

<b>BUSINESS BOARD</b>	<b>AGENDA ITEM No: 3.1</b>
<b>30 APRIL 2019</b>	<b>PUBLIC REPORT</b>

## **GROWTH PROGRAMME UPDATE**

### **1.0 PURPOSE**

- 1.1. To update the Business Board on the Local Growth Fund programme (the Growth Deal) and the Growing Places Fund transferred over from the previous Local Enterprise Partnership arrangements.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Cllr Charles Roberts</b>
<b>Lead Officer:</b>	<b>Adrian Cannard, Strategy and Planning Director</b>
<b>Forward Plan Ref: N/A</b>	<b>Key Decision: No</b>
<p>The Business Board is recommended to:</p> <p>(a) Note the transfer of the Local Growth Fund and Growing Places Fund</p> <p>(b) Agree the timetable for approval of Business Growth Prospectus</p>	<p><b>Voting arrangements</b></p> <p>Simple majority of all Members</p>

### **2.0 BACKGROUND**

- 2.1. This paper provides the Business Board with an update on the two main investment funds – the Growth Deal and Growing Places Fund – transferred to the new Local Enterprise Partnership arrangements as from 1<sup>st</sup> April 2018.
- 2.2. Including the submission to Government of a Strategic Economic Plan in 2013 there have been three nationally competitive rounds of funding allocations

under the Local Growth Fund (referenced as the Growth Deal). In total £146.7m has been allocated to the area.

- 2.3. The Growing Places Fund was originally a £16m fund allocated to the area; the majority of which deployed as loans, with the repaid capital becoming available for further projects.

### The Growth Deal

- 2.4. £146.7m was allocated to deploy on capital projects in line with the Strategic Economic Plan over the period to March 2021. The 6-year programme started officially in April 2015, but included projects which had started earlier and had been awarded funding previously allocated to Local Transport Bodies but moved into Growth Deals. The funding must be spent by 31st March 2021. Government pays the grant allocation annually in advance (subject to a review of performance) and the profile is skewed, with a significant proportion only available in the final year:



- 2.5. Growth Deal Round 1 and 2 were mostly allocated against specific projects across transport, businesses, and skills, whereas Round 3 is a programme 'pot' with flexibility. The Growth Deal is governed by a specific Assurance Framework.
- 2.6. The allocations are a 'deal' with Government, with specific output measures. The headline measures are: 22,500 jobs created or safeguarded over the period; 10,440 additional homes; 2,200 people trained; and £20m of private sector investment leveraged.
- 2.7. In 2016 expressions of interest were invited from partners and stakeholders in order to shape the local bid to the third round of the Local Growth Fund bidding. Over 60 expressions of interests were received under the themes of infrastructure, transport, housing, innovation, employment and skills. Given the difficulties over Growth Deal funding being released from Government, the

proposal to develop a funding prospectus was suspended. Some of these expressions of interest have since gone on to be funded via other Government funds or with support from the Combined Authority.

- 2.8. Given the delay of the 17/18 payment (released Feb 2018), a risk management approach was initiated to only commit growth projects up to available resources. Subject to the release of the 18/19 payment the programme can restart, also giving the Business Board the opportunity to refresh the approach to funding opportunities (within the constraints of the Deal).
- 2.9. A summary of existing schemes is included in Appendix A. A new risk management regime is being implemented for the Growth Deal programme (to align with that agreed by the Combined Authority's Audit and Governance Committee). Initial analysis has scored four schemes in the 'Very High Risk' category, principally due to delivery timescale issues. Corrective action (as required) should be considered at the June Business Board meeting in the wider context of the approach to the Business Growth Prospectus.

### **Growth Deal Financial Commitments**

- 2.10. The Growth Deal spend position as at 1<sup>st</sup> April 2018 is £55.7m. This includes £16m for Ely Southern Bypass transferred directly from Department for Transport to the project deliverer (Cambridgeshire County Council) but counted as Growth Deal programme expenditure.
- 2.11. There is a further £19m under contract, taking the total Growth Deal commitment to 2021 to just under £75m.
- 2.12. Under the risk management approach, commitments were constrained to available cash reserves. Taking into account these spend and contracted amounts, there is a positive cash balance in the Growth Deal budget of £4.66m.
- 2.13. This excludes the following;
- (a) Any provision for Programme Management costs: assumed within the Business Transfer Agreement to be at 4% overall but subject to a number of restrictions; and
  - (b) Any use of repayments or interest from loans made from Growth Deal's 'Growing Places Fund Extension'. Use of these will be proposed in the Business Growth Prospectus (it would be logical that the loans capital is transferred to the Growing Places Fund to be recycled for further loans or grants).
- 2.14. The Growth Deal provisionally allocated an additional £22.8m to five projects that are still subject to full business case appraisal. These are:
- |  |        |
|--|--------|
| (a) Wisbech Access Strategy (delivery)       | £10.5m |
| (b) A428 transport improvements contribution | £9.0m  |
| (c) Haverhill Innovation Centre contribution | £1.3m  |
| (d) Soham Station contribution               | £1.0m  |
| (e) M11 Junction 8 contribution              | £1.0m  |

2.15. Total allocated and provisional Growth Deal is therefore £97.5m, leaving £49.2m to be deployed via the Business Growth Prospectus.

## Growth Deal Outputs

2.16. As the Growth Deal has largely comprised infrastructure projects, the delivery of homes and jobs are forecast over several years following scheme completion.

2.17. Figure 1) below is an extract from the quarterly return to BEIS for Q3 17/18. Further outputs have been reported, but as they apply to Q4 17/18 are not yet recorded in the BEIS return. Fig 1) Growth Deal Deliverables Progress

Deliverables Progress									
Housing	This Quarter	15-17	Financial Year					Total	
			17-18	18-19	19-20	20-21	21-22		
Houses Completed	0	200	0	0	0	0	-	-	200
Forecast for year	200	200	200	428	498	600	6,197	-	8,123
Progress towards forecast	0%		0%	0%	0%	0%	-	-	2%
<b>Jobs</b>									
Jobs Created	320	51	480	0	0	0	-	-	531
Apprenticeships Created*	0	0	0	0	0	0	-	-	0
Jobs including Apprenticeships	320	51	480	0	0	0	-	-	531
Forecast for year	520	51	520	828	72	300	5,905	-	7,676
Progress towards forecast	62%		92%	0%	0%	0%	0%	-	7%
* Apprenticeships included within jobs totals prior to 2017									
<b>Skills</b>									
Area of new or improved floorspace	0	440	195	0	0	0	-	-	635
Forecast for year	2,142	440	2,142	0	0	0	0	-	2,582
Progress towards forecast	0%		9%	-	-	-	-	-	25%
<b>Number of New Learners Assisted</b>									
Number of New Learners Assisted	0	0	257	0	0	0	-	-	257
Forecast for year	149	0	149	149	99	99	324	-	820
Progress towards forecast	0%		172%	0%	0%	0%	-	-	31%
<b>Transport</b>									
Length of Road Resurfaced	0.0	0.0	6.0	0.0	0.0	0.0	-	-	6.0
Length of Newly Built Road	0.0	0.0	1.0	0.0	0.0	0.0	-	-	1.0
Length New Cycle Ways	0.0	0.0	2.5	0.0	0.0	0.0	-	-	2.5

2.18. Forecasts are profiled for allocated schemes, where forecasts have been provided. More work is needed with Project Delivery Bodies to accurately forecast all outputs as well as additional project outcomes.

## Growing Places Fund

2.19. The Growing Places Fund was a separate £16.1m funding source made available from 2012 to 2013, to establish a revolving pot to support businesses in creating jobs. Around £322k of this was awarded as programme management costs leaving £15.8m to allocate to projects. This was distributed initially via two bidding rounds, in 2012/13 and 2014/15 and then on a rolling basis. Appendix B provides a summary of the projects, which are a mixture of loans and grants. £1m of the programme was awarded as revenue, with the remainder as capital. Around £22m has been awarded to date.

2.20. There is just under £8m within the Growing Places budget that can be deployed. Given the issues around the Growth Deal in 2017, the loans programme was effectively closed to new activity to act as an emergency capital reserve. It is proposed that reopening this programme is addressed in the Business Growth Prospectus. The Growing Places Fund does not have to be spent by a specific date.

### **Business Growth Prospectus - Process and Timescales**

2.21. It is proposed that a Business Growth Prospectus is brought to the June Business Board. This would set out the investment programmes to deploy the remaining allocations.

2.22. The Business Growth Prospectus would need to reflect the following considerations:

- (a) The outputs agreed in the Deal with Government;
- (b) The changed local funding landscape, such as the significant infrastructure funding being deployed for housing and transport in the Combined Authority area;
- (c) Available time left to agree business cases and successfully implement projects by 2021 to achieve outputs;
- (d) Synergy with the Industrial Strategy and programmes;
- (e) Emerging outputs from the Cambridgeshire and Peterborough Independent Economic Review;
- (f) Appetite for risk and innovation; and
- (g) Relationship with those areas within the LEP area yet not within the Combined Authority area.

2.23. The Prospectus would also need to take into account the guidance received from Government in developing the third Growth Deal bid:

- (a) there was an expectation from Ministers that LEPs should focus on a smaller number of significant, large-scale and transformational projects;
- (b) growth deals should support Government's wider policy aspirations relating in particular to housing and productivity;
- (c) proposals should include a greater level of private sector investment than in previous rounds, as well as match funding from other bodies such as universities;
- (d) LEPs should demonstrate how SMEs will benefit from / be engaged with Growth Deal 3.

2.24. Work on the Business Growth Prospectus will be led by Harriet Fear, the interim Director of Business and Skills who started in April 2018. There are some early contenders for the Prospectus, including the continuation of successful existing schemes (such as the Agri-tech programme); support for the existing Enterprise Zones and capital support to new 'growth opportunity zones' under the Place approach; implementation of the Science and Innovation Audit recommendations; direct business investment or finance.

2.25. Opportunities to match with external sources of revenue programmes will be explored. Individual projects will still be subject to the Assurance Framework, including testing business cases for value for money.

2.26. As a general guide from Government, project proposals under Growth Deals should be for:

- (a) capital projects which deliver clear jobs, homes or learner outputs and / or outcomes by 2020/21;
- (b) have at least 50% match funding in place or source clearly identified;
- (c) be State Aid compliant.

### **Business Growth Prospectus 2018/19 – Timetable**

DATE	MILESTONE / TASK
April	Business Board to receive programme update and timetable for prospectus
May	Development of prospectus – strategic themes and outcomes  Review of internal systems and processes – develop plan for Due Diligence and appraisals of projects / programmes and prepare budget proposal for programme management
June	Business Board to consider Growth Prospectus and programme management arrangements  To agree criteria for any loan funds and any appropriate delegations needed from CA Board
July	Prospectus launch – proposed w/c 9 <sup>th</sup> July with deadline of 24 <sup>th</sup> August
September	Review of Expressions of Interests / Outline Business Cases  Board to approve initial shortlist of projects to proceed to full Business Case
October	Due Diligence ongoing Review of Business Cases and draft Heads of Terms
November	Business Board to recommend projects for approval by CA Board (subject to agreed delegations)  Contracting with projects begins
January 2018 onwards	New projects start  Pipeline of projects move through appraisal and approval process

	Consider new prospectus for 'mop-up' round in 19/20 if necessary

### 3.0 FINANCIAL IMPLICATIONS

3.1. Significant implications. The Combined Authority as Accountable Body for the Growth Deal and Growing Places Fund has to consider programme management and cash flow risks. Proposals recommended by the Business Board relating to the Business Growth Prospectus and the resulting level of contractual commitment to spend versus available cashflow will need sign-off by the Accountable Body.

### 4.0 LEGAL IMPLICATIONS

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

### 5.0 SIGNIFICANT IMPLICATIONS

5.1. The Growth Deal is a substantial funding agreement between the local area and Government, with scope for significant impacts on the growth of the local economy. Successful delivery has positive benefits to residents, businesses and workers within the Business Board area.

### 6.0 APPENDICES

6.1. Appendix A

6.2. Appendix B.

<u>Source Documents</u>	<u>Location</u>
Growth Deal 3 submission July 2016 <a href="http://www.gcgp.co.uk/wp-content/uploads/2013/10/GCGP-Growth-Deal-3-Submission-July-2016-1.pdf">http://www.gcgp.co.uk/wp-content/uploads/2013/10/GCGP-Growth-Deal-3-Submission-July-2016-1.pdf</a>	