

Strategic Funds Management Review – September 2022

To: Business Board

Meeting Date: 12 Sept 2022

Public report: Yes

Lead Member: Chair of the Business Board, Alex Plant

From: Interim Associate Director for Business, Steve Clarke,

Key decision: No

Recommendations: The Business Board is invited to:

Note all programme updates outlined in this paper

1 Purpose

- 1.1 This report provides the Business Board with an update on the strategic funding programmes that it is responsible for, and covers progress to 31st July 2022. This includes the following:
- Spend performance of strategic funds
 - Performance & monitoring of strategic funds and projects
 - Recycled Local Growth Fund – update
 - Strategic funds - update

2 Background

- 2.1 The Local Growth Fund (LGF) £146.7m programme was closed and all spent by 31 March 2021, but programme outcomes from its invested projects are still being delivered until 2030. Also £7m of LGF is being returned over the medium term for a variety of reasons, and the Business Board is still reinvesting those funds as recycled Local Growth Fund. The recycled funds are being re-awarded using the same criteria as original LGF and in the form of 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 Combined Authority in July 2020, and the Business Board awarded the £14.6m GBF to the Net Zero Manufacturing Research and Development Innovation Centre, University phase 2 project.
- 2.3 The UK Community Renewal Fund (CRF) awarded a grant of £3,393,851 to the Combined Authority in November 2021 to deliver two projects by 30 December 2022. Both projects are being delivered through the existing Growth Works contractor.
- 2.4 In the Levelling Up Fund (LUF) round 1, Peterborough City Council were awarded £20m of capital grant for the ARU Peterborough Living Lab and University Cultural Quarter project. Fenland District Council, East Cambridgeshire District Council, and the Combined Authority Transport team submitted applications for round 2 in July.
- 2.5 On 13th April 2022, the Government launched the UK Shared Prosperity Fund (SPF) prospectus and guidance and after joint development with all the local authorities, the Combined Authority submitted its Local Investment Plan to deadline in July 2022.
- 2.6 The Government launched a call for expressions of interest in a new Create programme being led by the Department for Culture, Media and Sport (DCMS) on 21st July 2021, and New Anglia Local Enterprise Partnership, in partnership with the Combined Authority and other bodies, has submitted an Expression of Interest.

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 project expenditure of the LGF programme totalled £142.9m as of 31 July 2022. This figure will be updated after the completion of the year-end closedown, and the final 2021-22 figure reported to the next Business Board meeting.

- 3.2 The £14.6m GBF awarded, invested before March 2022 and delivery is well advanced on the Manufacturing & Materials Research and Development Centre and infrastructure, with building completion due in December 2022, and fit-out and occupation by spring 2023.
- 3.3 The Peterborough University phase 3 project has commenced procurement of delivery team by the Peterborough HE Ltd (Propco 1). Planning submission is early September 2022 and planning determination is expected to be early 2023. The funding package includes £2m from Business Board recycled fund alongside the £24m from Peterborough City Council and Anglia Ruskin University.
- 3.4 The Community Renewal Fund first tranche payment of £2.06m from the Combined Authority plus the £800,000 Additional Restrictions Grant (ARG) match funding from council partners was paid to the Growth Works contractor in March, via the Cambridgeshire and Peterborough Growth Company. No further claim yet requested, with the second and final tranche of payment, due to be paid after 30 June, has now been extended until 31 December 2022.

4 Programme Delivery and Monitoring

- 4.1 Project reporting and monitoring has thrown up an exception alert on a project reporting here to the Business Board, Officers have been updated by Fenland District Council (FDC) that the South Fenland Enterprise Park project, awarded £997,032 LGF in 2020, has now fallen a long way behind its anticipated delivery milestones, with the project already noted as delayed from original plans because of combining this project with another remaining phase of development of the Business Park, leading to revised planning requirements being only approved recently and the scheme now fully tendered.
- 4.2 South Fens Enterprise Park is a mixed used commercial development in Chatteris owned and operated by Fenland District Council (FDC). The last phase of the project is the construction of 900sqm (10,000sqft) of light industry space.
- 4.3 There was delay at the start of the project when FDC decided to bring forward the final phase of the development in parallel to the already approved project to increase the space to approximately 24,000sqft, in 2 blocks. The increase in the project was due to additional funds being made available to FDC and the economies of scale in developing both areas at the same time to service unmet demand for space in Chatteris.
- 4.4 Officers have issued a formal letter instructing the project not to spend any further LGF funds until a Change Request is fully completed and approved by the Business Board and Combined Authority Board. This provides legal cover via the clawback and ring fences clauses in the Grant Funding agreement whilst assessment of the project position is understood. Officers are in discussion with FDC regards a Project Change Request to be considered by the Business Board and Combined Authority Board to be able to extend the project beyond its current delivery longstop date of 31st August 2022. Officers are discussing and assessing all the implications with FDC around the project, especially associated with costs in relation to original quote prices changing and a possible funding gap which it is understood is also being reviewed by FDC.
- 4.5 The Change Request for the extension in time required will include a revised spend profile and delivery plan. It is anticipated that the project will complete by September 2023. Officers have also ascertained that there could be a major risk to the project because of a funding

gap that has emerged associated with the larger scheme into which the original project has been dovetailed, more details on exact impact and mitigation are being sought by officers and will be reported back to the Business Board.

- 4.6 As officers conclude full details of the Project Change Request with FDC, that request will be brought back to either the next Business Board meeting or potentially sooner by email procedures.
- 4.7 The monitoring of all projects in delivery is conducted by the Strategic Funds team on a monthly and quarterly basis. The latest updated monitoring report of all outputs for all projects, both completed and live, is attached at Appendix 2.
- 4.8 The current monitoring update shows that there have been in total 7,671 jobs and 882 Apprenticeships created reported from all projects by June 2022 (Quarter 1). The added graphs in Appendix 1 show the whole LGF programme jobs created cumulative to date and the current year relative performance each month against forecast.
- 4.9 The Local Growth Fund dashboard with quarterly updated project outputs and outcomes can be found on the CPCA website:
[Local Growth Fund | Cambridgeshire & Peterborough Combined Authority \(cambridgeshirepeterborough-ca.gov.uk\)](https://cambridgeshirepeterborough-ca.gov.uk)

5 Recycled Local Growth Fund

- 5.1 In January 2022, the Business Board approved a strategy to award the remaining recycled LGF, which included running two open calls for projects to bid for the LGF Recycled Funds.
- 5.2 The Category 1 call for projects was opened in February 2022 and received six applications which were taken through the assurance process, from which the Business Board approved three projects for funding award totalling £1.2m, and this recommendation was approved by the Combined Authority Board on 27th June 2022.
- 5.3 The Category 2 call for projects was open between 31st March and 29th April 2022 for Expressions of Interest. Eight of those Expressions received duly passed the gateway assessment and were invited to complete a Full Application. Six then attended Entrepreneurs Panel Assessment because they were requesting over £500k. In parallel, all projects were reviewed with external independent appraisal. The Business Board met on 24th June 2022 and agreed funding recommendation of £4,397,093 to three projects, recommending for the Mayor to approve by Mayoral Decision Notice in consultation with the Combined Authority Board. The Business Board also deferred one project until a later meeting to gather further information on the project to help with the making the decision on funding award.
- 5.4 Officers are currently getting the six approved projects for funding award from both calls contracted with Grant Funding Agreements signed with each applicant.
- 5.5 A project change request has been received for the MedTech Mega Factory project, which was one of the three projects awarded funds as outlined above. The reason for a change request is due to their national competitive application for additional core project funds from BEIS being notified as unsuccessful, and as a result the project has proposed a reduction in the requested amount of funding they have been awarded and in parallel scaled the overall

project down. This includes a reduced factory size and related outputs accordingly. A paper on this change request is being presented as part of Agenda Item 2.3 at this meeting.

- 5.6 A letter was received from the Principal Sponsor for the Ely Area Capacity Enhancements at Network Rail on 15th July 2022 informing the Combined Authority that, due to additional DfT funding have been brought into the project, there was an overall underspend on delivering the Outline Business Case, which will result in a £953k repayment to the Combined Authority. This has been reflected in the recycled growth funds forecast in Agenda Item 2.1 at this meeting.

6 Strategic Funds Update

6.1 Community Renewal Fund

- 6.1.1 On 25th March 2022, the central CRF team in DLUHC wrote to all CRF Lead Authorities offering a blanket extension nationally until 31 December 2022. This is in case any projects had been delayed/slow starting delivery because of Covid-19 constraints and now required extra time to deliver outputs and spend. Officers have written to DLUHC accepting the extension until 31 December 2022, but will only utilise additional time until projects are completed, which may be before 31 December 2022.
- 6.1.2 The delivery of the two projects being funded by the CRF continues through the Growth Works contractor and both projects will deliver their full spend and outputs and outcomes before the end of the extended delivery window of 31 December 2022.
- 6.1.3 On the Start and Grow project the current pipeline of potential candidates now generated from the marketing has been deemed more than enough to deliver all the grants and support outcomes in the programme. A decision has been made to close the programme to new entries. Current performance is outlined in the table below:

Output Name	Output target	Output delivered	Outcome Name	Outcome target	Outcome delivered
People - Unemployed	34	37	Employment increase in supported businesses as a result of support	103	72
People - Employed	190	190	Jobs safeguarded as a result of support	32	52
Businesses - Small	293	208	Number of new businesses created as a result of support	103	55
# of potential entrepreneurs assisted to be business ready	224	450	Businesses introducing new products to the market as a result of support	103	93
# of businesses receiving grants	293	115	Investment attracted as a result of support	£586,000.00	£231,827.00
			Grants Allocated	£2,859,000	£886,072.00

- 6.1.4 Turning Point has also taken advantage of the extension and are currently delivering to revised timeline, the table below sets out the current performance against targets:

Output Name	Output target	Output delivered	Outcome Name	Outcome target	Outcome delivered
# of people supported to engage in job-searching	436	236	Employment increase in supported businesses as a result of support	64	TBC next report
# of people supported to gain a qualification	19	9	Jobs safeguarded as a result of support	20	TBC next report
			People in education/training following support	365	TBC next report
			People engaged in job-searching following support	436	TBC next report
			People gaining a qualification following support	19	12

6.2 Levelling Up Fund

6.2.1 Government launched the Levelling Up Fund (LUF) round 2 prospectus on 23rd March 2022, which invited applications to be submitted by 6th July 2022 from Tier 2 local authorities for Regeneration projects up to £20m and Combined Authorities with transport powers up to £50m for transport projects.

6.2.2 The Combined Authority has supported applications for LUF round 2 regeneration projects submission from Fenland District Council. This submission was supported with a £2m match funding grant awarded from the recycled LGF by the Business Board to the College of West Anglia for a Green Tech Training Space.

6.2.3 Also, a letter of support was provided from the Combined Authority for regeneration LUF round 2 application submitted by East Cambridgeshire District Council that proposed project is focussing on sustainable growth in Littleport.

6.2.4 The Combined Authority's transport team shortlisted the Peterborough Station Quarter transport scheme which covers the priority 1 place of Peterborough. This scheme application for £48million was submitted into the LUF round 2 for the July deadline.

6.3 UK Shared Prosperity Fund

6.3.1 As the Lead Authority on Shared Prosperity Fund (SPF) for Cambridgeshire and Peterborough, the Combined Authority is facilitating the development of the Core SPF Local Investment Plan, which will secure the indicative allocation for the Combined Authority area. The locally agreed plan was submitted to DLUHC by deadline. The Government will assess and approve the local plans during September and October 2022, which in turn confirms the actual final allocation of funding awarded to the Combined Authority.

6.3.2 The Local Investment Plan was submitted to DLUHC on 31st July 2022, with confirmation of receipt, and there have been no queries as at 23rd August received from DLUHC.

6.3.3 The first year of funding will be paid to the Combined Authority in October 2022, once the Investment Plan is approved, and after the Combined Authority has signed and returned the funding agreement with DLUHC. Once this is achieved, the Strategic Funds team will be coordinating the grant agreements and contracts with local authorities and other delivery organisations.

- 6.3.4 There will be pressure on the first year of spend 2022/23 due to the time left in the financial year once the SPF investment plan is approved and first payment received from DLUHC to the Combined Authority.
- 6.3.5 The Cambridgeshire Public Service Board is the Partnership Board which has led the collective approach to developing the Local Investment Plan and they will continue as the SPF partnership board, advising the Combined Authority with the oversight of delivery and general operational input to the SPF over this first 3-year plan.
- 6.4 Getting Building Fund
 - 6.4.1 The £14.6m GBF awarded, invested before March 2022 and delivery is now well advanced on the Manufacturing & Materials Research and Development Centre and infrastructure, with completion due in December 2022. Fit out of the building will continue until spring 2023.
 - 6.4.2 The advertising of space in the building is under way, led by Savills and supported by partner organisations. The fit out of the building is now directly linked to the recruitment of tenants to the building, which will be completed by December 2022.
- 6.5 Create Growth Fund
 - 6.5.1 New Anglia LEP and the Combined Authority have partnered with the University of East Anglia, Anglia Ruskin University, University of Suffolk, Norwich University of the Arts, Norfolk County Council, and Suffolk County Council to bid to become one of six areas delivering the new DCMS Create Growth Programme.
 - 6.5.2 The partners have been successful in the first round following submission of an Expression of Interest. There are eighteen other regions now moving forwards to create Full Applications. New Anglia LEP are the Lead Applicant on this bid, and all other partners are supporting as the proposal covers Norfolk, Suffolk and Cambridgeshire as the target area. The Combined Authority has worked with all its local authority districts and Growth Works to gather data to support the full application and the evidence of the need in the region.
 - 6.5.3 If successful, the final allocation of funding of £1.275m will be linked directly to the delivery of support programmes across Norfolk, Suffolk and Cambridgeshire to ready potential high growth organisations for seed funding, via a Fund Manager that is currently being recruited centrally by DCMS. Those organisations will have access to £7m of investment funds. Closing date for the full application is 25th August 2022, and DCMS expect to announce successful applicants during September 2022.
- 7 Significant Implications
 - 7.1 Financial Implications
 - 7.1.1 There are no direct financial implications beyond those set out in the report, any financial implications from the FDC project change request will be included in the report seeking approval of any potential change.

7.2 Legal Implications

7.2.1 None

7.3 Public Health Implications

7.3.1 Within the broad portfolio of funded projects, many have a positive impact on public health regarding creation of key employment or skills outcome improvements across the Combined Authority. Good work and personal skills development are key determinant of positive health outcomes.

7.4 Environment and Climate Change Implications

7.4.1 The programmes of funding contain various projects which will deliver impacts for environment and climate through the wider changes and innovations in sectors such as Agri-food, green engineering, and life sciences and digital that are Cambridgeshire and Peterborough global strengths. Success in these sectors will contribute to the global environmental and climate response.

7.5 Other Implications

7.5.1 None

8 Appendices

8.1 Appendix 1 – Business Board LGF Investment Monitoring Report

9 Background Papers

9.1 LGF Funding Award Project Approval
[Business Board 27 January 2020 Agenda Item 2.2](#)

9.2 Community Renewal Fund Award Approval
[Combined Authority Board 24 Nov 2021 Agenda item 3.6](#)

9.3 Getting Building Fund Award Approval
[Combined Authority Board 25 Nov 2020 Agenda Item 3.5](#)

9.4 Levelling up Project Approval
[Combined Authority Board 30 June 2021 Agenda Item 7.2](#)