

## Strategic Funds Management Review – November 2022

To:	Business Board
Meeting Date:	14 November 2022
Public report:	This report contains an appendix which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, in that it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding that information)). The public interest in maintaining the exemption outweighs the public interest in publishing the appendix.
Lead Member:	Chair of the Business Board, Alex Plant
From:	Interim Associate Director of Business, Steve Clarke
Key decision:	No
Recommendations:	<p>The Business Board is invited to:</p> <ul style="list-style-type: none"><li>a) Recommend the Combined Authority Board declines the Project Change Request for the South Fens Enterprise Park project, and for funding to be clawed back in line with the existing grant agreement; and</li><li>b) Note all programme updates outlined in this paper</li></ul>

# 1 Purpose

- 1.1 This report provides the Business Board with an update on the strategic funding programmes that it is responsible for, and covers progress to 21 October 2022. This includes the following:
- Spend performance of strategic funds
  - Performance & monitoring of strategic funds and projects
  - Review any Project Change Requests
  - Recycled Local Growth Fund – update
  - Strategic funds - update

# 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 has awarded £4.7m of the recycled LGF this year. The recycled funds were re-awarded using the same criteria as original LGF, 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 Combined Authority in July 2020, and the Business Board awarded the £14.6m to the Net Zero Manufacturing Research and Development Innovation Centre, University Phase 2 project.
- 2.3 The UK Community Renewal Fund (CRF) awarded a grant of £3,393,851 to the Combined Authority in November to deliver two projects by 31 December 2022. Both projects are being delivered through the existing Growth Works contractor.
- 2.4 In the Levelling Up Fund (LUF) round 1, Peterborough City Council was awarded £20m of capital grant for the ARU Peterborough Living Lab and University Cultural Quarter project. Fenland District Council, East Cambridgeshire District Council, and the Combined Authority Transport team submitted applications for round 2 in July 2022.
- 2.5 On 13 April 2022, the Government launched the UK Shared Prosperity Fund (SPF) prospectus and guidance, and after joint development with all the local authorities, the Combined Authority submitted its Local Investment Plan to deadline in July 2022.
- 2.6 The Department for Digital, Culture, Media and Sport has announced funding awards on the Create Growth Programme, which the Combined Authority has partnered together with the New Anglia LEP, University of East Anglia, Anglia Ruskin University, University of Suffolk, Norwich University of the Arts, Norfolk County Council, and Suffolk County Council, successfully securing allocation of £1.275m.

# 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 included the allocated Combined

Authority fund management costs. The project expenditure of the original LGF programme to date was £142.2m as of 14 October 2022.

- 3.2 The £14.6m GBF awarded, was invested before March 2022 and delivery is well advanced on the Manufacturing & Materials Research and Development Centre and infrastructure, with building completion due in December 2022, and fit-out and occupation starting in spring 2023.
- 3.3 The Peterborough University Phase 3 continues to gear up delivery team, and should be obtaining planning determination in early 2023. The funding package includes £2m from Business Board recycled fund, alongside the £24m from Peterborough City Council and Anglia Ruskin University.
- 3.4 The Community Renewal Fund £3,393,851, plus the £800,000 Additional Restrictions Grant (ARG) match funding from council partners, is currently profiled and on track to be all spent in the two programmes Turning Point and Start and Grow by 31 December 2022.
- 3.5 The Recycled LGF spend on recently awarded projects 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 in Illumina prog	Economic & Growth	£2,000,000	£500,000	£29,000,000	2030
Start Codon Life Science Accelerator	Provides support and seed-funding to High Potential Companies	Reducing Inequality	£3,342,250	£1,867,250	£12,000,000	2030
South Fenland Enterprise Park	Flexible grow-on or 'scale-up' business space at Chatteris in Fenland	Economic & Growth	£997,032	£51,032	£997,032	2024
Business Growth Service - Inward Investment expansion	Increase investment in the inward investment element of the Growth Works programme	Economic & Growth	£400,000	£0.00	£0	2030
Barn4 specialist growing facilities	Containerised growing systems will be installed on NIAB's Park Farm	Innovation	£400,000	£0.00	£332,785	2025
Fenland Hi-Tech Futures	An investment in equipment for the North Cambs Training Centre	Economic & Growth	£400,000	£0.00	£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	£0.00	£8,262,471	2030
Ramsey Produce Hub	project will deliver improvements to the Great Whyte, a central commercial heart of Ramsey	Infrastructure	£1,158,525	£0.00	£295,000	2027
Centre for Green Technology	Complete design of building 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	£0.00	£24,000,00	2032
Total Funding			£13,094,900	£2,710,059	£75,163,997	

Table 1

## 4 Programme Delivery and Monitoring

- 4.1 All 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 of 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 Genomics Accelerator	1033	85	2					730	437	730	437		10			0	6	
Startcodon Life Science Accelerator	5190	173												48	14	48	14	
South Fenland Enterprise Park	76	0					900	0			900	0						
Business Growth Service - Inward Investment expansion	280														10			

[illegible]

- 4.2 As reported at the Business Board's meeting in September 2022, the South Fenland Enterprise Park project being delivered by Fenland District Council (FDC), which was awarded £997,032 LGF in 2020, has been delayed from its original plans because of the project combining with another remaining phase of development of the Business Park, leading to revised planning requirements only approved recently, and the scheme also recently tendered.
- 4.3 FDC has now reported that the tendering process has thrown up a significant gap in the funding to be able to deliver the project, as the quotes received are significantly higher than expected, due to the current inflationary pressures on materials and delivery of construction projects. The quoted cost for the whole combined project of two phases together is £5.5m, and the funding shortfall is £4.6m, which FDC does not have available in their budget. This means FDC has not been able to proceed with completing the tender process and awarding a contract.
- 4.4 Officers discussed the requirement for a Project Change Request from FDC for the revised project to be considered by the Business Board and Combined Authority Board. Officers are discussing and assessing all the implications with FDC around the project, especially associated with costs in relation to original quote prices changing, size and scope of revised project as a result of the value engineering.
- 4.5 The Project Change Request, attached as the exempt Appendix 1 to this report, includes details of options considered by FDC and its Members, and their preferred option proposal to re-tender the scheme with additional information, offering quotes on two routes, one to complete whole scheme phase 1 and 2 or phase 1 single block scheme and supporting infrastructure. But either of the routes being tendered will still leave a funding gap, and details of how this will be funded has not been shared with officers. It is anticipated that the project will now complete by April 2024.
- 4.6 The project is now far behind its original delivery date, with outputs and outcomes looking increasingly undeliverable. Confidence is also not high that a retendering exercise would substantially reduce costs in the current climate. Therefore, officers are recommending the change request be rejected, and the grant funding be returned to the LGF Recycled budget via the non-delivery clawback clauses in the funding agreement.
- 4.7 The Business Board is asked to recommend rejection of the Project Change Request to the Combined Authority Board.
- 4.8 The monitoring of all projects in delivery has until now been conducted by the Strategic Funds team on a monthly and quarterly basis. The Business Team are switching to a quarterly cycle for gathering monitoring data from all projects going forwards, due to the data being gathered not changing significantly between monthly monitoring cycles. However, projects which are in the build or delivery phase will still be project managed on a monthly basis for performance, claims payments, and issues or risks.
- 4.9 The Strategic Funds team are working on better ways to present the data gathered from monitoring and to be able to provide the trend analysis that would help to inform and guide the Business Board on performance better. To this end, officers will work through example charts and formats using current monitoring data with Business Board members at their next Activity Update meeting to obtain input and confirmation on how the Business Board would like this information provided in reports going forwards.

## 5 Recycled Local Growth Fund

- 5.1 The two calls for projects for the Recycled LGF conducted this year, based on the Business Board strategy and targeted criteria, concluded with the following projects approved and awarded.

Project	Deliver Organisation	Grant Allocation	Leverage
Business Growth Service - Inward Investment expansion	Growth Co	£400,000	£0
Barn4 specialist growing facilities	NIAB	£400,000	£332,785
Fenland Hi-Tech Futures	College of West Suffolk	£400,000	£237,000
COWA Net Zero Project	College of West Anglia	£2,000,000	£8,262,471
Ramsey Produce Hub	Huntingdonshire District Council	£1,158,525	£295,000
Centre for Green Technology	Inspire Education	£397,093	£39,709

- 5.2 The six projects listed above have been awarded a total of £4,755,618, and offering £9,166,965 in leverage funding, this leaves approximately £3m-£4m in the combined revenue/capital recycled LGF budget in the medium term, as expenditure winds down to zero and nominal income is forecast to be received. The upper end reflects the formalising of declining the South Fens Business Centre PCR (£0.9m).
- 5.3 The Business Board has not yet made any further decision on the deployment of the remaining recycled LGF, and could consider other projects from the earlier call that were scored lower, or it could consider aligning its investment strategy for awarding the remaining funds to the delivery of aspects of the Economic Growth Strategy Implementation plan. It is proposed that this be discussed at the next Business Board Activity update meeting and brought back as a formal recommendation at the subsequent Business Board meeting.

## 6 Strategic Funds Update

### Community Renewal Fund

- 6.1 The spend delivery of the two projects being funded by the CRF are now being monitored very closely on a weekly basis through the Growth Works contractor, to ensure that both projects deliver their full spend and outputs before the end of the delivery window of 31 December 2022. The CRF projects respectively have £389,000 left to be defrayed for the Start & Grow project, which at current grant award run rate is on target by 31 December 2022, and -£221,081 in arrears for the Turning Point project, which is also on track to complete before December 2022. The deficit in funding with the Turning Point project is as anticipated at this point in delivery. The CRF funding from the Department for Levelling Up, Housing and Communities (DLUHC) for both projects is paid in two tranches. The first tranche, 62.5% of total funding, was paid in advance of work starting and the final payment



is in arrears, once the final monitoring and evidence of defrayal is provided with a final claim.

## Levelling Up Fund

- 6.2 The Government had not yet made any announcements regards the Levelling Up Fund (LUF) round 2 project awards when this report was published.

## UK Shared Prosperity Fund

- 6.3 The Government had not yet made any announcements regards the approval of allocations on core UK Shared Prosperity Fund (UKSPF) when this report was published. The £9.8m Local Investment Plan was submitted to DLUHC on 31 July 2022, with confirmation of receipt, and there have been no queries back from DLUHC on the plan as at 21 October.
- 6.4 The Strategic Funds team has been coordinating further work on the proposed projects in the investment plan, undertaking due diligence on all projects due to start in year one in preparation for the grant agreements and contracts to be put in place quickly after any announcement with local authorities and other delivery organisations.
- 6.5 On 3 September, DLUHC launched the prospectus for Rural England Prosperity Fund, inviting Lead Authorities to produce an addendum to their UKSPF Local Investment Plans submitted by 30 November 2022, to secure the allocation of funding being offered. The Rural England Prosperity Fund is integrated into the UKSPF, which supports productivity and prosperity in places that need it most. For eligible local authorities, the Rural Fund is a rural top-up to UKSPF allocations. The Combined Authority has an indicative allocation of £3,215,148 split as below:

District/Unitary	Allocation
Cambridge	£0
East Cambridgeshire	£652,511
Fenland	£436,714
Huntingdonshire	£957,788
Peterborough	£0
South Cambridgeshire	£1,168,135

## Getting Building Fund

- 6.6 The £14.6m GBF that was awarded to the Combined Authority was invested before March 2022, and delivery of the building shell is targeted for December 2022. There is an update on the university project in Agenda Item No. 3.4 (University of Peterborough – Delivery Update and Future Combined Authority Role) on this agenda.
- 6.7 The advertising of space in the building is under way, led by Savills and supported by partner organisations, but this marketing activity is being elevated through networks and business channels to increase interest, as initial enquiries are slower than hoped.

## Create Growth Fund

- 6.8 New Anglia LEP and the Combined Authority have partnered together with the University of East Anglia, Anglia Ruskin University, University of Suffolk, Norwich University of the Arts, Norfolk County Council, and Suffolk County Council to successfully bid to become one of six areas delivering the new DCMS Create Growth Programme.
- 6.9 The partners have been successful in the final round allocation of funding of £1.275m, following submission of a full application. New Anglia LEP is the Lead Applicant, and will now work with all partners in the bid to move to delivery of support programmes across Norfolk, Suffolk and Cambridgeshire, to ready potential high growth organisations for seed funding award via a fund manager that is currently being recruited centrally by DCMS. Those organisations will have access to seed investment funds in the wider programme.

## Significant Implications

### 7. Financial Implications

- 7.1 Depending on the decision of the Business Board regarding the proposed Change Request from FDC there could be a return of funds from FDC of up to £946k, this would be added to the existing balance on the recycled growth funds for reallocation in-line with the Business Board's future decisions.

### 8. Legal Implications

- 8.1 If the Business Board reject the Change Request, the project will be terminated in accordance with the terms of the Grant Funding Agreement. The CPCA will also seek to clawback grant funding in accordance with the Grant Funding Agreement.

### 9. Public Health Implications

- 9.1 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. Good work and personal skills development are key determinant of positive health outcomes.

### 10. Environment and Climate Change Implications

- 10.1 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.

### 11. Other Significant Implications

- 11.1 There are no other significant implications.

## 12. Appendices

- 12. Appendix 1 (Exempt) – Project Change Request (South Fens Enterprise Park)

## 13. Background Papers

- 13.1 LGF Funding Award Project Approval - [Business Board 27 January 2020 Agenda Item 2.2](#)
- 13.2 Community Renewal Fund Award Approval - [Combined Authority Board 24 Nov 2021 Agenda item 3.6](#)
- 13.3 Getting Building Fund Award Approval - [Combined Authority Board 25 Nov 2020 Agenda Item 3.5](#)
- 13.4 Levelling up Project Approval - [Combined Authority Board 30 June 2021 Agenda Item 7.2](#)