

## University of Peterborough Phase 3 Funding

To: Business Board

Meeting Date: 9 June 2021

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 appendices.

Lead Member: Austen Adams, Chair of the Business Board

From: John Hill, Director Business and Skills

Key decision: Yes

Forward Plan ref: N/A

Recommendations: The Business Board is asked to:

- a) Approve variation of Local Growth Fund decision making processes set out in the Local Assurance Framework, to enable approval of the proposed project
- b) Recommend that the Mayor, in consultation with the Combined Authority Board, approve the next £2m of unallocated recycled local growth funds to the University of Peterborough Phase 3 project, subject to that project securing full funding from partners Peterborough City Council via a successful Levelling Up Bid and investment from Anglia Ruskin University and also subject to all conditional requirements identified in the external appraiser's report being met.
- c) Invite the Mayor, in consultation with the Combined Authority Board, to approve the allocation of £2m of Combined Authority single pot capital funds, for immediate use on the University of Peterborough Phase 3 project. This is required as the recycled LGF referred to in b) above is not immediately available. This £2million will then be used

to repay the single pot capital funds when recycled LGF is received. This decision is subject to the project securing full funding from partners Peterborough City Council via a successful Levelling Up Bid and investment from Anglia Ruskin University and subject to all the conditional requirements identified in the external appraiser's report being met.

# 1. Purpose

- 1.1 The Business Board is responsible for managing the award of the allocation of recycled Local Growth Funds (LGF) subject to Local Assurance compliance and Accountable Body approval with the objective of delivering capital investment into local economy, creating new jobs and skills outcomes with investment and boosting productivity and GVA for the longer term.
- 1.2 The Business Board is asked in this report to consider and make a recommendation in regard of the application that has been submitted for £2million of the recycled LGF funds.

# 2. Background

- 2.1 The Business Board at its Business Board meeting on 19th May 2021 were updated on the process of bidding for Levelling Up Funding (LUF) through Peterborough City Council (PCC) as the Lead Authority bidding to Ministry for Housing, Communities and Local Government (MHCLG) to secure £20million LUF investment into the Peterborough University Phase 3 Project having been selected as the primary project to be put forward to the first round of LUF by 18 June 2021.
- 2.2 The criteria for the LUF are capital only projects, with ability to start spend and project delivery before end of March 2022 and deliver the project by end of March 2024 with outcomes related to Skills, Jobs, Growth and Green Recovery. There is no local open call being run by the Combined Authority, however, there has been a local open call run by PCC for LUF projects in Peterborough as per the national criteria issued by MHCLG to Local Authorities for projects to the new Levelling Up Fund. There was however, a clear steer that projects would have to comply with and proceed through the Local Assurance Framework in each Local Authority, Mayoral Combined Authority and/or Local Enterprise Partnership area. There were 6 projects submitted to PCC in response to their local call request for LUF first round shovel ready projects and PCC shortlisted the University Phase 3 Project to be put forward to MHCLG as a first round project for the allocation of the £20million maximum available.
- 2.3 Peterborough City Council convened a panel made up of local MP's, PCC Leader, Cambridgeshire & Peterborough Mayor, Chair of the Business Board and Community & Voluntary Representatives to help evaluate the 6 projects registered from the call. The Panel agreed at its meeting on 28th May 2021 that the Peterborough University Phase 3 Project was the preferred project application being formally put forward to Government as the candidate covering Paul Bristow MP constituency to apply for LUF funding. This based on PCC and CPCA Officer evaluations and the Panel reviewed all projects and selected this project taking account of the Officers evaluation scores.
- 2.4 The project has followed steps of the approvals process in the Combined Authority Local Assurance Framework apart from responding to a transparent open local call that was issued by the Business Board for projects to be considered by the Business Board. The local open publicised call was issued and conducted by PCC to find the preferred bid candidate for the LUF first round call. In light of this, the Business Board is asked to approve to the variation to the decision-making process, prior to making any other recommendation on the project.

- 2.5 The project would deliver the University of Peterborough phase 3 second teaching building by September 2024 and this would be delivered through the existing joint venture development company Peterborough HE Property Company Ltd. The proposal is the shareholders investing into the company in parallel with the £20million LUF, when secured, to provide the total £28million required to deliver the project. This would comprise of Peterborough City Council contributing the land for the project to an investment value of £2million, Anglia Ruskin University investing £4million and the Combined Authority £2million, if approved by the Board. Further details of the project, including the external appraisal report and further supporting documents can be found in confidential Appendix 1. The scoring assessment has been fully completed for this project including Entrepreneurs Assessment Panel, and an external evaluators' matrix score section.
- 2.6 Based on the final scoring against, the stages of Local Assurance as per table in 2.10 the Business Board invites the Mayor, in consultation with the Combined Authority, to approve an award of £2million to the Peterborough University Phase 3 Project. This award would be conditional upon the LUF application to MHCLG for £20million being successfully approved and the £2million award would also be subject to the conditions proposed by the external Appraiser's report included in Appendix 1.
- 2.7 The Business Board will not have sufficient unallocated recycled funds available in the timeframe required to fund this project, as repayment of all but one growth fund loan are spread over the next 6 years.
- 2.8 Given that the project must be delivered by April 2024, to qualify for the LUF offer from Government, the opportunity to leverage £20m of other funding into the area would be lost if the Business Board funding cannot be offered at this time. The LUF application guidance states that local contribution of at least 10% funding into LUF applications will be scored favourably in assessment. Officers consulted with Cities and Local Growth Unit (CLGU) on the 28 May 2021 for an initial view regarding using LGF recycled funds in this way. CLGU advised that recycled funds, for example loan repayments, once awarded out to a project and, repaid are no longer treated as LGF but becomes what CLGU considers as a locally managed fund and as such all decisions about awards and process to decide how funds awarded are all local matters and should be managed through our own local processes and confirmed by the S73 Officer. Officers will also seek additional assurance from the CLGU central team.
- 2.9 The Business Board are asked to invite the Mayor to approve funding from Combined Authority resources, which will be returned to the Combined Authority as the Business Board is also asked to allocate the next £2m of repaid, unallocated, growth funds to this project, reimbursing the Combined Authority.

## 2.10 Application Assessment Summary Table

Projects	EoI %	FAF %	EAP %	Final averaged % assessment score	LGF Request	LGF Offer	RANK
UoP Phase 3 Match Funding	94%	83%	86%	88%	£2,000,000	£2,000,000	1

- 2.11 The Board is also asked to note the project decision process is not via the usual Business Board recommendation to the Combined Authority Board. It is intended that the Mayor will approve the award of funding, after consulting the Combined Authority Board. This alternative approval route is being used because the Levelling Up Fund bid must be

submitted on 18 June 2021 and the next Combined Authority Board is on 30 June 2021. Confirmed details and evidence for match funding approved to this project will potentially help with the scoring evaluation and approval by MHCLG. Details of the Mayoral Decision will be reported to the next Combined Authority Board meeting on 30th June 2021.

## Significant Implications

### 3. Financial Implications

- 3.1. As set out in paragraph 2.7, the Business Board does not currently have the recycled capital funds to meet the needs of this project; however, existing contracted loan repayments will return more than the required £2m over the next 7 years, and there are two other potential returning investments in the next 12 months which could meet this need earlier.
- 3.2. Table 1 below, shows the forecast recycled fund levels based on existing contracted loan repayments and project commitments as well as the repayment profile this would imply. It should be noted that there is always the possibility that these loan repayments may not occur due to default, however, due diligence, including appraisals and financial data was undertaken before the loans were granted reducing this risk, which is further mitigated as the £2m investment is secured via further shares in the company which will own the resulting asset being created.
- 3.3. As can be seen in the closing balance figures, the Business Board's existing portfolio allows for partial repayment in-year with the full amount repaid by the end of 2027-28. However, this would utilise the entirety of the contracted recycled growth funds until 2027-28 leaving the Business Board with only forecast Enterprise Zone receipts to utilise for future strategic investment.

Table 1 – Forecast balances of recycled capital and revenue growth funds

Combined	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	Later Years
Opening balance	-9,081,359	-3,281,042	-759,362	-687,811	-1,333,044	-1,589,722	-1,841,479	-2,088,430	-2,330,124
Forecast Expenditure	7,192,433	3,950,000	750,000	0	0	0	0	0	0
Forecast Income	-1,392,117	-1,428,319	-678,450	-645,233	-256,678	-251,757	-246,951	-241,694	-2,345,371
Closing Balance	-3,281,042	-759,362	-687,811	-1,333,044	-1,589,722	-1,841,479	-2,088,430	-2,330,124	-4,675,495

  

Repayment	687,811			645,233	256,678	251,757	158,521		
Revised closing balance	-2,593,231	-71,550	0	0	0	0	-88,430	-330,124	-2,675,495

- 3.4. This sort of internal borrowing is allowed for within the Combined Authority's financial strategies and is standard practice in Local Authority accounting, the need for it to be explicitly recognised in this instance is due to the differing governance arrangements between Business Board and Combined Authority Board investments.

### 4. Legal Implications

- 4.1. By virtue of the National Assurance Framework (NAF), the Business Board is empowered to give prior approval to variation in the decision-making processes stipulated in the Local

Assurance Framework. In this case, this is in relation to there not being a local call for projects.

- 4.2. Use of recycled LGF is not provided for within the NAF. Officers have been provided with an initial opinion, from CLGU, that suggests such decisions are local and hence managed locally. Officers will continue to liaise with the CLGU central team for additional assurance.
- 4.3 The State Aid regime has been replaced by the UK Subsidy regime. Adherence with the same must be met.

## 5. Other Significant Implications

- 5.1. None.

## 6. Appendices

- 6.1. Exempt Appendix 1 – Confidential UoP-Phase-3 application and evaluation report

## 7. Background Papers

- 7.1 Future Funding Strategy item 2.2,  
[2.2 Future Funding Strategy, Business Board 19 May 2021](#)

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