

BUSINESS BOARD	AGENDA ITEM No: 3.2
23 SEPTEMBER 2019	PUBLIC REPORT

LOCAL GROWTH FUND UPDATE – SEPTEMBER 2019

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 and a draft summary of the programme monitoring report to Government submitted 23rd August 2019 for the Local Growth Fund (LGF).
- 1.2. To provide the Board with operational updates on the LGF progress to 31 August 2019 based on the following items:
 - (a) Local Growth Fund financial position
 - (b) Growth Deal monitoring return Q1 2019/20
 - (c) Local Growth Fund pipeline update
 - (d) Local Growth Fund Investment Prospectus project call
 - (e) Local Growth Fund evaluation criteria update and proposed ranking of project pipeline
 - (f) New Small Business Capital Growth Grant programme
 - (g) Eastern Agri-Tech Growth Initiative update
 - (h) Existing Small Grant Scheme Update
 - (i) Entrepreneur Assessment Panel (EAP) for project appraisal

<u>DECISION REQUIRED</u>	
Lead Member:	Austen Adams, Interim Chair Business Board
Lead Officer:	John T Hill, Director Business & Skills
Forward Plan Ref: N/A	Key Decision: No
<p>The Business Board is asked to:</p> <ul style="list-style-type: none"> (a) Recommend all the programme updates outlined in this paper to the Combined Authority Board; (b) Agree the amended evaluation criteria for Major Projects as set out in Appendix 3 to this report; and (c) Approve the continuation of the evaluation criteria for the other areas of funding as set out in Appendix 3 to this report (d) Agree the process for ranking projects to manage oversubscribed pipeline to support robust decision making on funding highest quality projects. 	

2.0 BACKGROUND

- 2.1. The Local Growth Funds must be spent by 31 March 2021, but programme outcomes can be delivered beyond 2021.
- 2.2. Local Growth Funds can provide grants, loans or other forms of funding such as equity investment.
- 2.3. In addition to the Local Growth Funding there are recycled funds as a result of the Growing Places Fund providing loan funding to projects which have subsequently repaid. This has established a recyclable pot of funding for projects delivering economic benefit across the region.

3.0 LOCAL GROWTH FUND PROGRAMME POSITION

- 3.1. On 31st August 2019, the Combined Authority's Local Growth Fund programme had nine projects in delivery in 2019/20 their contracted forecast spend total is £100.5 million.
- 3.2. The Kings Dyke A605 road/rail crossing improvements project has been red-flagged because the project lead has confirmed an overspend and time overrun on delivery and will be going back out to tender for a new costs profile. The project currently has £700,000 left to spend of the original £8m

allocation. Actions are being discussed with project lead for an extension request as delivery is expected to continue.

3.3. The Wisbech Access Strategy remains at amber flagged due to concerns the project may extend beyond the 31 March 2021 deadline, this is being reviewed with the Transport Team.

3.4. The accumulative programme expenditure to the 31st August 2019 including completed projects is £88.9 million.

4.0 GROWTH DEAL MONITORING RETURN Q1 2019/20

4.1. The Business Board is required to submit formal monitoring returns to Government regarding Growth Deal performance and forecasts on a quarterly basis. The return for Q1 2019/20 was submitted on the 23rd August 2019.

4.2. Appendix 1 shows the Financial Progress extracted from the programme dashboard submitted to BEIS which reported an accumulative total spend of £80.3 million as at the end of June 2019.

4.3. Projects shown in Amber are delayed in delivery but are planned to complete by the scheme end date. The project shown in Red is subject to further investigation as noted above at 3.2 to determine if it can still proceed to completion.

4.4. The current project risk status is shown below:

Project RAG Ratings		
Project Name	Previous Quarter	This Quarter
	Q4_1819	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
Terraview Loan	N/A	G

5.0 LOCAL GROWTH FUND PIPELINE UPDATE

5.1. The Business Board is asked to note at Appendix 2 the current Officer assessment of the potential LGF pipeline based on the existing EOI's received and projects which have indicated they are going to submit an EOI. The received EOI and live enquiries pipeline value exceeds £80m.

6.0 LOCAL GROWTH FUND INVESTMENT PROSPECTUS PROJECT CALL

6.1. The Investment Prospectus call for projects was launched on 22 July 2019 and, as of 31st August, **ten** Expressions of Interest [EOIs] had been received with a total grant/loan/equity application value of **£21.7m**. Officers also have **fourteen** projects which have expressed interest and are proposing to submit EOI's.

6.2. There are two competing pressures which affect the approach to managing the over-subscribed Round 3; the pressure to maximise value for money (VfM) which is achieved by waiting until all projects have been appraised and then making decisions about which proposals to fund in full knowledge of the merits of all the proposals and, the pressure created due to the time constraints on the Local Growth Funding meaning projects must have drawn down their funding by 31st March 2021 which makes it desirable to approve proposals sooner rather than later.

6.3. Taking the above into account an approach which balances these pressures, as set out below, is recommended:

- (a) For projects bidding for less than £1m, adopt a first come first serviced approach
- (b) For projects bidding for £1m or more the board will receive a suggested ranking of projects based on a combination of the Entrepreneurs Advisory Panel score and the external appraisal and due diligence score. The Board will be asked to discuss the ranking and based on a combination of deliverability, levels of outcomes and outputs, additionality of LGF funding, strategic fit with the LIS and VfM assign it to one of three levels:
 - i. These projects would be recommended to the CA Board for approval immediately.
 - ii. These projects would be deferred to the next Board meeting to be ranked against the next tranche of applications.
 - iii. These projects would be deferred to the January Business Board meeting to be ranked against all remaining projects.

6.4. If this proposal is adopted it will be necessary to publicise how proposals are to be processed in order to ensure transparency per our Local Assurance Framework and that potential applicants will understand the process which will be applied to their proposals.

6.5. It is also recommended that the call for projects is closed at the end of September 2019; at this point if funds are still available once all projects have been through the appraisal process and through ranking at the Business Board meetings in November and January we would re-open the call for limited time for specific projects targeting specific areas the Business Board agree as priority areas.

6.6. The number of projects at Full Application Form appraisal stage is potentially 2.

7.0 LOCAL GROWTH FUND EVALUATION CRITERIA UPDATE

7.1. In November 2018 the Business Board approved the officer led internal appraisal of Expression of Interest for projects applying for LGF, this has continued throughout rounds 1 and 2. Round 3 marks the final phase of LGF and will be the final opportunity the Business Board has to fund areas of work via this funding source.

7.2. Central Government in releasing the final round of funding identified it as a “programme” pot the Combined Authority linked this directly to the Local Industrial Strategy outputs encouraging applications for investment in the following areas:

- Creating new job opportunities through delivery of new employment infrastructure
- Investment into business growth via the full range of funding programmes

7.3. The change in emphasis for funding has resulted in changes being proposed to the criteria applied when evaluating potential applicants by both the internal officers and the external appraisal team. Revised appraisal criteria are being proposed for the following grant area:

- Local Growth Fund – major projects

The proposed amended criteria for these projects are included in Appendix 3 and it is recommended that those amended criteria be adopted.

The criteria being used for the following grant programmes remains unchanged (Appendix 3):

- Eastern Agri-Tech Growth Initiative
- Business Growth Programme
- Small Grants Scheme

7.4. The evaluation criteria for all the funding programmes link directly to the Combined Authority Monitoring and Evaluation Framework. The Business Board are asked to approve the changes to the Major Projects appraisal criteria and the continuation of the criteria for the other areas of grant funding.

8.0 NEW SMALL BUSINESS CAPITAL GROWTH GRANTS PROGRAMME

8.1. The Business Board and Combined Authority Board approved the plans for allocating £3m for a pilot SME capital small grant programme. If successful the pilot could be expanded up to a value of £15m allocated to the new Small Medium Enterprise grant programme

8.2. The parameters of this new small grant scheme are proposed at £10,000 to £250,000 range as a 50% intervention. CPCA Officers have designed the scheme.

8.3. Officers are currently running a procurement to appoint a best value provider to manage / administer the £3m pilot scheme.

9.0 EASTERN AGRI-TECH GROWTH INITIATIVE UPDATE

9.1. Programme supporting SME businesses in the Agri-Tech sector with growth projects or R&D projects. Since the Agri-Tech programme began in late 2013

to August 2019, a total of 99 SMEs supported plus Innovation Hub created. Total of 18 live projects across BB/New Anglia (NALEP) geography, which are on track to complete to their planned schedules.

9.2. NALEP has contributed another £1m to the programme and the legal agreement has been signed off with Suffolk County Council.

9.3. The programme is currently re-procuring its project appraisal/due diligence support service with appointment of a provider imminent and new project applications will be considered at Agri-Tech Programme Board in October and November. The pipeline of interested projects remains very strong for this scheme.

10.0 EXISTING SMALL GRANT SCHEME UPDATE

- 10.1. Following approval at the November Combined Authority Board meeting, a sum of £300,000 was awarded to this Scheme to run until 31st March 2021 however the new Capital Grant scheme will supersede this when it goes live.
- 10.2. Since November **10** applications to this scheme have been approved under delegated authority totalling **£88,874**, generating match funding of **£457,502**; and creating **21 new jobs**.
- 10.3. This existing Small Grant Scheme will be ended and merged into the new SME Capital Small Grant scheme pilot once the contractor is procured to deliver it.

11.0 ENTREPRENEUR ADVISORY PANEL (EAP)

- 11.1. The Business Board agreed the creation of an Entrepreneur Assessment Panel (EAP) as a working group of the Business Board
- 11.2. The EAP will have responsibility to provide a business focused appraised assessment and a recommendation for funding (or not) to the Combined Authority Board via a presentation made by the applicants.
- 11.3. The Panel ensures projects have clearly defined rationale, strategic fit, and clearly defined, measurable outputs. A report based on the Panel evaluation is included in the final recommendation reports presented to the Combined Authority Board, by the Chair of the Business Board for ratification
- 11.4. The membership of the EAP has been recruited as thus:
 - Mayor (Chair)

- Up to 3 other members of the Business Board
- Up to 3 further representatives of the business community
- CPCA officer advisor (non-voting rights)

11.5. Up to three of the Business Board members were asked to join the EAP to help strengthen the project appraisal process and two have volunteered thus far, also wider Business representatives have been recruited onto the panel after an interview process on 13th September 2019.

12.0 SIGNIFICANT IMPLICATIONS

12.1. None

13.0 FINANCIAL IMPLICATIONS

13.1. There are no financial implications beyond those identified in the report.

14.0 LEGAL IMPLICATIONS

14.1. 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

14.2. 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.

15.0 IMPLICATIONS FOR NATURE

15.1. None

16.0 OTHER SIGNIFICANT IMPLICATIONS

16.1. None

17.0 APPENDICES

17.1. **Appendix 1** – MHCLG Local Growth Fund Return Q1 2019/20

17.2. **Appendix 2** – Local Growth Fund project pipeline Aug 2019

17.3. **Appendix 3** – LGF Evaluation criteria

<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/