



BUSINESS BOARD	AGENDA ITEM No: 3.2
DATE 25 NOVEMBER 2019	PUBLIC REPORT

LOCAL GROWTH FUND UPDATE

1.0 PURPOSE

- 1.1. The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) negotiated three successive Growth Deals with Government between 2014 and 2017, securing £146.7m to deliver new homes, jobs and skills across the LEP area. This paper provides an update on the programme's performance since April 2015 for the Local Growth Fund (LGF).
- 1.2. To provide the Board with operational updates on the LGF progress to 31 October 2019 based on the following items:
- (a) Financial update on programme spend
 - (b) Pipeline of projects currently in delivery
 - (c) Update on the applications from Investment projects since call
 - (d) Update on the Small Business Capital Grant scheme
 - (e) Eastern Agri-Tech Growth Initiative update

<u>DECISION REQUIRED</u>	
Lead Member:	Austen Adams, Interim Chair Business Board
Lead Officer:	John T Hill, Director Business & Skills
Forward Plan Ref: Standing item on FP Key Decision: No	
<p>The Business Board is recommended to:</p> <ul style="list-style-type: none">(a) Recommend all the programme updates outlined in this paper to the Combined Authority Board.(b) Recommend to Combined Authority Board the delegation of authority to the Director of Business and Skills, in consultation with	

the Chair of Business Board, to approve grants to SMEs under the Small Business Capital Grant Programme.

- (c) Recommend to Combined Authority Board approval of the allocation of £100,000 from the Small Business Capital Growth Grant Programme to a new Entrepreneurs' Accelerator Fund to be ring-fenced for Thomas Cook employees or affected supply chain companies' employees who have been made redundant and are exploring starting up a business.
- (d) Recommend to Combined Authority Board approval of delegated authority to the Director of Business and Skills, in consultation with the Chair of the Business Board, to adopt appropriate application evaluation criteria and award processes for the Entrepreneurs' Accelerator Fund.
- (e) Approve a reduction in the Local Growth Fund allocated to the Eastern Agri-Tech Growth Initiative scheme of £3.5m
- (f) Approve the allocation of an additional £9m to the Small Business Capital Growth Grant Programme from Local Growth Fund and recycled Growth Fund to create a total £12m budget for the Small Business Capital Growth Grant programme
- (g) Note that in the event recommendations (e) and (f) are approved, the revised total budget available to fund the £63.4million of applications in the Local Growth Fund pipeline would become £48.4million, allowing approximately 75% of the 22 proposals to be funded, rather than 65%.

1.0 BACKGROUND

- 1.1 The Local Growth Funds must be spent by 31 March 2021 but programme outcomes can be delivered beyond 2021.
- 1.2 Local Growth Funds can provide Grants, Loans or other forms of funding such as Equity Capital Investment.
- 1.3 In addition to the Local Growth Funding there are recycled funding as a result of the Growing Places Loan Fund successfully run during the programme and has established a recyclable pot of grants and loans for projects delivering economic benefit across the region.

2.0 LOCAL GROWTH FUND PROGRAMME POSITION

2.1. On 31st October 2019, the Combined Authority's Local Growth Fund programme had nine projects plus the new SME capital grant scheme in delivery, listed below:

- Kings Dyke level crossing
- Eastern Agri-Tech Growth Initiative
- Lancaster Way Phase 2
- Manea and Whittlesea Station
- Upgrade M11 Junction 8 with A120
- Terraview facility fit out
- Wisbech Access Strategy delivery
- Soham Station
- Haverhill Innovation Centre

therefore in 2019/20 current contracted forecast spend added to the completed projects total is £99.9 million (A428 Bus lane improvement project not included in this total but was previously included, this project is still undergoing its application process).

2.2. The Kings Dyke A605 road/rail crossing improvements project is still red-flagged as per last Board update. The project currently has £700,000 left to spend of the original £8m allocation. The Combined Authority's Transport and Growth fund teams have met with Cambridgeshire County Council who are the project lead and they have agreed to submit a change request and spend/timetable re-profile as per the terms of the original Grant Funding agreement for the Combined Authority to then agree before the last tranche of funding can be drawn down.

2.3. The Wisbech Access Strategy project has also become red-flagged for next Quarterly report as the project team at Cambridgeshire County Council have now confirmed they are unlikely to be able to deliver the whole package of £10.5million road/junction improvements spend before end of March 2021. The Combined Authority's Transport and Growth fund teams have met with Cambridgeshire County Council who are the project lead and they have agreed to submit a revised proposal prioritising which elements of the package can be delivered with spend before the end of March 2021. Combined Authority Officers will review once received.

2.4. A10/A142 Lancaster Way/BP roundabouts – work is progressing in the preparation of designs and S106 agreements and extensions of trigger points. Additional contribution will be sought from alternative sources in early 2020 for the additional Lancaster Way proposed works, to enhance the BP roundabout activity. All parties are still committed to the delivery of this proposed enhancement and the growth funds allocated will still be required and spent within the required timescales.

- 2.5. The total programme expenditure to the 31st October 2019 including completed projects is £80.5 million.
- 2.6. The remaining funding to be allocated to new proposals and SME capital grant scheme is comprised of £45.1million of Local Growth Funds, plus £8.8million of recycled Growth Funding, totalling £53.9million.

3.0 GROWTH DEAL MONITORING RETURN Q2 2019/20

- 3.1. The Business Board is required to submit formal monitoring returns to Government regarding Growth Deal performance and forecasts on a quarterly basis. The next return for Q2 2019/20 is currently being prepared by Officers for submission by the end of November 2019 and that return will come with the update to the January Business Board meeting.
- 3.2. Projects shown in amber and red are delayed in delivery but after consulting with project leads are planned to complete by the scheme end date subject to further confirmation as noted above at 2.2 and 2.3 to determine if and how they proceed to completion.

Project Name	Project RAG Ratings	
	Previous Quarter Q4_1819	This Quarter Q1_1920
Whittlesey Access Phase 1 King's Dyke Crossing	A	R
Ely Southern Bypass	G	G
Bourges Boulevard Phase 1	G	G
Bourges Boulevard Phase 2	G	G
A47/A15 Junction 20	G	G
Wisbech Access Strategy	A	A
TWI (The Welding Institute) Expansion	G	G
Technical and Vocational Centre, Alconbury Weald	G	G
Agri-Tech Growth Initiative	G	G
Cambridge Biomedical Innovation Centre	G	G
Haverhill Innovation Centre	G	G
Peterborough Regional College Food Mfg Centre	G	G
Small Grants Scheme	G	N/A
Highways Academy	G	G
CITB Construction Academy	G	G
EZ Plant Centre Alconbury	G	G
Signpost 2 Grant	G	G
Medtech Accelerator	G	G
Lancaster Way Phase 1 Loan	G	G
Lancaster Way Phase 2 Loan	G	G
Lancaster Way Phase 2 Grant	G	G
Manea and Whittlesea Stations	G	G
M11 J8	G	G
Terraviva Loan	N/A	G

4.0 LOCAL GROWTH FUND PIPELINE UPDATE

- 4.1 The Business Board is asked to note at **Appendix A** the current Officer assessment of the potential LGF pipeline based on the existing Expressions of Interest received and projects which have indicated they are going to submit an

EOI. The value of the received EOIs and live enquiries pipeline is £63.4million excluding the £3m allocation for the SME capital grant scheme.

5.0 LOCAL GROWTH FUND INVESTMENT PROSPECTUS PROJECT CALL

- 5.1 The Investment Prospectus call for projects launched on 22 July 2019 and as of 31st October 2019 the number of Expressions of Interest received was 22 with a total grant/loan/equity application value of £63.4million or until the funding is all allocated to projects to spend before March 2021.
- 5.2 The number of projects at Full Application Form appraisal stage is 18 and 6 of those projects were presented at the Entrepreneurs Assessment Panels on 1st and 11th November.
- 5.3 The Board agreed at last meeting to the ranking of project proposals based on total scoring across all application stages which has been applied to the project proposals being considered for approval at this meeting in a separate report.

6.0 NEW SMALL BUSINESS CAPITAL GROWTH GRANTS PROGRAMME

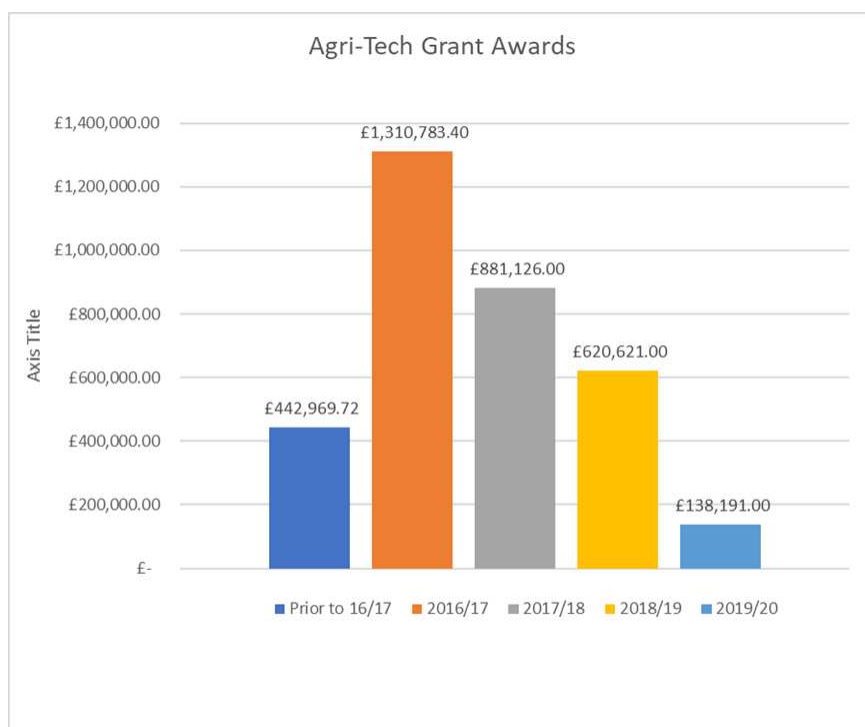
- 6.1 The Business Board and Combined Authority Board previously approved the allocation of £3million for a pilot for a new Small Business Capital Growth Grant Programme with potentially more funding to follow this pilot up to a total of £15million of the Local Growth Fund/Growing Places Fund. This potential addition to the scheme budget of £12m would significantly deplete the remaining unallocated LGF of £53.9million by reducing it to £41.9million. To put this in context there are £63.4m worth of applications in the current pipeline. Section 8 below sets out an alternative proposal for this funding.
- 6.2 The current ceiling for grants made under the Small Business Capital Growth Grant Programme is £250,000 and it is recommended that this be reduced to £150,000 in order to ensure compliance with State Aid de minimis rules. Parameters of this new small grant scheme are proposed at £10,000 to £150,000 range as a 50% intervention rate where businesses will be required to provide 50% of the costs of the capital project.
- 6.3 A provider has been appointed to manage / administer the £3m pilot scheme following a procurement exercise. A separate provide has been appointed to independently appraise each application.
- 6.4 The scheme has already received 3 applications from SMEs prior to the new provider beginning marketing activity and 1 grant to a total value of £70,000 has been provisionally approved.

- 6.5 Recommendation is sought from the Business Board to Combined Authority Board for approval for delegated authority to Officers to approve grant funding awards up to the £150,000 maximum limit. Grant awards under this scheme will go through a robust process led by the new contractor with due diligence with another provider and sign-off by Combined Authority Officers, see attached **Appendix B** for flowchart. Information about the exercise of the delegation will be provided to Business Board via the regular budget monitoring reports.
- 6.6 Recommendation is sought from the Business Board to Combined Authority Board for approval for £100,000 in addition to the £3m Small Business Capital Grants Programme to be allocated to a new Entrepreneurs' Accelerator Fund ring-fenced to Thomas Cook employees or affected supply chain companies' employees who have been made redundant and are exploring starting up a business. The Entrepreneurs Accelerator Fund will offer capital grants of between £2k and £10k at 80% intervention rate. Applicants will either have to reside within the Business Board area or will have plans to create their business within the CPCA area, will be asked to provide proof of employment/redundancy from Thomas Cook or one of their Supply chain companies. This proposal is to be delivered inhouse by Officers in CPCA or through the provider who has been awarded the contract to administer the Small Business Capital Grants Programme. The individual grant applications will also be put through external evaluation and due diligence by the same provider on Small Business Capital Grants Programme.

7.0 EASTERN AGRI-TECH GROWTH INITIATIVE UPDATE

- 7.1 The Eastern Agri-Tech Growth Initiative supports SME businesses in the Agri-Tech sector with growth projects or Research & Development projects. From the commencement of the Initiative in late 2013 to August 2019, a total of 99 SMEs have been supported and the Innovation Hub created. There are a total of 18 live projects across Business Board /New Anglia (NALEP) geography, which are on track to complete to their planned schedules.
- 7.2 NALEP has contributed another £1m to the Initiative and the first tranche of £500k has been received by the Combined Authority
- 7.3 The programme has re-procured its project appraisal/due diligence support service across both the Combined Authority area and Norfolk and Suffolk.
- 7.4 The Board is also asked to note that whilst there is a pipeline of interested projects for this Initiative the projected spend and delivery by the end of March 2021 is highly unlikely to utilise the full £5.17m of current funding still to be committed. The table below sets out a breakdown of the last 5 years funding take-up. It is therefore recommended that the Business Board approves a reduction in the Local Growth Fund allocated to the Initiative of £3.5million

which would leave a new balance of £1.67m in this Initiative to deploy before end March 2021. This would enable £3.5m to be allocated to other priorities as set out in section 8 below.



8.0 PRIORITISING ACROSS THE REMAINING FUNDS TO BE ALLOCATED

8.1 Given that the remaining funding available to support an application pipeline of £63.4million currently stands at only £53.9million, it is recommended that the Business Board:

- Reallocates the £3.5million reduction in the Eastern Agri-Tech Growth Initiative to increase the funding available to support the Growth projects application pipeline.
- Reduces the additional £12m of funding previously proposed for the Small Business Capital Growth Grant Programme to £9m and approving the allocation of £9m from the remaining £53.9million to the Small Business Capital Growth Grant Programme.

8.2 If both recommendations outlined above were approved, the revised total budget available would decrease by £5.5m from £53.9m to £48.4m. the current LGF pipeline stands at £63.4million thus approximately 75% of the 22 proposals could be funded, rather than 65% were the recommendations not approved.

9.0 SIGNIFICANT IMPLICATIONS

9.1 None

10.0 FINANCIAL IMPLICATIONS

- 10.1 The allocation of £9m is entirely from the Local Growth Fund and recycled growth funds thus has no effect on wider CPCA resources.
- 10.2 The effect on the LGF balance is small, as the majority of the additional funding will be from the recycled funding, the table below sets out the forecast income and expenditure of the recycled capital growth funds based on currently contracted loans.

£8.8m of recycled capital growth funds would represent the vast majority of the forecast unallocated balance, however the forecast does not include repayment of two approved, but subject to contract, LGF loans totalling approximately £2.1m nor any repayments of future loans made to LGF pipeline projects.

	2019-20	2020-21	2021-22	2022-23
Opening balance	11,136,153	8,829,153	9,803,444	10,705,091
Loan repayments	33,000	661,646	901,647	266,896
Committed expenditure	(2,340,000)	-	-	
Closing balance	8,829,153	9,803,444	10,705,091	10,971,987

11.0 LEGAL IMPLICATIONS

- 11.1 The Combined Authority has authority under section 1 Localism Act 2011 to exercise a general power of competence. The Combined Authority can exercise this power by virtue of the Cambridgeshire and Peterborough Combined Authority Order 2017. This power permits the Combined Authority to make grants to providers in order to deliver the terms of the devolution deal signed with Government
- 11.2.1 The Business Board is responsible for programme direction of the Growth Funds. The Combined Authority, as the Accountable Body, maintains the legal agreements with project delivery bodies.

12.0 IMPLICATIONS FOR NATURE

- 12.1 None

13.0 OTHER SIGNIFICANT IMPLICATIONS

13.1 None

14.0 APPENDICES

14.1 **Appendix A** – Local Growth Fund project pipeline October 2019

14.2 **Appendix B** – Small Business Capital Grants Scheme flowchart

<u>Background Papers</u>	<u>Location</u>
i. Local Growth Fund Documents, Investment Prospectus, guidance and application forms	https://cambridgeshirepeterborough-ca.gov.uk/business-board/growth-funds/
ii. Eastern Agri-tech Growth initiative guidance and application forms	https://cambridgeshirepeterborough-ca.gov.uk/business-board/eastern-agri-tech-growth-initiative/
iii. List of funded projects and MHCLG monitoring returns	https://cambridgeshirepeterborough-ca.gov.uk/business-board/opportunities/
iv. Local Industrial Strategy and associated sector strategies	https://cambridgeshirepeterborough-ca.gov.uk/business-board/strategies/