

Local Growth Fund Programme Management Review - November 2020

To: Business Board

Meeting Date: 10 November 2020

Public report: Yes

Lead Member: Austen Adams, Chair of the Business Board

From: John T Hill, Director Business and Skills

Key decision: No

Recommendations: The Business Board is asked to:

- a) Note the funding position and forecast for Local Growth Fund Programme including the projects completed and in delivery;
- b) Recommend to the Combined Authority the proposed grant scheme into which to allocate the remaining £2,043,178 Local Growth Fund;
- c) Recommend that the Combined Authority Board delegate authority to Director of Business and Skills in consultation with the Monitoring Officer, Lead member for finance and Section 73 Officer to approve launching the grant scheme approved by the Business Board to receive the remaining £2,043,178 Local Growth Fund;
- d) Recommend to the Combined Authority Board approval, allowing the carry forward of £100,000 of the current funding allocation to the Eastern Agri-tech Growth Initiative scheme to enable the close out of the scheme, handling of final claims, a full programme evaluation and report during 2021-22; and
- e) Recommend all the programme updates outlined in this paper to the Combined Authority Board.

1. Purpose

- 1.1 The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) negotiated three successive Growth Deals with Government between 2014 and 2017, securing £146.7m to deliver new homes, jobs and skills across the LEP area. This report provides an update on the programme's performance since April 2015 for the Local Growth Fund (LGF).
- 1.2 This paper provides the Board with operational updates on the LGF progress to 16 October 2020 based on the following items:
 - (a) 2020/21 LGF annual grant payment
 - (b) Financial update on programme spend
 - (c) Q1 2020/21 Quarterly Growth Deal return to MCHLG
 - (d) Projects currently in delivery including pre-contract plus completed projects
 - (e) COVID Business Capital Grant
 - (f) Eastern Agri-Tech Growth Initiative update
 - (g) LGF Monitoring and Evaluation update
 - (h) Review of LGF application steps, scoring matrices and evaluation processes plus future pipeline
 - (i) Getting Building Fund (GBF) update

2. Background

- 2.1 The Local Growth Funds must be spent by 31 March 2021 but programme outcomes can be delivered beyond 2021. Local Growth Funds can provide Grants, Loans or other forms of funding such as Equity Capital Investment.
- 2.2 In addition to the Local Growth Funding there is recycled funding as a result of the Growing Places Loan Fund successfully lent and repaid during the programme which has established a recyclable pot of grants and loans for projects delivering economic benefit across the region, this pot has no spend deadline.

3. 2020/21 Local Growth Fund Annual Grant Payment

- 3.1 The Cities and Local Growth (CLG) Unit has in May paid the Combined Authority two-thirds of the total annual £35million allocated for 2020/21 Local Growth Fund grant payment for this financial year.
- 3.2 On the 30th October 2020 CLG paid the remaining third of the 2020/21 LGF allocation to the Combined Authority. This gives the Business Board the assurance that all the funds it requires to fulfil its awarded project commitments have been received and are available.

4. Local Growth Fund Programme Position

- 4.1 On 16 October 2020, the Combined Authority's Local Growth Fund programme had 20 projects including the new COVID capital grant scheme in delivery, listed in table below:

| Local Growth Fund Projects in Delivery | | |
|---|------------|------------|
| Project Name | Start Date | End Date |
| Whittlesey Access Phase 1 King's Dyke Crossing | 01/07/2016 | 30/06/2018 |
| Wisbech Access Strategy | 01/05/2015 | 31/03/2021 |
| Lancaster Way Phase 2 Grant | 30/12/2017 | 31/03/2021 |
| NIAB - AgriTech Start Up | 02/02/2020 | 31/03/2021 |
| NIAB - Hasse Fen Extension | 01/03/2020 | 31/03/2021 |
| TWI - Innovation Network Ecosystem | 14/05/2020 | 31/03/2021 |
| Illumina Accelerator Global Expansion | 10/06/2020 | 31/03/2021 |
| 3D Centre of Excellence | 10/03/2020 | 31/03/2021 |
| Start Codon - Healthcare & Life Science Accelerator | 06/07/2020 | 31/03/2021 |
| West Cambridge Innovation Park | 03/07/2020 | 31/03/2021 |
| Agri-Tech Growth Initiative | 01/08/2015 | 31/03/2021 |
| COVID-19 Capital Growth Grant Scheme | 14/10/2019 | 31/03/2021 |
| AEB Innovation Scheme | 01/07/2020 | 31/03/2021 |
| Skills & Training Space Expansion | 12/06/2020 | 31/03/2021 |
| Medtech Accelerator | 30/12/2016 | 31/03/2021 |
| TTP Life Science Incubator | 06/08/2020 | 31/03/2021 |
| Advanced Manufacturing Innovation Launchpad - Chatteris | 13/08/2020 | 31/03/2021 |
| Ascendal New Technology Accelerator | 14/10/2020 | 31/03/2021 |
| CRC Construction Hub | 15/09/2020 | 31/03/2021 |
| Cambridge Biomedical Campus - Multi Occupancy Building | 04/08/2020 | 31/03/2021 |

- 4.2 There were 6 projects approved for funding by the Business Board which are in contract/funding agreement negotiation pre-commencement of delivery with a total value of £28.5million (see table below).

| Local Growth Fund Projects to Contract | | |
|---|------------|------------|
| Project Name | Start Date | End Date |
| South Fens Enterprise Park Phase 3 | TBC | 31/03/2021 |
| University of Peterborough | TBC | 31/03/2021 |
| Business Growth Service | TBC | 31/03/2021 |
| Peterborough City Centre - Regeneration | TBC | 31/03/2021 |
| Cambridge Automated Metro Innovation Body | TBC | 31/03/2021 |
| Smart Manufacturing Association | TBC | 31/03/2021 |

- 4.3 After the project approved at last Combined Authority Board there was £353,178 LGF remaining to be allocated. There has also been formal notification on the 15th October 2020 from the Brampton Hub Launchpad project that they are withdrawing from their LGF award of £2.4million because of delivery issues preventing spend of their grant in the foreseeable future. This results in a new balance of £2,753,178 left in the remaining Local Growth Fund pot to be allocated and spent before 31 March 2021.

| Local Growth Fund Projects Withdrawn | | |
|--|------------|------------|
| Project Name | Start Date | Withdrawn |
| M11 J8 | 02/04/2019 | 01/06/2020 |
| Cambridge Northern Fringe - Sci Tech Container Village | TBC | 12/05/2020 |
| Brampton Hub - Mobility, Fuels & Logistics Launchpad | TBC | 31/03/2021 |
| Wisbech Construction Careers Hub | TBC | 15/06/2020 |

- 4.4 The total programme expenditure to the 16 October 2020 including completed projects is £91,477,158. This is the total actually paid out to projects and runs well behind the combined project approval/allocation figure.
- 4.6 There are 22 completed Local Growth Fund projects (see table below) subject to evaluation over the coming months as part of the Local Growth Funding Monitoring & Evaluation plan which will be reported to Business Board.

| Local Growth Fund Projects Completed | | |
|--|------------|------------|
| Project Name | Start Date | End Date |
| Ely Southern Bypass | 01/10/2016 | 01/06/2018 |
| Bourges Boulevard Phase 1 | 04/01/2014 | 31/07/2015 |
| Bourges Boulevard Phase 2 | 01/03/2016 | 31/03/2019 |
| A47/A15 Junction 20 | 01/03/2016 | 31/03/2017 |
| TWI (The Welding Institute) Expansion | 01/09/2015 | 31/10/2016 |
| Technical and Vocational Centre, Alconbury Weald | 01/05/2015 | 31/03/2018 |
| Cambridge Biomedical Innovation Centre | 01/12/2015 | 31/10/2016 |
| Peterborough Regional College Food Mfg Centre | 07/01/2015 | 31/07/2016 |
| Growing Places Fund Extension | 07/08/2015 | 31/03/2019 |
| <i>Highways Academy</i> | 01/03/2015 | 31/05/2016 |
| CITB Construction Academy | 10/01/2016 | 29/10/2017 |
| EZ Plant Centre Alconbury | 01/01/2016 | 31/03/2016 |
| Signpost to Grant | 01/02/2016 | 31/03/2019 |
| Lancaster Way Phase 1 Loan | 01/12/2016 | 31/03/2021 |
| Lancaster way Phase 2 Loan | 31/01/2017 | 31/03/2021 |
| Manea & Whittlesea Stations | 31/01/2017 | 31/03/2021 |
| Terraview Loan | 01/12/2018 | 30/04/2019 |
| Soham Station | 04/07/2019 | 01/07/2020 |
| Haverhill Epicentre | 01/07/2019 | 01/07/2020 |
| Advanced Manufacturing Facility - Living Cell | 26/03/2020 | 31/05/2020 |
| Aerotron CAPEX Relocation Project | 01/04/2020 | 01/06/2020 |
| Hauxton House Incubator Development | 15/07/2019 | 30/06/2020 |

5. Growth Deal Monitoring Return Q2 2020/21

- 5.1 The Business Board is required to submit formal monitoring returns to Government on Growth Deal performance and forecasts on a quarterly basis.
- 5.2 The return for Q2 2020/21 is being prepared by LGF Officers ready for submission and the

dashboard is attached at Appendix A for Business Board members to note.

- 5.3. The LGF team has however been compiling and updating an Issue Log for all projects live in delivery or in pre-contract negotiation. This is being shared with MHCLG and BEIS colleagues to appraise the situation regarding COVID upon LGF delivery. Please note Appendix B LGF Project Delivery Issue Log.
- 5.4. Projects shown in amber have slightly delayed delivery but with resolutions agreed with delivery partners to complete schemes by delivery end date. The RAG rating of all transport projects remain Amber or Amber/Green. There are currently no projects red-flagged as at end of Qtr 2 30 September 2020.

| Project RAG Ratings | | | | | |
|--|---------------------|---------------------|--|---------------------|---------------------|
| Project Name | Prev Qtr Q1_2021 | This Qtr Q2_2021 | Project Name | Prev Qtr Q1_2021 | This Qtr Q2_2021 |
| Whittlesey Access Phase 1 King's Dyke Crossing | G | G | The Growth Service | - | - |
| Ely Southern Bypass | G | G | NIAB - Hasse Fen Extension | G | G |
| Bourges Boulevard Phase 1 | G | G | TWI - Innovation Network Ecosystem | G | G |
| Bourges Boulevard Phase 2 | G | G | Illumina Accelerator Global Expansion | G | G |
| A47/A15 Junction 20 | G | G | Advanced Manufacturing Facility - Living Cell | G | G |
| Wisbech Access Strategy | AG | AG | Cambridge Northern Fringe - Sci Tech Container Village | N/A | N/A |
| TWI (The Welding Institute) Expansion | G | G | LGF Topslice | G | G |
| Technical and Vocational Centre, Alconbury Weald | G | G | Ascendal New Technology Accelerator | AG | G |
| Agri-Tech Growth Initiative | G | G | 3D Centre of Excellence | G | G |
| Cambridge Biomedical Innovation Centre | G | G | Aerotron CAPEX Relocation Project | G | G |
| Haverhill Innovation Centre | N/A | N/A | Start Codon - Healthcare & Life Science Accelerator | AG | G |
| Peterborough Regional College Food Mfg Centre | G | G | Advanced Manufacturing Innovation Launchpad - Chatter | G | G |
| Growing Places Fund Extension | G | G | Smart Manufacturing Association | AG | G |
| Highways Academy | G | G | Cambridge Biomedical Campus - Multi Occupancy Building | AG | G |
| CITB Construction Academy | G | G | TTP Life Science Incubator | AG | G |
| EZ Plant Centre Alconbury | G | G | Wisbech Construction Careers Hub | N/A | N/A |
| Signpost to Grant | G | G | University of Peterborough | G | G |
| Medtech Accelerator | G | G | South Fens Enterprise Park Phase 3 | AG | G |
| Lancaster Way Phase 1 Loan | G | G | Skills & Training Space Expansion | G | G |
| Lancaster way Phase 2 Loan | G | G | Brampton Hub - Mobility, Fuels & Logistics Launchpad | AG | G |
| Lancaster way Phase 2 Grant | AG | G | West Cambridge Innovation Park | AG | G |
| Manea & Whittlesea Stations | G | G | AEB Innovation Scheme | G | G |
| M11 J8 | N/A | N/A | CAM Promoter Body | - | G |
| Terraviva Loan | G | G | CRC Construction Hub | - | G |
| Soham Station | G | G | Peterborough City Centre - COVID Recovery | - | G |
| Haverhill Epicentre | G | G | - | - | - |
| Forecast | N/A | N/A | - | - | - |
| COVID-19 Capital Growth Grant Scheme | G | G | - | - | - |
| Hauxton House Incubator Development | G | G | - | - | - |
| NIAB - AgriTech Start Up | G | G | - | - | - |

6. COVID Business Capital Grants Programme

- 6.1 The COVID Capital Grant scheme run during summer 2020 is now closed and the £5.5million all awarded through grant offers is now being drawn down by invoice evidence claims from the businesses.
- 6.2 The claims value paid out so far equals: £2,242,634
- 6.3 The current funding position for the Local Growth Fund Programme as noted above has £2,753,178 left to allocate with a project being considered for funding approval at this Board meeting for £710,000, The Business Board is therefore asked to consider the following options for allocating that £2,043,178 of the remaining balance:

1. Ringfence the £2,043,178 into restarting the COVID Capital Grant Scheme subject to the Combined Authority area going into Tier 2 lockdown restrictions and analysing the level of Central Government grant support available to Businesses at that point. The key outcome for this option would be the creation and safeguarding of jobs and capital support to firms within the Combined Authority area to help prevent them from closing as demonstrated by the COVID Capital Grant scheme recently closed. The Value for money ratio from the approved applications for the COVID Capital Grant Scheme based upon creating new and safeguarding job outputs combined was £6,875 per output, if the ratio only includes new jobs created and does growth potential not counting safeguarded jobs then equates to £19,200 per output. The offer out to businesses through this scheme would be across all sectors and on a first come first served basis with pent up demand still likely from the last scheme especially from Hospitality and Leisure sector. The scheme criteria would be broadly as previously recommended by the Business Board and approved by the Combined Authority Board at its meeting on 29th April 2020, see Appendix C, However, the criteria would be reviewed to fit with current COVID-19 impacts plus consideration to targeting and promotion of the scheme aimed at applicants who applied in last scheme but the funds ran out before their application could be considered. There are factors to consider such as potential job losses in relation to the winding down of government furlough scheme and the slower than expected economic recovery since the summer for parts of the economy in the Combined Authority area and so it is proposed holding this funding ringfenced for this purpose until end of December 2020 with the decision to trigger this scheme delegated to Director of Business and Skills in consultation with the Lead Member for Finance and the Business Board Section 73 Officer.

In January 2021 the Business Board can review this option and if required to remove the ringfence to allocate in a different manor.

2. Allocate the £2,043,178 into the Growth Grants strand of the new Business Growth Service which will be targeting companies with rebound and regrowth potential, seeking to create higher value sustainable jobs and this service is contracted to achieve a target value for money ratio on new jobs created per grant given of £6,000 per output. The delivery of these grants would be negotiated as a contract variation for the new Business Growth Service contractor to award the grants out to businesses in the Combined Authority area and those grants claimed before end of March 2021. The contractor would be asked to manage the targeting of the relevant businesses in the key sectors that have the highest potential for rebound and regrowth.

The Business Growth Service approval by Business Board and Combined Authority Board in November 2019 did include £6million of LGF as provision for the capital Growth Grants in this programme but this figure was subsequently reduced because of allocating £3million into the COVID Capital Grant Scheme over the summer 2020. Allocating the remaining £2,043,178 LGF back into this programme would bring the available Capital Growth Grants back to £5,043,178 to be deployed through this programme by the appointed contractor.

- 6.4 The Business Board is asked to decide the allocation of the remaining £2,043,178 Local Growth Fund into one of the two proposed grant scheme options above, and
- 6.5 The Business Board is asked to recommend that the Combined Authority Board delegate authority to Director of Business and Skills in conjunction with the lead member for finance, the Monitoring Officer and Section 73 Officer to approve launching of the chosen option as

required.

7. Eastern Agri-Tech Growth Initiative Update

- 7.1 The Eastern Agri-Tech Growth Initiative has funded a total of 81 projects since the Growth Deal/Local Growth Fund invested through this programme, Since the last update for the BB, the Eastern Agri-Tech Programme Board has met 5 times (via the Zoom platform) and considered 15 applications for grant support. 12 were approved and 3 rejected. Of the 12 successful applicants, 7 were R&D projects and 5 were Growth/CAPEX projects. A total of £569,790 has been awarded to the 12 businesses. The 3 unsuccessful applications were R&D proposals. There are 4 applications currently being appraised with a total grant value of 157,630; 3 are R&D project proposals and 1 is Growth/CAPEX. The Programme Manager is expecting a further 4 more applications during November and December and if these come forward and are approved, the remaining Agri-Tech budget will just be £318,584.
- 7.2 During the previous 7 years, the Agri-Tech project has used a portion of its funds, including a percentage of NALEP funds, to support the management of the project. These funds include the cost of staff members, appraisals, evaluation and monitoring and other similar activities. Although the project itself will have come to a close due to the defrayment of LGF funding, there is a requirement to conduct evaluation and monitoring of the individual projects as well as provide a final report.
- 7.3 The Agri-Tech Programme Board takes decisions about applications for grant funding and not programme management as per agenda item 2.3 at the Business Board on 26th November 2018.
- 7.3 It is therefore requested that the Business Board recommend to the Combined Authority Board to approve withholding a further £100,000 of the allocated funds to the scheme to close out the scheme, handle final claims and create a full programme evaluation and report during 2021-22. This £100,000 does not include any New Anglia Local Enterprise Partnership (NALEP) funding, therefore does not require NALEP approval.

8. LGF Monitoring and Evaluation Update

- 8.1 The Monitoring of all live projects in delivery is conducted by the Local Growth Fund team on a monthly and quarterly basis. The Business Board is asked to note latest updated Monitoring report at Appendix D for all projects both completed and live.
- 8.2 Metro Dynamics and their specialists Ekosgen are contracted to support the evaluation of the completed LGF projects. The initial evaluation paper produced by Ekosgen on the closed projects awarded historically under the Greater Cambridge Greater Peterborough Local Enterprise Partnership tenure has been submitted to the LGF Team, upon review it was decided further work was required, therefore the draft summary report for these first tranche of projects will now be provided to Business Board members as soon as ready in November and the evaluation contractor will be invited to present findings at January Business Board meeting.

9. LGF Processes Review and Pipeline Development

9.1 A review of the application and evaluation processes used for the Local Growth Fund (LGF) has been led by Andy Neely on behalf of the Business Board working with the LGF Officers. The review comprised of investigating the following and providing a report back to the Business Board:

- What went well
- What did not go so well, and
- Best practice from other organisations that we would like to implement if possible.

As part of the review process a peer comparison was conducted.

9.2 From the peer comparison work it has become evident that we are currently carrying out a robust and transparent process that meets the requirements of the LGF calls. This being the case we would not propose to make any changes to our current process for any current calls linked to this round of LGF funding. There were some improvements highlighted that could be changed to the current process, but these are dependent on the next round of major funding from central government and the criteria that are placed on it by Government. We are proposing that we should look at the following areas once the next significant round of funding is announced:

- The development of a pipeline of projects
- The initial application submission – make a gate keeping stage not scored
- The Full Application – if a lighter touch Expression of Interest is in place, we would require a more detailed Application be produced.
- Entrepreneur Panel (EAP) – Expand the remit of the panel.
- External Appraisal – propose no change but possibly expand remit slightly.

9.3 The review concludes that we have a robust and transparent process for allocating LGF in the CPCA Business Board, we had a very short timeframe within which to allocate funds and ensure projects would be able to meet the deadline of completion by the 31st March 2021. However the 5 areas identified above for further investigation allow the Business Board to begin the process of added improvement to establish a clear and robust framework for decision making and potentially projects ready to go when the next funding announcement is made.

The Draft report from the review is attached at Appendix E for the Business Boards' information and to note the review report findings.

9.4 After reviewing current application and evaluation processes the LGF team have started working on ideas for Pipeline development plan in preparation for next tranches of funding that will be allocated to the Combined Authority with over-sight by the Business Board.

This includes working closely with our Local Authorities and connecting more into the private sector to broaden our range of projects plus bring forward strategic investment priorities in line with Local Economic Recovery Strategies, Sector Strategies, and a refreshed Local Industrial Strategy.

Another aspect is to enable project capture is by embracing technology at the project gathering part of the process, with project leads able to add their project to the online form at an early speculative stage.

Appendix F outlines the draft plan for pipeline development over 2021/22 and beyond to prepare for further tranches of funds from government that the Business Board would be

required to manage oversight of.

10. Getting Building Funding Update

- 10.1 The Business Board at its Extraordinary meeting on the 19th October 2020 recommended to the Mayor in Consultation with the Combined Authority Board approval of Getting Building Fund to the Peterborough University Phase 2 Manufacturing and Materials Research & Development Centre project subject to conditions recommended by the external appraiser.
- 10.2 The Mayor consulted with Combined Authority Board members at the Leaders Strategy Meeting on the 28th October on this approval and at the time of writing it is envisaged that the Mayor will make a final decision on or after 3rd November 2020.
- 10.3 The approval includes delegated authority for contractual award when the external appraisers' conditions are met and at that point contractual agreements will be signed off with the Project partners prior to payment of the £14,295,000 GBF.

Significant Implications

11. Financial Implications

- 11.1 The requested allocation of remaining LGF funds to start a second round of the COVID capital grant scheme is, by its nature, within the available LGF so can be committed without affecting the wider CPCA finances.
- 11.2 As the first round of the COVID capital grant scheme has not reached the monitoring and evaluation phase at this point it is not possible to take historic performance into account when assessing the proposal to run a second round. As such the actual level of jobs outcomes achieved vs forecast cannot currently be determined.
- 11.3 If the remaining funds were allocated as an addition to the Business Growth Service it would be covered by the performance indicator mentioned in paragraph 6.3(2) so would either guarantee the outcomes at £6k per job, or a saving due to profit elements of payments being withheld.
- 11.4 The £100k of Agri-tech funds to be utilised in 2021-22 is already included within the overall programme allocation from LGF funds and represents a reprofiling of expenditure rather than an increase in the total project costs.

12. Legal Implications

- 12.1 The Cambridgeshire and Peterborough Combined Authority Order 2017 granted the Combined Authority a general power of competence. This power permits the Combined Authority to make grants to providers in order to deliver the terms of the devolution deal signed with Government.

- 12.2 The Business Board is responsible for programme direction of Growth Funds. The Combined Authority, as the Accountable Body, maintains the legal agreements with project delivery bodies.

13. Other Significant Implications

- 13.1 None.

14. Appendices

- 14.1 Appendix A – Cities and Local Government (MHCLG/BEIS) Quarter 2 Return
- 14.2 Appendix B – LGF Project Delivery Issue Log
- 14.3 Appendix C – Update on the Combined Authority's response to Covid-19 and Funding Decisions
- 14.4 Appendix D - Business Board LGF Investment Monitoring Report
- 14.5 Appendix E – LGF Processes Review Report
- 14.6 Appendix F – LGF Pipeline Development Plan (Draft)

15. Background Papers

- 15.1 Local Growth Fund Documents, Investment Prospectus, guidance and application forms, <https://cambridgeshirepeterborough-ca.gov.uk/business-board/growth-funds/>
72 Market Street, Ely, Cambridgeshire CB7 4LS
- 15.2 Eastern Agri-tech Growth initiative guidance and application forms, <https://cambridgeshirepeterborough-ca.gov.uk/business-board/eastern-agri-tech-growth-initiative/>
72 Market Street, Ely, Cambridgeshire CB7 4LS
- 15.3 List of funded projects and MHCLG monitoring returns, <https://cambridgeshirepeterborough-ca.gov.uk/business-board/opportunities/>
72 Market Street, Ely, Cambridgeshire CB7 4LS
- 15.4 Local Industrial Strategy and associated sector strategies, <https://cambridgeshirepeterborough-ca.gov.uk/business-board/strategies/>
72 Market Street, Ely, Cambridgeshire CB7 4LS
- 15.5 COVID Business Capital Grant Scheme, <https://capitalgrantscheme.co.uk/>
72 Market Street, Ely, Cambridgeshire CB7 4LS