295
Turning Point	Investment in skills	People - Economically Inactive	93	1292
		People – Unemployed	450	1118
		People – Employed	137	465
		Businesses – Small	420	90
		Businesses – Medium	27	10
		Businesses – Large	8	3

Table 3 – CRF Grant Funding Agreement Outputs

Project Name	Main Investment Priority	Output Name	Contracted Output target	Total Output Delivered
Start and Grow - CRF	Investment for local business	Employment increase in supported businesses as a result of support	103	119
		Jobs safeguarded as a result of support	32	49
		Number of new businesses created as a result of support	103	107
		Businesses introducing new products to the market as a result of support	103	108
		Investment attracted as a result of support	£586,000.00	£536,745.00
Turning Point - CRF	Investment in skills	Employment increase in supported businesses as a result of support	64	69
		Jobs safeguarded as a result of support	20	72
		People in education/training following support	365	1071
		People engaged in job-searching following support	436	970

Table 4 – Outcomes



Project Name	Main Investment Priority	Output Name	Contracted Output target	Total Output Delivered
Start and Grow - CRF	Investment for local business	# of businesses receiving grants	263	292
Turning Point - CRF	Investment in Skills	# of people supported to gain a qualification	19	101
		# of people supported to engage in job-searching	463	2410
		# of people supported to gain employment	additional output	75
		# of potential entrepreneurs assisted to be business ready	additional output	20
		# of businesses receiving grants	additional output	74
		# of organisations receiving grants	additional output	4

Table 5 - Output

- 6.2 A final evaluation of the two projects is being undertaken, and the first draft of the evaluation report is attached at Appendix 3 to this report. The final evaluation report will be completed and shared at the next Business Board meeting.

### Levelling Up Fund

- 6.3 The Government announced the LUF round 2 project awards on 19 January 2023, and Peterborough Station Quarter project was awarded £48m via the Combined Authority's successful bid. Unfortunately, the round 2 bids from Fenland District Council and East Cambridgeshire District Council were not successful in being selected for funding award this time.

### UK Shared Prosperity Fund

- 6.4 The Strategic Funds team has now completed due diligence and subsidy control on all projects scheduled to start in year 1 and many that are planned for year 2. Grant funding agreements have been agreed with the Local Authorities and delivery organisations.
- 6.5 An Implementation Plan for the core UKSPF will be presented to the Business Board at its meeting on 13 March 2023.
- 6.6 Officers await confirmation from DLUHC on the allocation of £3.2m to the Combined Authority for Rural England Prosperity Funding, which is due to start delivery in April 2023 for two years.

### Gainshare

- 6.7 Officers have commenced procurement for an Investment Fund delivery contractor for the Business Growth Investment Fund project. The fund has two parts, one tranche for growth businesses with environment, Cleantech sector agenda or low carbon adaption requirements, and a second tranche for Social and Third Sector organisations. A market engagement event is planned to assess interest from contractors who may be interested in delivering one or both elements of the fund.

### Getting Building Fund

- 6.8 The Materials and Manufacturing Research and Development Innovation centre building shell has been completed, except for the internal fit-out. The Combined Authority has stood in on the funding shortfall from the de-commitment of the joint venture partner on their investment and lease tenancy. The Combined Authority was recently notified as being successful in securing additional funding for this project, which will enable the full fit-out to spec required. However, this additional funding is currently subject to a further confirmation from the Treasury. Conversations are ongoing with a new partner to join the Joint Venture company and taking lease space in the building are positive. Savills are advertising the space available in the building, and Business Board members are encouraged to promote wherever possible.

### Create Growth Fund

- 6.9 The programme is now live, providing support on funding opportunities via competitions for seed funding in the creative sector across the three counties. There was an official launch

event held at the Theatre Royal Norwich on 28 February 2023. The programme is being branded as Creative East to establish clear demarcation between the national Create Growth competitions and the local programmes. The domain name for this has been acquired and a link to the website will be circulated to the Business Board for onward sharing and promotional support.

## UK Research and Innovation Launchpad

- 6.10 There is no update yet from the Government regarding the two Expressions of Interest (EOI) that have been submitted to UK Research and Innovation (UKRI) in response to a call in England for Innovation Launchpads.

## 7. Significant Implications

### 7.1 Financial Implications

None.

### 7.2 Legal Implications

None.

### 7.3 Public Health Implications

Within the broad portfolio of funded projects, many have a positive impact on public health regarding creation of key employment or skills outcome improvements across the Combined Authority area. Good work and personal skills development are key determinants of positive health outcomes.

### 7.4 Environment and Climate Change Implications

The programmes of funding contain various projects which will deliver impacts for environment and climate through the wider changes and innovations in sectors such as Agri-food, green engineering, and life sciences and digital that are Cambridgeshire and Peterborough global strengths. Success in these sectors will contribute to the global environmental and climate response.

### 7.5 Other Implications

None.

## 8. Appendices

### 8.1 Appendix 1 – LGF Monitoring Update

### 8.2 Appendix 2 – Local Growth Fund Second Tranche Evaluation Report

### 8.3 Appendix 3 – Community Renewal Fund Draft Evaluation Report

## 9. Background Papers

- 9.1 Community Renewal Fund Award Approval - [Combined Authority Board 24 Nov 2021 Agenda item 3.6](#)
- 9.2 Getting Building Fund Award Approval - [Combined Authority Board 25 Nov 2020 Agenda Item 3.5](#)
- 9.3 Levelling up Project Approval - [Combined Authority Board 30 June 2021 Agenda Item 7.2](#)