

## Strategic Funds Management Review November 2021

To:	Business Board
Meeting Date:	8 <sup>th</sup> November 2021
Public report:	Yes
Lead Member:	Austen Adams, Chair of the Business Board
From:	John T Hill, Director Business and Skills
Key decision:	Yes (Combined Authority Board, 24 November 2021)
Forward Plan ref:	2021/065
Recommendations:	<p>The Business Board is asked to</p> <ul style="list-style-type: none"><li>(a) Recommend that the Combined Authority approves the project change request for the University of Peterborough phase 2 Car Park infrastructure project.</li><li>(b) Recommend the Combined Authority Board approves the proposed strategy for investing Business Board recycled funds, and for Officers to make any relevant changes to the Local Assurance Framework.</li><li>(c) Note all programme updates outlined in this paper.</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 1 October 2021. This includes the following:
- (a) Monitoring and spending performance of allocated funds
  - (b) Individual Project updates by exception including funding repatriation.
  - (c) Community Renewal Fund Update
  - (d) Strategy for investing the Business Board recycled Funds
  - (e) Future Funds update

## 2. Background

- 2.1 The Local Growth Fund (LGF) £146.7million 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 £14.6million 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. 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) 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, the Combined Authority submitted 7 applications to the value of £6.6m to MHCLG by deadline of 18 June 2021.
- 2.4 The only Levelling Up Fund round 1 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. Government has yet to announce the outcome of assessing the round 1 bids, but the announcement is expected in the Autumn. Fenland District Council are developing a LUF application ready for round 2 submission with support from the Combined Authority. The Combined Authority are also developing their bid, as the Local Transport Authority, for round 2.
- 2.5 The launch of Shared Prosperity Fund will be announced by Government as part of Comprehensive Spending Review in Autumn 2021, the Combined Authority is likely to be selected by Government as the Lead Authority to manage UKSPF in the region just as they did for CRF earlier in 2021.

## 3. Programme Spend

- 3.1 The £146.7 million 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 £137,325,450 at 1 October 2021.
- 3.2 The £14.6million GBF is fully awarded including the £827,000 grant to Peterborough City Council (PCC) for provision of a car park infrastructure to support this project, the grant funding agreement with PCC is ready to be signed off.
- 3.3 The Business Board awarded further £2m from its future recycled funding budget in June 2021 to the University phase 3 project – this award is conditional on securing full funding package from LUF and the partners first. This award will not be drawn until later stages of 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 latest updated Monitoring report at Appendix 1 for all projects both completed and live.
- 4.2 The most recent monitoring update gathering exercise in September by the Strategic Funds Team shows that there have been 4,621 actual jobs created reported from all projects. Also, the total forecast new jobs both direct and indirect has increased by 1020 jobs because of a revision in the agreed Jobs output numbers for the combined three funding awards to Lancaster Way business park.

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)

- 4.3 Full Evaluation of the Eastern Agri-tech Growth Initiative and the £2.03million Growth Works Capital Grant scheme and the Covid Capital Grant scheme is in procurement and will be undertaken in next six months.

## 5. Project Updates by exception –

### 5.1 Wisbech Access Strategy project

Following the Business Board rejection of the Project Change Request in July Officers requested a full and final set of project spend accounts for the LGF awarded to Cambridgeshire County Council (CCC), from this final project accounts reconciliation has been conducted by Combined Authority Finance team and the unspent figure of LGF being repatriated is £3.7million.

In addition to the £3.7m there are some advance pre-payments for utilities works which CCC had already made and these works now not being required are being cancelled and pre-paid funds being reclaimed by CCC. Any funds received back from these pre-payments will be passed back to the Business Board's recycled funds.

As this project failed to meet its delivery milestone deadlines nor deliver the outputs and outcomes as intended, Officers have reviewed this project for any lessons learned and the report is attached with this paper at appendix 2.

### 5.2 Manufacturing & Materials Research and Development Centre, University of Peterborough Phase 2 Project – Change Request

The Business Board is asked to consider the Project Change Request at Appendix 3 in relation to the infrastructure element of the Manufacturing & Materials Research and Development Centre Project also known as University of Peterborough phase 2 and recommend approval to the Combined Authority Board.

This change request relates to a decrease in match funding contribution from Peterborough City Council towards the project supporting infrastructure of an appropriate car parking

solution that comply with the minimum approved planning requirements for the University phase 2.

The original approved project plan had PCC providing £1.9m of funding to contribute as match against £827,000 element of the total £14.6m Getting Building Funding awarded to the Combined Authority for the University phase 2 project, This original £2.727m budget (£1.9million from PCC and £827,000 from Combined Authority) was to deliver a larger more permanent car park infrastructure to support the wider present and future University phases but the planning approval only requires that a 128 space car parking solution is required for the University phase 2 project.

The Project Change Request is seeking approval to reduce the overall size and scope of car park required which in turn reduces total budget required to deliver the new car park infrastructure but with the full £827,000 awarded still coming from the grant awarded from GBF but being matched with a reduced amount of funding from PCC up to £500,000 being provisioned in the Councils budget, this meaning the intervention rate of the GBF in this part of the project is reduced.

### 5.3 OneCam Limited

The Combined Authority was considering at its board meeting on the 27<sup>th</sup> October 2021 the next steps for its subsidiary company OneCam Limited closure and winding up, this includes an option to repay the £995,000 LGF that was invested into this company for the Cambridge Autonomous Metro project.

## 6. Community Renewal Fund Update

- 6.1 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 Government.
- 6.2 The final shortlist of applications for the Combined Authority area was submitted to Government on the 17 June 2021. Government has not yet announced the successful allocations to each Lead Authority at the time of writing this paper but may have since announced successful allocations to each lead authority on the 27<sup>th</sup> October 2021 as part of Comprehensive Spending Review.

## 7. Recycled Funding Investment Strategy

- 7.1 The Business Board has funding confirmed as returning from Wisbech Access Strategy project (Approx £3.7million) and sale of iMET building freehold (Approx £2.25million after costs of sale have been deducted) which provides the Board with around £6m additional funds to its locally managed pot of recycled funding.

The Business Board is asked to consider options for where to target and allocate this funding. Options include:

- a. To run an open call across the Combined Authority area now, for projects to apply to the limited budget of £6m, against the last call's criteria based on the 2019 Local Industrial

Strategy. This would include engagement with the project owners within the existing £350+million pipeline of projects.

- b. To run a call for proposals for the £6m recycled LGF, in spring 2022, based on the refresh Business & Skills Strategy (to be submitted for Business Board and CA Board approval in March), and in parallel with a call for proposals to be considered for submission to the UKSPF. It is expected that the Combined Authority will be nominated as Local Lead Authority for the UKSPF and be tasked by Government to run local calls for proposals, in order for the Combined Authority Board, under recommendation from the Business Board, to select bids go forward locally, into the national competition. It is expected that Fenland District Council will be tasked by Government to provide a similar local service for the LUF prioritised by Government for their area. In both cases, it is proposed that preference be given to proposals, through a revised set of evaluation criteria, that propose to utilise recycled LGF as local match for LUF or UKSPF bids. This will enable leverage of the LGF by a factor of ten, given Government's likely requirement for 10% local match funding.
- c. To create and ringfence a Project & Service Contingency Fund of up to £1m to provide the ability for the Business Board to react and adapt to short-term market opportunities, that might provide significant increases to the outcomes of existing services or projects, by capturing currently unmet market demand to create high value jobs, that would otherwise have failed to be secured. Given the early stage of the Growth-Works Service, and the gaps emerging between service demand, outcome opportunities and resources available, the proposed fund could be provide significant increases in outcomes in the short-term and from relatively modest levels of investment. Bids up to £400,000 could be considered.

7.2 Given the recycled funds are still relatively modest, allocating a significant proportion (e.g. 85%) of recycled funds to Option b, to support large scale LUF and UKSPF bids, with strong leverage and high impact outcomes has advantages as the best value for money option. However, reserving 15% for Option c, for short-term, high impact adaptations to existing projects and services also provides tactical benefits, as the best way to balance long-term value for money and short-term agility of delivery and responsiveness to demand. Hence these options are preferred.

7.3 The Business Board and Chair have previously discussed that the need to be able to consider and react to new opportunities as they present themselves, and outside a live call for proposals. Should Option c be approved by the Business Board, Officers will seek the necessary changes to the LGF processes and the Local Assurance Framework to enable proposals to be considered in January.

7.4 At the Business Board meeting 9<sup>th</sup> June 2021 the Business Board set a precedent by formally approving £2million of recycled funding without a local open call for projects. The project was an opportunity to award funding as match towards the University of Peterborough phase 3 application to the Levelling Up Fund from Peterborough City Council. At that meeting it was noted that an emerging trend was being observed from Government, where very specific bids were being requested at short response timelines. It was also noted that these bids usually required local match. . As a result, it was agreed that an ability for the Business Board to accommodate these short notice calls for bids to Government should be developed within the Local Assurance Framework. The Chair of the Business Board reiterated that an exception had been approved in order to award the recycled funds to the University phase 3 project and suggested a review of the Local Assurance Framework so that it could accommodate such opportunities without compromising the robust process currently implemented. Under that instruction, Officers are in the process of modifying the LAF as part of its review by January

2022 to build in the option that the Business Board can respond to 'opportunities' without an open call.

- 7.5 The Business Board is asked to recommend the Combined Authority Board approves the proposed strategy for investing Business Board recycled funds as an 85:15 mix of funding between options b and c, respectively.

## 8. Future Funding

- 8.1 On 27<sup>th</sup> October 2021 Government will have announced the Comprehensive Spending Review for next 4 years and this may have included full details and criteria for the UK Shared Prosperity Fund (SPF). Officers have previously presented the pipeline of potential projects that could be developed further into applications to the new UKSPF when Government call for project shortlists to the new fund. The Business & Skills Directorate are developing the broader Business and Skills Strategy that will encompass the strategically important interventions and projects which the Business Board may wish to lead on when a call for projects for UKSPF is launched.
- 8.2 At the same point as the Government announces the Comprehensive Spending Review on the 27<sup>th</sup> October it may have also announced news on the allocation of Levelling Up Fund Round 1, which for the Combined Authority area is the £20million application for University of Peterborough Phase 3 project led by Peterborough City Council with a commitment of £2million already approved as match funding from the Combined Authority Business Board.
- 8.3 Combined Authority Officers continue to support the preparation work on an application for LUF round 2 regeneration projects to be submitted from Fenland District Council as they are the appointed Lead Authority for their LUF regeneration application.

## Significant Implications

### 9. Financial Implications

- 9.1 As detailed in the change request (Appendix 3), the project change request relating to the car park provision for the University of Peterborough Phase 2 project does not change the grant amount awarded from the Getting Building Fund but does reduce the funding contribution from Peterborough City Council. This will reduce the funding leveraged by the GBF programme and a change request will be submitted to BEIS to confirm their acceptance of this, as the change does not affect the forecast jobs delivery target of the project, officers are confident that the change request will be accepted.

### 10. Legal Implications

- 10.1 There are no legal implications.

### 11. Other Significant Implications

- 11.1 None.

## 12. Appendices

- 12.1 Appendix 1 – Business Board LGF Investment Monitoring Report
- 12.2 Appendix 2 – Wisbech Access Strategy Project Lessons Learned
- 12.3 Appendix 3 – Project Change Request University of Peterborough Phase 2 Car Park

## 13. Background Papers

- 13.1 UoP2 change request and business plan  
[Business Board 12th May 2021 Agenda item 2.3](#)
- 13.2 Wisbech Access Strategy (Phase 1)  
[CA Board 25th August Agenda Item 2.1](#)
- 13.3 Local Growth Fund Documents, Investment Prospectus, guidance and application forms,  
<https://cambridgeshirepeterborough-ca.gov.uk/business-board/growth-funds/>
- 13.4 List of funded projects and MHCLG monitoring returns,  
<https://cambridgeshirepeterborough-ca.gov.uk/business-board/opportunities/>
- 13.5 Local Industrial Strategy and associated sector strategies,  
<https://cambridgeshirepeterborough-ca.gov.uk/business-board/strategies/>