

Recycled Local Growth Fund Project Funding Awards

To:	Business Board
Meeting Date:	12 September 2022
Public report:	This report contains appendices which are 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 appendices.
Lead Member:	Chair of the Business Board, Alex Plant
From:	Louisa Simpson, Strategic Funds Programme Lead
Key decision:	Key Decision for the Combined Authority Board on 21 st September 2022
Forward Plan ref:	2022/022
Recommendations:	<p>The Business Board is asked to:</p> <ul style="list-style-type: none">a) Recommend the Combined Authority Board approves the full grant request of £1,158,525 from the Recycled Local Growth Fund for the Ramsey Food Hub Project; andb) Recommend the Combined Authority Board rejects the change request submitted for a revised grant award of £1,321,100 for the MedTech Mega Factory project.

1. Purpose

- 1.1 This report sets out the process undertaken, and presents the assurance analysis of the application for Recycled Local Growth Funds (LGF) that was presented to the Business Board at its meeting on 24th June 2022, and the decision deferred to a future meeting.
- 1.2 The report contains additional information received from the applicant to enable the Business Board to decide whether to recommend the award to the Food Hub project.
- 1.3 This report also sets out a change request submitted by the MedTech Mega Factory project for a revised project scope with reduced funding, triggered by confirmation of unsuccessful application to the Department of Business, Energy and Industrial Strategy (BEIS) for the core capital funding element in the project to build the original factory design. The proposed revision to the project is to establish a reduced MedTech Factory in ARU Peterborough Phase 2 building.

2. Background

- 2.1 Growth Deal and Growing Places funding was provided by the Government to local areas to invest in projects to create new jobs, increase productivity, and stimulate economic growth. A total of £146.7m was provided to this area. In previous funding rounds, loans were allocated to organisations and continue to be repaid. In addition, funds have been returned from projects that were halted for various reasons, which gave the Business Board funds of circa £7m to allocate to projects in the medium term.
- 2.2 The Business Board approved the strategy to utilise the recycled funds in November 2021, and in January 2022, the Combined Authority Board formally endorsed the Business Board recommendation on the criteria and approach to run two categories of Recycled LGF project calls:
 - Category One – a fund of approximately £1m (15% of total fund)
 - Category Two – a fund of approximately £6m (85% of total fund)
- 2.3 The Business Board approved £1.2m to Category 1 projects at its meeting in May 2022, and approved £4.397m, at its meeting on 24th June 2022, broken down in Table 1 below. At this same meeting, the Business Board deferred the decision regarding the Ramsey Produce Hub to enable officers to gather further information from the applicant.

Project	Amount Allocated
Medtech Mega Factory	£2,000,000
Net Zero Training Centre	£2,000,000
Training Centre Planning	£397,093
Total	£4,397,093

Table 1

- 2.4 The summary in Table 2 below shows the balance on capital and revenue recycled funds over the next 5 years, including the decisions highlighted in paragraph 2.3 of this report and income from the sale of iMET and savings on the Ely Area Capacity project reported in an earlier item in the agenda.

2.5 After significant investment over the next two years, showing a significant reduction in balances, the Business Board's funds increase over time as loans continue to be repaid.

£'000	22-23	23-24	24-25	25-26	26-27
Capital closing balance	-7,110	-3,195	-1,337	-1,422	-1,606
Revenue closing balance	-345	-461	-551	-624	-691
Total closing balance	-7,455	-3,656	-1,888	-2,045	-2,297

Table 2

2.6 Following the deferral of the decision on the Ramsey Produce Hub project, officers contacted Huntingdonshire District Council (HDC) and discussed opportunities for funding from elsewhere to support the Ramsey Produce Hub building. Following this discussion, it was concluded that the assumptions made by the External Due Diligence Team were not correct, and funds identified in HDC reserves were revenue funds not assigned to any capital programmes and could not be diverted to the Produce Hub project.

2.7 Through the assurance process, the Produce Hub has scored highly in several areas including the strategic fit, deliverability and timescales, resulting in it ranking second, as seen in Table 3 below. However, the efficiency, based on grant required per job created, was very low, with £103,823 of grant required per job for the £1.16m investment requested.

2.8 This compares to the average investment per job created at £71,000 before the Business Board managed the LGF, and £23,500 per job created and delivered across the portfolio since it was managed by the Business Board, with projections forecasting to achieve £3,640 per job created over the entire monitoring period to 2030. Appendix 1 contains the full application and due diligence report.

2.9 The position is therefore that the project cannot be delivered without the full £1.16m allocation from the Business Board, so the Business Board is asked to consider this project for funding and, if the agreed decision of the Business Board is to award the funds to the project, recommend the Combined Authority Board approves the full allocation despite the low efficiency score.

2.10 Table 3 below precis the score against the other Category 2 submissions.

% Marks	Internal	External	EAP	Total	Rank	Requested Grant
Medtech Mega Factory	41%	55%	89%	62%	3	£2,000,000
COWA - Net Zero	48%	82%	88%	73%	1	£2,000,000
HDC - 5G study	42%	54%	0%	48%	8	£350,000
HDC - Produce Hub	44%	66%	76%	62%	2	£1,158,525
Meanwhile 15+	38%	57%	76%	57%	5	£929,215
PCC Station Quarter	41%	56%	70%	55%	7	£1,000,000
P College IEG	47%	74%	0%	61%	4	£397,093
NIAB	36%	57%	79%	57%	5	£1,096,000

Table 3

- 2.11 The project spend profile in funding agreements for all Category 2 projects will need to match the drawdown of the Business Board annual budget profiles, and the agreed grant will be spent towards the back end of project delivery where feasible.
- 2.12 Following the award of £2m conditional funding approved by the Combined Authority Board in July 2022, the Medtech Mega Factory Project has submitted a Project Change Request. This is due to being unsuccessful in its larger application for £10m funding from BEIS. The change request seeks to reduce its request for awarded funding from £2m to £1.2m and has reduced the scope of creating the larger Mega Factory element of its application in Peterborough. Instead, the new proposal is for increased factory orientated outputs linked to a larger space at ARU Peterborough in the Phase 2 Research and Innovation Centre, with further details set out in Appendix 2.
- 2.13 A due diligence check has been carried out on the change request and the report is attached at Appendix 3. The recommendation from the independent external appraiser to the Business Board is to not fund the project at this time. Based on the concerns and risks raised by the external appraiser, the opinion of the Business Board's Section 73 officer is also that the Business Board should not approve the change request. Should the Business Board decide not to fund the project at this time, the £2m allocation would be returned to the Business Board's reserves for allocation elsewhere.

Significant Implications

3. Financial Implications

- 3.1 The detailed financial implications related to the applications are detailed in the appendices and summarised in the body of the report. As can be seen in the table in paragraph 2.5 the Business Board's minimum capital balance is greater than the £1.16m being sought, and thus there are sufficient funds available should the Board wish to fund the project fully regardless of the response to the change request.

4. Legal Implications

- 4.1 There are no direct legal implications, but the assessment of applications for Local Growth Funding has been done in accordance with the process agreed by the Business Board at its meeting in November 2021, as well as the Combined Authority Local Assurance Framework.

5. Public Health implications

- 5.1 The proposed funded projects will have a positive impact on public health regarding the creation of key employment or skills outcome improvements across the Combined Authority area. Good work and personal skills development are a key determinant of positive health outcomes.

6. Environmental and Climate Change Implications

- 6.1 None

7. Significant Implications

7.1 None

8. Appendices

8.1 Appendix 1 (Exempt) – Project Assessment Scoring

8.2 Appendix 2 (Exempt) – Project Application and Appraisal

8.3 Appendix 3 (Exempt) – Project Change Request and Appraisal

9. Background Papers

9.1 [Business Board Meeting 19th September 2019](#)

9.2 [Business Board Meeting 8th November 2021 Item 2.2 Strategic Funds Management Review](#)

9.3 [Business Board Meeting 10th January 2022 Item 2.2 Strategic Funds Management Review January 2022](#)

9.4 [Business Board Meeting 24th June 2022](#)

9.5 [Business Board Meeting 11th June 2022](#)