

## Strategic Funds Management Review July 2021

To:	Business Board
Meeting Date:	19 July 2021
Public report:	Yes
Lead Member:	Austen Adams, Chair of the Business Board
From:	John T Hill, Director Business and Skills
Key decision:	No (Key Decision for Combined Authority Board on 28 <sup>th</sup> July 2021)
Forward Plan ref:	2021/041
Recommendations:	<p>The Business Board is asked to</p> <ul style="list-style-type: none"><li>a) Approve or reject the Project Change Request for the Wisbech Access Strategy Project and recommend that decision to the Combined Authority Board; and</li><li>b) Note and recommend all other programme updates outlined in this paper to the Combined Authority Board.</li></ul>

## 1. Purpose

- 1.1 This report provides the Board with an update on the strategic funding programmes that it is responsible for, this report covers progress to 21<sup>st</sup> June 2021. This includes the following:
- (a) Monitoring and spending performance of allocated funds
  - (b) Individual Project updates by exception including funding repatriation.
  - (c) UK Community Renewal Fund (CRF) update and Lessons Learned
  - (d) Future Funding and pipeline preparation
- 1.2 It also presents a project change request received from Cambridgeshire County Council in relation to the Wisbech Access Strategy project for the Board's consideration.

## 2. Background

- 2.1 The Local Growth Fund (LGF) £146.7m programme was closed and all spent by 31 March 2021 but programme outcomes are still being delivered beyond 2021. Local Growth Funds provided 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 to be spent by end of March 2022 and projects delivered to completion during 2022.
- 2.3 The UK Community Renewal Fund is a new funding programme announced in March 2021 and in its role as the Lead Authority for the Cambridgeshire and Peterborough area on this fund submitted 7 applications to the value of £6.6m to MHCLG by the deadline of 18 June 2021.
- 2.4 The Levelling Up Fund round 1 deadline was on 18 June 2021 and the only application made from the Combined Authority area was the ARU Peterborough application for a Living Lab and University Cultural Quarter project within MP Paul Bristow constituency. This application was developed collaboratively between ARU, Peterborough City Council and the Combined Authority, and it was submitted from PCC as they are the Lead Authority for the Constituencies that cover Peterborough. All other constituencies in the Combined Authority area, which includes Fenland, have led off to develop the bids further, ready for round 2 submission. This is also same position for Transport application from the Combined Authority waiting until round 2.
- 2.5 The launch of the UK Shared Prosperity Fund (UKSPF) will be announced by the Government as part of the Comprehensive Spending Review in Autumn 2021, and the Combined Authority may be selected by the Government as the Lead Authority to manage the UKSPF in the region. The Strategic Funds Team are planning to further develop the potential pipeline of projects that could form strong applications to this fund when the Government calls for shortlisted applications.

### 3. Programme Spend

- 3.1 The £146.7m Local Growth Fund 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 balance of £14,586,494 unspent LGF was capital swapped on 31 March 2021 using Combined Authority freedoms and flexibilities, so the programme reported full spend to the Government. This capital swapped balance continues to be paid out to live LGF projects still in delivery with total spend on the LGF programme totalling £134,325,684 as at 21 June 2021
- 3.2 The £14.6m GBF is fully awarded and the shareholder agreement for the joint venture company was signed with the Joint Venture investment partner on 10<sup>th</sup> June 2021, meaning £13,773,000 is now out-turned as spent to the project. The £827,000 grant to PCC for provision of a car park infrastructure to support this project, the grant funding agreement is still being finalised and is expected to be signed off during the summer.
- 3.3 The Business Board awarded a further £2m from its future recycled funding budget – this award is conditional on securing a full funding package from the LUF and partners first. This award will not be drawn until later stages of the project and the other funds spent first.

### 4. Programme Monitoring

- 4.1 The Monitoring of all live projects in delivery is conducted by the Strategic Funds team on a monthly and quarterly basis. The Business Board is asked to note the latest updated Monitoring report at Appendix 1 for all projects, both completed and live.
- 4.2 The most recent monitoring update gathering exercise by the Strategic Funds Team in June shows that there have been 3491.5 actual jobs created reported from all projects.
- 4.3 Full Evaluation of the Eastern Agri-tech Growth Initiative, the £2.03m Growth Works Capital Grant scheme and the Covid Capital Grant scheme will be commissioned and undertaken in the final half of the financial year 2021-22.

### 5. Project Updates by exception – Wisbech Access Strategy

- 5.1 The Wisbech Access Strategy project was awarded £10.5m of LGF on the 26 November 2018. On 27 July 2020, the Business Board approved a change request due to escalating cost projections, to reduce the scope of the project from 5 junctions down to 3, which could still be delivered within the £10.5m budget. This change request also reduced the LGF allocation from £10.5m to £6m, with the balance of required funding being identified from other sources by the project sponsor.
- 5.2 The project was due to complete delivery of the revised 3 junctions by 31 March 2021, but the project failed to meet the deadline and the balance of the remaining unspent LGF was capital swapped using freedoms and flexibilities at the end of 31 March 2021.
- 5.3 Since the last Business Board meeting, the Wisbech Access Strategy Project lead, Cambridgeshire County Council, has provided Combined Authority officers with a Project Change Request for the Business Board to consider, attached to this report at appendix 2.

- 5.4 Cambridgeshire County Council has also provided officers with their options analysis as background to their change request, which used the new budget estimate from their appointed contractor on the first junction to model and extrapolate predicted costs for doing the other two junctions, plus permutations of the 3 junctions.
- 5.5 The project now has significant cost increases to achieve the delivery of outcomes agreed in the last Project Change Request taken to the Business Board, namely the completion of 3 junctions. The additional funding now required to deliver the agreed 3 junctions is an additional £9m on top of the previously reported £10.5m total cost, of which £6m is LGF. The increase relates to the changes from the November 2019 project design (when the original Preliminary Design Budget estimate was produced) to the new June 2021 Detailed Design budget estimate.
- 5.6 Officers have reviewed this proposed new plan and all the options on the way forward proposed within it. The Business Board is asked to note the options within the Project Change Request and is asked to consider the proposed option being put forward in the change request by Cambridgeshire County Council.
- 5.7 This change request is to continue spending £1.88m of the awarded LGF funds on top of the £2.09m (excluding utilities) spent to date to deliver the project to an end of detailed design stage with all land procured. This would be at a total cost of £3.97m to enable the project to become a shovel ready pipeline project should additional central government funding become available in the future.
- 5.8 While there is local appetite for this project, and there is value in completing the design work on the junctions to create a shovel ready pipeline project at the cost of an additional £1.88m, there is currently no identified funding package that would enable the sponsor to fully deliver the project and achieve the outcomes originally included in the Change Request approved by the Business Board in July 2020.
- 5.9 The Business Board can reject the Project Change Request. This would leave the project in a position where significant amounts of the work to date would be 'lost' unless the sponsor identifies other funding to complete the design works.
- 5.9 While the completion of the detailed project design will not achieve the benefits that were the basis for approval of the change request in July 2020, there is intrinsic value to having a shovel ready pipeline project, which would be lost if the Business Board reject the change request, and the sponsor fails to identify alternative funding. The sponsor's proposed change also includes a small amount of funding for a procurement process based on the detailed designs that would be completed to identify a contractor for delivery despite the lack of an identified funding package to pay for delivery at this time.

The Business Board S73 Officer is content that the proposed change request represents some value for money, as some of the options the sponsor presented which could be delivered later based on the designs, have reasonable BCRs and detailed designs would ultimately be required for the projects to be delivered however there are outstanding questions on deliverability of the scheme given the cost increase and corresponding funding gap.

- 5.10 Officers have contacted the Cities and Local Growth Unit (CLGU) local team regards any guidance they can provide on good practice for managing projects that have requested

multiple Project Change Requests during their on-going delivery period, their advice is confirmed to follow at the time of writing this paper.

- 5.11 The Business Board is required to recommend its decision on this LGF Project Change Request in relation to the Wisbech Access Strategy project to the Combined Authority, once the Combined Authority has approved the grant funding agreement will be amended to reflect the outcome of the change request.
- 5.12 After making its decision on this Project Change Request, the Business Board has the option to initiate any repatriation of remaining LGF funding through the clawback process, as outlined in the Combined Authority Local Assurance Framework. This is also supported within the options available to the Combined Authority under provisions set out in the grant funding agreement where events of default occur, which includes material changes to the project funding, delivery timeframes and project outcomes.
- 5.13 The proposed spend set out in the Project Change Request could provide for a repatriation of c. £2m LGF funding back to the Business Board from the current £6m LGF award, but that would be subject to initiating the clawback process in the Combined Authority Local Assurance Framework.

## 6. Community Renewal Fund Update and Lessons Learned

- 6.1 The Community Renewal Fund was announced by the Government in the March 2021 Budget and subsequently the prospectus, application form and guidance has been published.
- 6.2 The Combined Authority is the Lead Authority for the CRF and is therefore responsible for coordinating the bidding process, administering award and monitoring of funds once allocated from the Government.
- 6.3 The Combined Authority launched an open call on its website on 31<sup>st</sup> March 2021 for CRF applications from local organisations, which closed on 7<sup>th</sup> May.
- 6.4 Assessments and Evaluations, both internal and external, were carried out on the 24 applications received. Those 24 were then assembled and ranked based on those evaluations, and then the Business Board contributed with further evaluation scoring of the top 12 ranked applications.
- 6.5 From the combined assessments and evaluations, a final shortlist of 7 applications was assembled to fit within the £3m value limit for each District, and proposed to The Mayor and Combined Authority Board Members on 9<sup>th</sup> June 2021.
- 6.6 The Mayor made the decision on 11<sup>th</sup> June 2021, after consultation with the Combined Authority Board members, via a Mayoral Decision Notice.
- 6.7 The final shortlist of applications for the Combined Authority area was submitted to the Government on the 17 June 2021, before the deadline. The Government is expected to announce successful allocations to each lead authority against those bid shortlists in July or August 2021.

- 6.8 The Strategic Funds Team have undertaken a quick review of the whole process undertaken related to the CRF by the Combined Authority, and the report on these Lessons Learned is at Appendix 3.

## 7. Future Funding and Pipeline Preparation

- 7.1 Following the completed submissions to the Community Renewal Fund and Levelling Up Fund Round 1 in June, there will be preparation work on applications for LUF round 2 from Fenland District Council, and this will be with collaborative support from Combined Authority officers. Also, there will be development of an LUF transport application from the Combined Authority into round 2.
- 7.2 In Autumn 2021, the Government will announce the Comprehensive Spending Review for the next 4 years and this will include full details and criteria for the UK Shared Prosperity Fund (SPF). Officers have a current pipeline of potential projects that could be developed further into applications to the new UKSPF when the Government calls for project shortlists to the new fund. The live pipeline of potential project ideas that could be developed into applications is attached to this report at Appendix 4
- 7.3 Officers are planning to run a general call for projects across the Combined Authority area ahead of the likely request from the Government to Lead Authorities to run a call and evaluate and shortlist projects in preparation to submitting a shortlist of applications for the UKSPF allocation. The Business Board will be asked at the next meeting to agree the strategic focus of this call to frame the themes which the Business Board wishes to see funding interventions targeting.

## Significant Implications

### 8. Financial Implications

- 8.1 The only element of this paper with financial implications is the project change request in section 5. The effects are covered in detail in that section of the report and both approval and rejection will result in Wisbech Access Strategy 'underspending' on its current 2021-22 budget with any underspend being returned to the Recycled Growth Fund capital fund.

### 9. Legal Implications

- 9.1 The Business Board is responsible for programme direction of Growth Funds which includes the Getting Building Fund. The Combined Authority is designated by the Government as the Lead Authority on Community Renewal Fund, plus is designated as Lead Authority on Levelling Up Fund but for Transport bids only. The Combined Authority, as the Accountable Body, maintains all the legal agreements with project delivery bodies.

### 10. Other Significant Implications

- 10.1 None.

## 11. Appendices

- 11.1 Appendix 1 – Business Board LGF Investment Monitoring Report
- 11.2 Appendix 2 – Project Change Request Wisbech Access Strategy
- 11.3 Appendix 3 – Community Renewal Fund Lessons Learned
- 11.5 Appendix 4 – Pipeline for Future Funding

## 12. Background Papers

- 12.1 [Local Growth Fund Documents, Investment Prospectus, guidance and application forms](#)
- 12.2 [Eastern Agri-tech Growth initiative guidance and application forms](#)
- 12.3 [List of funded projects and MHCLG monitoring returns](#)
- 12.4 [Local Industrial Strategy and Associated Sector Strategies](#)