

## **FUNDING ISSUES**

### **Introduction**

1. At its October Board meeting, the Board considered a paper setting out some initial thoughts around GCGP's role in allocating funding. This paper:
  - a) builds on that earlier work and sets out specific criteria for making decisions on the Growing Places Fund, as this will be the first set of funding decisions the Board will need to make, and;
  - b) sets out some initial thinking around the potential to build on the Growing Places fund to create a larger GCGP Infrastructure and Business Growth Fund which would pull together other sources of funding to enhance our area's ability to overcome the barriers to growth and to make the most of its undoubted economic potential.

### **Background**

2. There are a number of initiatives that are giving either LEPs or Local Authorities more control over elements of funding to support economic growth, notwithstanding the overall reduction in funding support as part of the Government's deficit reduction programme.
3. Enterprise Zones are one such initiative, targeted at LEPs. The Government has awarded the Greater Cambridge and Greater Peterborough Enterprise partnership (GCGP) an enterprise zone within the Alconbury Airfield site. The Government has stated that all business rates growth within the enterprise zone for a period of at least 25 years, starting from 2013/14, will be retained locally to support the delivery of economic priorities for the local enterprise partnership area as a whole. The Government is encouraging LEPs to draw up plans for the management of this funding.
4. The Growing Places Fund is an additional fund for the LEP to administer. On 7 November 2011 the Government published its prospectus for the £500m Growing Places Fund and announced allocations to individual LEPs. GCGP will receive £10.6m of funding. The Growing Places Fund is expected to be targeted at stalled sites and projects that unlock development, and the creation of rolling or revolving infrastructure funds is being encouraged by Government, with hints that areas that can demonstrate such innovative uses of these funds may receive additional funds in future rounds.
5. Longer term, the Government has announced its intention to consult on its proposals for devolving funding for local authority major transport schemes to LEPs or consortia of LEPs. Devolution of funding could begin from April 2015.

6. Beyond these LEP-related initiatives, the Government has also introduced a number of schemes aimed at giving local authorities more ability to retain the dividends attached to housing and/or economic growth. The Government's recent Local Government Resource Review for example proposes that local authorities retain a significant element of business rates generated in their area. The aim here would be to incentivise local authorities to promote economic growth. The Government aims to bring forward legislation later this year that would allow for the local retention of rates from April 2013. The Community Infrastructure Levy also aims to give Local Authorities more effective tools to collect developer contributions to fund local and more strategic infrastructure. And the New Homes Bonus provides additional funds for local authorities to help meet the needs associated with population and housing growth.

### **Proposed Funding Criteria (for Growing Places Fund)**

7. The Board has the role of allocating funds from the Growing Places Fund. It is important that the decision making process is transparent and clearly auditable and the funding criteria clearly defined. The creation of an investment sub-group, as proposed in the draft Members' Agreement is another means of demonstrating a link through to democratically elected members. This is particularly important given that GCGP is a business-led body making decisions around the use of taxpayer funding.
8. The Growing Places Fund should be used in ways which support GCGP's strategic objectives and priorities. We have set out the following as key priorities:
  - **Skills and Worklessness**
  - **Strategic economic vision (inc infrastructure, housing and infrastructure)**
  - **Supporting high growth potential businesses and clusters**
  - **Funding, including inward investment and EU funding**
  - **Responding to economic shocks**
9. At a broad level, it would be expected that schemes funded through the Growing Places Fund (or any wider fund) may fit within these priorities. At a more granular level, it is proposed that any proposals for funding are considered against the following key funding criteria, which would form part of the evidence the Board would take into account in making a considered decision:
  - a) **Consistency with GCGP's strategic priorities**
  - b) **Expected number of jobs created or retained**
  - c) **Is the proposal for Loan/equity or grant? Projects that are suitable for investment through loan or equity investment would have a higher weighting as they will help to create a sustainable rolling fund.**
  - d) **Deliverability of project**

- e) **Evidence base – is the need for the project and for investment support well evidenced? Is it consistent with extant local economic assessments/relevant integrated development programmes etc?**
- f) **Value for money - including level of leverage of private sector or EU investment/inward investment**
- g) **Level of leverage of other forms of public funding**
- h) **State Aid compliance**
- i) **The extent to which the project would deliver sustainable growth**

### **Call for Proposals**

10. It is proposed that the LEP puts out a call for proposals for investments from the Growing Places Fund to the local area via Local Authorities, Business Representative organisations and social media, citing the guidance agreed by the Board. These could then be considered, along with any other projects considered worthwhile, by the Investment Sub-Group as it puts together its initial proposals.

### **Evidence Bases**

11. There are a number of potential evidence bases that GCGP would be able to call upon in determining funding priorities.
12. Cambridgeshire County Council and Peterborough City Council have local economic assessments in place, although given the volatility of economic conditions, elements of these assessments may now be out of date. The Board would also need to take account of the evidence bases relating to Rutland and the five non-Cambridgeshire districts (Kings Lynn and West Norfolk, St Edmundsbury, Forest Heath, North Hertfordshire, Uttlesford).
13. Both Peterborough City Council and Cambridgeshire Horizons also co-ordinated the development of Integrated Development Programmes for their areas. The programmes provide an evidence base on sub-regional infrastructure needs across their area and set out priority projects of a strategic and sub-regional nature. Furthermore with the onset of the new Community Infrastructure Levy, each local planning authority will need to put in place local infrastructure funds, although these tend to focus on small scale infrastructure needs. Some local planning authorities already have these in place.

### **Transparency**

14. Although GCGP will not wish to create a bureaucratic and overly time consuming process for determining funding allocations, it will nevertheless need to put in place arrangements that are transparent and bear up to scrutiny, with the final decision made by the Board.

### **Accountable body for the fund**

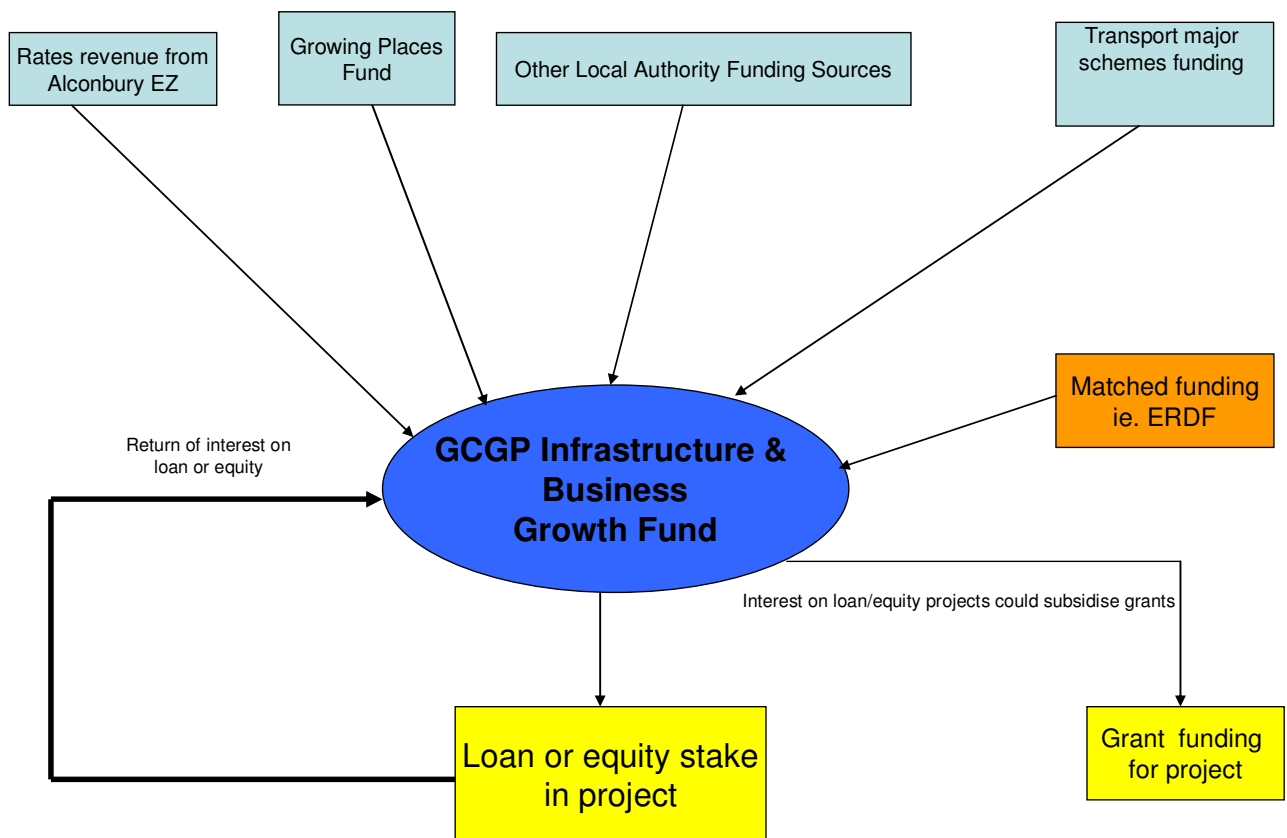
15. Although decisions on allocation are for the LEP Board, there will need to be an arrangement with Local Authority partners to link into the relevant auditing and accounting requirements attached to public funds. Cambridgeshire County Council has agreed to take on this role for the Growing Places Fund and this was submitted as part of the PQQ we completed in order to meet Government requirements before the funds can be released. Similar processes were used in Cambridgeshire for monies previously allocated by the Cambridgeshire Horizons Board but for which the County Council was the accountable body.

### **GCGP Infrastructure and Business Growth Fund**

16. Looking beyond the immediate issues relating to the Growing Places Fund, the Board's views are invited on whether to explore building on the Growing Places Fund to link it with other new funds available to GCGP (set out in paragraphs 3 to 5 above) to form the basis of a **GCGP Infrastructure and Business Growth Fund**.
17. The key initial elements of such a fund would be the rates revenue from the EZ, GCGP's share of the Growing Places Fund, and any transport funding devolved to the LEP.
18. Such a fund could have even greater impact on infrastructure deficits if it could be combined with an element of Local Authority controlled funding sources that are intended to support economic and housing growth such as business rates retained locally, Community Infrastructure Levy and New Homes Bonus.
19. There could be significant benefits in pooling some elements of these funding streams under a single GCGP fund. It could provide greater flexibility and critical mass, enhance the ability to attract private sector co-investment alongside such a fund, and help to deliver a more joined up approach to tackling the barriers to growth across the GCGP area.
20. The purpose of a broader fund would be to unlock barriers to growth through the funding of new infrastructure projects and other measures that support business and job growth. Projects of a strategic nature and of sub-regional significance could be prioritised through the fund. However, the GCGP Board would also have the flexibility, within a large fund, to fund more local-scale projects, especially as a response to local economic shocks.
21. Wherever possible, the fund should seek to maintain or augment its initial capital pot, and use investments to create a revolving fund, as the money would come back to GCGP for future reinvestment. The fund would therefore

become a sustainable revolving fund. Investments could be made in the form of a loan, for instance to pump prime major developments, or to acquire equity in a project. GCGP would reinvest loan repayments (with any interest on the loans) or equity returns in other projects. Where necessary, the GCGP fund could be used in the form of a grant for regeneration projects that would not otherwise happen (subject to state aid clearance). The interest earned from loan or equity projects could subsidise grant funded projects. The GCGP fund could also be match funded by other sources of funding such as ERDF, and it could also be possible to borrow against future expected revenue sources such as EZ revenues.

22. The diagram below illustrates how such a fund could work:



## Recommendations

23. Does the Board agree:

- I) with the proposed criteria for determining allocation of monies from the Growing Places fund, and aiming to establish this as a “revolving”, “rolling” or “evergreen” fund?
- II) to put out a call for proposals to all 13 Local Authority Partners for projects that could fit these criteria

- III) that the LEP should begin to work with its local authority members to explore whether a broader GCGP infrastructure and business growth fund could bring additional benefits?**